Detailed analysis of financial statements «Samruk-Kazyna» JSC*
H1 2016

САМРУК
ҚАЗЫНА

***Important notice:** This document must be read together with Interim condensed consolidated financial statements (unaudited) of JSC Samruk-Kazyna for the 6 m ended June 30, 2016

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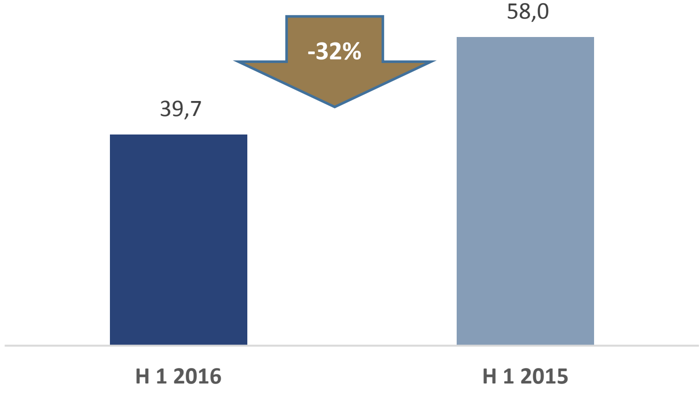
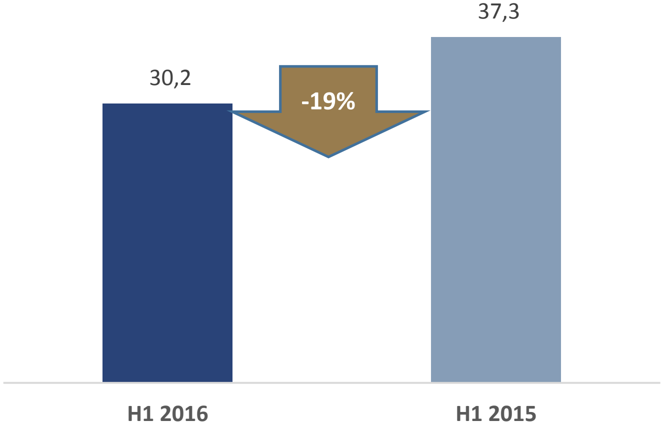
Main external factors that affected Fund’s financial results

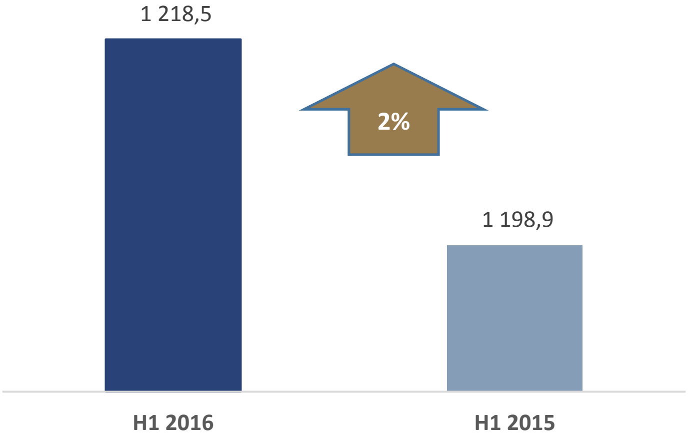
Average Brent oil price, $/bbl



Uranium spot quotation, USD/lb.



