



Detailed Analysis of Financial Statements
of “Samruk-Kazyna” JSC
for the first half of 2014

Astana, 2014

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The Detailed Analysis of Financial Statements of “Samruk-Kazyna” JSC (hereinafter – the Fund) was prepared in addition to the audited consolidated and separate financial statements of the Fund for the first half of 2014.

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.

1. Review of the Fund's Group

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” # 550-4, 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.

The Fund's mission is to increase the national wealth of the Republic of Kazakhstan by increasing the long-term value of companies and 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 575 companies, as well as the corporate center “Samruk-Kazyna” JSC, 371 subsidiaries (hereinafter - subsidiaries) of all levels and 204 associates and jointly-controlled entities, financial investments, as well as shares in associates and jointly-controlled enterprises of other 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, 2014 included 24 subsidiaries. As compared with the 1st half of 2013 the number of subsidiaries included in the consolidation has decreased due to the sale of shares of “BTA Bank and subsidiaries” JSC and “Temirbank” JSC, liquidation of KGF SLP, KGF 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 2014.

Name	H1 2014, assessment	H1, 2013, fact	Change, in %
Real GDP growth, in %	103,9	105,1	-1,1
Inflation at the end of period, %	4,9	2,7	81
Exchange rate of KZT to USD	183,52	154,06	19

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 sectoral programs.

According to the interim condensed consolidated financial statements of the Fund for the 1st half of 2014 in accordance with IFRS, other distributions to the Shareholder for the period amounted to KZT9.5 billion, including:

- 1) sponsorship is provided for KZT3.3 bln. under the instruction of the Government of the Republic of Kazakhstan for the financing of social, cultural and sporting events, in particular for the organization of the Press Centre for the purpose of image events and trips to promote the Kazakh delegation to support the athletes on Winter Olympics 2014 in Sochi; for the 10th World Championship on Fire Fighting Rescue Sport in 2014 in the Republic of Kazakhstan; VII Astana Economic Forum, the Supreme Eurasian Economic Council, the Supreme Eurasian Economic Council; for financial support of “Nazarbayev University”;
- 2) additional reserve is recognized for the reconstruction of the trade fair center in Moscow (Russian Federation) in the amount of KZT1.1 billion and the provision for the construction of kindergartens in the city of Astana for KZT2.5 bln;
- 3) irrevocable commitment is recognized to the donation of social facilities to the akimat of Mangistau region amounting to KZT0.233 billion;
- 4) the cost of feasibility study and design estimates for the construction of the Palace of Youth “Zhastar” in the amount of KZT1.1 billion;
- 5) KZT1.2 bln was allocated to build two schools in the cities of Bishkek and Osh, Kyrgyz Republic in accordance with the Agreement between the Government of the Republic of Kazakhstan and the Government of the Kyrgyz Republic.

The investment program of the Fund carried out through subsidiaries, includes 166 investment projects with a total value of KZT 13 987 billion, some of which are currently completed, others - are at the implementation stage..

The sectoral structure of these investment projects is given below.

KZT bln.

Segment	Current investment portfolio							
	Total number of portfolio projects		Projects under implementation		Implemented projects		Perspective projects	
	Number	Value	Number	Value	Number	Value	Number	Value

Segment	Current investment portfolio							
	Total number of portfolio projects		Projects under implementation		Implemented projects		Perspective projects	
	Number	Value	Number	Value	Number	Value	Number	Value
Oil & gas	16	3 260	15	3 143	0	-	1	117
Chemistry	8	1 316	6	961	0	-	2	355
Transportation	22	1 655	16	1 094	5	226	1	335
Telecommunication	10	213	10	213	0	-	0	-
Power	38	1 994	25	1 525	4	105	9	363
Mining	23	738	0	-	1	5	22	733
Nuclear sector	7	4 626	4	4 546	1	41	2	39
Machine building	4	26	2	22	2	4	0	-
Other	16	160	11	154	3	5	2	0
TOTAL	144	13 987	89	11 658	16	386	39	1 943

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, SPAIID, the Strategic Development Plan of the Republic of Kazakhstan until 2020 and other strategic and program documents of the country.

Under the SPAIID the Fund implements 48 investment projects with a total value of about KZT 9 872.3 billion. The relevant projects by sectors include oil and gas, petrochemical, transportation, energy, chemical, metallurgical industries. The implementation of these projects will create about 50 thousand jobs during construction and more than 21 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.

2 Results of Operating Activities

2.1 Consolidated financial indicators

Name	Unit of measure	H1			
		2014	2013	Deviation (+/-)	Change, in %
Consolidated net income	KZT bln.	254.4	306.9	-52.6	-17.1
Consolidated net income on the share of the Shareholder of the parent Company	KZT bln.	216,1	286,1	-70,0	-24
EBITDA margin ¹	%	22.9	22.8	0.1	0.4

Structure of the total revenue

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.

Name	H1 of 2014			H1 of 2013			Change,	Change, in, %
	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	113	2 509	100	110	2 265	244	11
Expenditure on operating activities	88	100	-2 217	91	100	-2 053	-164	8
Cost of sales and interest expense	71	80	-1 769	70	78	-1 595	-174	11
Gross income	29	33	740	30	33	670	70	10
General administrative expenses (GAE)	7	8	-175	8	8	-174	-1	1
Shipping costs and sales	8	9	-191	7	7	-153	-38	25
Losses on assets impairment	3	4	-82	6	6	-132	50	-38
Income (loss) from operating activities	12	13	292	9	10	212	80	38
Financial income	6	6	-139	5	5	-112	-27	24
Financial expenses	2	3	56	2	2	36	20	57
Equity in earnings of associated companies and joint ventures	9	10	231	12	-14	282	-51	-18
Income/Loss from exchange rate	2	2	-55	0	1	-11	-44	386
Net other non-operating income /(loss)	0	0	-5	1	1	14	-19	-133
Income/(loss) before taxation	15	17	381	19	20	421	-40	-10
Income tax expense	5	5	-120	5	6	-115	-5	4
Net profit	10	11	254	14	15	307	-53	-17

Find attached the main factors of change in the net profit in the first half of 2014 compared with the same period in 2013

Factors	Change, KZT bln.
Net income (KZT 254,4 bln. In H1 2014; KZT 306,9 bln. In H1 2013)	- 52.6
In part because of:	
Decrease in impairment losses	50.0
Operating profit growth from: <ul style="list-style-type: none"> • “Exploration and Production “KazMunayGas” JSC due to the increase in sales volumes of export by “Caspian Pipeline Consortium” LLP and growth of oil prices KZT bln 27.1; • “KazMunayGas” Refining Marketing” JSC due to accrual of provisions on tax risks in 2013 to the amount of KZT bln. 8.0; • “KazMunayGas-Onimderly” LLP due to growth in sales volumes (rising number of filling 	31.4

Factors	Change, KZT bln.
stations and wholesale sales of petroleum products from the Russian Federation) by KZT bln. 4.5; <ul style="list-style-type: none"> increase in production and transportation electricity tariffs by KZT bln. 10.8; inclusion in the consolidation of 100% of “EGRES-1” LLP by KZT bln. 9.5; increase in a salary of the production staff KZT bln (21,6); increased sales volumes of UOC in the fall of market prices and the positive effect of the devaluation of the national currency by KZT bln 9.6; Increase other expenses KZT bln. (16,5) 	
Change in the exchange rate of USD against KZT	-51.0
Decline in the share of income from associates and joint ventures is mainly: JSC “NAC “Kazatomprom” due to lower spot rates on natural uranium; accrual of exchange differences on foreign currency borrowings; and foreign exchange losses on “Kazzinc” LLP; JSC “NC “KazMunayGas” due to the accrual of exchange differences on foreign currency borrowings on “Kazakhstan-China Pipeline” JV LLP, “Asian Gas Pipeline” JV LLP, “Beineu-Shymkent” JV LLP pipeline.	-51.0
Other expenses, connected with disposal of BTABank and Temirbank	-27.0
Increase in corporate profit tax	-5.0

Key indicators of the balance sheet for the period

Name	As of 30.06.2014	As of 31.12.2013	Change, (+/-)	Change, in %
Long-term assets				
Fixed assets	8 104	7 018	1 085	15
Intangibles	375	284	91	32
Funds in credit institutions	573	283	290	102
Asset on the delayed income tax	60	42	18	43
Other financial assets	159	134	25	19
Other long-term assets	567	462	105	29
TOTAL LONG-TERM ASSETS	12 320	10 587	1 732	16
Current assets				
Stocks	398	346	52	15
loans to clients	178	250	-72	-29
Other current assets	296	211	85	40
Cash and cash equivalents	1 159	741	418	56
TOTAL CURRENT ASSETS	4 088	3 620	468	13
Assets classified as held for sale	15	1 087	-1 071	-99
TOTAL ASSETS	16 423	15 294	1 128	7
EQUITY				
Charter capital	4 550	4 485	65	1
Reserve on recalculation of foreign currencies	505	273	232	84
Undistributed profit	2 162	1 948	214	11
Attributable to the shareholder of the parent company	7 245	6 728	518	8
Non-controlling share	775	779	-4	-1
Total equity	8021	7507	514	7
LONG-TERM LIABILITIES				
loans	4 272	3 367	905	27
Funds of the Government of Kazakhstan	408	197	211	107
Obligations for financial rent	93	75	18	24
Reserves	158	137	21	15
The obligation for the delayed income tax	445	378	67	18
Other long-term liabilities	471	273	198	73
LONG-TERM LIABILITIES	5 937	4 494	1 443	32
Current liabilities				

Name	As of 30.06.2014	As of 31.12.2013	Change,	Change,
			(+/-)	in %
Loans	1 028	608	420	69
Funds of the Government of Kazakhstan	118	71	47	66
Trade and other payables	452	429	23	5
Liabilities directly associated with long-term assets held for sale and by disposal groups	3	1 220	-1 217	-99
CURRENT LIABILITIES	2 462	2 074	388	18
TOTAL LIABILITIES	8 402	7 788	614	8
TOTAL EQUITY AND LIABILITIES	16 423	15 294	1 128	7

2.2 Consolidated financial indicators without STB

In compliance with the Law on Fund the second-tier banks (hereinafter - STB) are not included in the group of the Fund, therefore, information on consolidated financial indicator without STB is provided below.

In consolidating and calculating of financial indicators without STB the following allowances are approved:

- 1) Data on BTA, ALB and TMB were not consolidated;
- 2) Investments in ALB were reclassified into other long-term assets;
- 3) All income and loss as well as assets and liabilities of other Group's Companies from these STB remain in the consolidation as external (those, which were eliminated to be consolidated with STB);
- 4) Data on Halyk Bank and KKB on equity in 2009-2010 were not consolidated;
- 5) Recognition and re-evaluation of the options on these shares of HB and KKB were excluded;
- 6) Re-evaluation of the investments of HB and KKB in market through capital (other consolidated income) was excluded;
- 7) Investments in KKB and HB were referred to other short-term assets;
- 8) Equity income of Şekerbank was excluded;
- 9) Net income / loss on remunerations of BTA and Alliance Bank (deposits, obligations), which were earned / incurred shall be reserved in RCI and considered in the capital as other operations with shareholder;
- 10) The result of retirement of BTA Bank and Temirbank was reserved and reflected in the capital.

Name	Unit of measure	H1			
		2014	2013	Change (+/-)	Change b %
Consolidated net income without the STB	KZT bln.	342,6	304,4	38,2	12,5
Consolidated net income on the share of a shareholder of a parent Company without the STB	KZT bln.	272,2	283,3	-11,1	-3,9
EBITDA margin without STB	%	23,4	22,2	1,2	5,4

Find attached the main factors of change in the net profit in the first half of 2014 compared with the same period in 2013.

Factors	Change, KZT bln.
Net income (KZT 342.6 bln. In H1 2014; KZT 304.4 bln. In H1 2013)	38.2
In part because of:	
Decrease in impairment losses	58.0
Operating profit growth from: <ul style="list-style-type: none"> operating profit growth of "Exploration and Production "KazMunayGas" JSC due to the increase in sales volumes for export by "Caspian Pipeline Consortium" LLP, growth of oil prices KZT bln 27,1; operating profit growth of "KazMunayGas" Refining Marketing" JSC by reducing G&A 	52.0

Factors	Change, KZT bln.
expenses (associated with the creation of provisions for tax risks) KZT bln. 8,0; • operating profit growth of “KazMunayGas-Onimdyr” LLP due to rising number of filling stations (growth in sales volumes) and wholesale sales of petroleum products from the Russian Federation KZT bln. 4,5; • increase in electricity tariffs KZT bln. 10,8; • inclusion in the consolidation of 100% of “EGRES-1” LLP KZT bln. 9,5; • increase in a salary of the production staff KZT bln (21,6); • operating profit growth due to increased sales volumes of UOC in the fall of market prices and the positive effect of the devaluation of the national currency KZT bln 9,6; • Increase in others KZT bln. 4.1	
Optimization of costs (Cost Reduction Program, the introduction of e-procurement information system, optimization of treasury functions)	16.2
Change in the exchange rate of USD against KZT	-39.0
Decline in the share of income from associates and joint ventures is mainly: JSC “NAC “Kazatomprom” due to lower spot rates on natural uranium; accrual of exchange differences on foreign currency borrowings; and foreign exchange losses on “Kazzinc” LLP; JSC “NC “KazMunayGas” due to the accrual of exchange differences on foreign currency borrowings on “Kazakhstan-China Pipeline” JV LLP, “Asian Gas Pipeline” JV LLP, “Beineu-Shymkent” JV LLP pipeline.	-49.0

Structure of the total revenue

Name	H1 of 2014			H1 of 2013			Change,	Change, in, %
	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	115	2 497	100	110	2 244	252	11
Expenditure on operating activities	87	100	-2 170	91	100	-2 035	-136	7
Cost of sales and interest expense	70	81	-1 752	71	79	-1 598	-153	10
Gross income	30	34	745	29	32	646	99	15
General administrative expenses (GAE)	7	8	-168	7	8	-166	-2	1
Shipping costs and sales	8	9	-191	7	8	-153	-38	25
Losses on assets impairment	2	3	-59	5	6	-117	58	-49
Income (loss) from operating activities	13	15	326	9	10	209	117	56
Financial income	6	6	-139	5	6	-113	-26	23
Financial expenses	2	3	60	2	2	46	15	32
Equity in earnings of associated companies and joint ventures	9	11	230	12	14	279	-49	-18
Income/(loss) before taxation	19	21	462	19	21	423	39	9
Income tax expense	5	6	-120	5	6	-115	-5	5
Net profit	14	16	343	14	15	304	38	13

Key indicators of the balance sheet for the period

KZT bln.

Name	As of 30.06.2014	As of 31.12.2013	Change	Change
			(+/-)	In %
ASSETS				
Long-term assets				
Fixed assets	7 847	6 146	1 700	28
Intangibles	337	257	80	31
Investments in jointly-controlled entities and associated organizations	1 736	1 540	196	13
loans to clients	536	670	-134	-20
Funds in credit institutions	641	495	146	29
Other long-term assets	844	1 050	-206	-20
TOTAL LONG-TERM ASSETS	12 158	10 329	1 828	18
Current assets				
Stocks	391	356	35	10
The VAT to compensation	242	208	34	16
Trade receivables	397	319	79	24
Funds in credit institutions	1 327	1 162	165	25
Cash and cash equivalents	1 115	1 317	-203	-15
TOTAL CURRENT ASSETS	3 919	3 798	121	3
Assets classified as held for sale	15	21	-6	-29
TOTAL ASSETS	16 092	14 149	1 943	14
TOTAL EQUITY AND LIABILITIES				
EQUITY				
Charter capital	4 314	4 183	131	3
Reserve on recalculation of foreign currencies	505	239	266	112
Undistributed profit	3 266	2 952	314	11
Attributable to the shareholder of the parent company	7 243	6 532	710	11
Non-controlling share	815	758	57	8
CAPITAL AND RESERVES	8 058	7 290	768	11
LONG-TERM LIABILITIES				
loans	4 347	4 140	206	5
Funds of the Government of Kazakhstan	408	194	214	111
The obligation for the delayed income tax	445	348	97	28
Other long-term liabilities	470	292	178	61
LONG-TERM LIABILITIES	5 980	5 204	776	15
Current liabilities				
Loans	875	581	294	51
Trade and other payables	441	345	95	28
Other current liabilities	474	535	-61	-11
CURRENT LIABILITIES	2 054	1 654	400	24
Liabilities directly associated with long-term assets held for sale and by disposal groups	3	4	-1	-25
TOTAL LIABILITIES	8 034	6 859	1 175	17
TOTAL EQUITY AND LIABILITIES	16 092	14 149	1 943	14

2.3 Financial indicators in the first half of 2014 compared with the same period in 2013 by the segments and capital costs

The present segment analysis is based on production figures from the reports on implementation of development plans of the subsidiaries and data of the financial statements for the reporting period

2.3.1 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 221 companies in the 9 levels, of which 151 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 5.5 thousand km of trunk pipelines, 2.1 thousand km of water mains, 16.8 thousand km of trunk gas pipeline systems, 4 refineries in Pavlodar, South Kazakhstan, Atyrau and Mangystau regions and one oil refinery and petrochemical complex in Romania.

