

Detailed Analysis of Financial Statements

of “Samruk-Kazyna” JSC

for the first half of 2012

September, 2012

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Detailed analysis of financial statements of JSC “SWF “Samruk-Kazyna” (hereinafter – the Fund) was prepared in addition to the interim abbreviated consolidated and separate financial statements of the Fund for the first half year of 2012.

The analysis is developed in order to disclose the interim 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 RK “On Sovereign Wealth Fund” # 550-4 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) belong to 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**

Joint Stock Company “Sovereign Wealth Fund “Samruk-Kazyna” (hereinafter referred to as “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 is 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 RK # 1202 dated September 14. Subsidiaries will bring the development strategies in line with the strategy of the Fund.

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

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

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

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

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

The structure of the Fund consists of Companies from key sectors of the economy, including oil and gas, power, transport, telecommunications and others.

The structure of the Fund includes 593 companies, as well as the corporate center “Samruk-Kazyna” JSC, 361 subsidiaries (hereinafter - subsidiaries) of all levels and 231 associates and jointly-controlled entities, financial investments, including legal entities and banks, not included in the Group of the Fund, according to the Law of the Republic of Kazakhstan “On Sovereign Wealth Fund”. 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

Consolidated financial statements include 35 material subsidiaries, 3 associates and 1 jointly controlled entity.

Later, Section II of this Analysis describes the performance results on segments.

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 2012

|  |  |  |  |
| --- | --- | --- | --- |
| **Name**  | **1H 2012 estimation** | **1H 2011 estimation**  | **Change, in %** |
| Real GDP growth, in %  | 105,6 | 107,1 | -1,5[[1]](#footnote-1)[1] |
| Inflation at the end of period, % | 2,7 | 5,1 | -47 |
| Exchange rate of KZT to USD | 149,42 | 145,83 | 2,5 |
| World Brent oil price, USD/ barrel on average for the year for the reporting period | 113,3 | 111,1 | 2 |

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

In accordance with abbreviated consolidated financial statements of the Fund for the first half of 2012 and IFRS, the total amount of *dividends*, directed by the Fund to the Shareholder in H1 2012 is KZT 173.2 billion, in particular:

1. *The dividends of the Fund in the amount of KZT 168.2 billion, including:*
* KZT 9.1 billion on the results of operations for 2010, calculated in accordance with the Decree of the Government of the Republic of Kazakhstan # 139 dated January 19, 2011, which is actually transferred to the national budget on December 13, 2011 under the decision of the Board of Directors # 67 dated July 20, 2011;
* KZT 159.1 billion by the end of 2011 according to the Decree of the Government of the Republic of Kazakhstan # 850 dated June 26, 2012, exceeding of the planned amount (KZT 9.1 billion) was due to the payment of an additional dividend of KZT 150.1 billion in the acquisition of 100% interest in “Share Management Company in the final production sharing agreement” LLP according to the Decree of the Government of the Republic of Kazakhstan # 570 dated May 3, 2012;
1. *Other allocations to the Shareholder for a total amount of KZT 5 billion.*: by Decree of the Government of the Republic of Kazakhstan for financing activities for the V Astana Economic Forum, according to the Minutes of the meeting with the Prime Minister of the Republic of Kazakhstan # 20-5/I-76 dated 28 February and decision of the Prime Minister # 20-14/I-176 dated 20 March 2012; for celebration of the Day of Capital according to Minutes of the meeting of the Government of the Republic of Kazakhstan # 18 dated May 8, 2012 and the letter of the Deputy Akim of Astana # 10-29/867 dated June 4, 2012; for financing the TV project “Eye on Kazakhstan 2012” according to Minutes of the meeting of the Government of the Republic of Kazakhstan # 18 dated May 8, 2012 and the letter of the Ministry of Foreign Affairs of the Republic of Kazakhstan # 20-4/982 dated June 5, 2012; for financing the measures necessary for quality training of the national teams of the Republic of Kazakhstan to the XXX Summer Olympic games and XIV Summer Paralympic Games 2012 in London, according to the Minutes of the meeting of the Government of the Republic of Kazakhstan # 18 dated May 8, 2012 and the letter of the Agency of the Republic of Kazakhstan of Sports # 09-03/792-I dated 5 June 2012.

The Group of the Fund is the driving force of investment activity in the country. Having strong positions in several key sectors, the Fund raises its own and borrowed funds, as well as direct investments of foreign investors for projects’ implementation. As of the beginning of 2012 the Fund’s investment program carried out through subsidiaries, comprises 220 major investment projects being implemented or planned for implementation, totaling KZT 16.5 trillion.

According to the data of master development plans of the Fund until 2015, the following distribution of planned investments in accordance with the current classification of the projects is given below.

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| Type of the project | Number  | % | Amount, KZT trillion | % |
| Strategic  | 107 | 49 | 5,1 | 31 |
| Expansion, modernization and development | 82 | 37 | 10,9 | 66 |
| Capital repair and upgrading | 31 | 14 | 0,5 | 3 |
| Total | 220 |  | 16,5 |  |

The Fund will continue to provide maximum assistance to the Government of the Republic of Kazakhstan to achieve the objectives of diversification and modernization of the national economy in the framework of the messages of the President of the Republic of Kazakhstan, the SPFIID, Strategic Development Plan of the Republic of Kazakhstan up to 2020 and other strategic and policy documents of the country.

Fund implemented 24 investment projects worth about KZT 2.429 trillion as part of SPFIID. The information on sources of funding as of June 30, 2012 for implementation of the abovementioned projects is given below.

|  |  |  |
| --- | --- | --- |
| **Source**  | **KZT** billion | **Share in %** |
| Own funds | 504,88 | 21 |
| Investments and borrowing from the RB | 330,03 | 14 |
| Means of the National Fund of the RK | 37,0 | 2 |
| Market borrowing on the domestic and foreign capital markets | 1 557,88 | 64 |

Equity capital of the Group of the Fund is derived from dividend income / retained earnings and financial / non-financial Companies’ revenues. Projects implemented as part of public, sector programs, as well as on the instruction of the Government do not fulfill the minimum requirements of Companies of the Fund on the return on capital employed. Therefore, Companies in the implementation of social projects as a rule, receive funding from the state budget and the National Fund of RK.

As of June 30, 2012 borrowing from the Government of the Republic of Kazakhstan amounted to KZT 965 billion (2011: KZT 869 billion).

To minimize foreign exchange risks the Fund’s companies carry out a part of borrowings on the domestic stock market. An additional source of funding for capital expenditure will be money involved from the IPO. Intra-group financing in the Group of the Fund will be used as well.

According to the Minutes of the meeting of the State Commission on the modernization of the economy of Kazakhstan in April 2012 it was decided to re-use the funds provided by the National Fund of the Republic of Kazakhstan and the Republican budget in the amount of KZT 352.1 billion during 2012-2013.

 “**Oil & Gas**” Segment includes one company **JSC “NC “KazMunayGas”**.

The main activities of JSC “NC “KazMunayGas” (hereinafter – the KMG) are involvement in public policy in the oil and gas industry, the representation of state interests in contracts for subsoil use, through equity participation in contracts, corporate governance and issues of exploration, development, production, processing, sale and transportation of hydrocarbons, design, construction and operation of oil and gas pipelines and oil and gas infrastructure. The structure of the KMG consists of 210 companies in 7 levels.

In the Republic of Kazakhstan during H1 2012 it was produced about 39.7 million tons of crude oil, refined – 7.2 million tons of oil. As compared with the last year the oil production was 98.5%, while the oil refining – 110.9%. The share of the KMG in the total production of oil and gas condensate in Kazakhstan in H1 2012 has decreased from 22.3% to 21.9%, oil processing has increased from 81.4% to 82.7%, in oil export of group of companies of KMG of the total export increased from 22.2% to 26.2%.

 The **following important events** happened in KMG during H1 2012.

1) The Board of Directors of JSC “ E&P “KazMunayGas” (hereinafter – E&P KMG) agreed on the need to transform the production branches of “UMG” and “EMG” into joint stock companies, 100% owned by E&P KMG;

2) JSC “NMSC “Kazmortransflot” (hereinafter - KMTF) began to transport Kazakhstan steel. On April 26, 2012 the first batch of 5 thousand tons were shipped to the KMTF ship in the Aktau port for transportation to the port of Anzali (Iran);

3) “Atyrau Refinery” LLP (hereinafter - AR) has signed a loan agreement with the Export-Import Bank of China for the construction of a deep oil refining facility;

4) The first rig “Caspian Explorer” was built in Kazakhstan by order of the Korean company, designed for operation in the Caspian shelf, which will be used on “Zhambyl” project by Tengiz-Burgylau operator (subsidiary of JSC “KazMunayTeniz”);

5) on April 19, 2012 the Fund was transferred the state-owned shares of “Arkagas” JSC in accordance with Decree of the Government Decree # 822 dated July 18, 2011;

6) in accordance with the Settlement Agreement signed on 14 December 2011 between the companies-participants of the Karachaganak project and the Republic of Kazakhstan, the Republic of Kazakhstan has been transferred 10% interest in the project. In this regard, KMG acquired 100% interest in “Share Management Company in the final production sharing agreement” LLP.

As a result of the agreement, shares in the Karachaganak consortium were distributed as follows: BG Group 29.25%, Eni 29.25%, Chevron 18%, Lukoil 13.5%, and the Republic of Kazakhstan 10%.

**“Mining and industrial”** Segment consists of JSC “NAC “Kazatomprom”, “Kazakhstan Engineering” JSC, “United Chemical Company” LLP, JSC “NMC “Tau-Ken Samruk”, JSC NGC “Kazgeologiya”, “Maikainzoloto” JSC, “Karagandagiproshaht and Co.” LLP.

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

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

The assets structure of the KAP consists of 74 companies on 4 levels. Within the context of measures to restructure the Group’s assets, the KAP will continue to increase the share in equity and joint mining organizations in order to gain control and strengthen the influence.

The volume of uranium mining in the Republic of Kazakhstan by the KAP organizations in H1 2012 was 9 652 tons, which is by 8% more than in the same period of 2011. The Group’s share with account of production volumes of dependent and jointly controlled entities in the world market of natural uranium is about 34% (2011– 35%), without account – 11.8% (2011 – 12%). The bulk of the KAP products (uranium, tantalum, beryllium, etc.) are exported from the Republic of Kazakhstan.

**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, in order to ensure the efficient operation of subsoil use in the exploration, development, production, processing and marketing of solid mineral resources, the effective management of transmitted blocks of shares of mining and metallurgical enterprises, the development and implementation of new high-efficient technologies in the mining industry, the reproduction of the mineral resources base of the republic, the development of off-balance reserves of deposits.

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.

There were the following **significant events** that affected the performance of TKS in the reporting period:

1) On February 7, 2012 Turmagambetov Mazhit Abdikalikovich was appointed as the Chief Executive of TKS;

2) On June 22, 2012, “Tau-Ken Project” LLP, a joint venture with the German company Ablai Resources GmbH, was established to conduct the revaluation of mineral deposits in Kazakhstan in accordance with international standards such as JORC and NI143-10.

Today, the activities of TKS in two business areas:

• creating refining production and ensuring its mineral resource base;

• mining and processing of ores from the Alaygyr field.

As of June 30, 2012 TKS has the following structure of assets:

• “Tau-Ken Altyn” LLP subsidiary - 100%;

• “JV “Alaygyr” joint venture - 50%;

• “Tau-Ken Project” LLP joint venture - 50%.

At the end of the reporting period, the actual average number of staff was 73 people, which is 9 points higher compared to the same period of last year (64 people). Growth is due to the following factors:

• beginning of the staffing of “Tau-Ken Altyn” LLP since February this year, the average number on which in the reporting period amounted to 5 units;

• beginning of the active phase of the implementation of investment projects.

