



Detailed Analysis of Financial Statements of “Samruk-Kazyna” JSC for the first half of 2015

Astana, 2015

Table of Contents

1. Review of the Fund's Group.....	3
2. Operating Results.....	4
2.1 Consolidated financial indicators.....	4
2.2 Financial indicators for 2014 by the segments and capital costs.	6
2.2.1 Oil & Gas Segment.	6
2.2.2 "Mining and Industrial".	11
2.2.3 "Transportation" segment.	13
2.2.4. "Power" segment.....	18
2.2.5 "Telecommunications" segment	21
2.2.6 "Financial and development institutions" Segment.	23
2.2.7 "Corporate Center and Projects" segment.	25
3. LIQUIDITY	26
3.1 Cash flow analysis	26
3.2 Financial sustainability analysis.....	27

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 2014 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.

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 by merging Joint Stock Company “Sustainable Development Fund “Kazyna” and Joint Stock Company “Kazakhstan Fund for the Management of State Assets “Samruk”.

Development Strategy of the Fund for 2012-2022 is approved by Decree of the Government of the Republic of Kazakhstan # 1202 dated September 14 as amended # 516 dated May 25, 2013.

The Fund’s group 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.

To provide the necessary improvement of efficiency of investment and operations, the Fund has developed a program of large-scale transformation of its activities and the activities of controlled portfolio companies – “Transformation Program of JSC “Sovereign Wealth Fund “Samruk-Kazyna”, which was approved by decision of the Board of Directors #113 dated September 17, 2014.

The structure of the Fund includes companies from key sectors of the economy that are grouped into the following segments:

- Oil & Gas
- Mining and industrial
- Transportation
- Telecommunication
- Power
- Corporate center and projects.

As of June 30, 2015 the structure of the Fund includes 566 companies (31.12.2014: 593 companies, as well as the corporate center “Samruk-Kazyna” JSC, 23 companies of the corporate center “Samruk-Kazyna” JSC, 327 subsidiaries and 215 associates and jointly-controlled entities, financial investments of the Group of the Fund. The changes took place mainly due to the reduction of subsidiaries of JSC “NC “KazMunayGas”, JSC “NC “Kazakhstan Temir Zholy.

The consolidated financial statements for the first half of 2015 include 23 subsidiaries. As compared with 31.12.2014 the number of subsidiaries has decreased due to the withdrawal of JSC “Kazakh Research Institute of Energy named after Academician S.C. Chokin”, KGF IM and inclusion of a subsidiary “Qazaq Air” JSC.

The following macroeconomic indicators influenced the activities of the Fund during first half of 2015.

Name	H1 2015	H1 2014	Change, %
Real GDP growth, in %	101,7	103,9	-2,1
Inflation at the end of period, %	1,4	4,9	-71,4
Exchange rate of KZT to USD	186,2	183,52	1,5
World Brent oil price, USD/ barrel on average for the reporting period	57,95	108,93	-46,8

According to the IFRS other distributions to the Shareholder for the reporting period amounted to KZT7.029 billion (H1 2014: KZT9.5 bln.), in particular:

1) by the Order of the Government of the Republic of Kazakhstan *charitable assistance* was provided in the amount of KZT2.298 billion (H1 2014: KZT3.3 bln.) to finance social, cultural and sporting events, namely: VIII Astana Economic Forum, funding the activities of “Nazarbayev University” in 2015, measures to clarify the conditions and the procedure for participation in the program “People’s IPO”;

2) as part of construction and transfer of facilities:

- Reserve was increased for the construction of the Museum of History of Kazakhstan in Astana in the amount of KZT2.5 billion;
- Reserve for the construction of kindergartens in the city of Astana in the amount of KZT0.95 billion was recognized.

3) Costs in the amount of KZT1.253 billion were recognized for financing “PSA” LLP, carrying out public functions under the authorized agency under production sharing agreements in the oil and gas industry of the Republic of Kazakhstan.

The balance cost of the Fund is KZT16 226 billion, own equity is KZT7 8 447 billion as of June 30, 2015.

The sectorial structure of investment projects to be implemented in the Fund’s group is given below:

(KZT bln.)

Segment			Current investment portfolio					
	Total number of portfolio projects		Projects under implementation		Completed projects		Attractive projects	
	Number	Amount	Number	Amount	Number	Amount	Number	Amount
Oil & Gas	30	14 768,3	24	13 341,8	3	21,1	3	145,1
Chemical	14	3 512,9	7	1 740,6	1	0,02	6	1 772,3
Transportation	24	1 460,9	16	1 235,6	5	108,7	3	116,7
Telecommunications	3	167,1	2	109,2	0	-	1	57,9
Postal	10	1,5	8	1,0	0	-	2	442
Power	28	1 775,5	17	1 399,5	2	116,5	9	259,5
Mining	15	569,9	6	345,6	0	-	9	224,3
Atomic sector	13	227,5	9	169,3	2	20,6	2	37,6
Engineering	14	47,2	5	31,1	2	5,1	7	10,9
Other (RESK, SKI)	10	189,8	5	93,5	2	4,9	3	91,4
TOTAL	161	22 720,7	99	18 467,3	17	276,9	45	2 716,3

2. OPERATING RESULTS.

2.1 Consolidated financial indicators.

Name	Unit of measure	H1 2015	H1 2014	Deviation (+/-)	Change, in %
Consolidated net income	KZT bln.	113.9	308.7	-194.8	-63.1
Consolidated net income on the share of the Shareholder of the parent Company	KZT bln.	97.6	270.5	-172.9	-63.9
EBITDA margin ¹ (operational)	%	14.7	22.9	8.2	-35.8
ROA ²	%	0.69	1.93	-1.2	-64.1
ROE ³	%	1.37	3.95	-2.6	-65.2

Factors	Change, KZT bln.
Net income with the STB (KZT308.7 bln. for H1 2014; KZT113,9 bln. for H1 2015)	-194.8
Mainly due to:	
Reduction of Brent oil price from \$108.5 to \$57.8 for barrel	-185.3
Reducing the volume of cargo and passenger traffic	-20.0
Decrease in the average tariff, due to changes in the structure of cargo traffic	-32.6
Reduction of loss due to impairment of fixed and intangible assets:	
• KZT31.3 bln. – in 2014 the loss due to impairment of goodwill in acquisition of EGRES-1 was recognized;	62.3
• KZT25.0 bln. - in 2014 the loss due to the impairment of E&P KMG was recognized because of	

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

² ROA = Net income / Average assets for a year

³ ROE = Net income / Equity capital for a year

Factors	Change, KZT bln.
<i>increase in the costs for employees' remuneration and growth of export customs duty from \$60 to \$80;</i> • KZT23.8 bln. – impairment reduction on clients' loans ("Alliance bank JSC"); • KZT(15.5) bln. – investment impairment in "Sekerbank" JSC; • KZT(2.3) bln. – other	
Recognition of the income from the re-evaluation of 50% stake EGRES-1 in H1 2014	-74.8
Decrease in foreign exchange loss	67.2
Decrease in equity income: • KZT(154.6) bln. - reduction of Brent oil price from \$108.5 to \$57.8 for barrel; <i>KZT(93,4) bln. "Tengizchevroil" LLP; KZT(38.7) bln. Mangistau Investments BV; KZT(22.5) bln. PetroKazakhstan Inc..</i> • KZT36.8 bln. – starting test-operating production: <i>"Beineu-Shymkent" LLP - KZT11.3 bln.; Ural Group Limited BVI- KZT14.7 bln.; "Kazakhstan-China Pipeline" - KZT10.8 bln.</i> • KZT29.0 bln., including "Asian Gas Pipeline" LLP - KZT24.4 bln. (losses are not recognized in 2015 in connection with zero balance cost).	-88.7
Reduction in other non-operational costs, as a result of: • KZT16.3 bln. – adjusted entries on BTA and Temirbank; • KZT10.4 bln. expenses on options; • KZT7.0 bln. due to reduction in rent tax.	37.4
Reduction in expenses on CIT	39.7

Key performance indicators for the reporting period.

Regarding the performance of the Fund

Name	Unit of measure	H1 2015	H1 2014	Deviation (+/-)	Change %
EBITDA margin ⁴	%	14.7	22.9	-8.2	-35.8
Gross profit margin ⁵	%	18.8	29.4	-10.6	-36.1
Operating profitability ⁶	%	4.97	13.30	-8.3	-62.6
Inventory period ⁷	days	36.3	37.8	-1.5	-4.0
Receivables period ⁸	days	30.8	30.0	0.8	2.7
Payables period ⁹	days	81.8	75.9	5.9	7.8

Regarding assets productivity in the Fund's group

Name	Unit of measure	H1 2015	H1 2014	Deviation (+/-)	Change %
Return on assets (ROA) ²		0.69	1.95	-1.3	-64.6
Fixed assets depreciation ratio ¹⁰	%	2.32	2.72	-0.4	-14.7
Time of assets turnover ¹¹	days	1312.3	1137.9	174.4	15.3
Time of fixed assets turnover ¹²	days	668.5	545.6	122.9	22.5

⁴ EBITDA margin = ((Revenue - Cost of sales and interest expenses - General and administrative expenses - Distribution costs) + (Depreciation and amortization of intangible assets accounted for in cost of sales, general and administrative expenses and the cost of transporting and implementation)) / Revenue

⁵ Gross profit margin⁵ = (Revenue – Cost of Sales)/Revenue *100%;

⁶ Operating profitability⁶ = Net Income / (Cost of Sales + General and administrative expenses + Distribution costs + Finance expenses + Other expenses)

⁷ Inventory period⁷ = Средние запасы за период / Cost of sales * 180 days (half of the year);

⁸ Receivables period = Average receivables for the period/ Revenue *180 days (half of the year);

⁹ Payables period = Average payables for the period / Cost of sales * 180 days (half of the year);

¹⁰ Fixed assets depreciation ratio¹⁰ = Depreciation of PPE / Average value of assets for the period;

¹¹ Days of assets turnover = Average assets for the period / Revenue * 180 days (half of the year);

¹² Days of fixed assets turnover = Average PPE for the period / Revenue * 180 days (half of the year);

NOPAT_N

¹³ ROACE = **ACE_N** ;

¹⁴ Net floating capital = (Current assets – Current liabilities).

As for the effectiveness of the capital structure of the Fund's group

Name	Unit of measure	H1 2015	H1 2014	Deviation (+/-)	Change %
Return on equity (ROE) ³	%	1.37	3.98	-2.61	-65.6
ROACE ¹³	%	1.56	3.17	-1.61	-50.8
Net floating capital ¹⁴	KZT bln	1 018.5	1 737.6	-719.10	-41.4

2.2 Financial indicators for 2014 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 and for 2014.

2.2.1 Oil & Gas Segment.

This segment is represented by **JSC NC "KazMunayGas"** (hereinafter - KMG), working in the field of exploration, production, refining and transportation of hydrocarbons, and represents the interests of the Government of the Republic of Kazakhstan in the oil and gas sector.

Fund is the sole shareholder of KMG. The structure of KMG includes 208 companies in 8 levels, 142 of which are subsidiaries.

Field of activity	Assets	Location
Oil production	More than 44 oil deposits	In Atyrau, Mangystau, West-Kazakhstan, Aktobe and Kyzylorda regions
Oil transportation	more than 5.3 thousand km of main oil pipelines, 2.1 thousand km of water mains, and 11 thousand km of the main gas transmission systems	On all territory of Kazakhstan with the possibility of integration into international bus systems
Petrochemicals refinery	5 refinery plants (Atyrau petrochemicals refinery, Pavlodar oil chemistry refinery, PKOP, Kaspibitum refinery, Petromidiya), 1 petrochemical complex (Vega).	In Pavlodar (Pavlodar oil chemistry refinery), South-Kazakhstan (PKOP), Atyrau (Atyrau petrochemicals refinery) and Mangystau regions (Caspi-bitum), Romania (Petromidiya, Vega)

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:

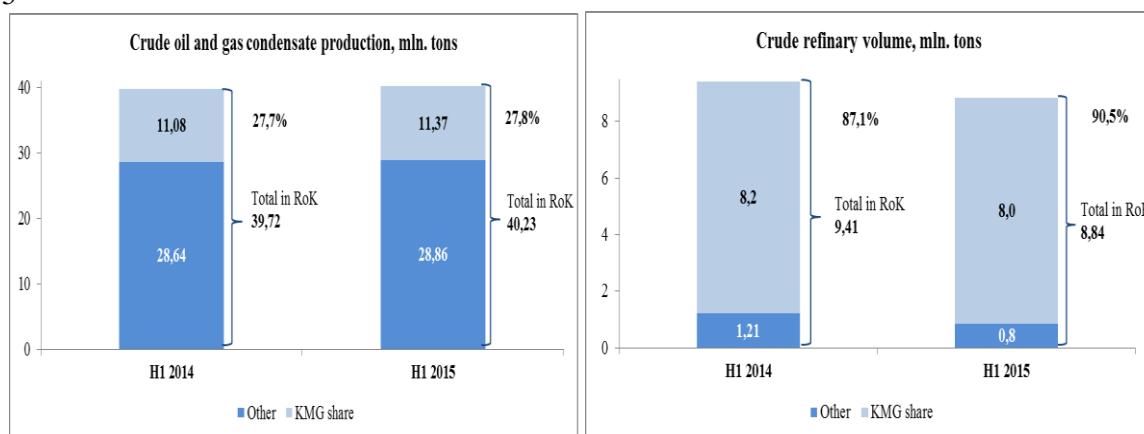
- 1) Transportation of oil through main pipelines;
- 2) Services for transportation of natural gas through pipelines and gas distribution pipelines;
- 3) Transportation services for commercial gas through main pipelines;
- 4) Services for transmission and distribution of electricity and heat;
- 5) Wholesale 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;