During the H1 2014 in the Republic of Kazakhstan it has been produced about 39.72 million tons of oil and gas condensate, refined - 7, 40 million tons of oil. Compared to H1 2013 the oil production has decreased by 1.6% and the volume of oil refining is increased by 3.4%. KMG share in the total volume of oil and gas condensate in Kazakhstan in H1 2014 has increased from 27.5% to 28%, oil refining was unchanged and made 83%.

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.

The companies of KMG being the natural monopoly and market entities taking the dominant monopoly position, provide the following services:

- 1) Transportation of oil through main pipelines;
- 2) Services for transportation of natural gas through pipelines and gas distribution pipelines;
- 3) Transportation services for commercial gas through main pipelines;
- 4) Services for transmission and distribution of electricity and heat;
- 5) Wholesale and retail sales of gasoline AI -80, AI-92/93, diesel fuel, liquefied petroleum gas, kerosene;
- 6) Processing of crude oil;
- 7) Supply of natural gas;
- 8) Facilities for the storage of natural gas;
- 9) Water supply services through the distribution networks;
- 10) Wholesale and retail sales of natural gas, including in Almaty and Almaty region;
- 11) Maintenance of house gas equipment;
- 12) Collection of utility bills for natural gas;
- 13) Repairing and testing of gas meters;
- 14) Operator activity on a single routing;
- 15) Pumping oil through the pipeline;
- 16) Drain / loading of oil from / to the railway tank (s);
- 17) Pouring oil in tankers;
- 18) Draining / filling oil from/to tankers (s);
- 19) Storage, handling and mixing of oil;
- 20) Water supply services through the pipeline;
- 21) Services of wastewater;
- 22) Services of oil pumping through the main trunk pipeline system;
- 23) Processing of natural and oil gas;
- 24) Wholesale and retail sales of liquefied gas in cylinders and liquefied petroleum gas;
- 25) Wholesale sales of natural dry gas;
- 26) Prevention and suppression of fires, fire safety in organizations and facilities;
- 27) Supply of sulfur.

On March 26, 2014 the Agency for Regulation of Natural Monopolies approved the tariff and tariff estimates for regulated services for pumping oil through the pipelines of “KazTransOil” JSC as an emergency regulatory measures on exports. Thus the tariff was increased from 4 850,6 KZT/1000 tn.km to 5 817,2 KZT/1000 tn.km. excluding VAT, with the introduction since April 1, 2014.

During the first half of 2014 the following significant events happened in KMG:

1) The Romanian Government finally approved the provisions of the Memorandum of Understanding signed in February last year between Rompetrol and the Agency for the Management of State Shares and Privatization of the Romanian Ministry of Energy. The main provisions of the Memorandum are repayment from the Romanian Government of 26.7% stake in Rompetrol Rafinare (a subsidiary of KMG International N.V. - Refinery operator “Petromidia”) for USD200 million., as well as the establishment of a joint investment fund for projects in the energy sector in Romania, meeting the strategic interests of KMG. The share of the Government of Romania in the investment fund will be 20%.

2) On behalf of the Head of State since April 1, 2014 wages have increased by 10% to employees directly involved in the production, as well as administrative and management personnel in subsidiaries and affiliated organizations of KMG in regions.

3) JSC “Exploration and Production KazMunayGas” announces the discovery of new deposits in the sediments of the Bashkirian layer of Carboniferous period in the field Rozhkovsky. In particular, when tested the layers in sediment of Bashkirian age in U-24 well, drilled in 2013 on the northeast flank of the field, a gushing flow of light water oil and gas with maximum flow rates of 1.9 thousand boe / day and 6 million ft³ / d, respectively, at the socket 24/64 "(9.5 mm).

4) KMG and ENI signed an agreement to implement the projects “Issatai” and “Shipyard”. On “Issatai” project KMG and ENI have agreed to conduct exploration work on the same block in the northern part of the Kazakh sector of the Caspian Sea. The parties have determined that the joint operating company will implement exploration.

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

Name	UoM	H1				Factors
		2014	2013	Deviation	2014 to 2013, %	
Oil production volume	mln. ton	11,08	11,17	-0,09	-0,9	Reduction by: - 115 thousand tons on “Tengizshevroil” LLP (20%) due to production problems because of extreme low ambient temperatures (-40 ° C) in February of this year, as well as due to prolonged overhaul of KTL-2 in the period May-June 2014; - 99 tons on “Kazakhil- Aktobe” LLP (50%) due to restrictions on production volumes related to the lack of a quota of the Ministry of Environmental Protection for the required volume of gas flaring; - 2.7 tons on “Kazakhturkmunay” LLP (51%) due to the delay of the schedule of works on drilling in the Mangistau region, due to a long process of negotiation results of the tender for drilling wells by the founders; - 1 thous.ton on “KazTransGas” JSC due to the delay in the process of coordination of licensing documents to the Committee for Environmental Control of the MEP RK; Increase by: - 62 thousand tons on “Mangistaumunaygas” JSC (50%) due to the introduction of new vertical and horizontal wells and performance of geological and technical measures; - 37 tons on “KMG-Karachaganak” LLP in the reporting period for more oil production due to conduct in April-May 2013 on KPK and UKPG-2 of the planned and preventive repair, which is carried out at the plant every 2 years; - 14 thousand tons on JSC “Exploration & Production KazMunayGas” due to over-fulfillment of the production program on “Karazhanbasmunay” JSC and PetroKazakhstan Inc.
Volume of oil transportation by pipeline	mln. ton	31,04	32,68	-1,64	-5,0	Reduction by: - 989 thousand tons for “KazTransOil” JSC due to decrease in the volume of oil delivery to the pipeline system by shippers “Tengizshevroil” LLP, JSC “CNPC-Aktobe”, Karachaganak Petroleum Operating B.V.; - 502 thousand tons for Batumi Industrial Holdings Ltd. due to the lack of transshipment of volumes of Tengiz oil; - 292 thousand tons for JSC “North-West Pipeline Company “MunayTas” due to the reorientation of the transport direction towards China by the shipper JSC “CNPC-Aktobe” JSC Increase by 147 thousand tons in “Kazakhstan-China Pipeline” LLP

Name	UoM	H1				Factors
		2014	2013	Deviation	2014 to 2013, %	
Volume of oil transportation by sea fleet	mln. ton	4,93	4,29	0,63	14,7	<p>Reduction by:</p> <ul style="list-style-type: none"> - 325 thousand tons in the direction of Aktau- Makhachkala due to reducing the transport capacity of the route due to filling the pipeline "Makhachkala – Novorossiysk" with the priority volumes of Russian oil from Korchagin field in the Caspian Sea; - 214 thousand tons in the direction of the Mediterranean Sea due to reorientation of tankers from this direction to the Black Sea as more profitable direction <p>Increase by:</p> <ul style="list-style-type: none"> - 1 058 thousand tons in the direction of the Black sea as a result of increase in the transportation volume from KMG Trading AG; - 45 thousand tons in Aktau-Baku direction due to growth of oil shipment by TCO in the direction of the oil terminal in Dubendi, Azerbaijan
Volume of gas transportation by pipeline	bln. cubic m	54,17	54,75	-0,58	-1,1	<p>Decrease by:</p> <ul style="list-style-type: none"> - 436 million cubic meters in terms of transportation of gas for export from Tengiz and Chinarevskoe; - 1 427 million cubic meters in terms of transit gas transportation due to the decline in the Central Asian gas transit owing to the termination of the Uzbek gas supply and limit of the flow of Turkmen gas to "Beyneu" during the anomalous cooling in Central Asia, as well as decrease in volumes of Russian gas transit by "Gazprom" OJSC because of changes in the gas transport regime <p>Increase by:</p> <ul style="list-style-type: none"> - 1 279 million cubic meters in terms of gas transportation in the domestic market due to the redirection of gas resources in the domestic market; - in the Asian gas pipeline because of unplanned selection of replaced gas TIP -2 (PetroChina) to provide by natural gas the city of Almaty and Almaty region due to lack of supply of Uzbek gas; - on Beyneu Shymkent gas pipeline due to redirecting from the main gas pipeline Bukhara-Ural of gas from fields in the Aktobe region in order to provide the necessary volume of gas in the region; - growth on JSC "KazTransGas Aimak" is associated with increased consumption of "MAEK-Kazatomprom" LLP and KaspiyBitum and munaily; - on the system Intergas Central Asia because of the growth in gas consumption by the population since the establishment of the cold weather in the regions.
Volume of oil refining	mln. tons	8,23	7,58	0,64	8,5	<p>Reduction by:</p> <ul style="list-style-type: none"> - 52 thousand tons for "PKOP" LLP due to the short supply of processors <p>Increase by:</p> <ul style="list-style-type: none"> - 452 thousand tons on Petromedia in connection with the completion of the project on modernization of the refinery; - 98 thousand tons for "Kaspi Bitum" LLP (50%) in conjunction with the launch of the bitumen plant; - 76 thousand tons for "Atyrau Refinery" LLP because of growth of supply by processors; - 71 thousand tons for "PPCP" LLP because of rising of the production program
Number of accidents which caused suspension of production or environmental damage	Number of accidents	3	3	0	0,0	<p>Case 1: On June 4, 2014 at the production site "Kalamkasmunaygas" of "Mangistaumunaygas" JSC when drilling well #6640 of the oil and gas production workshop at the depth of 668 m it was spouting (gas shows). Damage is establishing.</p> <p>Case 2: On January 16, 2014 in the room of a prefabricated panel module OK-25, located on the territory of "Kalamkas" IPS of Mangistau Oil Pipeline Department of West Branch of "KazTransOil" JSC there was a fire. The fire area was 355 square meters. The damage amounted to KZT1.3 million.</p> <p>Case 3: On January 28, 2014 in the building of the dining room of "Zerenda" of "KazMunayGas-Service" LLP the fire occurred.</p> <p>The fire area was 200 square meters. According to the Act of the official investigation "KazMunayGas-Service" LLP dated 09.06.2014, the amount of the damage amounted to KZT86.7 million.</p>

Name	UoM	H1				Factors
		2014	2013	Deviation	2014 to 2013, %	
Average number of employees, incl.	thous. people	84,378	84,074	0,304	0,4	Increase due to: - “KazTransOil” JSC (43 pers.) in connection with the introduction of the internal audit, compliance control services and creation of Corporate Secretary Office and commissioning of the NPS-8 and NPS-10; - JSC “KazMunayGas” Processing & Marketing” (164 pers.) at the expense of growth in “Atyrau Refinery” LLP and “PPCP” LLP, that was also affected by outsourcing the part of the functions; - “KazMunayGas-Service” LLP (160 pers.) due to increasing the volume of maintenance work on industrial premises of “PPCP” LLP; - KMG International (199 pers.) on the production personnel in connection with the beginning of the project Rominserv in Kazakhstan for the modernization of PPCP, PKOP, KPI and the expansion of 7 petrol stations in Georgia. Decrease by 254 persons mainly in “Semser-Security” LLP due to decrease of production plans and volume of services supplied to customers.
Administrative staff	thous. people	7,633	7,363	0,270	3,7	
Production staff	thous. people	76,745	76,711	0,034	0,0	
The world price of Brent crude	USD / bbl.	108,5	107,6	0,99	0,9	
The average price of crude oil for export	USD / bbl.	108,0	106,4	1,53	1,4	
The average price of crude oil on the domestic market	USD / bbl.	37,3	37,2	0,1	0,3	
The average price for realization of oil products KMG RP	KZT per ton	102 855	81 343	21 512	26,4	
The average sales price for Rompetrol	KZT per ton	837	969	-132	-13,6	

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 of the Republic of Kazakhstan annually approves the schedule for products supply (crude oil and oil products) to 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 and cold seasons.

Consolidated financial indicators by the segment:

Name	UoM	H1			
		2014	2013	Deviation (+/-)	Change, %
Consolidated net income	KZT bln.	336	242	93	39%
EBITDA margin	%	21,4%	20,5%	1%	5%

To determine the major factors of influence of the main items in the statement on comprehensive segment income for net income, below it is given the analysis of the changes in the share of the main indicators in the total amounts of revenues and expenses during H1 2014 as compared with the same period of 2013:

Name	H1 2014			H1 2013			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	116	1 608	100	111	1 418	190	113
Expenditure on operating activities	87	100	1 391	90	100	1 274	117	109
Cost of sales	69	80	1 111	70	78	990	121	112
Gross income	31	36	497	30	34	428	69	116
General administrative expenses (GAE)	4	5	69	6	6	79	-9	88

Name	H1 2014			H1 2013			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.		
Sales and transportation costs	12	13	185	10	11	146	39	127
Losses on assets impairment	2	2	35	4	5	62	-27	56
Income (loss) from operating activities	13	16	217	10	11	144	73	151
Financial income	2	2	28	1	1	17	11	165
Financial expenses	6	7	102	6	7	87	15	117
Income/Loss from the rate exchange	5	6	81	-1	-1	-9	90	-938
Equity in earnings of associated companies and joint ventures	14	16	223	17	19	246	-23	91
Income tax expense	7	8	107	6	6	79	28	135
Net profit	21	24	336	17	19	242	93	139

Here are the explanations of the changes of the basic elements of the statement on the aggregate income, including net profit.

