



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

Astana, 2014

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

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

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

Sovereign Wealth Fund – national managing holding.

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

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

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

- legal entities which shares (interest) were transferred to the ownership of the bank of the Group of the Fund, in the announcement of tender for the sale of pledged shares (interest) invalid in compliance with the civil legislation of the Republic of Kazakhstan;
- banks, which shares were transferred to the ownership of the Fund by Resolution of the Government of the Republic of Kazakhstan in accordance with the legislation of Kazakhstan in order to protect the interests of creditors and to ensure stability of the banking system of Kazakhstan.

I. Review of the Fund’s Group

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

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

Development Strategy of the Fund for 2012-2022 is approved by Decree of the Government of the Republic of Kazakhstan # 1202 dated September 14, 2012, with changes and additions dated May 25, 2013. 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 of companies and effective management of assets belonging to the Group of the Fund.

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

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

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

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

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

The structure of the Fund includes 599 companies, as well as the corporate center “Samruk-Kazyna” JSC, 454 subsidiaries (hereinafter - subsidiaries) of all levels and 145 associates and joint ventures, 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”.

During the reporting period as compared with 2012 it has been the increase of subsidiaries by 73 companies in connection with the increase in the number of subsidiaries of JSC NMC Tau-Ken Samruk, JSC NC

Kazakhstan Temir Zholy, JSC NC KazMunaiGas, Kazakhtelecom JSC, Samruk –Energy JSC, United Chemical Company LLP. At the same time, the number of associates and jointly controlled entities decreased by 87 units in connection with the transfer of one hundred percent stakes in financial institutes, development institutes, SK-Pharmacy LLP to the republican ownership.

In consolidation of the financial statements of the Fund the subsidiaries are grouped into the following segments:

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

The consolidated financial statements for 2013 include 27 subsidiaries. As compared with 2012 the number of subsidiaries has decreased by the transfer of one hundred percent of shares of “Development Bank of Kazakhstan” JSC, “Entrepreneurship Development Fund “Damu” JSC, “Investment Fund of Kazakhstan” JSC, “Kazyna Capital Management” JSC and “Export Credit Insurance Corporation “KazExportGarant” JSC to “Baiterek” NMH JSC, “SK-Pharmacy” LLP to the republican ownership; as well as the disposal of “Doszhan Temir Zholy” JSC in connection with the transfer of “Investment Fund of Kazakhstan” JSC to the republican ownership.

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 2013.

Name	2013	2012	Change, in %
Real GDP growth, in %	106,0	105,0	1,0
Inflation at the end of period, %	4,8	6,8	-29,4
Exchange rate of KZT to USD	152,13	149,1	2,0
World Brent oil price, USD/ barrel on average for the year for the reporting period	108,9	111,6	-2,4

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

In pursuance of the consolidated financial statements of the Fund for 2013 the dividends are paid to the Shareholder in the amount of KZT 9.1 billion following the results of activities for 2012.

Besides, in accordance with IFRS other distributions to the Shareholder for the reporting period have amounted to KZT 147,5 billion, including:

1) *sponsorship* in the amount of KZT 8.8 billion under the instruction of the Government of the Republic of Kazakhstan for the funding of social, cultural and sporting events, in particular “National Olympic Committee” PA for the purchase of housing for the winners of the XXX Olympic Games in London ; “Rauan Media Group” JSC and “Nur –Media” LLP to implement a set of measures to clarify the conditions and procedure for participation in the “People’s IPO” program; for financial support of “Nazarbayev University” JSC; for funding construction activities of ULE in FA “Confederation of combat sports and power sports” of a specialized sports training base for weightlifters in the Almaty region, ALE “Association “Football Federation of Kazakhstan”, JSC FC Shakhtyor for the development and promotion of football, CF “Fund for support of tourism industry and sports” in preparing national teams of Kazakhstan to the Winter Olympic Games in Sochi; ALE “Association of Eurasian Economic Club of Scientists” for VII Astana Economic Forum; Production Centre A+1 LLP for national teleconference on the presentation of the projects of Industrialization Map and the ceremony of awarding the winners of the competition for the award of the President of the Republic of Kazakhstan “Altyn Sapa” and “Paryz”;

2) *in the framework of construction and transfer of facilities:*

- it is increased the provision for the reconstruction of the Exhibition Center in Moscow by KZT 3.4 billion, and in relation to the costs that will be incurred on the construction of the Museum of History in the amount of KZT23.6 billion;

- the liabilities are reflected in the amount of KZT13.3 billion on construction of the golf club in Schuchinsko - Borovskoy resort area under the plan of development of the resort, approved by the Government of Kazakhstan;

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

3) *it is carried out gratuitous transfer of all common shares of “Kazakhmys” PLC owned by the Fund* (58,876,793 shares) in the amount of KZT111.9 billion to the republican ownership by transmitting them to the Committee for State Property and Privatization of the Ministry of Finance of the Republic of Kazakhstan.

In the whole group of companies of the Fund in 2013 there were paid taxes and payments in the amount of KZT875 billion, which as compared with 2012 is more by 8.4% and by 19.6 % more as compared with 2011. The main share in taxes and payments takes rent tax on exports (18.8%) and corporate income tax (17.9%). In 2013 as compared with 2012, the rise in these taxes is pursued by 3% and 13 %, respectively, due to changes in the methodology for calculating the rent tax and taxable income growth due to higher tariffs for the transportation of oil through the pipelines, start of the production - economic activity of “KMG Karachaganak” in the second half of 2012.

The balance cost of the Fund is KZT15 294.5 billion, own equity is KZT7 506.6 billion as of December 31, 2013.

The investment program of the Fund carried out through subsidiaries, includes 138 investment projects with a total value of KZT 21.4 trillion, some of which are currently completed, others - are at the implementation stage. The total investments in these projects by the Fund and its subsidiaries make about KZT 4,3 trillion (20%).

The sectoral structure of these investment projects is given below.

Segment	Current investment portfolio					
	Total number of portfolio projects		Implemented projects for 2013		Projects under implementation	
	Number	Value	Number	Value	Number	Value
Oil & gas	45	15 939,2	1	47,9	36	15 820,6
Chemistry	7	1 069,3	-	-	7	1 069,3
Transportation	22	2 069,4	1	9,6	14	1 797,0
Telecommunication	6	209,4	-	-	6	209,4
Power	29	1 702,5	1	13,5	26	1 623,4
Mining	8	137,7	-	-	8	137,7
Nuclear sector	12	255,5	2	98,6	9	116,2
Machine building	9	36,8	-	-	6	27,0
TOTAL	138	21 419,7	5	169,6	112	20 800,7

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

Under the SPAIID the Fund implements 30 investment projects with a total value of about KZT 4.7 trillion. The relevant projects by sectors include oil and gas, petrochemical, transportation, energy, chemical, metallurgical industries. The implementation of these projects will create about 44 thousand jobs during construction and more than 20 thousand jobs during operation.

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

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

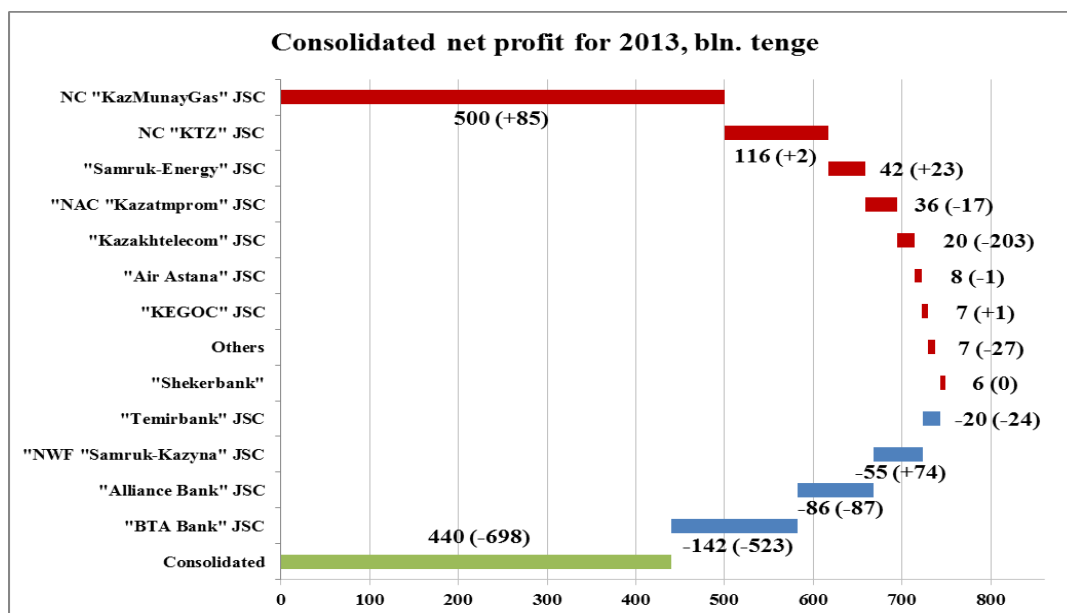
II. Results of Operating Activities

1. Consolidated financial indicators

Name	Unit of measure	2013	2012	Deviation (+/-)	Change, in %
Consolidated net income	KZT bln.	439,8	1 137,9	-698	-61
Consolidated net income on the share of the Shareholder of the parent Company	KZT bln.	407,2	1 067,6	-660	-62
EBITDA margin ¹ (operational)	%	20,9	19,8	1	
ROA ²	%	2,9	7,9	-5	
ROE ³	%	5,9	17,3	-11	

Total revenue structure

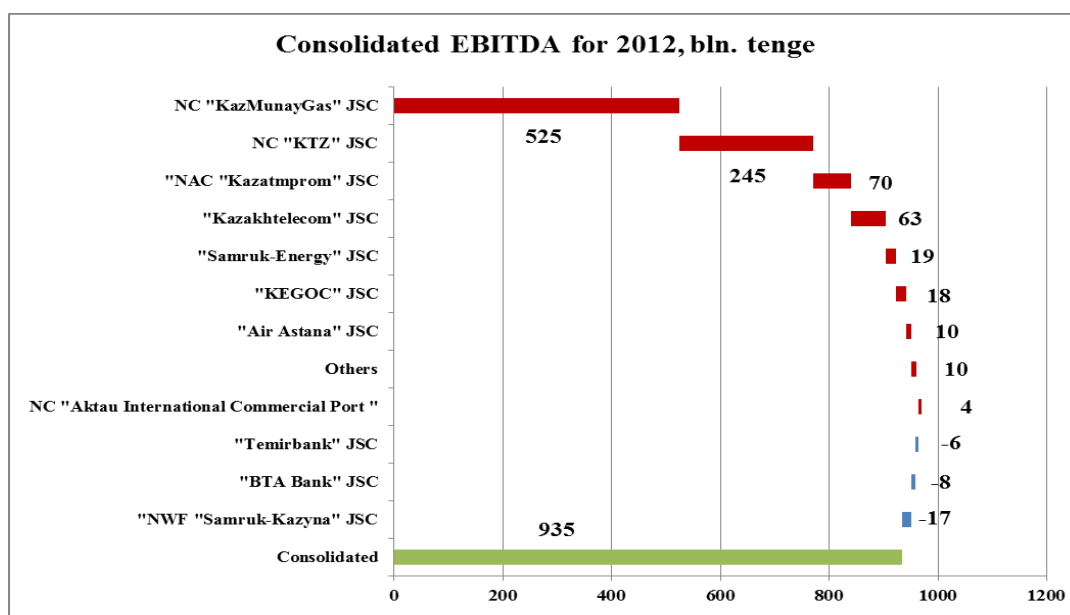
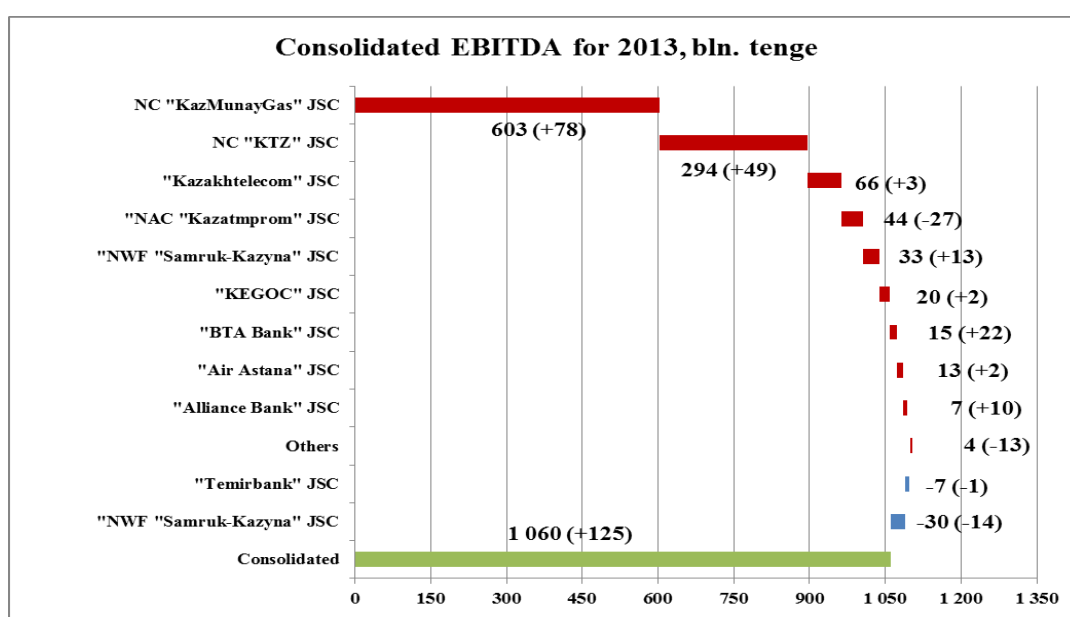
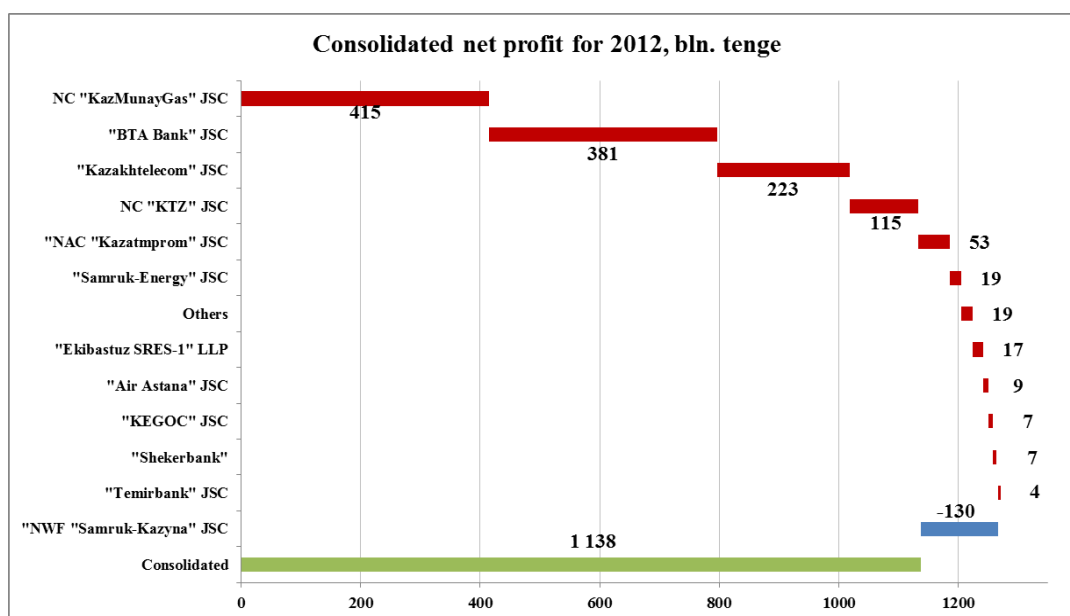
Name	2013			2012			Deviation (+/-)	Change, in %
	in % to income from the sale	in % to expenses from operations	KZT bln.	in % to income from the sale	in % to expenses from operations	KZT bln.		
Revenues from sales and interest income	100	116	5 077.2	100	115	4 725.1	352.1	7
Expenditure on operating activities	86	100	4 373.2	87	100	4 111.2	262.0	6
Cost of sales and interest expense	72	83	3 647.0	72	82	3 390.2	256.8	8
Gross income	28	33	1 430.2	28	32	1 334.8	95.3	7
General administrative expenses (GAE)	7	9	378.8	7	8	343.7	35.1	10
Shipping costs and sales	7	8	347.5	8	9	377.3	-29.9	-8
Losses on assets impairment	6	6	281.3	7	8	349.4	-68.2	-20
Recovery of assets impairment	1	1	48.6	2	3	130.0	-81.4	-63
Income (loss) from operating activities	9	11	479.6	8.8	10	414.4	65.2	16
Equity income from associates and joint ventures	11	12	546.3	11	13	540.5	5.8	1
Income tax expense	5	6	277.2	5	6	243.8	33.5	14
Income/loss/ from discontinued operations	-3	-4	-173.0	12.3	14.1	580.0	-753	-130
Net profit	9	10	439.8	24	28	1 137.9	-698.1	-61



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

² ROA = Net income / Average assets for a year

³ ROE = Net income / Equity capital for a year



Key indicators of the balance sheet for the period

KZT bln.

Name	As of 31.12.2013	As of 31.12.2012	Deviation (+/-)	Change, in %
ASSETS				
Long-term assets				
Fixed assets	7 018	6 093	925	15
Investments in jointly-controlled entities and associated organizations	1 717	1 351	366	27
Procurement	647	1 386	-739	-53
Funds in credit institutions	283	270	13	5
Other long-term assets	922	1 322	-400	-30
TOTAL LONG-TERM ASSETS	10 587	10 422	165	2
Current assets				
Intangibles	346	410	-64	-16
Procurement	250	665	-416	-62
Funds in credit institutions	1 292	1 076	215	20
Cash and cash equivalents	741	1 468	-727	-50
Other current assets	991	1 181	-190	-16
TOTAL CURRENT ASSETS	3 620	4 800	-1 180	-25
Assets classified as held for sale	1 087	52	1 035	2 090
TOTAL ASSETS	15 294	15 274	20	0
EQUITY AND LIABILITIES				
Equity				
Charter capital	4 485	4 409	75	2
Undistributed profit	1 947	1 944	3	0,2
Attributable to the shareholder of the parent company	6 727	6 614	113	2
Non-controlling share	779	801	-22	-3
TOTAL EQUITY	7 507	7 415	91	1
Long-term liabilities				
Loans	3 367	3 527	-160	-5
Funds of the Government of Kazakhstan	197	211	-14	-7
Customer funds	11	107	-96	-90
Other long-term liabilities	919	858	61	7
LONG-TERM LIABILITIES	4 494	4 703	-209	-4
Current liabilities				
Loans	608	681	-73	-11
Funds of the Government of Kazakhstan	71	560	-488	-87
Trade and other payables	429	497	-68	-14
Customer funds	231	636	-405	-64
Other current liabilities	735	761	-26	-3,4
CURRENT LIABILITIES	2 074	3 135	- 1 061	-34
Liabilities directly associated with long-term assets held for sale and by disposal groups	1 220	20	1 200	6 005
TOTAL LIABILITIES	7 788	7 859	-71	-1
TOTAL EQUITY AND LIABILITIES	15 294	15 274	20	0,1

Regarding the performance of the Fund in 2013 as compared with 2012

Name	Unit of measure	2013	2012	Deviation (+/-)	Change in %
EBITDA margin ⁴	%	20.9	19.8	1	6
Operating profit ratio	%	9.4	8.5	1	12
Gross profit ratio	%	28.2	28.3	0	0

⁴ EBITDA margin = ((Revenues and interest income, in total - Cost of sales and interest expenses - General and administrative expenses - Expenses for transportation and sales) + (Depreciation and amortization of intangible assets accounted for in cost of sales, general and administrative expenses and the cost of transporting and implementation)) / Revenues and interest income, in total.