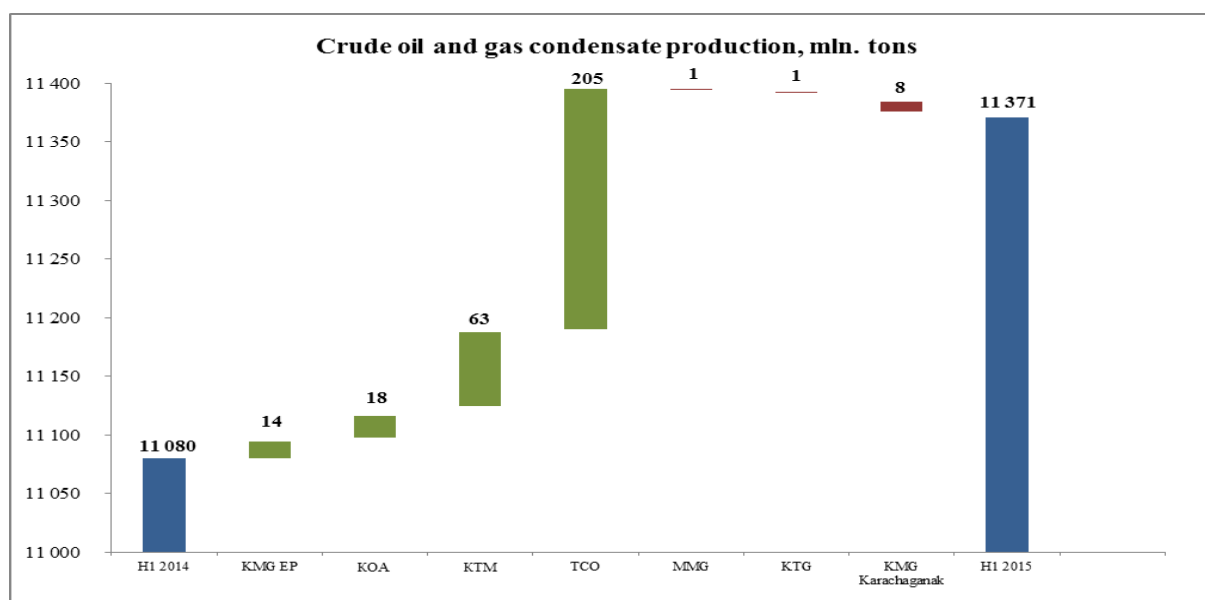
- 22) Services of oil pumping through the main trunk pipeline system;
- 23) Processing of natural and oil gas;
- 24) Wholesale and retail sales of liquefied gas in cylinders and liquefied petroleum gas;
- 25) Wholesale sales of natural dry gas;
- 26) Prevention and suppression of fires, fire safety in organizations and facilities;
- 27) Supply of sulfur.

During the first half of 2015 the **following significant events happened in KMG:**

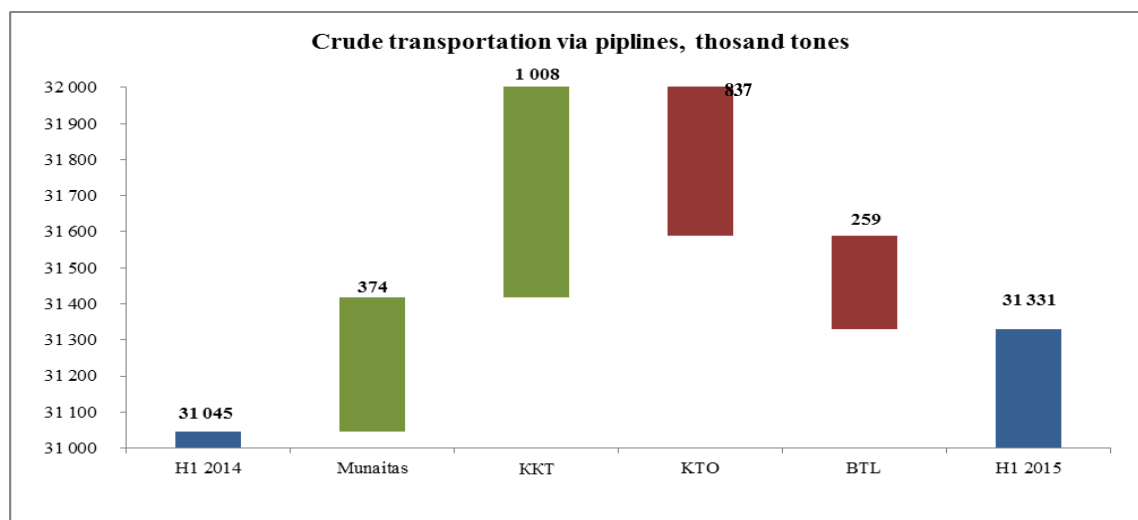
- 1) KMG carried out a full repayment of its Eurobond in the amount of USD 1.5 billion. (US48667QAC96, XS0441261921), issued in April 2009. The issue was repaid on schedule;
- 2) the Memorandum was signed between KMG, "KazTransGas" JSC and Akimats in the frameworks of General gasification scheme of the Republic of Kazakhstan till 2030, as well as to ensure the sustainable economic growth of these regions, maintain social stability, uninterrupted gas supply, and proper maintenance of pipelines and facilities on them.
- 3) "KazMunayGas Exploration & Production" JSC ("KMG EP") have signed an additional agreement between the Ministry of Energy of the Republic of Kazakhstan and "Embamunaygas" JSC (hereinafter - EMG) on the term extension of the following subsurface use contracts: #37 - Kenbai deposit - up to 2041; # 61 - the deposit Southeastern Novobogatinskoe - up to 2048; # 211 - deposit Botakhan, Makat, Dossor, Tanatar, Kamyshitovoye et al. (All 22 fields) - until 2037; # 413 - Prorva field, Kulsary, Karaton, Koschagyl and others. (All 13 fields) - until 2043. In addition, the contract # 468 was extended until 2016 for exploration of hydrocarbons of "Ural Oil and Gas" LLP, carrying out activities within the Fedorovsky block.
- 4) the Committee of State Property and Privatization made contribution to the authorized capital of the Fund in the form of property contribution by transferring the right to claim payment from "Caspian Pipeline Consortium-K" JSC in the amount of KZT 126,591 million.
- 5) Memorandum of Understanding was signed between JSC NC "KazMunayGas" and "Total" company regarding joint exploration of possible oil and gas deposits in "Mugodzhar" area in Aktobe region.
- 6) there was signing of documents on the establishment of a joint venture between the "KMG Drilling & Services" LLP and "Nabors Drilling International Ltd" in JSC NC "KazMunayGas". The new joint venture will perform drilling at Tengiz in the framework of the current work program, as well as future expansion project.
- 7) KMG in the face of its subsidiary "KMG Systems & Services" LLP and Schneider Electric company, a world leader in the field of energy management and industrial automation, created a joint venture – "KMG Automation" LLP. The head office of "KMG Automation" will be located in the city of Atyrau.
- 8) an agreement was signed between the partner companies of Karachaganak project, and "KazRosGas" LLP to extend the existing contract for sale of Karachaganak gas till January 2038
- 9) 100%. subsidiary of KMG - JSC "Kazakh Institute of Oil and Gas" (KING) – for KZT 7.5 billion was realized
- 10) in the Ministry of Energy of the Republic of Kazakhstan the contract was registered for combined exploration and production at the Mertvyi Kultuk (Ustyurt) area situated in the Mangistau region at the. Subsequently, the Contract will be submitted to equity capital of "KMG-Ustyurt" LLP - a 100% subsidiary of KMG
- 11) the Contract for combined exploration and production at the Isatai site, located in the Kazakh sector of the Caspian Sea was registered. Also in the near future, KMG and ENI (strategic partner) plan to sign an Agreement on the transfer of the participation share in Isatai Contract

Performance indicators. Results of KMG production activity and factors of changing are presented below for H1 2015

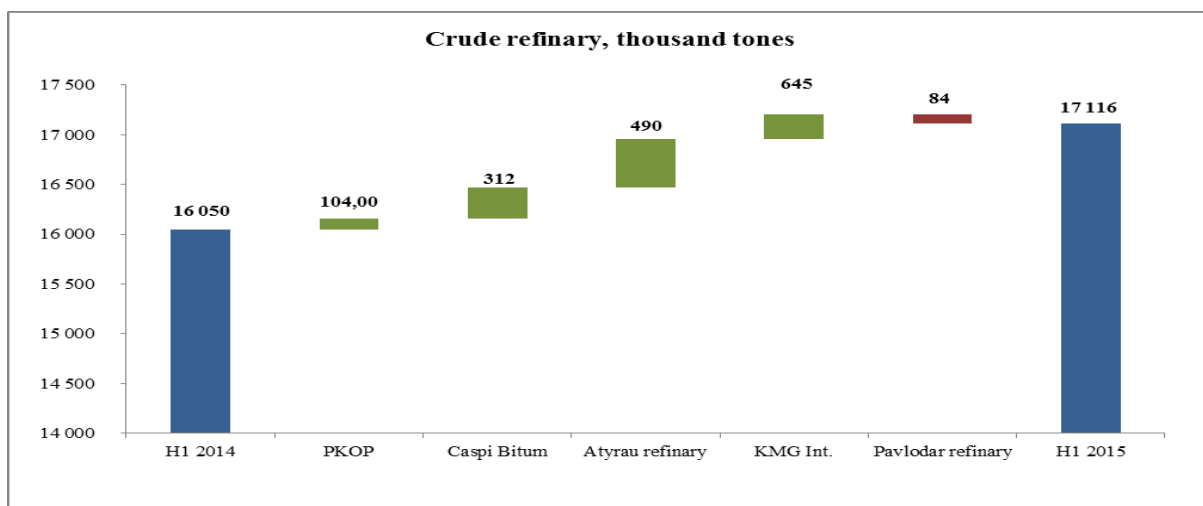




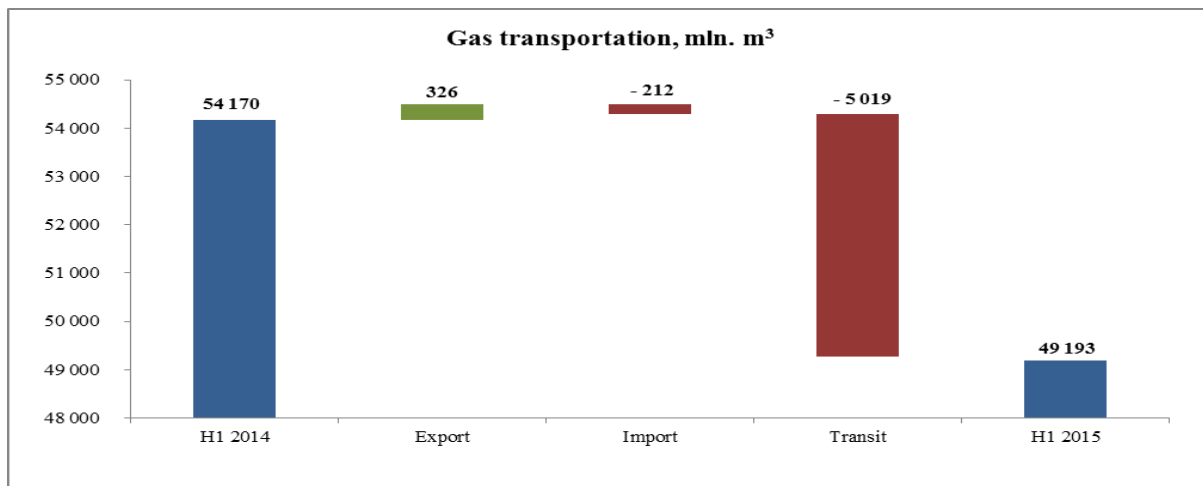
Name	Factors of growth/reduction in oil production volume
“Tengizshevroil” LLC	Stable operation of equipment and increase in the reliability of the second generation plant.
“Kazakhturkmunay” LLC	increase since November 2014 of KMG stake in KTM from 51% to 100%, as well as due to the positive debit of commissioned new wells Laktybay 43 new wells and 116 Yelemes in the end of the Q3 2014.
“Kazakh oil Aktobe” LLC	Increasing the limit of The Ministry of Environment Protection of Kazakhstan for needed volume of gas flaring
KMG EP	Implementation of industrial program, where planned production in 2015 is higher than one in 2014
KMG Karachaganak	Delays in commissioning of production wells and unplanned shutdowns.