Name	H1, KZT mln.				Explanation
	2014	2013	Deviation	Change %	
Revenues from sales	1 608	1 418	190	113	<p>Increase by:</p> <ul style="list-style-type: none"> - KZT140 bln. - increase in sales volumes of oil products on KazMunayGas Int. (trading operations of TH Singapore / KazMunaygas Int. and the development of distribution channels - introduction of a new policy of wholesale petroleum products in the Downstream, joint activities with Socar in wholesale sales of petroleum products in Georgia). In 2013, there was a stoppage of the plant of Petromidia / KazMunayGas Int. for repairs in February-April, which reduced revenues of 2013; - KZT19.3 bln - growth in sales of gas and condensate due to changes in exchange rates, which compensated the decline in revenue due to lower sales volumes of gas for export on "KazTransGas" JSC. On "Exploration Production "KazMunayGas" JSC there is revenue growth due to the increase in sales volumes of gas for export, in connection with the resolution of the Government of the Republic of Kazakhstan to the additional sales volume. On "KMG Karachaganak" LLP the revenues from gas sales have decreased; - KZT20.3 bln - growth in revenues from oil refining due to the transition of "PPCP" LLP on the practice process scheme of work and increase in the volume of oil refining at "Atyrau refinery" LLP; - KZT9 bln. - growth in sales of petrochemical products, as in February-April, 2013 there was a stoppage at the plant of Petromidia / KazMunayGas Int. for repair; - KZT8 bln. - growth in revenues from transporting gas from the growth of the "KazTransGas" JSC rate in the domestic market by 38%, as well as the change in the exchange rate; - KZT3.4 bln. - increased income from the transportation of oil due to the increase in oil transportation tariffs for the domestic market (by 54%) and export (by 26%). On "KazMorTransFlot" LLP the growth of volume of oil transportation by sea by 15%, the change in the exchange rate KZT / USD has also had a positive impact on earnings growth of listed companies; - KZT2.1 bln. - revenue growth of services at the expense of the "AktauNefteService" LLP because of the growth of the volume of work and tariffs for the services on "KMG-Transcaspian" LLP (rental of NCERB); <p>Decrease by KZT13.5 billion - the decline in the sale of</p>

Name	H1, KZT mln.				Explanation
	2014	2013	Deviation	Change %	
					oil resources of “Exploration Production “KazMunayGas” JSC (more oil volume was sent for processing) and from third parties. This decrease is partially compensated by inclusion of TH Singapore/KazMunaygas Int. trading operations, by increase of oil sale volumes of “KMG Karachaganak” LLP and due to change in foreign exchange rate.
Cost of sales	1 111	990	121	112	<p>Growth by:</p> <ul style="list-style-type: none"> - KZT95.4 bln. - increase in procurement of petroleum products due to the increase in sales volume by TH Singapore and “KazMunayGas Onimderly” LLP (growth of railway rates of KTZ, purchase prices from third parties), the change in the exchange rate of KZT, that was compensated by decrease of oil whole-sale volumes of KazMunayGas Int.; - KZT32.7 bln. - increase in purchasing gas on “KazTransGas” JSC due to changes in exchange rates, the growth in average purchase price, reflection of the provision for future expenses for reimbursement of “KazTransGas-Almaty” JSC for the selection of the extra gas by PetroChina; - KZT23 bln. - payroll growth due to the indexation of wages by 7% from January 2014, by 10% from April 2014, the introduction of the Unified Labor Payment System and increasing the staff number due to growth of staff on the introduction of new production facilities; - KZT9.8 bln. - growth of Mineral extraction tax expense due to increased rates associated with the increase in oil export volumes, changes in the exchange rate and oil prices; - KZT14.5 bln - increase in depreciation mainly due to the revaluation of the hydrocarbon reserves of “Exploration Production “KazMunayGas” JSC, growth on “KazMunayGas” Refining Marketing” JSC due to clarification of pricing the FA on the property complex of “PPCP” LLP, as well as due to the change of ownership of the FA (accession of “Refinery Company” LLP from 25.04.2013), increase on “KazTransGas” JSC – is due to the commissioning of a new plant at COP TCC “Makat” and increase in FA in connection with entering the Kostanai region, implementation of investment commitments which provides modernization, increased cost of FA and acquisition of fixed assets (FA); - KZT44 bln. - increase of production expenses of “KazMunayGas” Refining Marketing” JSC and “AktauNefteService” LLP and due to the growth in the overall volume of sold oil products. <p>Decrease by KZT 92 bln. of oil purchase mainly due to decrease of oil purchase from third parties for refining purposes and exclusion of oil purchase cost of “PPCP” LLP due to switching to processing scheme of work.</p>
General and administrative expenses	69	79	-9	88	<p>Decrease by:</p> <ul style="list-style-type: none"> - KZT3.8 bln. increase in taxes and other payments on “KazMunaygas” Exploration Production” JSC in 2013 there are accrued additional fees for emissions into the environment for excessive waste disposal by “Ozenmunaygas” JSC in 2010-2011 (KZT4,4 bln.). In 2014, it was revised and re-taken the commercial discovery bonus over the past year on Tengiz and 23 m / d for the sum of KZT940 million and payment for emissions into the environment on “Embamunaygas” JSC for 2010-2011 in the amount of KZT342 million; - KZT2.6 bln. for penalties and fines on taxes due to lower fines for “KazMunayGas” Exploration Production” JSC on environmental charges and other taxes; - KZT1 bln. on sponsorship and charity on “KazMunayGas” JSC corporate center, “KazMunaygas” Exploration Production” JSC, “KazTransOil” JSC, due to

Name	H1, KZT mln.				Explanation
	2014	2013	Deviation	Change %	
					savings of “PPCP” LLP, “KazMunayGas-Onimdyry” JSC, “Atyrau Refinery” LLP and “KazMunayGas” Refining Marketing” JSC.
Sales and transportation costs	185	146	39	127	Growth by: - KZT13 bln. the increase in rent tax because of tax rates and oil prices, exchange rate changes and other factors; - KZT12.8 bln. due to rising rates of export and customs duties from 60 to 80 USD per ton from 12.03.2014 and change of the exchange rate; - KZT2.3 bln. due to transport costs because of exchange rate changes (CPC Rates in USD), the growth of export volume by the CPC of the Russian Federation by 23%, increase in tariffs on oil transportation through the territory of Russia by 14% due to exchange rate changes; - KZT2.1 bln. due to the commissioning of new production facilities, indexation of wages by 7% from January and by 10% from April 2014; - KZT5.6 bln. due to the increase of customs duties and taxes because of the growth of export volume of oil products; - KZT2.5 bln. increase in other expenses of “KazMunayGas” Refining Marketing” JSC due to increased retail network at the beginning and during the 2014.
Impairment losses on assets	35	62	-27	56	Reduced costs for impairment of fixed assets of “Exploration & Production KazMunayGas” JSC
Income (loss) from operating activities	217	144	73	151	
Financial income	28	17	11	165	Due to the placement of temporary free funds on deposit in credit institutions because of shift in the exchange rate
Financial expenses	102	87	15	117	In connection with the accrual of interest on borrowed eurobonds for USD3 billion and shift in exchange rate, as well as the recognition of remuneration expense on financing KMG share in subsoil use contracts (H, Zhambyl, Satpayev) in the current period prior to the discovery of hydrocarbon raw materials and evaluation of reserves.
Income/Loss from exchange rate	81	- 9	90	- 938	Due to the shift in the exchange rate KZT/USD in February 2014.
Equity in earnings of associated companies and joint ventures	223	246	-23	91	Decline by: - KZT4.6 bln. in “KazGerMunay” LLP due to shift in the exchange rate and reduction in the volume of crude oil exports; - KZT1.7 bln. in “Kazakhoil- Aktobe” LLP due to lower sales volume of oil associated with reduction in the volume of oil production in order to avoid excess-limit gas flaring; - KZT34.6 bln. decrease in other joint companies due to increase of expenses related to change of foreign exchange rate for loans taken for the implementation of the following investment projects «Construction of gas pipeline Beineu-Bosoy-Shymkent» and «Construction of gas pipeline Kazakhstan-China» (Asian gag-pipeline), «Construction of oil pipeline Atasu-Alashankou» and «The second stage of the second phase of Construction of oil pipeline Kazakhstan-China, Kenkiyak-Kumkol part» (Kazakhstan-China pipe-line).
Income tax expense	107	79	28	135	Increase is mainly due to the current cost on corporate income tax because of the growth of income from foreign exchange gain of “KazMunayGas” Exploration Production” JSC and the additional accrual of CIT for “KMG-Karachaganak” LLP owing to the growth of depreciation on assets under construction, the excess profits tax due to significant gains on foreign exchange resulting from the shift in the exchange rate and increase

Name	H1, KZT mln.				Explanation
	2014	2013	Deviation	Change %	
					in the tax base due to the growth of revenues from product sales of 'KazMunayGas' Exploration Production "JSC
Net profit	336	242	93	139	-

For the purpose of costs optimization in accordance with measures on optimizing the non-core assets and facilities, KMG is implementing the restructuring plan of non-core assets and facilities and has developed the Program for improving profitability and cost optimization until 2015.

During the 1st half of 2014 9 non-core assets and facilities have been derived from KMG group, of which 2 assets are liquidated and 7 objects were sold.

The effect of the implementation of the Program for improving profitability and cost optimization of KMG in H1 2014 has made on measures for improving the profitability KZT4 808 mln., on measures for reducing costs KZT2,842 mln.

The main factors of change in net profit for the segment in the H1 2014 as compared with the same period of 2013:

Factors	Change, KZT bln.
Net income (KZT336 billion for the reporting period; KZT242 billion for the similar period of 2013)	93,5
In part because of:	
Operating profit growth of "Exploration Production "KazMunayGas" JSC at the expense of increase in export sales on Caspian Pipeline Consortium, growth of oil prices and exchange rate shift	27,1
Reduced costs for impairment of "Exploration Production "KazMunayGas" JSC	24,2
Decline in operating profit of "KazTransGas" JSC due to the increase of the average price of gas purchase, exchange rate shift and creation of the provision for future costs for reimbursement of "KazTransGas-Almaty" JSC for the selection of the extra gas by PetroChina	-15,9
Increase in operating profit of "KazMunayGas" Refining Marketing" JSC by reducing G&A expenses (is connected with the creation of provisions for tax risks)	8,0
Profit growth of "KazMunayGas-Onimdyr" JSC due to rising number of filling stations (growth in sales volumes of oil products) and wholesale sales of petroleum products from the Russian Federation	4,5
Loss growth of "AktauNefteService" LLP in connection with the implementation of the Unified Labor Payment System and wage growth by 10% from April 1, 2014	-5,7
Effect of foreign exchange gain	57,3
Other factors	-6,1

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 94.1 billion, investment in the share capital of subsidiaries in the amount of KZT 59.5 billion, investment projects amounting to KZT 117.5 bln. and the purchase of shares in the amount of KZT 154 mln.

In general, the funds are provided on exploration and development of Kashagan, Zhemzhuzhniy, H, Zhambyl, Satpayev and Urikhtau, Amangeldy group of fields, modernization and reconstruction of refineries "Atyrau Refinery" LLP, "PKOP" LLP and "Pavlodar Petrochemical Plant" JSC, construction and modernization of the main gas pipelines Kazakhstan-China and Beineu-Shymkent, gas distribution regional networks of South-Kazakhstan region, Taraz, the construction of jack-up rig, the construction of the pipeline Kazakhstan-China, the construction of the Museum of History of Kazakhstan.

2.3.2 "Mining and Industrial" segment

Consists of JSC "NAC "Kazatomprom", JSC "Kazakhstan Engineering" , "United Chemical Company" LLP, JSC "NMC "Tau-Ken Samruk".

JSC “NAC “Kazatomprom” (hereinafter – 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 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 the equipment for alternative power;
- production and sale of other products and services for primary production.

The Fund is the Sole Shareholder of KAP.

The structure of KAP includes 68 companies on 4 levels.

The restructuring plan of non-core assets and facilities of KAP (hereinafter - the Plan) was approved by the Board of Directors of KAP #6/13 dated July 4, 2013. The Plan includes measures to withdraw from the structure of JSC “NAC “Kazatomprom” (liquidation, sale, grant, restructuring) of 11 assets and 38 objects, of which as of 30.06.2014:

Assets:

- on 4 – decisions on liquidation, sale, donation or reorganization by merger are taken;
- on 2 – in total 6 bids were held, of which 4 on the Dutch method with decreasing prices. However, due to the lack of applications, the tenders have been declared invalid. By the decision of the Board of Directors of JSC “NAC “Kazatomprom” #6/14 dated 30.06.2014, “Palace of Culture “UMP” LLP and “PKF “Ulba-Electro” LLP are excluded from the Restructuring Plan of non-core assets and facilities of JSC “NAC “Kazatomprom” before making decision by the Steering Committee for the disposal of assets of the Group of Companies of JSC “Samruk-Kazyna”;

- on 3 – liquidation work is conducted;
- on 2 – the work is performed with local executive bodies for addressing problems in the reception of public utilities of water and heat supply, wastewater of “Shieli Energoservice” LLP and “Taukent Energoservice”.

Facilities:

- from 18 facilities – 11 are sold, 3 are withdrawn, on 4 - 8 auctions have been conducted, which were declared invalid due to absence of applications.

- on 20 facilities subject to the donation to the local executive bodies of Suzak district (villages of Taukent and Kyzylshek of South Kazakhstan region) - 16 facilities are transferred.

In the H1 2014 there were the **following significant events**:

1) The steady decrease of spot quotations for uranium in the first half of 2014.

2) In 2004-2005 KAP transferred mineral rights for Akdala, Inkai (lot 4), and Northern Kharasan (lot Kharasan-1) to JV Betpak Dala LLP and Kyzylkum LLP, KAP’s associates. Pursuant to the court decision dated 4 June 2014 transfer of rights has been annulled. The mineral rights related to the above contracts were returned to KAP on 4 June 2014.

3) KAP has disposed 100% of shares of JSC “Aktaugazservis”, a subsidiary of “MAEK-Kazatomprom” LLP.

4) The subsidiary of KAP – “GRK” LLP was liquidated, following which all assets, liabilities and equity items from “GRK” LLP were transferred to KAP.

The actual average staff number totaled 21 249 units, including 19 279 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 includes 14 companies on 1 level and the TKS is the owner of 29,82% in “Kazzink” LLP.

In the H1 2014 there were the **following significant events**:

1) It was concluded the subsoil use contract with the Competent Authority for the exploration of gold ores in the field Shokpar in Zhambyl region;

2) The TKS signed a contract for the sale 63% stake in the authorized capital of “Masalskoe Mining and Processing Plant” LLP;

3) At the gold refinery it was implemented shipping of the first batch of the finished product to the National Bank of Kazakhstan, there are signed contracts for the supply of raw materials for total 11 667.906 kg. The actual average number is 165 units, including 46 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 H1, 2014 the structure of UCC includes 11 companies, 6 of which are subsidiaries, 2 joint ventures and 3 associates of UCC.

In the H1 2014 there were the **following significant events**:

1) The contractors started to mobilize and launch of production work on the construction sites of external and internal infrastructure of SEZ “Chemical Park “Taraz”;

2) The implementation of the project “Production of hydrogen cyanide and sodium cyanide” (“Kazgold Reagents” LLP) is temporarily suspended until settlement of the matter on the license for production technology of Dupont;

3) It was filed an application for debt financing to the Eurasian Development Bank for the amount of USD50 950 thousand on the project “Production of caustic soda and chlorine”, the preliminary indicative financing terms are received.

At the end of the reporting period, the actual average staff number amounted to 329 units, of which 69 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 KE enterprises are specialized in products and services for oil and gas, rail, military-industrial complexes, as well as in the manufacture and repair of weapons and military equipment.

The structure of the KE includes 37 companies on 3 levels.

In February 2014 the Board of Directors of KE decided (Minutes #4 dated February 17, 2014) on placement of 9 375 000 ordinary shares of KE at the price of KZT1000 per 1 share through their acquisition by the Committee for State Property and Privatization of the Ministry of Finance of the Republic of Kazakhstan. As a result, the Fund’s ownership interest in KE has decreased from 100% to 56.35%. So, as of June 30, 2014 the shareholders of the KE are:

- The Fund, with a share of 56,35%

- SI “Committee for State Property and Privatization of the Ministry of Finance of the Republic of Kazakhstan” – 43,65%.

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

1) By the Order of the Minister of Defense of the Republic of Kazakhstan #104 dated March 13, 2014 the composition of the Board of Directors of the Company was changed.

The actual average number was 5 515 units, including 4 999 units of production staff.

