



BAITEREK

NATIONAL
MANAGING HOLDING

Annual Report

2015



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INTRODUCTION

Address
of the senior management

ADDRESS OF
K. MASSIMOV,

CHAIRMAN OF THE
BOARD OF DIRECTORS OF
BAITEREK NMH JSC



N. Nazarbayev, President of the Republic of Kazakhstan, in his annual State of the Nation Address dated 30 November 2015, noted: «We need to find new domestic sources of growth through the encouragement of private initiative.»

Dear Partners, Colleagues, and Investors!

Baiterek National Managing Holding («Holding») has become a key operator, providing government financial support to the priority sectors of Kazakhstan’s economy. Over the past year, about 32 thousand new jobs were created in the Republic through the Holding’s companies. In 2015, as part of business support program, Baiterek’s development institutions provided over six thousand businesses with financial and organizational support totaling approximately 790 bln KZT, including 20 large investment projects totaling over 200 bln KZT. Baiterek Holding achieved significant results while implementing «Nurly Zhol», a new economic policy. A new direction was created in housing construction – social rented housing. Consequently, in 2015, Holding ensured supply of 425,500 square meters of housing, which provided over 7 thousand Kazakhstan citizens with housing. Buyout of 404,000 square meters of housing, or 6558 flats was provided through the system

of housing construction savings. It is important to note that 2015 was a difficult year due to the tough global economic environment. However, notwithstanding these circumstances, Holding has successfully achieved their targets. The net profit during 2015 exceeded 49 bln tenge, which is by 18,7% higher than the same indicator during 2014. In general, 2015 results show that Baiterek Holding plays an important role in diversification of Kazakhstan’s economy. N. Nazarbayev, President of the Republic of Kazakhstan, in his annual State of the Nation Address dated 30 November 2015, noted: «We need to find new domestic sources of growth through the encouragement of private initiative. For the «unloading» of budget expenditures we have to actively apply the mechanisms of public-private partnerships.» As part of implementation of this assignment, Holding is to work on development of the PPP system, attracting

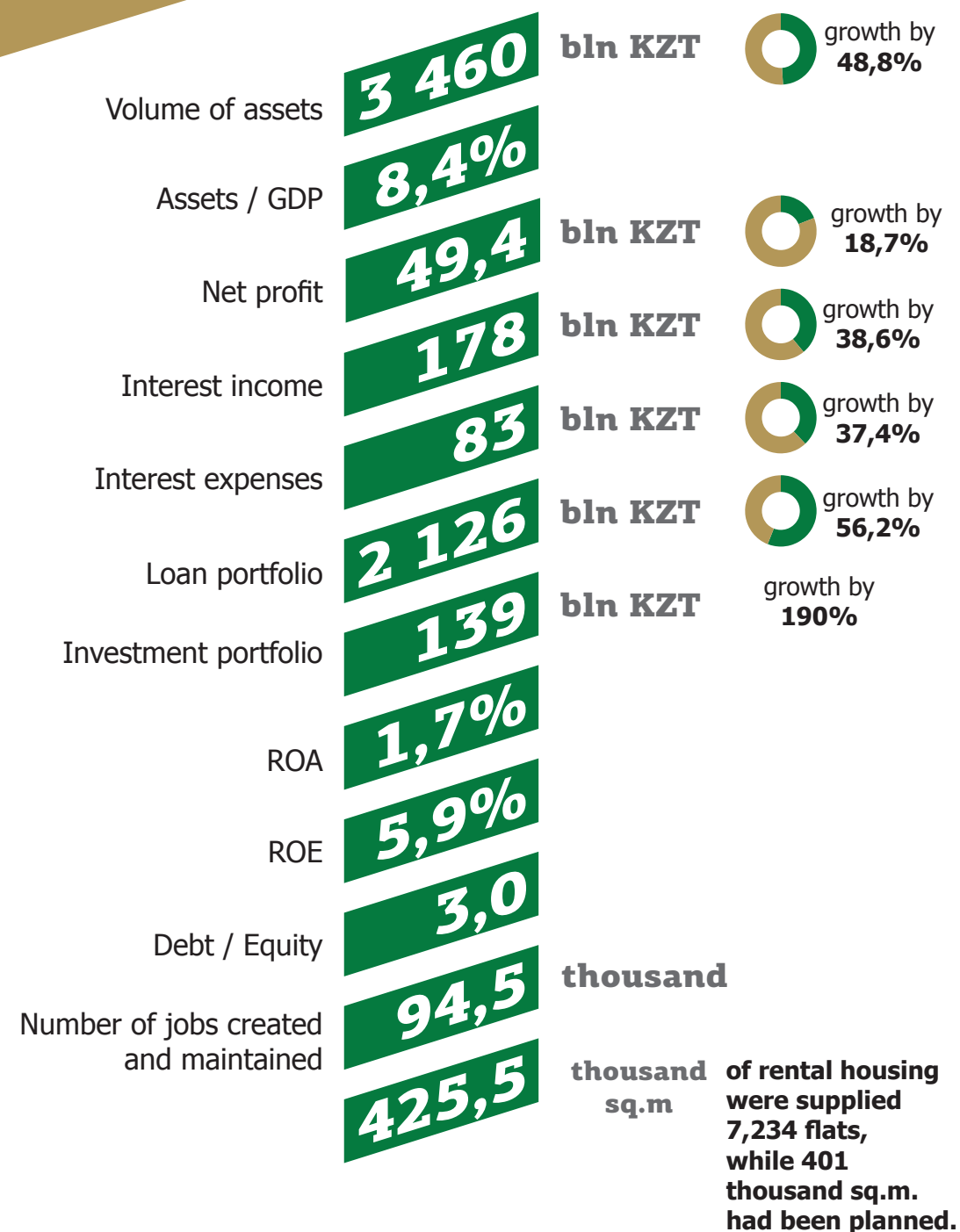
investments from foreign private funds and international financial institutions. The Board of Holding confirms its commitment to the best practice of corporate governance, and is willing to contribute to further improvement of efficiency and transparency of its operations.