Name	Factors of oil transportation reduction
CPC	Revision of the principle of volume calculation of the Kazakhstan-China pipeline in late 2014, as in 2015, domestic transportation volumes were added
Munaitas	Reorienting the direction of transportation volumes with SZTK MunaiTas JSC to China via "CNPC-Aktobe" shipper and decline in production "KazakhOil-Aktobe" LLP
BTL	Lack of BTL transshipment volumes on Tengiz oil transfer due to the reorientation of the volumes to CPC
KTO	Reduction in the volume of oil on shippers (TCO, "CNPC-Aktobemunaygas" JSC)



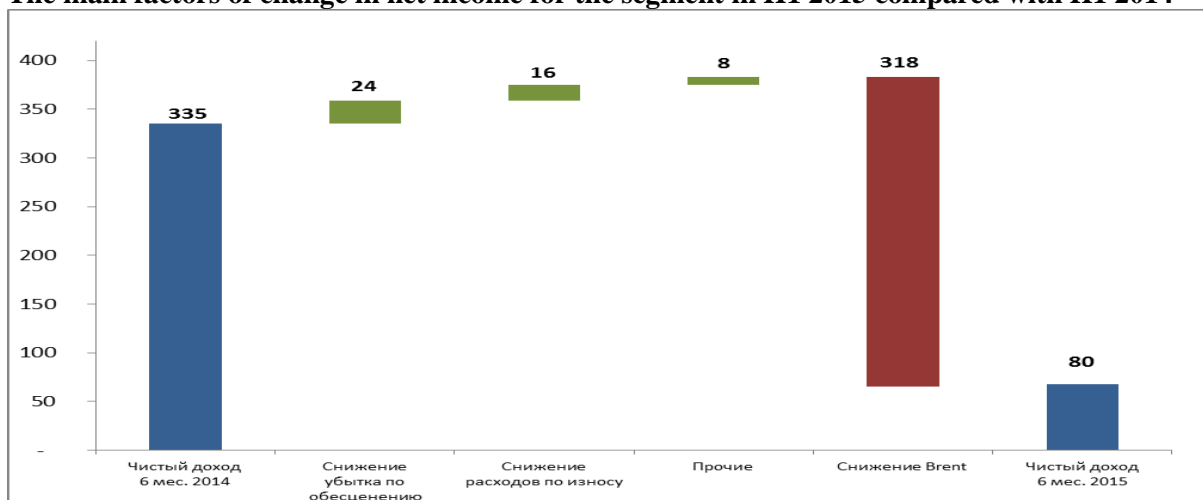
Name	Factors of change in volumes of oil refining
PKOP	Stopping holding overhaul of the plant in March 2015
Atyrau refinery	Insufficient supply of crude oil for processing
KMG Int.	Growth due to disruptions in the delayed coking unit in February and March 2014., Mild coking units and fluid-cracking in April 2014. in the Petromidia plant



Name	Factors of change in gas transportation volumes
Internal market	Reduction in consumption
Export	Growth in volume supply of Karachagank and Chinarevo deposits
Gas transit	Reduction in Central Asian transit

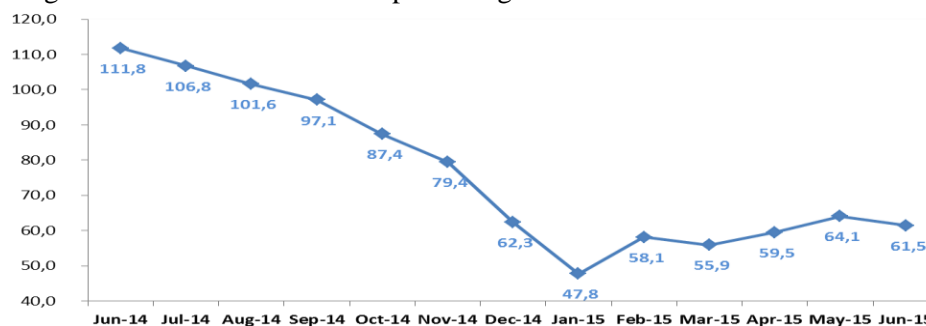
Consolidated financial indicators by the segment

The main factors of change in net income for the segment in H1 2015 compared with H1 2014



Main factors of change in net income	H1 2015	H1 2014	Change, %
Reduced prices of Brent, the USD / bbl.	57,95	108,93	-46,8
Reducing the harm of impairment, after deduction of income tax bln.	3,4	27,8	-87,7

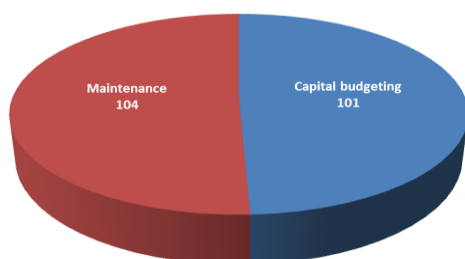
Starting H2 2014 significant decline in world oil prices began.



Source: US Energy Information Administration eia.gov

Capital expenses (hereinafter - CAPEX).

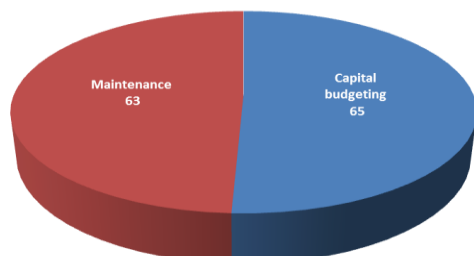
Consolidated CapEx, bln. KZT



CAPEX in this segment in the reporting period totaled in the amount of KZT206 billion. and was sent to:

- ✓ investment projects;
- ✓ maintain current levels of production

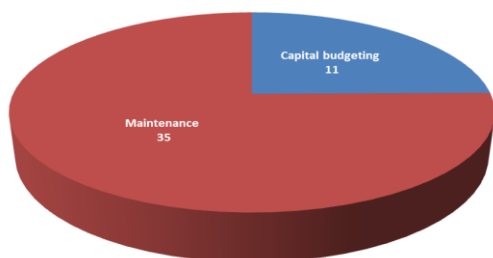
Upstream CapEx, bln KZT



CAPEX in sub-segment "Upstream":

- ✓ investment projects aimed at increasing the level of oil and gas condensate. The largest of these is SKP;
- ✓ maintain the current level of oil production and gas condensate (KMG EP, Karachaganak, KTM)

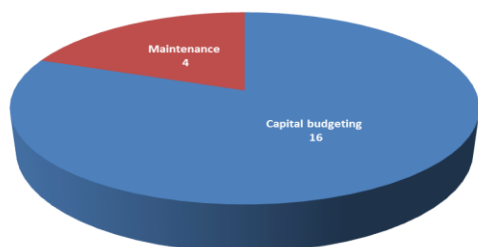
Midstream CapEx, bln KZT



CAPEX in sub-segment "Midstream":

- ✓ predominance of the cost of maintaining the current production level of expansion projects and an increase in oil and gas production;
- ✓ the largest investment project is the pipeline Kazakhstan - China.

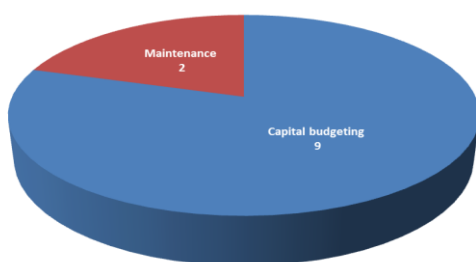
Downstream CapEx, bln KZT



CAPEX in sub-segment "Downstream":

- ✓ predominance of investment projects on the cost of maintenance;
- ✓ largest project are modernization of Atyrau petrochemicals refinery, Pavlodar oil chemistry

Services and other CapEx, bln KZT



CAPEX in sub-segment “Services and other”:

- ✓ predominance of investment projects on the cost of maintenance;
- ✓ the largest investment project is the construction of a new floating drilling rig (jack-up) (KMG "Drilling & Services"), to implement "Zhambyl" project

2.2.2 “Mining and Industrial”.

This segment consists of JSC “NAC “Kazatomprom”, “Kazakhstan Engineering” JSC, “United Chemical Company” LLP, JSC “NMC “Tau-Ken Samruk”.

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

The KAP Sole Shareholder is the Fund. The assets structure of the KAP consists of 81 companies on 4 levels.

The following **significant events** were in H1 2015:

1) “JV “Inkai” LLP in the first six months of 2015 has commissioned the facilities “Extension of the shift camp of “JV “Inkai” LLP fourth stage” according to the Act of State Acceptance Commission and “Construction of experimental-industrial area of uranium mining method PT in the North flank of the deposit Inkai” according to the Act of State Acceptance Commission.

2) eurobonds in the amount of \$500 million were repaid;

3) it was attracted a syndicated loan for \$450 million for the period of 4.5 years.

JSC “NMC “Tau-Ken Samruk” (hereinafter - TKS). To date, TKS is at the investment stage of development, which aims to develop investment proposals, attract project financing for exploration of promising sites, develop feasibility studies, attract strategic partners and subsoil use rights.

The structure of the TKS consists of 45 companies on 5 levels.

The following **significant events** happened in TKS in H1 2015:

1) the Company signed a contract for subsurface exploration of gold ore at the deposit in the South Moiyntinskoy Square in Karaganda region;

2) the Company signed a contract of sale of 100% stake in the authorized capital of “North Katpar” LLP;

3) the Company held direct talks with the competent authority to grant subsoil use rights to mine coal from the mine #3 of Kushmurun deposit in Kostanai region.

“United Chemical Company” LLP (hereinafter – UCC). At the moment the UCC is implementing the following investment projects:

1. Reconstruction of a sulfuric acid plant capacity of 180 000 tonnes per year in Akmola region (Stepnogorsk)

2. Construction of the first integrated petrochemical complex in Atyrau region - first phase (polypropylene)

3. Construction of the first integrated petrochemical complex in Atyrau region - second phase (polyethylene)

4. Special economic zone “Chemical Park “Taraz”

5. Polymer products processing in Atyrau region;

6. Production of phosphorus, trichloride, and glyphosate (herbicide);

7. Production of caustic soda and chlorine;

8. Production of butadiene - first phase;

9. Construction of infrastructure of special economic zone “National Industrial Petrochemical Technology Park;

10. The construction of a gas turbine power plant (gensets).

As of H1 2015 the UCC asset structure is represented by 13 companies.

In H1 2015 the following **significant events** happened which affected the operations and financial statement of UCC:

1) was approved the capitalization of “SKZK” LLP for KZT4200 mln. These funds were used for early repayment of the part of the principal in 2015 under the loan of Eurasian Development Bank;

2) “Karabatan Utility Solution” LLP was capitalized for KZT50 220.5 million from the national budget.

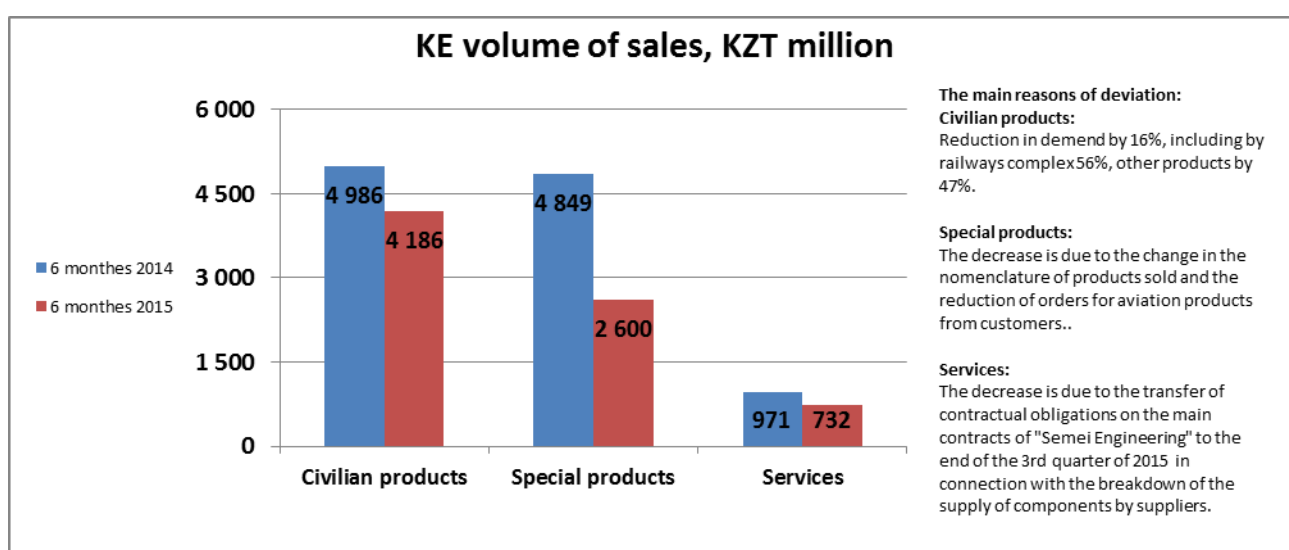
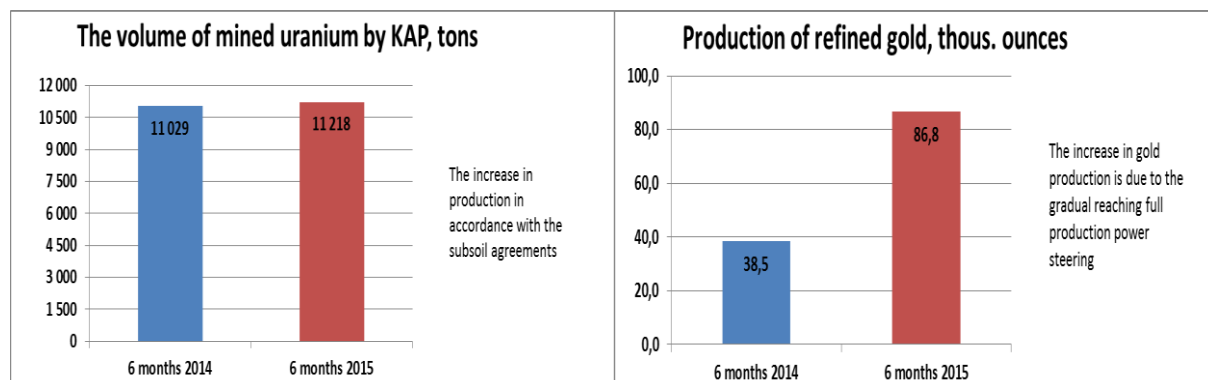
JSC “NC “Kazakhstan Engineering” (hereinafter – KE). The structure of the KE includes 34 companies on 3 levels.

The following **significant events** happened in H1 2015:

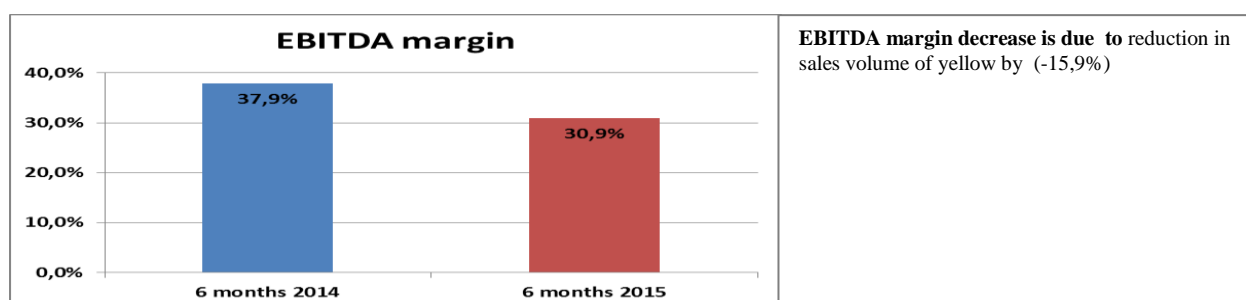
1) By the decision of the Sole Shareholder - the Order of the Minister of Defence of the Republic of Kazakhstan #39 dated January 27, 2015, Nurlan Yermekovich Sauranbayev, Deputy Minister of Defense of the Republic of Kazakhstan, was elected as the Chairman of the Board Directors.