Gold price, $/ounce

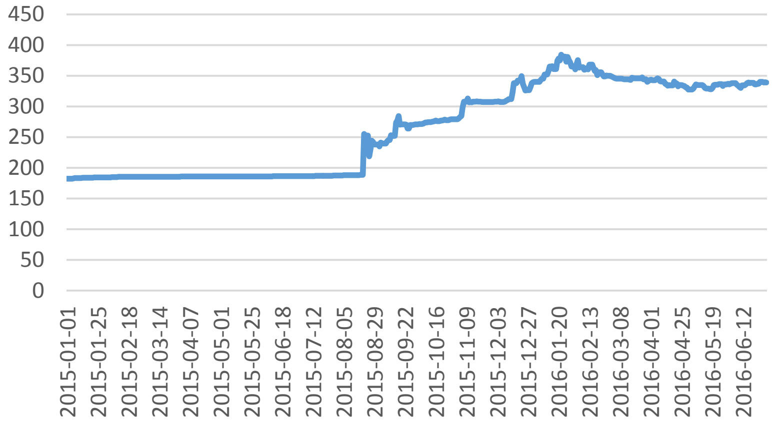


	H1 2016 average	H1 2015 average	%
KZT/USD	345,3	185,2	**86,4%**

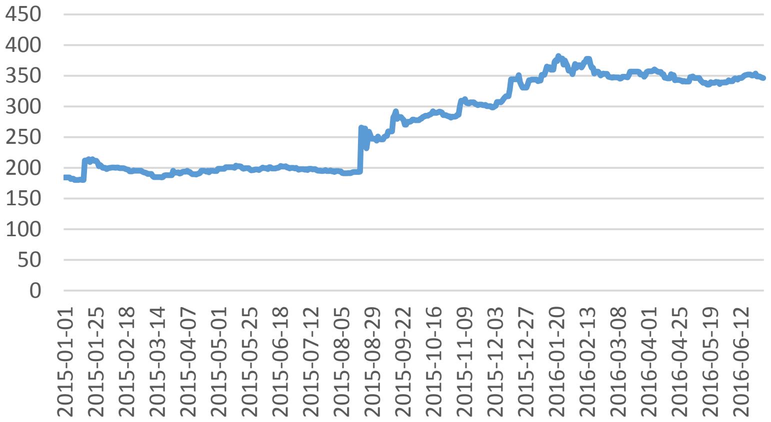
	H1 2016 average	H1 2015 average	%
KZT/CHF	351,6	195,7	**79,7%**

	H1 2016 average	H1 2015 average	%
KZT/RUB	4,9	3,2	**52%**

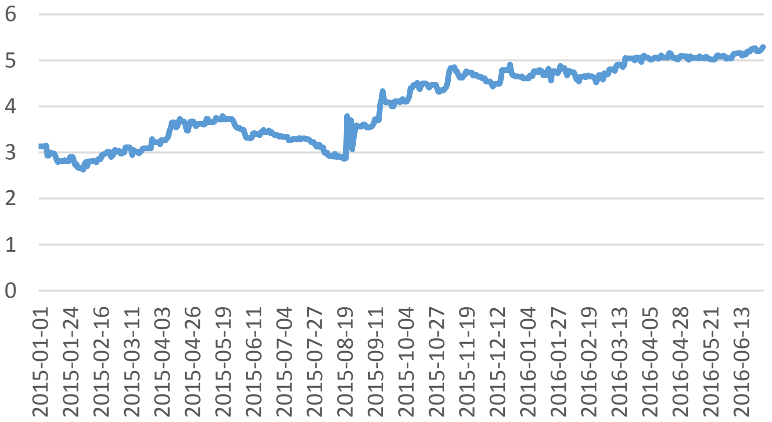
KZT/USD



KZT/CHF



KZT/RUB



Significant changes in consolidated statement of comprehensive income

In millions of tenge	6 m 2016	6 m 2015	Change	%	
Continuing operations					
Revenue	1 702 943	1 366 762	336 181	25%	1
Government grants	18 424	14 772	3 652	25%	
	1 721 367	**1 381 534**	**339 833**	**25%**	
Cost of sales	(1 438 353)	(1 212 700)	(225 653)	19%	2
Gross profit	**283 014**	**168 834**	**114 180**	**68%**	
General and administrative expenses	(165 046)	(159 119)	(5 927)	4%	
Transportation and selling expenses	(103 984)	(100 081)	(3 903)	4%	
Impairment loss, net	(28 986)	(19 252)	(9 734)	51%	
Gain on disposal of subsidiaries	42 119	1 960	40 159	2049%	3
Operating profit/(loss)	**27 117**	**(107 658)**	**134 775**	**-125%**	4