Name	Unit of measure	2013	2012	Deviation (+/-)	Change in %
Operating profitability	%	9.6	26.9	-17	-64
Days sales in inventory	Days	37.3	41.7	-4	-10
Days sales outstanding	Days	27.4	26.2	1	5
Days payable outstanding	Days	67.9	80.1	-12	-15

EBITDA margin: Operating performance of the group companies of the Fund has increased by 6% due to growth in operating activities by 20% as a result of the cost optimization in the framework of the activities of the Cost Reduction Program, increase due to full consolidation of indicators of “KMG-Karachaganak” LLP acquired during the second half of 2012, growth of rates during 2013 by 14.9% and 8.4% in cargo traffic and by 10% and 12% in passenger traffic.

The operating profit ratio shows improvement in profitability of companies in the Fund’s group.

Maintaining the level of gross profit ratio at the level of 2012 shows the stability of the company management’s ability to manage the production costs.

Deterioration of the operating profitability ratio is mainly connected with the decrease in the net income by 62% due to the recognition in 2012 of income from debt restructuring of “BTA Bank” JSC, income from the sale of “GSM Kazakhstan OJSC “Kazakhtelecom” LLP and accrual in the accounting period of losses from adjustments to fair value of the net assets of “BTA Bank” JSC, on “Temirbank” JSC. At that, when excluding the above factors, the operating profitability ratio has a positive trend - the increase by 0.5%.

Days sales in inventory have improved, one of the factors of improving is the implementation of the initiative under the Cost Reduction Program.

Regarding assets productivity in the Fund’s group for 2013 as compared with 2012.

Name	Unit of measure	2013	2012	Deviation (+/-)	Change in %
Return on assets (ROA)		2.9	7.9	-5	-64
Capital productivity		0.8	0.9	0	-9
Fixed assets turnover, exploration and evaluation assets		0.8	0.8	0	-9
Fixed assets depreciation ratio	%	4.8	5.1	0	-5
Time of assets turnover	Days	119.6	118.6	1	1
Time of fixed assets turnover	Days	286.5	313.9	-27	-9
Floating capital		-3.2	0.0	-3	-
Current liquidity ratio		1.7	1.5	0	14
Quick asset ratio		1.6	1.4	0	13
Absolute liquidity ratio		1.1	1.1	0	3

The assets productivity has decreased mainly due to the reduction in the net income by 62% as a result of the recognition in 2012 of income from debt restructuring of “BTA Bank” JSC, income from the sale of “GSM Kazakhstan OJSC “Kazakhtelecom” LLP and accrual in the accounting period of losses from adjustments to fair value of the net assets of “BTA Bank” JSC, on “Temirbank” JSC, as well as reduction of the return on assets ratio, capital productivity, fixed assets turnover, exploration and evaluation assets, asset turnover period.

Despite some changes in assets in 2013 and 2012, the fixed assets have increased by 18%, and income from sales has risen by only 7.5% in connection with which *the capital productivity has decreased by 9%*. The main reason is the reduction in revenues, mainly due to decrease in the spot quotes on uranium from 48.73 USD / lb to 38.4 USD / lb.

The fixed assets turnover period has improved due to the excess in the growth of fixed assets over the growth in operating income, particularly in machinery, equipment and vehicles, oil and gas assets.

The Companies’ ability to repay the current liabilities by means of the current assets in the Fund’s group has improved, i.e. the companies repaid the current commitments on loans and received goods, works and services at the expense of own working capital.

A slight change in *the absolute liquidity ratio* indicates that the Companies’ financial condition has remained at the 2012 level.

As for the effectiveness of the capital structure of the Fund’s group in 2013 as compared with 2012

Name	Unit of measure	2013	2012	Deviation (+/-)	Change in %
Return on equity (ROE)	%	5.9	17.3	-11	-66
ROACE	%	4.8	10.3	-6	-54
Floating capital	KZT bln.	1 545.9	1 664.7	-119	-7

Return on equity (ROE): the efficiency of utilization of the equity has decreased by 66%, mainly the reduction in the net income by 62% following the recognition in 2012 of income from debt restructuring of “BTA Bank” JSC, income from the sale of “GSM Kazakhstan OJSC “Kazakhtelecom” LLP and accrual in the accounting period of losses from adjustments to fair value of the net assets of “BTA Bank” JSC, on “Temirbank” JSC.

At that, the growth of the Fund’s average equity by 14% is observed primarily due to the increase in the retained profit following the performance for 2012.

ROACE (Return on Average Capital Employed): efficient use of the capital employed has decreased by 54 %, mainly due to reduction in the net income by 62% (the main factors presented above). At that, in 2013 the obligations of “BTA Bank” JSC and “Temirbank” JSC on loans attracted by means of the Government and National banks, on attracted customer funds, on loans received, have been reclassified to liabilities associated with assets classified as held for sale.

The net working capital has decreased mainly due to the transfer of subsidiaries to the public ownership.

The main factors of change in *net profit* for 2013 compared with 2012.

Factors	Changes, KZT bln.
Net income with the STB (KZT439,8 billion for 2013; KZT1 137,9 billion for 2012)	-698.1
In part because of:	
the recognition in 2012 of income from debt restructuring of “BTA Bank” JSC and and accrual in the accounting period of losses from adjustments to fair value of the net assets of “BTA Bank” JSC for KZT547,9 billion, on “Temirbank” JSC for KZT22,8 billion.	-570.7
sale of “GSM Kazakhstan OJSC “Kazakhtelecom” LLP in 2012	-202.0
growth of corporate income tax from the STB	-33.5
decrease in the spot quotes on uranium from 48.73 USD / lb to 38.4 USD / lb	-30.9
improvement of operating performance, excluding the STB, financial institute and development institutes, mainly due to: <ul style="list-style-type: none"> • cost optimization in the framework of the activities of the Cost Reduction Program for KZT36,5 billion; • growth of rates during 2013 by 14.9% and 8.4% in cargo traffic and by 10% and 12% in passenger traffic for KZT 29,2 billion; • reduction in impairment losses amounting to KZT28,7 billion; • increase by KZT23,3 billion by means of the full consolidation of indicators of “KMG-Karachaganak” LLP, acquired in the second half of 2012. 	115.2
increase in income from disposal of subsidiaries, mainly of “Kazatomprom” JSC	19.1
growth of financial income with the STB	6.2
other	-1.5

2. Consolidated financial indicators without the STB

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

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

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

2) are excluded:

- non-standard operations of these commercial banks (“BTA Bank” JSC; “Alliance Bank” JSC; “Temirbank” JSC);
- loss from impairment of investments in “BTA Bank” JSC, “Alliance Bank” JSC, sum of the loss is directly performed through retained earnings (on analogue with other distribution to the shareholder);

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

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

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

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

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

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

Name	Unit of measure	2013	2012	Deviation (+/-)	Change in %
Consolidated net income without the STB	KZT bln.	719.4	793.9	-74	-9
Consolidated net income on the share of a shareholder of a parent Company without the STB	KZT bln.	653.8	630.9	23	4
EBITDA margin without STB	%	21.3	19.3	2	10
ROA without STB	%	5.0	6.1	-1	-18
ROE without STB	%	9.8	12.1	-2,3	-19

Structure of the total revenue

Name	2013			2012			Deviation (+/-)	Change, в %
	in % to income from the sale	in % to expenses from operations	KZT bln.	in % to income from the sale	in % to expenses from operations	KZT bln.		
Revenues from sales and interest income	100	117	5 031.3	100	114	4 731	299.8	6
Expenditure on operating activities	86	100	4 312.9	87	100	4 135	177.6	4
Cost of sales and interest expense	72	84	3 603.0	72	83	3 423	180.0	5
Gross income	28	33	1 428.3	28	32	1 308	119.8	9
General administrative expenses (GAE)	7	8	362.4	7	8	335	27.4	8
Shipping costs and sales	7	8	347.5	8	9	377	-29.8	-8
Recovery of assets impairment	0	0	8.4	1	1	57	-48.3	-85
Losses on assets impairment	3	4	157.9	5	6	239	-80.9	-34
Income (loss) from operating activities	11	13	568.8	9	10	420	149.1	36
Equity income from associates and joint ventures	11	13	540.0	11	13	534	6.1	1
Income tax expense	5	6	259.1	5	6	248	10.7	4
Income/loss/ from discontinued operations	0	0	-1.9	4	5	202	-204.2	-101
Net profit	14	17	719.4	17	19	794	-74.5	-9

Key indicators of the balance sheet for the period

KZT bln.

Name	As of 31.12.2013	As of 31.12.2012	Deviation (+/-)	Change, в %
ASSETS				
Long-term assets				
Fixed assets	6 789	5 931	858	14
Investments in jointly-controlled entities and associated organizations	1 629	1 238	391	32
Loans receivable	589	834	-245	-29
Amounts due from credit institutions	531	498	33	7
Other long-term assets	1 302	1 711	-409	-24
LONG-TERM ASSETS	10 840	10 212	628	6
Short-term assets				
Inventories	341	351	-10	-3
Loans receivable	119	121	-2	-2
Amounts due from credit institutions	1 363	1 096	267	24

Name	As of 31.12.2013	As of 31.12.2012	Deviation (+/-)	Change, в %
Cash	737	1 378	-641	-47
Other short-term assets	967	1 072	-105	-10
SHORT-TERM ASSETS	3 527	4 018	-491	-12
Long-term assets or disposal groups held for sale	16	52	-35	-69
TOTAL ASSETS	14 367	14 230	137	1
EQUITY AND LIABILITIES				
Equity				
Authorized capital	4 249	4 173	75	2
Undistributed profit	3 041	2 643	398	15
Attributable to the shareholder of the parent company	6 718	6 486	232	4
Share of non-controlling owners	776	767	9	1
EQUITY AND RESERVE	7 494	7 253	240	3
Long-term liabilities				
Loans payable	4 082	4 039	43	1
Funds of the Government of Kazakhstan	197	211	-14	-6
Long-term accounts payable	218	231	-12	-5
Other long-term liabilities	700	609	91	15
LONG-TERM LIABILITIES	5 197	5 090	107	2
Short-term liabilities				
Loans payable	495	645	-150	-23
Funds of the Government of Kazakhstan	0	6	-6	-95
Short-term accounts payable	420	464	-43	-9
Other short-term liabilities	761	778	-17	-2
SHORT-TERM LIABILITIES	1 676	1 887	-211	-11
Liabilities directly associated with long-term assets held for sale and by disposal groups	7	20	-13	-65
TOTAL LIABILITIES	6 873	6 977	-104	-1
TOTAL EQUITY AND LIABILITIES	14 367	14 230	137	1

Regarding the performance of the Fund's group.

Name	Unit of measure	2013	2012	Deviation (+/-)	Change in %
EBITDA margin ⁵	%	21.3	19.3	2	10
Operating profit ratio	%	11.3	8.9	2	27
Gross profit ratio	%	28.4	27.7	1	3
Operating profitability	%	15.7	18.2	-2	-13
Days sales in inventory	Days	34.5	36.1	-2	-4
Days sales outstanding	Days	27.7	26.0	2	6
Days payable outstanding	Days	66.6	76.0	-9	-12

Regarding assets productivity in the Fund's group.

Name	Unit of measure	2013	2012	Deviation (+/-)	Change in %
Return on assets (ROA)		5.0	6.1	-1	-18
Capital productivity		0.8	0.9	0	-10
Fixed assets turnover, exploration and evaluation assets		0.8	0.8	0	-10
Fixed assets depreciation ratio	%	4.9	5.1	0	-5
Time of assets turnover	Days	126.7	130.0	-4	-3
Time of fixed assets turnover	Days	284.8	315.8	-31	-10
Floating capital		-4.4	-13.8	9	68

⁵ EBITDA margin = ((Revenues and interest income, in total - Cost of sales and interest expenses - General and administrative expenses - Expenses for transportation and sales) + (Depreciation and amortization of intangible assets accounted for in cost of sales, general and administrative expenses and the cost of transporting and implementation)) / Revenues and interest income, in total.

Name	Unit of measure	2013	2012	Deviation (+/-)	Change in %
Current liquidity ratio		2.1	2.1	0	-1
Quick asset ratio		1.9	1.9	0	-2
Absolute liquidity ratio		1.3	1.4	0	-7

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

Name	Unit of measure	2013	2012	Deviation (+/-)	Change in %
Return on equity (ROE)	%	9.8	12.1	-2,3	-19
ROACE	%	7.2	8.3	-1.1	-14
Floating capital	KZT bln.	1 851	2 132	-280	-13

The main factors of change in *net profit* for 2013 compared with 2012 are given below.

Factors	Changes, KZT bln.
Net income without the STB (KZT719,4 billion for 2013; KZT794,0 billion for 2012)	-74.6
In part because of:	
improvement of operating performance, excluding the STB, financial institute and development institutes, mainly due to: <ul style="list-style-type: none"> cost optimization in the framework of the activities of the Cost Reduction Program for KZT36,5 billion; growth of rates during 2013 by 14.9% and 8.4% in cargo traffic and by 10% and 12% in passenger traffic for KZT 29,2 billion; reduction in impairment losses amounting to KZT28,7 billion; increase by KZT23,3 billion by means of the full consolidation of indicators of “KMG-Karachaganak” LLP, acquired in the second half of 2012. 	115.2
reduction in impairment losses of “Development Bank of Kazakhstan” JSC	52.2
increase in income from disposal of subsidiaries, mainly of “Kazatomprom” JSC	19.1
sale of “GSM Kazakhstan OJSC “Kazakhtelecom” LLP in 2012	-202.0
decrease in the spot quotes on uranium from 48.73 USD / lb to 38.4 USD / lb	-30.9
growth of financial costs without the STB, financial institutes and development institutes	-11.0
growth of corporate income tax from the STB, financial institutes and development institutes	-6.7
Other	-10.5

3. Financial indicators for 2013 by the segments and capital costs.⁶

The **present segment analysis** is based on production figures from the reports on implementation of development plans of the subsidiaries and data of the financial statements for the reporting period and for 2012.

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

The Fund is the Sole Shareholder of KMG. The structure of KMG consists of 221 companies in the 9 levels, of which 170 are subsidiaries.

⁶ 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).

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

KMG produces oil at more than 44 oil and gas fields, mainly in Atyrau, Mangistau, West Kazakhstan, Aktope and Kyzylorda regions, owns 5.3 thousand km of trunk pipelines, 2.1 thousand km of water mains, 11 thousand km of trunk gas pipeline systems, 3 refineries in Pavlodar, South Kazakhstan and Atyrau regions and one oil refinery and petrochemical complex in Romania.

During 2013 in the Republic of Kazakhstan it has been produced about 81.73 million tons of oil and gas condensate, recycled - 14, 3 million tons of oil. Compared to 2012 the oil production growth made 3% and the volume of oil refining is increased by 0.6%. KMG share in the total volume of oil and gas condensate in Kazakhstan in 2013 has increased from 27% to 27.7 %, oil processing was unchanged and made 83 %.

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

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

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

The new following tariffs for regulated services of KMG are approved during 2013:

- for oil pumping through the main trunk pipeline system of “KazTransOil” JSC for export in the amount of KZT 4 732.6 for 1 ton per 1000 km. (growth by 42%), on the domestic market - KZT1 954.5 for 1 ton per 1000 km. (increase by 50%), **with the introduction from December 1, 2012;**

- for transportation of marketable gas on distribution networks (“Almaty gas networks” LLP) in the amount of KZT3 451.41 per thousand cubic meters (excluding VAT), **entry into force on January 1, 2013,** increase as compared with the previous rate by 11% ;

- for transportation of marketable gas for the population of Almaty (“Almaty gas networks” LLP) in the amount of KZT19,767 per cubic meter (excluding VAT), **entry into force on March 15, 2013,** an increase compared with the previous rate of 2% ;

- transportation of marketable gas through the distribution pipelines on Aktope production branches (“KazTransGas – Aimak”) the ceiling rate for 2013-2015 in the amount of KZT 1001.10 per 1000 m³ (excluding VAT), increase by 48.9% as compared with the previous rate;

- transportation of marketable gas through distribution pipelines of West Kazakhstan production branch (“KazTransGas – Aimak”) the ceiling rate for 2013-2015 in the amount of KZT2 266.20 per 1000 m3 (excluding VAT), increase by 54% as compared with the previous rate;
- commercial gas transportation through main pipelines of Manghistau production branch (“KazTransGas – Aimak”) the ceiling rate for 2013-2015 in the amount of KZT591.80 per 1000 m3 (excluding VAT), increase by 19.16 % as compared with the previous rate;
- transportation of gas through distribution pipelines in Atyrau branch of production (“KazTransGas – Aimak”) the tariff in the simplified manner in the amount of KZT 1269.32 per 1000 m3 (excluding VAT), increase by 6.7% as compared with the previous rate;
- From May 1, 2013 it was started transportation of gas through distribution pipelines of Kostonai production branch (“KazTransGas – Aimak”) at previously effective tariffs KZT848.9 per 1000m3 (excluding VAT) for the population and KZT1382 per 1000m3 (excluding VAT) for legal entities.

In 2013 in KMG there happened **following significant events**:

- 1) KMG and the ConocoPhillips Petroleum Holdings BV finalized the acquisition of 100% shares of “H Block BV”;
- 2) TRG started drilling the exploration well on the Zegudzhani block (Romania). The amount of investment in the project before the end of the year will be more than \$ 10 million;
- 3) Trading Department of Rompetrol - Vector Energy, registered in Switzerland, completes the integration of all the oil marketing operations within KMG and is renamed “KazMunayGas Trading AG”. It is planned that the company will become the only national operator for the export of Kazakh crude oil;
- 4) KMG has successfully completed the transaction on placement of the 10 years and 30 years Eurobond issues totaling \$ 3 billion under the current program for issue of medium term global notes up to \$ 10.5 billion;
- 5) KMG has made a partial redemption of indexed coupon bonds of the second issue of KMG - KMGZb2 (NIN KZ2C0Y10D596) in the amount of 8 million. The redemption was made in accordance with the terms of the bonds issue prospectus;
- 6) Signing of EPC- contract between “Pavlodar Petrochemical Plant” (hereinafter - PNHZ) of KMG group and the Romanian company “SC Rominserv SRL”. The contract provides for the preparation of working documents, procurement of equipment and materials, construction and assembly work on the project of reconstruction of PNHZ;
- 7) KMG and the Korean Consortium “KC Kazak B.V.” reported on the results of drilling the first exploration well in the area “Zhambyl” in the Kazakh sector of the Caspian Sea. According to the results of drilling in the Middle Jurassic age sediments there were confirmed 2 promising oil and gas facilities;
- 8) “North Caspian Operating Company B.V.” on behalf of the Consortium under the PSA in the North-Caspian project (hereinafter - NCP) announced that at Kashagan deposit it was reactivated the first well and the initial amount of oil was extracted;
- 9) On July 11, 2013 KMG concluded the agreement with “ConocoPhillips” to acquire stake of ConocoPhillips in the PSA on the NCP in the amount of 8.4 %. However, between KMG and the subsidiary - KMG Kashagan B.V. (hereinafter - the Kashagan B.V.) was concluded a similar contract for the sale of shares in the PSA under which the acquired by KMG from ConocoPhillips stake in the PSA is procured by Kashagan by B.V. In addition, the Kashagan B.V. signed the agreement on sale of existing 8.33 % stake in PSA in favor of CNPC Kazakhstan B.V.