Operational indicators.

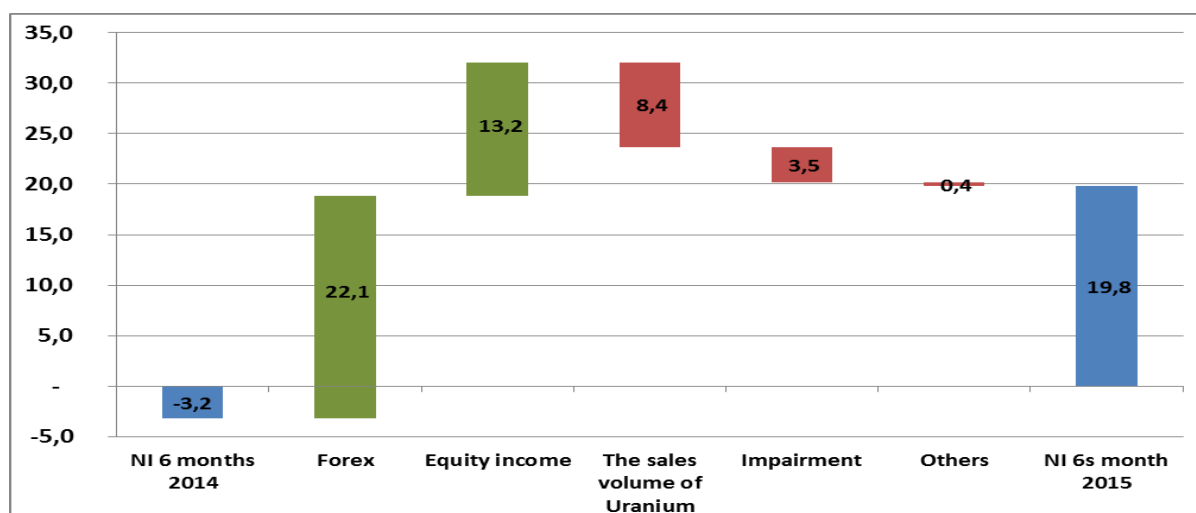
Please find below the performance results by the segment for H1 2015.



Consolidated financial indicators by the segment:

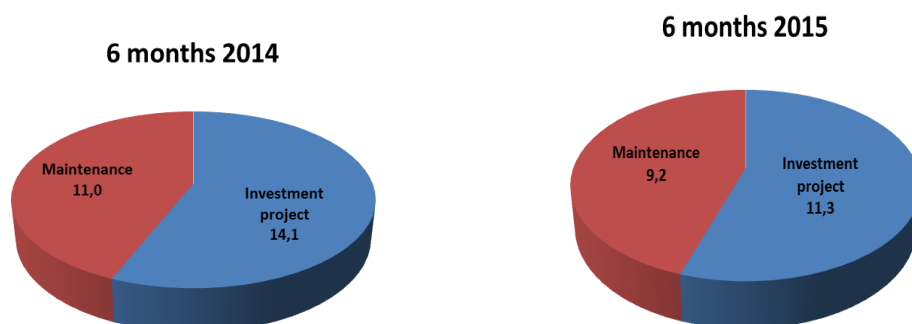


Main factors of changing in net income for the segment for 6 months of 2015 as compared with 6 months of 2014



Factors	H1 2014	H1 2015.	Change, %
Devaluation of the national currency in 2014	155,0-183,5	183,7-186,0	-
Sales volume of yellow cake, U tons	5 595	4 705	-15,9
KAP impairment, KZT mln.	470,9	4 046,5	-5,5

Capital costs for this segment in the first half of 2015 has amounted to KZT20.5 billion and decreased in comparison with the 1st half of 2014 by KZT25.2 billion. The growth of investment projects is mainly observed in UCC and TKS, as the companies are in the investment phase, at that the capital costs on investment projects in Kazatomprom and Kazakhstan Engineering have decreased.



2.2.3 “Transportation” segment.

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

The Sole Shareholder of “KTZh” JSC is the Fund. “KTZh” JSC structure includes 92 companies at 4 levels, 65 companies with 100% share are owned by “KTZh” JSC.

Jointly controlled Companies of “KTZh” JSC are:

- “Lokomotiv Kurastyru Zauyty” JSC, the main kind of activity of which is the erection of the locos
- “Elektrovoz Kurastyru Zauyty” LLP, the main kind of activity of which is the production of freight and passenger electric locos;
- “Astykh Trans” JSC, the main tasks of the company are adequate supply of the dynamically developing agricultural sector of the Republic of Kazakhstan with specialized rolling stock, modernization of the logistics capacity and improving technologies of railroad transportation of cereal crops;
- Logistic System Management B.V, a leading private operator of railroad terminal network in Kazakhstan;
- “KazElektroPrivod” JV” LLP, the main kind of activity of which is production switchgear.

Associated Companies of “KTZh” JSC include:

- “Aktobe Rail and Beam Plant”;
- “Roskazzheldortrans” OJSC;

- “Chinese-Kazakhstan International Logistics Company, Lianyungang city”;
- “Continental Logistics” LLP;
- “Aktau Marine Northern Terminal” LLP;
- “Airport Management Services” LLP;
- “Doszhan Terir Zholy” JSC (DTZ);
- “Eurotransit-KTS” LLP;
- “Astana Diesel Engines” LLP;
- “RailwaysEcoEnergy” LLP;
- “Platinum Train Services” LLP.

Subsidiaries of “KTZh” JSC provide services in the following areas of natural monopoly:

- “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.

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

1) by Decree of the President of the Republic of Kazakhstan #1030 KTZ is implementing infrastructure projects:

- Construction of the second track on the site Almaty-Shu;
- Development of a logistics hub “SEZ “Khorgos - Eastern Gate”;
- Construction r / w line Borzhakty - Yersai and ferry complex in Kuryk village.

2) a comprehensive “pilot” audit of safety management, integrated management system, system of protection and safety, environmental management system was conducted.

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 airline market on international routes in H1 2015 was about 43%, on domestic routes – 67%. Freight volumes in the period have increased by on domestic routes by 5%, on international routes have decreased by 17%.

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

1) The route Astana-Zhezkazgan was canceled, but instead it was launched Astana-Taraz-Astana.

2) New routes are opened: Astana / Tbilisi (June 2015), Kostanai - Hanover (June 2015), Astana-Seoul (June 2015), ,Astana-Paris (March 2015), Astana-Uralsk, Astana-Omsk, Astana-Bishkek, Astana-Goundi, Astana-Ust-Kamenogorsk, Almaty-Uralsk, Astana-Shymkent, Astana-Aktau, Astana-Kyzyl-Orda, Astana-Beijing, Astana-Antalya.

“**Atyrau International Airport**” JSC, “**Aktobe International Airport**” JSC, “**Pavlodar Airport**” JSC.

“Atyrau International Airport” JSC and “Aktobe International Airport” JSC accept and maintain practically all types of aircrafts on the following routes:

- Aktobe-Almaty, Aktobe-Astana, Aktobe-Moscow, Aktobe-Atyrau, Aktobe-Aktau, Aktobe-Antaliya, charter routes;

- Atyrau-Astana, Atyrau-Almaty, Atyrau-Aktau, Atyrau-Aktobe, Atyrau-Uralsk, Atyrau-Kyzyl-Orda, Atyrau-Shymkent, Atyrau-Moscow, Atyrau-Istanbul, Atyrau-Amsterdam. Charter routes are performed all over the world, but main directions are: Dubai, Antalya, Baku and Tbilisi. The most passenger traffic is noted on routes of the following cities: Astana, Almaty, Moscow, Amsterdam and Istanbul;

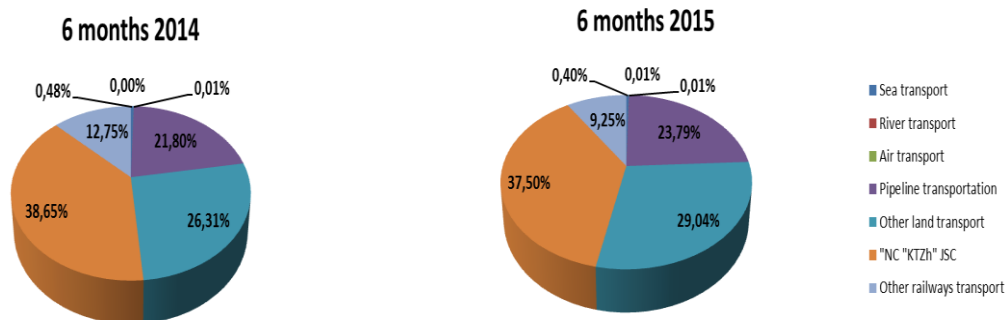
- Pavlodar-Astana, Pavlodar-Almaty, Pavlodar-Moscow, Pavlodar-Minsk, Pavlodar-Saint-Petersburg, Pavlodar-Antalya.

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.

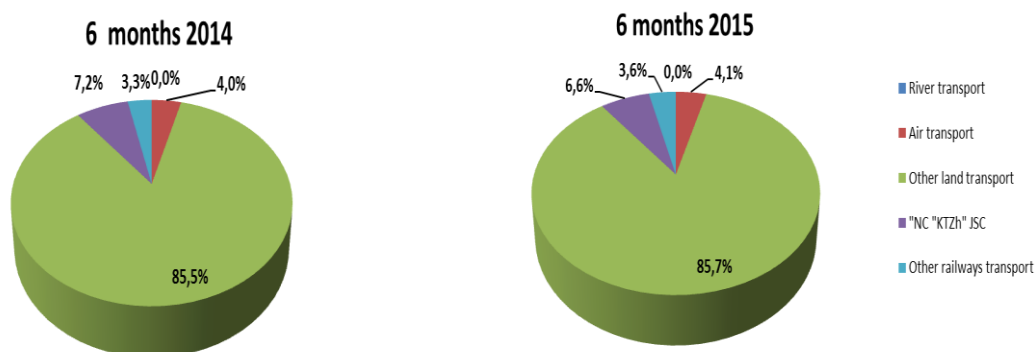
Performance indicators.

Alternation of the structure in the transportation market of Kazakhstan adversely affected the activity of the railroad transport. According to the data of the Agency on Statistics of the Republic of Kazakhstan **freight turnover by kinds of transport of the Republic of Kazakhstan** had some changes:



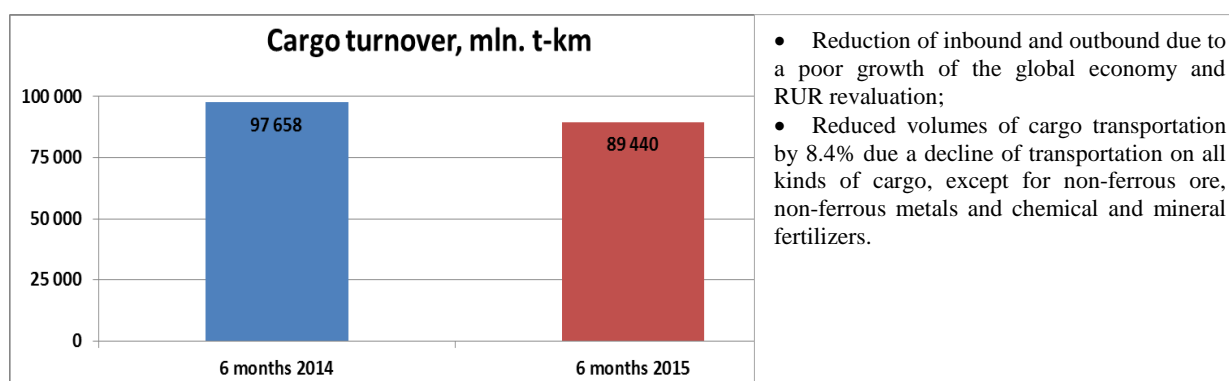
Name	Factors of market share decrease
KTZh's share in freight turnover	Decline in transportation of goods by 8.4% due to lower traffic of all types of goods, with the exception of non-ferrous ores, non-ferrous metals, chemical and mineral fertilizers.
	Faster growth of trucking (-4.2%) and pipeline (-3.0%).