Karim Massimov

Chairman of the Board of Directors, Baiterek NMH JSC,
Prime-Minister of the Republic of Kazakhstan

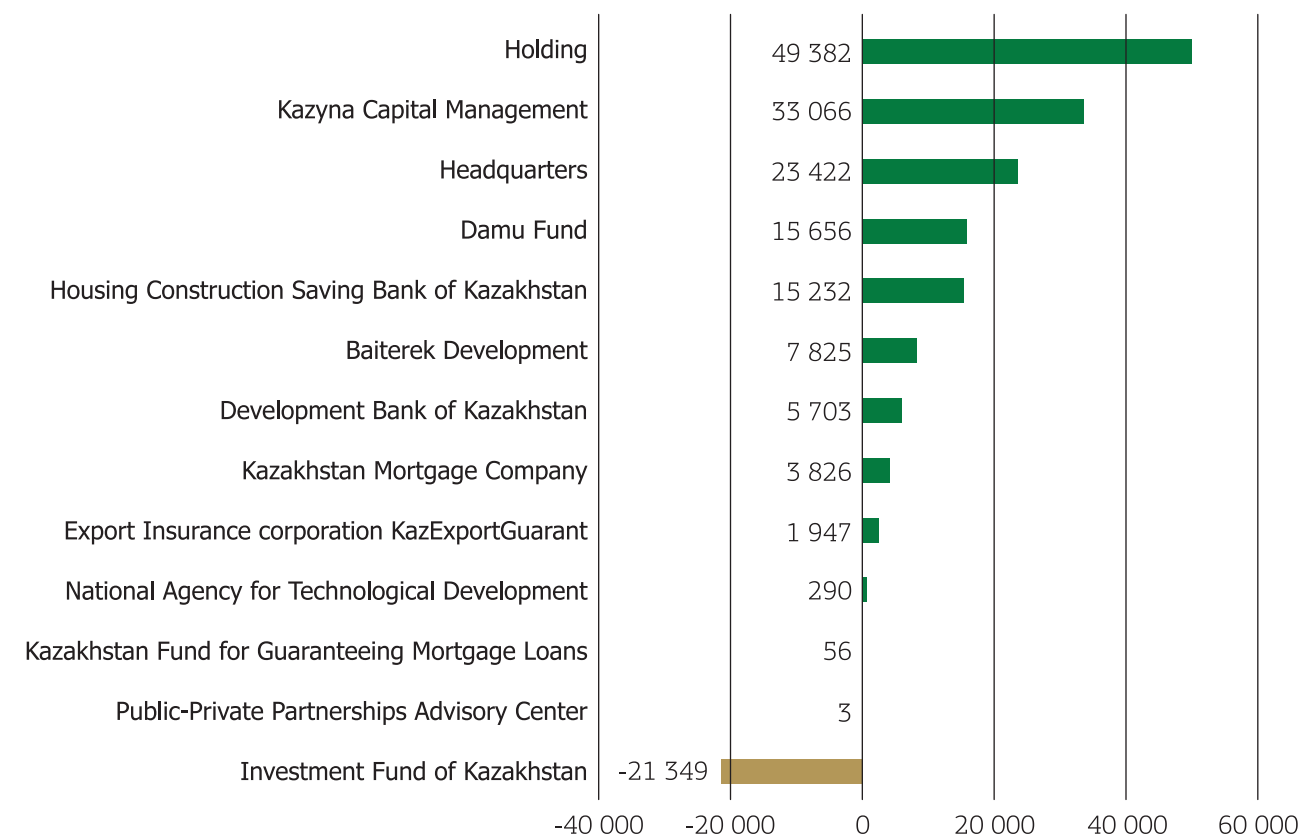
INTRODUCTION

Key indicators



Consolidated net profit for 2015 by companies of the Holding, /bln KZT/

Source: Baiterek



Key financial indicators of the Holding

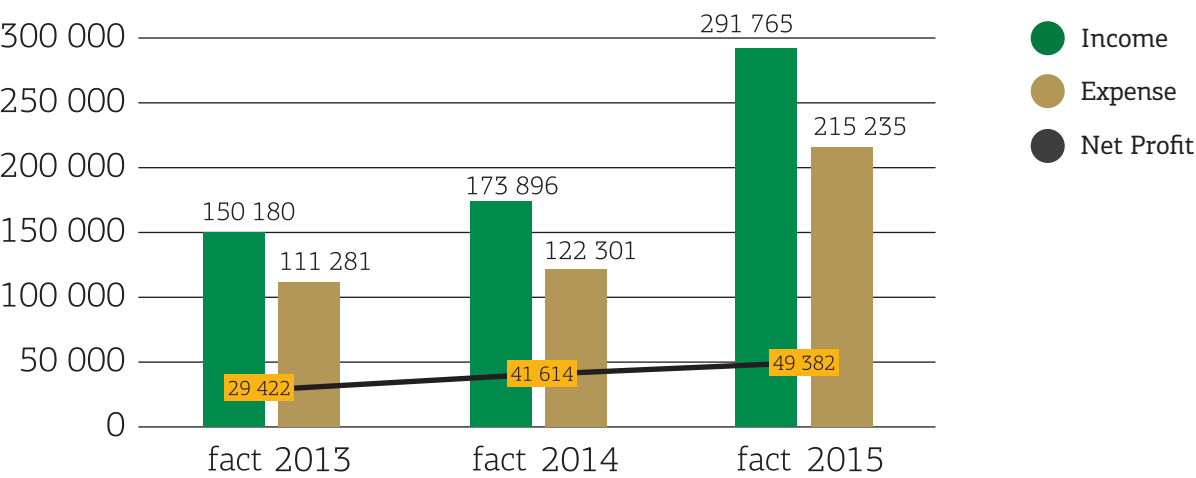
	Unit	2013	2014	2015	Change 2015/2014, +/-	Change 2015/2014, %
Assets	M	1,865,077	2,324,915	3,460,326	1,135,411	48.8
Liabilities	M	1,190,020	1,525,169	2,597,327	1,072,158	70.3
Income	M	150,180	173,896	291,765	117,869	67.8
Expenses	M	111,281	122,301	215,235	92,934	76.0
Net profit	M	29,422	41,614	49,382	7,768	18.7
ROA	%	1.6	2.0	1.7		
ROE	%	4.4	5.6	5.9		
Debt/equity	%	1.8	1.9	3.0		
Share of loans and investment portfolios in total assets of the Holding	%	47	61	65		