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

Name		2013	2012	Deviation	2013 to 2012, %	Factors
Oil production volume	mln. tons	22.630	21.390	1.240	5.8%	Increase by 1240 thous. tons: <ul style="list-style-type: none"> • by 579 thous. tons on “Tengizshevroil” due to improving the reliability and productivity as a result of successful planned overhauls plants KTL and SGP; • by 430 thous. Tons on “KMG – Karachaganak” LLP due to the reflection of indicators since June 2012, i.e. since the acquisition by KMG of stakes in the project on the development of the West Kazakhstan region of Karachaganak gas condensate field; • by KZT195 thousand on E&P KMG JSC due to growth in average daily oil production by “UMG” JSC, “EMG” JSC and “Karazhanbasmunai” LLP, including by commissioning of drilling wells, exploration wells, inactivity wells, as a result of submersible pumps optimization at wells, increasing the impact of work on the bottom-hole area of wells. At that, it was registered the decline in volumes on “KazGPZ” LLP and Petro Kazakhstan Inc. due to the planned reduction in gas production, natural depletion and increased water content in the fields; • by 78 thous. tons on “Mangistaumunaigas” JSC due to the

Name		2013	2012	Deviation	2013 to 2012, %	Factors
						timely implementation of organizational and technical measures to maintain and increase the volume of production; At the same time, there was a decline in oil production on “KazakhOil –Aktobe” LLP by 51 tons due to reduction in the allowable level of oilwell gas flaring.
Volume of oil transportation on the main pipeline	mln. tons	67.217	65.795	1.422	2.2%	Increase by 1 422 thous. tons due to the increase in oil delivery to the system of the mainline pipeline “Kazakhstan-China” by shippers.
The volume of oil transportation by sea fleet	mln. tons	8.878	11.355	-2.477	-21.8%	Decrease by 2 477 million tons: <ul style="list-style-type: none"> • by 1111 thousand tons in the direction of the Black Sea due to undersupply of planned volumes of transportation from Vector Energy AG because of its involvement of vessels of outside organizations; • by 705 thousand tons in the direction of Aktau-Makhachkala due to reducing the transport capacity of the route due to filling the pipeline “Makhachkala – Novorossiysk” with the priority volumes of Russian oil from Korchagin field in the Caspian Sea; • by 538 thousand tons in the direction of the Mediterranean Sea due to the length of routes on transporting oil by sea as compared with the previous period; • by 122 thousand tons in the direction of Aktau-Baku due to lower shipments of TCO by reason of the growth of tariffs for rail transportation to the port of Aktau and redirection of volumes of oil for transportation by pipeline “Tengiz – Novorossiysk” as a result of increasing the quota for pumping oil through CTC.
Volume of gas transportation	bln. cubic m	110.138	109.189	0.949	0.9%	Increase by 949 million cubic m: <ul style="list-style-type: none"> • by 563 million cubic meters due to growth in gas transit to China and the northern part of Kyrgyzstan; • by 277 million cubic meters due to growth of gas transportation to the domestic market on “KazTransGas Aimak” JSC and “Almaty gas networks” LLP, while reducing the volume of “Intergas Central Asia” JSC as a result of the use by “KazTransGas Aimak” of own pipelines, as well as undersupply of Uzbek gas to the legal entities of Zhambyl region due to lack of resources; • by 109 million cubic meters due to growth of the transportation of gas for export because of rising gas supplies by “Tengizshevroil” LLP and “Zhaykmunai” LLP.
Volume of oil refining	mln. tons	16.050	15.884	0.166	1%	Increase of 166 thousand tons is mainly due to growth of the processing volume on Rompetrol Group associated with the completion of the project for modernization of Petromidia refinery, also a slight increase in processing volume on “Atyrau Refinery” LLP and “PKOP” LLP due to growth in customer-owned oil, while reducing processing volumes at “PNHZ” LLP because of the glut of tank farms due to lower demand for products associated with the growth of oil imports from the Russian Federation at dumping prices in of 2013.

Name		2013	2012	Deviation	2013 to 2012, %	Factors
Number of accidents which caused suspension of production or environmental damage	Number of accidents	7	7	0	0	There are registered 7 cases: 1) On January 29, 2013 - depressurization of pump equipment at the plant for the primary refining ELOU-AT-2 of "Atyrau Refinery" LLP with subsequent ignition. No injuries were reported. The material damage amounted to KZT 1.5 million; 2) On 22.03.13, in "Atyrau Refinery" LLP due to a failure in the external power supply system of the plant it happened deep undertension. The main reason for shutdown of the technological installments of the plant was power setback of the plant for two external inputs of 35 kV by the power supply organization "Atyrau Energosatu" LLP; 3) On 27.03.13, at 1505 km of the trunk pipeline "Pavlodar-Shymkent" as a result of damage to the pipe with the diameter of 820 mm. Area of contamination was 0.0003 ha; 4) On June 5, 2013 - oil leak on the 95.5 km of the pipeline "Prorva-Kulsari" because of formed corrosion fistula, which resulted in soil contamination by oil. The area of contamination was 0.28 hectares. The environmental damage amounted to KZT 9.1 mln.; 5) On April 2, 2013 - unauthorized tie-in at 1316 km of oil pipeline "Pavlodar-Shymkent" that resulted in the contamination of soil ground by oil. The polluted area was 0,035 hectares. The environmental damage amounted to KZT 1 million; 6) On 11.12.13 at "Kalamkasmunaigas" of "Mangistaumunaigas" JSC during the workover by "OilServisKompani" LLP of well 4214 -3 CDNG-3, in the rise of HWDP it was flowing. "Ak Beren" units were attracted for emergency response. On 12.12.13 the gas-water kick was liquidated by sealing the wellhead and preventer was installed on the wellhead. It was performed the work on clearing the mouth of the well and territories; 7) On 12.12.13 in the building of TO-2 of the Technological Transport Department of "UMG" JSC it was fire. To extinguish fire there attracted the units of "Semser sondirushi Ort" (KazGPZ) and the city fire service. The fire was contained and eradicated, the investigation is conducted under the requirements of the legislation of Kazakhstan.
Actual number employees in average for the period, incl.	thous. people	84 411	84 349	62	0.1%	
Administrative staff	thous. people	7 518	7 950	-432	-5.4%	
Process staff	thous. people	76 893	76 399	494	0.6%	
The world price of Brent crude	USD / bbl.	108.9	111.6	-2.7	-2.4%	
The average price of crude oil for export	USD / bbl.	105.1	107.6	-2.5	-2.3%	
The average price of crude oil on the domestic market	USD / bbl.	40.8	42.9	-2.1	-4.9%	
The average price for realization of oil products PM on KMG	KZT per ton	74 947	87 315	-12 368	-14.2%	
The average sales price for Rompetrol	KZT per ton	898	988	- 90	-9.1%	

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

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

JSC "Exploration and Production "KazMunayGas" (hereinafter - KMG E&P) has focused attention on the stabilization of daily production and modernization of production facilities at the core assets. The main part of the Uzen and Karamandybas fields of the company is in late stage of development, characterized by high water cuts and all-round fall in oil production.

In 2013, there were conducted geological and technical measures to increase daily oil production, activities aimed at reducing the number of idle and reducing wells stock, there have been developed measures to optimize the reservoir pressure maintenance system in order to increase daily oil production, as well as work on the reconstruction of pipelines and conduits.

On Petro Kazakhstan Inc. it was performed the drilling of infill exploitation wells in areas with unworked hydrocarbon reserves and a set of measures aimed at reducing and preventing the growth of water cut of the mining stock.

On “KazakhOil – Aktobe” LLP on July 1, 2013 it was obtained a permission from the Ministry of Environmental Protection for the emissions into the environment until December 31, 2013.

On “KazMunayGas - Processing Marketing” JSC in order to execute the plan for processing there taken the following measures:

- it has been issued a joint order of the Ministry of Oil and Gas and the Ministry of Transport and Communications of the Republic of Kazakhstan on May 21, 2013 to limit oil imports from Russia by rail until the end of 2013;
- quotas are allocated for “KazMunayGas - Processing Marketing” JSC (hereinafter - KMG PM) to export gasoline of AI -80 sort in the amount of 100 thousand tons until December 31, 2013 under the Decree of the Government of the Republic of Kazakhstan #652 dated July 1, 2013 “On the introduction of a temporary ban on the export of light distillates and products of kerosene, gas oil and other petroleum products”.

It was organized oil quality assurance on “Rompetrol Group” for each cargo to match the density of Urals 32 API oil grade (American Petroleum Institute);

The following measures for the implementation of performance indicators are taken on “KazMorTransFlot” LLP:

- search for volumes on other routes and destinations;
- increased supply of “Tengizchevroil” to Aktau port on a regular basis monthly 250 tons to be transported to the port of Baku to the extend the CTC pipeline system;
- reduced the tariff for marine transportation of Tengiz oil in the Caspian Sea from USD15.74 to USD14.98 per metric ton from July 1 to December 31, 2013;
- taken a decision to increase the number of voyages per month.

Consolidated financial indicators by the segment:

Name	Unit of measure	2013	2012	Deviation (+/-)	Change, %
Consolidated net income	KZT bln.	489	413	75	18
EBITDA margin	%	18.02	17.44	0.57	3
ROA	%	6.75	6.33	0.42	7
ROE	%	12.77	12.20	0.58	5

To determine the major factors of influence of the main items in the statement on comprehensive segment income for net income, below it is given the analysis of the changes in the share of the main indicators in the total amounts of revenues and expenses during 2013 as compared with 2012:

Name	2013			2012			Deviation	Change, %
	in % to income from the sale	in % to expenses from operations	KZT bln.	in % to income from the sale	in % to expenses from operations	KZT bln.		
Revenues from sales and interest income	100	114	3 253	100	114	2 960	292	10
Expenditure on operating activities	88	100	2 847	88	100	2 608	239	9
Cost of sales	72	83	2 354	71	80	2 091	263	13
Gross income	28	32	899	29	33	870	29	3
General administrative expenses (GAE)	5	6	161	5	6	156	5	3
Shipping costs and sales	10	12	332	12	14	361	- 29	-8
Recovery of assets impairment	0.2	0.2	6	0.1	0.1	2	4	193
Losses on assets impairment	2	2	70	3	4	97	-26	-27
Income (loss) from operating activities	10	12	341	9	10	258	83	32
Other non-operating income, net	0.3	0.3	9	0.5	1	14	-5	-38
Financial income	1	1	42	1	1	29	13	46
Financial expenses	5	6	172	6	6	169	3	2
Equity in earnings of associated companies and joint ventures	15	17	484	16	18	471	12	3
Income tax expense	6	7	193	6	7	177	16	9

Name	2013			2012			Deviation	Change, %
	in % to income from the sale	in % to expenses from operations	KZT bln.	in % to income from the sale	in % to expenses from operations	KZT bln.		
Profit / (loss) from discontinued operations	0.010	0.012	0.331	0.021	0.024	0.628	-0.297	-47
Net profit	15	17	489	14	16	413	75	18

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

Name	2013	2012	Deviation	Change, %	Explanation
Revenues from sales	3 252.7	2 960.4	292.3	9.9	<p>Growth generally because of the following income:</p> <ul style="list-style-type: none"> • from sale of petroleum products by KZT179.6 bln. mainly due to the increase in sales of volume by “KazMunaiGas Refining – Marketing” JSC; • from sale of crude oil by KZT137.8 bln. due to growth on Rompetrol Group (KMG E&P), by the acquisition of “Karachaganak KMG” LLP in the second half of 2012 and the increase in the average exchange rate by KZT 3.02; • from transportation of oil by KZT31.5 bln. due to growth of the volume by 7% and increase of the tariff by the NMRA for the transportation of oil to the domestic market by 50 %) and for export by 42%; • from transportation of gas by KZT7.2 billion for the growth of the rate for transportation of gas to the domestic market by 12%, export 40%; • from oil and petroleum products refining by KZT5.3 billion for the growth of the rate for oil refining on “Atyrau Refinery” LLP by 32%; • form services by KZT10.5 bln. due to increasing the income of “Aktaunefte servis” LLP because of the growth of quantities and rates for services provided by Rompetrol Group due to growth in revenues from the provision of services in drilling and workover operations; • from sale of gas condensate by KZT10.8 billion for the growth in sales of volumes by “KazTransGas” JSC.
Cost of sales	2 354.1	2 090.8	263.3	12.6	<p>Growth generally because of the following expenses:</p> <ul style="list-style-type: none"> • on purchasing crude oil and other DPS by KZT115.7 bln. due to growth in purchasing crude oil and other DPS (gasoil and fuel oil), instead of the volume of KMG E&P, for processing to execute the production program. Volumes of KMG E&P were sent for resale in connection with non-compliance with the quality requirements of the crude oil; • for the procurement of petroleum products by KZT39.2 bln. due to increase in procurement of petroleum products by TH KMG Singapore, which was partially offset by lowering prices of procurement; • for payroll by KZT27.2 billion on “Aktaunefte servis” JSC, “Exploration & Production KazMunaiGas” JSC, “KazTransOil” JSC on the inflation rate, as well as changing the remuneration system for “Aktaunefte servis” LLP since 01.04.2013; • on the costs for MPT (Mineral Production Tax) by KZT12.6 billion for the growth of oil production by “KazMunaiGas” JSC; • on depreciation by KZT13.7 bln. due to complete consolidation of “KMG – Karachaganak” in 2013, growth of fixed assets - gas transportation assets and commissioning of production facilities of “KazTransGas – Aimak” JSC; • Other taxes KZT6.9 billion for the growth of property taxes received from the Shareholder (gas transmission assets), the growth of social taxes due to rising payroll; • Transportation expenses by KZT9.7 bln due to the growth in sales volumes of “PNHZ” LLP; • On purchasing gas for KZT5 bln. in connection with the growth of the volume of gas purchased by “KazTransGas” JSC; • Expenditure on maintenance, repair and servicing fixed assets by KZT6 bln. due to growth in the number of repair work on wells to increase oil production, planned maintenance; • For other expenses by KZT27 bln. due to the cost growth on “KazMunaiGas Refining – Marketing” JSC on sold oil products of “KazMunaiGas – Onimderly” LLP, rising costs of training, insurance, etc.
General administrative expenses	160.7	156.1	4.6	3.0	Mainly due to rising costs for adjusting VAT, not taken in payment
	332.2	360.7	-28.5	-7.9	<p>The following factors had impact on change:</p> <ul style="list-style-type: none"> • Transportation expenses are decreased by KZT53.8 bln. due to changes in logistics on sales of petroleum products in

Name	2013	2012	Deviation	Change, %	Explanation
Shipping costs and sales					<p>“KazMunaiGas Refining – Marketing” JSC and the lack of activity on crude oil sale for exports due to changes in market structure;</p> <ul style="list-style-type: none"> Costs of export customs duty have increased by KZT15.8 bln. due to growth of the tax rate from USD40 to USD60 per tonne since 12.04.13 and the increase in oil exports; Costs of rent tax increased by KZT5.5 billion due to the change in policy of calculating the tax and additional taxes for 2012; Costs on payroll increased by KZT4 bln. due to changes in the staff since the commissioning of new gas stations and costs re-classification.
Reversal of impairment of assets	5.5	1.9	3.7	193.4	
Impairment losses on assets	70.3	96.7	-26.5	-27.4	Reduced costs for impairment of fixed assets of “Exploration & Production KazMunaiGas” JSC
Income (loss) from operating activities	341.0	257.9	83.1	32.2	
Other non-operating income, net	8.7	14.1	-5.3	-37.8	
Financial income	42.4	29.0	13.4	46.0	Revenue growth due to the placement of temporary free funds on deposit in banks for “Exploration & Production KazMunaiGas” JSC and “KazTransOil” JSC
Financial expenses	171.7	169.2	2.6	1.5	In connection with the accrual of interest on borrowed eurobonds for USD3 billion.
Equity in earnings of associated companies and joint ventures	483.5	471.1	12.4	2.6	<p>The following factors had impact on change:</p> <ul style="list-style-type: none"> Revenue growth on “Tengishevroil” by KZT26.5 billion due to the growth of oil production; Reducing profit of “Mangistaumunaigas” JSC due to the growth of the rate of export and customs duties; Reduced profits on “KazRosGas” LLP because of a significant reduction in gas supplies by Karachaganak Petroleum Operating BV for export in 2013
Income tax expense	193.4	177.1	16.3	9.2	Increase of the tax base
Profit / (loss) from discontinued operations	0.33	0.63	-0.3	-47.3	
Net profit	488.6	413.2	75.4	18.3	<p>The following factors had impact on change:</p> <ul style="list-style-type: none"> Growth by KZT28.4 bln. due to the profit growth of “KazTransOil” JSC because of the growth of rates and the volume of oil transportation; Growth by KZT22.4 bln. due to the growth in gas exports and the share increase in the profits of “Asian Gas Pipeline” LLP due to the compensation of the cumulative loss after tax by profits obtained in 2013; Increase by KZT12.4 billion for the growth of profit from jointly controlled and associated companies in particular “Tengishevroil” LLP; Growth by KZT23.3 bln. due to the full consolidation of “KMG – Karachaganak” LLP acquired during the second half of 2012; Decrease by KZT11 bln. due to indexing the payroll costs on “Exploration & Production KazMunaiGas” JSC and “Aktaunefte servis” LLP and the introduction of the new remuneration system since April 1, 2013 at “Aktaunefte servis” LLP.

The main factors of change in net profit for the segment in 2013 as compared with 2012:

Factors	Change, KZT bln.
Net income (KZT488,6 billion for the reporting period; KZT413 billion for the similar period of 2012)	75.4
In part because of:	
Profit growth of “KazTransOil” JSC due to growth of rates and volume of oil transportation	28.4
Full consolidation of indicators of “KMG – Karachaganak” LLP acquired during the second half of 2012	23.3
Growth in gas sales volumes for export and increasing the share of profits of “Asian Gas Pipeline” LLP due to the compensation of the cumulative loss after tax by profits obtained in 2013	13.2
Rising profits from jointly controlled entities and associates in particular “Tengishevroil” LLP	12.4
Implementation of Cost-Reduction Program	9.2
Indexing the payroll costs on “Exploration & Production KazMunaiGas” JSC and “Aktaunefte servis” LLP and the introduction of the new remuneration system since April 1, 2013 at “Aktaunefte servis”	-11

Factors	Change, KZT bln.
LLP.	

Capital expenditures for this segment in the reporting period are focused on the maintenance of the productive assets and other fixed assets in the amount of KZT 263.6 billion, investment in the share capital of subsidiaries in the amount of KZT 173.7 billion, investment projects amounting to KZT 328.2 bln. and the purchase of shares in the amount of KZT 70.7 billion as well as other targets in the amount of KZT8.6 billion.

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

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

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

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

The KAP Sole Shareholder is the Fund. The assets structure of the KAP consists of 70 companies on 4 levels, 48 of them with absolute share of KAP.