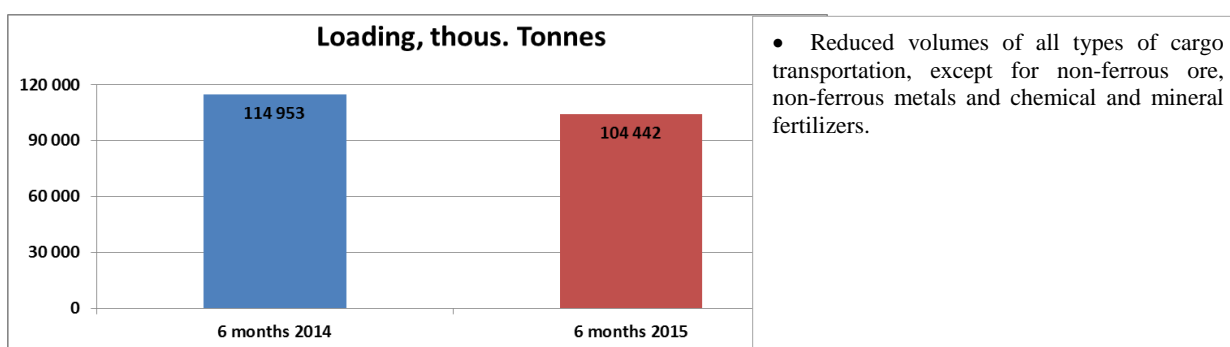
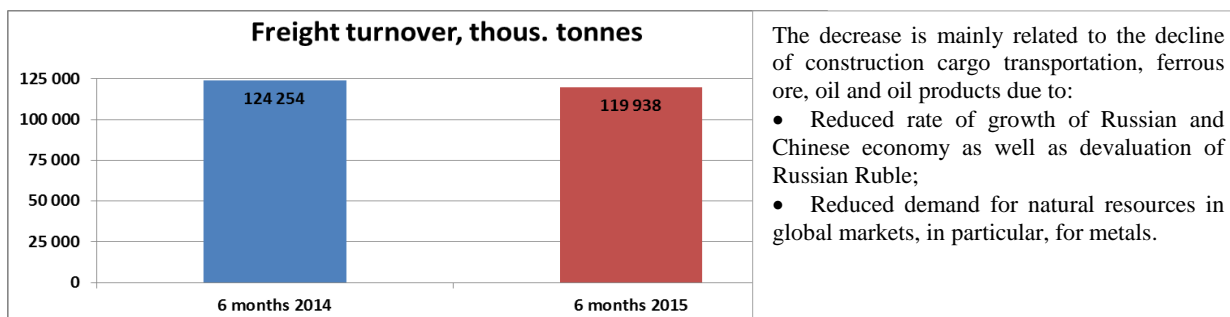
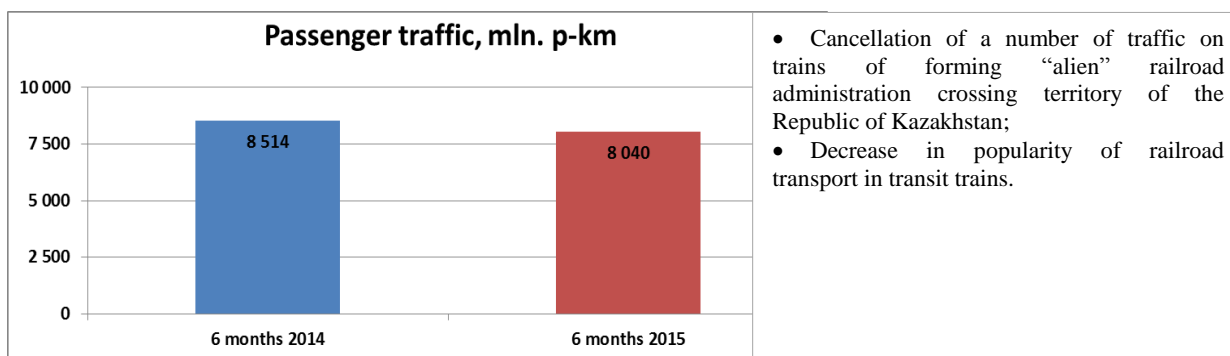
Passenger turnover by kinds of transport (according to data of the Agency on Statistics of the Republic of Kazakhstan):



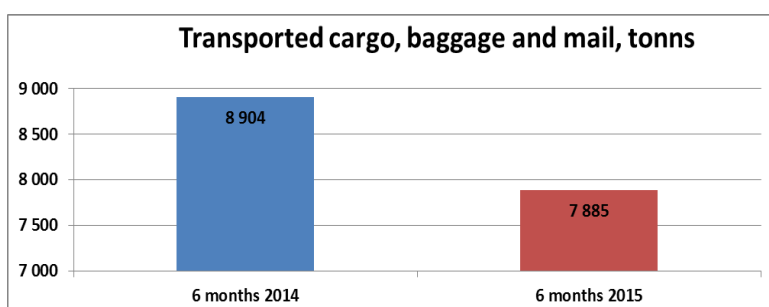
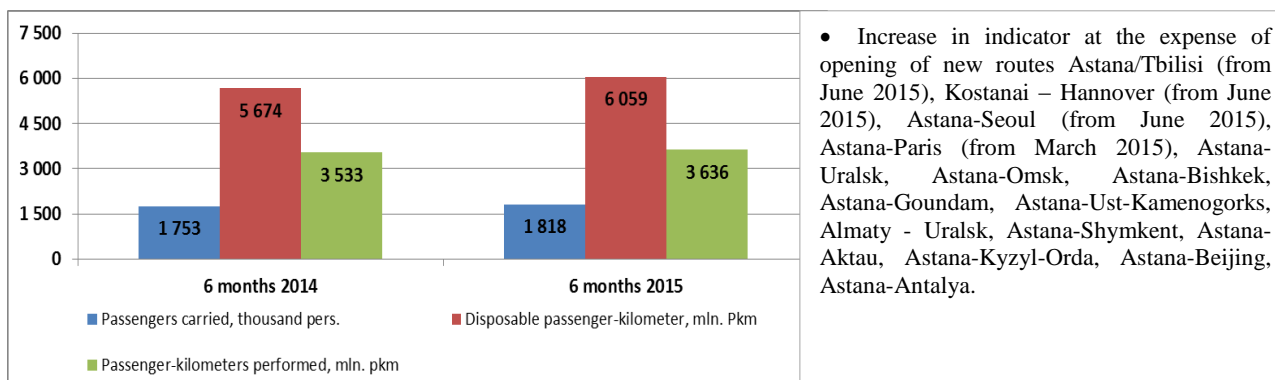
Name	Factors of the market share decrease
Share of KTZh in passenger turnover	Overall growth of the RK passenger transportation market by 2,3%.
	Cancellation of a number of traffic on trains of forming "alien" railroad administration crossing territory of the Republic of Kazakhstan.
	Higher-than-anticipated growth of transportation by other kinds of transport: trucking (+2.5%), air transport (+3.3%) and other r/w transporters by (+12.1%).
	Decrease in KTZh passenger turnover by (-5.6%) due to the growth of the services in the other kind transport market.

Main factors of alternation in the segment's performance indicators:



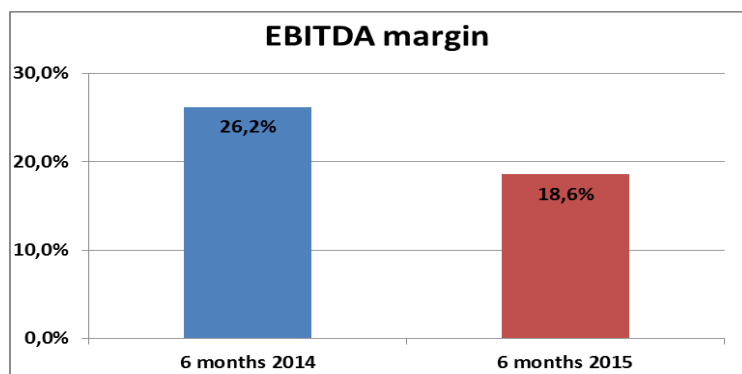


Volume on passenger transportation of “Air-Astana” JSC.



- Capacity optimization.

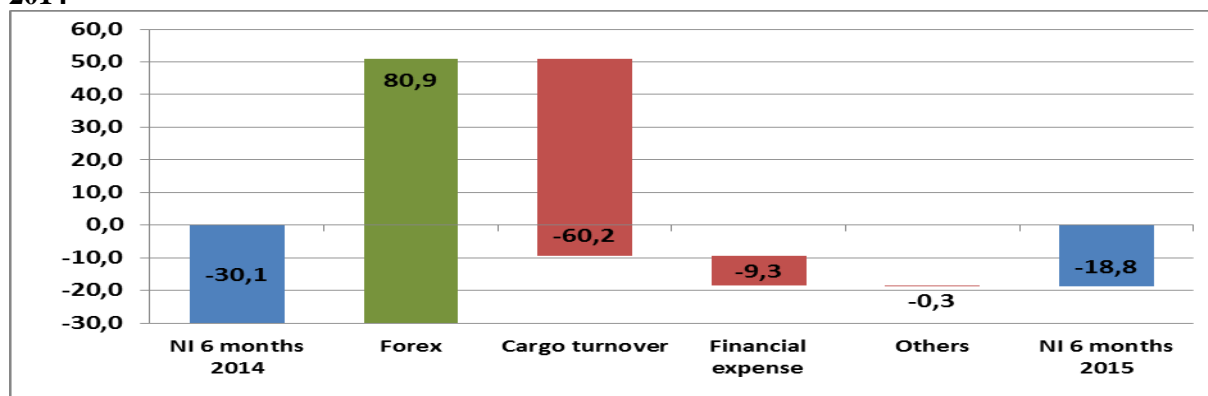
Consolidated financial indicators on the segment:



Decrease in EBITDA margin is mainly related to the decreased income from transportation on KTZh by KZT62.0 billion:

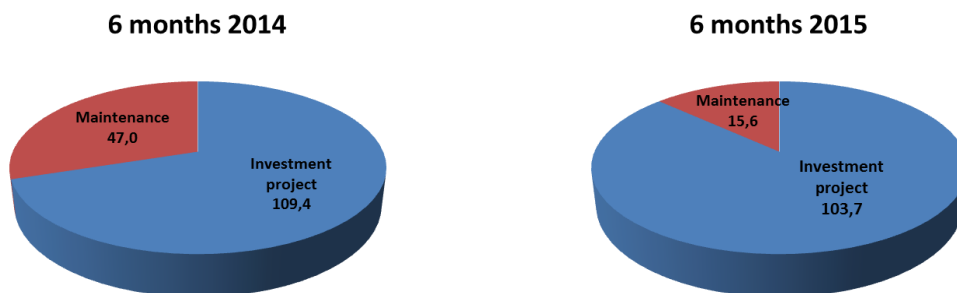
- Cutting cargo and passenger traffic by 8.4% and 5.5%, accordingly;
- Decline of average tariff of cargo transportation by 9.0% due to a change of the KTZh's cargo transportation structure.

Main factors of changes in net income by the segment for 6 months of 2015 as compared with 6 months of 2014



Name	H1 2014	H1 2015	Alternation, in %
Devaluation of the national currency in 2014	155.0-183.5	183.7-186.0	-
Decrease in cargo turnover of KTZh, million tkm	97 658	89 440	-8.4
Decrease in passenger turnover of KTZh, million pkm	8 514	8 045	-5.5

Capital costs on this segment in H1 2015 made KZT119.3 billion and have decreased as compared to H1 2014 by KZT156.5 billion.



The share of JSC NC KTZh makes 97.6% of the segment in the capital cost structure. In 2014 JSC NC KTZh implemented the following major investment projects:

- 1) **“Development of the railroad hub in Astana station, including construction of the railroad complex”.** The project is aimed at the development of the transport infrastructure of Astana, totaling KZT11.7 billion;
- 2) **“Construction of the railroad line “Zhezkazgan - Beineu”.** The project is aimed at the formation of the shortest railroad direction Central Kazakhstan – Aktau port, totaling KZT 18.7 billion;
- 3) **“Construction of the railroad line “Arkalyk – Shubarkol”.** The project is aimed at the reduction of the distance and terms of delivery from Central Kazakhstan to the northern direction, totaling KZT 5.7 billion;
- 4) **“Purchase of the freight cars”.** The project is aimed at the meeting of demand of freight transportation for rolling stock, totaling KZT 7.0 billion;
- 5) **“Purchase of “Evolution” mainline loco”.** The project is aimed at the increase in performance of the company, totaling KZT11.9 billion;
- 6) **“Purchase of passenger cars and electric trains”.** The project is aimed at the substitution of the current worn-out park, totaling KZT 6.4 billion;

- 7) **“AMS Energy Dispatching Traction”**. The project is aimed at the reduction of the costs of diesel fuel, electric power when implemented loco traction of the trains, totaling KZT 3.6 billion;
- 8) **“Construction of multi-functional ice palace in Astana”**, totaling KZT 10.7 billion;
- 9) **“Creation and complex development of “Khorghos-Vostochniye vorota (Eastern gates)” SEZ**. The project is aimed at the territorial development of border trade and economic relations, totaling KZT 27.5 billion.

2.2.4. “Power” segment.

This segment includes the Fund’s Companies: **“Samruk-Energy” JSC** (hereinafter - Samruk-Energy) and **“Kazakhstan Electricity Grid Operating Company” JSC** (hereinafter - KEGOC) which are the largest in this segment, **“KOREM” JSC** (hereinafter - “KOREM”) and **Karagandagiproshaht&K LLP** (hereinafter - Karagandagiproshaht).

The Sole Shareholder of **Samruk-Energy** is the Fund. The structure of Samruk-Energy consists of 37 companies at 4 levels in relation to the Fund.

A table on the installed and available capacity of power plants and the extension of transmission lines of Samruk-Energy is given below:

Subsidiary Name	Installed capacity, MW	Available capacity, MW
Total on Subsidiaries of “Samruk-Energy” JSC	7,96	6,53
Power stations		
Ekibastuz GRES-1	4,0	3,2
Ekibastuz GRES-2	1,0	0,9
AIES	1,2	0,9
Aktobe CHP	0,1	0,1
Hydro-power plants		
“Moynak HPP” JSC	0,3	0,3
“Shardarinskaya HPP” JSC	0,1	0,1
Solar power plant		
Kapshagai SPP	0,002	0
Length of ETL, thousand kilometers		
Total on Subsidiaries of “Samruk-Energy” JSC	70,0	
AZhK” JSC	29,2	
“VK REK” JSC	34,6	
“MREK” JSC	6,2	

KEGOC is a system operator of Unified electric power system of Kazakhstan (hereinafter - EPS RK).

The Fund is the Shareholder of KEGOC with 90%+1 share ownership ratio. The structure of KEGOC includes 4 companies at 3 levels in relation to the Fund.