INTRODUCTION

Key indicators

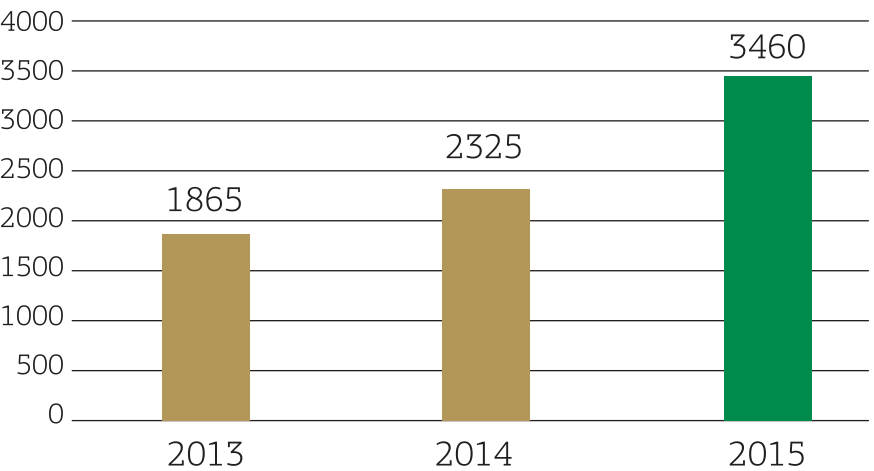
Key Indicators / M tenge /

Source: Baiterek



Assets of the Holding / bln tenge /

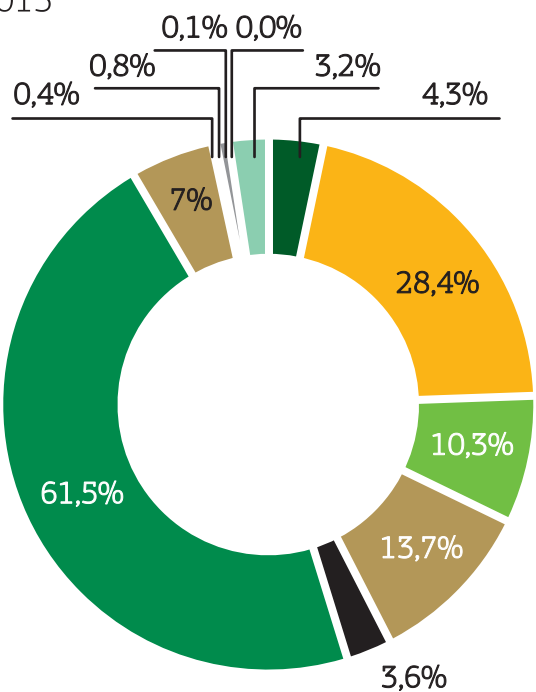
Source: Baiterek



Structure of the Holding's assets in 2015, / % /

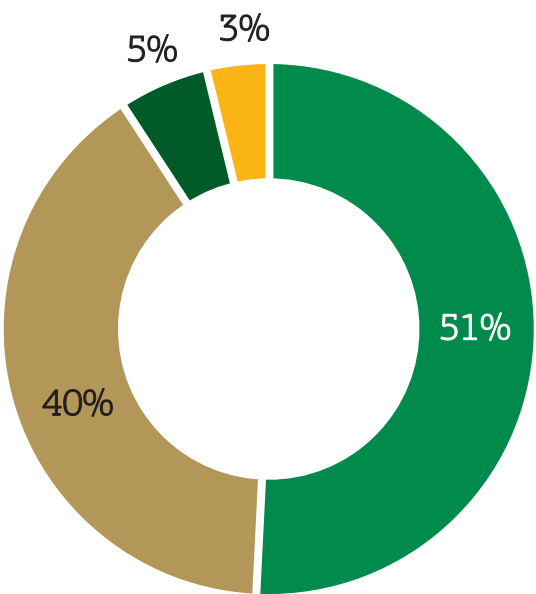
Source: Baiterek

- Kazyna Capital Management
- Headquarters
- Damu Fund
- Housing Construction Saving Bank of Kazakhstan
- Baiterek Development
- Development Bank of Kazakhstan
- Kazakhstan Mortgage Company
- Export Insurance corporation KazExportGuarant
- National Agency for Technological Development
- Kazakhstan Fund for Guaranteeing Mortgage Loans
- Public-Private Partnerships Advisory Center
- Investment Fund of Kazakhstan



Structure of revenues of the Holding group in 2014

Source: Baiterek

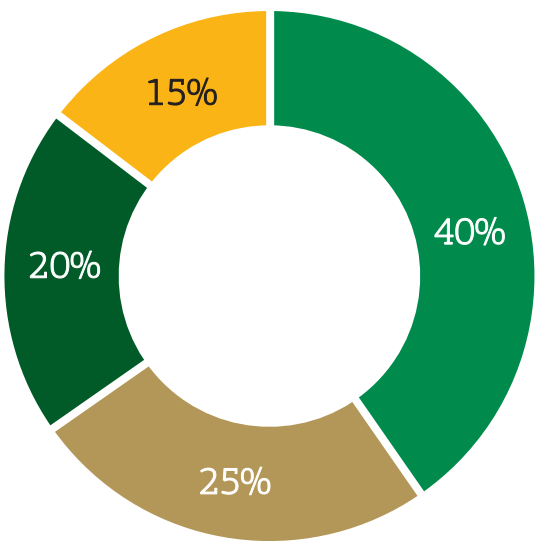


- Core business Income
- Financial Income
- Foreign exchange gain
- Other income
- Operational lease

0% Operational lease

Structure of revenues of the Holding group in 2015

Source: Baiterek

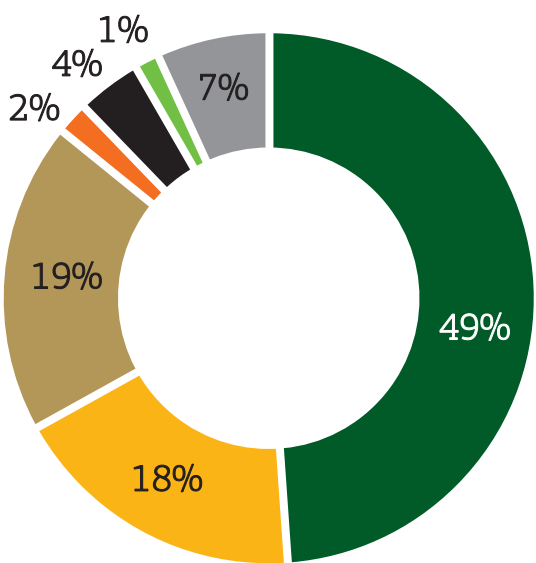


- Core business Income
- Financial Income
- Foreign exchange gain
- Other income
- Operational lease