The restructuring plan of non-core assets and facilities of KAP (hereinafter - the Plan) was approved by the KAP Board of Directors dated July 4, 2013 and of them as of December 31, 2013:

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

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

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

In the reporting period, the share of KAP in the overall production of uranium in Kazakhstan increased from 11 937 U tons to 12 568 U tons. Share of the KAP on the world market in terms of uranium production was 21.36 %.

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

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

In 2013 there were the **following significant events**:

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

2) in the framework of implementation of the joint project with the Russian Federation on the acquisition of CJSC “TSOU” stake of separation facilities of “UEHK” OJSC on September 27, 2013 it was received the notification of OJSC “Registrator R.O.S.T.” that 10 446 261 014 ordinary personal shares (25%+1) of “UEHK” OJSC were transferred to the ownership of the Kazakh- Russian enterprise CJSC “TSOU”. The project moved to

the implementation stage and until the end of 2014 CJSC “TSOU” should implement the first commercial supply of 300 thousand SWU.

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

The actual average staff number totaled 22 100 units, including 19 944 units of production staff.

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

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

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

The structure of the TKS consists of 41 companies on 6 levels, 30 of enter the group of “Kazzink” LLP and 7 companies are created with the purpose of realization of investment projects.

The following **significant events** happened in TKS in 2013:

1) the subsurface use contract with the Competent Authority on the extraction of ores from the field Alaygyr in Karaganda region is concluded;

2) the contract for use of mineral resources with the Competent Authority for the exploration of copper, gold and associated components of the Spassky copper ore zone in Karaganda region is concluded;

3) the contract for the use of mineral resources with the Competent Authority to explore for copper, lead, barite in Tuyk-Temirlik mining district in Almaty region is concluded;

1) the contract for the use of mineral resources with Competent Authority to explore gold in Gagarinskoye mining district in Zhambyl region is concluded;

2) the Board of Directors has approved the new organizational structure of “Tau-Ken Samruk” JSC, which entered into force on 1 June 2013;

3) the Board of Directors has approved the Development Strategy of “Tau-Ken Samruk” JSC for 2013-2022;

4) the Sole Shareholder transferred to the equity of TKS 29,8221% shares in “Kazzink” LLP.

5) In November 2013 in Astana SEZ it was commissioned a gold refinery on enrichment, reprocessing of gold mineral and secondary raw materials, man-made mineral formations for gold, silver and other precious metals and associated components.

The actual average number is 103 units, including 13 units of production personnel.

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

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

As of December 31, 2013 the UCC asset structure is represented by 11 companies.

The jointly controlled the UCC entities include:

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

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

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

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

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

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

In 2013 there were the following significant events:

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

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

3) It is increased the ownership interest in the authorized capital of “Polymer Production” LLP from 90% to 99.54% due to the refusal of the second participant from the increase of the authorized capital in proportion to its interest. The full payment of the authorized capital was a condition precedent of “Sberbank” SB JSC on opening debt financing.

At the end of the reporting period, the actual average staff number amounted to 262 units, of which 45 units of production staff.

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

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

The structure consists of 34 companies on 3 levels. The KE’s enterprises specialize in products and services for customers represented in oil and gas, railway, agriculture, heat and power industries, as well as the manufacture and repair of weapons and military equipment.

The following significant events have occurred in the reporting period:

1) On August 7, 2013 “Fitch Ratings” assigned the Company with a long-term issuer credit rating in foreign and local currency at investment level “BBB-” and “BBB”, respectively. High credit ratings have allowed the Company to carry out placement of Eurobonds, at 4.55 % per annum of the amount USD 200 million, on the foreign market in 2013.

2) in accordance with the Fund’s Strategy up to 2022, the Company has developed Development Strategy for 2013-2022 which was approved by the Board of Directors in November 2013.

3) For investment projects of the Company in 2013:

- creation of production for modernization, maintenance and repair of armored vehicles for military purposes on the basis of "Semey Engineering" JSC - the plant was commissioned in June 2013;
- production of optoelectronic devices ("Kazakhstan Aselsan Engineering" LLP) - completed construction work, the plant was commissioned in December 2013.

The actual average number was 5 638 units, including 5 048 units of production staff.

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

Name	Unit of measure	2013	2012	Change		Factors
				absol. (+/-)	relat. (%)	
Volume of the uranium output of JSC “NAC “Kazatomprom”	tons	22 501	20 981	1 520	7	Increase in uranium production in accordance with the contracts for subsoil
Volume of sales of civil designation production of JSC “NC “Kazakhstan Engineering”	KZT mln.	18 672	14 243	4 428	31	Increasing demands from enterprises of JSC “NC “KMG” for oil and gas equipment by 18%; Increasing demands on digital, energy direction (“Kaztelradio” JSC, etc.) more than in 2 times
Volume of sales of special and double-designation production of JSC “NC “Kazakhstan Engineering”	KZT million	13 559	28 129	- 14 570	- 48	By the Decree of the Government of RK “On the State Defense Order” it was reduced the need of law enforcement agencies in the production of subsidiaries of JSC “NC “Kazakhstan Engineering” (“KazinzhElektroniks” JSC, “SMZ” JSC, “Research Institute “Gidropribor” JSC, JSC “UZ Zenith”, JSC “Plant after Kirov”, JSC “811-st ARZ KE”, “PZTM” JSC, “Shipyard “Omega” JSC, JSC “UZ “Zenith”, “SMZ”).
Volume of services (engineering) of JSC “NC “Kazakhstan Engineering”	KZT million	12 540	9 781	2 759	28	Increase in orders under the state defense order, as well as orders from JSC “NC “KTZh”.
The number of accidents that resulted in production stoppages or environmental damage	units	0	0	0	-	
The average number	people	28 116	26 640	1 476	5	The growth of production personnel in connection

Name	Unit of measure	2013	2012	Change		Factors
				absol. (+/-)	relat. (%)	
including production staff	people	25 061	23 640	1 421	6	with the expansion of operations

Consolidated financial indicators on the segment:

Name	Unit of measure	2013	2012	Deviation, (+/-)	Change, %
Consolidated net income	KZT bln.	37.62	53.43	-15.81	-29.6
EBITDA margin	%	5.8	18.24	-12.44	-68.2
ROA	%	4.35	7.53	-3.18	-42.2
ROE	%	6.49	12.87	-6.38	-49.6

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

KZT bln.

Name	2013	2012	Change		Explanations
			absol. (+/-)	relat. (%)	
Revenues from sales and interest income	334.0	374.3	-40.3	-10.8	Mainly due to: <ul style="list-style-type: none"> decrease in sales of uranium oxide in kind (-KZT17.8 bln); reducing in spot quotes from 48.73 USD / lb to 38.34 USD / lb (-KZT30.9 bln); rise of the U.S. dollar from 149.11 to 152.14 KZT / USD (KZT3.7 billion); growth in prices of products of special and dual-purpose (-KZT7.4 billion); increase in sales prices of tantalum and beryllium products (+KZT3.1 bln); increase in the electricity tariff (KZT5.4 bln)
Cost of sales and interest income	266.9	287.4	-20.5	-7.1	Mainly due to: <ul style="list-style-type: none"> reduction in sales of volumes of uranium oxide (-KZT13.0 bln); reduction in the price of purchased uranium due to decrease in the spot quotes from 48.73 USD / lb to 38.34 USD / lb (-KZT14.6 bln); changes in the structure of raw materials and finished products of tantalum production (+KZT3.1 billion); rising prices for raw materials, energy (gas) and electricity production by MAEC (+KZT2.2 bln)
Gross income	67.0	86.9	-19.9	-22.9	
General administrative expenses	37.8	30.6	7.2	23.3	Mainly due to: <ul style="list-style-type: none"> finances and penalties (JSC "NAC "Kazatomprom") by KZT3.8 bln growth in labor costs due to the inclusion of organizations (KAP, UCC) by KZT1.2 bln; increase in provision for doubtful debts by KZT1.4 billion in connection with the failure of obligations by suppliers of "Astana Solar" LLP (KZT0.8 bln), unpaid energy resources under the tariff of "MAEK Kazatomprom" (KZT0.5 bln).
Impairment losses on assets	25.2	3.8	21.4	561.8	Mainly due to: <ul style="list-style-type: none"> loss recognition from the impairment of investments in "Kazzinc" LLP for KZT4.3 bln; loss recognition from impairment of fixed assets of JSC "NAC "Kazatomprom" for KZT3.4 bln. because of the dramatic decline in uranium prices; loss recognition from impairment of goodwill of JSC "NAC "Kazatomprom" in the amount of KZT5.0 billion for the dramatic decline in uranium prices; loss recognition from impairment on the cause of arising the non-recoverable VAT in the amount of KZT4.4 bln; loss recognition from impairment of subsoil use rights in "KazSilicon" LLP for KZT5.8 bln.
Income (loss) from operations	-0.2	48.4	-48.2	-99.6	
Other non-operating income and expenses (net)	-3.4	-4.7	1.3	27.7	Mainly due to: <ul style="list-style-type: none"> the reversal of liabilities (+KZT5.7 billion) in the framework of the settlement of "Semizbay-U" LLP; decrease in expenses from the disposal of OS LLP "KazSilicon" by KZT0.9 bln; lower costs for social sphere by KZT1 bln. on the cause of decrease in prices for uranium
Financial income	5.6	4.4	1.2	27.3	Mainly due to: <ul style="list-style-type: none"> Revaluation of uranium loan of "Appak" LLP in connection with falling of the uranium prices (+KZT0.5 bln); Accretion of discount on long-term advance of "Inkai" LLP to "TTC" LLP (+KZT0.5 bln.)
Financial expenses	9.6	13.9	4.3	30.9	Implementation of the settlement on "Semizbay-U" LLP, as the result of which since 2013 the reserves are not charged for the payment of dividends to the Chinese partners (-KZT4.8 bln.).

Name	2013	2012	Change		Explanations
			absol. (+/-)	relat. (%)	
Equity in earnings of associated companies and joint ventures	30.7	33.0	-2.3	-6.8	Mainly due to the reduction on JSC “NAC “Kazatomprom” by KZT8.7 billion, on the cause of decline in spot quotes for uranium 48.73 USD/lb to 38.34 USD/lb and corresponding decrease in the net income of affiliates and jointly controlled uranium mining organizations.
Income/(loss) before taxation	45.2	64.4	-19.2	-29.8	
Corporate income tax expenses	7.6	11.0	-3.4	-30.6	Due to the reduction of income before taxation on JSC “NAC “Kazatomprom” (-KZT18.5 bln), JSC “NC “Kazakhstan Engineering” (-KZT1.8 bln).
Net income/(loss) for a year	37.6	53.4	-15.8	-29.6	

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

Name	2013			2012			Deviation	Change, %
	in % to income from the sale	in % to expenses from operations	KZT bln.	in % to income from the sale	in % to expenses from operations	KZT bln.		
Revenues from sales and interest income	100	107.8	334.0	100.0	116.1	374.3	-40.3	-10.8
Expenditure on operating activities	92.8	100.0	309.8	86.2	100.0	322.5	-12.6	-3.9
Cost of sales and interest expense	79.9	86.2	266.9	76.8	89.1	287.4	-20.5	-7.1
Gross income	20.1	21.6	67.0	23.2	26.9	86.9	-19.9	-22.9
General administrative expenses (GAE)	11.3	12.2	37.8	8.2	9.5	30.7	7.1	23.3
Shipping costs and sales	1.5	1.6	5.1	1.2	1.4	4.4	0.7	15.2
Recovery of assets impairment	0.3	0.3	0.9	0.1	0.1	0.4	0.5	123.4
Losses on assets impairment	7.6	8.1	25.2	1.0	1.2	3.8	21.4	561.8
Income (loss) from operating activities	-0.1	-0.1	-0.2	-12.9	-15.0	-48.4	48.2	-99.6
Equity income from associates and joint ventures	9.2	9.9	30.7	8.8	10.2	33.0	-2.3	-6.8
Income tax expense	2.3	2.5	7.6	2.9	3.4	11.0	-3.4	-30.6
Net income	11.3	12.1	37.6	14.3	16.6	53.4	-15.8	-29.6

It is noted the incommensurable growth in General Administrative Expenses with income from sales in the reporting period, in general *on the segment it is observed the decline in operational performance.*

Key factors in net profit changes on the segment in 2013 as compared to 2012:

Factors	Changes, KZT bln.
Net income (KZT37,6 billion for 2013; KZT53,4 billion for 2012)	-15.8
In part because of:	
Implementation of the settlement on “Semizbay-U” LLP, as the result of which since 2013 the reserves are not charged for the payment of dividends to the Chinese partners	23.9
Improving the balance on non-core activities (including financial activities), foreign exchange difference	7.8
Cost reduction on CIT	3.4
Reversal of impairment of assets of JSC “NAC “Kazatomprom” (KZT0.8 bln)	0.5
Recognition of the loss from impairment of investments in “Kazzinc” LLP (4.3) and JSC “NAC “Kazatomprom” (20.8 bln.)	-21.4
Decrease in gross revenue, decline in spot quotes by 22% from 48.73 USD/lb to 38.34 USD/lb and sales volumes of U3O8 (uranium oxide concentrate) by 8% (954 tons)	-19.9
Decline in the income from the equity reduction of the spot quotes by 22% from 48.73 USD/lb to 38.34 USD/lb and sales volumes of U3O8 (uranium oxide concentrate) 8% (954 tons)	-2.3
Growth of GAE and selling expenses	-7.9

Capital costs in this segment in the first half of 2013 were aimed at upgrading and replacement of obsolete and worn-out equipment with new, more progressive, providing a planned uranium mining to increase

production at existing mines, development of the chemical industry (production of sulfuric acid, polyethylene, polypropylene, plastic product, glyphosate, hydrocyanic acid and sodium cyanide, butadiene, polybutadiene rubber), attracting project funding for conduct and implementation of search and exploration of promising objects (getting subsurface rights), upgrading plants of heavy and light engineering.

Development expenses for the segment amounted to KZT90.5 billion, including the investment projects – KZT34.78 billion, for maintenance of the productive assets and other fixed assets directly involved in the production and administration of subsidiaries – KZT32, 64 bln.

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

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

The Sole Shareholder of “KTZh” JSC is the Fund. 99 Companies at 5 levels enter the structure of “KTZh” JSC, 70 Companies of which are 100% Subsidiaries of “KTZh” JSC.

Jointly controlling Companies of “KTZh” JSC are:

- “Tulpar-Talgo” LLP, the main kind of activity of which is the design, erecting, production, export, sale and engineering maintenance of rail passenger cars;
- “Elektrovoz Kurastyru Zauyty” LLP, the main kind of activity of which is the production of freight and passenger electric locos;
- “Lokomotiv Kurastyru Zauyty” JSC, the main kind of activity of which is the erection of the locos;
- Logistic System Management B.V.

Associated Companies of “KTZh” JSC include:

- “Aktobe Rail and Beam Plant”.

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

Kind of transport	2012		2013		Amendment	
	Volume, mln ton-kilometers	Transportation market share %	Volume, mln ton-kilometers	Transportation market share, %	In absolute terms, mln ton-kilometers	in %
Marine transport	2 800	0.6%	2 709	0.5%	-91	-3
River transport	60	0%	32	0%	-28	-46
Air transport	60	0%	63	0%	4	6
Pipeline transport	106 900	22.4%	116 077	23.5%	9 177	9
Other land transport	132 300	27.7%	145 203	29.4%	12 903	10
Rail transport	235 900	49.4%	229 142	46.5%	-6 758	-3
Total freight turnover in the territory of RK	478 000	100%	493 226	100%	15 226	3

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

Kind of transport	2012		2013		Amendment	
	Volume, mln passenger-kilometers	Transportation market share %	Volume, mln passenger-kilometers	Transportation market share %	Volum , mln passenger-kilometers	Transportation market share %
River transport	2	0%	1	0%	-1	-47
Air transport	8 623	4.0%	9 705	4.2%	1 082	13
Other land transport	185 111	86.9%	203 429	87.0%	18 318	10
Rail transport	19 256	9.0%	20 619	8.8%	1 363	7
<i>Including JSC “NC “KTZh”</i>	<i>16 708</i>	<i>7.8%</i>	<i>16 962</i>	<i>7.3%</i>	<i>254</i>	<i>2</i>
Total passenger turnover in the territory of RK	213 036	100%	233 753	100%	20 718	10

In the reporting period, the share of “KTZh” JSC in the domestic market by the freight turnover has decreased from 49.4% to 46.5%, by the passenger turnover – from 7.8% to 7.3%.

Decrease in the share of “KTZh” JSC in the domestic market of freight transportation in 2013 as compared to 2012 was mainly due to:

- Reduction in the share of freight transportation by 6.2% due to lower shipments of all kinds of goods, with the exception of construction materials, ferrous metals, iron ore, chemicals and soda;
- overall growth of the freight market of Kazakhstan by 3%;

- rapid growth of traffic by other types of transport: vehicles (+3.5%) and pipeline transport (9%).

With the growth in volume of passenger traffic by 1.5% decline in the share of “KTZh” JSC in the travel market in 2013 as compared to 2012 was due to:

- the overall growth of the travel market of Kazakhstan by 9.7%;
- rapid growth of passenger transportation by other kinds of transport: vehicles (+0.16%), air transport (+2.5%).

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

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

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

During 2013 there were approved new tariffs for the following regulated services of “KTZh” JSC:

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

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

1) water services (water supply), per 1m³:

- “Temirzholsu – Aktobe” LLP with putting into effect since April 1, 2013 and growth of the average rate by 48% (old rate -KZT 233.43, a new tariff -KZT346.15)
- “Temirzholsu – Karaganda” LLP with putting into effect since August 10, 2013 and growth of the average rate by 31 % (old rate - KZT426.28, the new tariff -KZT559.29);
- “Temirzholsu – Pavlodar” LLP with putting into effect since October 1, 2013 and growth of the average rate by 2 % (old rate – KZT193.57, the new tariff -KZT196.73);
- “Temirzholsu – Arys” LLP with putting into effect since March 1, 2013 and growth of the average rate by 14% (old rate -KZT123.6, the new tariff -KZT140.5).

2) services to divert wastewater (sewage) per 1m³:

- “Temirzholsu – Aktobe” LLP with putting into effect since April 1, 2013 and growth of the average rate by 26% (old rate – KZT297.1; the new tariff – KZT374.17);
- “Temirzholsu – Karaganda” LLP with putting into effect since April 1, 2013 and growth of the average rate by 79% (old rate – KZT157.13; the new tariff – KZT280.7);
- “Temirzholsu – Pavlodar” LLP with putting into effect since October 1, 2013 and growth of the average rate by 5% (old rate – KZT160.96; the new tariff – KZT168.61);
- “Temirzholsu – Arys” LLP with putting into effect since July 1, 2013 and growth of the average rate by 76% (old rate – KZT134.54; the new tariff – KZT236.95).

3) services for the production, transmission, distribution and supply of thermal energy (per 1 Gcal):

- “Temirzholzhylyu- Kasaly” LLP with putting into effect since October 1, 2013 and growth of the average rate by 1%;
- “Temirzholzhylyu – Ayagoz” LLP with putting into effect since November 1, 2013 and growth of the average rate by 15% (old rate – KZT9 693.42; the new tariff – KZT11 150.62);
- “Temirzholzhylyu – Karaganda” LLP with putting into effect since November 1, 2013 and growth of the average rate by 23% (old rate – KZT10 965; the new tariff – KZT13 465.17);
- “Temirzholzhylyu – Ekibastuz” LLP with putting into effect since October 1, 2013 and growth of the average rate by 17% (old rate – KZT10 357.03; the new tariff – KZT12 123.92).