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

Name	Unit of measure	H1				Factors
		2014	2013	Deviation (+/-)	Change %	
Volume of the uranium output of JSC “NAC “Kazatomprom”	tons	11 029	10 568	461	4	Increase in uranium production in accordance with the contracts for subsoil
The spot price on natural uranium	\$/lb U3O8	31,96	41,6	-9,6	-23	Decrease is due to: . Continued standstill of Japan reactors . Decline in demand on behalf of consumers due to increased stock

Name	Unit of measure	H1				Factors
		2014	2013	Deviation (+/-)	Change %	
						reserve
Volume of sales of civil designation production of JSC “NC “Kazakhstan Engineering”	KZT mln.	4 986	6 330	-1 344	-21	Due to the devaluation of KZT the large customers (KMG JSC, KTZ JSC, Samruk-Energy JSC) suspended the execution of previously concluded contracts and contracts for 2014 to make adjustments to the investment budgets.
Volume of sales of special and double-designation production of JSC “NC “Kazakhstan Engineering”	KZT million	4 849	6 450	-1 601	-25	Decrease was due to late approval of the Decree of the Government of the Republic of Kazakhstan “On approval of the State Defense Order” (SDO). According to the Decree, the timing of these contractual obligations on the SDO has been postponed to the 4 th quarter of 2014.
Volume of services (engineering) of JSC “NC “Kazakhstan Engineering”	KZT million	971	1 114	-143	-13	
Labor productivity at the gold refinery of JSC NMC “Tau-Ken Samruk”	thous. oz / person	0,58	0	0,58	100	The production of refined gold at the refinery was 38,51 thousand ounces, with the number of employees of the plant of 67 units. The plant was launched in December 2013, respectively, for the 1st half of 2013 this indicator was not available.
The number of accidents that resulted in production stoppages or environmental damage, JSC “NAC “Kazatomprom”	un.	0	0	0	-	
The average number of employees, by the segment	people	27 258	28 171	-913	-3	Decrease due to: - elimination from consolidation of KAP “Semizbai-U” LLP, “Uranenergo” LLP (total 1 052 people); - disposal of “Aktaugasservis” LLP.
Including production staff	people	24 393	25 149	-756	-3	At the same time, increase due to: - the launch of a gold refinery in the second half of 2013 by TKS (by 73 people, including the production staff – by 43 people); - implementation of new projects in UCC (increase by 99 people, including the production staff – by 24 people); - organic growth in KE (by 141 people, including the production staff – by 138 people)

Consolidated financial indicators of the segment:

Name	UoM	H1			
		2014	2013	Deviation, (+/-)	Change, %
Consolidated net income	KZT bln.	3,35	-30,43	33,78	-111
EBITDA margin	%	18,21	15,60	0,03	17

The following are explanations of changes in the main elements of the statement of financial position.

Name	H1				Explanation
	2014	2013	Deviation, (+/-)	Change, в %	
Revenues from sales and interest income	165,4	133,6	31,8	24	<p>In KAP increase by KZT 27 bln. mainly due to:</p> <ul style="list-style-type: none"> - increase in sales volume of uranium oxide (U3O8) (KZT26 billion); - increase in sales due to the devaluation of the KZT (KZT14 bln.); <p>At the same time, decrease in revenue from the sale of uranium oxide due to decrease in spot rates on natural uranium from 41,6 USD / lb on average for the 1st half 2013 to 31,96 USD / lb on average for the 1st half 2014 (KZT13 bln.);</p> <p>In TKS increase by KZT7,7 bln., due to launch in December 2013 of the gold refinery.</p> <p>In KE decrease by KZT3 billion due to:</p> <ul style="list-style-type: none"> - lower sales volumes of civil products (due to the devaluation of the KZT large customers suspended the execution of previously concluded agreements) (KZT1,3 billion); - lower sales volumes of special and double designation production due to the late approval of the SDO (KZT1,6 billion).
Cost of sales and interest expense	127,9	104,5	23,4	22	<p>In KAP increase in the cost of sales by KZT19 billion due to:</p> <ol style="list-style-type: none"> 1. increase in sales volumes of uranium oxide (KZT 21 billion) 2. wage increase of the production employees by 10% from 1 April 2014, and increase in pension contributions by 5% (KZT 0,34 billion) 3. devaluation of the KZT in February 2014, and as a consequence, increase in the purchase price of uranium oxide from associates (KZT 0,5 billion) <p>In TKS increase by KZT7,4 bln. due to launch in December 2013 of the gold refinery.</p> <p>In KE decrease by KZT2,6 bln. due to lower sales volumes of civil products, special products and dual-purpose products.</p>
Gross income	37,5	29,1	8,4	29	
Reversal of impairment of assets	0.1	0,9	-0,8	-89	Decrease due to the recovery in 2013 of impairment of debt of Westinghouse Electric Company LLC (WEC) on dividends to KAP (KZT 833 million) in connection with the repayment obligations
General administrative expenses	14,2	14,2	0,0	21	
Shipping and realization costs	2,2	2,6	-0,4	-15	Decrease in KE by KZT 0,1 bln. due to the decrease in sales volumes of civil products, special products and double designation production. In KAP decrease by KZT 0,3 bln. due to expenditure on commission sales agents in connection with the changes in the conditions of supply.
Impairment losses on assets	0.6	59,6	-59	-99	In 2013 the impairment loss of investment was recognized in "Kazzinc" LLP in the amount of KZT59,6 bln. In 2014, the impairment loss is mainly attributable to the KAP (KZT0,47 bln.), which is associated with reduction in spot rates on the world market of natural uranium and write-off of illiquid inventories
Income (loss) from operations	20,6	-46,4	67	-144	
Non-operating activities, netto	-0,8	5,2	-6	-115	Mainly due to: - the reversal of liabilities (+KZT5,7 billion) under implementation of the settlement on "Semizbai-U" LLP in 2013.

Name	H1				Explanation
	2014	2013	Deviation, (+/-)	Change, в %	
Financial income	5,3	2,8	2,6	94	<p>In KAP increase by KZT1,8 bln. due to:</p> <ul style="list-style-type: none"> - the revaluation of loans issued by JSC “NAC “Kazatomprom” to “Kyzyl Kum” LLP and “Biken-U” LLP due to the devaluation of KZT to USD (KZT2 bln.) - increase in interest income on loans and deposits due to the increase in lending (KZT0,9 bln.) - the absence in the 1st half of 2014 dividends from the WEC (-KZT1 bln.). <p>In KE increase by KZT0,5 bln. associated with increase in interest income on deposits and current accounts.</p>
Financial costs	5,8	4,4	1,3	30	<p>Increase due to devaluation of KZT:</p> <ul style="list-style-type: none"> - in KAP due to interest expense on foreign currency loans (KZT0,8 bln.) - in KE due to interest on Eurobonds issued (KZT0,79 bln)
Loss of exchange rate	22,5	0,6	21,9	3485	Due to changes in the exchange rate KZT / USD in February 2014
Share of profit of associates and joint ventures	3.1	18,4	-15,2	-83	<p>In KAP: reduction by KZT9,3 bln due to:</p> <ul style="list-style-type: none"> - reduction of the spot rates on natural uranium; - accrual of exchange differences on foreign currency loans due to the devaluation of the KZT against the USD; - emergence among associates and jointly-controlled entities of two unprofitable enterprises: “Semizbai-U” LLP (in the second half of 2014 it was reclassified from the subsidiary into jointly-controlled entity) and “Caustic” JSC (it was acquired in December 2013) - decline in net profit of uranium mining organizations. <p>In TKS: decrease by KZT5,1 bln. on “Kazzinc” LLP, due to foreign exchange loss and the accrual of deferred tax liabilities due to the devaluation of the KZT.</p>
Income tax expense	3,5	5,3	1,9	35	
Net loss	-3,4	-30,4	27	89	

The main items in the statement of financial performance of the segment

Name	H1 2014			H1 2013			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	115	165,4	100	110	133,6	31,8	24
Expenditure on operating activities	87	100	144,3	91	100	121,2	23,1	19
Cost of sales and interest expense	77	89	127,9	78	86	104,5	23,4	22
Gross income	23	26	37,5	22	24	29,1	8,4	29
General administrative expenses	9	10	14,2	11	12	14,2	0,0	0

Name	H1 2014			H1 2013			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.		
Losses on assets impairment	0,3	0,4	0,6	45	49	59,6	-59	-99
Income/(loss) from operating activities	12	14	20,6	-35	-38	-46,3	66,9	-145
Share of profit of associates and joint ventures	2	2	3,1	14	15	18,4	-15,3	-83
Income tax expense	2	2	3,5	4	4	5,3	-1,8	-34
Net income	-2	-2	-3,4	-23	-25	-30,4	27	-89

As a result of the devaluation of the KZT against the USD in February 2014 the companies of the segment have recognized significant foreign exchange losses, on carrying amounts of borrowings and trade payables denominated in foreign currency. Loss is partially offset by foreign exchange gain as a result of translation of trade receivables in foreign currency.

As such, KZT devaluation had a positive impact on the operating activities of the largest company of the segment - KAP, due to the fact that KAP is 100% exporter. However, the fall in spot quotations for uranium in the H1 2014 had a negative impact both on the total revenue of KAP and the share of profit of associates and joint ventures.

Key factors in net profit change by the segment in the H1 2014 as compared to the same period of 2013:

Factors	Changes, KZT bln.
Net income (-KZT3,4 bln. for the reporting period of 2014; -KZT30,4 bln. for the same period of 2013)	27
In part because of:	
impairment loss of investments in “Kazzinc” LLP in the first half of 2013	59,6
increase in operating profit of KAP due to increased sales volumes of uranium oxide during decline in the market prices and the positive effect of the devaluation of the KZT	9,6
decline in the share of profit of associates and joint ventures as a result of reduction in spot rates on natural uranium; accrual of exchange differences on foreign currency borrowings; and foreign exchange losses on “Kazzinc” LLP	-15,2
impact of foreign exchange loss due to the devaluation of KZT to USD in February 2014	-21,9
decrease in other operating income due to the reversal of liabilities under the implementation of the settlement on “Semizbai-U” LLP in 2013	-5,7

Capital costs in this segment in the first half of 2014 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 KZT180.8 billion, including the investment projects – KZT107.4 billion, for maintenance of the productive assets and other fixed assets directly involved in the production and administration of subsidiaries – KZT54,5 bln.

2.3.3 “Transportation” segment

Includes JSC “NC “Kazakhstan Temir Zholy” (hereinafter - “KTZh” JSC), “Air Astana” JSC, “Atyrau International Airport” JSC, “Aktobe International Airport” JSC, “Pavlodar Airport” JSC.

The main purpose of the activity of “KTZh” JSC is an uninterrupted and qualitative meeting the demands of the economy and population for freight transportation, cargo-luggage, cargo and post dispatching by rail transport.

The Sole Shareholder of “KTZh” JSC is the Fund. 105 Companies at 5 levels enter the structure of “KTZh” JSC,

The freight turnover is present as following by type of transport (according to the Agency of Statistics of RK):

Type of transport	H1 2013		H1 2014		changes	
	Volume, mln tkm	Share in the transport market	Volume, mln tkm	Share in the transport market	In absolute expression, mln tkm	Changes in the market share 2014 as compared to 2013, %
Marine transport	1 297,7	1%	1 212,2	1%	- 85,5	-6,59%
River transport	0,1247	0,0001%	4,6	0,002%	4,48	3588,85%
Air transport	30,0	0,01%	23,5	0,01%	- 6,5	-21,67%
Pipeline transport	56 849,8	25,36%	55 083,5	25,09%	- 1 766,3	-3,11%
Other land transport	61 331,1	27,36%	66 471,6	30,28%	5 140,5	8,38%
Rail transport	104 631,1	46,68%	96 711,2	44,06%	- 7 919,9	-7,57%
Total freight turnover in the territory of RK	224 139,82	100%	219 506,60	100%	- 4 633,22	-2,07%

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

Type of transport	H1 2013		H1 2014		changes	
	Volume, mln tkm	Share in the transport market, %	Volume, mln tkm	Share in the transport market, %	In absolute expression, mln tkm	Changes in the market share, %
Marine transport	-	0,00%	-	0,00%	-	0,00%
River transport	0	0,00%	0,50	0,00%	0,50	100,00%
Air transport	4 315	3,92%	4 818	4,08%	502,60	11,65%
Pipeline transport	-	0,00%	-	0,00%	-	0,00%
Other land transport	95 565	86,82%	101 731	86,24%	6 165,60	6,45%
Rail transport	10 188	9,26%	11 417	9,68%	1 229,20	12,07%
<i>Including JSC “NC “KTZh”</i>	<i>7 931</i>	<i>7,21%</i>	<i>7 638</i>	<i>6,47%</i>	<i>-293,00</i>	<i>-3,69%</i>
Total passenger turnover in the territory of RK	110 069	100,00%	117 965	100,00%	7 897,90	7,18%

In the reporting period, the share of “KTZh” JSC in the domestic market by the freight turnover has decreased by 4.97% as compared to the same period of the previous year from 46.68% to 44.49%, by the passenger turnover has decreased by 10.14% as compared to the same period of the previous year from 7.21% to 6.47%.

Decrease in the share of “KTZh” JSC in the domestic market of freight transportation was mainly due to:

- Reduction of the volume of freight transportation by 7.6% due to lower transportation of all kinds of goods, with the exception of construction materials, ferrous metal scrap, non-ferrous metals;
- overall growth of the freight market of Kazakhstan by 3.8% as compared to the period of the previous year;
- rapid growth of traffic by vehicles (+5.4%).

With the growth in volume of passenger traffic as compared to the period of the previous year by 7.18%, decline in the share of “KTZh” JSC in the passenger traffic market was due to:

- decrease in passenger traffic of JSC “NC “KTZh” by 3.7% as compared to the period of the previous year;

- overall growth of passenger transportation market of RK by 7.1% as compared to the period of the previous year;
 - rapid growth of passenger transportation by other types of transport as compared to the period of the previous year by cars (+7.1%) and air transport (+9.7%).
- Companies of “KTZh” JSC provide services in the following areas of natural monopolies:
- “KTZh” JSC: services of the main rail network, access roads, transmission and distribution of electricity;
 - “Temirzholsu” JSC: service of water supply and (or) sewage systems;
- New tariffs for the following regulated services of “KTZh” JSC were approved during H1:
- on the services of the main rail network and freight services (locomotive traction, trucks and commercial work) with the coming into force since January 1, 2014, and the average overall increase by 7.0%;
 - new tariffs were not approved on the services of access roads during H1 2014;
 - new tariffs were not approved on transmission and distribution of electrical power during H1 2014;
 - services of water supply and (or) sewage systems.

Since January 1, 2014 “Temirzholsu” JSC has approved new tariffs for the following types of services:

- 1) water services (water supply):
 - “Temirzholsy-Kyzylorda” LLP with coming into force since January 01, 2014 and growth of the average rate by 9% (old rate – KZT234.13; new rate – KZT256.07);
 - “Temirzholsu – Arys” LLP with coming into force since May 1, 2014 and growth of the average rate by 21% (old rate -KZT140.5, the new tariff -KZT170.63);
 - “Temirzholsu-Almaty” LLP with coming into force since January 1, 2014 and growth of the average rate by 22% (old rate –KZT201.2, the new tariff –KZT246.07);
 - “Temirzholsu – Shu” LLP with coming into force since May 1, 2014 and growth of the average rate by 15% (old rate –KZT89.6, a new tariff –KZT100);
 - “Temirzholsu – Kostanai” LLP with coming into force since February 1, 2014 and growth of the average rate twice (old rate -KZT 233, a new tariff –KZT515.01).
- 2) services to divert wastewater (sewage):
 - “Temirzholsu – Kostanai” LLP with coming into force since February 1, 2014 and growth of the average rate by 67% (old rate – KZT127.3; the new tariff – KZT212.57);
 - “Temirzholsu – Shu” LLP with coming into force since May 1, 2014 and growth of the average rate by 22% (old rate – KZT65.9; the new tariff – KZT80.14).

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

1) The Group in the person of “Remlokomotiv” JSC Subsidiary organization sold 100% of the equity interest in “Igilik-RD” LLP to the third party. As a result of the sale the Group lost a control over “Igilik-RD” LLP.

2) “Xinjiang KTZ International Logistics Co. Ltd” subsidiary organization was established in the structure of “KTZ Express” JSC. In addition, joint ventures: “Airport Management Services” LLP, “Chinese Kazakhstani International Logistic Company of Lyanyungan city” OJSC, and “Aktau Marine Nothern Terminal” LLP were established;

3) JSC “NC “KTZh” issued two tranches of Euro bonds totaling CHF285 000 thousand in SIX Swiss Exchange;

The actual average number for the reporting period amounted to 148 530 units, including 137 936 units of production staff.