	6 m 2016	6 m 2015	Change	%	
Finance costs, net	(94 239)	(80 573)	(13 666)	17%	
Other non-operating income, net	8 124	8 470	(346)	-4%	
Share in profit of JV's and associates, net	163 268	142 675	20 593	14%	5
Net foreign exchange (loss)/gain	**(4 620)**	**12 436**	**(17 056)**	**-137%**	
Profit/(loss) before income tax	**99 650**	**(24 650)**	**124 300**	**-504%**	
Income tax expenses	(107 986)	(80 750)	(27 236)	34%	
Net profit/(loss) for the period from continuing operations	**(8 336)**	**(105 400)**	**97 064**	**92%**	
Discontinued operations					
Profit from discontinued operations, net of CIT	**236 715**	219 344	17 371	8%	6
Net profit for the period	**228 379**	**113 944**	**114 435**	**100%**	

Commentary:

1 Refer to slide #5

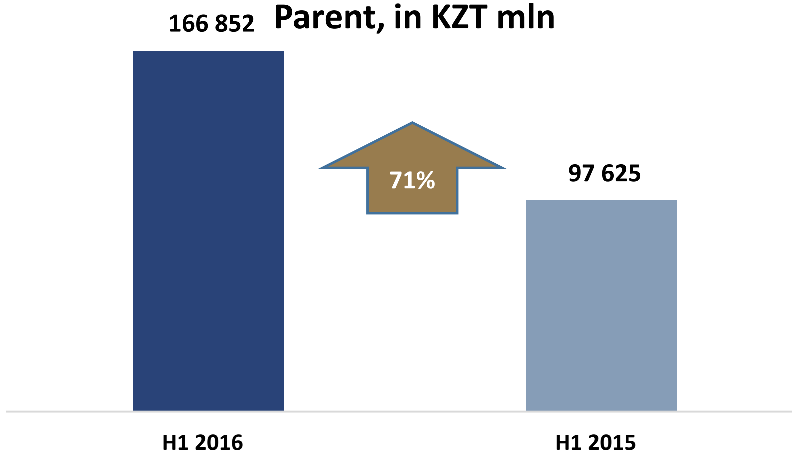
2 4 Refer to slides #6 and #7

3 Profit from disposal JSC ALTEL (merger of ALTEL and MTS in Kazakhtelecom's JV)

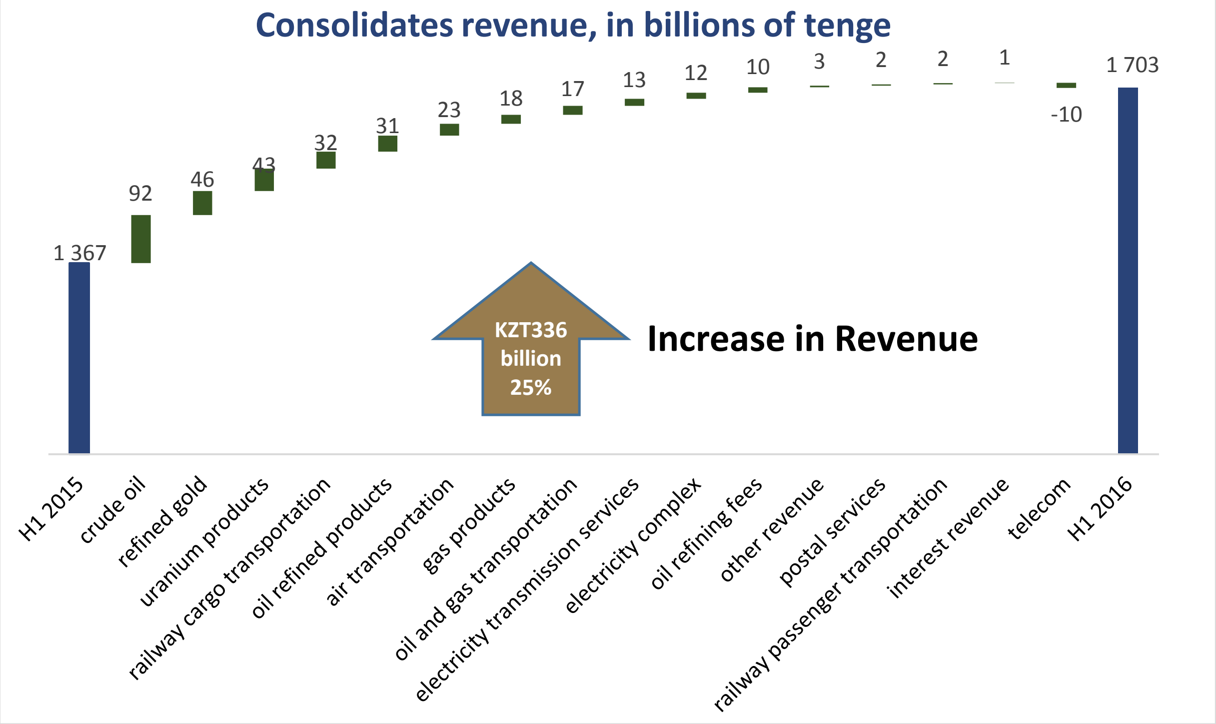
5 Refer to slide #7

6 In December 2015, the Group decided to sell its 51% interest in KMG International N.V. ("KMG I"). Thus, financial results of KMG I are shown as discontinued operations

NP attributable to the equity holder of the Parent, in KZT mln



Consolidated Revenue Analysis



Main factors of Revenue change (in billions of tenge):

+318	Tenge's devaluation	-105	Brent price decrease
+96,3	Revenue from TChO's crude oil sale according to oil supply agreement	-11,9	Uranium price decrease
+27,1	Increase in refined gold production, Increase in gold price	-8,7	Uranium production volume decrease
+28,2	Sale of high value added refinery products	-10	Telecom services (ALTEL)

Revenue amounted KZT 1 703 billion in H1 2016, an increase by KZT 336 billion or 25% compared to the same period of PY.

Main changes occurred in the following revenue types:

+92 KZT billion – crude oil sale (KMG):

Mainly due revenue recognition of TCO's crude oil (through Cooperative KMG UA), in accordance with oil supply agreement (volume factor: KZT 96,3 billion).