In the first half of 2011, with staff numbers amounted to 75, the assembly of state had been suspended before the active phase of implementation of investment projects.

 **“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 is a holding structure that 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.

Currently, the UCC participates in the following projects:

* reconstruction of the sulfuric acid plant with the production capacity of 180 000 tons per year in Stepnogorsk town;
* reconstruction of the suspension-flotation plant for the production of phosphate concentrate;
* construction of an integrated chemical complex in Atyrau region - Phase 1;
* construction of an integrated chemical complex in Atyrau region - Phase 2;

In addition, a feasibility study for the following projects is under development:

• production of phosphorus trichloride;

• production of caustic soda and chlorine;

• production of glyphosate (herbicide);

• production of hydrocyanic acid and sodium cyanide.

In the structure of UCC assets there are four subsidiaries and associates:

• “JV sulfuric acid plant Kazatomprom” LLP subsidiary - 56%;

• Joint Venture “Kazakhstan Petrochemical Industries Inc.” LLP (Hereinafter – “KPI Inc.” LLP) - 51%;

• related organization “Ammonia production and distribution” LLP (hereinafter – “APD” LLP) - 25%;

• related organization “HimFos” LLP - 30%.

 Acquisition of income from operations is expected by the UCC in 2013 after commissioning of the sulfuric acid plant in Stepnogorsk town.

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

1) 51% in “KPI Inc.” LLP was acquired from JSC “E&P KMG” (under the first phase of construction of the integrated chemical complex in Atyrau region).

2) “APD” LLP, a joint venture, was created together with “SAT&Co” JSC and LG Chem Ltd (under the second phase of construction of the integrated chemical complex in Atyrau region).

At the end of the reporting period, the average headcount of staff was 140.

**JSC NGC “Kazgeologiya”** (hereinafter – Kazgeologiya)is operating to ensure optimal development of the territory of the Republic, creating favorable conditions for living and new mineral bases for the fund of future generations and to ensure the realization of economic and geopolitical interests of Kazakhstan in its sector of the Caspian shelf.

The main activities of Kazgeologiya are as follows:

• reproduction of the mineral resources of the Republic;

• participation in the implementation of a unified state policy in the sphere of exploration;

• conduct of geological study, including the search and evaluation of mineral deposits;

• development and introduction of new high-tech and efficient technologies in geology;

• storage, handling, ordering data bank of obtained geological information;

• effective management of the transferred to the Company of shares (interest) of the organizations of geological sector.

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

1) agreed to participate Kazgeologiya in exploration of manganese ore by TGC “Kazchrome” in Ulutauskiy district of Karaganda region.

2) Agreement on the transfer of shares of “Kazgeologiya” JSC in trust management is signed between “Samruk-Kazyna” JSC and the Ministry of Industry and New Technologies of the Republic of Kazakhstan;

Actual staff number as of 1 July 2012 amounted to 51.

Capital expenditure of an administrative nature for H1 2012 amounted to KZT 5 billion.

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

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

 The structure of the KE includes 33 companies on three levels. The KE is specialized in products and services for oil and gas, rail, military-industrial complexes, as well as in the areas of electronics, agriculture and others, including the production of consumer goods**.**

In the reporting period pursuant to decisions of the Trustee (the order of the Minister of Defense of Kazakhstan # 48 dated 27 January 2011) and the Management Board of “Samruk-Kazyna” JSC # 27/11 dated June 21, 2011, in the 1st half of 2012 the payment of KE dividends for 2007-2008 by “Samruk-Kazyna” JSC in the amount of KZT 25 million and a part of financial assistance granted to KI in the amount of KZT 75 million are ensured. In addition, pursuant to decision of the Management Board of "Samruk-Kazyna" JSC # 06/12 dated January 24, 2012, during the period of the current year "Samruk-Kazyna" JSC provided the payment of KE dividends for 2010 in the amount of KZT 48.3 million.

“**Transportation**” Segment includesCompanies: JSC “NC “Kazakstan Temir Zholy”, “Air Astana” JSC, JSC “International Airport of Atyrau”, JSC “International airport of Aktobe”, JSC “Airport of Pavlodar”, “Doszhan Temir Zholy” JSC.

**JSC “NC “Kazakstan Temir Zholy”** (hereinafter – KTZh) structure includes 83 companies on 5 levels.

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

The share of KTZh transport in total cargo traffic of the country in the reporting period was about 51% (2010-2011 – 55%) according to the data of the Agency on Statistics of RK.

The **following significant events** have occurred:

1) Since April 1, 2012 tariffs for the transportation of goods by rail in Kazakhstan have been increased by 15%, including for the services of the main rail network by 9.6%;

2) On 10 July 2012, the Company has placed a new Euro issue in London and Kazakhstan stock exchanges in the amount of USD 800 million with a maturity of 30 years in the format of Reg S/144A. This issue fixed a record duration of repayment among corporate issuers in the post-Soviet space, and is the largest deal in terms of issue with a maturity of 30 years from the region of Kazakhstan and the countries of Central and Eastern Europe, Middle East and Africa since 2008;

3) the construction of new railway lines Zhezkazgan - Beyneu and Arkalyk - Shubarkol has been begun, the issue on organization of financing of the projects from the national budget, the loan from the National Fund of the Republic of Kazakhstan and the own funds of JSC “NC “Kazakhstan Temir Zholy” is being decided in parallel.

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

The share of Air Astana in the airline market on international destinations in the reporting period was about 36% (2010-2011 – 36%), on domestic routes - 71% (2010-2011 – 77%).

We note the **following significant events**:

1) Air-Astana placed an order for the purchase of 4 x B767 (delivery in 2013 - 2014) and 3 x B787 (delivery in 2017 and 2019), the fourth Embraer E190 aircraft has been delivered and a return of three Sun Fokker F50 has been implemented;

2) since 5 April 2012 a fuel surcharge has been introduced to offset rising prices for jet fuel, which has raised the price of tickets for domestic flights by an average of 16%.

3) The company has opened six new destinations from Astana: to Shymkent (4 times a week since April 30), Aktau (4 times a week since May 1), Tashkent (2 times a week since May 12), Baku (2 times a week since May 21), St. Petersburg (2 days a week since June 13), Omsk (2 times a week since 16 July). One new direction is open from Almaty to Kazan (3 times a week since June 2), and frequency of existing route has been increased: to Tbilisi (up to 4 times a week since June 19).

**“Power”** Segment is grouped by the Fund’s Companies: “КEGOC” and “Samruk-Energy” JSC, “Ekibastuzskaya GRES-1” LLP, which are the largest in this segment, “KOREM” JSC, “Kazakh Research Institute of Energy named after Sh.Chokin” JSC.

**“KEGOC” JSC (hereinafter - KEGOC)** is the System Operator of the Unified Power System of Kazakhstan (hereinafter - the UPS of RK). It provides services for power transmission, technical dispatching of grid output and energy consumption, balancing of the production / consumption of electricity and ensures the contractual values of electrical energy flows from the power grids of neighboring countries in accordance with the terms of contracts, provides centralized operational-dispatching maintenance of facilities of UPS of RK regardless of ownership.

KEGOC takes 100% of the market for services rendered. The structure of KEGOC consists of 9 branches of intersystem electric networks located throughout Kazakhstan, National Dispatching Centre of systemic operator, Representative Office in Almaty and 2 companies (“Energoinform” JSC and “Batys Tranzit” JSC).

The principal activities of **“Samruk-Energy” JSC** (hereinafter – Samruk-Energy) and its subsidiaries are production of electric and thermal energy, transportation and distribution of electricity, production and sale of coal.

Market share of electricity production in the Republic of Kazakhstan in the reporting period amounted to 15%, in 2011 - 14%, coal production in the reporting period amounted to – 42.7%, in the same period of 2011 – 44.8%.

The shareholders of Samruk-Energy are the Fund and “KazTransGas” JSC, which own 95.2% and 4.8% shares in the company. As a result of the work carried out by the Fund in conjunction with Samruk-Energy and KMG in accordance with the restructuring plan and Decree of the Government of RK # 1103 dated August 29, 2012, the share of 4.8% will be transferred to the Fund by Samruk-Energy by the end of this year.

The assets structure of Samruk-Energy consists of 33 companies on 4 levels, 4 of which are under liquidation. During the period “EK REC” JSC was transferred in trust management of “Samruk-Energy” JSC, including “Shygysenergotrade” LLP as indirect management through “EK REC” JSC.

We note the following **significant events**:

1) in Seoul, President and CEO of Samsung C & T Corporation Shin Kim, CEO of “Samruk-Energy” JSC signed “Agreement for the sale of shares of “Balkhash Thermal Power Plant” JSC in the framework of the investment project - the construction of the Balkhash thermal power station”. In addition, a Memorandum of Understanding was signed between “Samruk-Energy” JSC and Hyundai Corporation;

2) the sale of shares of “Balkhash Thermal Power Plant” JSC to Samsung C & T Corporation was completed in the amount of 755.7 thousand shares of 75%-1 share of the authorized capital. The total cost of the alienation of shares amounted to KZT 7.6 billion;

3) Memorandum “On cooperation between “Samruk-Energy” JSC and Akimat of Almaty region on the project “Construction of a wind power plant (WPP) of capacity from 60MW to 300 MW in Shelek corridor of Enbekshikazakh district of Almaty region” was signed;

4) contract between “Balkhash Thermal Power Plant” JSC and Samsung Engineering Company Limited was signed for the construction of the “turnkey” first module of the Balkhash thermal power station.

To increase the effectiveness of corporate governance through the profile organization of the Fund by direct ownership of assets and the inclusion of financial performance indicators of “Ekibastuzskaya GRES-1” LLP in the consolidated financial statements of “Samruk-Energy” JSC it is considered to transfer 50% in authorized capital of Ekibastuzskaya GRES-1” LLP, which is a condensing thermal power plant and produces electricity, to the share capital of “Samruk-Energy” JSC.

The principal activities of “**KOREM” JSC (hereinafter - KOREM)** are to provide preparedness for the trading of electric power in the central area, and “**Kazakh Research Institute of Energy named after Sh.Chokin” JSC** - the scientific and applied research and development in the field of electricity.

**“Telecommunications”** Segment includes the Fund’s companies: “Kazakhtelecom” JSC and “Kazpost” JSC.

**Kazakhtelecom” JSC** (hereinafter – Kazakhtelecom), as the largest telecommunication operator of Kazakhstan provides the following services: fixed telephony, mobile telephony, data transmission and Internet, services to operators and paid TV and IT services. The structure of Kazakhtelecom includes 12 companies on 3 levels; the Company has a branch network in the regions and is part of the Fund, which owns 51% of ordinary shares.

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

1) Kazakhtelecom sold a stake in “GSM Kazakhstan” LLP to JSC “Kazakhtelecom” in the amount of 49%.

2) since May 1, 2012 the next stage of re-balancing of tariffs for universal telecommunication services has been held.

3) in early 2012 the level of tariffs for broadband access to the Internet has been reduced.

4) debt financing (JSC “Citibank Kazakhstan”) of KZT 317.4 million was arranged for the financing of delivery of equipment and installation and commissioning services for the centers of concentration of traffic on the data network.

**“Kazpost” JSC (hereinafter - Kazpost)** isdefined as a national operator of mail services and guide of the state policy on development of the postal savings system in the Republic.

The increase in market share of postal services by an average of 4.4% (2011– of 2,1%) is observed in H1 2012, at that, the share of the financial services market has increased by 12.3% (2011- of 69%), due to increasing the client base.

In the postal field Kazpost provides services for sending letters and parcels and expedited and courier mail, postal transfers of money, distribution of printed materials. In the area of ​​financial and banking services Kazpost provides services such as currency exchange transactions, deposits, payments, cash management services, collection and transportation of money and valuables, brokerage services in the securities market, electronic money transfers, transfer agent’s activities and etc. In the area of ​​agency services the active development received consumer credit services provided by second-tier banks.

