



# **Development Plan for 2018-2022 of SWF Samruk-Kazyna JSC**

***Executive Summary***



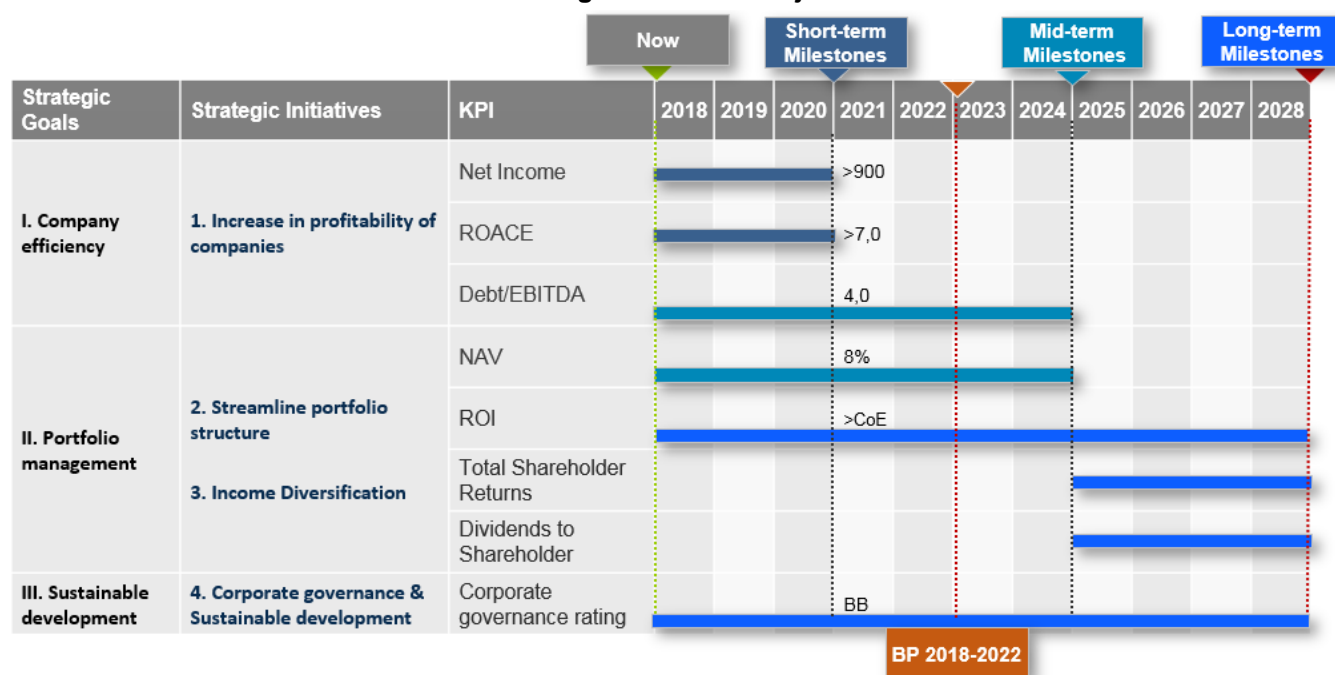
## Overview

The Development Plan of SWF Samruk-Kazyna JSC for 2018-2022 (hereinafter - the “Development Plan”) is a strategic document that outlines medium-term actions to be accomplished and aimed at implementation of the Development Strategy of the Sovereign Wealth Fund Samruk-Kazyna JSC (hereinafter – the “Fund”) for 2018-2028, approved by the Board of Directors of the Fund and Fund Management Council chaired by the President of the Republic of Kazakhstan. The Development Plan ensures execution of the Development Strategy through implementation of certain measurable actions transparent to both the Fund and the Sole Shareholder.

The Fund within the framework of the new Development Strategy has identified **three strategic objectives**: (a) **company performance**, (b) **portfolio management**, and (c) **sustainable development** and **four key development initiatives**, which are **improving profitability of companies**, **optimization of portfolio structure**, **income diversification**, **corporate governance and sustainable development**.

In 2018, the Fund intends to intensify the transition to investment holding model and give priority to four development initiatives related to achievement of the Fund’s strategic goals. All processes in the Fund should be based on achievement of these objectives. In general, the Fund’s key initiatives clearly define development trends for 2018-2022, which will help to attain goals in hand, as well as contribute significantly to strengthening the economy of Kazakhstan.