At the same time, during H1 2016 the following factors affected sales of crude oil (besides TCO's crude oil):

- Oil price decrease: -105 KZT billion
- FOREX increase: 157,7 KZT billion
- Volume decrease: -24 KZT billion (mainly – EP KMG)

+46 KZT billion – sales of refined gold (TKS):

- Volume increase: +26,4 KZT billion
- Price increase: +0,7 KZT billion
- FOREX increase: +18,9 KZT billion

+43 KZT billion – sales of uranium products mainly due to:

- Volume decrease: -8,7 KZT billion (irregular shipment of uranium during year)
- Price decrease: -11,9 KZT billion
- FOREX increase: +59,7 KZT billion

+32 KZT billion – railway cargo transportation

Increase in rail transit due to FOREX increase (KZT to CHF)

+31 KZT billion – sales of oil refined products

Mainly due to the sale of high value added refinery products (price factor of KZT 28,2 billion)

+23 KZT billion – air transportation

Starting from 1/10/2015, tariffs are being tied to USD, not KZT, this fact resulted in revenue increase.

+18 KZT billion – sales of gas products

Due to exports volume increase by KZT 18,9 billion (total volume in H1 2016 - 1 178 mln cubic m, while in H1 2015 - 737 mln cubic m)

+17 KZT billion – oil & gas transportation

Mainly due to increase in revenues from **gas transportation:**

- Volume decrease: -10,5 KZT billion
- FOREX increase: +26,7 KZT billion

-10 KZT billion – decrease in telecommunication services due to sale of ALTEL. On February 29, 2016 KTK JSC and Tele2 Sverige AB finalised the deal on creation of a new mobile company Khan Tengri Holding B.V. on the basis of Altel JSC (subsidiary of KTK) and Mobile Telecom Service LLP (in FS of KTK ALTEL JSC was classified as discontinued operations as at 31/12/2015, on the Fund's level – due to immateriality – it was not classified as discontinued operations as at 31/12/2015)