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

We note the **following significant events**:

1) On March 15, 2012 “Kazpost” JSC and the Islamic Bank “Al-Hilal” signed a general agreement for KZT 1.5 billion at 7% per annum for five years to fund investment projects and maintain productive assets;

2) project on online banking for businesses and new types of financial services was implemented: “Payments through self-service terminals”, “Insurance Agency Services”;

3) two specialized production facility were created;

4) On May 24, 2012 Memorandum of Understanding between “Kazpost” JSC and PT POS Indonesia was signed;

5) International conference “Trade mission” was held under the government program for the development of trade in the Republic of Kazakhstan for 2010-2014;

6) Laboratory of promising technologies was developed within the Action Plan of “Kazpost” JSC on implementing the Innovative strategy.

“**Financial Institutes and Development Institutes”** Segmentis represented by the Fund’s Companies: “Development Bank of Kazakhstan” JSC, “Entrepreneurship Development Fund “Damu” JSC, “Kazyna Capital Management” JSC, “BTA Bank” JSC, “Alliance Bank” JSC, “Temir Bank” JSC, which are the major companies in this segment, “Investment Fund of Kazakhstan” JSC, “KazExportGarant” JSC, “Real Estate Fund “Samruk-Kazyna” JSC, Astana-Finance JSC, Shekerbank T.A.S., KGF SLP, KGF Management, KGF IM.

“**Development Bank of Kazakhstan” JSC** (hereinafter – DBK)wasestablished in May 2001 to finance projects that promote economic diversification and attracting domestic and foreign investment in the economy of the country.

Since 2011 DBK is in a trust management of the Ministry of Industry and New Technologies. The structure of the DBK includes 2 companies on 2 levels.

The following **significant events** occurred:

1) DBK approved six investment projects of a total value of more than KZT 690 billion, DBK participation in these projects is about KZT 330 billion. Four of the six projects approved for financing are under the SPFIID.

2) under “Business Road Map” program a number of investment projects were supported: “Tau Terminal”, «Crystal Management», «Agromash Holding», «Spare part», «Caustic», «Eurasia Group Transit», «Ridder CHP» «Maykudukskaya Poultry», «Farab».

**“Entrepreneurship Development Fund “Damu” JSC** (hereinafter – Damu) **-** a national institute, the main operator and integrator of state support of small and medium-sized businesses in Kazakhstan through financial and non-financial business support. The structure of Damu consists of 16 regional offices located throughout the country; the assets structure includes 6 companies. Damu is in the trust management of the Ministry of Economy and Trade Development since 2011.

In the reporting period Dame continued to implement the following programs:

* Financial support for entrepreneurship;
* Non-financial support for entrepreneurship.

Among the most ambitious financial programs are three tranches of the Stabilization program, «Damu-Regions» program and «Damu-Regions 2», «Damu-Ondіrіs» program and the first three directions of the program «Business Road Map 2020» (hereinafter - «BRM 2020») . The financial program also includes a number of more narrowly focused programs, including microcrediting the female entrepreneurship, point programs, lease financing, etc.

The most extensive program among non-financial programs is training courses «Business Advisor», which since 2011 is included in the fourth direction of «Enhancing entrepreneurial potential» of «BRM 2020» Program. As part of the 4-th direction of the Program, «Damu» Fund is also implementing the training program for senior management of small and medium enterprises (hereinafter - SME), «Business Relations» project, monitoring of service and support of existing business is conducted.

In addition, the entrepreneurs’ competence enhancement program block includes the creation of business support centers in the regions, issue of analytic book on SMEs in Kazakhstan, Geographic Information System of the Fund, the Fund’s call center and business portal for SMEs. «Damu» Fund implements «Damu-Komek» social program, through which it supports entrepreneurs with disabilities.

We note the following **significant events** of H1 2012:

1) 1.243 thousand borrowers were financed under the programs through commercial banks for the amount of KZT 36.7 billion, and it allowed to create and save 1094 jobs;

2) Damu actively continues to work on implementation of “Business Road Map 2020” program (hereinafter - the Program) as a financial agent and the operator of the program. The Program aims to achieve sustainable and balanced growth of the regional business in non-oil sectors of the economy. Compared to the same period in 2011 a number of approved and signed projects increased by 3 times, the amount of loans increased by 2 times.

**“Real Estate Fund “Samruk-Kazyna” JSC** (hereinafter - Real Estate Fund) was established pursuant to the Decree of the Government of the Republic of Kazakhstan # 265 dated March 6, 2009 “On some measures to address the real estate market”. The Company was established as part of implementation of the Joint Action Plan of the Government of the Republic of Kazakhstan, National Bank and Agency on Regulation and Supervision of Financial Market and Financial System for 2009-2010 in order to stabilize the housing market through the acquisition of commercial and residential premises on the construction facilities and to ensure their effective management.

The structure of the Real Estate Fund consists of 3 companies.

The main activities of the Real Estate Fund are:

• funding for uncompleted construction;

• managing a pool of real estate;

• asset management

As part of the first direction the Real Estate Fund sets the following objectives:

• completion of unfinished projects by purchasing premises in them and funding in other ways;

• promoting local content in construction projects;

• ensuring compliance of construction projects with current standards of housing.

As part of the second direction the Real Estate Fund aims to:

• increase the supply of affordable housing in the real estate market;

• attract private investment in housing construction;

• develop the construction industry, to support domestic suppliers of works, goods and services.

As part of the third direction the Real Estate Fund seeks to optimize costs and achieve financial sustainability.

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

* 1. credit line of KZT 155 billion was extended, KZT 98.4 billion of which were disbursed as of the reporting date (including taking into account the canceled contracts) to buy assets under construction of “Samruk-Kazyna JSC by Real Estate Fund.
	2. principal debt in the amount of KZT 30.5 billion was repaid early on the credit line of the Sole Shareholder under the Anti-crisis program.
	3. As of June 30, 2012 the problems of 1.6 thousand interest holders have been resolved on facilities put into operation. 15 objects are put into operation, including ‘Al-Arka” RC, Ak-Zhaik” RC, “Maria” RC, “Northern Lights” RC, “The water-green boulevard” RC, “Zapad” RC, “Gorodskoy Romance” RC, “Astana Zhuldyzy” RC, “Aya” RC, “Ishim” RC, “Izumrudniy kvartal” RC, “Skazochniy Mir” RC spots 1,2, “Aigerim” RC, “Caspian Palace” RC, “Bogembay Batyr” RC as well as 3 (three) stages of “Khan Tengri” RC in the Almaty region. Local content in procurement of contractors for H1 2012 was 74% (with the plan of 65%);
	4. “Affordable Housing – 2020” program was approved by Decree of the Government # 821 dated 21 June 2012.

Since 2011 **“Kazyna Capital Management” JSC** (hereinafter – КСМ) is in the trust management of the Ministry of Industry and New Technologies.

The main activities of KCM are to create and participate in private equity funds and investments in financial instruments. The structure of the KCM includes 19 companies on 3 levels.

**“Investment Fund of Kazakhstan” JSC** (hereinafter – IFK) was established on the basis of the Decree of the Government of the Republic of Kazakhstan # 501 dated May 30, 2003 to assist in the implementation of industrial and innovation policy of the Republic of Kazakhstan by implementing and attracting investments into promising organizations, providing financial support to private sector initiatives to create competitive industries in the non-primary sector of the economy. IFC is in the trust management of the Ministry of Industry and New Technologies. The structure of the IFC includes 51 companies on 4 levels.

In the reporting period, IFK has carried out three full exits from the projects: “KazGeoCosmos” JSC, “ZKKSM” JSC, “Yustal-CONTRACT” JSC.

**“KazExportGarant” JSC** (hereinafter – KazExportGarant) performs the functions of export-credit agency of the Republic of Kazakhstan by supporting exporters of non-commodity sector of the country with the tools of insurance (reinsurance) of export credits against commercial and political risks. KazExportGarant since 2011 is in the trust management of the Ministry of Industry and New Technologies.

It takes 0.58% in H1 2011 and 0.68% in H1 2012 on the reinsurance market; the growth of the share is explained at the expense of increasing share of compulsory accident insurance of employees (CAIE) in the reinsurance portfolio of KazExportGarant with 7.80% (1st half of 2011) up to 28.78% (1H 2012).

In the reporting period the following **significant events** have occurred in KazExportGarant:

1) the first deal for the supply of locomotives of domestic production in the Republic of Tajikistan was implemented;

2) Spring Session of the Prague Club (at Berne Union) of the International Association of Credit and Investment Insurers was held.

3) major projects for insurance on Turkmen direction were supported: political risk insurance for the project “Rehabilitation of the Ashgabat- Garagum-Dashoguz road” in the amount of KZT 2.3 billion.

As part of the Joint Action Plan of the Government, the National Bank, the Agency for Regulation and Supervision of Financial Market and Financial Organizations of the RK to stabilize the economy and financial system for 2009-2010, approved by the Government of the Republic of Kazakhstan, the Fund in 2009 acquired controlling stakes in **BTA, Alliance Bank and the significant shares in HB and KKB**. These measures were aimed at providing additional liquidity to banks and to ensure their solvency.

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

1) JSC “Holding Group “ALMEX” and JSC “Halyk Bank of Kazakhstan” signed an agreement on the assignment of rights under the option agreement in respect of preferred shares of JSC “Halyk Bank of Kazakhstan”. In accordance with this agreement, on June 29, 2012 JSC “Halyk Bank” partially exercised its right to execute the option and implemented the redemption of 150 000 000 preferred shares. After the realization of the preferred shares of JSC “Halyk Bank of Kazakhstan” with the fair value at the date of disposal, the Fund discontinued recognition of the relevant obligation on the option for the purchase of the preferred shares;

2) BTA Bank carries on legal disputes in the Kyrgyz Republic, the Republic of Georgia and Turkey.

**“Corporate Centre and projects”** Segmentincludes “Samruk-Kazyna” JSC, as well as “Samruk-Kazyna Invest” LLP, “Samruk-Kazyna Contract” LLP, “Samruk-Kazyna Finance” LLP, “Samruk-Kazyna Pharmaceuticals” LLP.

The following **significant events** happened in the reporting period in the Fund:

1) The Fund was transferred 100% state-owned shares in “Share Management Company in the final production sharing agreement” LLP (hereinafter - SMCFPSA) (in the amount of KZT 300.1 billion). On June 29, 2012 the Fund transferred SMCFPSA to JSC “National Company “KazMunayGas” for shares in the amount of KZT 150.0 billion and remuneration in money, amounting to KZT 150.0 billion.

2) The Fund was transferred 100% state-owned shares of “Arkagas” JSC of KZT 4.1 billion. On June 26, 2012 the Fund transferred 100% shares of “Arkagas” JSC in the amount of KZT 4.1 billion to JSC “National Company “KazMunayGas”;

3) The Fund concluded the contract to purchase shares in the Turkish bank Shekerbank from “BTA Securities” JSC (subsidiary of JSC “BTA Bank”) in the amount of 339 787 080 shares, representing 33.98%. On March 16, 2012 the Fund acquired 222 148 406 shares of Shekerbank, representing 22.2% interest of the Fund in the Turkish bank Shekerbank;

4) The Fund provided tranches to Kazakhmys Finance PLC in the amount of USD 400 million (equivalent of KZT 59.768 million as the exchange rate on June 30, 2012) with a maturity of 15 years for the development of the Bozshakol copper deposit. Funding for this loan was made from the funds received under the credit line of the State Development Bank of China;

5) As part of the Stabilization Plan in the first half of 2012 the Fund provided an additional tranche to JSC “Real Estate Fund “Samruk-Kazyna” in the amount of KZT 11.32 billion for the purchase of dwellings in housing projects under construction at an interest rate below the market one;

6) The Fund entered into an agreement on the non-revolving credit line with JSC “Real Estate Fund “Samruk-Kazyna” according to which the Fund provided a loan of KZT 5 billion, with a maturity up to December 14, 2021 and the interest rate below the market one for pilot projects in the cities of Astana and Shymkent under the housing program 2011 - 2015;

7) The Fund entered into a loan agreement with JSC “National Company “Kazakhstan Engineering” in accordance with which the Fund provided a loan of KZT 5 billion, with a maturity up to December 30, 2013 and the interest rate below the market one, to create a center for the production of electrooptic instruments and own production on modernization, engineering maintenance, repair of armored vehicles based on “Semey Engineering” JSC.