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. Subsidiaries of “Energoinform” JSC and “AFC on RER” LLP.

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.

In compliance with the Order of the Agency of RK for Regulation of Natural Monopolies #105-OD dated May 16, 2014, the ceiling tariffs for regulating services of KEGOC are approved for a medium-term period since November 1, 2013 up to October 31, 2015:

- for electric network energy transmission
- from November 1, 2013 up to October 31, 2014 in the amount of KZT 1.305 /kWh (excl.VAT);
- from November 1, 2014 up to October 31, 2015 in the amount of KZT 1.954 /kWh (excl.VAT);
- on technical dispatching grid output and electric power consumption
- from November 1, 2013 up to October 31, 2014 in the amount of KZT 0.134 /kWh (excl.VAT);
- from November 1, 2014 up to October 31, 2015 in the amount of KZT 0.182 /kWh (excl.VAT);
- on balancing production and consumption of the electric energy
- from November 1, 2013 up to October 31, 2014 in the amount of KZT 0.060 /kWh (excl.VAT);
- from November 1, 2014 up to October 31, 2015 in the amount of KZT 0.083 /kWh (excl.VAT).

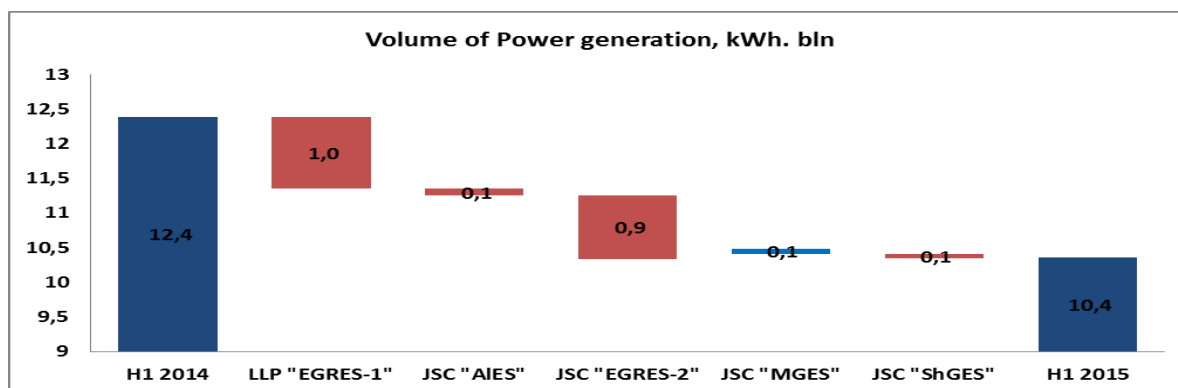
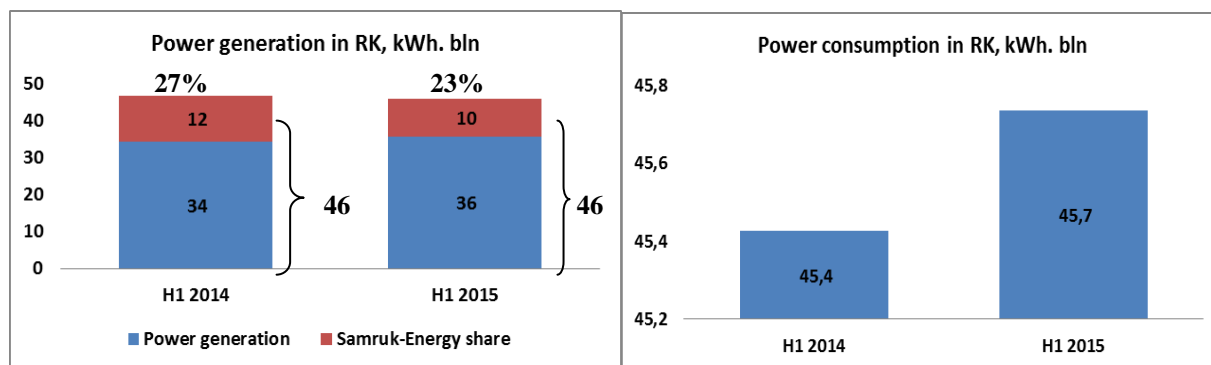
KOREM is the operator of the market for centralized trade of electric energy and power. The main type of its activity is to ensure the readiness for the trading of electric energy at the centralized location.

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.

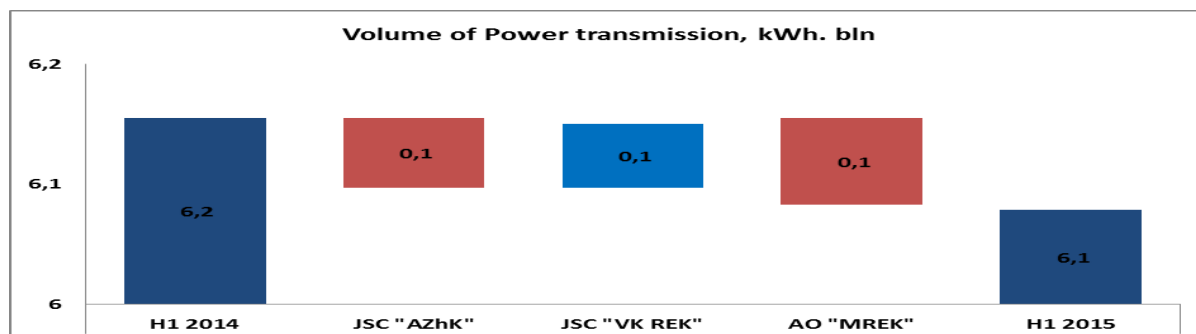
In H1 2015 the **following main events** were in the segment:

- 1) Standart & Poors agency downgraded Samruk-Energy to “BB / B” and “kzA +”, “Stable” forecast;
- 2) Credit Ratings Services of Standard & Poors affirmed the long-term rating of KEGOC at “BB +”, outlook “Nnegative”;
- 3) Samruk-Energy under the Decree of the Government of the Republic of Kazakhstan on the sale of assets of the Fund’s group to the competitive environment realized the full share of 50% of shares of JSC “Zhambyl GRES named after T.I. Baturov”.
- 4) From the first quarter of this year Samruk-Energy and KEGOC launched a program of business transformation.

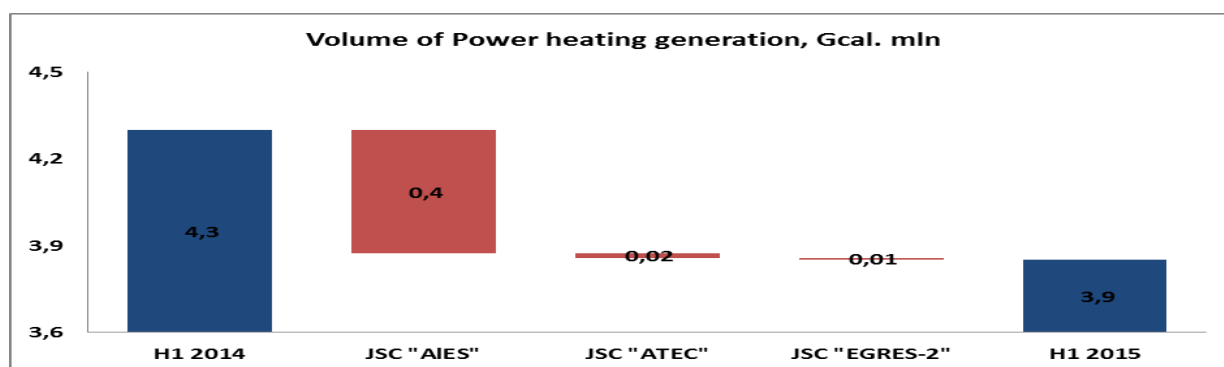
Performance indicators. Main factors of alternation in the segment’s performance indicators:



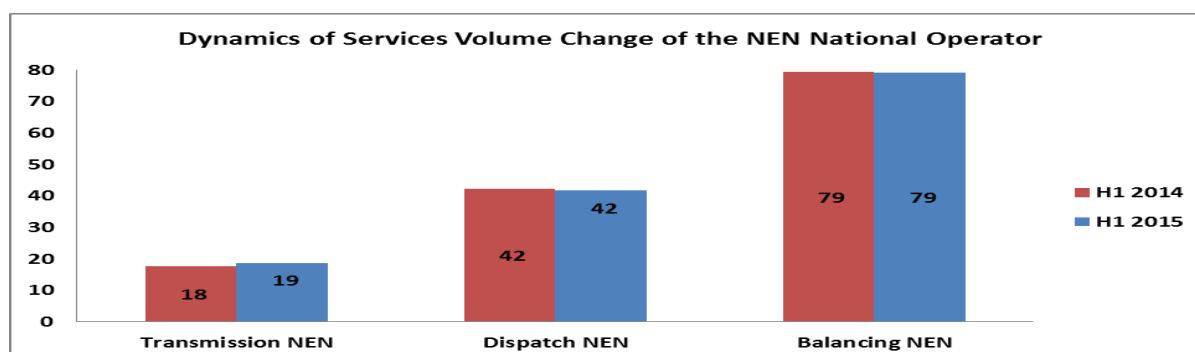
Name	Factors of alternation of power generation volume
“Ekibastuz GRES-2” JSC	Decrease in sales of power in Kazakhstan market
“Ekibastuz GRES-1” LLP	Increased demand in the internal market



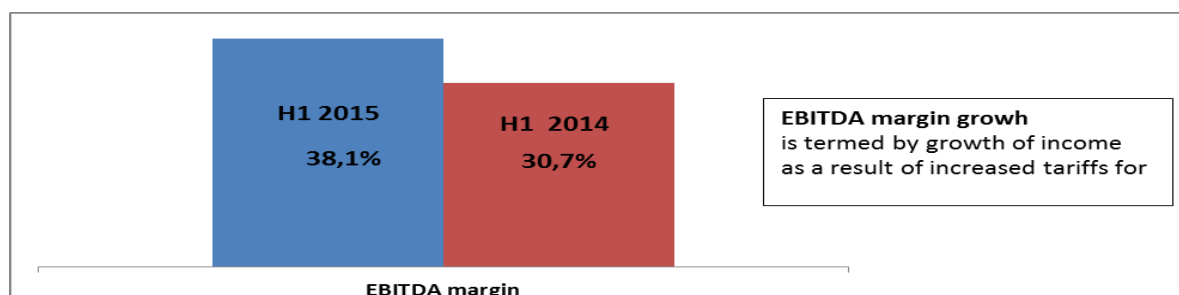
Name	Factors of alternation of power generation volume
“Alatau Zharyk Kompaniyasy” JSC	Decreased demand in the internal market
“Mangystau REK” JSC	
“East-Kazakhstan REK” JSC	Increased demand in the internal market



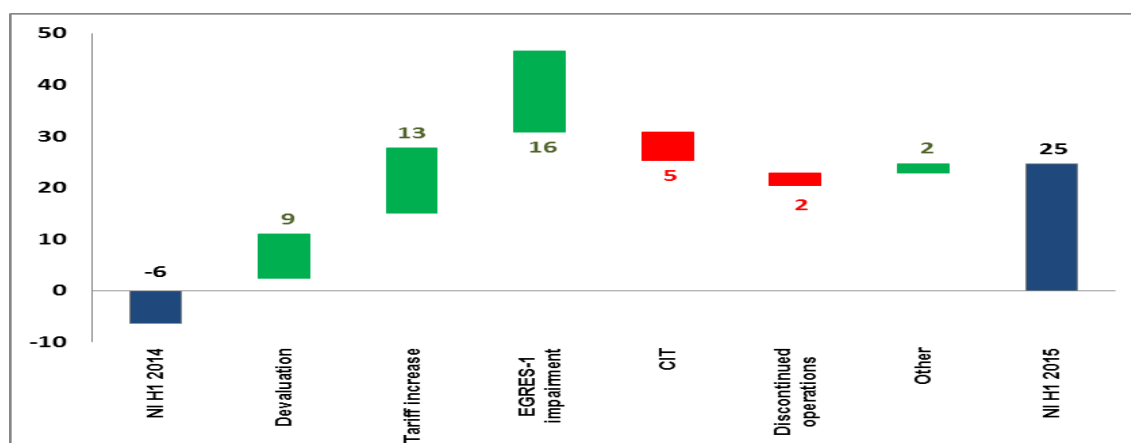
Name	Factors of alternation of power generation volume
"AIES" JSC	Decreased demand in the internal market
"Aktobe TES" JSC	



Consolidated financial indicators on the segment



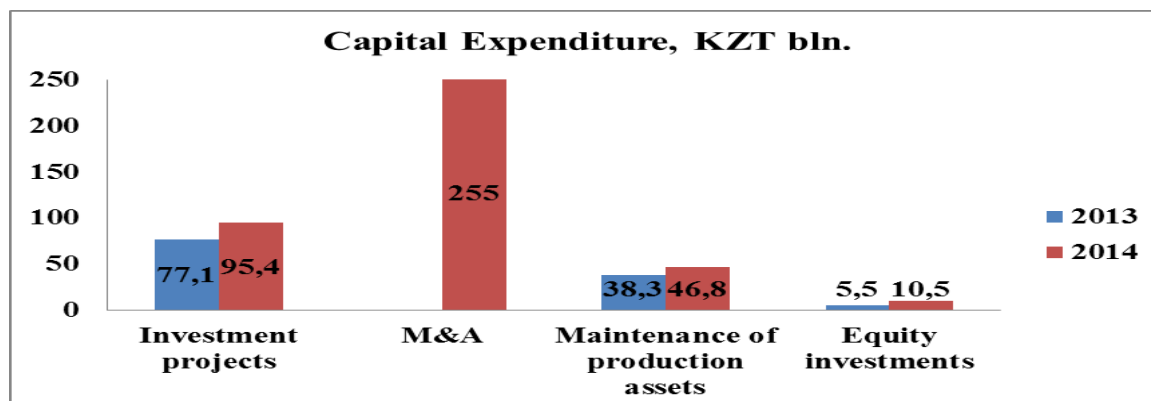
Main factors of alternation on net income on the segment in H1 2015 as compared to H1 2014



Factors	Changes, KZT bln.
Net income (KZT24,6 bln. for the reporting period; - KZT6,4 bln. for H1 2014)	31,0
due to:	
Devaluation of the national currency in 2014	8,7
Increase in performance	12,7

Factors	Changes, KZT bln.
Impairment of goodwill in the transaction of “Ekibastuz GRES-1” LLP	15,8
Increase in corporate income tax	- 5,5
Increase in the loss from discontinued operations	- 2,5
Other	1,8

Capital expenditure for this segment in H1 2015 amounted to KZT **54,5 bln.**



2.2.5 “Telecommunications” segment

This segment includes companies: “Kazakhtelecom” JSC and “Kazpost” JSC.