0% Operational lease

Structure of expenses of the Holding group in 2014

Source: Baiterek



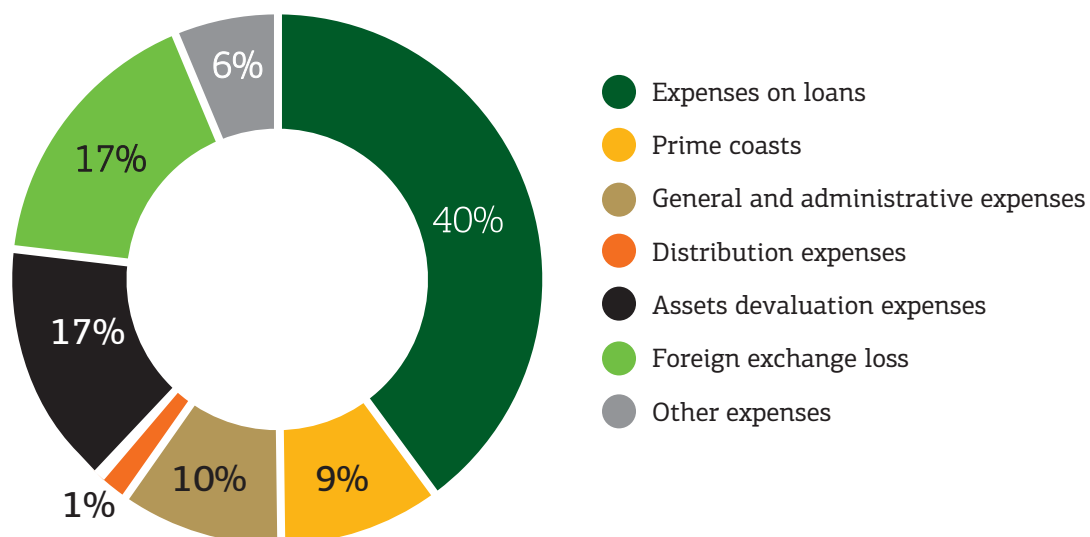
- Expenses on loans
- Prime costs
- General and administrative expenses
- Distribution expenses
- Assets devaluation expenses
- Foreign exchange loss
- Other expenses

INTRODUCTION

Key indicators

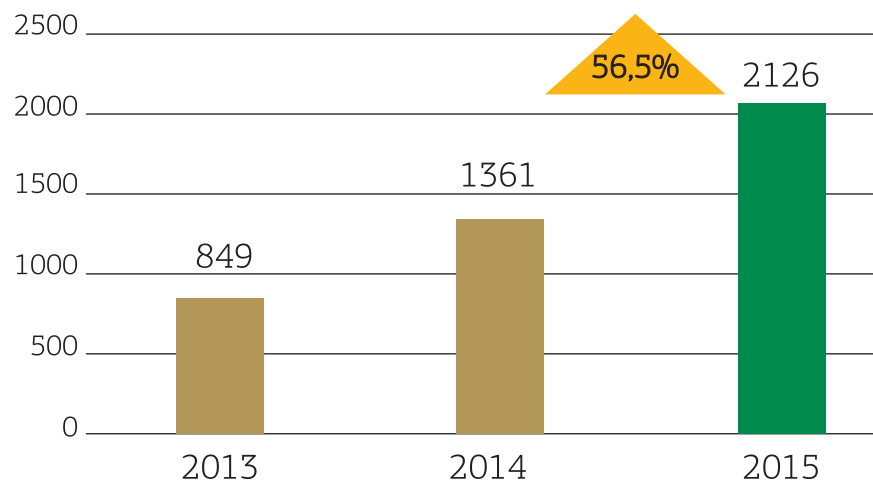
Structure of expenses of the Holding group in 2015

Source: Baiterek



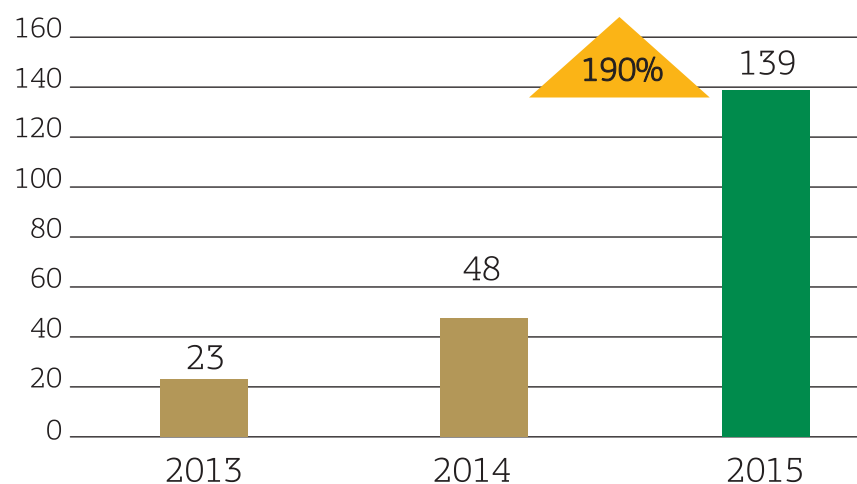
Loans portfolio of the Holding, /bln tenge/

Source: Baiterek



Investment portfolio of the Holding, /bln tenge/

Source: Baiterek



CASE #1

ALAGEUM ELECTRIC



Company's profile

Alageum Electric is a large export-oriented electro technical holding, providing a wide range of services on a turnkey basis: designing, production of electrical products, delivery of industrial machinery and maintenance, construction and manufacture of building materials, electric installation and commissioning works.

Project

Within the program «Leaders of Competitiveness – National Champions», the company participates with the project titled «Construction in Shymkent of a plant for manufacture of transformers with 220 and 500 kV Voltage Rating.» Since it began to participate in the program, as part of the instruments of Baiterek NMH JSC, **Alageum Electric** has already received financial support in the amount of 4.4 bln KZT: 1.85 bln KZT for financing the Ural Transformer Plant project, 1.5 bln KZT for export financing of the Kentau Transformer Plant, 1 bln KZT for financing of working capital.

financial support

4,4
bln
tenge

1,85
bln
tenge

for financing the Ural
Transformer Plant
project

1,5
bln
tenge

or export financing of the
Kentau Transformer Plant

1
bln
tenge

for financing of working
capital

Impact

It is expected that by 2018, based on implementation of the growth initiatives and with support of Baiterek NMH JSC as part of «National Champions» program, the company can increase its revenue by 19 bln KZT, create 200 new jobs, ensure additional internal investment in the amount of 10 bln KZT, and commission Kazakhstan's first plant for manufacturing high-power transformers with 220 and 500 kV Voltage Rating.