**“Samruk-Kazyna Finance” LLP** (hereinafter - SK-Finance) was established in May 2011 with 100% participation of the Fund to implement the functions of the Fund as the operator of state programs in the banking sector.

Main activities of Samruk-Kazyna Finance – to provide management consulting services and training to the sale of shares and stakes in financial institutes that are directly or indirectly owned by the Fund. The main strategic objective of SK-Finance is to achieve efficient management of the Fund’s financial assets in financial institutions, to develop an exit strategy and to prepare the assets of the Fund for sale, ensuring favorable conditions for it. The objectives of the Partnership in 2012 are to coordinate the process of restructuring in JSC “Astana Finance” and “BTA Bank” JSC, as well as the merger of JSC “Alliance Bank” JSC and “Temirbank” JSC.

**“Samruk-Kazyna Invest” LLP** (hereinafter - Samruk-Kazyna Invest) was registered in July 2007; the founder of the company is JSC “Holding “Samruk”.

Main activities of Samruk-Kazyna Invest:

• participation in the Fund's investment activities through the provision of services on the Fund's investment activities, including: investment in capital and assets, including at the expense of the Fund in accordance with the Investment Policy of the Fund;

• providing investment and advisory services;

• organization of project financing, including evaluation of sources of finance and syndicated project financing.

**“Samruk-Kazyna Contract” LLP** (hereinafter - Samruk-Kazyna Contract)is the successor of “Telecom Invest Samruk” LLP, which was established by the decision of the Board of Directors of the Holding “Samruk” in July 2007 in order to implement the first phase of the project for modernization and development of rural telecommunications network using the technology CDMA (TSNP) on installation of telephone services in the rural c settlements with a population of more than 50 people and the appropriate modernization of rural communication.

Since 2009 the main activities of Samruk-Kazyna Contract are monitoring local content, introduction of transparent procedures for procurement of the Group of Companies of the Fund and the extraction of net income in the Fund’s interests.

**“Samruk-Kazyna Pharmaceuticals” LLP** (hereinafter - SK-Pharmaceuticals)was established pursuant to Decree of the Government of the Republic of Kazakhstan # 134 dated February 11, 2009 to provide population with the drugs under the guaranteed free medical assistance and the promotion of pharmaceutical industry in the Republic of Kazakhstan by bringing together private and public sectors on the basis of equal partnership. The strategic goal of SK-Pharmaceuticals is to improve the stability and competitiveness of the pharmaceutical industry in the Republic of Kazakhstan, development of the pharmaceutical industry by consolidating the state procurement of medicines.

The main activities of SK-Pharmaceuticals are as follows:

• organization of open bidding for the procurement of medicines under the guaranteed free medical care;

• organization of storage of medicines in accordance with the requirements of appropriate distribution practices and legislation of the Republic of Kazakhstan;

• organization of logistics processes of medical products;

• creation of the information system for the integration of logistics processes of a Single distributor, customer and suppliers, as well as to obtain current information on turnover, cash balances.

1. **Operating Results and capital costs**
	1. **Consolidated financial indicators**

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **Name**  | **Unit of measure** | **H1 2012** | **H1 2011**  | **Change in billion KZT** | **Change, in %** |
| Consolidated **net income** | KZT billion | -28,9 | 308,4 | -337,3 | -109,4 |
| Consolidated **net income** on the share of a shareholder of a parent Company | KZT billion | -60,0 | 270,1 | -330,1 | -122,2 |
| EBITDA[[2]](#footnote-2) | KZT billion | 435,3 | 392,8 | 42,5 | 10,8 |
| EBITDA margin[[3]](#footnote-3) | % | 18,6 | 18,8 | -0,2 | -1,1 |
| ROACE[[4]](#footnote-4) | % | -0,9 | 4,1 | -5,0 | -123,2 |
| ROA[[5]](#footnote-5) | % | -0,2 | 2,4 | -2,6 | -110,6 |
| ROE[[6]](#footnote-6) | % | -0,5 | 5,5 | -6,0 | -108,5 |

**The main items of gross income**

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| **Name** | **H1 2012**  | **H1 2012, KZT billion.** | **H1 2011**  | **H1 2011, KZT billion.** | **Change, in KZT billion.** | **Change, in %** |
| **in % to income from the sale** | **in % to expenses from operations** | **in % to income from the sale** | **in % to expenses from operations** |
| **Revenues from sales and interest income** | 100 | 87 | 2 340 | 100 | 110 | 2 084 | 257 | 12 |
| **Expenditure on operating activities** | 116 | 100 | 2 704 | 91 | 100 | 1 894 | 811 | 43 |
|  Cost of sales and interest expense | 72 | 63 | 1 692 | 69 | 76 | 1 437 | 255 | 18 |
| **Gross income** | 28 | 24 | 648 | 31 | 34 | 647 | 1 | 0 |
| General administrative expenses | 7 | 6 | 175 | 9 | 10 | 191 | -16 | -8 |
| Shipping costs and sales | 8 | 7 | 188 | 10 | 11 | 201 | -13 | -6 |
|  Losses on assets impairment | 0 | 0 | 3 | 1 | 1 | 25 | -21 | -87 |
| Other operating loss | 28 | 24 | 646 | 2 | 2 | 40 | 605 | 1 497 |
|  **Income (loss) from operations** | -13 | -12 | -314 | 10 | 11 | 214 | -528 | -247 |
| Equity income from associates and joint ventures | 12 | 11 | 284 | 15 | 16 | 304 | -20 | -7 |
| Income tax expense | 5 | 4 | 119 | 8 | 9 | 174 | -55 | -32 |
| Income/loss/ from discontinued operations | 9 | 7 | 202 | 1 | 1 | 17 | 185 | 1 188 |
| **Net profit** | -1 | -1 | -29 | 15 | 16 | 308 | -337 | -109 |

The following are key factors in ***net profit*** with STB in the reporting period compared to the same period of 2011.

|  |  |
| --- | --- |
| **Factors** | **Changes with second-tier banks,****billion KZT** |
| **Net income (KZT -29 billion in the reporting period, KZT 308 billion for the same period in 2011)** | **-337** |
| [The](file:///C%3A%5C%5CUsers%5C%5CG-Kudabaeva%5C%5CAppData%5C%5CLocal%5C%5CMicrosoft%5C%5CWindows%5C%5CTemporary%20Internet%20Files%5C%5CContent.Outlook%5C%5C2ETQTM2O%5C%5C20120523-%D0%A4%D0%B0%D0%BA%D1%82%D0%BE%D1%80%D1%8B%20%D1%81%D0%BD%D0%B8%D0%B6%D0%B5%D0%BD%D0%B8%D1%8F%20%D0%A7%D0%9F%20%D1%81%20%D0%91%D0%92%D0%A3.xlsx%22%20%5Cl%20%22RANGE%21A30) revenue growth (based on the level of operating profitability in 2011) mainly due to sales of petroleum products, freight rail, other income from the provision of other value-added services to core business | 231 |
| Income from discontinued operations from the sale of shares in “GSM Kazakhstan “Kazakhtelecom” JSC” LLP | 185 |
| Reduction of income tax expenses | 56 |
| Reduction of costs for the impairment of loans to customers, mainly on DBK | 21 |
| Due to the operating loss on BTA Bank because of the costs for the change in the value of the bonds on the restoration on “BTA Bank” JSC | -631 |
| The excess of the rate of increase in the cost over the rate of revenue growth, mainly due to:• increase in the cost of works and services (transport, electricity) and raw materials by KZT 175 billion • increases of wages of production personnel and related taxes (population growth, LCF indexing) by KZT42.7 billion due to creating two business units in EP KMG, commissioning of facilities of the new railway lines Korgas-Zhetyshen and Uzen-state border with Turkmenistan, the opening of new railway stations, the introduction of new passenger routes, the creation of new organizations on alternative energy, expanding the geography of flights and fleet of Air Astana. | -218 |
| Decline in revenue from the sale of uranium products | -20 |
| Change in share of income, mostly of joint ventures and associated companies of oil and gas and mining segments | -20 |
| Others | 59 |

The comparison shows that the impact of changes in GAE and costs for transportation and sales on the change in net profit compared to the same period in 2011 is low. The change in net income is negatively influenced by **cost and other operating loss**.

Costs in the reporting period increased compared to the same period in 2011, and the income from sales and interest income was 73% and the operating expenses - 63%, while at the end of 2011 they were 72% and 75% respectively. The main growth drivers are the rising costs for materials, supplies and wages because of the rising cost for fuel and GSM costs and the number of production staff.

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|   | **H1 2012** | **H1 2011** | **Change, in thous. people**  | **Change, in KZT billion** |
| The average number of employees (thousand people), including | 326 | 305 | 21 | 49,3 |
| administrative staff | 29 | 27 | 2 | 6,6 |
| production staff | 297 | 278 | 19 | 42,7 |

Growth of the average number of staff is due to the following factors:

• expanding the perimeter of consolidation of financial indicators of KMG because of inclusion of “Semser Security” LLP (9.7thous.people), which has not previously been consolidated; the purchase of “AktauNefteServis” LLP at the end of 2011 (8.9thous.people), the establishment of two private limited company in EP KMG (1.6 thousand people);

• commissioning of facilities at the new railway lines Korgas-Zhetygen and Uzen - the state border with Turkmenistan (1.7thous.people), the adoption of railway sections of JSC “Russian Railways” (390 people), increasing the amount of work (the opening of new railway stations Botakara, Atygay, CDC at Dostyk station (car shed) (348 people), suburban routes, implementation of order of the Ministry of Transport and Communication # 74 dated 17 February 2011, providing changes in time tracking of shift workers (192 people);

• increase in the production of tantalum products, inclusion of “Ulbinochka” LLP in the Group of JSC “UMP” (229 pers.), drilling volumes (“Volkovgeologiya” JSC) - 191 persons, the project output of “Semizbay U” LLP (177 pers.), due to the establishment of new institutions on alternative energy (809 pers.)

• the establishment and operation of Kazgeologiya since November 2011 (51 people);

• increased operating activities of Air Astana (402 people) such as geography of flights (opening of offices in new airports), fleet of the company (engaging pilots, cabin crew, engineering staff, etc.).

The Fund jointly with Companies will develop a medium-term program to reduce costs of the Group of the Fund up to 2015, aimed at optimizing both cost and other expenses by diagnostics and analysis of business processes and others. First results are planned to get in H1 2013. Moreover, in early 2012 at the initiative of the Companies there were taken measures to reduce overall administrative costs by KZT 4.8 billion, and the number by 1.9 thousand people.

The Group of the Fund is working to optimize the asset structure of Companies, including non-core assets. Currently, KTZh, Samruk-Energy and KAP adopted the appropriate Action Plans and implemented it. KMG reviews the previously approved plan.

In order to support the financial indicaors according to the prudential standards and other requirements set by the National Bank of Kazakhstan for the issue of bonds and loan agreements, BTA Bank was forced to recognize the costs on bonds for recovery of KZT 635.2 billion. Currently, the negotiations with the creditors' committee on options debt restructuring of BTA Bank are being held, during the negotiations there will be determined the final terms of restructuring, including the obligations on recovery units.