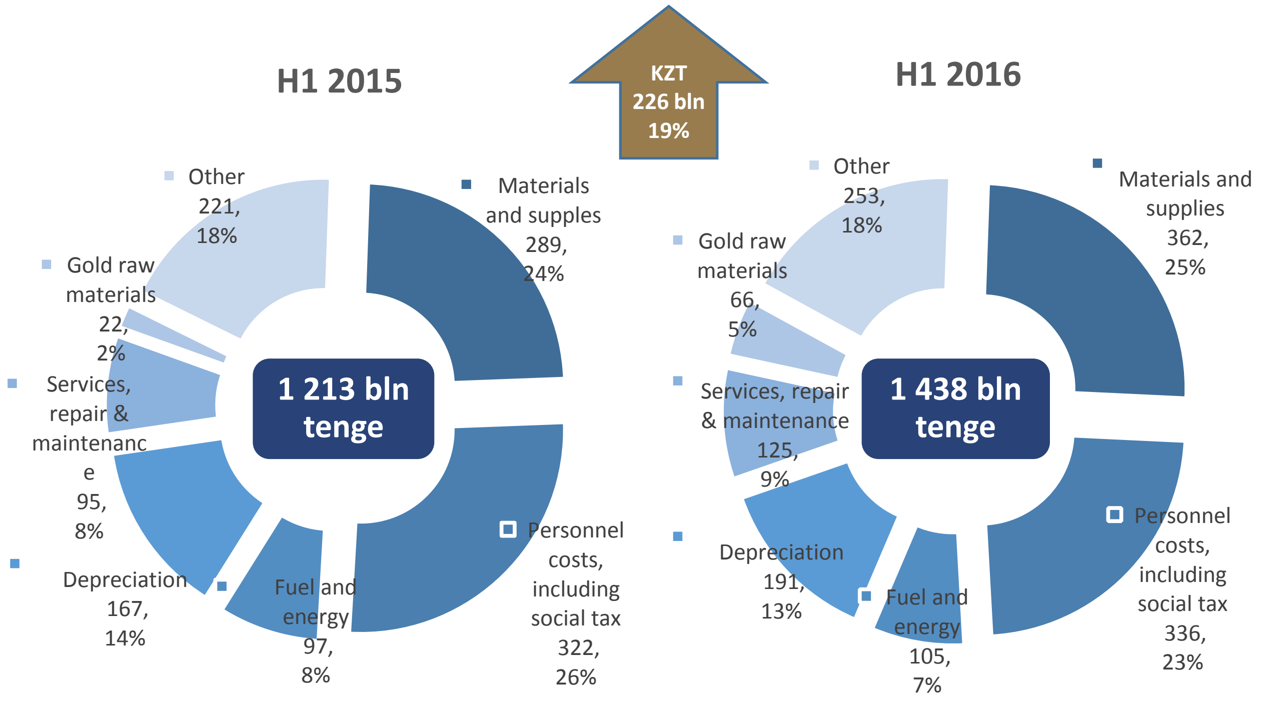
Operating effectiveness

In billions of tenge	6 m 2016	6 m 2015	Change	%
Revenue	1 702,9	1 366,8	336,2	25%
Revenue adj.*	2 011,3	1 590,3	421	26%
Cost of sales	-1 438,4	-1 212,7	225,7	19%
Gross margin, %	15,5%	11,3%	4%	n/a
Gross margin, adj*, %	28,5%	23,7%	5%	n/a
Operating profit / (loss)	27,1	-107,7	134,8	125%
Operating profit, adj.*	335,5	115,8	219,6	190%
Operating margin, %	1,6%	-7,9%	9%	n/a
Operating margin, adj.*, %	16,7%	7,3%	9%	n/a

Main changes in Operating effectiveness

IFRS requires eliminating income generated by entities consolidated into the Group and presented as continuing operations with entities classified as discontinued operations. Accordingly, Group's profit and loss does not reflect results of continuing and discontinued operations, as if they were presented as separate entities* ***due to significant volumes of crude oil sales from the Group (EP KMG, Karachaganak) to KMGI.* *In order to understand FS correctly, intergroup revenues from crude oil sale to KMGI were brought back in revenue (adjusted), as if KMGI was already sold..*

Meanwhile, it should be noted, that even without accounting for intergroup revenues from crude oil sale to KMGI, Fund's operating effectiveness has improved compared to previous period. Therefore, Fund was able to restrain an increase of main operating expenses.