STRATEGIC REPORT

About Holding
Mission, vision

MISSION

To assist in Kazakhstan's sustainable economic development through financing and supporting the priority sectors of the economy to implement the government policy, solve the social problems, and achieve the goals set by Kazakhstan-2050 Strategy.

VISION

By 2023 Baiterek will be a major financial agent of the government of the Republic of Kazakhstan, providing diversification, modernization, sustainable development of the economy, and solving of social problems of the nation.

Strategic directions for activities:

1. Support of sustainable growth of the economy of the Republic of Kazakhstan through financial support for the priority sectors of economy;
2. Support of small and medium-sized enterprises (SMEs);
3. Support of new, modern industries and development of innovations;
4. Support of export activities of Kazakhstan companies;
5. Assistance in solving social problems of the nation.

History of Holding 2013

Baiterek National Managing Holding was established under the Presidential Decree No. 571 dated 22 May 2013 to optimize the system of managing the development institutions, financial organizations, and to develop the national economy.

The main objective of Holding is to manage the blocks of shares (partnership interests) of the national development institutions, national companies and other legal entities that are owned by and transferred to Holding for trust management.

Holding includes 11 development institutions, which were earlier managed by the government bodies.

2014

Holding became an operator of Nurly Zhol, the anti-crisis program for 2015-2019.

Holding received 273 bln KZT from the National Fund of RoK, including 200 bln KZT for financing of processing industries, 50 bln KZT for financing projects within the Government Program for Industrial-Innovational Development of the Republic of Kazakhstan for 2015-2019, and 23 bln KZT for financing construction of the buildings within EXPO-2017, the International specialized exhibition in Astana.

Within Holding's structure, the Kazakhstan Infrastructure Fund was created with capitalization of 20.4 bln KZT, allocated from the republican budget in 2013 and 2014. The investment strategy of the fund provides for implementation infrastructure projects, including the projects implemented through public-private partnership, in the priority sectors of the economy, such as energy, transport, telecommunication, renewable energy, and social infrastructure.

To assist in the infrastructure development of the nation, Holding and Kazakhstan PPP Center JSC jointly established the Public-Private Partnerships Advisory Center (with shares 75% and 25%, respectively).

Within Holding's structure, Baiterek Venture Fund— a venture fund for investing in the priority sectors of the economy – was established.

Structure of the Company



STRATEGIC REPORT

Description of Holding's subsidiaries



Development Bank of Kazakhstan

Development Bank of Kazakhstan JSC (DBK)

DBK was established in 2001 in accordance with the Law of the Republic of Kazakhstan # 178-II «On Development Bank of Kazakhstan» dated April 25, 2001. This is the national development institution, whose main goal is to improve and increase efficiency of the government's investment activities, development of industrial infrastructure and processing industry.

IFK was established in accordance with the Decree of the Government of RoK # 501 dated 30 May 2003. This is the government development institution and managing company in the area of restructuring and management of distressed assets. The main goal of IFK is to assist in implementation of the Strategy for Industrial-Innovational Development of the Republic of Kazakhstan by investing in specific sectors of the economy and managing the risk investment portfolio.

INVESTMENT FUND OF KAZAKHSTAN



Investment Fund of Kazakhstan JSC (IFK)



KazExportGarant

KazExportGuarant Export Insurance Corporation JSC (KEG)

KEG was established in accordance with the Decree of the Government of RoK # 442 dated 12 May 2003. This is the only specialized insurance company, which carries out the functions of export credit agency of the Republic of Kazakhstan.

Damu EDF was established in accordance with the Decree of the Government of RK # 665 dated 26 April 1997. The main function of the fund is to credit small and medium-sized businesses and micro lenders through commercial banks, while the sub borrowers' credit risk is transferred to commercial banks.



Damu Entrepreneurship Development Fund JSC (Damu EDF)



National Agency for Technological Development JSC (NATD)

NATD was established on 20 March 2012 in accordance with the Decree of the Government of RoK # 836 dated 21 July 2011. The main operation of the agency includes rendering assistance in and support for the processes of innovation development and providing for government support measures; facilitation and participation in creation of the innovation infrastructure, transfer of technology, introduction of the advanced methods of management, creation and development of regional technological parks in the Republic of Kazakhstan.

KCM was established on 7 March 2007 by the Government of the Republic of Kazakhstan in accordance with the laws of the Republic of Kazakhstan. The main function of KCM is to establish and participate in investment funds and invest in financial instruments.



KAZYNA CAPITAL MANAGEMENT

Kazyna Capital Management JSC (KCM)



Housing Construction Savings Bank of Kazakhstan JSC (HCSBK)

HCSBK was established in accordance with the Decree of the Government of RoK # 364 dated 16 April 2003 to develop the system of housing construction savings in the Republic of Kazakhstan. The bank is the only bank in the country that implements the system of housing construction savings. The system of housing construction savings focuses on improvement of living conditions of the population through attraction of depositors' money to the housing construction deposits and granting them housing loans.

KMC was established on 29 December 2000 in accordance with the Decree of the National Bank of RoK # 469 dated 20 December 2000. The company focuses on implementation of the government policy in the area of mortgage lending as a financial operator of the secondary mortgage market, and improvement of provision of population with housing by providing with rental housing to the wide range of the population as part of the government's and the company's own programs.



Kazakhstan Mortgage Company Mortgage organization JSC (KMC)



Mortgage guarantee fund of Kazakhstan, Joint-Stock Company (MGFK)

MGFK was established on 10 November 2003 in accordance with the Decree of the National bank of RoK # 386 dated 27 October 2003. The purpose of the fund is to ensure better availability of mortgage programs for the population by credit risk sharing with the creditors (second-tier banks and mortgage organizations), insurance companies, and investors. MGFK is a non-commercial organization that carries out activities for guaranteeing mortgage loans granted to individuals by the second-tier banks and organizations, which carry out certain types of banking operations.