The main activities of “**Air Astana**” JSC (hereinafter - Air Astana) is the carriage of passengers and freight 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 passenger air transportation on internal routes in the reporting period was about 70%, on international routes – 52%.

Air Astana takes a dominant position in the market of regular interrepublican air transport. Since 22 January 2013 the following tariffs for the carriage of passengers on domestic routes were approved:

Route		Maximum Tariff, KZT	
		One way	Return
Almaty	Astana	26 713	53 426

Almaty	Aktau	37 609	75 218
Almaty	Atyrau	45 803	91 606
Almaty	Aktobe	37 250	74 500
Almaty	Karaganda	32 531	65 062
Almaty	Kzylorda	24 543	49 086
Almaty	Pavlodar	36 865	73 730
Almaty	Ust-Kamenogorsk	32 438	64 876
Almaty	Shymkent	26 040	52 080
Astana	Aktobe	31 793	63 586
Astana	Atyrau	38 621	77 242
Astana	Ust-Kamenogorsk	25 636	51 272
Astana	Kzylorda	25 757	51 514
Astana	Kostanay	28 993	57 986
Aktau	Atyrau	17 961	35 922

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

1) Following aircrafts were delivered on the terms of operating leasing: one Embraer 190 and three Airbus A320. In June 2014 delivery of the third own 767 was delivered, for this purpose financing under guarantees of Exim Bank was arranged. The following aircrafts were removed from the fleet: two Airbus A320 and two Boeing 767 (operating leasing). Airlines fleet consists of 30 units of western production. The average age is 5.3 years. The airline's fleet is one of the youngest in the world.

2) Airline for the third time has been awarded a rating of 4 stars of Skytrax agency, and is also named “Best Airline in Central Asia and India” and was awarded the prize for “Best on-board service in Central Asia and India” for the second time.

3) Implementation of the program of modification and updating of salons of business and economy class on Boeing 757, including the installation of an individual entertainment system in the salons of economy class on three aircrafts.

4) Implementation of ETOPS introducing program (ICAO regulations on flights of extended range by aircrafts with two engines) for the airline's fleet.

5) the opening of the planned new routes (Astana - Dushanbe, Astana – Ulan-Bator and Astana - Taraz) was postponed. In addition to the traditional summer program charter program to Antalya was initiated: Astana / Almaty - Antalya (May - October), Almaty - Barcelona (June – September).

The actual average number for the reporting period amounted to 3 893 units, including 3 103 units of the production staff.

“Atyrau International Airport” JSC, “Aktobe International Airport” JSC, “Pavlodar Airport” JSC 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; on 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

“Atyrau International Airport” JSC and “Aktobe International Airport” JSC accept and maintain practically all types of aircrafts, during H1 2014 about 5 579 units of aircraft, including by “Aktobe International Airport” JSC – 1 659 units, on “Atyrau International Airport” JSC – 3 390 units, on “Pavlodar Airport” JSC – 530 units were serviced, mainly on the following routes:

- Aktobe-Almaty, Aktobe-Astana, Aktobe-Moscow, Aktobe-Atyrau, Aktobe-Aktau, Aktobe-Antalya, charters;

- Atyrau-Astana, Atyrau-Almaty, Atyrau-Aktau, Atyrau-Aktobe, Atyrau-Uralsk, Atyrau-Kzylorda, Atyrau-Shymkent, Atyrau-Moscow, Atyrau-Istanbul, Atyrau-Amsterdam. Charter flights are carried out around the world, but the main areas of focus are Dubai, Antalya, Baku and 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-Saint-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.

The dominant types of services in the competitive market: meeting-issue of aircraft maintenance on transit form, passenger servicing, cargo handling, providing with aviation fuel, rental of premises involved in the transportation process, storage of petroleum products.

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

The actual average number for the reporting period was: at “Atyrau International Airport” JSC - 439 units, including 406 units of production staff; at “Aktobe International Airport” JSC - 466 units, including 437 units of production staff; at “Pavlodar Airport” JSC - 266 units, including 246 units of production staff.

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

Name	Unit of measure	H1				Explanation
		2014	2013	Deviation	Change in %	
Tariff cargo turnover	mln tkm	97 658	104 939	-7 281	-6,9	The decline in cargo transportation by 7.6%, including for coal, crude oil, grain, oil and other goods. Reduction in traffic is due to the decrease of the level of industrial production in oil and ga, mining and processing industries..
Passenger turnover	mln pkm	7 638	7 931	-293	-3,7	Decrease is due to 1) cancellation of the following trains: - “Dushanbe - Moscow”; - “Khudzhand - Saratov”; - “Dushanbe - Bishkek”. 2) changes in the composition and periodicity of the routes mainly of transit trains due to lower demand for transportation of passengers by rail.
Cargo transported	mln ton	124 254	134 455	-10 200,7	-7,6	Reduction in traffic on all types of goods, with the exception of building materials, iron and non-ferrous ores, ferrous metals
Loading	mln ton	114 953	120 047	-5 094	-4,2	Reducing the shipment of all types of goods, with the exception of building materials, iron and non-ferrous ores, ferrous metals
Passengers transported	thousand person	1 752	1 698	54	3,1	Increased growth of passenger traffic by 3%. Expanded operating activity: opening of new routes of air transportation (Astana-London-Astana, Atyrau-Moscow-Atyrau, Astana - Bishkek - Astana, Almaty - Kiev - Almaty, Astana - Kiev - Astana, Astana-Orenburg-Astana and Almaty - Kostanay-Almaty, and also due to increase in frequencies on existing directions.
Present passenger / kilometers	mln pkm	5 674	5 383	291	5,4	
Performed passenger / kilometers	mln pkm	3 533	3 412	121	3,5	
Baggage, luggage and mail transported	Ton	8 903	11 272	-2 369	-21	Due to decrease in demand for the services provided on air transport.
Average number of employees	person	153 594	154 954	-1 359	-0,9	The decrease is mainly due to the implementation of measures to reduce headcount, in the framework of the Program developed by KTZ to increase the performance of the group of companies of “KTZh” JSC.

Consolidated financial indicators by the segment:

Name	Unit of measure	H1			
		2014	2013	Change, (+/-)	Change, in %
Consolidated net income	KZT billion	-30,1	63,2	-93,2	-147,6
EBITDA margin	%	26,2	30,6	-4,4	-14,3

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

Description	H1, KZT billion				Explanation
	2014	2013	Change	Change in %	

Description	H1, KZT billion				Explanation
	2014	2013	Change	Change in %	
Sales revenue	482,2	464,0	18,2	3,9	Mainly due to: <ul style="list-style-type: none"> • KZT 4 bln. – revenue from cargo services increased resulting from rate growth by 7 %; • KZT 5 bln – other income, including rent, repair of loco and cars; • KZT 9 bln. - increase in passenger traffic of Air Astana
State subsidies	12,4	12,0	0,4	3,4	Increased subsidies (by KZT335 million) under the resolution of the Republican budget commission for 2014
Cost of sales	371,2	333,7	37,5	11,2	Mainly due to: <ul style="list-style-type: none"> • labor payment (KZT15,4 billion) due to increase in salary of the employees of the subsidiary organizations; • raw materials and materials (KZT7,4 billion) at the expense of growth of prices on diesel and aviation fuel by 7.6%; • depreciation of fixed assets (KZT5,2 billion) due to the commissioning of new facilities (rolling stock and railroad infrastructure); • other costs (KZT9,5 billion) mainly due to increased costs for the empty run of freight cars, rental of track equipment and passenger cars from outside organizations, repair, of fixed assets and power units
General and administrative expenses	44,1	39,5	4,6	11,7	Mainly due to: <ul style="list-style-type: none"> • salary expenses (KZT 2,4 billion) due to increase in salary of the employees of the subsidiary organizations; • sponsorship in the amount of KZT 0,3 billion due to actual recognition of in financial statements in compliance with resolution of the Prime-Minister Akhmetov S.N. to the letter of JSC “NC “KTZh” #4193-I dated December 13, 2013; • DD&A KZT 0,4 bln. due to SAP and other software acquisition and new assets transfer from CIP to PPE (new railways); • Taxes (KZT 0,4 bln.), consulting services (KZT 0,3 bln.) and other expenses (KZT 0,8 bln.)
Selling expenses	2,8	2,7	0,1	4,9	Increase due to vacation reserves accrual and expenses on credit card servicing.
Impairment losses	1,3	0,9	0,4	43,9	Impairment losses, mainly infrastructure
Operational profit/(loss)	75,3	99,3	-24,0	- 24,2	Due to operational expenses increase, partially reduced by sales revenue growth.
Financial income	3,0	2,6	0,5	18,2	Due to growth in free cash and foreign currency recalculation
Financial expense	23,5	19,4	4,1	21,0	Due to loans recalculation and other debt liabilities from foreign currency resulted from KZT devaluation in February 2014.
Foreign exchange loss	93,5	2,0	91,5	4 572,8	Mainly due KZT devaluation in February 2014.
Income taxes	5,7	18,5	- 12,8	- 69,1	Taxes decreased due to deductions reduce
Net income	- 30,1	63,2	- 93,2	- 147,6	

Comprehensive income structure:

Description	H1 2014	H1 2013	Change,	Change
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	% to Revenue	% to operating expenses	Bln. KZT	% to Revenue	% to operating expenses	Bln. KZT	bln. KZT	, %
Sales revenue	100	88,8	482,2	100	89,4	464,0	18,2	3,9
Operating expenses	112,6	100	542,9	111,9	100	519,1	23,7	4,6
Cost of sales	77,0	68,4	371,2	71,9	64,3	333,7	37,5	11,2
Gross profit	25,6	22,7	123,4	30,7	27,4	142,3	-18,9	-13,3
General and administrative expenses	9,1	8,1	44,1	8,5	7,6	39,5	4,6	11,7
Operational profit	15,6	13,9	75,3	21,4	19,1	99,3	-24,0	-24,2
Financial expense	4,9	4,3	23,5	4,2	3,7	19,4	4,1	21,0
Share in income/loss of joint and associates	19,4	17,2	93,5	0,4	0,4	2,0	91,5	4 572,8
Income taxes	1,2	1,1	5,7	4,0	3,6	18,5	-12,8	-69,1
Net Income	-6,2	-5,5	-30,1	13,6	12,2	63,2	-93,2	-147,6

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

Factors of changing of *net income* for the segment in H1 2014 as compared to the relevant period of 2013:

Factors	Change, KZT billion
Net income (KZT -30.1 billion for reporting period; KZT63,2 billion for the same period in 2013)	-93,2
Including due to:	
Foreign exchange loss	-91,5
Increase in interest expenses	-4,1
Other	2,4

Capital expenditures on this segment in H1 2014 have amounted to KZT bln.166,75, including for the development – KZT 109.5 billion, for maintenance of the productive assets and other fixed assets directly involved in the production and administration of the Subsidiary – KZT 44.8 billion, other – KZT 12.5 billion.

Capital expenditures have been allocated mainly to the following projects:

- “Railway station development in Astana”, including railways station building (duration2013–2017; NPV – KZT bln. -40,2; IRR – 5,9%; PI – 0,44). This project is designed for Astana transport development and meeting people’s needs in transportation. H1 2014 actual amount is KZT bln. 2,2;

- «Zhezkazgan-Beineu» railway (duration 2012–2017; NPV – KZT bln. 458,7; IRR – 5,4%; PBP – 20; PI – 1,82) is aimed on building of the shortest way from the Central Kazakhstan to the Caspian Sea (port Aktau) and also on improvement of Kazakhstani logistic potential. H1 2014 actual expenditures – KZT bln. 42,0;

- «Arkalyk - Shubarkol» railway (duration 2012–2017; NPV – KZT bln. 1,5; IRR – 2,1%; PBP – 32; PI – 1,01) is expected to decrease time and distance from the Central Kazakhstan to North by average 540 km. , H1 2014 actual expenditures – KZT bln 4,9;

- «ASU Energy dispatching traction» (duration 2012–2015, 2016, 2020; NPV – KZT bln. 0,3; IRR – 11,0%; PBP – 9; PI – 1,02). Designed for fuel costs cutting, reduction of energy costs while train movement. H1 2014 actual expenditures – KZT bln 5,5.

In H1 2014 the following assets have been acquired:

- 287 freight wagons to the amount of KZT bln. 3,9;
- 40 passenger cars to the amount of KZT bln. 8,8;
- 8 locos to the amount of KZT bln. 14,4;
- 12 locomotives with GE Evolution engines to the amount of KZT bln. 7,8.

2.3.4 “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 companies in this segment, **“KOREM” JSC** (hereinafter - “KOREM”), **“Kazakh Research Institute of Energy named after Sh.Chokin” JSC** (hereinafter - KazNIE) and **Karagandagiproshaht&K LLP** (hereinafter - Karagandagiproshaht).

The principal types of 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.

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

Name of the Subsidiary	Design capacity, mW	Available capacity, mW
Power plants		
Ekibastuzskaya GRES-1	4 000	2 889
Ekibastuzskaya GRES-2	1 000	927
Zhambyl GRES	1 230	1 074
AIES	1 239	940
Aktobe TES	88	85,8
Hydropower plants		
“Moinak GES” JSC	300	300
“Shardara GES” JSC	100	81
Transmission and distribution (length of HVL, km)		
“AZhK” JSC	28 943	
“MPDP” JSC	6 170	
“EKDPD” JSC	34 548,1	

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 2013 an actual average tariff was at the level of KZT3.50, for H1 2014 – at the level of approved maximum – KZT3.90/kWh.

In compliance with the Agreement #312 dated November 27, 2013 signed between the Ministry of Industry and New Technologies of Kazakhstan and “AIES” JSC, sale of electricity since January 1, 2014 was carried out according to the approved limit rate KZT8.2 / kWh, accordingly, actual tariff was at the level of approved one.

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 2014 was approved at the level of the ceiling tariff in the amount of KZT6.70/kWh. Accordingly, actual tariff for H1 2014 was at the level of the approved one.

Department of the Agency of Kazakhstan on regulation of natural monopolies on Almaty city agreed average release tariff of “AlmatyEnergoSbyt” LLP in the amount of KZT14.47/kWh, VAT excluded (letter #12-15-2821 dated November 20, 2013), it came into force from January 01, 2014. At that, an average release tariff of “AlmatyEnergoSbyt” LLP made KZT14.26/kWh. Release tariff was changed due to short-received income as a result of application of differentiated tariffs by consumers in compliance with Rules of differentiation of the tariffs on electric power by zones of day and (or) depending on volumes of its consumption by individuals by power supplying companies approved by Order of ARNM #57-OD dated February 20, 2009, totaling KZT666.8 million for reporting period.

By joint Order of the Departments of the Agency for Regulation of Natural Monopolies in Almaty #261 - OD and Almaty region # 399 -OD dated December 20, 2013, it was approved the tariff for the production of thermal energy at a rate of KZT2 622.71 / Gcal with commissioning on January 1, 2014. Actual tariff for H1 2014 was formed at the level of approved one – KZT2 662.71/Gcal.

By 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 KZT857.94/Gcal and for industrial users - KZT1 709.43/Gcal. An average release actual tariff for H1 2014 was formed at the level of KZT9860.11/Gcal.

By Order of the Department of the Agency for Regulation of Natural Monopolies of Mangystau region #126 -OD dated November 22, 2013 it was approved tariffs for “MEDC” JSC for the transmission and distribution of electricity as CHRM for 2014 in the amount of KZT3.10/kWh, including for the population - KZT1.90/kWh, “Elektrozhuyelery” LLP - KZT2.39/kWh. Actual tariffs for H1 2014 was formed at the level of approved one for specified groups.

By joint Order of the Departments of the Agency for Regulation of Natural Monopolies in Almaty #228-OD and Almaty region #362-OD dated November 23, 2013 for “Alatau Zharyk Kompaniyasy” JSC it was approved tariff for electricity transmission and distribution in the amount of KZT5.01/kWh, with commissioning on January 1, 2014. Actual tariffs for H1 2014 were formed at the level of KZT4.99/kWh in relation to existing compensating tariff KZT4.99/kWh, up to July 09, 2014.