Cost of sales amounted KZT 1 438 billion in H1 2016, an increase over the same period of PY by KZT 226 billion or 19%.

<u>**Main changes occurred in the following COS types:**</u>

Material and supplies: increase by KZT 73,3 billion. Increase is mainly due to KMG's crude oil for resale COS type (cost of TCO's crude oil in accordance with oil supply agreement)

Depreciation increased by KZT24 billion mainly due to::

- **KMG by KZT 16 billion, including:**
  - *EP KMG by KZT 3,5 billion due to purchase of PPE in 2015-2016;*
  - *KMG Karachaganak by KZT 9,6 billion due to FOREX;*
  - *KTO and KMG-RM by KZT 5,9 billion due to PPE commissioning in 2015.*
- **SE** by KZT 4 billion, due to the commissioning of energy-units at GRES-1 and general plant equipment after capital and operating advanced repairs.
- **KTZh** by KZT 3 billion due to the commissioning of new railway stations

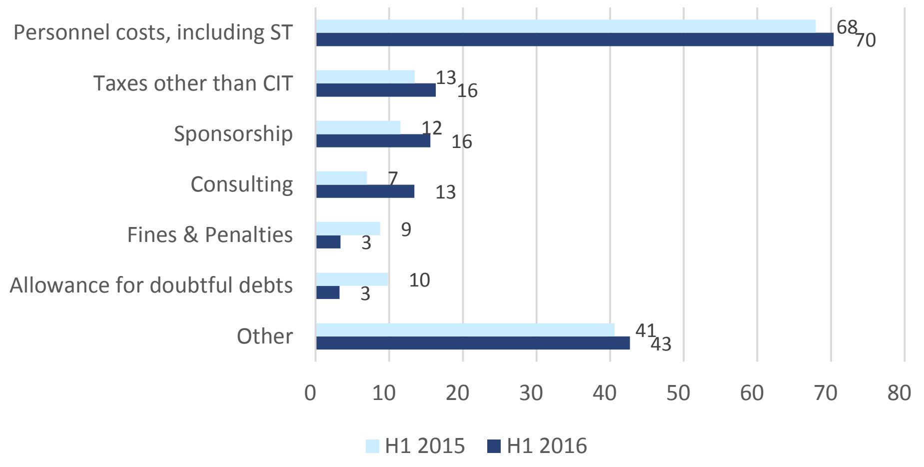
Gold raw materials by KZT 44 billion due to increased volume of production (by 59 tons or 68%) and sale of refined gold

Production services, repair and maintenance increase by KZT30,8 billion:

- **KTZh** by KZT14,9 billion mainly due to the growth of the cost of repairs and maintenance of rolling stock (contracts in foreign CCY)
- **AA** by KZT 9,1 billion due to the growth of engineering and maintenance costs (contracts in foreign CCY)

Operating effectiveness

G&A expenses, in billions of tenge



	H1 2016	H1 2015	%
G&A	165,0	159,1	**3,7%**

Main increase occurred in the following types of G&A expenses:

Consulting services by KZT 6,4 billion, mainly due to increase in KZT/USD ex-rate, as well as due to expenses within Transformation program

Sponsorship by KZT 4,1 billion. Meanwhile, in H2 2016, no more sponsorship expenses are planned.

Taxes other than income tax by KZT 2,9 billion.