BD was established on 19 November 2008 according to the Decree of the Government of RoK # 996 dated 1 November 2008. BD's main function is to implement projects in the area of real estate, including financing of construction of real estate and shopping mall within EXPO-2017, the international specialized exhibition in Astana, organizing construction of housing projects as part of the government's housing construction programs.



BAITEREK DEVELOPMENT

Baiterek Development JSC (BD)



Public-Private Partnership Advisory Center LLP (PPP AC)

PPP AC was established on 19 March 2014 in accordance with the Resolution of the Coordinating Council for PPP of the Republic of Kazakhstan dated 13 September 2013. The center focuses on structuring and supporting investment and infrastructure projects, including the projects of public-private partnership, provision of services on analysis and assessment of possibility to implement investment and infrastructure projects, and ensuring consultation support for the projects.

STRATEGIC REPORT

Economic overview

Macroeconomics

Growth of the economy of the Republic of Kazakhstan in 2015 was 1,2%. Decrease of the growth ratio was due to three main factors: 1) continuous fall of prices for oil and other stock positions over 2015, which are framework of the Kazakhstani export; 2) recession in the economy of the Russian Federation, and 3) slower growth in China. Both Russian and China are one of the three top trading partners of Kazakhstan.

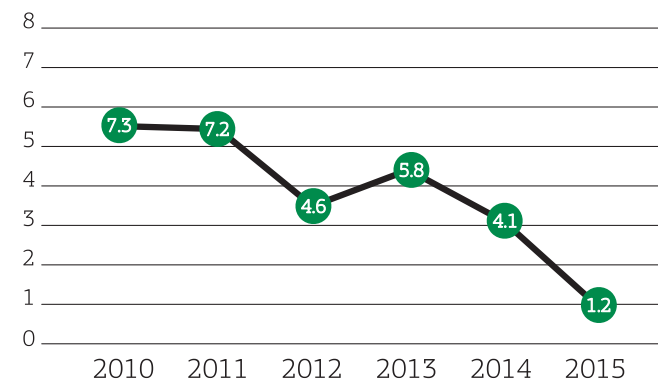
Within the structure of GDP, industry is traditionally dominating (24.9%) along with wholesale and retail (16.7%), operations with real estate (8.8%), and transport and warehousing (8.5%). Growth of the production volume was retaining in all the sectors of the economy apart from the industry, which showed decrease by 1.4%, and activities of households (-1.7%). Wholesale and retail has grown by 1.2%, operations with real estate by 2.8%. Growth in the sector of transport and warehousing was 6.0%. One of the highest in the non-financial sector was the growth in agriculture – 4.1%. Construction has grown by 4.3%.

According to the results of the year, inflation was 13.6%. This indicator is one of the highest during the last 6 years, which is mainly due to devaluation of exchange rate of KZT in relation to the freely convertible currencies, which occurred from August to December. With decreasing of inflows from Exchange Traded Commodities, there was a considerable weakening of Kazakhstan's trade balance surplus by 57.9%, from 38.8 to 15.5 bln USD. The volume of assets of the second-tier banks of the country during the past year grew by 36.9%. One of the most important factors of the growth was revaluation of foreign currency portion of assets of the financial institutions.