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

- 1) Since January 1, 2013 it were increased the tariffs on freight transportation by rail transport of the Republic of Kazakhstan by 8.4%;
- 2) It was changed the structure of the assets associated with the sale of 50% of the stock of shares of “Lokomotiv Kurastyru Zauyty” JSC in favor of “Transmashholding” CJSC;
- 3) as part of the Cooperation Agreement based on a joint venture # 80 -AO dated March 17, 2011, on May 30, 2013 JSC “NC “KTZ” acquired 33 % of “Logistic System Management BV”, registered in the jurisdiction of the Netherlands, through transferring 33 % of shares of “Kedentransservice” JSC owned by JSC “NC “KTZ”;
- 4) January 15 – JSC “NC “KTZh” has passed the ISO/IEC 27001:2005 certified audit;
- 5) January 17 – it is launched the passenger traffic on Uzen-State Border with Turkmenistan line;

6) March 15 – JSC “NC “KTZh” is awarded with the Third Class Diploma in the nomination “Best HR-Project” for the project “Innovative HR Instruments: “4-i- System Innovative ideas information incubator” and corporate social network www.zhastemir.kz “Senim-2012”;

7) April 27 – shipment of the container car consisting of 41x40-foot containers on route Chengdu (China) – Lodz (Poland) via Kazakhstan;

8) May 11 – the Presidents of Kazakhstan N. Nazarbayev and Turkmenistan Gurbanguly Berdimuhamedov opened a direct rail link between the two countries through connecting passage Bolashak station (Republic of Kazakhstan) - Serhetyaka station (Turkmenistan);

9) May 23 – JSC “NC “KTZh” has held the 15th meeting of the Asian-Pacific Regional Assembly of the International Union of Railways;

10) May 26 – Medical cars “Salamatty Kazakhstan”, “Densaulyk” and “Zhardem” started the work on summer schedule;

11) June 8 – new high-speed train “Tulpar-Talgo” departed from Almaty-2 railway station with destination “Almaty – Atyrau” – “Saraishyk”;

12) July 4 – the Prime-Minister of RK Serik Akhmetov participated in the opening ceremony of the memorial plate on the site of construction of the plant on production of loco diesel motors “GEVO” in Astana;

13) August 4 – the Head of the state N. A. Nazarbayev delivered the keys from new apartments to the employees of the rail transport in Astana;

14) August 25 – the high-speed passenger car #63/64 Astana – Semipalatinsk, consisting of Tulpar-Talgo cars, started running;

15) August 22 – it is opened the high-speed route of passenger car Astana – Atyrau-Astana, consisting of Tulpar-Talgo cars;

16) October 7 – II International Transport and Logistics Business Forum “New Silkway – from China to Europe through Kazakhstan” was held in Astana sponsored by JSC “NC “KTZh”;

17) December 20 – in the course of National teleconference bridge the connection of the railways under construction Zhezkazgan – Beineu and Arkalyk – Shubarkol is presented to the President of the state; the head of the state named two first Kazakhstani bulk carriers, acquired by JSC “NC “KTZh” to work in Caspian Sea under Kazakhstani Flag: “Turkestan” and “Beket Ata”.

The actual average number for the reporting period amounted to 149 869 units, including 139 090 units of production staff.

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

The share of Air Astana in the airline market on international routes in 2013 was about 39%, on domestic routes – 72%. Freight volumes in the period have increased by on domestic routes by 56%, on international routes have decreased by 8%.

Air Astana has a dominant position in the market of regular interrepublican air transport. In 2014 there were approved the following tariffs for the carriage of passengers on domestic routes:

Route		Tariff, in KZT	
		One way	Return
Almaty	Astana	26 713	53 426
Almaty	Aktau	37 609	75 218
Almaty	Atyrau	45 803	91 606
Almaty	Aktobe	37 250	74 500
Almaty	Karaganda	32 531	65 062
Almaty	Kzylorda	24 543	49 086
Almaty	Pavlodar	36 865	73 730
Almaty	Ust-Kamenogorsk	32 438	64 876
Almaty	Shymkent	26 040	52 080
Astana	Aktau	40 120	80 240
Astana	Aktobe	31 793	63 586
Astana	Atyrau	38 621	77 242
Astana	Ust-Kamenogorsk	25 636	51 272
Astana	Kzylorda	25 757	51 514
Astana	Kostanay	28 993	57 986
Astana	Shymkent	32 218	64 436
Aktau	Atyrau	17 961	35 922

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

1) Own aircraft Embraer 190, Boeing 767-300ER and Airbus A320 were delivered, equipped with innovative wingtips - “sharklets”.

2) Fokker 50 aircrafts were withdrawn from the fleet and replaced by regional turboprop aircraft Embraer 190. As of December 31, 2013 the aircraft fleet consists of 29 units of western production, it is expected further increase in the fleet up to 37 aircraft by 2020.

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

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

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

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

The actual average number for the reporting period amounted to 4 069 units, including 3 203 units of the production staff.

“Atyrau International Airport” JSC, “Aktobe International Airport” JSC, “Pavlodar Airport” JSC render, mainly, the services on airport activities, including the accommodation, discharge and maintenance of aircrafts, passengers, baggage, freight and parcels processing, their vetting and control, handling with ionized radiation sources and radioactive substances; on meteorological providing of flights, on medical providing of flight safety, on providing of aircrafts, objects and airport services with petroleum, oil and lubricants and special liquids, quality control, as well as procurement, storage, marketing, including wholesale and retail, of petroleum, oil and lubricants and special liquids for aviation and automobile

“Atyrau International Airport” JSC and “Aktobe International Airport” JSC accept and maintain practically all types of aircrafts, during 2013 it is maintained about 14 125 units of aircraft, including by “Aktobe International Airport” JSC – 3 514 units, on “Atyrau International Airport” JSC – 9 377 units, on “Pavlodar Airport” JSC – 1 234 units, mainly on the following routes:

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

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

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

Airports provide services in the following areas of natural monopoly:

- ensuring takeoff and landing of aircrafts;
- Aviation Security of aircrafts;
- providing excess aircraft parking for more than 3 hours;
- providing aircraft parking at the base airfield;
- power transmission and distribution.

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

During 2013 it was increased the tariff on “Aktobe International Airport” JSC:

- on passenger servicing on domestic lines by 14%;
- on passenger servicing on international airlines by 31%;
- freight handling by 14.4%.

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

Note the following **important events in 2013**:

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

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

Name	UoM	2013	2012	Deviation	Change %	Explanation
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Tariff cargo turnover	mln t/km	231 248	235 845	-4 597	-1.9	The decline in cargo transportation by 1.9%, including for coal, crude oil, grain, oil and other goods. Reduction in traffic is due to the slow growth of the world economy, which continues to have a negative impact on the slowdown in the industry.
Passenger turnover	mln p/km	16 962	16 708	254	1.5	The growth is due to the appointment of new cars, formed of "Talgo" cars, unplanned route with connection "Astana-Semipalatunks" and early launch of the routes with connection "Astana-Atyrau" and "Almaty-2-Atyrau", as well as changes in the composite and the frequency of trains plying.
Cargo transported	mln tons	293 602	294 716	-1 114	-0.4	Reduction in traffic on all types of goods, with the exception of building materials, iron and non-ferrous ores, ferrous metals.
Loading	mln tons	255 232	257 846	-2 614	-1	Reducing the loading on all types of goods, with the exception of oil cargo, construction and other cargos
Passengers transported	thous.people	3 245	3 675	430	13.3	Expanding operations: the opening of new areas of air transportation (Astana-London, Almaty- Ho Chi Minh, Almaty-Kiev, Almaty-Kazan, Astana-Bishkek, Astana-Kiev, Astana-Orenburg, Atyrau-Moscow), the increase of frequencies on existing routes, fleet renewal (replacement of aircraft of Fokker 50 type for turboprop Embraer 190)
Present passenger / kilometers	mln p/km	9 467	11 372	1 905	20.1	
Performed passenger / kilometers	mln p/km	6 398	7 408	1 010	15.8	
Baggage, luggage and mail transported	thous.tons	22 076	23 810	1 734	7.9	Due to increase in demand for the services provided on air transport.
Average number of employees	people	154 701	155 833	-1 132	-1.0	The decrease is mainly due to the implementation of measures to reduce the size, in the framework of developed by KTZ Program to increase the efficiency of the group of companies of "KTZh" JSC.

Consolidated financial indicators by the segment:

Name	UoM	2013	2012	Deviation, (+/-)	Change, %
Consolidated net income	KZT billion	120.4	125.4	-5	-4
EBITDA margin	%	29.8	27.9	1.9	6.13
ROA	%	4.9	6.3	-1.4	-26.8
ROE	%	9.6	11.9	-2.3	-23.5

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

Name	2013	2012	Deviation	Change in %	Explanations
Income from sales	1023.1	940.9	82.8	8.0	<p>1) Growth of income from freight transportation by KZT29.2 due to:</p> <ul style="list-style-type: none"> • growth of rates by 14.9% and 8.4% in freight turnover; • growth in passenger railways traffic by 1.5% and rates by 10% and 12% in passenger traffic; <p>2) growth of income from operations of freight cars by KZT 70 billion due to transfer of the freight cars to the operating fleet;</p> <p>3) Growth of income by KZT 1.7 billion due to increase in volumes of the subsidies allocated in compliance with the conclusion of the Republican Budget Commission for 2013.</p> <p>4) Growth of income by 1.7% of the auxiliary supporting activities due to the growth of the volume of the premises rent services, reloading station rent in Dostyk and Altynkol stations, and informational services, as well as inclusion of "KazATC" JSC in the consolidation of JSC "NC "KTZh";</p> <p>5) Growth of income by KZT 0.6 billion on additional fees due to increase in rates since January 01, 2013 in average by 14.2%, when changing the structure of the services provided;</p> <p>6) Growth of the passenger traffic by 1.5% (KZT 0.9 billion);</p> <p>7) Decline in income by KZT 30 billion due to decrease in average income rates given the structure of the freight turnover by types of freights, decrease in transportation volume in the cars of inventory fleet;</p> <p>8) Growth of income from air transportation by KZT 15.5 billion due to the expansion of operation activity in connection with the expansion of the route network and the number of aircrafts (AC).</p>

Name	2013	2012	Deviation	Change in %	Explanations
Cost of sales and interest expense	712.2	666.4	45.9	6.4	Increasing costs is mainly due to: <ul style="list-style-type: none"> • depreciation of fixed assets (KZT 16.9 billion) due to the commissioning of new railways areas and acquisition of AC; • works and services (KZT 5.8 billion), including on technical maintenance of passenger cars, locos and on services of the third party railway administrations due to the increase in volume and growth of price; • labor payment (KZT5.8 billion) because of increasing wages to employees of the Subsidiaries and Affiliates as well as decrease in costs of the actuarial reserves due to the decline in retirement age of the women; • fuel (KZT11.9 billion) because of growth of prices for diesel fuel by 8.6% and volumes of aviation fuels; • power (KZT1.6 billion) because of growth of prices by 18.4% (from KZT 8.1 up to KZT 9.6 per 1 kW/h); • other costs (KZT4.1 billion) mainly due to the growth of costs on empty runs of freight cars.
General administrative expenses	96.2	84.9	11.3	11.7	Increasing costs is mainly by: <ul style="list-style-type: none"> • sponsorship and charity (KZT5.8 billion) mainly to “Barys” HC and for maintenance of medical cars in compliance with the Resolution of the Prime-Minister Akhmetov S.N.; • taxes (2.8 billion) due to the reflection on the CIT fact from a non-resident and VAT not carried to offset of the actual reflection and growth of MCI; • costs of increasing salary (KZT1.6 billion) to the employees since Q2 and Q3, 2012, as well as performed increasing salary since December 01, 2013, except for the employees of central apparatuses; • Administrative costs (KZT1.2 billion) due to increase in price for the goods, works and services procured as well as changing macro-economic indicators.
Losses on assets impairment	6.1	2.1	4.0	65.4	Increase in size of the losses on impairment by KZT 4 billion in 2013 is mainly due to the infrastructure due to the growth of the number of investment projects.
Financial costs	39.6	33.8	5.8	17	Mainly, due to the increase in exchange rates, changes in Libor rates and attracting additional loans amounting to USD 300 million in Q2 2012 by “KTZh” JSC through the issuance of Eurobonds, as well as growth of costs on remuneration due to acquisition of AC on financial leasing.
Income (loss) from operating activities	203.9	182.4	21.5	10.5	
Equity income from associates and joint ventures	-4.3	-0.1	-4.2	98.3	Due to declining of the financial results of joint companies of “KTZh” JSC, mainly, “Tulpar-Talgo” LLP.
Income tax expense	41.2	32.9	8.3	20.3	
Profit (Loss) from discontinued operations	-2.8	-1.1	-1.7	60.5	Because the performance results of the implemented by “Locomotive Kurastyru zauyty” JSC (50% share) taking into account the excluded intercompany sales are reflected in one line as a loss for the year from discontinued operations in accordance with IFRS 5 “Long-term assets held for Sale and discontinued operations”
Net income	120.4	125.4	-5.1	-4.2	

The structure of the aggregate income of the segment

Name	2013			2012			Deviation	Change, %
	in % to income from the sale	in % to expenses from operations	KZT bln.	in % to income from the sale	in % to expenses from operations	KZT bln.		
Income from sales and interest income	100	119.5	1 023	100	120.0	941	82	8.0
Expenditure on operating activities	83.7	100	856	83.3	100	784	72	8.4
Cost of sales and interest expense	69.6	83.2	712	70.8	85.0	666	46	6.4
Gross income	30.4	36.3	311	29.2	35.0	274	36	11.7
General administrative expenses (GAE)	9.4	11.2	96	9.0	10.8	85	11	11.7

Name	2013			2012			Deviation	Change, %
	in % to income from the sale	in % to expenses from operations	KZT bln.	in % to income from the sale	in % to expenses from operations	KZT bln.		
Shipping costs and sales	0.5	0.6	5	0.7	0.8	6	-1	-15.8
Losses on assets impairment	0.6	0.7	6	0.2	0.3	2	4	65.4
Other operational income, net	-3.4	-4.1	-35	-2.4	-2.9	-23	-12	35.0
Income (loss) from operating activities	16.5	19.7	169	16.9	20.3	159	9	5.4
Equity income from associates and joint ventures	-0.4	-0.5	-4	0.0	0.0	-0.1	-4	98.3
Income tax expense	4.0	4.8	41	3.5	4.2	33	8	20.3
Profit (Loss) from discontinued operations	-0.3	-0.3	-3	-0.1	-0.1	-1	-2	60.5
Net income	11.8	14.1	120	13.3	16.0	125	-5	-4.2

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

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

Factors in *net income* change for the segment in 2013 as compared to 2012:

Factors	Changes, KZT billion
Net income (KZT120.4 billion in 2013; 125.4 billion in 2012)	-5.0
Including due to:	
improving operating performance as a result of the growth of tariffs by 14.9% and 8.4% in freight turnover and by 1.5% and tariffs by 10% and 12% in passenger traffic during 2012 and 2013 as well as optimization of the costs within the framework of the events aimed at improving operating performance (KZT3.9 billion)	14
Increase in CIT due to the growth of pretax income KZT2.4 billion and growth of deductions mainly due to the growth of costs of sponsorship of KTZh	-8
increase in exchange rates, changes in Libor rates and attracting additional loans amounting to USD 300 million in Q2 2012 through the issuance of Eurobonds	-6
Decreasing financial result of joint enterprises of “KTZh” JSC, mainly, “Tulpar-Talgo” LLP	-4
Decrease in financial income by KZT 0.3 billion and growth of financial costs by KZT 0.8 billion due to acquisition of the AC	-1.1
Increase in loss from discontinued operations due to the sale of “Lokomotiv Kurastyru Zauyty” JSC (50% of the shares), having negative result of the activity for the reporting period	-1.7

Capital costs on this segment in 2013 have amounted to KZT 473.8 billion, including for the development - KZT 386.2 billion, for maintenance of the productive assets and other fixed assets directly involved in the production and administration of the Subsidiary - KZT 87.6 billion.

For 2013 there was performed the capital repair on:

- the permanent way in the amount of KZT 39 866 million, 631 km;
- freight cars in the amount of KZT 4 063 million, 1 450 units;
- passenger cars in the amount of KZT1 937 million, 51 units;
- loco in the amount of KZT 3 321 million, 38 units.

The capital overhaul of the permanent way and rolling allowed:

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

In the reporting period it was acquired:

- 1 704 units of freight cars in the amount of KZT 23 879 million;

- 237 units of passenger cars in the amount of 35 848 million;
- 25 units of locomotives in the amount of KZT 22 649 million;
- 72 units of mainline Evolution locomotives in the amount of KZT 46 924 million;
- 2 Boeing-767, 3 Airbus-320 and 1 Embraer-190 in the amount of KZT 55.1 billion.

In 2013 there were completed the following major investment projects:

- “Reconstruction of even neck of Shieli station (GD -10)” (KZT 0.6 billion);
- Modernization of the large car casting workshop #1 (KZT9.3 billion);
- “Construction of the modern electric loco production plant” (total sum is KZT9.5 billion);
- “Electrification of the site Kostanay-Zheleznorudnaya” totaling (KZT4.7 billion);
- “Modernization of the automated system of commercial accounting of electric power (West)” totaling (KZT0.5 billion);
- “Recovery of coast-protection structure on the bridge of 323rd km of the area Ganyushkino-Atyrau” (KZT1.8 billion);
- “Modernization of the automatic switching on the mechanic hump Kandyagash” (KZT1.0 billion);
- “Introduction of the train axis counting system with substitution of the automated blocking by micro-process semi-automatic block system on railway site Semei-Lokot” (KZT0.8 billion);
- “Construction of the housing on station Makat of Atyrau backbone railway network” (KZT1.0 billion);
- “Equipping of the plant on production of “Talگو” passenger cars with the technological equipment in Astana city, “Tulpar-Talgo” LLP (KZT0.9 billion);
- “Services for the development and implementation of software “Automated complex of single corporate center charges and payments” (single corporate system (center) of settlement payments (SCCP)” (KZT 0.5 billion);
- “Implementation of the automated system for monitoring of the cargo and the integrity of cars in motion at the stations of Yekibastuz, Zhana –Aul” (KZT 0.5 billion).

In 2013 the Company has recorded 4 cases of the train crash and 13 cases of descent of rolling stock due to violations of traffic safety.

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

- hearing the heads of the directorates, departments and subsidiary companies on the work undertaken by the organization and ensuring traffic safety and measures to improve it.
- scheduled inspection of the work organization on ensuring the safety of trains, some issues of occupational safety, social conditions, the quality of preparation for the spring commission examination and the willingness of units, infrastructure and technology to the exit from the winter of 2013-2014 at the offices of the road– Kostanay, Aktobe, Karaganda;
- revision of the organization of traffic safety on farms located within the department of railways;
- continuous monitoring of maintenance of cars at the maintenance depot;
- it was conducted 3021 unscheduled inspections, including 685 at night;
- it were removed 1501 freight cars, 294 passenger cars, 959 locos;
- closed for train movement 491 station tracks, 948 turnouts having the retreat, speed was limited at 914 km of track and 376 turnouts;
- 4113 explanatory reports were taken, 247 employees were taken off the job.