Kazpost” JSC (hereinafter - Kazpost) is the National Post Operator and provides a wide range of postal and financial services to the entities and population at the territory of the Republic of Kazakhstan.

The Fund is the Sole Shareholder of Kazpost. As of H1 2015 the Company owns equity in the following entities:

“Elektronpost.kz” JV” LLP was registered in 2006. Types of activity: rendering services of digital printing and converting as well as electronic and direct marketing services;

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

“Kazakhtelecom” JSC (hereinafter - Kazakhtelecom) is the largest telecommunications operator of the Republic of Kazakhstan. The structure of Kazakhtelecom includes 9 companies at 3 levels, the Company has a network of branches in the regions and comes in to the group of the Fund with 51% equity interest.

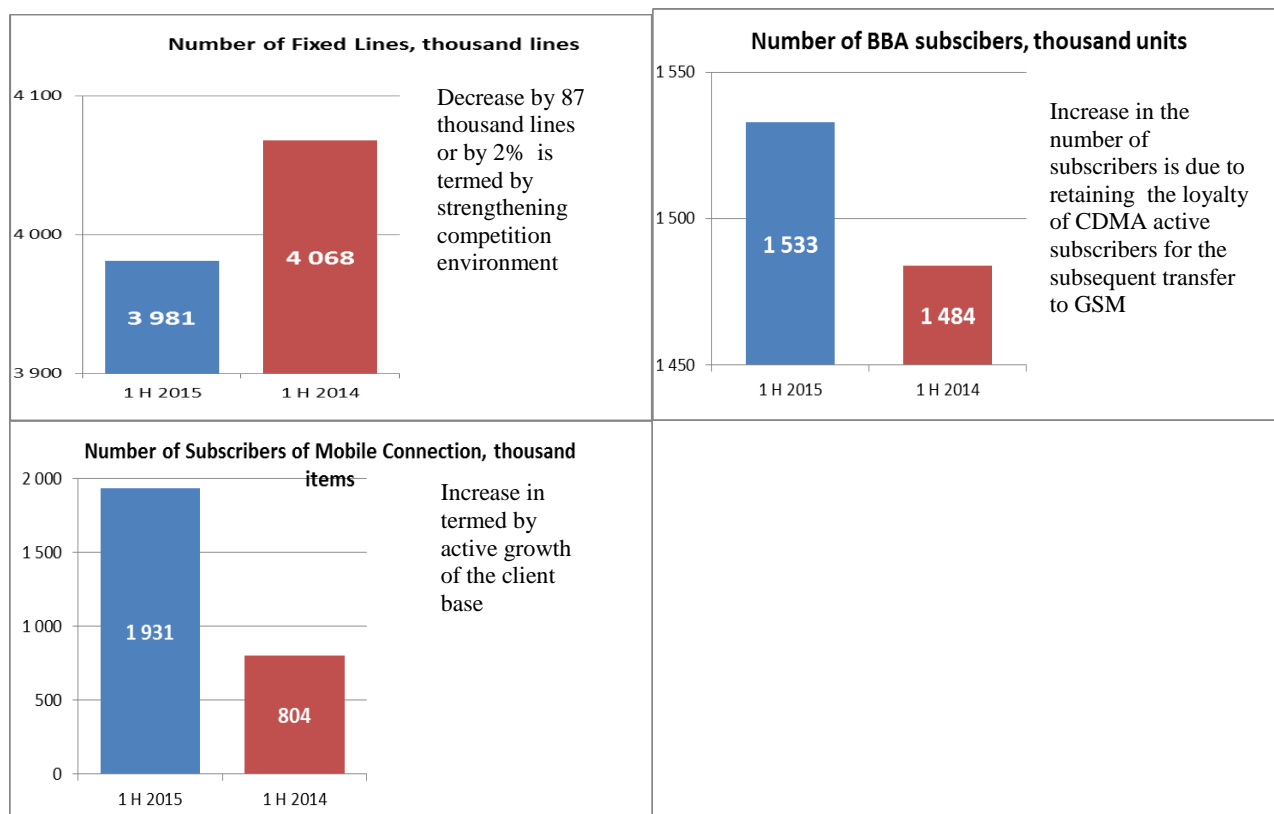
On participation in jointly controlled entities and associated companies:

Name of a subsidiary	Country of registration	Ownership ratio
“ALTEL” JSC	Kazakhstan	100,00%
“NURSAT” JSC	Kazakhstan	80,00%
“VOSTOKTELEKOM” LLP	Kazakhstan	100,00%
“KT Cloud Lab” LLP	Kazakhstan	100,00%
“Signum” OJSC	Russia	100,00%
“Digital TV” LLP	Kazakhstan	100,00%
“Online.kg” LLP	Kyrgyzstan	100,00%
“Kazakhtelecom Industrial Enterprises Services” LLP (“Radio Tell” LLP)	Kazakhstan	100,00%

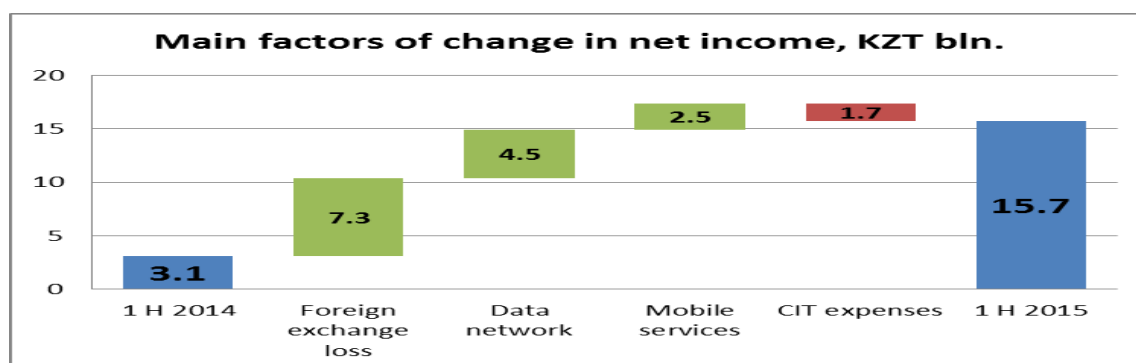
In compliance with the Law of RK “On Natural Monopolies and Regulated Markets”, it is approved the Republican section of State register of natural monopolies subjects, pursuant to which the services of the sphere of natural monopolies include the following services:

1. Connection of the equipment (access units) of the operators of IP-telephony (Internet telephony) to the common access communication network at the international level;
2. Access by the connecting operators of telephone traffic communication to (on) the equipment (access units) of the connected operators of IP-telephony (Internet telephony).
3. Provision of telephone conduit.

Performance indicators. Main factors of alternation in the segment’s performance indicators:



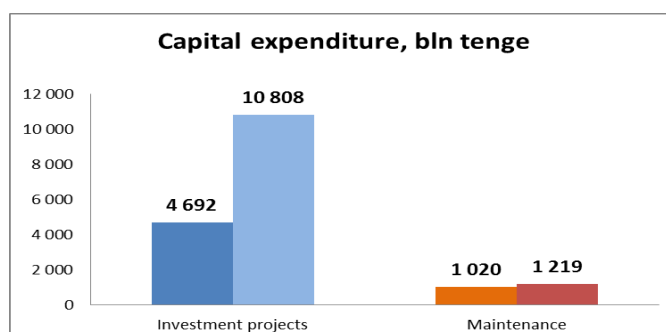
Consolidated financial indicators on the segment:



Factors of alternations of *net income* on the segment in H1 2015 as compared to the same period of 2014:

Factors	Changes, billion KZT
Reduced foreign exchange loss due to the devaluation of the national currency	7.3
Increase in revenues from data network	4.5
Increase in revenues from mobile services	2.5
Increase of CIT expenses	-1.7

Capital expenditure



Non-execution of the budget for capital expenditures is associated with the project “ALTEL” “Implementation of networks LTE / GSM / UMTS in the territory of the Republic of Kazakhstan in 2012-2021” and is due to the partial delay from plans for building the network, as well as the postponement of planned procurement in later periods.

1) Project: “Implementation of networks LTE / GSM / UMTS in the territory of the Republic of Kazakhstan in 2012-2021”. The project is implemented with the aim to carry out innovative mobile BBA - LTE – with high speed and quality characteristics. At the end of the 1st half of 2015: 2678 base stations (BS) are installed of which 2557 BS are included to serve mobile subscribers, of which 1323 are connected via fiber optic links. The registered number of LTE subscribers is 601 321 subscribers, active subscriber base – 516 243 subscribers. The registered number of subscribers to GSM / UMTS amounts to 1 473 875 subscribers, active subscriber base – 1 414 882 subscribers. Work on the installation of base stations, organization of works on construction of fiber optic links, purchase of MRI equipment is in progress. Currently it is signed an agreement for the supply and installation of DWDM / SDH transport network, a tender for the purchase of Mobile Backhaul network equipment is announced.

2) “Implementation and development of IP TV services in the Republic of Kazakhstan”. The project is aimed at the implementation of paid TV and offering package of telecommunication decisions.

At the end of the 1st half of 2015: 56 313 set-top boxes are supplied for the network, 68 313 user licenses are loaded. Network capacity is 426 357 set-top boxes. As of July 1, 2015 the number of iD TV subscribers amounted to 372 315 connection points. For 6 months of 2015 the development of capital investments amounted to KZT1.06 bln.

3) “Construction of optical transit network DWDM”. The project is aimed at the provision of the service of transparent transit Europe - China, Russia – Middle Asia with aggregate capacity 850Gbit/sec and optimization of the operating costs of the Company to rent external Internet channels through direct peering with major content vendors at the points of presence of the Companies in Moscow city at the level of 100 Gbit/sec. In 2015, it is scheduled the completion of the reconstruction and expansion of EPA and extension of DWDM transport network for the capacity expansion of the existing joint with “Uzbektelecom”. In the 1st half of 2015 the development of capital investments amounted to KZT 0.10 bln.

4) “Development of broadband services in 17 branches of “Kazakhtelecom” JSC. The project aims to increase revenue by meeting the existing and potential demand for broadband services by increasing the number of users of data transmission network in the Republic of Kazakhstan. The project is implemented within the framework of individual projects of business plans branches in all regions of Kazakhstan. In the 1st half of 2015 the development of capital investments amounted to KZT0.22 bln.

2.2.6 “Financial and development institutions” Segment.

It includes operations on facilitating State in increasing availability of the housing to the population through investing in housing construction (“Real Estate Fund Samruk-Kazyna” JSC).

“Real Estate Fund “Samruk-Kazyna” JSC. The Fund is a Sole Shareholder of the Real Estate Fund. As of June 30, 2015 the Real Estate Fund has two subsidiaries and one jointly controlled entity.

In compliance with the approved Development Strategy for 2014- 2023 (Minutes of the Board of Directors of “Real Estate Fund “Samruk-Kazyna” JSC #80 dated March 20, 2014) the main strategic activities of the Real Estate Fund are as follows:

1) increase in long-term added value of the Real Estate Fund by the means of becoming an anchor developer in the implementation of mega-projects; realization of commercial projects only in those real estate market’s segments where there is insufficient private-sector capital; improving internal processes of the Real Estate Fund, corporate governance system;

2) Implementing innovations in the construction industry through the use of "green" technologies, and implementation of projects with the involvement of partners with experience in implementation of innovation in construction.

In H1 2015, the following **significant events** happened in the company:

1) under the program “Affordable Housing – 2020” (Regional Development Program 2020) 85.12 thousand square meters of the 2nd turn of residential complex "Asyl Arman" in Almaty region and 18.5 thousand square meters of residential complex “Shygys” in Astana (1B residential group) were put into operation;

2) realization of housing was continued under the “Affordable Housing – 2020” program for facilities in Taraz (“YunisSiti” RC and 1st turn of “Asyl Arman” RC.), Almaty (“Sovremenyi” RC);

3) in the course of the auction 51% stake of the Real Estate Fund in “FN Management” LLC was realized to the competitive environment (Bidding results statement #16/955).

4) new edition of the Corporate Governance Code of the Real Estate Fund was approved.