### Four key development initiatives associated with strategic vision and objectives of the Fund



**In the short term**, the Fund will focus on improving efficiency of operational, financial and investment performance of portfolio companies. Thus, in the short term, the priority areas for the Fund will be **financial stability of large companies**, **revision of the list of investment projects** throughout the entire group of companies of the Fund, with special attention paid to growing companies, **attraction of strategic partners**, **improvement of operating efficiency of companies** up to the level of the best companies in the industry, **exit from non-strategic assets**, and **revision of Transformation Program approaches**.

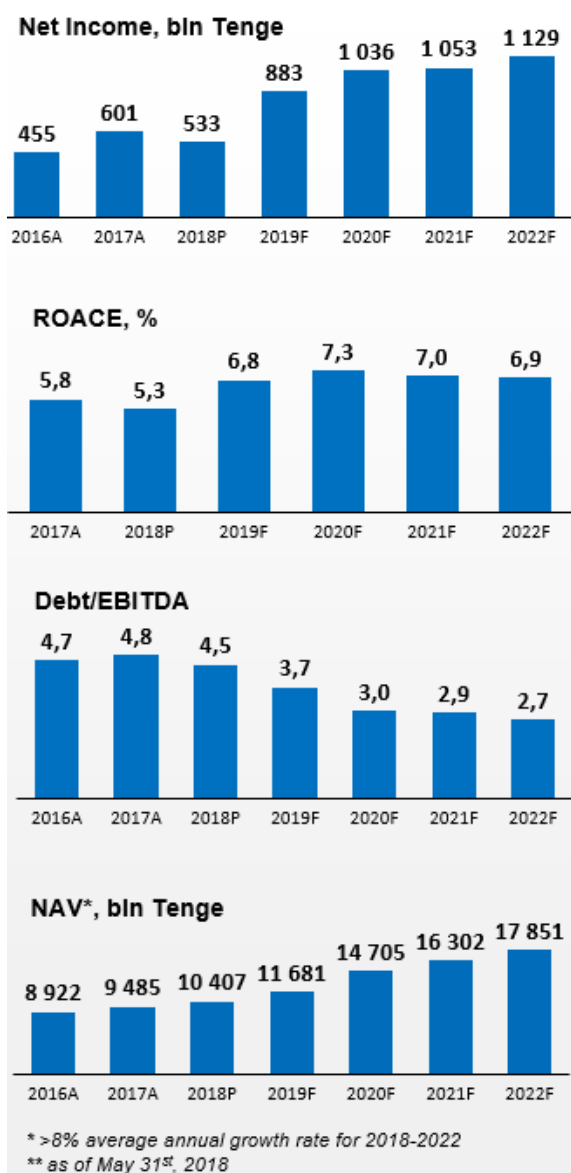
**In the medium term (until 2022)**, the Fund will focus on **reinvesting funds from sale of non-strategic assets** and building an effective and **diversified portfolio of investments**.

The Fund's Development Plan for 2018-2022 is an interim plan applied until the update of Portfolio Companies' (hereinafter – the "PC") development strategies. Due to the update of the Fund's Development Strategy for 2018-2028, at the moment, the Fund's Portfolio Companies work on updating their development strategies and aligning them with strategic objectives defined by the Fund, as well as with country strategic instruments such as Strategic Development Plan until 2025 and Digital Kazakhstan, and others.

The current draft Development Plan of the Fund for 2018-2022 is consolidated and based on financial indicators of the PC, approved by Boards of Directors thereof in December of 2017. **The 2018 Plan accounts for the current changes in macroeconomic indicators (oil prices \$ 65 per barrel and exchange rate at 325 tenge per US dollar), other significant changes in production parameters of the PC, as well as actual results of the first 3 months of 2018.**

As the development strategies of portfolio companies are renewed, **the Fund's development plan for 2019-2023** will be put together with due consideration of revised strategic initiatives coupled with the initiatives of Portfolio Companies' strategies.

### Key Performance Indicators and key highlights



### Key Highlights for 2017/2018

- In 2017, 12 projects were completed and started its production, while in 2018 commissioning of 11 projects is planned;
- Good progress on the **Privatization program: 122 assets\*\* sold and reorganized**, sale proceeds equals to **132 KZT bln**;
- The **first candidates for IPO were selected** – Kazatomprom, Air Astana and Kazakhtelecom;
- **New Investment Policy** approved by Fund's Board of Directors that clarifies criteria for new investments;
- In 2018 **Fund's Development Strategy for 2018-2028 was updated & approved**;
- **Updated Transformation program was approved & moved to the next - active implementation stage** at portfolio companies' levels. **Cumulative net benefits of Transformation for 2018-2022** in the amount of ~300 bln Tenge.