In H1 2014 the following **significant events** occurred:

1) In compliance with contracts on procurement of 50% of the equity share in “Ekibastuz GRES-1” LLP, as well as 100% of the equity share in “Kazgidrotechenergo” LLP signed previously, procurement of the equity share at group of Kazakhmys PLC was completed.

The actual average number for H1 2014 amounted to 18 163 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 subsidiary (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 interregional 500 kV transmission line “Northern Kazakhstan - Aktobe region”.

The property complex of the Company includes:

- the power lines (hereinafter - EPL) with voltage 0.4 – 1150 kV with a total length 24 618 589 km;
- 76 electrical substations with 35 - 1150 kV with an installed capacity of 35875.05 MVA transformers.

The equipment with modern facilities is 67% for the circuit breakers, 62% for the disconnectors, 54% for CT and 71% 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.

Tariffs of the Company established by Agency of RK for Regulation of Natural Monopolies since November 01, 2013 (Order #285-OD dated September 17, 2013):

- for electric energy transmission in the amount of KZT 1.305 /kWh (growth by KZT17.3% from KZT1.113/kWh);
- on technical dispatching in the amount of KZT0.134 /kWh (growth by KZT4.7% from KZT0.128/kWh);
- on balancing production and consumption of the electric energy in the amount of KZT 0.060 /kWh (growth by KZT46.3% from KZT0.041/kWh);

The actual average number for H1 2014 amounted to 4 653 units.

Information on major industrial consumers of the Company with volumes of consumption for H1 2014 is provided below:

Mln kWh			
Power transmission of major industrial consumers of Kazakhstan	H1 2014	H1 2013	Deviation, in %
“Temirzholenergo” LLP	1 722,41	1 731,16	- 0,5
“Kazakhmys Corporation” LLP	258,59	311,25	- 16,9
“Kazchrom” TNC” JSC	316,24	342,73	- 7,7
“Ust-Kamenogorsk titanium magnesium complex” JSC	320,50	340,80	- 6,0
“SSGP” JSC	579,79	610,05	- 5,0
“Aluminum of Kazakhstan” JSC	83,11	80,74	2,9
“Kostanay Minerals” JSC	87,18	100,69	- 13,4
“Bogatyr Komir” LLP	179,22	194,76	- 8,0

Power transmission of major industrial consumers of Kazakhstan	H1 2014	H1 2013	Deviation, in %
“Arcelor Mittal Temirtau” JSC	665,24	723,30	- 8,0
“Temirtau electric 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

KazSRIE 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 main types of the activity of **KOREM** is to ensure the readiness for the trading of electric energy for the centralized location, and **Karagandagiproshaht** implements 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.

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

Name	Unit of measure	H1				Factors
		2014	2013	Deviation	Change in %	
Volume of electric power generation	million kWh	13 264	14 589	-1 325	-9	Due to: • decreased demand mainly on “EGRES-1” LLP and “EGRES-2” JSC; • decreased inflow of Sharyn river “Moinak GES” JSC; • increased sale on “Almatyenergosbyt” LLP.
Volume of electric power sales	million kWh	4 353	4 137	216	5	
Volume of electric power transmission (regional electric networks)	million kWh	6 155	6 010	145	2	
Volume of heating power generation	Thousand Gcal	4 303	3 820	483	13	At the expense of increased consumption of heating power (in form of hot water) in Almaty city and Almaty region
Volume of coal production	mln ton	16	20	-4	-18	Due to decreased demand for coal on the part of consumers of Russia and Kazakhstan
Volume of electric power transmission (national electric networks and interstate flow)	billion kWh	19	22	-3	-13	Due to decreased volume of electric power transmission to the subjects of wholesale market of electric power of the Republic of Kazakhstan, decreased volume of inter-state transit and decreased volume of electric power export as compared to 2013.
Volume of technical dispatching	billion kWh	42	42	0	0	At the expense of increased volume of release to electric power network.
Volume of power production and consumption balancing	billion kWh	79	77	3	3	At the expense of increased volume of services of arrangement of electric power production - consumption, due to increased production of electric power.
SAIDI	Minutes/year	4,77	37,73	-32,96	-87	As a result of improved planned events on disconnect risk elimination.
SAIFI		0,06	0,01	0,05	595	

Consolidated financial indicators for the segment:

Name	Unit of measure	H1			
		2014	2013	Deviation (+/-)	Change, in %
Consolidated net income	KZT billion	- 6,4	27,7	-34,1	-123,1
EBITDA margin	%	30,7	27,3	3,4	12,5
ROA	%	- 0,6	3,3	-0,3	30,1
ROE	%	- 1,2	5,6	-6,8	-121,9

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

Name	H1 2014	H1 2013	Deviation	Change in %	Explanation
Income from sales and interest income	139,25	105,07	34,18	32,53	Growth due to: - Inclusion into consolidation of “EGRES-1” LLP – by KZT17,7 billion; - increased tariffs of the Subsidiaries of “Samruk-Energy” JSC on regulated services by KZT 5,1 billion, and growth of the volumes by KZT 3,2 billion; - increased tariffs of “KEGOC” JSC by KZT 5,2 billion; - increased income from sale of procured electric power by KZT3,8 billion.
State subsidies	0,03	0,02	0,01	46,50	State subsidies are provided to “KazSRIE named after Chokin” by MES of RK.
Net cost of sale and interest costs	98,67	77,47	21,20	27,37	Growth due to: Samruk-Energy - increase in price on procured fuel, including Inclusion into consolidation of “EGRES-1” LLP by KZT 5,7 billion; - indexation of the salary by KZT 1,5 billion; - increased amortization by KZT4,2 billion; <u>KEGOC</u> - increased costs on technological losses by KZT 1,1 billion; - - increased amortization by KZT0,9 billion due to revision of the terms of useful life of the fixed assets; - increase in other costs by KZT 3,3 billion due to increased cost of services and materials to maintain electric network assets.
Gross income	40,62	27,63	12,99	47,00	
General administrative costs	12,62	8,38	4,23	50,52	Growth due to: Samruk-Energy - by KZT1,5 billion due to indexation of the salary, increase in amortization and other costs due to inclusion of “EGRES-1” LLP; <u>KEGOC</u> - increased property tax by KZT1,2 billion; - increase in reserve on doubtful loans by KZT2 billion.
Costs on transportation and sales	0,74	0,12	0,61	498,38	At the expense of inclusion into consolidation of “EGRES-1” LLP – by KZT 0,6 billion.
Loss from assets depreciation	31,93	0,12	31,81	266	Additional accrual of losses on acquisition of the second 50 % of share of EGRES-1 in the amount of KZT31.3 billion for difference in the cost of acquisition and fair value of “Samruk-Energy” JSC.
Income (loss) from operating activities	- 4,63	19,64	- 24,27	- 123,58	
Other non-operating incomes	19,19	1,20	17,99	1 500,07	Income from currency difference in the amount of KZT11.3 billion was obtained on “Samruk-Energy” JSC.
Financial costs (real sector)	13,87	5,24	8,63	164,70	Mainly due to costs on financing of the corporate center of “Samruk-Energy” JSC.
Income (loss) from currency difference	8,51	0,42	8,09	1 923,78	Due to the increased loss on currency difference of “KEGOC” JSC by KZT13 billion due to change of national currency exchange rate. At that income in the amount of KZT 4.8 billion was obtained on “Samruk-Energy” JSC.

Name	H1 2014	H1 2013	Deviation	Change in %	Explanation
Share in income (loss) of jointly-controlled companies	3,68	14,51	- 10,83	- 74,61	Inclusion into consolidation of “EGRES-1” LLP.
Costs on corporate income tax	4,13	4,41	- 0,28	- 6,27	At the level of the previous year
Income /(loss) for the year	- 6,41	27,74	- 34,15	- 123,09	

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

Name	H1 2014			H1 2013			Deviation	Change, in %
	in % to income from sales	in % to costs on operating activities	KZT billion	in % to income from sales	in % to costs on operating activities	KZT billion		
Income from sales and interest income	100,0	96,7	139,3	100,0	122,1	105,1	34,2	32,5
State subsidies	0,02	0,02	0,03	0,02	0,02	0,02	0,01	46,5
Costs on operating activities	103,4	100,0	144,0	81,9	100,0	86,1	57,9	67,2
Net cost of sales and interest costs	70,9	68,5	98,7	73,7	90,0	77,5	21,2	27,4
Gross income	29,2	28,2	40,6	26,3	32,1	27,6	13,0	47,0
General administrative costs	9,1	8,8	12,6	8,0	9,7	8,4	4,2	50,5
Loss from assets depreciation	22,9	22,2	31,9	0,1	0,1	0,1	31,8	26 732,1
Income (loss) from operating activities	- 3,3	- 3,2	- 4,6	18,7	22,8	19,6	- 24,3	- 123,6
Other non-operating incomes	13,8	13,3	19,2	1,1	1,4	1,2	18,0	1 500,1
Financial income (real sector)	1,7	1,7	2,4	2,6	3,1	2,7	- 0,3	-12,1
Financial costs (real sector)	10,0	9,6	13,9	5,0	6,1	5,2	8,6	164,7
Income (loss) from currency difference	6,1	5,9	8,5	0,4	0,5	0,4	8,1	1 923,8
Share in income (loss) of jointly-controlled companies	2,6	2,6	3,7	13,8	16,9	14,5	- 10,8	- 74,6
Costs on corporate income tax	3,0	2,9	4,1	4,2	5,1	4,4	- 0,3	- 6,3
Income /(loss) for the year	- 4,6	- 4,5	- 6,4	26,4	32,2	27,7	- 34,1	- 123,1

Factors of change of *net income* on the segment in H1 2014 as compared to the relevant period of 2013:

Factors	Changes, KZT billion
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Net income / loss (KZT- 6.4 billion for reporting period; KZT27,7 billion for the same period of 2013)	- 34,1
Including:	
Due to inclusion into consolidation of 100% of “EGRES-1” LLP	9,5
Due to increased tariffs on goods and services rendered by companies of the segment	10,3
Due to additional accrual of the loss on acquisition of the second 50 % of share of EGRES-1 for difference in the cost of acquisition and fair value	- 31,9
Due to increased cost of the services, materials and raw materials	- 9
Due to increased loss on exchange difference due to change of the rate of the National currency	- 13

Capital costs on the segment in H1 2014 made **KZT295,5 billion**, KZT32.8 billion of which are for investment projects, KZT7.7 billion – for maintenance of industrial and administrative assets in operating condition and KZT255.0 billion – for acquisition of the equity share.

2.3.5 “Telecommunications” segment

Includes the following Companies: “Kazakhtelecom” JSC and “Kazpost” JSC.

“Kazakhtelecom” JSC (hereinafter - Kazakhtelecom), the leading telecommunications operator of the Republic of Kazakhstan, providing a wide range of information services, including fixed telephony, mobile communications, data transmission and high-speed Internet services to operators, pay-TV services and IT services. The structure of Kazakhtelecom consists of 12 companies on 3 levels; the company has a network of regional branches and is one of the Fund's companies with 51% ownership interest.

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.

The actual average number for the reporting period has amounted to 30,697 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, 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 at 2 levels.

For H1 2014 a share on letters sending in compliance with expert evaluation made 85% of the market of Kazakhstan, a share of the market for the same period of previous year remained at the same level, on parcel sending - 65% against 63% of the same period, on expedited and courier post - 20% against 19% for the same period, on distribution of printed periodical - 96% reminded the same in relation to H1 2013 and on services of social connection - 98%, the same as compared to the previous year.

In compliance with the Law of the Republic of Kazakhstan "On natural monopolies" the Company is included in the State Register of the subjects of natural monopolies providing a public postal services, which consist of mail operator services for sending simple letters, postcards and parcels of users collected from mailboxes and (or) accepted in the operating windows. Tariffs on them are regulated and approved by the authorized body: Committee for Communications, Information and Information of the Ministry of Investment and Development of the Republic of Kazakhstan.

In H1 2014 Kazpost submitted report on implementation of tariff estimation for 2013, as a result of its examination in compliance with Order of the Committee #129 dated May 30, 2013 (as amended in compliance

with Order #131 dated June 26, 2013) a compensating tariff for common letter sending across RK in the amount of KZT58 was introduced since July 01, 2013, the tariff was annulled on July 01, 2014.

In compliance with the Law of the Republic of Kazakhstan "On competition", the Company is included in the State register of market subjects taking dominating (monopolistic) positions with the dominating share more than 35% in the geographic boundaries of the Republic of Kazakhstan on the following services:

- on cash transactions in the "settlements" (settlements these are cities of regional importance, as well as villages in the territory of their administrative authority and rural settlements), by the Order of ACP of RK #199-OD dated April 23, 2010. Tariffs for service on cash transactions in "settlements" for 2014 are established unchanged.
- For the sending registered letter (within the geographical boundaries of RK) by the Order of ACP of RK #408-OD dated November 02, 2010.
- For the delivery, distribution and sending periodicals (PPM), by the Order of the Chairman of the ARNM of RK #464-OD dated November 30, 2004;

Tariffs for the above services in compliance with the Law of the Republic of Kazakhstan "On natural monopolies and regulated markets" are agreed with the Agency.

At the beginning of 2013 the Company in order to unify tariffs for services on delivery, distribution and shipping of PPM were increased for H1 2013 within the existing level of ceiling tariffs on PPM of local and national / foreign values.

However, in Q2 the Company had filed the application for revision of the tariffs for delivery, distribution and sending PPM for 2014, as a result of which the Committee represented a reasoned conclusion (Letter No. 24-03-14/KSI-2432-i dated July 16, 2013) and tariffs were increased.

The following difference in tariffs formed for H1 2014 as compared to the same period of 2013.

№	Name of the service	Unit of measure	Tariffs on PPM (KZT, VAT included)					
			2013		2014		Increase in tariff, %	
			H1		H1		<u>H1 2014</u> <u>H1 2013</u>	
			newspaper	magazine	newspaper	magazine	newspaper	magazine
1	LOCAL PPM							
1	DISTRIBUTION	1 set	12		13		8%	
2	SENDING							
	By air	per 1 kg	130.83		130.83		0%	
	By land		54.23		54.23		0%	
3	DELIVERY							
	City	1 sample	5.35	7.11	5.35	7.11	0%	0%
	Village	Up to 30 gr	8.29	10.73	8.29	10.73	0%	0%
	<i>Additionally per each kilogram of weight over 30 grams</i>			0.115/0.056	0.109	0.109		
2	REPUBLICAN PPM							
1	DISTRIBUTION	1 set	10.8		13		20%	
2	SENDING							
	By air	per 1 kg	113.33	98	130.83		15%	34%
	By land		46.64	49	54.23		16%	11%
3	DELIVERY							
	City	1 sample	4.55	5.8	5.35	7.11	18%	18%
	Village	Up to 30 gr	7.1	8.8	8.29	10.73	17%	17%
	<i>Additionally per each kilogram of weight over 30 grams</i>				0.109	0.109		
3	FOREIGN PPM							
1	DISTRIBUTION	1 set	12		13		8%	
2	SENDING							

№	Name of the service	Unit of measure	Tariffs on PPM (KZT, VAT included)					
			2013		2014		Increase in tariff, %	
			H1		H1		<u>H1 2014</u> <u>H1 2013</u>	
			newspaper	magazine	newspaper	magazine	newspaper	magazine
	By air	per 1 kg	125	109.07	130.83		5%	20%
	By land		51.67	53.67	54.23		5%	1%
3	DELIVERY							
	City	1 sample	5.04	6.43	10.73		113%	67%
	Village	Up to 30 gr	7.8	9.73	10.73		38%	10%
	<i>Additionally per each kilogram of weight over 30 grams</i>				0.109	0.109		

We note the **following significant events** of H1 2014:

1) Participation in the first stage of Transformation Program in the organizations of “Samruk-Kazyna” JSC’s group;

2) Approval of the Action Plan on support and development of the services rendered by National Operator in rural settlements for 2014-2015 together with the Minister of Transport and Communication of the Republic of Kazakhstan;

The average number at the end of H1 2014 amounted to 22 615 units.