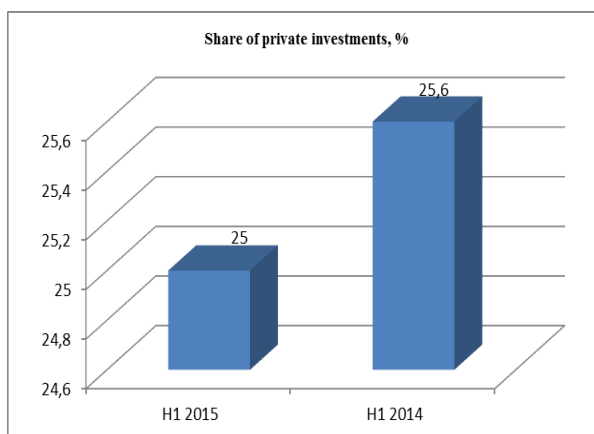
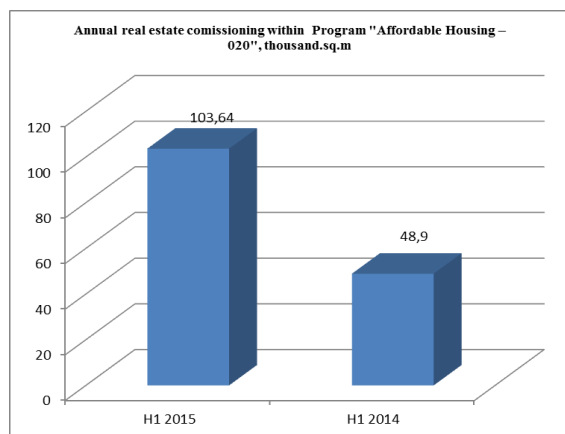
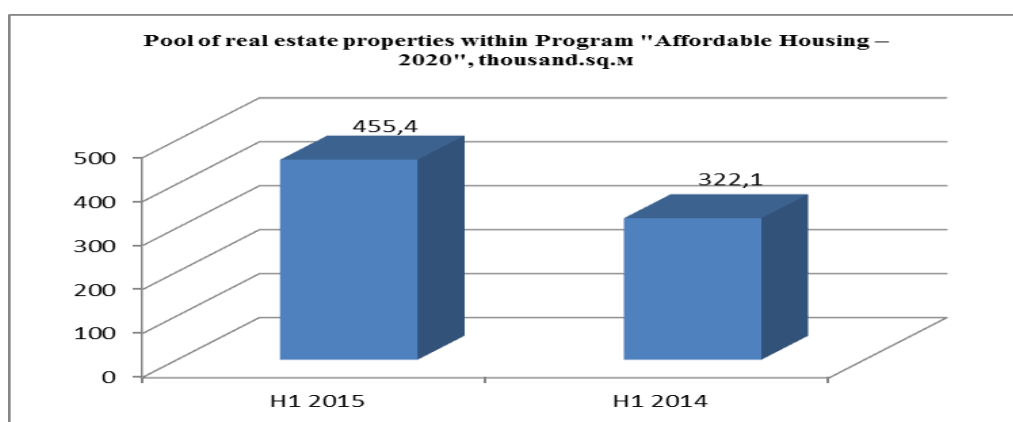
Consolidated financial indicators of the segment:

Name	UoM	H1 2015	H1 2014	Deviation, (+/-)	Change %
Consolidated net income	KZT billions	1,6	-32,9	34,5	-105

Factors of change in *net income* for the segment in H1 2015 as compared to the same period in 2014:

Factors	Changes, KZT billion
Net income (KZT 1,6 billion for H1 2015; net loss - KZT 32,9 billion for H1 2014.)	34,5
including due to:	
Losses accrued in H1 2014 from discontinued operations	6,7
Influence of operation activity of the Real Estate Fund in connection with the real estate realization under the “Affordable Housing – 2020” program, as well as amortization of the discount accrued during the reporting period under the loan of “Aythauzing complex” LLP	0,8
Losses in H1 2014 from continuing operations (mainly second-tier banks: “BTA Bank” - KZT 6.8 billion, “Alliance Bank” - (-) KZT 28.9 billion, “Temirbank” - (-)KZT 3.6 billion).	27,0

Production indicators of the Real Estate Fund and main factors of change:

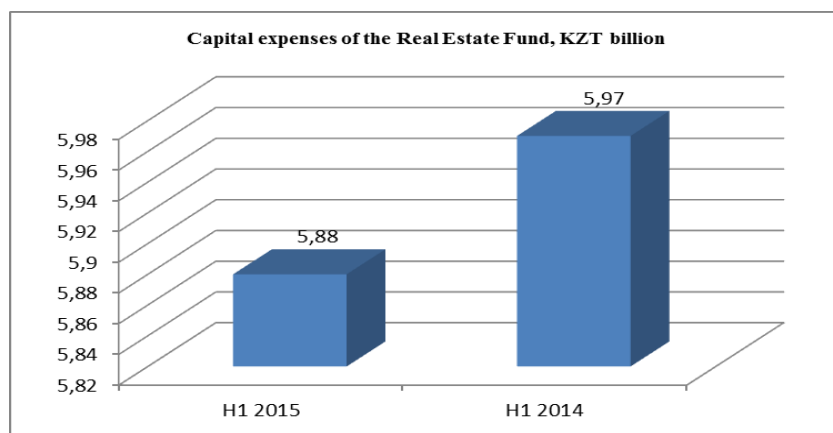


Main factors of change:

Concluding investment contracts for 13 facilities under “Affordable Housing – 2020” program, share of the Real Estate Fund in which amounts to 78%;

Commissioning 5 facilities and residential group of the first site with a pool of real estate of the Real Estate Fund amounted to 268.1 thousand square meters;

Capital expenses of the Real Estate Fund.



Investments reduction in construction by 1.5% due to changes in the construction schedules under the “Affordable Housing – 2020” program, “Green Quarter” project.

Macro-economic trends affecting the activities of the Real Estate Fund

There is a decline in the growth rate of STB lending to individuals for the construction and purchase of the real estate. Loans to individuals for the housing purchase and construction increased since the beginning of the year by 1.6% against 6.2% in the same period in 2014. The weighted average interest rate on mortgage loans was 9.6%

In the reporting period, there has been some recovery in the property sale and purchase market. The number of property purchase and sales transactions for the period of January-June 2015 as compared to the corresponding period of the last year increased by 9.0%.

However, the slow growth in lending volume in the mortgage market is still holding back demand for real estate (consumer purchasing power).

Moreover, the decrease in prices for secondary housing can be observed. For example, the national average price of 1 sq. m. of a new housing in June amounted to KZT222.4 thous. (as compared to December 2014 - 0%), the resale of a decent housing – KZT 173 thous. (decline in December 2014 – by 0.6%). At the same time, the price of the rental property has increased in comparison with December 2014. The average price of rent of a decent housing in June 2015 amounted to KZT1 269 per 1 square meter (growth compared to December 2014 - by 2.5%).

Furthermore, it should be noted that the previously active segment included as well as commercial banks acquired by the Fund in 2009 (“BTA Bank” JSC, “Alliance Bank” JSC, “Temirbank” JSC).

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.

On December 11, 2014 as a result of a voluntary restructuring in the form of merger to “Alliance Bank” “Temirbank” JSC and “ForteBank”, Fund had lost control over the bank. Pursuant to the Decree of the Government of the Republic of Kazakhstan dated December 31, 2014 and the agreement of sales and purchase in relation to shares of “Alliance Bank” (now “ForteBank” JSC) dated October 16, 2014, the Fund implemented a package of common and preferred shares of "Alliance Bank " to Mr. Bulat Utemuratov Dzhamitovich in March 2015. The cost of sale of shares of “ForteBank” JSC amounted to KZT 4.755 million, which are to be paid within 5 (five years), and are subject to an annual increase in the refinancing rate of the National Bank.

As of 31.06.2015g. the financial performance of STB are not included in the consolidated financial statements of the Fund.

2.2.7 “Corporate Center and Projects” segment.

“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.

The following **significant activities** happened in the Fund for the reporting period:

- 1) In March 2015 subsidiary of KGF IM was liquidated;
- 2) in accordance with the shares sales and purchase agreement between the Fund and “Power Build Engineering” LLC, signed in December 2014, in January 2015 the Fund has carried out the realization of shares of “Kazakh Scientific Research Institute of power engineering names after Sh. Chokin”. Cost of the transaction amounted to KZT 504 million, the payment was made in cash;

3) in Q1 2015 KazMinerals Plc (formerly Kazakhmys Finance Plc) has carried out the early repayment of loans provided by the Fund in the amount of USD 1,993 million (equivalent to KZT 368,447 million at the exchange rate on the payment date) for project development of Bozshakol, Bozymchak, Abyz and Nurkazgan copper deposits. The loans were granted from the funds received under the credit line with the China Development Bank (CDB). In its turn, Fund has carried out early repayment of loans to the CDB in the amount of USD 1,993 million (equivalent to KZT 368,621 million at the exchange rate on the payment date) for project development of Bozshakol, Bozymchak, Abyz and Nurkazgan copper deposits;

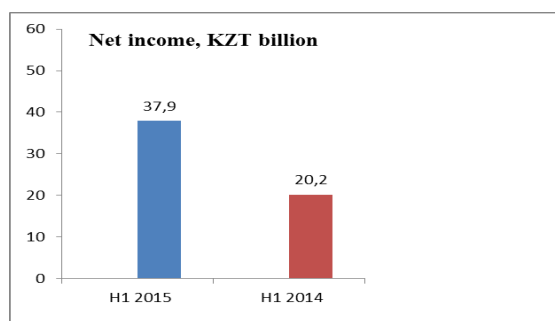
“Samruk-Kazyna Finance” LLP (hereinafter - SK Finance) was established with one hundred percent participation of the Fund for the implementation of the functions of the Fund as the Operator of the state programs in the banking sector.

“Samruk-Kazyna Invest” LLP (hereinafter - SK Invest).

In the reporting period the following significant event, associated with investment activity, occurred. In particular, the share of 25% in "Electrode SK" LLP stake was acquired in the framework of the investment project "Production of welding electrodes" in the amount of KZT 121.9 million (reflected as a financial asset) .

“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.

Consolidated financial indicator on the segment:



Growth factors of *net income* for the segment for KZT **17.7 billion** (KZT 37,9 bln. for H1 2015 .; KZT 20.2 bln. for H1 2014.)

- In 2014 accrual of losses from revaluation of "Kazkommertsbank" JSC options for KZT10.4 billion, in 2015 KKB option has discontinued recognition;
- Reduction of GAE for KZT 7.3 billion due to reduced spending on Fund’s CC sponsorship.

3. LIQUIDITY

3.1 Cash flow analysis

KZT billion			
Name	H1 2015	H1 2014	Deviation
Net income of the cash from the operating activity	137	691	-554
Net loss of the cash in the investment activity	-279	-544	265
Net income / (loss) of the cash in the financial activity	-252	193	-445
Net growth / (decrease) of cash and their equivalents	-394	340	-734
Impact of change of currency rates on cash and their equivalents	11	78	-67
Cash and their equivalents as of the beginning of the period	1 234	741	493
Cash and their equivalents as of the end of the period	852	1 159	-307

Factors	Changes, KZT billion
Cash flow from the operating activity has decreased in result of: <ul style="list-style-type: none"> • Decrease in operating activities (- KZT 241 bln); • changes in loans due to the disposal of commercial banks (about KZT 307 bln) 	-554
Cash outflow from the investment activity has decreased in the result of: <ul style="list-style-type: none"> • reduce the amount of cash outflows due to the acquisition of "Ekibastuz GRES-1" (KZT 233 bln.) in 2014, sales of subsidiaries of "BTA Bank" JSC and "Temirbank" JSC in 2014 (KZT 52 billion); • increase the amount of the bank deposits return (KZT 179 bln.); • increase in acquisitions of fixed assets (- KZT 43 bln); • decrease of dividend income from joint ventures and associated companies (- KZT 71 Bln). 	265
Cash outflow from financial activity has increased in result of: <ul style="list-style-type: none"> • Early repayment of loans (- KZT 472 bln), in particular Fund owned to CDB in the amount USD 	-445

Factors	Changes, KZT billion
1.993 million (equivalent to KZT 368.6 billion, NC KMG bonds placed on the London Stock Exchange, in the amount of USD 1 500 million (equivalent to KZT 276.2 billion); • Increase in volume of contributions to the charter capital of the Fund (KZT 51 billion).	

3.2 Financial sustainability analysis.

As of June 30, 2015 the consolidated debt of the Group was decreased by KZT 656 bln. or by 9% as compared to December 31, 2014, and made KZT 6 333 billion (*see Table 1*).

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

<i>In KZT billion</i>	H1 2015	2014	Change	%
Loans	4 970	5 642	-672	-12%
Loans of the Government of RK	419	414	5	1%
Debt to purchase interest in the project	412	396	16	4%
Liability on financial lease	100	106	-6	-6%
Clients' funds	24	21	3	16%
Derivative Financial Instruments	1	2	-1	-59%
Other	407	407	0	0%
Total debt	6 333	6 989	-656	-9%
Excluding: cash and their equivalents	-852	-1 234	-383	-31%
Total net debt	5 481	5 754	-273	-5%

Main reasons of the decrease are as follows:

Credit line of China Development Bank

In the first half of 2015 the Fund has carried out early repayment of loans to the Development Bank of China in the amount of USD1 993 million (equivalent to KZT368 621 million at the exchange rate on the payment date) on the projects for the development of copper deposits Boschekul, Abyz and Bozymchak.

Bond redemption

In the first six months of 2015 NC KMG has repaid the bonds placed on the London Stock Exchange in the amount of USD1 500 million (equivalent to KZT276 150 million at the exchange rate on the payment date) and remuneration for USD88 million (equivalent to KZT16 224 million at the exchange rate on the date of payment).

Other loans

In the first six months of 2015 KMG and its subsidiaries received a loan from a syndicate of banks Citibank NA, Natixis, ING Bank in the total amount of KZT74 480 million to refinance existing loans.

In H1 2015 KMG and its subsidiaries repaid loans from ING Bank and VTB Bank in the amount of USD200 million (equivalent to KZT37 050 million at the exchange rate on the maturity date) and USD250 million (equivalent to KZT46 338 million at the exchange rate at the date of maturity), respectively.

The ratio of Debt to Capital of the Group has decreased from 0.86 in 2014 to 0.75 in H1 2015, the Group's ratio of Debt to EBITDA has increased from 4.63 in 2014 to 4.98 in H1 2015 (see. Table 2).

Table 2. The long-term financial sustainability indicators of the Group

	H1 2015	2014
Debt / EBITDA ⁵	4,98	4,63
Debt / Capital	0,75	0,86

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