The reduction in financial performance indicators (KPI) “EBITDA” and “EBITDA margin”, “ROACE”, “ROA” and “ROE” in the reporting period compared with the same period of 2011 has been influenced by the factors of adjustment of the consolidated net profit.

* 1. **Consolidated financial indicators without the STB**

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

During the consolidation and evaluation of financial indicators without Commercial Banks the following approvals have been made:

* It was not carried out consolidation of data of subsidiary banks “BTA Bank” JSC (BTA); “Alliance Bank” JSC (ALB); “Temirbank” JSC (TMB);
* There were excluded one-off non-operating income of the Fund from these banks (BTA, ALB, and TMB), such as net income from discount of rate swaps and from conversion of bonds in capital;
* It was not reflected the share income of Halyk Bank (HB) and Kazkommertsbank (KKB) in 2009-2010 when these banks were the associated organizations of the Group;
* It is excluded recognition and overvaluation of call and put options through income/loss on the shares of HB and KKB;
* All profits and expenses, also assets and liabilities of other companies of the group of these Commercial Banks, who were eliminated as intra-group ones, remained as external;
* Losses from devaluation of investments with BTA and ALB excluded from report of total income, and moved directly into retained earnings in the capital statement.

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **Name**  | **Unit of measure** | **H1 2012, KZT billion** | **H1 2011, KZT billion** | **Change** | **H1 2012 –H1 2011, in %** |
| Consolidated **net income** without the STB | KZT billion | 585,1 | 430,8 | 154,3 | 35,8 |
| Consolidated **net income** on the share of a shareholder of a parent Company without the STB | KZT billion | 438,8 | 371,9 | 66,9 | 18,0 |
| EBITDA without the STB | KZT billion | 435,8 | 406,5 | 29,3 | 7,2 |
| EBITDA margin without the STB | % | 19,5 | 20,6 | -1,1 | -5,3 |
| ROACE without the STB | % | 6,9 | 10,2 | -3,3 | -32,3 |
| ROA without the STB | % | 4,8 | 3,8 | 1,0 | 26,4 |
| ROE without the STB | % | 9,8 | 7,9 | 1,9 | 24,2 |

All the items of the gross income are given without account of the STB in the table below.

| **Name**  | **H1 2012**  | **H1 2012, KZT billion.** | **H1 2011**  | **H1 2011, KZT billion.** | **Change, in KZT billion.** | **Change, in %** |
| --- | --- | --- | --- | --- | --- | --- |
| **in % to expenses from the sale** | **in % to expenses from operations** | **in % to income from the sale** | **in % to expenses from operations** |
| **Revenues from sales and interest income** | 100 | 112 | 2 235 | 100 | 112 | 1 971 | 264 | 13 |
| **Expenditure on operating activities** | 90 | 100 | 2 004 | 89 | 100 | 1 760 | 244 | 14 |
|  Cost of sales and interest expense | 72 | 81 | 1 620 | 69 | 77 | 1 351 | 269 | 20 |
| **Gross income** | 28 | 31 | 615 | 31 | 35 | 620 | -5 | -1 |
| General administrative expenses | 6 | 7 | 139 | 7 | 8 | 147 | -8 | -5 |
| Shipping costs and sales | 8 | 9 | 188 | 10 | 11 | 201 | -13 | -6 |
| Losses on assets impairment | 2 | 3 | 54 | 3 | 3 | 53 | 1 | 2 |
| Recovery of assets impairment | 2 | 2 | 35 | 2 | 2 | 37 | -2 |   |
| Other operating loss | 0 | 0 | 2 | 0 | 0 | 8 | -6 | -75 |
|  **Income (loss) from operations** | 12 | 13 | 267 | 13 | 14 | 247 | 20 | 8 |
| Equity income from associates and joint ventures | 13 | 14 | 280 | 15 | 17 | 302 | -22 | -7 |
| **Income tax expense** | 5 | 6 | 119 | 6 | 6 | 111 | 8 | 7 |
| **Income/loss/ from discontinued operations** | 9 | 7 | 202 | 1 | 1 | 17 | 185 | 1 188 |
| **Net profit** | 26 | 29 | 585 | 22 | 24 | 431 | 155 | 36 |

The main factors of changing of ***net income*** without the STB in the reporting period as compared with the same period of 2011 is given below.

|  |  |
| --- | --- |
| **Factors** | **Changes,** **KZT billion**  |
| **Net income without STB (KZT 585 Billion in the reporting period, KZT 430 billion for the same period in 2011)** | **155** |
| [The](file:///C%3A%5CUsers%5CG-Kudabaeva%5CAppData%5CLocal%5CMicrosoft%5CWindows%5CTemporary%20Internet%20Files%5CContent.Outlook%5C2ETQTM2O%5C20120523-%D0%A4%D0%B0%D0%BA%D1%82%D0%BE%D1%80%D1%8B%20%D1%81%D0%BD%D0%B8%D0%B6%D0%B5%D0%BD%D0%B8%D1%8F%20%D0%A7%D0%9F%20%D1%81%20%D0%91%D0%92%D0%A3.xlsx#RANGE!A30) revenue growth (based on the level of operating profitability in 2011) mainly due to sales of petroleum products, freight rail, other income from the provision of other value-added services to core business | 231 |
| Sale of shares in “GSM Kazakhstan “Kazakhtelecom” JSC” LLP | 185 |
| Growth of income tax expenses | -8 |
| Reduction of costs for the impairment of loans to customers, mainly on DBK | 21 |
| The excess of the rate of increase in the cost over the rate of revenue growth, mainly due to:• increase in the cost of works and services (transport, electricity) and raw materials by KZT 175 billion • increases of wages of production personnel and related taxes (population growth, LCF indexing) by KZT 42.7 billion due to creating two business units in EP KMG, commissioning of facilities of the new railway lines Korgas-Zhetyshen and Uzen-state border with Turkmenistan, the opening of new railway stations, the introduction of new passenger routes, the creation of new organizations on alternative energy, expanding the geography of flights and fleet of Air Astana. | -218 |
| Decline in revenue from the sale of uranium products | -20 |
| Change in share of income, mostly of joint ventures and associated companies of oil and gas and mining segments | -20 |
| Other | -16 |

In the long term, the Fund does not intend to hold share in “BTA Bank” JSC, “Alliance Bank” JSC and “Temirbank” JSC. The Fund will develop proposals for the sale of its owned shares of second-tier banks, carry out search and negotiations with potential investors. Before the sale of shares of “Alliance Bank” JSC, “Temirbank” JSC and “BTA Bank” JSC the Fund will continue to work actively to restore their financial condition.

* 1. **Financial indicators for H1 2012 by the segments and capital resources[[7]](#footnote-7)**

KZT billion

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
| **Name**  | **Oil & Gas** | **Mining and industrial** | **Transportation**  | **Telecommunications**  | **Power**  | **Financial institutes and development institutes**  | **Corporate Centre and projects** |
|
|
| Income from sale and interest income | 1 447 | 115 | 446 | 98 | 72 | 171 | 247 |
| Cost of sales and interest expenses | 1 026 | 92 | 312 | 67 | 58 | 144 | 91 |
| **Gross income** | 421 | 23 | 135 | 31 | 15 | 26 | 155 |
| General administrative expenses | 60 | 12 | 39 | 12 | 7 | 41 | 8 |
| Shipping costs and sales | 181 | 2 | 3 | 2 | 0 | 0 | 1 |
| Recovery of assets impairment | 0 | 0 | 0 | 0 | 0 | 101 | 1 |
|  Losses on assets impairment | 5 | 1 | 0 | 0 | 0 | 94 | 13 |
| Other operating income from banking activities | 0 | 0 | 0 | 0 | 0 | 29 | 0 |
| Other operating costs from banking activities | 0 | 0 | 0 | 0 | 0 | 642 | 0 |
| **Income (loss) from operations** | 175 | 9 | 92 | 18 | 8 | -621 | 135 |

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









Then, the presented segment analysis is based on production figures from the reports on implementation of development plans of the subsidiaries for H1 2012 and data of the audited financial statements of subsidiaries for H1 2011-2012.

**3.1 “Oil & Gas” Segment**

**Production figures**

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

| **Name**  | **Unit of measure** | **H1 2012**  | **H1 2011** | **H1 2012/ H1 2011, in %** | **Factors**  |
| --- | --- | --- | --- | --- | --- |
| Oil production volume | Million tons | 10,4 | 10,7 | 97% | **Reduction**• outages and disruption of the service system of producing wells;• unplanned emergency and planned outages (repair) of integrated production line installation and the second generation plant on TCO. |
| Volume of oil transportation on the main pipeline | Million tons | 32,2 | 33,7 | 96% | **Reduction**Restricting the supply of oil to the pipeline system by the Russian side |
| Volume of gas transportation | Million m3 | 56,4 | 54,3 | 104% | **Increase**Growth in transport for gas export and transit on the Chinese direction |
| The volume of oil transportation by sea fleet | Million tons | 6,9 | 4,2 | 164% | **Increase**• on the direction of Aktau-Baku because of the additional volume from shippers;• on the direction of the Black Sea due to increased volumes associated with the acquisition of two Afromax |
| Volume of oil refining | Million tons | 7,9 | 7,4 | 107% | **Increase**• increase in the supply of oil by external processors on AR, POCR and PKOP;• forced increase of the volumes in relation to the planned plant shutdown in the 2nd half of 2012 on AR. |
| Number of accidents which caused suspension of production or environmental damage |  | 4 | 4 | 100% | **No victims.****Growth of environmental damage by KZT 11.4 million (H1 2011 – KZT 5.4 million)**• tear of gas pipe line with fire at South UMG KTG (16.8 million tons of damage to the environment);• inflammation of the pipe line at the exit of the furnace in «PKOP» LLP;• inflammation of the pump at the installation of primary oil refining in LLP «Atyrau Refinery»;• inflammation in stock of JSC «MMG» |
| Average headcount | thous. people | 84,0 | 63,7 | 132% | **Increase**• Increased consolidation perimeter (LLP «Semser Security» - increase in threshold of materiality);• “AktauNefteServis” LLP - the acquisition of assets at the end of 2011;• Creating two LLP in EP KMG as part of activities undertaken to ease social tensions in Zhanaozen/  |

The main factors of changing of ***net income*** on this segment in H1 2012 as compared to H1 2011 are given below.

|  |  |
| --- | --- |
| **Factors**  | **Change, KZT billion** |
| **Net income (KZT 277.8 billion for the reporting period, KZT 299.7 billion for the same period in 2011)** | **-22** |
| **Increase of sales volume of oil products by 2.1 million tons and sales gas by 833 million cu.m.** | 132 |
| **Growth of mainly the average price of crude oil for export from** KZT 115.8 thousand per ton to KZT 122.4 thousand | 30 |
| **Cut of rent tax and export customs duty** due to declining oil production by 290 thousand tons | 18 |
| **Reduction of penalties and interest on taxes**. In H1 2011 environmental penalties for gas flaring and export customs duties on EP KMG were reflected | 8 |
| **Financial costs**: decrease in interest costs on loans and bonds | 6 |
| **The increase in cost** of mainly:- Wage growth of production personnel and related taxes (LCF indexation, the increase in staff number due to creation of 2 business units in EP KMG) by KZT 25.3 billion;- Appreciation for work and services (transport, electricity) and raw materials by KZT 171.8 billion. | -197 |
| **Decline in the share of income in joint ventures and associates** | -16 |
| **Other** | -3 |

The Government requires from the companies of the KMG engaged in the production of crude oil and sales of petroleum products, annually supply part of the products for the domestic market, mainly to maintain the balance of supply of petroleum products in the domestic market and to support agricultural producers during the spring and autumn sowing campaign. Oil prices in the local market (30 dollar/bbl) are lower by 68.8% compared with the price for export (109 dollar/bbl). If, in future, the Government assigns an additional amount of crude oil which exceeds the amount of supplied by the Group of the KMG in 2012, such supplies will have priority over the supply at the market prices. This, in turn, will generate less revenue from the sale of crude oil for export and adversely affect the business, prospects, financial condition and the cost of the KMG. Oil supplies to the domestic market are increased in the period under review.