Industrial indicators. Key factors of change of the industrial indicators of the segment:

Indicator	Unit of measure	H1				Factor
		2014	2013	Deviation	Change in %	
Number of fixed lines	Thous and of lines	4 068	4 072	4	-0.1	
Amount of subscribers – Mobile communication	Thous and item	804	796	8	1.1	<ul style="list-style-type: none"> Decreased number of voice mobile communication subscribers by 21.5% due to a planned reduction in the number of CDMA subscribers due to the obsolescence of the technology and with the shift of the focus in advertising activity from voice services on to Internet services, as well as active actions of competing GSM operators; increased number of BBA mobile communication subscribers by 263.1% due to the increase of LTE subscriber base due to extension of network, launch in new cities and activities to attract customers
Number of subscribers of fixed BBA (ports)	Thous and of ports	1 484	1 308	176	13.4	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	Million of items	168	185	-17	-9.2	Mainly due to: <ul style="list-style-type: none"> decrease by 38.4% due to decreased in volume of printing, converting and delivery of the most major client “Kaspi Bank” JSC (85% in the volume of delivery). “Kaspi Bank” JSC reduced the volumes of orders of LLP in 2014 as a result of KZT devaluation in February of this year, the outflow of deposits from the Bank and, consequently, optimizing the cost budget of the Bank, as well as the decrease in volumes

Indicator	Unit of measure	H1				Factor
		2014	2013	Deviation	Change in %	
						of the services of Unified Pension Saving Fund because of institutional changes in the pension system. <ul style="list-style-type: none"> decreased in shift correspondence by 10.8% as a result of lower volumes of sending of "Electronpost.kz" LLP and advertising materials by remote trading companies.
Volume of financial services	KZT billion	421	422	-0.7	-0.2	Mainly due to: <ul style="list-style-type: none"> decrease in services related to the payment of wages by 7.5%; decrease in term deposits by 87.6% due to the current interest rates on term deposits are not competitive, second-tier banks offer more advantageous offers on conditions and rates; growth of remittances by 18.1% due to the works on attraction of new customers on remittances, including on partition remittance. In addition, the automation of the offices to carry out urgent remittance is performed.
Volume of agency services	KZT billion	12	19	7	35.8	<ul style="list-style-type: none"> In compliance with the Resolution of the National Bank of the Republic of Kazakhstan new requirements for solvency of the borrowers are established, namely repayment amount will not exceed 50% of the base salary, as a result of which sales of JSC "SB "Home Credit Bank" decreased for several times.

Consolidated financial indicators for the segment:

Name	Unit of measure	H1			
		2014	2013	Deviation (+/-)	Change, in %
Consolidated net income	KZT billion	3.07	10.79	- 7.72	- 71.54
EBITDA margin	%	32.32	35.37	- 3.05	- 8.62
ROA	%	0.7	2.3	- 1.63	- 70.85
ROE	%	1.1	3.7	- 2.60	- 70.23

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

Name	H1, KZT billion				Explanations
	2014	2013	Deviation	Change in %	
Income from sales	111.6	104.9	6.7	6	
Income from sales and interest income	108.5	102.4	6.0	6	On " Kazakhtelecom " JSC: <ul style="list-style-type: none"> decrease in consumption of services of fixed telephony by KZT2 billion due to replacement by services of mobile services and Internet messengers; growth of the volume of consumption of data transmission services on the corporate segment by KZT6.2 billion and growth of client base due to the migration of subscribers from ADSL to FTTX Internet service, in

Name	H1, KZT billion				Explanations
	2014	2013	Deviation	Change in %	
					<p>addition subscribers of FTTX service are connected to the high-profit tariff plans;</p> <ul style="list-style-type: none"> decreased income by KZT1.8 billion due to the conclusion of the contract on rendering of services on granting the right to use the SAP software with JSC "NC "Kazakhstan Temir Zholy", "Intergas Central Asia" JSC and "KazTransOil" JSC and other services of system integration, IT outsourcing. <p>On "Kazpost" JSC:</p> <ul style="list-style-type: none"> Increased income from postal services by 15% or by KZT1 037 million formed at the expense of increased income: <ul style="list-style-type: none"> on sending by KZT 85.8 million - due to growth of the volumes of postal sending by corporate clients; on expedited post by KZT 101.5 million thanks to attraction of new companies; on periodicals by KZT 203.7 million due to growth of some edition size. on services for special communication by KZT105.8 million, as well as on international non-equivalent exchange with postal administrations by KZT689.1 million. Increased income on financial services by 5% or by KZT324 million formed due to growth of income from payment of pension and subsidies (due to annual growth of the size of pension and subsidies payment), on acceptance of communal and other payments and on remittance as a result of attraction of the clients and opening of new corridors on IIP and points of WU, as well as coming into force of new tariffs and attraction of clients; Decreased income from agency services by KZT266million or by 48% due to decreased volumes of sale of STB as a result of implementation of the requirement by National Bank of the Republic of Kazakhstan on crediting natural persons (sum of repayment should be at most 50% of official wage).
State subsidies	3.1	2.7	0.6	25	
Cost of sales and interest expenses	81.0	74.9	6.0	8	<p>On "Kazakhtelecom" JSC:</p> <ul style="list-style-type: none"> Increased costs on labor (KZT2.7 billion) due to indexation of the wage of the industrial staff by 10%, payment of the remuneration to the employees of the branches due to the celebration of 20th anniversary of the Company; Increased costs by KZT1.6 billion due to accrual of actuarial payments, as well as due to increased costs on subscribers' equipment due to the growth of LTE / GSM project. <p>On "Kazpost" JSC:</p> <ul style="list-style-type: none"> in compliance with the Instructions of the Head of State to increase the salary of

Name	H1, KZT billion				Explanations
	2014	2013	Deviation	Change in %	
					production staff by 10% since April 1, 2014 (KZT1436 million).
General administrative expenses	13.3	11.7	1.6	13.8	<p>On “Kazakhtelecom” JSC:</p> <ul style="list-style-type: none"> - by KZT0.45 billion due to payment of the remuneration to the employees of the branches due to the celebration of 20th anniversary of the Company; - by KZT0.51 billion due to accrual of CIT for non-residents; - by KZT0.66 billion due to sponsorship to “Nurly Astana” CF for construction of the kindergarten for 240 places in Astana. <p>On “Kazpost” JSC:</p> <ul style="list-style-type: none"> - by KZT122.5 million due to increased costs on payroll fund, due to increased minimum salary, as well as costs of audit and rental services due to increased tariffs.
Costs on transportation and sales	1.9	2.1	0.2	-11.3	<p>Reasons of deviation on “Kazakhtelecom” JSC are as follows:</p> <ul style="list-style-type: none"> •decreased costs on advertisement by KZT 0.37 billion, main part of marketing efforts on promoting falls to H2 that is related to the procurement procedures and phased writing-off of GWS; •late main tenders. <p>Increased costs by KZT0.17 billion due to increased levels of payment made through quickpay machines of Instantpayments Company.</p>
Income (loss) from operating activities	14.9	16.0	-1.1	- 6.8	
Financial income (real sector)	2	2.9	-0.9	-31.1	On “Kazakhtelecom” JSC: Lack of income in the form of remuneration due to increased idles
Financial costs (real sector)	-3.5	-5.1	1.7	-32.4	On “Kazakhtelecom” JSC: Decreased costs on interest of the banks occurred due to purchase of the part of obligation loan at “Development Bank of Kazakhstan” JSC in 2013
Income (loss) from currency difference	-7.5	-0.09	-7.4	8 119.4	On “Kazakhtelecom” JSC: Loss from currency exchange difference occurred due to KZT devaluation carried out in February 11, 2014
Income tax costs	3.9	3.9	0.04	1.1	
Net income	3.1	10.8	- 7.7	- 71.5	

Main articles of the report on consolidated income of the segment

Name	2014	2013	Deviation	Change,
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	in % as compare d to income from sales	in % as compare d to costs on operatin g activity	KZT billion	in % as compared to income from sales	in % as compared to costs on operating activity	KZT billion	on	in %
Income from sales and interest income	100.0	112.2	108	100.0	115.1	102	6	5.9
State subsidies	2.9	3.2	3	2.5	2.8	3	1	24.7
Costs of operating activities	89.2	100.0	97	86.8	100.0	89	8	8.7
Costs of sales and interest costs	74.6	83.7	81	73.2	84.2	75	6	8.1
Gross income	28.2	31.7	31	29.3	33.7	30	1	2.1
General administrative expenses	12.3	13.7	13	11.4	13.1	12	2	13.8
Costs on transportation and sales	1.7	1.9	2	2.0	2.3	2	0	-11.3
Income (loss) from operating activities	13.7	15.4	15	15.6	18.0	16	-1	-6.8
Financial income (real sector)	1.8	2.1	2	2.8	3.3	3	-1	-31.1
Financial costs (real sector)	3.2	3.6	3	5.0	5.8	5	-2	-32.4
Income (loss) from currency difference	7.0	7.8	8	0.1	0.1	0	7	8 119.4
Costs on corporate income tax	3.6	4.0	4	3.8	4.4	4	0	-1.1
Income /(loss) for the year	2.8	3.2	3	10.5	12.1	11	-8	-71.5

A significant growth of net cost of sale of the services occurred due to increased salary of the production staff since April 1, 2014 by 10 % in compliance with Order of the Head of state.

Factors of the change of *net income* on the segment in H1 2014 as compared to the relevant period of 2013:

Factors	Changes, KZT billion
Net income (KZT3.1 billion for the reporting period; KZT 10.8 billion for the same period in 2013)	- 7.7
Loss from currency difference occurred due to KZT devaluation carried out in February 01, 2014	- 7.5
Other	- 0.2

Capital expenses of the segment in H1 2014 made KZT12.2 billion, KZT10.8 billions of which are allocated for investment projects, KZT1.3 billion for maintenance of production assets and other fixed assets in operating condition and KZT0.1 billion for maintenance of administrative assets in operating condition.

2.3.6 “Financial institutions and development institutions” segment

Includes operations on facilitating State in increasing of availability of the housing to the population through investing in housing construction (“Real Estate Fund Samruk-Kazyna” JSC) as well as commercial banks acquired by the Fund in 2009 (“BTA Bank” JSC, “Alliance Bank” JSC, “Temirbank” JSC, which are the major Companies in this segment, as well as “Şekerbank T.A.S”).

“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 two companies.

The main activities of the Real Estate Fund are:

- assistance to the State in stabilizing the real estate market;
- investing in housing construction;
- improve the business performance.

In the reporting period, the following significant events occurred:

1) Under “Affordable Housing-2020” program 93.6 thousand square meters of residential objects were commissioned, including pool of the Real Estate Fund - 72.9 thousand square meters (2 residential objects - “YunisCity” DC in Aktobe city (20.25 thousand m²) and DC in 42, V. Mayakovsky street, Taraz city (3.7 thousand m²), as well as 1st stage of the first turn of “Assyl Arman” DC in Almaty region was commissioned this year (48.9 thousand square meters).

2) In compliance with item 2 of the Minutes of the Board of Directors of “Real Estate Fund Samruk-Kazyna” JSC #80 dated March 20, 2014 a long-term Development Strategy of “Real Estate Fund Samruk-Kazyna” JSC for 2014-2023 was approved; it determines new directions of the activity:

- increase in long-term value-added of the Company;
- implementation of the innovations in construction sector.

Actual average head count for H1 2014 made 113 units.

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, the Fund 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) in 2009. These measures were aimed to providing the banks with additional liquidity and ensuring their solvency.

In compliance with Instruction of the Head of State given at the expanded meeting in the Government of the Republic of Kazakhstan on October 11, 2013 on retirement from the composition of the shareholder of STB until the end of 2014 following half-year the issues of sale of the stock of shares of STB to the private investors were solved in compliance with Sale and Purchase Contracts signed on “Temirbank” JSC and “Alliance Bank” JSC in December 2013, on BTA Bank in January 2014.

“Temirbank” JSC and “Alliance Bank” JSC

On May 15, 2014 the Fund in compliance with agreements between Fund and Mr. Utemuratov Bulat Dzhamitovich signed in December 2013, the Fund completed transaction on sale of 79.88% of ordinary shares of “Temirbank” JSC (hereinafter - Temirbank) and 16% of ordinary and privileged shares in “Alliance Bank” JSC (hereinafter – Alliance Bank). Currently, joint work on restructuring of Alliance Bank with further sale of the rest 51% of the stock of shares of Alliance Bank to Mr. Utemuratov is carried out with Purchaser.

“BTA Bank” JSC

On June 30, 2014 closing of the transaction on sale of “BTA Bank” JSC (hereinafter – BTA Bank) between Fund, “Kazkommertsbank” JSC (hereinafter - KKB) and Mr. Rakishev Kenes Khamituly was carried out in compliance with conditions of concluded agreements dated January 31, 2014. KKB and Mr. Rakishev acquired 46.5% of shares of BTA Bank each in order to join BTA Bank and KKB into joint bank until the end of 2014. The rest share in BTA Bank in the amount of 4.26% was transferred to the trust management of KKB until January 31, 2017 or until the date of joining. Fair value of the rest share made KZT 4.923 million. As a result of that transaction the Fund lost a control over BTA Bank as of June 30, 2014.

Consolidated financial indicators on the segment:

Name	Unit of measure	H1		Deviation, (+/-)	Change, in %
		2014	2013		

Consolidated net income	KZT billion	-32,9	-1,3	-31,6	2351,9
Ni margin	%	-94,23	-3,95	-90,28	2286

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

Name	H1, KZT billion				Explanations
	2014	2013	Deviation	Change, in %	
Income from sales and interest income to the external clients	31,78	30,14	1,64	5,4	Mainly, due to the increase in the interest and fee income on "Alliance Bank" JSC by KZT1,3 billion on credits allocated to the clients.
Cost of sales and interest expenses	36,7	40,3	-3,6	-8,9	Mainly, due to the increase in the interest expenses of "Alliance Bank" JSC by KZT2.2 billion and on "Temirbank" JSC by KZT0.8 billion on current accounts and deposits of the clients.
Recovery of the assets depreciation	34,6	16,6	18	108	Due to the increase of recovery of depreciation of the assets on "Alliance Bank" JSC by KZT18 billion on the loans allocated to the clients due to restructuring of the credits and revision of the terms of their depreciation.
Loss from assets depreciation	57,18	28,98	28,2	97,3	Due to the increase on loss from depreciation of the assets on "Alliance Bank" JSC by KZT39 billion, in the result of establishing reserves on consumer and mortgage credits, due to the revision of the evaluation of the size of reserve for the credit depreciation based on the last experience of incurred actual losses on credit portfolios.
Income (loss) from operating activity	-9,8	1,1	-10,9	-990	Mainly due to the decrease in recovery of assets depreciation and increased loss from assets depreciation on "Alliance Bank" JSC.
Income tax expense	0,192	0,671	0,479	-71	Effect of the deferred income tax on "Alliance Bank" JSC in the amount of KZT0.4 billion, due to recognition of deferred asset.
Profit / (loss) from discontinued operations	-6,7	2,9	-9,6	-329,9	Effect of the loss from retirement of "BTA Bank" JSC in the amount of KZT3,857 billion and loss from retirement of "Temirbank" JSC in the amount of KZT 2,457 billion.
Net income/loss	-32,9	-1,3	-31,6	2351,9	Mainly, due to the increase in losses under depreciation on allocated credits in the amount of KZT21.5 billion (net) and increased negative currency difference in the amount of KZT14.8 billion on "Alliance Bank" JSC.