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

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

The assets structure of Samruk-Energy consists of 35 companies on 4 levels, where we can distinguish 4 following main directions:

- Power generation
- Power transmission and distribution
- Power sales
- Coal production and sales

The first direction is presented by 11 stations of strategic and regional importance, including the largest:

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

Location: Ekibastuz, Pavlodar region Republic of Kazakhstan

Participants of GRES-1 are:

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

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

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

“Station Ekibastuzskaya GRES-2” JSC is a legal entity created under the laws of the Republic of Kazakhstan. Location: Solnechniy village, Pavlodar region, Republic of Kazakhstan

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

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

Electricity markets: the Northern, Central, Eastern, Southern regions and the Aktope region.

“Balkhash thermal power plant” JSC is a legal entity created under the laws of the Republic of Kazakhstan. Location: Ulken village, Zhambyl district, Almaty region, Republic of Kazakhstan.

The shareholders of “Balkhash HPP” JSC are:

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

“Moynak HPP” JSC is a legal entity created under the laws of the Republic of Kazakhstan. Location: Charyn river in the Almaty region. It is commissioned on December 2012.

The shareholders of “Moynak HPP” JSC are:

- “Samruk-Energy” JSC – 51% of the share capital.
- “Birlik AK” JSC - 49% of the share capital.

“Zhambyl GRES named after T.I.Baturov” JSC is a legal entity established and existing under the laws of the Republic of Kazakhstan. Location: Taraz, Zhambul region, Republic of Kazakhstan.

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

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

Electricity markets: South Kazakhstan region.

The second and third directions are presented by 3 distribution and 2 sales companies, including:

“Alatau Zharyk Kompaniyasy” JSC is a legal entity established and existing under the laws of the Republic of Kazakhstan. Location: 24B, Manas street, Almaty city.

Major power network on the South of the Republic of Kazakhstan transmitting, distributing power for the population, industrial and agricultural enterprises within the scope of its activity - Almaty city and Almaty region.

“East Kazakhstan Regional Energy Company” JSC is a legal entity established and existing under the laws of the Republic of Kazakhstan. Location: 10, Bazhov street, Ust-Kamenogorsk city.

“Mangystau Regional Energy Company” JSC is a legal entity established and existing under the laws of the Republic of Kazakhstan. Location: region of poultry factory, Mangystau region, Aktau city.

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

“Bogatyr Komir” LLP is the largest coal producing company in Kazakhstan: approximately 38% of total coal production in the country falls on the Company’s share. The design capacity of the cuts of “Bogatyr Komir” LLP is 42 million tons of coal per year (section “Bogatyr” - 32 million tons, the cut “North” - 10 million tons).

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

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

Subsidiary	Installed capacity, MW	Available capacity, MW
Power stations		
Ekibastuz GRES-1	4 000	2 701
Ekibastuz GRES-2	1 000	853
Zhambyl GRES	1 230	1 074
AIES	1 239	976

Aktobe CHP	88	83
Hydro-power plants		
“Moynak HPP” JSC	300	300
“Shardarinskaya HPP” JSC	100	99
Transmission and distribution (EPL length, km)		
JSC “AZhK”	28 943	
JSC “MREK”	6 170	
JSC “VK REK”	34 537.4	

Based on the Agreement #248 dated November 13, 2012 with the Ministry of Industry and New Technologies of Kazakhstan “On the performance of investment obligations of “Shardarinskaya HPP” JSC for 2013”, in compliance with the Decree of the Government of the Republic of Kazakhstan #392 dated March 25, 2009, it was set a limit rate for 2013 in the amount of KZT3.90 per 1kWh for “Shardarinskaya HPP” JSC.

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

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

In 2013 there was increase of average electricity tariff since January 10 up to KZT 13.56 /kWh with the growth of the rate for all categories of consumers in Almaty and Almaty region as a result of the introduction of maximum tariffs for energy-producing organizations for electricity in accordance with the Decree of the Government of the Republic of Kazakhstan #392 dated March 25, 2009 “On approval of the limit tariffs”. Thus, “AlmatyEnergoSbyt” LLP increased tariff for sale of electricity by 5.9% to the previously prevailing rate of KZT 12.80 kWh since September 10, 2012.

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

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

By the Order of the Department of the Agency for Regulation of Natural Monopolies of Mangistau region # 155 -OD dated December 29, 2012 it was approved tariffs for “MEDC” JSC for the transmission and distribution of electricity as CHRM for 2013 in the amount of 3.10 KZT / kWh , including for the population - 1.90 KZT / kWh, “Elektrozhuvelery” LLP - 2.39 KZT / kWh.

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

In 2013 there were the following significant events:

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

2) On June 13 “Samruk-Energy” JSC has placed the obligations in the amount of KZT2.384 billion at 7% annual interest in Kazakhstan Stock Exchange. Totally, 2 425 000 securities were sold at the price KZT1000 per the obligation.

3) On September Kazakhstan and China have signed the agreement on implementation of the projects “Construction of counter-regulating Kerbulakskaya HEP on Ili river” to the value of \$190 million.

4) On October 30 the Composition of the Board of Directors of “Samruk -Enegrgy” JSC was expanded from 6 up to 7 Members.

5) On December 3 it was signed the Certificate of the State Acceptance Commission on Commissioning solar power station with capacity 2 MW in Kapshagai city.

6) On December 05 it is held the second supervisory audit for compliance of the Corporate Management System (CMS) with the requirements of ISO 9001:2008.

7) On December 11 “Samruk-Energy” JSC has signed the agreement with KazakhmysPLC group on acquisition of 50% of the equity share in the authorized capital of “Ekibastuz GRES-1” LLP, as well as 100% of the equity share in the authorized capital of “Kazgidrotechenergo” LLP. Aggregate sum of the transaction is US\$ 1 300 000 000 (one billion and three hundred million).

8) On December 20 it was signed the Certificated of the State Acceptance Commission on Commissioning of Almaty CHP-2 the III turn. Boiler plant without boiler units st.#8.

9) December 23 it was signed the Certificate of the Working group on Commissioning of the electric filters of the units # 3 and 7 of “Ekibastuz GRES-1” LLP.

The actual average number for 2013 amounted to 17 426 units.

KEGOC is a system operator of Unified electric power system of Kazakhstan (hereinafter - EPS RK). It renders the services on transmission of the electric power, technical dispatcher of grid and energy consumption, balancing of production / consumption of electricity and ensuring contractual values of the power flows from the power grids of neighboring countries in accordance with the terms of the contracts, it also provides centralized maintenance control over the objects of EPS RK regardless of ownership.

The structure of KEGOC includes the Executive Directorate, 9 branches of intersystem electric networks located throughout the territory of Kazakhstan, the National Dispatch Center, the representative office in Almaty, “Energoinform” JSC subsidiary (100 %) - the main type of activity is to ensure a reliable operation and effective development of information and telecommunications complex of EPS RK, “Settlement and financial center to support renewable energy” subsidiary (100%) – the main type of activity is a centralized procurement and sale of the electric energy, generated by the objects on use of renewable energy sources and delivered to the electric network of unified power system of the Republic of Kazakhstan, “Batys Transit” JSC (20 %) - the construction of inter-regional 500 kV transmission line “Northern Kazakhstan - Aktobe region” and “Kazenergoprovod” LLP (50%).

The property complex of the Company includes:

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

The equipment with modern facilities of 110 kV and higher is 48% for the circuit breakers, 49% for the disconnectors, 38 % for CT, 49 % for the voltage transformers that does not allow qualifying the structure of the assets of KEGOC as relevant to the world level.

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

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

In compliance with the Order of the Agency of RK for Regulation of Natural Monopolies #285-OD dated September 17, 2013, the maximum tariffs for regulating services of KEGOC are approved for a medium-term period since November 1, 2013 up to October 31, 2015:

for electric network energy transmission

from November 1, 2013 up to October 31, 2014 in the amount of KZT 1.305 /kWh (excl.VAT);

from November 1, 2014 up to October 31, 2015 in the amount of KZT 1.469 /kWh (excl.VAT);

on technical dispatching grid output and electric power consumption

from November 1, 2013 up to October 31, 2014 in the amount of KZT 0.134 /kWh (excl.VAT);

from November 1, 2014 up to October 31, 2015 in the amount of KZT 0.148 /kWh (excl.VAT);

on balancing production and consumption of the electric energy

from November 1, 2013 up to October 31, 2014 in the amount of KZT 0.060 /kWh (excl.VAT);

from November 1, 2014 up to October 31, 2015 in the amount of KZT 0.068 /kWh (excl.VAT).

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

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

The northern zone is the center of the formation of UES of Kazakhstan, where the major part of generating capacity (71%) is concentrated and there are developed 220-500-1150 kV electrical network connecting the UES of Kazakhstan with Russia's UES. This zone is energy surplus due to the generation of power plants of the area it is provided the cover of the deficits of the southern region of the Republic and the transfer of power to Russia.

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

Due to the lack of affordable and adequate own primary fuel and energy resources and, consequently, the energy generating capacities the energy balance of the Southern Zone is formed with the deficit. So in 2013, the demand for the electricity on the Southern zone – is 18.6 billion kWh, the deficit is amounted to – 8.7 billion kWh. The cover of the deficit is achieved through the transfer on North - South Kazakhstan transit and import from the Central Asia BES. In 2013 the unscheduled power selection by the Uzbekistan totaled 0.405 billion kWh.

This zone is connected by the unified network with Kyrgyzstan and Uzbekistan, the capacity of which can ensure the energy transmission in directions from Central Asia to Kazakhstan and from Kazakhstan to the Central Asia within the limits of 8-9 billion kWh.

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

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

The actual average number for 2013 amounted to 4 665 units.

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

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

The main types of the activity of **KOREM** is to ensure the readiness for the trading of electric energy for the centralized location.

The actual average number for 2013 has amounted to 36 units.

Karagandagiprosht implements the design of mining industry, urban planning and architectural design of buildings and structures, as well as environmental design and rating for the coal and mining industry.

The actual average number for 2013 has amounted to 103 units.

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

Name	UoM	2013	2012	Deviation	Change in %	Factors
Volume of electric power generation	million kWh	28 587	17 418	11 169.00	64.12	due to the: • Increase of the load of generating capacities of “Zhambyl HEPP named after Baturov T.I.” JSC; • Commissioning of “Moynak HES” JSC; • Taking into account of the production volumes of “Ekibastuz HEP-1” JSC in the H1 2013
Volume of electric power sales	million kWh	8 133	5 626	2 507.00	44.56	
Volume of electric power transmission (regional electric networks)	million kWh	11 859	8 395	3 464.00	41.26	
Volume of heating power generation	thousand Gcal	6 793	7 471	- 678.00	- 9.08	due to the formed higher temperature regime in the southern regions of Kazakhstan and decrease of the heating power generation by “AIES” JSC
Volume of coal production	million tons	41.7	44.0	- 2.30	- 5.23	due to the absence of the need in recovery of the reserves at the storages, as well as decrease of the need in the coal of “Ekibastuz HEP 1 and 2”.
Volume of electric power transmission (national electric networks and interstate flow)	billion kWh	41.1	43.5	- 2.40	- 5.52	due to the decrease in consumption by the major industrial objects of RK, consumption of the services of “KEGOC” JSC.
SAIDI	minute/year	36.11	2.89	33.22	1 149.48	decrease due to the growth of average duration and frequency of the disconnection of the consumers from NEG.
SAIFI		0.17	0.06	0.11	183.33	

Consolidated financial indicators for the segment:

Name	UoM	2013	2012	Deviation (+/-)	Change, in %
Consolidated net income	billion	49.42	43.69	5.73	13.12
EBITDA margin	%	24.81	21.51	3.29	15.30
ROA	%	5.76	6.30	- 0.54	- 8.56
ROE	%	9.70	10.92	- 1.22	- 11.15

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

Name	2013	2012	Deviation	Change in %	Explanations
Income from sales, including	210.51	183.72	26.79	14.58	
Income from sales and interest income	210.47	183.67	26.80	14.59	Mainly, due to: • growth of income from energy sales by “Samruk-Energy” JSC by KZT 35 649 million; • growth of income from energy transmission by

Name	2013	2012	Deviation	Change in %	Explanations
					<p>“Samruk-Energy” JSC by KZT 4 870 million;</p> <ul style="list-style-type: none"> • growth of income from the energy transmitting services by KZT 3.7 billion, services on maintenance by KZT 0.7 billion, balancing services by KZT 1.6 billion KEGOC; • growth of other income of KEGOC by KZT 2.7 billion.
Cost of sales and interest expense	160.26	146.06	14.21	9.73	<p>Mainly, due to:</p> <p><u>Samruk-Energy</u></p> <ul style="list-style-type: none"> • increase of the official salary costs by KZT 6 043 million; • growth of costs of energy acquisition by KZT 11 486 million; • growth of the energy transmission costs by KZT 4 665 thousand. <p><u>KEGOC</u></p> <ul style="list-style-type: none"> • increase in technological energy consumption by KZT 0.9 billion; • increase of the labor payment costs by KZT 1.0 billion; • 3. increase in amortization and impairment costs by KZT 2.2 billion.
General administrative expenses	17.70	14.11	3.59	25.41	<p>Mainly, due to:</p> <p><u>Samruk-Energy</u></p> <ul style="list-style-type: none"> • growth of the expenses on salary by KZT 1 769 million; • growth of consulting and other professional services expenses by KZT 368 million; • growth of rent expenses by KZT 227 million; • growth of communication expenses by KZT 49 million. <p><u>KEGOC</u></p> <ul style="list-style-type: none"> • growth of tax expenses, excluding income tax, by KZT 0.8 billion.
Financial income	5.10	3.31	1.79	53.90	Due to the growth of interest income on bank deposits of Samruk-Energy by KZT 1 408 million.
Financial loss	10.40	7.23	3.17	43.79	On Samruk-Energy due to the growth of loan remuneration expenses by KZT 4 088 million, with decrease in discount of the capital value on loans and financial aid by KZT 786 million.
Income (loss) from operating activity	33.09	23.20	9.90	42.65	
Income tax expense	7.95	5.31	2.64	49.74	
Net income	49.42	43.69	5.73	13.12	Due to the advanced rates of growth of income from sales as compared to the growth of operating activity expenses.

Structure of the consolidated income of the segment

Name	2013			2012			Deviation	Change, in %
	in % to the income from sales	in % to the operating activity loss	billion	in % to the income from sales	in % to the operating activity loss	billion		
Income from sales and interest income	100	117	211	100	113	184	27	15
Operating activity loss	85	100	179	88	100	162	17	11
Cost of sales and interest expense	76	89	160	80	90	146	14	10
Gross income	24	28	50	20	23	38	13	33
General administrative expenses	8	10	18	8	9	14	4	25
Shipping and sales expenses	0.1	0.1	0.3	0.3	0.4	0.6	- 0.4	- 59
Expenses from the assets depreciation	0.1	0.1	0.2	0.3	0.4	0.6	- 0.4	- 70

Name	2013			2012			Deviation	Change, in %
	in % to the income from sales	in % to the operating activity loss	billion	in % to the income from sales	in % to the operating activity loss	billion		
Income (loss) from operating activity	16	18	33	13	14	23	10	43
Share in the income of the associated companies and joint ventures	14	17	30	16	18	30	0.1	0
Income tax expense	3.8	4.4	8.0	2.9	3.3	5.3	2.6	50
Net income	23	28	49	24	27	44	6	13

In the result of the *works on reduction of the expenses conducted by the Companies of the segment* the share of general expenses on operating activity in incomes from sales has decreased by 4 items, including the net cost, as well as GAE – by 2 item in the reporting period as compared to 2012.

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

Factors	Changes, billion
Net income (KZT49.42 billion for the reporting period; KZT43.69 billion for 2012)	5.7
including:	
Due to improvement of the performance of operating activity due to the increase in the volume of the energy generated by more than 11.2 billion kWh and the volume of the energy generated	9.0
Negative currency rate and other financial losses	-3.2

Capital expenses for the segment in 2013 amounted **KZT84.6 billion**.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

The amount of broadband (ports) subscribers for the reporting period has amounted to 1 467 520 ports, with the growth of the previous year by 22 % due to the active promotion of services in the segment of individuals under Megaline Drive, Turbo, Hit, iD Net tariff plans.

The number of mobile communication subscribers (“ALTEL” JSC) has amounted to 628 521 units, that is below by 44% as compared to the last year, due to lower customers’ loyalty. To attract new and retain existing customers it is developed and actively promoted “Daily” and “Inside the network for 300” tariffs, with free on-net calls and reduced tariffs for GSM operators. To increase the sales on TM City it has been reduced the fee, and the proposal has been strengthened by sales of promo phones.

The number of mobile broadband subscribers for 2013 amounted to 112 373 units, or by 48% higher as compared to the last year, due to lower loyalty of EVDO subscribers. To keep the subscribers’ base of EVDO, the promotional offers have been extended with providing of unlimited traffic. Also a certain impact on the number of LTE subscribers has been made by transfer of commercial launch of GSM network, which in its turn, limits the completeness of the coverage of subscriber segments. With the occurrence of voice services there will be the possibility to reach the target segment of smartphone users as well.

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

1. Accession of the networks of telecommunications of the communication operators to the network of public telecommunication at the local level;

2. Accession of the equipment (access units) of the operators of IP-telephony (Internet telephony) to the public telecommunication network at long-distance level;

3. Skipping of the telephone traffic from (to) the equipment (AU) of merging operators of IP-telephony (Internet telephony) by connecting operators of communication.

4. Provision of telephone conduit.

In 2013 it is revised following tariffs for regulated services:

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

It is increased the monthly fee for one basic telephone that is not translated into time-based system of payment of telephone connections (per month) for individuals CTA, CTC+ 20%;

2. It is increased the monthly fee for one basic telephone, translated into time-based system of payment of telephone connections (per month) for notaries in private practice, lawyers and entrepreneurs CTA, CTC+ 6.1%;

3. It is reduced the tariff for public access to the Internet by 5 %.

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

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

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

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

Following significant events took place during the reporting period:

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

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

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

The actual average number for the reporting period has amounted to 31 199 people.

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

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

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

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

Change in the share of Kazpost in Kazakhstan in 2013 as compared to the last year on sending letters has achieved from 84% up to 85%, parcels from 77% up to 63%, distribution of printed materials - from 97% up to 96%, and the provision of financial and banking services - from 13.5% up to 12.2%. The share of Kazpost in Kazakhstan in 2013 as compared to the last year courier and express mail remained unchanged at the level of 20%.

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

“Elektronpost.kz” JV” LLP was registered in 2006, in 2012 it were purchased the equity interests of “Eesti Elektronpost” (Estonia) and “Asternann LLP” (United Kingdom) with bringing up to 100% of the owning of “Kazpost” JSC. Types of activity: rendering services of digital printing and converting as well as electronic and direct marketing services;

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

Compensating tariff for common letter sending across RK is introduced since July 1, 2013 in the amount of KZT 58.

In compliance with the Law of RK “On competitiveness”, the Company listed on the State register of market subjects taking dominating (monopolistic) positions with the dominating share more than 35% in the geographic boundaries of the Republic of Kazakhstan in part of service rendering:

For the delivery, distribution and sending periodicals (PPM);

For the cash operations in the settlements;

For the sending registered letter within the geographical boundaries of RK.

Differentiation of the tariffs on registered letters sending by the method of sending and the categories of consumers was cancelled since August 1, 2013 with change of existing nominal weights of sending from 20 grams for up to 50 grams.