The basic steps taken to improve the net income in the oil and gas segment are described below.

The KMG will take drastic measures on timely search and involvement in the active development of hydrocarbon reserves and on a comprehensive study of the state of the fund of production and injection wells for the three–quarter set, to restore oil production volume from the field;

The next factor - is the current system of tariff regulation, measures on which the Companies of the KMG take in conjunction with the Fund and the Government.

The KMG together with the Fund currently work to optimize costs, mainly the cost in terms of the expenses for materials and supplies.

Currently the Companies of the segment are preparing for transfer to the People’s IPO.

**Capital costs** for this segment were directed for maintenance of productive assets and other fixed assets, investments in the authorized capital of companies of subsidiaries, investment projects and acquisition of shares, and mainly were directed to:

• implementation of the North-Caspian project (KMG share);

• projects for exploration and development activities of KMG;

• construction of the production of aromatics;

• construction of “Museum of the History of Kazakhstan”;

• development of turbo blower shop # 4 Ks Makat;

• modernization of the refinery Petromidia (Rompetrol Group).

In addition, the percentage of capital costs takes the purchase of 10% stake in the Karachaganak project.

**3.2 “Mining and industrial” segment**

**Performance indicators**

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

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **KPI** | **H1 2012**  | **H1 2011**  | **H1 2012 – H1 2011,** **in %** | **Factors** |
| Volume of the uranium output of JSC “NAC “Kazatomprom”, thous. tons | 9,652 | 8,965 | 107,7 | The planned output of LLP «Katko», JSC «Akbastau», LLP, «Kyzylkum», LLP «Baiken U» at full capacity |
| Number of accidents | 0 | 0 | - |  |
| Average number of employees, thous. persons | 20,989 | 19,702 | 106,5 | There have been created and purchased six new companies as the result of implementation of new projects in the field of alternative energy and rare earth metals.In addition, production assets LLP Subsidiary “Ortalyk” acquired in late 2011 was also included. |

Change in the financial results in H1 2012 compared to the same period of 2011 on this sector was mainly influenced by the results of industrial activity of KAP, as Tau-Ken Samruk, UCC, Kazgeologiya, included in this segment, did not conduct operational activity in 2011-2012 with the exception of management and administration activity.

In H1 2012 losses of the companies amounted to: Tau-Ken Samruk – KZT 0.25 billion, UCC – KZT 0.59 billion, Kazgeologiya – KZT 0.19 billion. Net income of JSC “NC “Kazakhstan Engineering” evaluated to KZT 0.53 billion for H1 2012.

Receipt of income from the activity of these companies is expected as the released projects and ongoing exploration attain the full projected capacity: Tau-Ken Samruk – in 2014, UCC – in 2017, Kazgeologiya – after 2013.

Below are given specific factors in ***net profit*** charge on the segment in H1 2012 compared to the same period of 2011.

| **Factors** | **Changes, billion KZT** |
| --- | --- |
| **Net income (KZT 11.36 billion for the period; KZT 34.14 billion for the same period in 2011)** |  **- 22,8** |
| Decrease in sales volume of NUC (natural uranium concentrate) | - 3,9 |
| Decrease in selling price of NUC | - 8,1 |
| Growth in sales of other products | - 0,3 |
| Growth in sales prices of other products | 3,6 |
| Changes in the exchange rate of KZT / USD | 1,2 |
| Prices for raw materials | -2,6 |
| Increase in the share of realized NUC, purchased from affiliates | - 3,5 |
| Growth of general and administrative expenses | -2,9 |
| Decrease in income from equity associates and jointly-controlled entities | - 7,4 |
| Deterioration of the results of non-core activities (including foreign exchange loss) | - 2,8 |
| Reducing costs for CIT | 5,2 |

Deterioration of the financial and economic activity in the 1st half 2012 compared to the same period in 2011 is due mainly to the force majeure on exports of uranium to China (20% reduction), as well as lower spot prices for uranium (10%), caused by the uncertainty of further development of nuclear energy after the Fukushima accident.

**Capital costs** for this segment in the period amounted to KZT 19.59 billion, including KZT 14 billion - the cost of maintenance of productive assets and other fixed assets, valuation and exploration works.

KAP in the 1st half of 2012 continued to increase output at existing mines, as well as carry out measures to develop new mines. The total investments for the period was KZT 12.1 billion.

**3.3 “Transport” segment**

**Performance indicators**

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

| **Description**  | **UoM** | **H1 2012**  | **H1 2011**  | **H1 2012/H1 2011,** **in %** | **Factors** |
| --- | --- | --- | --- | --- | --- |
| Loading | Million tons | 127  | 120 | 6,2 | Increase in loading of grain, ferrous ore, petroleum products, construction materials. |
| Tariff cargo turnover | Million tkm | 116 229 | 103 772 | 12,0 | Increase in transportation of grain, oil products, chemicals and soda, ferrous metals, food, machinery and equipment. |
| Cargo transported | Million tons | 143 | 134  | 6,8 | Cargo traffic growth in intra and transit |
| Passenger turnover | Million passenger km | 7 429 | 6 559 | 13,3 | Inclusion of additional cars to transport passengers on holidays and days before holidays, as well as increasing the routes served by the JSC “Passenger transportation” |
| Flying time |  | 40 854 | 37 554 | 108,8 | Due to the expansion of the route network |
| Passengers transported | people | 1 524 734 | 1 355 123 | 112,5 | Due to the expansion of the route network and increase of capacities. |
| Cargo transported | tons | 8 336 | 8 030 | 103,8 |
| Baggage transported  | tons | 780 | 444 | 175,7 |
| Mail transported | tons | 516 | 422 | 122,7 |
| Average number of employees (Air Astana) | people | 3 342 | 2 999 | 111,4 | Due to the expansion of operations, which include the opening of new stations and the expansion of the fleet of aircraft. |

Following are specific factors of change in ***net profit*** for the segment in the reporting period compared to the same period of 2011.

|  |  |
| --- | --- |
| **Factors** | **Changes, billion KZT** |
| **Net income ( KZT 62 billion for the period; KZT 68 billion for the same period of 2011)** | **-6** |
| **Growth in the services provided for freight and passenger transport, including on Air Astana** | 27 |
| **Increase in freight tariffs** since April 1, 2012 by 14.9% in average. | 23 |
| **Growth of fuel surcharge** | 3 |
| **Commissioning of the new railway stations and the purchase of new fixed assets (including the calculation of depreciation and amortization)** | -19 |
| **Wage increase, mainly of production staff, under the collective agreement, increasing co-payments for accommodation in areas of Aral Sea ecological disaster** | -18 |
| **Reversal of impairment of assets:** the increase was due to the restored reserve on a non-refundable VAT in the amount of KZT 8.3 billion due to changes in the methodology of calculation of VAT refund under the tax legislation of RK | -10 |
| **Growth of mainly the price of jet fuel and lease payments under operating aircraft lease**  | -8 |
| **Others** | -4 |

On April 1, 2012 tariffs for the transportation of goods by rail were increased by 14.9% on average, depending on the type of goods and types of routes.

The financial performance indicators of KTZh were positively influenced by growth, mainly, of transportation of grain, ferrous ore, construction materials, petroleum products, ferrous metals, as well as the operations of the group of companies of the Fund, in particular: implementation of the project “Beineu-Bozoi-Shymkent” gas pipeline, growth in sales volumes of petroleum products in the domestic market and the production of coal.

Passenger and freight traffic on domestic routes, Europe and Asia had a positive impact on the change in net income in the year compared with the same period of 2011.

In order to optimize the costs of JSC “Temіrzholsu” (utilities) and JSC “Zheldorvodoteplosnabzhenie” (utilities), they were added to JSC “Temіrzholsu” (utilities). It is expected that JSC “Temіrzholsu” in the future will join one of the four main areas of activity that operates backbone infrastructure. In addition, KTZh is currently working with the Fund to reduce costs.

**Capital costs** for this segment in the period amounted to KZT 197.3 billion, primarily directed on the following projects:

• “Acquisition of freight wagons” – KZT 73.9 billion;

• Maintaining productive assets and other property, directly involved in the production and administrative activities of subsidiaries: implementation of the Plan of investments of companies of JSC “NC “KTZh” – KZT 54.9 billion;

• “Acquisition of Evolution locomotives” – KZT 18.2 billion;

• “Construction of Tele and Radio Complex in Astana” – KZT 12.9 billion;

• “Construction of a new railway line “Zhetygen-Korgas” – KZT 11 billion;

• “Construction of a new railway line “Uzen-state border with Turkmenistan” – KZT 3.6 billion;

• “Construction of customs and border infrastructure and social facilities of the railway line Zhetygen-Korgas” (including feasibility studies) – KZT 4.5 billion;

• “Construction of factory for production of electric locomotives in Astana” – KZT 3.6 billion;

The main sources of funding for capital expenditures of KTZh:

• KZT 119.4 billion - own funds;

• KZT 14.6 billion - the national budget;

• KZT 63.3 billion - borrowed funds.

* 1. **“Power” segment**

**Performance indicators**

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

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **Description**  | **UoM** | **H1 2012**  | **H1 2011**  | **H1 2012/H1 2011,** **in %** | **Factors** |
| Implementation of electric power | million kWh | 2 829 | 2 690 | 105 | ∙ growth in electricity sales due to the increase in electricity consumption;∙ reduced heat production in the reporting period due to reduced thermal load, which depends on the outside air temperature during the heating season;∙ increased electricity generation due to the growth of electricity generated by JSC “AlES”, JSC “Shardarinskaya HPP”, JSC “Ekibastuzskaya GRES-2”∙ increase in the purchase of electric power by consumers from generating companies and power suppliers through KEGOC;∙ excess amounts of technical dispatching due to the increase in production of electric energy;∙ increase in the transit of electric power through networks for the UES of Russia. |
| Production of heat energy | thousand GCal | 4 358 | 4 431 | 98 |
| Production of electric power | thousand kWh | 7 599 | 7 042 | 108 |
| Providing services for power transmission | million kWh | 4 219 | 4 025 | 105 |
| Power transmission | billion kWh | 20,8 | 20,2 | 103 |
| Technical dispatching | billion kWh | 41,8 | 40,8 | 102 |
| Organization of balancing production and consumption of electric power | billion kWh | 78,4 | 73,3 | 107 |
| SAIDI the average outage duration for each customer served | Min/year | 0,63 | 0,68 | 93 | the indicator is improved due to lower number of consumers affected by power interruption from 17 to 5 and decrease in the duration of power interruption of customers from 329 to 305 minutes. |
| SAIFI the average number of interruptions that a customer would experience |  | 0,10 | 0,035 | 29 | the indicator is improved due to the reduction of number of customers affected by power interruption from 17 to 5. |

Below are given the factors of change in **net profit** of companies in this segment in the reporting period compared to the same period of 2011.