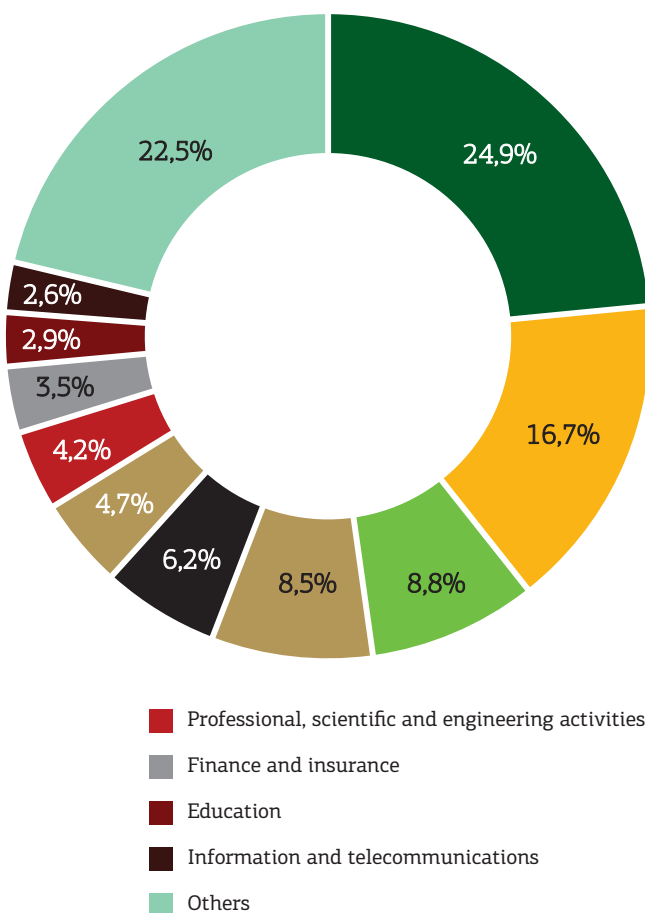
Dynamics of GDP, %

Source: SC under MNE of RK



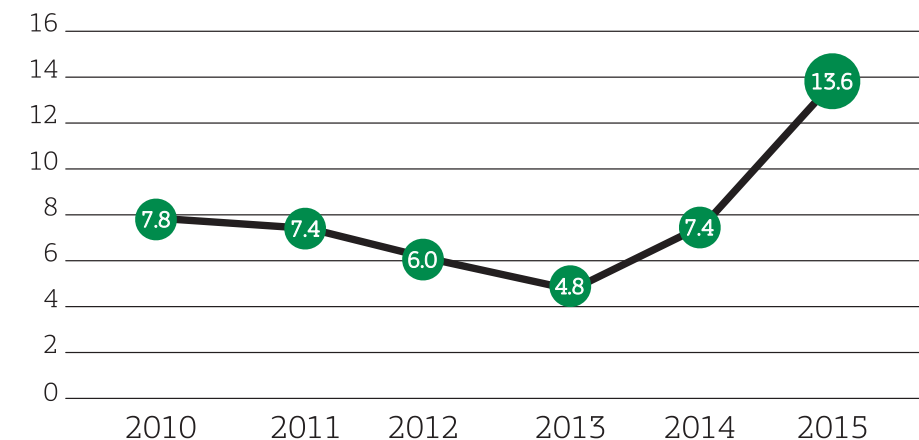
Structure of DBP of RK in 2015, %

Source: SC under MNE of RK



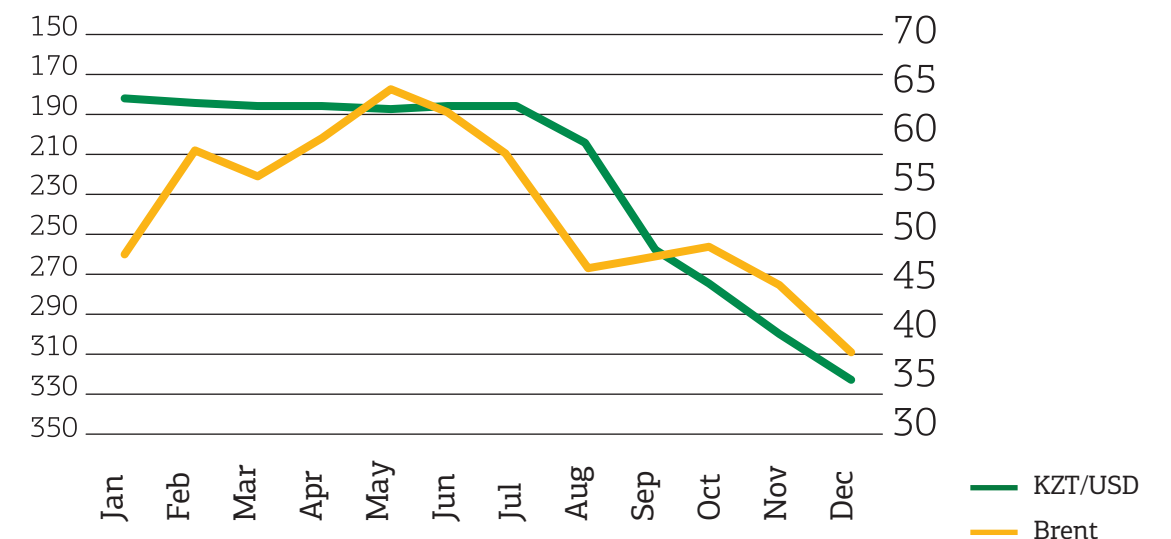
Consumer prices index in RK, %

Source: SC under MNE of RK



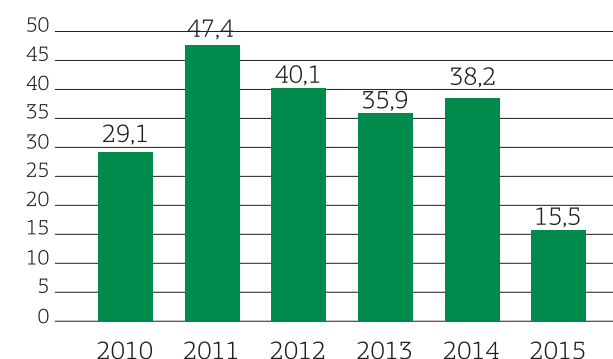
Exchange rate (KZT/USD) and price of Brent (USD/bbl; right scale)

Source: NB RK, US EIA



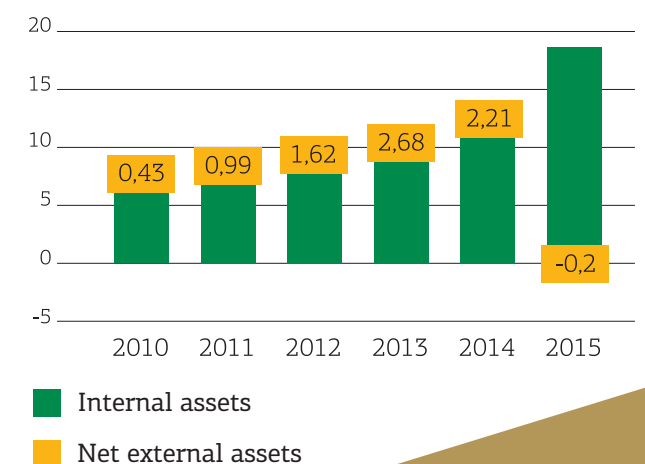
Trade balance of RK, bln tenge

Source: SC under MNE of RK



Assets of commercial banks (as of Dec), trillion tenge

Source: NB RK, US EIA



STRATEGIC REPORT

Economic overview

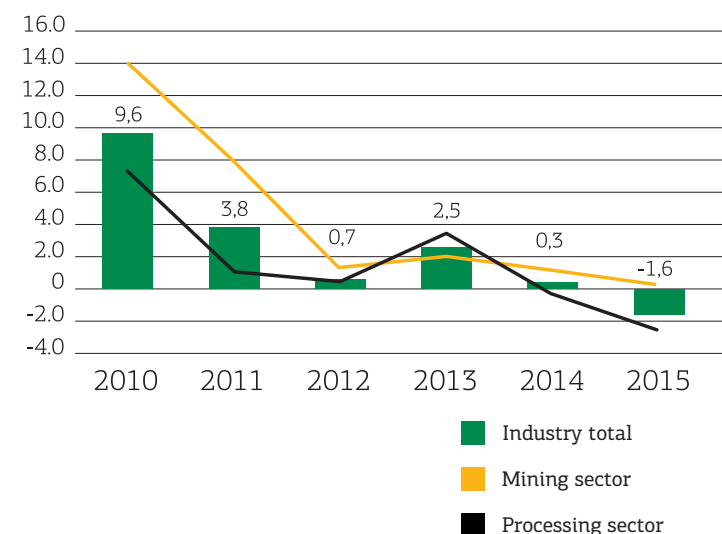
Industry

The industrial sector of the Kazakhstani economy showed decrease by 1.4% in 2015. This negative result was due to fall in three of four industrial sectors. Mining and quarrying finished the year down 2.4% due to reduction of crude oil production (from 80.8 to 79.5 million tons – by 1.7%). With the decrease of electric-power generation (by 3.7% – up to 91.07 billion kWt/h), the production in the energy sector decreased by 1.6%. Changes in «Water supply; sewage system, control over collection and distribution of wastes» sector were also negative – down 11.1%.