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

The tariffs for the delivery, distribution and sending of PPM for 2014.

We note the **following significant events** of 2013:

1) approval of the Development Strategy of “Kazpost” JSC until 2022
2) attracted of external borrowings in the amount of KZT 1 274 million for the implementation of the plan of capital investments planned for 2013;

3) signing of the Memorandum of understanding and cooperation with “Union of organizations of disabled people in Kazakhstan” ULE to create barrier-free servicing environment.

The average number list at the end of 2013 has amounted to 22 000 units.

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

Indicator	UoM					Factors
		2013	2012	Deviation	Change in %	
Number of fixed lines	Thousand of lines	4 086	4 048	38	0.94	Due to connection of new subscribers to the fixed telephony.
Amount of subscribers – Mobile communication (Voice)	Thousand item	628,5	1 126	-497.5	-44.18	Because of decreasing customer loyalty and due to the fact that starting 2013 ITU methodology is used (estimates involve only active subscribers).
Number of subscribers of BBA	Thousand of ports	1 468	1 204	264	21.93	It is termed by active promoting of the service on the segment of natural persons on MegalineDrive, Turbo, Hit, iDNet tariff plans.

Indicator	UoM					Factors
		2013	2012	Deviation	Change in %	
Volume of postal services	Million of items	369.08	311.58	57.5	18.45	due to the growth of the volumes of sending by “Electronpost.kz” LLP and sending of parcels due to the volumes of the remote trade.
Volume of financial services	billion	822.1	794.75	27.35	3.44	Due to the growth of utility payments and taxes.
Volume of agency services	billion	48.83	26.5	22.33	84.26	due to the increase of the volume of the crediting of STB (“Home Bank Credit” JSC).

Consolidated financial indicators for the segment:

Name	UoM				
		2013	2012	Deviation (+/-)	Change, in %
Consolidated net income	billion	19.7	223.1	-203.4	-91.2
EBITDA margin	%	31.4	33.6	-2.2	-6.5
ROA	%	7.11	76.19	-69.08	-90.7
ROE	%	6.93	79.24	-72.3	-91.3

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

Name	billion				Explanations
	2013	2012	Deviation	Change in %	
Income from sales	213.7	195.1	18.6	9.5	
Income from sales and interest income	208.1	190.0	18.1	9.5	<p>Mainly due to:</p> <ul style="list-style-type: none"> • growth of the volume of the service of data transmission network (KZT13 056 million) due to active promoting of the service on “Megaline Optima”, “Megaline Hit” and “Megaline Turbo” tariff plans for “Natural persons” and “Individual entrepreneurs” user categories. • Implementation of single projects (KZT4 414 million) on active introduction of information and communication technologies (ICT) services • growth of the postal services by 13.5% or by KZT1 624.3 million due to growth of the volumes transfereed by “Electronpost” LLP and sending parcels and insured boxes by e-trade companies
Cost of sales and interest expenses	154.6	138.8	15.8	11.4	<p>Mainly due to:</p> <ul style="list-style-type: none"> • increase of the expenses on work (KZT 5 481 million) due to indexation of the salaries, as well as acquisition of “Digital TV” LLP and establishing contact centers of “KT Cloud Lab” LLP; • growth of the costs of actuarial payments and ICT projects in the amount of KZT 5 817 million • growth of the costs on labor payment including taxes (KZT3 827 million) due to the increase in average month salary of the industrial staff of Kazpost to make up to the average republican level.
General administrative expenses	25.4	24.4	1.0	4.1	<p>Mainly due to:</p> <ul style="list-style-type: none"> • growth of the costs on insurance (KZT1 044 million) that is associated with the increase in insured property of the Company (equipment, transport).
Loss from assets depreciation	-0.6	5.8	-6.4	-110.3	<ul style="list-style-type: none"> • due to the revision of the reserve for long-term accounts receivable of “MTC” LLP, in accordance with item 34 of IFRS 8 “Accounting policy, changes in calculating account estimations and mistakes”, item 58.59 of IFRS 39 “Financial instruments, recognitions and evaluation”. • Loss reserve, cash shortage and fraud and growth of overdue accounts receivable of Kazpost (KZT163 million)

Name	billion				Explanations
	2013	2012	Deviation	Change in %	
Income (loss) from operating activity	28	32	-4.0	-12.5	
Income tax expense	3.9	4.5	-0.6	-13.3	
Profit / (loss) from discontinued operations	0	202	-202.0	-100.0	Sate of the equity interest in "GSM Kazakhstan" LLP in 2012
Net income	19.7	223.1	-203.4	-91.2	

Structure of the consolidated income of the segment

Name	2013			2012			Deviation	Change, in %
	in % to the income from sales	in % to the operating activity loss	billion	in % to the income from sales	in % to the operating activity loss	billion		
Income from sales and interest income	100	115.2	213.7	100	113.3	195.1	18.6	9%
Loss of the operating activity	86.8	100	185.43	88.2	100	168.61	16.82	9%
Cost of sales and interest expenses	72.3	83.4	154.6	72	81.6	138.8	15.8	10%
Gross income	27.7	31.9	59.1	28	31.8	56.3	2.8	5%
General administrative expenses	11.9	13.7	25.4	12.2	13.8	24.4	1	4%
Shipment and sales expenses	2.5	2.9	5.43	2.7	3.1	5.41	0.02	0%
Recovery of the assets depreciation	0.0	0.0	0	0.3	0.3	5.8	-5.8	
Loss from assets depreciation	-0.3	-0.3	-0.6	2.7	3	0	-0.6	100%
Other operating income, net	1.9	2.2	4	1.6	1.8	3	1	25%
Income (loss) from operating activity	13.1	15.1	28	16.1	18.3	32	-4	-14%
Income tax expense	1.8	2.1	3.9	2.2	2.5	4.5	-0.6	-15%
Profit / (loss) from discontinued operations	0.0	0.0	0	100.8	114.2	202	-202	
Net income	9.4	10.8	20	111.3	126.2	223	-203	10-folds

In the result of the work conducted on reduction of the expenses in the group of the Fund, the share of general administrative expenses in the income from sale has decrease on 1 item in the reporting period as compared with 2012.

Factors of the alternations of net income on the segment in 2013 as compared to 2012:

Factors	Changes, billion
Net income (KZT19.7 billion for the reporting period; KZT223.1billion for 2012)	- 203.4
Income from discontinued operations in the result of sale of the equity interest in "GSM Kazakhstan" JSC to "Kazakhtelecom" JSC	- 201.9
other	- 1.5

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

- 1) increasing the satisfaction of the growing demand for high-speed broadband access (BBA) and the expansion of telecommunication services provided by Kazakhtelecom;
- 2) rapid and efficient development of rural telecommunications network based on wireless technology, CDMA-450, and meeting the demand of rural people in the country for telecommunications services;
- 3) the expansion of existing joints with leading telecom operators of the bordering countries;
- 4) the development of innovative services based on Internet Data Centers, which present a complex of network, computer equipment and specialized software, using energy-saving technologies and with a high degree of fault tolerance and redundancy;

5) the development of corporate information and communication services through the development and implementation of comprehensive partnership programs, including with the participation of the leading IT service providers (Microsoft, IBM, SAP and HP);

6) expanding of the core business “Postal services” due to the diversification of the product portfolio, high-quality customer servicing and innovative products;

7) the establishment of a full-fledged business of financial services through its transition from receiving agency revenue to sale of its own financial services;

8) the development of IT-infrastructure of the company and the development of the brand reliability and quality.

9) the deployment of high-quality mobile network LTE / UMTS / GSM coated settlements with a population of over 50 thousand and the suburbs of large cities.

Capital expenses for the segment in 2013 amounted to KZT67.5 billion, including on maintenance of the productive assets and other fixed assets - KZT 11.7 billion and for the development - KZT55.8 billion.

3.6 “Financial institutions and development institutions” segment includes the Companies: “BTA Bank” JSC, “Alliance Bank” JSC, “Temirbank” JSC, which are the major Companies in this segment, as well as “Real Estate Fund “Samruk- Kazyna” JSC, “Astana –Finance”, “Şekerbank T.A.S”.

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

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

The structure of the Real Estate Fund includes four companies.

The main activities of the Real Estate Fund are:

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

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

1) it is identified new areas of activity of the Company and established the subsidiary – “SK Development” LLP;

2) 3 objects are commissioned: 1 object as a part of Anti-crisi program (“Etalon” DC in Almaty city, 10.2 thousand m²), 2 objects as a part of “Affordable Housing-2020” program: “YunisCity” DC in Aktobe city (20.2 thousand m²) and DC in 42, V. Mayakovsky street, Taraz city (3.7 thousand m²).

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

4) On July 2013 it is introduced amendments in the Law of RK “On share participation in housing construction”, in compliance with which the Real Estate Fund not being the Company with the direct public participation, financing the developers, acquires the status of the interestholder, although, infact, it is the investor, as the very entrepreneur component is the basis of the transactions of the Real Estate Fund. Besides, the

procedures and requirements provided by said Law decreases in attractiveness of “Affordable Housing-2020” program for the developers. And obligatory participation of the second-tier banks in the shared participation mechanism will lead to the appreciation of the housing construction and parameters non-achievement provided by “Affordable Housing-2020” program. To conclude financing contracts with the developers to implement the projects of housing construction it is required presence of the housing construction license of the developers at the expense of money of the interestholders.

5) KZT28.1 billion are obtained in the reporting period within the framework of the loan facility to implement “Affordable Housing-2020” program.

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

In compliance with the number of documents signed by the Fund with “Kazkommertsbank JSC (hereinafter - KKB) and the individual, on December 2013 and January 2014, KKB and the individual acquires 46.5% of the shares of BTA each to join “BTA Bank” JSC and KKB into the joint bank by the end of 2014. The rest share in “BTA Bank” JSC in the amount of 4.26% will be transferred to the trust management of KKB, as a result of which KKB will manage a control stock of shares in BTA prior to the jointing.

The transaction will be deemed as completed upon implementation by the parties of a number of the contingent conditions, among them, obtaining permission of relevant authorities of the parties and state regulating bodies, as well as implementing amendments in the banking legislation of RK, permitting KKB to implement investments of more than 10% of the owned capital. In addition, the parties agreed on interaction to return the distressed assets of “BTA Bank” JSC. Completion of the transaction is planned for Q2 2014.

Given the abovementioned, as well as the fact that in compliance with the Memorandum of Understanding the Government and the National Bank of the Republic of Kazakhstan will facilitate parties in resolving some critical contingent conditions, “BTA Bank” JSC is classified in the financial statement of the Fund as the disposal group.

Consolidated financial indicators for the segment:

Name	UoM	2013	2012	Deviation, (+/-)	Change, in %
Consolidated net income	billion	-248.7	403.06	-651.7	-161
Ni margin	%	-319.1	655.3	-974.4	-148.6
ROA	%	-7.7	10.5	-18.2	-173.3
ROE	%	-46.2	87.9	-134.1	-152.5

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

Name	billion				Explanations
	2013	2012	Deviation	Change in %	
Income from sales and interest income to the external clients	77.9	61.5	16.4	26.6	Mainly, due to the increase in the interest and fee income on “Alliance Bank” JSC by KZT16 billion.
Cost of sales and interest expenses	53.8	46.1	7.7	16.7	Mainly, due to the increase in the interest expenses of “Alliance Bank” JSC by KZT 7 billion, including on subordinated debt in the amount of KZT 4.7 billion, on debt securities in the amount of KZT 1.2 billion, due to the recognition of unamortized net discount as the interest expense in 2013.
Recovery of the assets depreciation	40.2	120.1	-79.9	-67	Due to the decrease of recovery of depreciation of the assets on “Alliance Bank” JSC by KZT 65.2 billion on the loans allocated to the clients due to restructuring of the credits and revision of the terms of their depreciation.
Loss from assets	120.1	103.7	16.4	15.8	Due to the increase on loss from depreciation of the assets on “Alliance Bank” JSC by KZT 16.7 billion, in the result of establishing reserves on consumer and

Name	billion				Explanations
	2013	2012	Deviation	Change in %	
depreciation					mortgage credits, due to the revision of the evaluation of the size of the reserve for the credit depreciation based on the last experience of incurred actual losses on credit portfolios.
Income (loss) from operating activity	-67.3	16	-51.3	-321	Mainly due to lower recovery of impairment of assets and increase the impairment loss on assets of "Alliance Bank" JSC.
Income tax expense	18.65	0.75	17.9		Effect of the deferred income tax on "Alliance Bank" JSC in the amount of KZT18.1 billion, due to recognition of deferred asset.
Profit / (loss) from discontinued operations	-170.39	377.7	-548.1	-145	Mainly, the effect of the growth of the losses on adjustment up to fair value of the net assets of "BTA Bank" JSC in the amount of KZT144 billion.
Net income	-248.71	403.06	-651.77	-161.7	Mainly, due to the increase in losses from discontinued operations on "BTA Bank" JSC in the amount of KZT 156.56 billion and on "Temirbank" JSC in the amount of KZT 13.2 billion. Also the loss was affected by the establishing reserve for allocated credit depreciation in the amount of KZT 77 billion on "Alliance Bank" JSC.

Structure of the consolidated income of the segment

Name	2013			2012			Deviation	Change, in %
	in % to the income from sales	in % to the cost of sales and the interest losses	billion	in % to the income from sales	in % to the cost of sales and the interest losses	billion		
Income from sales and interest income to the external clients	100	132	77.9	100	119.5	61.5	16.4	26.6
Cost of sales and interest expenses	69	100	53.8	74.9	100	46.1	7.7	16.7
Gross income	30.9	44	24.1	24	33	15.3	8.8	57.5
General administrative expenses	25	36	19.61	32	43.3	19.98	-0.37	-1.8
Recovery of the assets depreciation	51.6	74	40.2	195	261	120.1	-79.9	-67
Loss from assets depreciation	154	223.2	120.1	168.6	224	103.7	16.4	15.8
Other operating income, net	15	22.2	11.98	13	17	8.22	3.76	45.7
Income (loss) from operating activity			-67.3	26	34.7	16	-68.6	
Share in the income of associated companies and joint ventures	8	11	6.3	10	14	6.5	-0.2	-3.07
Income tax expense	23	34.6	18.65	1.2	1	0.75	17.9	
Profit / (loss) from discontinued operations			-170.39	614	819	377.7	-548.1	-145
Net income (loss)			-248.71	655.3	874.3	403.06	-651.77	-161.7

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

Name	UoM	2013	2012	Deviation	Change in %	Factors
Real estate pool under the housing construction program	Tousand square meter	322.1	115.15	207	64	Assuming new liabilities on "affordable Housing-2020" program (5 contracts are concluded in 2013)
Share of the private investments attracted to the housing construction	%	25.6	20.7	5	19	Attraction of the private investments on "Assyl Arman" DC (II turn) - 20%, "Shygys" DC - 41%, on "Modern DC" DC - 20%, on dwelling house in Taraz city - 33%
Annual commissioning of the real estate under the housing	Tousand square meter	23.97	0	24	100	Commissioning of "YunisCity" DC in Aktobe city (20.2 thousand m ²) and

Name	UoM	2013	2012	Deviation	Change in %	Factors
construction program at the expense of the investments of the Real Estate Fund						DC on 42, V. Mayakovsky street, Taraz city (3.7 thousand m2)

Decrease of net income in the reporting period by **KZT 651.7 billion** as compared to 2012, mainly, has been mainly effected by the increase of loss from discontinued activity on “BTA Bank” JSC due to the adjustment up to fair value-added of net assets in selling shares of “BTA Bank” JSC and the decrease in the net income of “BTA Bank” JSC on “**Financial Institutes and Development Institutes**” segment.

Factors of the alternations of net income on the segment in 2013 as compared to 2012:

Factors	Changes, billion
Net income (loss - KZT248.7 billion for the reporting period; KZT403.06 billion for 2012)	-651.7
increase in loss from discontinued operations on “BTA Bank” JSC due to the adjustment up to fair value of the net assets in selling the shares of “BTA Bank” JSC by KZT 144 billion and decrease in net income of “BTA Bank” JSC by KZT 355 billion, due to the fact that in 2012 “BTA Bank” JSC has recognized the income from liabilities restructuring in the amount of KZT1 074 billion (the difference between the final balance value-added of the restructured liabilities, regardless the obligations, converted to the capital of the Bank under the restructuring, and fair value-added of new issued instruments and losses on cash payments) and recognized the losses on obligations for recovery on the basic amount in the amount of KZT 633 billion	-562.7
the increase in the interest and fee income on “Alliance Bank” JSC	16.4
the increase on loss from depreciation of the assets on “Alliance Bank” JSC by KZT 16.7 billion, in the result of establishing reserves on consumer and mortgage credits, due to the revision of the evaluation of the time of the reserve for the credit depreciation based on the last experience of incurred actual losses on credit portfolios	-16.7
The effect of the deferred income tax on “Alliance Bank” JSC in the amount of KZT18.1 billion, due to occurrence and reversal of temporary differences and change of evaluation reserve	-17.9
the increase in the net cosy on the interest expenses of “Alliance Bank” JSC by KZT 7 billion, including on subordinated debt in the amount of KZT 4.7 billion, on debt securities in the amount of KZT 1.2 billion, due to the recognition of unamortized net discount as the interest expense in 2013	-7.7
the decrease of recovery of depreciation of the assets on “Alliance Bank” JSC by KZT 65.2 billion on the loans allocated to the clients	-65.2
Other	2

Capital losses (total expenses for the development of the investments) on «Financial institutions and development institutions” segment in the reporting period have amounted to **KZT3.177 billion**, including on “BTA Bank” JSC in the amount of KZT 1.3 billion, on “Temirbank” JSC in the amount of KZT1.02 billion and on “Alliance Bank” JSC in the amount of KZT 0.623 billion to procure the fixed assets and intangible assets.

3.7. “Corporate Center and Projects” segment includes “Samruk-Kazyna” JSC (hereinafter - the Fund) and “**Samruk -Kazyna Invest**” LLP, “**Samruk-Kazyna Contract**” LLP, “**Samruk-Kazyna Finance**” LLP.

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

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

2) in accordance with the Minutes of the meeting with the participation of the President of the Republic of Kazakhstan # 01-7.1 on January 23, 2013 “On THE results of social and economic development of the Republic of Kazakhstan for 2012 and the tasks for the implementation of “Kazakhstan – 2050” Strategy as well as in compliance with the trust management agreements with the right of full control over the ownership share, owned by the Fund, “Kazyna Capital Management” JSC, “Export-Credit Insurance Corporation “KazExportGarant” JSC, “Damu” Entrepreneurship Development Fund” JSC, “Investment Fund of Kazakhstan” JSC, “Development Bank of Kazakhstan” JSC are transferred to the “National Managing Holding “Baiterek” JSC, “SK-Pharmaceuticals” LLP is transferred to the Ministry of Health of the Republic of Kazakhstan.

On July 2013 the Fund has concluded the swap agreement with the Committee of State Property and Privatization, in compliance with which it is performed the transfer of the stock of shares and the equity interest of the subsidiaries “Damu” Entrepreneurship Development Fund” JSC, “Kazyna Capital Management” JSC, “Export-Credit Insurance Corporation “KazExportGarant” JSC, “Investment Fund of Kazakhstan” JSC, “SK-

Pharmaceuticals” LLP, “Kazgeology” National Exploration Company” JSC to the republican property in exchange for state property in accordance with the list in the agreement.