| **Factors** | **Changes, billion KZT** |
| --- | --- |
|  **Net income (KZT 20.9 billion for the reporting period; KZT 22.5 billion for the same period of 2011 )** | - 1,6 |
|  **Increase in the volume of services**• growth of electric power transmission by KEGOC;• increased technical dispatching services;• growth on balancing production and consumption of electricity;• increased production of electricity;• growth in sales of electricity;• increased provision of electricity transmission services by Samruk-Energy;• additional revenue in the amount of KZT 324 million on KEGOC due to recognition of the fact of rendering services for power regulation by “Uzbekenergo” SJSC. | 3,9 |
| **Growth of tariffs for regulated services**• since September 1, 2011 tariffs for electricity transmission from 0.94 to 0.953 KZT / kWh have been increased for KEGOC;• September 1, 2011 KEGOC set a new tariff for technical dispatching in the amount of 0.118 KZT / kWh;• on JSC “Mangistauskaya REC” from March 28, 2012 the growth of the tariff for electricity transmission and distribution from 1.95 to 2.39 KZT / kWh;• increase in tariff on electricity sales from April 1, 2012 for LLP “AlmatyEnergoSbyt” up to 11.79 KZT / kWh. | 1,7 |
| **Process losses**• Increased costs for compensation of technological consumption of electricity at KEGOC by increasing the average price of electricity from 5.68 to 6.04 KZT / kWh, and also due to the growth of energy losses by 13% or 161.7 million kWh. | -1,4 |
| **Fuel**• increase in fuel costs due to the change in the structure of fuel in JSC “AlES” due to a shortage of natural gas during the heating winter period 2011-2012 and the price increase for fuel (massut and coal) | -1,3 |
| **Depreciation and amortization of intangible assets:**• new facilities were commissioned as part of the investment programs of Samruk-Energy. | -1,0 |
| **Provision for doubtful debts**• accrual of provisions for doubtful accounts receivable of “Uzbekenergo” SJSC | -0,9 |
| **Share of income of associates and jointly-controlled entities**• increase in net profit of “Ekibastuzskaya GRES-1 named after Bulat Nurzhanov” LLP by KZT 2.6 bln by increasing the tariff for sale of electricity from the 2nd quarter of the reporting period;• decrease in net income for Company “Forum Muider BV” by 32% or KZT 1.3 bln due to increased cost of production of coal;• decrease in net income of JSC “Ekibastuzskaya GRES-2” by reducing power generation due to the ongoing capital works on generating unit 1.  | 1.0 |
| **Others** | -0.4 |

The unplanned outfeed of electricity from the energy system of Uzbekistan amounted to 0.4 billion kWh during the period, in this connection the provision was accrued in the amount of KZT 0.9 billion.

A number of companies of the segment conduct preparatory work on transfer of shares on the stock market under the “People's IPO” program.

**Capital costs** for this segment in the reporting period amounted to **KZT 22.0 billion**, including for maintenance of production assets and other fixed assets – KZT 6.9 billion and for development – KZT 15.1 billion. Capital expenditures were primarily focused on the following projects:

• Construction of 500 kV Alma SS connected to Kazakhstan National Grid via 500, 220 kV lines. Capital investments for the 1st half of 2012 amounted to KZT 0.8 billion;

• Moinak Electricity Transmission. Capital investments for the 1st half of 2012 amounted to KZT 1.0 billion;

• Modernization of Kazakhstan NPG, II stage. Capital investments for the 1st half of 2012 amounted to KZT 0.6 billion;

• Construction Moinak HPP at the Charyn River, 300 MW. Capital investments for the 1st half of 2012 amounted to KZT 2.2 billion;

• Construction of Balkhash Thermal Power Plant. Capital investments for the 1st half of 2012 amounted to KZT 0.1 billion;

• Expansion and reconstruction of EGRES-2 with installation of a generating unit of station # 3. Capital investments for the 1st half of 2012 amounted to KZT 0.4 billion;

• Upgrading Shardariniskaya HPP. Capital investments for the 1st half of 2012 amounted to KZT 0.2 billion;

• Construction of substations of Alatau Zharyk Kompaniyasy JSC. Construction of substations Ermensay, Medeu, Shymbulak, Kazakh State University to provide Asiada facilities with power is completed. Capital investments for the 1st half of 2012 amounted to KZT 6.0 billion.

The main sources of funding for capital expenditures:

• own funds of KZT 8.2 billion;

• National budget in the amount of KZT 8.0 billion;

• Borrowings of KZT 5.8 billion.

**3.5 “Telecommunications” segment**

**Performance indicators**

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

| **Indicator** | **UoM** | **H1 2012**  | **H1 2011**  | **H1 2012/H1 2011,** **in %** | **Factors** |
| --- | --- | --- | --- | --- | --- |
| The number of fixed lines | Thous. lines | 3 996 | 3 970 | 101 | Growth in the number of lines laid and new subscribers |
| The number of subscribers - Mobile communications (voice) | Thous. units | 1 280 | 1 388 | 92 | Reducing the number of active subscribers is associated with a reduced loyalty through active marketing of competing GSM operators. To attract new customers in the second quarter, there were introduced new tariff plans, promotions are planned  |
| Number of broadband subscribers (ports) | Thous. ports | 1 074  | 1 052 | 102 | Growth in the number of users due to the active promotion of services in the segment of individuals on the tariff plans Megaline Drive, Turbo, Hit |
| The volume of postal services | Million units | 141 | 135 | 104 | Growth in the volume of services for the transfer of parcels, express mail, special communications |
| The volume of financial services | Billion KZT | 410 | 365 | 112 | Growth in money transfer services, payment of money to individuals, receiving payment on public utilities and other payments, etc. |
| The volume of agency services | Billion KZT | 12,5 | 6,0 | 208 | Growth in lending the commercial banks  |

In the future the company will aim at:

• launch of the largest in the CIS data center (DC) in Pavlodar by the end of 2012, which will provide a wide range of hosting services and “cloud computing”, both in the domestic and foreign markets;

• access to foreign markets for expansion and diversification of its activities;

• modernization of existing and construction of new backbone network joints with telecommunications of foreign operators.

The following are the main factors in net profit for this segment in the reporting period compared to the same period of 2011.

|  |  |
| --- | --- |
| **Factors** | **Changes, billion KZT** |
| **Net profit (KZT 214 billion for the period; KZT 30 billion for the same period of 2011)** |  **184** |
| **Income from stopped activities (LLP “GSM Kazakhstan” “Kazakhtelecom” JSC)** | 185 |
| **Amortization expenses** (in connection with the ongoing modernization, early withdrawal of the equipment) | 2 |
| **Labor costs** (in the 1st half of this year the employees were rewarded in connection with the transfer of the professional holiday from August 5 to 28 June) | -2 |
| **Other** | -2 |

**Capital costs** for this segment in the reporting period amounted to KZT 7.2 billion, KZT 2.4 billion of which –for maintenance of productive assets and other fixed assets, and for development – KZT 4.8 billion. Capital costs mainly aimed at the following projects:

* “Development of WLL CDMA network in rural areas of the Republic of Kazakhstan”. The project aims at meeting the demand for telecommunication services in rural areas due to the rapid deployment of wireless networks: contracts for the supply of equipment of CDMA-450 base stations, contracts for the supply of equipment for CDMA network expansion were concluded during the reporting period; the branches are working on preparing the infrastructure facilities for the installation of base stations.
* “Construction of FTTH networks” (Fiber to the Home). The project aims at increasing competitiveness in the telecommunications market: for the period contracts to supply the equipment were concluded; optical cables are being supplied to branches; linear structures are under construction in 14 branches, the design, examination and approval of DED is completed.
* “Construction of Long Term Evolution network in the cities of Almaty and Astana for mobile data services” The project is implemented in order to introduce mobile broadband services with high quality indicators. During the reporting period the works on infrastructure preparation are conducted: preparation of premises for the installation of equipment, rent of premises and preparation of base station installation sites.
* “Introduction and development of IP TV services in the Republic of Kazakhstan”. The project aims to introduce fee television services and offer package communication solutions: STB equipment to connect clients was delivered during the reporting period.
* “Cellular communications of CDMA 2000 1X standard”. The project aims at increasing the capacity of cellular networks and local networks to ensure the projected growth in subscriber base and traffic, as well as expansion of existing coverage in the regions, ensuring adequate quality of service. During the reporting period, the inverter system was purchased and installed, telecommunications hardware, software and licenses were delivered.
* “Modernization of local telecommunication networks”. The project aims to increase revenue by meeting the existing and potential demand for telecommunication services by increasing the number of users of the data transportation network in the Republic of Kazakhstan. During the reporting period: works on the construction of zonal fiber-optic communication lines (fiber optic) are being implemented in East Kazakhstan, Mangistau, North Kazakhstan regions; the construction of 25 km fiber optic lines has been completed in Kostanai region, the preparatory works are conducted in Akmola, Aktobe, Karaganda, Kostanai, Pavlodar regions.

**3.6 “Financial and Development Institutes” segment**

**Performance indicators**

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

| **Description** | **UoM** | **H1 2012**  | **H1 2011**  | **H1 2012/H1 2011,** **in %** | **Factors** |
| --- | --- | --- | --- | --- | --- |
| Volume of the loan portfolio, billion KZT | Billion KZT | 414,6 | 399,0 | 103,9 |  |
| on investment projects | Billion KZT | 345,3  | 332,2 | 103,9 | Due to growth in the development of projects |
| on leasing projects | Billion KZT | 22,4  | 25,8 | 86,8 | Early repayment and low development of the project |
| on export credit | Billion KZT | 46,9  | 41,0 | 114,4 | Due to growth in the development of projects |
| Application of funds on the projects, billion KZT | Billion KZT | 28,0 | 5,3 | 528,3 | New projects are approved |
| Level of formed provisions to the loan portfolio,% | % | 30,0 | 28,3 | 106,0 | deterioration of the quality of loan portfolio |
| Investments of private equity funds (hereinafter - PEF) in the projects on the territory of the Republic of Kazakhstan with respect to one tenge of invested funds of KCM | ratio | 2,08 | 2,49 | 84 | Reduction commitments of PEF in H1 2012 compared to the same period of 2011 due to decrease in the size of PEF. |
| Ratio of liabilities of KCM on investment in PEF to the equity of the Company. | % | 92,77 | 91,73 | 102 | Due to increasing commitments taken with the establishment of Russian-Kazakh fund of nanotechnology on December 20, 2011 |
| Real Estate pool under Anti-crisis program | Sq.m | 565.2 | 532 | 107 | Increase due to the signed contract to invest in the construction of “Akkent” RC (67.4 sq. m). |
| Real Estate realized under Anti-crisis program | % | 82.1 | 62 | 133 | Due to the commissioning and implementation of large parts of facilities (“On the water-green boulevard” RC, “Urban Romance” RC, etc.) |
| Local Content of the Developers | % | 74 | 62 | 120 | Related to the change of stages and types of construction works on individual projects under construction |
| Total amount of funds allocated to the development of entrepreneurship programs at the expense of “Damu” Fund | Billion KZT | 744,9 | 589,2 | 126 | Increase of this indicator compared to the same period of 2011 by 26% is due to the increase in borrowers under the program “BRM-2020”  |
| Number of projects of MPE covered by the Fund’s programs | units | 14 151 | 11 935 | 119 | Increase is due to affordable conditions for the borrowers under the program “BRM-2020”  |

Below are given the influence of the results of the production activities of large organizations of the Fund included in this segment on the financial result.

|  |  |
| --- | --- |
| **Factors** | **Changes, billion KZT** |
| **Net loss (KZT -625.2 billion for the period; KZT -114.6 billion for the same period of 2011)**  | **-510.5** |
| **Changes on the core business have taken place on the following factors:*** Increase due to implementation of ready-made residential and commercial real estate and participation in construction,
* Growth on Damu through restoration of reserves for credit related commitments;
* Growth on KCM due to the growth of income from interest on deposits, securities and gains from the sale of securities;
* Reduction on IFK through the reduction of income from investment gains, TRC placement;
* Growth on DBK due to growth in interest remuneration income, recovery of asset impairment.
 | -4,6 |
| **Effect of STB:**• foreign exchange loss increased on “BTA Bank” JSC and “Alliance Bank” JSC;• reduction of deferred income tax of “BTA Bank” JSC;• costs for change in the value of bonds for restoration on “BTA Bank” JSC;• reduced asset impairment. | -503,1 |
| **Others** | -2,8 |

The decrease in net income in the period by **KZT 510.5 billion** compared to the same period in 2011 on the segment **“Financial institutions and development institutions”,** is mainly due to the operating loss on BTA Bank because of the costs for the change in the value of the bonds on the restoration on “BTA Bank” JSC in the amount of KZT 631 billion.