Based on four (4) development initiatives aligned with implementation of the Fund's Strategy until 2028, the strategic KPIs for the next five (5) years show positive dynamics and significant improvement.

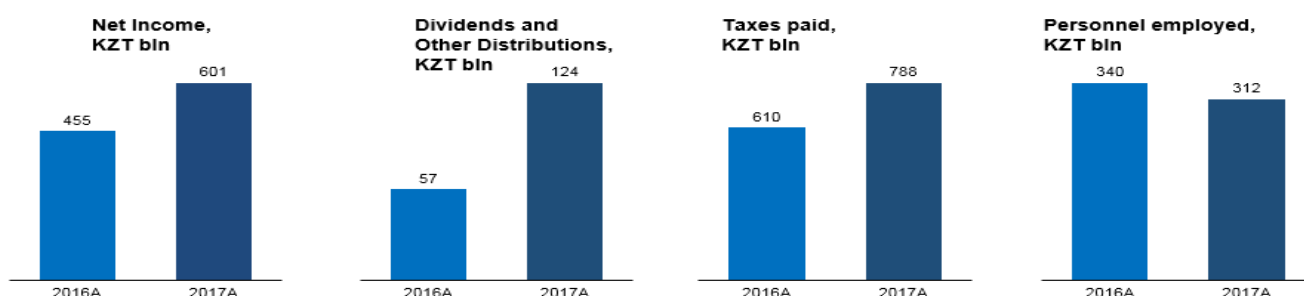
**Reflecting the country's strong balance sheet and relatively robust economic activity anticipated over the period to 2020, in September 2017, Standard & Poor's affirmed Kazakhstan's sovereign ratings at BBB-, with the rating outlook lifted to stable from negative previously.**

Also, by virtue of coordinated work, a focus on results and a continuous quest for excellence in 2017:

- The Fund together with the PCs has increased efficiency and achieved growth in key strategic indicators, as well as completed the year with positive financial results for 2017. Thus, the consolidated profit in 2017 has increased by 146 billion tenge versus previous year and made up 601 billion tenge. That said, consolidated assets of the Fund's group at the end of 2017 have increased by 1.7 trillion. tenge and made up 24.2 trillion. tenge.

- The Fund has for many years exercised the function of stabilizing financial sector and national economy as a whole. Contribution of the Fund to the economy of Kazakhstan remains substantial. The Fund has increased the revenue part of the state budget by 788 billion tenge in the form of taxes and other payments. Dividends and other distributions to the shareholder totaled 124 billion tenge;

#### **Fund's contribution to the economy of Kazakhstan in 2016-2017**



*Note: \* KMG International taxes were excluded from the taxes paid.*

- The Fund remains one of the active participants of the State Program for Industrial and Innovative Development (SPIID) and the State Program Nurly Zhol. In 2017-2018 the Fund has completed to implement projects of significant importance for the country, such as modernization of Shymkent Oil Refinery and Pavlodar Petrochemical Plant, construction of a deep oil refining complex at Atyrau Oil Refinery, construction of the first integrated gas chemical complex in Atyrau oblast, and several others. Moreover, in fulfillment of the order of the Head of State announced in the message to the people of Kazakhstan on 05 March of 2018 "Five social initiatives", the Fund will implement the "Construction of Saryarka main gas pipeline" project in 2018-2019.

- The Fund successfully continues to implement Comprehensive Privatization Plan for 2016-2020, which helped to recover from sale of assets of approx. 132.3 billion tenge in 2016-2017, while 122 Fund assets were sold, liquidated and reorganized by reducing the number of legal entities within the group of companies of the Fund;

- In 2017, the Fund has invested 18 billion tenge in growing companies, and throughout the period of 2018-2022 it is planned to invest 101 billion tenge. Construction works are undergoing on major mining projects such as Shalkiya and Alaygyr.

- In 2017, the Fund has scored 10 points out of 10 on Linaburg –Maduell Transparency Index LMTI (the indicator is used as a standard for the global transparency standard).

In conclusion, this Development Plan provides the Fund's strategic goals and objectives, success parameters, and an implementation plan that sets the benchmark for sustainable development and growth of profitability of the sole shareholder.