Structure of the consolidated income of the segment

Name	H1 2014			H1 2013			Deviation	Change, in %
	in % as compared to income from sales	in % as compared to net cost of sales and interest costs	KZT billion	in % as compared to income from sales	in % as compared to net cost of sales and interest costs	KZT billion		
Income from sales and interest income to the external clients	100	86,5	31,78	100	74,7	30,14	1,64	5,4
Cost of sales and interest expenses	115	100	36,7	133,7	100	40,3	-3,6	-8,9
Gross income	42,4	36,7	13,48	34,8	26,1	10,5	2,98	28,4
General administrative expenses	27	24	8,79	30	23	9,19	-0,39	-4,3
Recovery of the assets depreciation	109	94	34,6	55	41	16,6	18	108
Loss from assets depreciation	180	155,8	57,18	96,1	72	28,98	28,2	97,3
Other operating income, net	11	9,8	3,6	5	3,7	1,5	2,1	140
Income (loss) from operating activity			-9,8	3,6	2,7	1,1	-10,9	-990

Name	H1 2014			H1 2013			Deviation	Change, in %
	in % as compared to income from sales	in % as compared to net cost of sales and interest costs	KZT billion	in % as compared to income from sales	in % as compared to net cost of sales and interest costs	KZT billion		
Income tax expense	0,6	0,52	0,192	2,2	1,6	0,671	0,479	-71
Profit / (loss) from discontinued operations			-6,7	9,6	7,2	2,9	-9,6	-329,9
Net income (loss)			-32,9			-1,343	-31,6	2351,9

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

Name	Unit of measure	H1		Deviation	Change in %	Factors
		2014	2013			
Real estate pool under “Affordable Housing – 2020” program (cumulatively)	Thousand square meters	322,1	322,1			
Share of the private investments attracted to the housing construction under “Affordable Housing – 2020” program (cumulatively)	%	25,6	25,6			
Annual commissioning of the real estate under “Affordable Housing – 2020” program	Thousand square meters	48,9	0	48,9	100	In June 2014. 1st stage of the 1st turn of DC "Assyl Arman" in Almaty region was commissioned with the pool of real estate of the Company equal to 48.9 thousand sq. m. (Certificate of the State Commission dated June 30. 2014)

Factors of the change of *net income* on the segment in H1 2014 as compared to H1 2013:

Factors	Changes, KZT billion
Net income (loss – KZT32.930 billion for the reporting period; KZT-1.343 billion for H1 2013)	-31,587
Mainly due to	
increase in loss from depreciation of the assets on “Alliance Bank” JSC in the result of establishing reserves on consumer and mortgage credits, due to the revision of the evaluation of the size of the reserve for the credit depreciation based on the last experience of incurred actual losses on credit portfolios	-39,5
Increase in recovery of assets depreciation on “Alliance Bank” JSC by KZT18 billion on loans allocated to the clients	18
increase in negative currency difference on “Alliance Bank” JSC by KZT14.75 billion due to change of national currency exchange rate	-14,75
Increased loss from discontinued activities on “BTA Bank” JSC and “Temirbank” JSC	-6,6
increase in the interest and fee income on “Alliance Bank” JSC.	3,9
Decreased net cost of sales and interest costs on “Alliance Bank” JSC and “Temirbank” JSC.	3,7
Decrease in other operating costs (losses) from banking activities of “Alliance Bank” JSC	2,2
Other	1,5

Capital losses (general expenses for the development of the investments) on “Financial institutions and development institutions” segment in the reporting period have amounted to **KZT1.085 billion**, including on “Alliance Bank” JSC in the amount of KZT1.081 billion to procure fixed assets and intangible assets.

2.3.7 “Corporate Center and Projects” segment

Includes “Samruk-Kazyna” JSC (hereinafter - the Fund) and “Samruk -Kazyna Invest” LLP, “Samruk-Kazyna Contract” LLP, “Samruk-Kazyna Finance” LLP.

In the reporting period, the following **significant events** occurred:

- 1) The Fund liquidated the following subsidiaries: KGF Management, KGF SLP;
- 2) The Fund obtained 100% of the stock of shares of “Shalkiya Zinc” JSC in return to the shares of BTA Bank and transferred them to “Tau-Ken Samruk” JSC;

3) The Fund early repaid loans in the amount of US\$400 million to China Development Bank allocated to implement projects of Kazakhmys Finance PLC on development of copper fields Zhomart and Akbastau / Kosmurun at the expense of early repayment of the loans by Kazakhmys Finance PLC;

4) The Fund obtained property in the form of real estate in residential complexes in Almaty city at the expense of repayment of the debt on loans allocated by AYT Housing Complex LLP;

5) The Fund placed 300 million coupon obligations, par value of which is KZT1 000 per obligation totaling KZT300 billion with term of circulation of the obligations - 15 years and coupon remuneration in the amount of 3% per annum. National Bank of the Republic of Kazakhstan purchased the obligations.

Actual average head count of the Corporate Center of the Fund for H1 2014 made 150 units.

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

Main objective of SK Finance is the achievement of effective management by financial assets of the Fund in financial organizations, development of the exit strategy as well as preparation of the assets of the Fund for the sale ensuring advantageous conditions for it.

Main types of the activity of SK Finance is rendering consulting services on managing and preparing for the sales of the shares and the equity interest in the financial organizations directly or indirectly owned by the Fund.

Actual average head count 3a H1 2014 made 21 units.

“Samruk-Kazyna Invest” LLP (hereinafter – SK Invest). The main direction of the activity of the Partnership is providing the Fund with asset management services and investment and consulting services in the issues of information and analytical support of the investment activities, 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;

The Sole Shareholder of SK Invest is the Fund.

As of July 1, 2014 13 projects totaling US\$ 1.37 billion of a variety of industries, including metallurgical, oil and gas, energy and other sectors that are being considered are in the portfolio of the Partnership's projects.

The following **significant events** occurred in the reporting period:

1) 2 987 ordinary shares of “Syrymbet” JSC were procured under the implementation of “Developing tin deposits “Syrymbet” in North-Kazakhstan oblast and the construction of mining complex” investment project totaling KZT517,5 million, as a result a share of SKI made 12.61% (it was reflected as financial asset);

2) A share of 49% in the authorized capital of “Indox Samruk Kazakhstan” LLP was procured under implementation of The construction of an industrial complex to build equipment for the petroleum products, liquefied and compressed gases investment project totaling KZT98 thousand (it was reflected as investment available for sales).

Actual average head count for the reporting period made 54 units.

“Samruk-Kazyna Contract” LLP (hereinafter – SK Contract). The main activities of SK Contract are monitoring of local content, the introduction of transparent procurement procedures of the 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.

Development Strategy of SK Contract for 2013-2022 in new edition was approved in the reporting period.

Actual average head count for H1 2014 made 65 units.

Consolidated financial indicators on the segment:

Name	Unit of measure	H1			
		2014	2013	Deviation, (+/-)	Change, in %
Consolidated net income	KZT million	20 218	-8 929	45,6	124
EBITDA margin	%	22,4	36,8	-14,4	-39

Main articles of the report on consolidated income of the segment

Name	H1 2014			H1 2013			Deviation	Change, in %
	in % as compared to the income from sale	in % as compared to the cost of operating activities	KZT million	in % as compared to the income from sale	in % as compared to the cost of operating activities	KZT million		
Income from sale and interest income	100	128	86 385	100	157	131 869	-45 484	-34
Costs on operating activities	78	100	67 162	64	100	84 061	-16 899	-20
Net cost of the sale and interest costs	58	75	50 253	51	80	67 663	-17 410	-25
Gross income	42	54	36 132	49	76	64 206	-28 074	-44
General administrative costs	20	25	16 909	12	19	15 876	1 033	7
Loss from assets depreciation			0	55	86	72 187	72 187	
Income (loss) from operating activities	22	29	19 223	36	57	47 808	-28 585	-60
Costs on income tax	8	10	6 541	2	3	2 920	3 621	124
Net income	23	30	20 218	-7	-11	-8 929	29 147	326

Factors of the changes of *net income* on the segment in H1 2014 as compared to the relevant period of 2013:

Factors	Change, KZT billion
Net income (KZT20.2 billion for H1 2014; net loss – KZT8.9 billion for H1 2013)	29.1
Including due to:	
Decreased dividend income from Subsidiaries of the Fund due to late decision of the Shareholder on payment of the dividends on JSC “NC “KazMunayGas”, as well as non-payment of the dividends from “Kazakhtelecom” JSC and “KEGOC” JSC.	-21
Accrual in H1 2013 of the losses from investment depreciation , in particular, in “Logic Business” LLP, “Logic Invest Capital” LLP and “Dana” Investment House” LLP totaling KZT55,3 billion, in “BTA Bank” JSC, “Alliance Bank” JSC in the amount of KZT14,8 billion and KZT1.5 billion, accordingly.	72,2
The income from an exchange difference	10,9
Growth of corporate income tax	-3,6
Charge of expenses on revaluation of option agreements on common shares of JSC Kazkommertsbank	-8,7
other	-20,7

3. Liquidity

3.1 Cash flow analysis

Name	H1		
	2014	2013	Deviation
Net income of the cash from the operating activity	675	114	561
Net loss of the cash in the investment activity	-528	-935	407
Net income / (loss) of the cash in the financial activity	193	732	-539

KZT billion

Name	H1		
	2014	2013	Deviation
Net growth / (decrease) of cash and their equivalents	418	-89	507
Cash and their equivalents as of the beginning of the period	741	1 466	-726
Cash and their equivalents as of the end of the period	1 159	1 377	-218

The factors of changes of the *cash* in the reporting period as compared to H1 2013 are provided below.

Factors	Change, KZT billion
Cash flow from operating activities increased mainly due to changes in the working capital – , in particular reduction of means in credit institutions (123 billion tenge), loans to clients (342 billion tenge).	561
Cash outflows from investment activities decreased mainly due to: <ul style="list-style-type: none"> • reflection of cash funds (KZT171 billion) of the subsidiaries, re-grouped into the assets for sale, in particular, retired subsidiaries: 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-Pharmaceuticals LLP into JSC National Managing Holding Baiterek, the Ministry of Industry and New Technologies of the Republic of Kazakhstan, the Ministry of Health of the Republic of Kazakhstan in H1 2013. • decreased volume of cash placed in bank deposits (KZT133 billion) the advance payments paid for long-term assets (61 billion tenge), acquisitions of fixed assets (37 billion tenge), the dividends received from joint ventures and the associated companies (37 billion tenge) as compared to H1 2013. 	407
Cash flow from financial activities decreased mainly due to decrease in receipts on loans (KZT-550 billion) as compared to H1 2013, in particular in 2013 were received in the framework of the credit line of the China Development Bank in the amount of US\$200 million (equivalent to KZT30.3 billion) to implement projects Akbastau - Kosmurun, Zhomart; within framework of the current program of issue of global medium-term notes the Group presented by JSC NC KazMunayGas placed obligations in London Stock Exchange amounted to US\$3 billion (equivalent to KZT454 billion) to refinance previously attracted loans; at the expense of the funds of the National Fund in the amount of KZT255 billion to purchase 29.8221% of the equity share in the authorized capital of Kazzinc LLP. Thus, in 2014 Fond were received the loan of 200 billion tenge at the expense of means of National Fund for acquisition of 50% of the equity stake of Ekibastuzsky GRES-1.	-539

3.2 Financial sustainability analysis

As of June 30, 2014 the consolidated debt of the Group increased by KZT1 697 billion or by 33% as compared to December 31, 2013, and amounted to KZT6 901 billion (*see Table 1*).

Table 1. Structure and dynamics of the Group's consolidated debt

<i>In KZT billion</i>	H1 2014	2013	change	in %
Loans	5 300	3 974	1 326	33%
Loans of the Government of RK	527	269	258	96%
Debt for acquisition of the equity interest in the project	392	322	70	22%
Commitments on financial leasing	108	89	19	21%
Funds of the clients	180	242	-62	-26%
Derivative financial instruments	1	1	1	114%
Other	393	307	86	28%
Total debt	6 901	5 204	1 697	33%
Minus: cash and their equivalents	(1 159)	(741)	-418	-56%
Total net debt	5 741	4 463	1 279	29%

Main reasons of increase are as follows:

Obligations of the Group acquired by former Subsidiary of BTA Bank, amounting to KZT656.323 million, previously eliminated as intra-group balances, have led to an increase in the total amount of loans.

The devaluation of KZT against US Dollar in February 2014 was the cause of the increase in loans received in the amount of KZT291.093 million.

To acquire 50% of the equity share in Ekibastuz GRES-1" LLP and a 100% share in "Kazgidrotechenergo" LLP, the Fund allocated in January of 2014 300.000.000 coupon bonds with a par value of KZT1,000 per obligation totaling KZT300.000 million with a term of circulation of the share - 15 years and coupon remuneration in the amount of 3% per annum, with an effective rate of 6.68%. Obligations were purchased by the National Bank of the Republic of Kazakhstan by means of the National Fund of the Republic of Kazakhstan on the right of trust management. Discount when placing amounted to KZT100,000 million.

In June 2014, JSC "National Company "Kazakhstan Temir Zholy" released on the Swiss Stock Exchange two tranches of Euro bonds: in the amount of CHF100,000 thousand (KZT20.439 million at the exchange rate as of the date of release) - with interest rate amounted to 2.590 percent and a maturity in June 20, 2019 and CHF185.000 thousand (KZT37.814 million at the exchange rate as of the date of release) - with percent interest rate amounted to 3.638% and a maturity in June 20, 2022.

In March 13, 2014 "VTB Bank" JSC and "KazTransGas" JSC concluded a facility agreement, under which "KazTransGas" JSC received US\$250 million (KZT45.505 million at the rate as of the date of receiving), at the rate of Libor plus 2.2%.

During six months ended in June 30, 2014 "Atyrau oil refinery plant" LLP (hereinafter - ANPZ), obtained US\$142 million (equivalent of KZT24.146 million at the rate as of the date of receiving) from "Development Bank of Kazakhstan" JSC under the facility.

In January 2014 the Fund partially repaid loans to the China Development Bank in advance in the amount of US\$400 million (equivalent of KZT61.904 million at the rate as of the date of repayment).

In February 2014 National Company "KazMunayGas" (hereinafter – NC KMG) repaid the principle loan in the amount of US\$100 million (equivalent of KZT18.454 million at the rate as of the date of repayment) on the facility provided by Natixis Bank, Paris.

In 2012 Rompetrol Group N.V. (hereinafter – Rompetrol) concluded a facility agreement with BNP Paribas Geneva in the amount of US\$450 million. In March 2014 Rompetrol partially repaid principal debt in the amount of US\$309 million (equivalent of KZT57.272 million at the rate as of the date of repayment).

Increase in size of the consolidated debt following H1 2014 adversely affected financial sustainability indicators.

Thus, the Group's debt / capital ratio increased from 0.7 in 2013 up to 0.9 in H1 2014, debt of the Group / EBITDA ratio increased from 3.1 in 2013 up to 4.1 in H1 2014 (*see Table 2*).

Table 2. Group's long-term financial sustainability indicators

	H1 2014	2013
Debt / EBITDA ²	4,1	3,1
Debt / Capital	0,9	0,7

Consolidated debt of the Group regardless of the second-tier banks increased by KZT1 034 billion and made KZT6 548 billion as of June 30, 2014. The value of own capital regardless of the second-tier banks made KZT8058 billion following H1 2013 (*see Table 3*).

Table 3. Key financial indicators of the Group (without STB)

<i>in KZT billion</i>	H1 2014	2013	change	in %
Debt	6 548	5 514	1 034	19%
Capital of the Group	8 058	7 494	564	8%

Financial sustainability indicators of the Group without consideration of the second-tier banks also demonstrates negative results in H1 2014. Group's debt / capital ratio increased from 0.7 up to 0.8 in H1 2014, debt of the Group / EBITDA ratio increased from 3.3 in 2013 up to 3.8 in H1 2014 (*see Table 4*).

Table 4. Group's long-term financial sustainability indicators (without STB)

² **EBITDA** – net income before tax, depreciation expenses (tangible and intangible assets) and percentage remuneration for 12 (twelve) months preceding the reporting date.

	H1 2014	2013
Debt / EBITDA	3,8	3,3
Debt / Capital	0,8	0,7