**DBK** will strengthen monitoring of execution of credit agreements by the borrowers and carry out active work to find and attract the projects together with the Ministry of Industry and New Technologies and companies of the Fund’s group, primarily for projects within the framework of SPFIID.

The Government Decree # 541 dated April 28, 2012 was approved on **Damu**, which established the reduced decision-making procedure for issuing guarantees. We believe that the impact of the introduction of the new procedure on the Damu performance may be assessed on the results of subsequent quarters of 2012.

**Real Estate Fund** will strengthen the timely implementation of investment projects and strengthen control over the contractors under the contracts.

**IFK** will continue to withdraw from projects and recover the provisions from impairment of investments, formed in previous years.

**Capital costs** for this segment in the reporting period amounted to KZT 13.5 billion, mainly on the Real Estate Fund - KZT 9.9 billion to finance unfinished projects and on KCM – KZT 3.5 billion to acquire participating interests.

**3.7 “Corporate Center and projects” segment**

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

| **Factors** | **Changes, billion KZT** |
| --- | --- |
| **Net income (KZT 168.1 billion for the period, net loss KZT -51.1 billion for the same period in 2011).** |  **219,2** |
| **Dividend income from subsidiaries** increased due to the receipt of dividends from JSC “Kazakhtelecom” in the 1st quarter of 2012 in the amount of KZT 103.4 billion, as well as changes in the standard for dividend accrual on the results of operations of subsidiaries for 2011 from 15% to 30 %. | 92,8 |
| Reduction of loss on **impairment of investments in “BTA Bank” JSC and “Alliance Bank” JSC**, accrued in the first half of 2011 in the amount of KZT 123.7 billion. | 123,7 |
| **Income on disposal of financial assets** due to derecognition of liability on the option to purchase preferred shares of “Halyk Bank of Kazakhstan” JSC as a result of their implementation, taking into account the decrease in income from changes in the options value, respectively. | 4,5 |
| Increase in **the impairment of financial assets** on the means and deposits held in “BTA Bank” JSC, because of deteriorating financial condition of “BTA Bank” JSC. | 11,4 |
| **Reduction of GAC** mainly due to sponsor and charitable aid. | - 2,6 |
| **Reduction of income tax expenses**  | -3,5 |

* 1. **Floating capital analysis**

The main factors of changing are as follows:

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
|  **Name**  | **H1 2012**  | **H1 2011**  | **Change (+/-)**  | **Change (%)** | **Factors**  |
| Capital turnover in credit institutions [[8]](#footnote-8) | 2,02 | 1,6 | 0,42 | 26 | Improvement is attributed to the increase in revenues from the sale of primarily petroleum products, freight rail transportation, sale of crude oil. Moreover, in the reporting period the credit institutions means decreased by 3% mainly due to funds placed in bank deposits. |
| Trade receivables turnover [[9]](#footnote-9) | 7,9 | 7,8 | 0,1 | 1 | Improvement of the rate is associated with the excess of revenue growth from sales over the growth of trade receivables. Factors of sales income growth are mentioned above, the increase of accounts receivable was 12%. |
| Capital turnover [[10]](#footnote-10) | 1,4 | 1,3 | 0,1 | 8 | Improvement of the rate is associated with increased sales income, the growth factors of which are indicated above, and the cash reduced by 2% in total, mainly placed on the current accounts and bank deposits in tenge. |
| Accounts payable turnover [[11]](#footnote-11) | 5,5 | 5,8 | -0,3 | -5 | Deterioration is attributed to the excess growth of accounts payable over the pace of revenue growth from sales. Growth in accounts payable in the reporting period amounted to 23%. |

1. **Liquidity**
	1. **Cash flow analysis**

In billion KZT

|  |  |  |  |
| --- | --- | --- | --- |
|  | **H1 2012**  | **H1 2011**  | **Change**  |
| Net cash inflow from operating activities | 177 | 415 | -238 |
| Net cash outflow in investing activities | -101 | -241 | 140 |
| Net cash inflow / (outflow) from financing activities | -122 | -178 | 56 |
| Net increase / (decrease) in cash and cash equivalents | -43 | -8 | -35 |
| Cash and cash equivalents at beginning of period | 1 647 | 1 639 | 8 |
| Cash and cash equivalents at end of period | 1 604 | 1 631 | -27 |

The following are specific factors of changes in the ***cash inflow*** in the reporting period compared to the same period of 2011.

|  |  |
| --- | --- |
| **Factors** | **Changes, billion KZT** |
| **Net cash inflow from operating activities** compared to H1 2011 decreased due to:• decrease in operating profit by KZT 528 billion;• changes in working capital due to reduced customer funds placed on term deposits by KZT 171 billion, increasing the amount of loans by KZT 87 billion, the volume change of inventories by KZT 49 billion. | **-238** |
| **Net cash outflow in investing activities** compared to H1 2011 decreased primarily due to:• proceeds from the sale of associated companies (49% interest in LLP “GSM Kazakhstan JSC “ Kazakhtelecom”) by KZT 226 billion, from the sale of financial assets (preferred shares of “Halyk Bank of Kazakhstan” JSC) by KZT 77 billion;• increasing the dividends received from jointly controlled entities and associates by KZT 86 billion.• at the same time, the cash amount of funds placed in bank deposits is increased by KZT 216 billion, funds of KZT 73 billion for purchases of fixed assets. | **140** |
| **Net cash inflow / (outflow) from financing activities** in the 1st half of 2011 decreased as a result of the increase: in income on loans in the amount of KZT 275 billion; the amount of dividends paid to shareholders and minority shareholders of the subsidiary, in the amount of KZT 245 billion. | **56** |

**2. Analysis of financial stability**

In January 2012 the event of default in “BTA Bank” JSC occurred on the senior bonds, debt instruments with a special discount and subordinated bonds, due to the fact that there was no coupon interest paid on these bonds.

On April 23, 2012 “BTA Bank” JSC announced the suspension of all payments in respect of the bonds for recovery.

On April 28, 2012 “BTA Bank” JSC received notice of early redemption of the bonds for recovery, the original total base of which was USD 5.2 billion, from BNY Mellon Corporate Trustee Services Limited. As the result of the abovementioned events, expenses on bonds for recovery during the six months of 2012 are recognized in the amount of KZT 631 billion.

In addition, in June 2012, in order to acquire a 5% stake in the Karachaganak project, through the acquisition of 50% in “SMCFPSA” LLP, there was concluded the agreement between the Company, Agip Karachaganak BV, BG Karachaganak Limited, Chevron International Petroleum Company, Lukoil Overseas Karachaganak BV (hereinafter - the Consortium) and “SMCFPSA” LLP, amounting to USD 1 billion, with an annual interest rate of LIBOR multiplied by 1.25, the repayment of which is made in equal monthly installments over three years due to the receipt of funds from the Karachaganak project. Under this agreement, the Group has undertaken to provide security by way of the pledge of a 5% stake in the project for the benefit of the Consortium. The Fund also gave a guarantee on the loan. As of June 30, 2012 the amount of debt of the Group against four companies-lenders amounted to KZT 149 billion.

Additionally, under the credit line of the State Development Bank of China in the first half of 2012, the Fund received a tranche of USD 400 million (equivalent to KZT 59.7 billion at the exchange rate as of 30 June 2012). These tranches are designed to provide a loan to Kazakhmys Finance PLC.

|  |
| --- |
|  |
| *In billion KZT* |  | **H1 2012** | **2011** |
| Loans |  | 5 098 | 4 197 |
| Loans of the Government of RK |  | 965 | 870 |
| Indebtedness for the purchase of participation share in the project |  | 330 | 321 |
| Liability on the financial lease  |  | 7 | 8 |
| Client’s funds |  | 699 | 737 |
| Derivatives  |  | 10 | 14 |
| Other |  | 48 | 42 |
| **Debt total** |  | **7 157** | **6 189** |
| Minus: cash and cash equivalents  |  | (1 604) | (1 647) |
| **Net debt total** |  | **5 553** | **4 542** |

|  |
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| **Table 2 Analysis of dynamics of the Group’s consolidated debt in 2011**  |
| *Change to the previous year* |  | **Billion KZT** | **%** |
| Loans |  | +901 | 21% |
| Loans of the Government of RK |  | +95 | 11% |
| Indebtedness for the purchase of participation share in the project |  | +9 | 3% |
| Liability on the financial lease  |  | -1 | -17% |
| Client’s funds |  | -37 | -5% |
| Derivatives  |  | -4 | -27% |
| Other |  | +6 | 14% |
| **Debt total** |  | **+969** | **+16%** |
| Minus: cash and cash equivalents  |  | -43 | -3% |
| **Net debt total** |  | **+1011** | **+22%** |

There is a significant improvement in financial stability when increased level of debt and the stable dynamics of the financial results in H1 2012 compared to 2011.

|  |
| --- |
| **Table 3 Indicators of long-term financial stability of the Group**  |
|  |  | **H1 2012** | **2011** |
| Debt / Equity |  | 1,26 | 1,1 |
| Net debt / Equity |  | 1,0 | 0,8 |

The financial stability of the Group, excluding second-tier banks also changed significantly in H1 2012.

|  |
| --- |
| **Table 5 Key financial indicators of the Group (without STB)** |
| *In billion KZT* |  | **H1 2012** | **2011** |
| Debt |  | 4 508 | 4 741 |
| Net debt |  | 2 968 | 3 152 |
| Equity of the Group |  | 6 525 | 5 900 |

|  |
| --- |
| **Table 6 Indicators of long-term financial stability of the Group (without STB)** |
|  |  | **H1 2012** | **2011** |
| Debt / Capital |  | 0,7 | 0,8 |
| Net debt / Capital |  | 0,5 | 0,5 |

1. [1] Percentage points [↑](#footnote-ref-1)
2. EBITDA = (Revenues 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); [↑](#footnote-ref-2)
3. EBITDA margin = EBITDA / Revenues from sales and interest income, total. [↑](#footnote-ref-3)
4. ROACE = NOPAT / ACE

NOPAT = Profit attributable to shareholders of the parent company, adjusted for discontinued business + interest expense × (1 – rate of CIT)

ACE = Equity attributable to shareholders of the parent company + all interest-bearing liabilities [↑](#footnote-ref-4)
5. ROA = Net income / Average assets for the year [↑](#footnote-ref-5)
6. ROE = Net income / Average equity for the year [↑](#footnote-ref-6)
7. Total revenue = (Revenue from sales and interest income + State subsidies + Restitution of impairment of assets + Other operating income from banking activities + Other non-operating income + Financial income + Income from foreign exchange rate);

Total cost = (Cost of sales and interest expense + General and administrative expenses + Shipping and the realization costs + Losses of impairment of assets + Other operating expenses from banking activities + Other non-operating costs + Financial costs + Loss on foreign exchange rate). [↑](#footnote-ref-7)
8. Capital turnover in credit institutions = Revenue from sales and state subsidies / ((funds from credit institutions at the beginning + funds in credit institutions at the end)/2). [↑](#footnote-ref-8)
9. Trade receivables turnover = Revenue from sales and state subsidies / (trade receivables at the beginning of a period + trade receivables at end of a period)/2. [↑](#footnote-ref-9)
10. Capital turnover = Revenue from sales and state subsidies / ((funds at the beginning of a period + cash at end of a period)/2). [↑](#footnote-ref-10)
11. Accounts payable turnover = Revenue from sales and state subsidies / (accounts payable at the beginning of a period + accounts payable at the end of a period)/2. [↑](#footnote-ref-11)