3) The Fund has placed 255,000,000 coupon bonds with a nominal value of KZT 1,000 per bond in the total amount of KZT255.000 billion with the term of circulation of 50 years and the coupon interest rate in the amount of 0.01% per annum. The funds obtained from the sales of these obligations have been used for acquisition of 29.8221% of the equity interest in “Kazzinc” LLP;

4) The Fund has acquired 29.8221 % of the equity interest in the authorized capital of “Kazzinc” in the amount of KZT248.8 billion by acquiring a 100% of the equity interest in the authorized capital of “Logic Business” LLP, “Logic Invest Capital” LLP and “Dana” Investment House”, LLP owning 9.9407 % of the equity interest in the “Kazzinc” LLP each. Further the Fund has transferred these equity interests in “Kazzinc” LLP to the authorized capital of JSC “NMC “Tau-Ken Samruk”;

5) The Fund has transferred 100% of the equity interest in “East Kazakhstan Regional Energy Company” JSC to the authorized capital of “Samruk-Energy” JSC and 100 % of the equity interest in JSC “National Company “Aktau International Trading Port” to the authorized capital of the JSC “National Company “Kzakhstan Temir Zholy”;

6) In compliance with the Decree of the Government of RK #521 dsp dated May 28, 2013 the Fund has implemented the donation of 58,876,793 ordinary shares of «Kazakhmys PLC» to the republican property of the Committee of State Property and Privatization of the Republic of Kazakhstan;

7) In December the Fund has signed the agreements with the potential purchasers on purchase of 46.5% of the shares of “BTA Bank” JSC, 79.88% shares of “Temirbank” JSC and 16% ordinary and privileged shares of “Alliance Bank” JSC; the banks’ share sale and purchase transactions will be completed until the end of 2014.

Taking into account the fact the in compliance with the Memorandum of Understanding the Government and the National Bank of the Republic of Kazakhstan will facilitate parties in resolving some critical contingent conditions and high probability of completing transactions, “BTA Bank” JSC, “Temirbank” JSC have been classified in the financial statement of the Fund as the assets for sales, while the assets, liabilities and results of “Alliance Bank” JSC are classified as continued operations, as the control stock of shares (51% ordinary and privileged shares) is still owned by the Fund.

The actual average number of the Corporate Center of the Fund for 2013 has amounted to 142 units.

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

Main objective of the SK Finance is the development and implementation of the exit strategy as well as preparation for the sale of the second-tier banks of the Fund ensuring favorable terms for it. In compliance with the Charter the main types of activity of “Samruk-Kazyna Finance” LLP is the rendering consulting services on managing and preparing for the sales of the shares and the equity interest in the financial organizations directly or indirectly owned by the Fund.

Pursuant to the Instruction of the President of the Republic of Kazakhstan Nazarbayev N.A., given at the extended meeting of the Government of the Republic of Kazakhstan #01-7.14 dated October 11, 2013, the Decree of the Government of the Republic of Kazakhstan # 206 dated March 4, 2013 the Fund works over the exit from the composition of the shareholders of the second-tier banks: “BTA Bank” JSC, “Alliance Bank” JSC and “Temirbank” JSC.

On December 12, 2013 the agreements on alienation of the stock of shares of “Alliance Bank” JSC and “Temirbank” JSC have been signed between the Fund and Mr. B. Utemuratov.

On January 31, 2014 the agreements on alienation of the stock of shares of “BTA Bank” JSC have been signed between the Fund and 2 purchasers – “Kazkommertsbank” JSC and Mr. K. Rakishev.

Therefore, the main activities of the SK Finance for 2014 are the implementation of the objectives associated with the closing transactions on sales of the shares of “BTA Bank” JSC, “Alliance Bank” JSC and “Temirbank” JSC, and further with the exit from the Joint Banks.

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

The main activity of the Partnership is the participation in the investment activities of the Fund through the following activities:

- Investment to the capital and assets of legal entities, including at the expense of its own funds and the means of the Fund;
- providing asset management services and investment and consulting services;
- organization of financing projects, including the evaluation of the sources of financing and syndicated project financing;
- researching on corporate, industry, investment, economic and marketing issues;
- consulting services on the issues of information and analytical support for investment activity;

- supporting the initiatives of the private sector on the projects aimed at providing in-depth processing of raw materials, the use of advanced technology and equipment, as well as improving the quality and growth of output of goods and services;

- co-operation with existing investment funds and stimulating the activity of development institutions in order to share the risks of the project participants.

The Sole Shareholder of SK Invest is the Fund.

Under the activities during 2013 the Partnership has held 24 meetings of the Investment and Innovative Committee, in the course of which it were considered 52 investment projects with a total value of \$14.6 billion, of which 32 projects have been approved, 13 projects have been approved under contingent conditions, 6 projects should be trashed out and 1 project has been rejected.

In 2013 the Investment Committee of the Partnership has considered 39 projects, 17 projects with participation of the Partnership of which have been selected for the further work, following the results of 2013 15 projects with a total value of US\$ 4.06 billion from a variety of industries, including the metallurgical, chemical, oil and gas, energy and other industries are in the portfolio of the projects of the Partnership.

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

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

2) it has entered into the Statutory agreement with “United Chemical Company” LLP (hereinafter – the Participant) . Following the terms of the agreement the Partnership and the Participant establishes “Chim-plus” LLP. The authorized capital of “Chim-plus” LLP is formed by combining the contributions of Participants. The size of the contributions of the Partnership and the Participant in cash is amounted to KZT19.8 million and KZT19 750.2 mln, respectively; the ratio of the contributions is 0.1 % and 99.9 %, respectively. In compliance with the Statutory agreement, the authorized capital shall be paid within one year after the signing of the contract. As of June 30, 2013 the Partnership has contributed its share to the authorized capital and has reflected this investment as the investment available- for -sale;

3) it is acquired 10 000 ordinary shares of “Syrymbet” JSC (10%) under the implementation of the investment project “Developing tin deposits “Syrymbet” in North-Kazakhstan oblast and the construction of mining complex” for the cash consideration in the amount of KZT1 732.5 million.

The actual average number for the reporting period has amounted to 55 units.

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

The Sole Shareholder is the Fund.

In 2013 gradual transition to the procurement implementation in the e-procurement information system has been made. Following 2013 the transition of the subsidiary and dependent organizations of “Samruk-Kazyna” JSC into the e-procurement information system has amounted to 100%.

In 2013 it is started work on actualization of the Uniform Stock Item Identification Guide of goods, works and services, including on proposals of the subsidiary and dependent organizations of the Fund and the state bodies. Within the framework of this work it is studied 43 705 positions of goods, work and services. To improve procurement process it is started the use of the Guide in the procurement state sector. At present USIIG GWS is introduced to all informational systems of the Partnership and the Fund associated with the procurements and statements.

The actual average number for 2013 amounts to 64 units.

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

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

Consolidated financial indicators for the segment:

Name	UoM	2013	2012	Deviation, (+/-)	Change, in %
Consolidated net income	million	- 122 507	338 559	-461 066	-72.4
EBITDA margin	%	30.3	61.5	-31.2	-51
ROA	%	-2.3	7.2	-9.5	-132
ROE	%	-3.3	10.9	-14.2	-130

Main articles of the report on consolidated income of the segment

Name	2013			2012			Deviation	Change, in %
	in % to the income from sales	in % to the operating activity loss	million	in % to the income from sales	in % to the operating activity loss	million		
Income from sales and interest income	100	56	199 508	100	97	469 289	-269 781	-57
Loss of the operating activity	180	100	359 155	103	100	482 222	-123 067	-26
Cost of sales and interest expenses	57	31	113 112	34	33	158 974	-45 862	-29
Gross income	43	24	86 396	66	64	310 315	-223 919	-72
General administrative expenses	13	7	25 913	4	4	20 168	5 745	28
Recovery of the assets depreciation	0	0	-	60	58	282 068	-282 068	-100
Loss from assets depreciation	110	61	219 608	64	62	301 135	-81 527	-27
Income (loss) from operating activity	-80	-44	-159 647	-2,8	-2,7	-12 933	-172 580	
Income tax expense	2	1	4 529	2	2	11 236	-6 707	-60
Net income	-61	-34	-122 507	72	70	338 559	-461 066	-136

Factors of the alternations of net income on the segment in 2013 as compared to 2012:

Factors	Changes, billion
Net loss (KZT-122.5 billion for 2013; net income KZT338.6 billion for 2012)	-461.1
including due to:	
Decrease in loss from the revocery of the reserve for doubtful claims, accrued in 2012 due to the reversal of the financial assets depreciation at the expense of repayment of the bank contribution to "BTA Bank" JSC (in the statement for 2011 it was accrued depreciation of these contributions, in 2012 it was made partial return of the contributions and, accordingly, reflected the depreciation reversal)	-279.8
Decrease of the dividends from the subsidiaries due to the amending standard of dividend accrual following the activity of the subsidiaries for 2012 from 30% to 15%, as well as receiving additional dividends from "Kazakhtelecom" JSC in 2012 following the transaction on sale of the equity interest in "GSM Kazakhstan" JSC in the amount of KZT 103.4 billion.	-248.2
Decrease in income tax losses mainly due to the impact of the investment depreciation recalculation in the subsidiaries	-6.7
Transfer of the equity interest in "SK-Pharmaceuticals" LLP to the trust management of the Ministry of Health of RK.	-1.7
Decrease in loss from the depreciation of the investments to the subsidiaries as compared to 2012 in the amount of KZT137.9 billion, including by KZT129.7 billion to "BTA Bank" JSC, "Alliance Bank" JSC. At the same time, in the reporting period, it was accrued loss from investment depreciation to "Logic Business» LLP, "Logic Invest Capital» LLP and "Dana" Investment House" LLP in the total amount of KZT 55.3 billion.	82.6
Increase in general and administrative loss mainly due to growth of the loss of sponsorship and charity	6.6
other	-13.9

III. Liquidity

1. Analysis of the cash flow

billion

Name	2013	2012	Deviation
Net income of the cash from the operating activity	461	375	86

Name	2013	2012	Deviation
Net loss of the cash in the investment activity	-1 689	-501	-1 188
Net income / (loss) of the cash in the financial activity	492	-61	553
Net growth / (decrease) of cash and their equivalents	-727	-178	-549
Cash and their equivalents as of the beginning of the period	1 468	1 647	-179
Cash and their equivalents as of the end of the period	741	1 468	-727

The factors of alternations of the *cash* in the reporting period as compared to 2012 are provided below.

Factors	Changes, billion
Cash flow from the operating activity has increased in the result of: <ul style="list-style-type: none"> • Increase of operating activity (183 billion) mainly due to growth of tariffs in cargo and passenger traffic, tariffs for services in transfer of the electric power, electric power outputs; • Changes in the turnover capital (KZT-78 billion), mainly due to the loans of the Government (KZT-435 billion) and loans to the clients (KZT298 billion), liabilities on the clients' funds (KZT-78 billion), other assets (KZT 77 billion), funds in the credit enterprises (KZT35 billion) due to the reclassification to the assets and liabilities, associated with the assets, available-for-sale, exit of the financial organizations and development institutes as well as repayment of the trade accounts receivable (KZT28 billion); • Increase of the volume of paid income tax (KZT-26 billion), net interest earned (KZT7 billion). 	86
Cash flow from the investment activity has decreased in the result of: <ul style="list-style-type: none"> • acquisition of 29,8221% of the equity interest in the authorized capital of "Kazzinc" LLP in the amount of KZT249 bln (alternation by KZT-266 billion); • growth of acquisition of the fixed assets (KZT-216 billion); • decrease in the income from the sale of associated companies due to the sale of 49% of the equity interest in «GSM Kazakhstan» LLP to «Kazakhtelecom» OJSC (-KZT226 bln) in 2012; • growth of the volume of cash allocated on bank deposits (KZT-167 billion); • decrease of the cash flow due to the retired subsidiaries (KZT-165 billion) due to the transfer of the equity interest owned by the Fund, "Kazyna Capital Management" JSC, "Export and Credit Insurance Corporation "KazExport Garant" JSC, "Damu" Entrepreneurship Development Fund" JSC, "Investment Fund of Kazakhstan" JSC, "Development Bank of Kazakhstan" JSC, "SK-Pharmaceuticals" LLP to the "National Managing Holding "Baiterek" JSC, Ministry of Industry and New Technologies of RK, Ministry of Health of RK; • decrease in the income from dividends received from jointly controlled and associated companies (KZT -152 billion). 	-1 188
Cash flow from financial activity has increased in result of: <ul style="list-style-type: none"> • income on loans (net KZT 239 billion), particularly under the credit line of the China Development Bank in the amount of US\$ 200 mln (equivalent - KZT30.3 bln) for implementation of the projects of Akbastau – Kosmurun, Zhomart; placement of the obligations by the Group in the person of «NC "KazMunayGas" JSC on the London Stock Market in the amount of US\$ 3 bln (equivalent – KZT 454 bln) for implementation of the refinancing of previously attracted loans under the current program of issue of medium-term global notes; at the expense of the funds of the National Fund in the amount of KZT255 billion to acquire 29.8221% of the equity interest in the authorized capital of "Kazzinc" LLP; • decrease in the payment on dividends to the Shareholder and minority shareholders of the subsidiaries (KZT254 billion), on operations with the Shareholder (KZT20 bln), on repayment of the shares of the subsidiaries (KZT40 bln). 	553

2. Analysis of financial sustainability

As of January 31, 2013 the consolidated debt⁷ of the group has decreased by KZT956 billion or by 15.5% as compared to December 31, 2012, and has amounted to KZT5 204 billion, as well as the size of net debt has decrease by KZT229 billion (4.9%) and has amounted to KZT 4 463 billion (*see Table 1*).

Table 1. Consolidated Debt of the Group (full)

<i>in billion</i>	2013	2012
Loans	3 974	4 208
Loans of the Government of RK	269	771
Liability on financial lease	89	44
Clients' Funds	242	743
Derivative Financial Instruments	1	8
Debt for project share acquisition	322	340
Other, including guarantees	307	47
Total debt	5 204	6 160

⁷ **Debt** – is the sum of fair value of the liabilities, occurred in the result of the loan attraction, issue of the debt securities, financial lease, acquisition or sales of derivative financial instruments and moratorium on payments for acquisition of the long-term assets in compliance with IFRS as well as nominal sum of the guaranteed principle on the liabilities non-consolidated in compliance with IFRS of legal entities;

Table 1. Consolidated Debt of the Group (full)

<i>in billion</i>	2013	2012
Minus: cash and their equivalents	(741)	(1 468)
Total net debt	4 463	4 691

In general, the decrease in consolidated debt (full) is due to the transfer of “Development Bank of Kazakhstan” JSC (hereinafter - DBK) in 2013 to the composition of the “National Managing Holding “Baiterek” JSC, as well as due to the reclassification of “BTA Bank” JSC and “Temirbank” JSC (including their liabilities) by the quality of the assets available for sale.

Thereat, regardless these factors, the consolidated debt of the group without STB (*see Table 2*) is increasing due to the following reasons.

Table 2. Consolidated debt of the group (without STB)

<i>in billion</i>	2013	2012
Loans	4 577	4 684
Loans of the Government of RK and the NB of RK	198	217
Liability on financial lease	89	44
Clients' Funds	21	21
Derivative Financial Instruments	0	8
Debt for project share acquisition	322	340
Other, including guarantees	307	47
Total debt	5 514	5 360
Minus: cash and their equivalents	-737	-1 415
Total net debt	4 777	3 945

In 2013 it was performed attraction of the following major loans.

On January 2013 the Fund has placed coupon bonds in the total amount of KZT255.000 billion with the term of circulation of 50 years and the coupon interest rate in the amount of 0.01% per annum. All bonds have been purchased by the National Bank of the Republic of Kazakhstan.

In 2013 under the credit line of China Development Bank, the Fund has received the loan in the amount of US\$200 million (equivalent to KZT30.330 million at the exchange rate as of June 30, 2013). The loan is intended to provide the loan to “Kazakhmys Finance PLC” to develop the copper deposit Zhomart.

On April 30, 2013 JSC “NC “KazMunayGas” has placed obligations on the London Stock Exchange for a total amount of US\$ 3 billion (*equivalent to KZT453.7 billion as at the date of issue*) under the current program of issue of the medium-term global notes up to US\$10.5 billion on the following terms:

- US\$ 2 billion at the remuneration fee in the amount of 5.75% with the maturity period in 2043 and placement price in the amount of 99.293% of the nominal;
- US\$ 1 billion at the remuneration fee in the amount of in the amount of 4.4% with the maturity period in 2023 and placement price in the amount of 99.6% of the nominal.

In 2010 and 2012 “Atyrau Refinery” LLP, the subsidiary organization of P&M KMG (hereinafter - AR), has concluded the Facility Agreement in the amount of US\$ 1.3 billion with “Development Bank of Kazakhstan” JSC. This facility is used to finance the construction of the complex on production of aromatic hydrocarbons. During 2013 AR has received US\$227.5 million (*equivalent to KZT34.6 billion as of the date of receiving*).

In 2013 “Pavlodar Petrochemical Plant” JSC, the subsidiary organization of P&M KMG (hereinafter - PPP) has concluded the Revolving Facility Agreement with Natixis (France) in the amount of US\$100 million. The target use of the facility is the financing oil procurement for PPP. In 2013 within this loan it is received the sum equivalent to KZT30.7 billion.

In 2013 and 2012 “Air Astana” JSC has acquired six and four aircrafts on the Financial Lease Contract with fixed rate, accordingly. The term of lease on each aircraft is twelve years. “Air Astana” JSC has an opportunity to acquire each aircraft by nominal price at the end of the lease term. The loans issued by the financial institute to the lessor in relation to new six Airbuses, are guaranted by the European Export and Credit Agencies, and two Boeing – 767, which have been delivered on September and October, 2013 are guaranted by the US Export Import Bank.

Due to the transfer of the DBK to the composition of the “National Managing Holding “Baiterek” JSC, the residual sum of the debt of DBK to the Exim Bank of China (equivalent to KZT307 billion), guaranted by the Fund, is considered in 2013 as the debt.

Following the terms of the certain loan agreements, the Subsidiarie of the Fund shall observe some covenants. The Management of the Fund considers that as of December 31, 2013 the Subsidiaries of the Fund observe these covenants.

Decrease in size of the consolidated debt and increase in EBITDA following 2013 have a positive impact on the financial sustainability indicators.

So, debt-capital ration of the Group has decreased from 0.8 in 2012 to 0.7 in 2013, debt-EBIDTA ration of the Group has decrease from 4.1 in 2012 to 3.1 in 2013 (*see Table 3*).

Table 3. The long-term financial sustainability indicators of the Group (full)

<i>indicator</i>	2013	2012
Debt / Capital	0.7	0.8
Debt / EBITDA ⁸	3.1	4.1

The values of the financial sustainability indicators regardless the second-tier banks also demonstrate a positive dynamics. In stable debt-capital ration at the level of 0.7, the debt – EBITDA indicators ratio has decreased from 3.5 in 2012 to 3.3 in 2013 (*see Table 4*).

Table 4. The long-term financial sustainability indicators of the Group (without STB)

<i>indicator</i>	2013	2012
Debt / Capital	0.7	0.7
Debt / EBITDA	3.3	3.5

⁸ **EBITDA** – net income income before income taxes, depreciation and amortization (tangible and intangible assets) and the interest remuneration for the twelve (12) months preceding the reporting date.