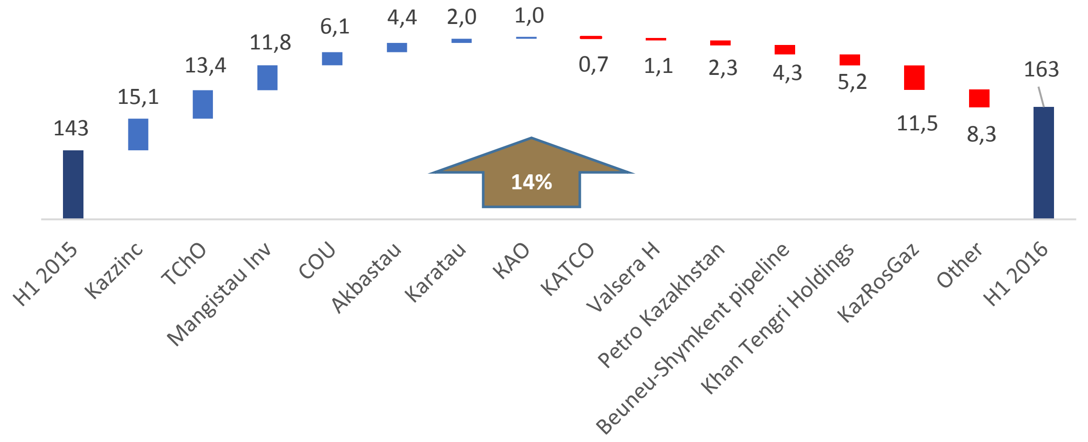
Meanwhile, there were decrease in:

Fines and penalties by KZT 5,4 billion

Allowance for doubtful debts by KZT 6,6 billion

Share in profit of joint ventures and associates, net

Dynamics of share in profit of JV's and associates, in billions of tenge



Share in profit in JV's and associates amounted to KZT 163,3 billion in H1 2016, an increase by KZT 20,6 billion or 14% compared to the same period of PY.

Main increase due to:

KazZinc (TKS) by KZT 15,1 billion due to increase in refined gold and silver price, and increase in production plan and sales of zinc, lead and copper.

TCO (KMG) and Mangistau Investments (KMG) by KZT 13,4 and KZT 11,8 billion, respectively, due to increase in production volume of TChO and MMG, as well as FOREX increase.

COU (KAP) by KZT 6,1 billion due to RUB/USD ex-rate change.

Akbastau and Karatau (KAP) by KZT 4,4 and KZT 2,0 billion, respectively, due to KZT/USD ex-rate increase.

Main decrease:

KazRosGaz (KMG) by KZT 11,5 billion mainly due to decrease in volume of gas sold abroad for 56%.

Cash flows analysis

	30 June 2016												
In millions of tenge	**KMG****	**KTZh**	**KAP**	**SE**	**KEGOC**	**KTK**	**AA**	**Kazpost**	**KE**	**TKS**	**UCC**	**REF SK**	**Consol.**
Net CF received from operating activities	68 693	38 261	71 699	26 958	40 632	26 353	9 584	3 257	2 335	-196	-3 839	7 863	418 971
CAPEX*	-166 019	-83 087	-8 338	-41 199	-19 300	-12 974	-5 185	-337	-2 912	-4 636	-12 374	-1	-504 665
Dividends received from JV's and associates	12 560	1 660	37 124	0	0	0	0	0	0	3 500	-16 213	0	57 298
Free cash flows	**-84 767**	**-43 166**	**100 485**	**-14 241**	**21 331**	**13 380**	**4 399**	**2 921**	**-577**	**-1 331**	**-32 427**	**7 863**	**-28 396**

**CAPEX – sum of cash paid to purchase PPE, IA, E&E assets (within CF from investing activities)*
*** Net CF received from Operating activities of KMG and Group of Fund do not include advances received in accordance with TCO oil supply agreement amounted to KZT 1 024 905 million.*

	30 June 2015												
In millions of tenge	**KMG**	**KTZh**	**KAP**	**SE**	**KEGOC**	**KTK**	**AA**	**Kazpost**	**KE**	**TKS**	**UCC**	**REF SK**	**Consol.**
Net CF received from operating activities	25 985	-5 668	-4 093	26 225	25 164	30 271	13 696	3 386	297	4 236	-929	2 155	137 059
CAPEX*	-218 050	-84 605	-8 694	-56 672	-11 973	-14 336	-2 175	-1 004	-379	-2 063	-28 418	-32	-454 538
Dividends received from JV's and associates	46 442	0	14 079	0	0	0	0	0	4	1 882	-29 347	0	65 268
Free cash flows	**-145 623**	**-90 273**	**1 292**	**-30 447**	**13 191**	**15 935**	**11 521**	**2 383**	**-77**	**4 055**	**-58 693**	**2 123**	**-252 211**

Liquidity ratios of the Fund from continuing operations