The only sector of industry, retaining in the zone of positive values, was processing industry. The minimum growth of the sector – by 0.2% – was due to growth in metallurgy (14.4%), construction materials manufacture (4.8%), and chemical industry (2.6%). The woodworking industry grew by 4.3%, light industry by 3.4%. The minimum growth was demonstrated by the food industry and pharmaceuticals – 0.9%. The volume of the machine-building industry considerably decreased – by 29.6%. Reduction of production in oil refining was more moderate – minus 3.2%.

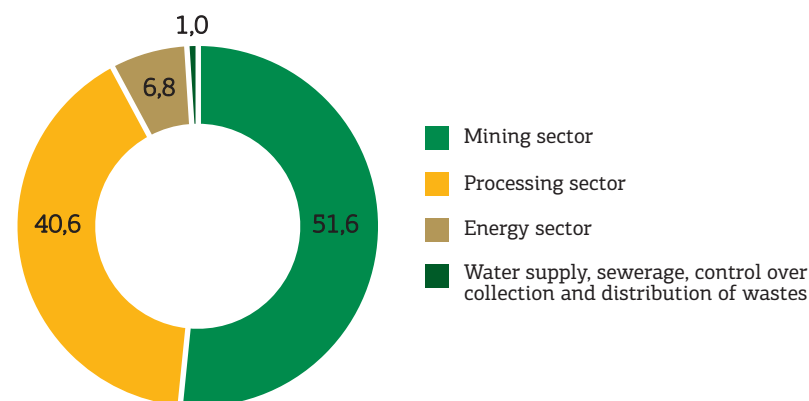
Dynamics of industry in RK, %

Source: SC under MNE of RK



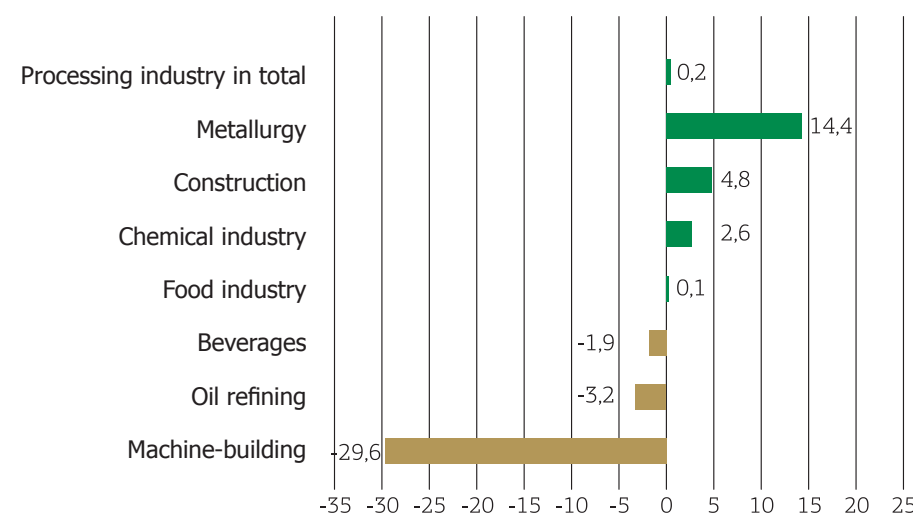
Structure of RK industry in 2015 by input of sectors, %

Source: SC under MNE of RK



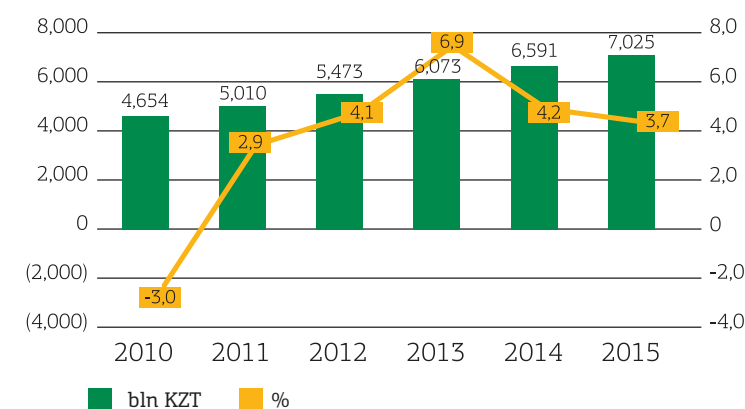
Dynamics of key sectors of processing industries, %

Source: SC under MNE of RK



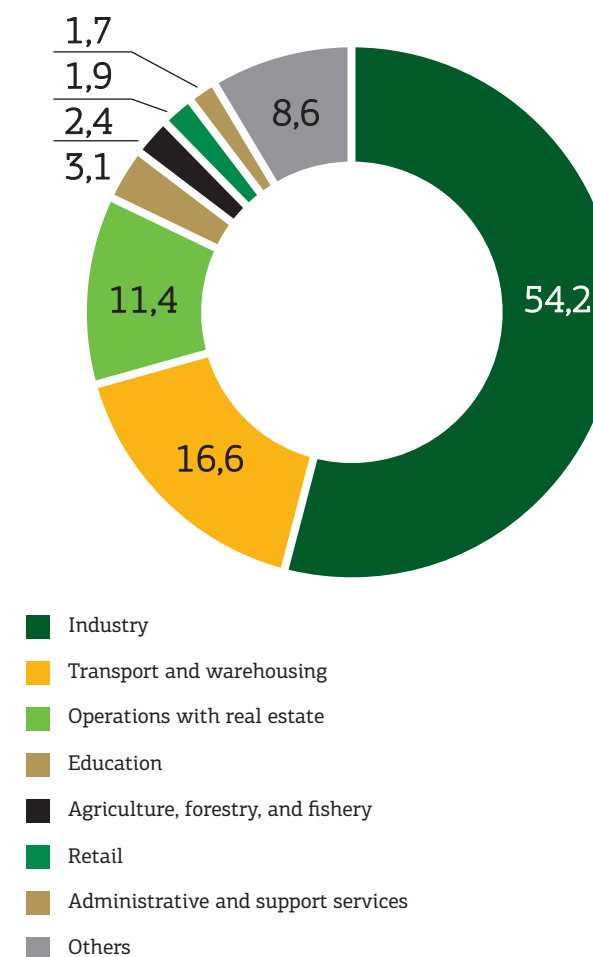
Investment in fixed capital (bln KZT) and their dynamics (%; right scale)

Source: estimates of Expert Kazakhstan as per data from SC under MNE of RK



Structure of investment in RK's economy in 2015 by directions of investment, %

Source: estimates of Expert Kazakhstan as per data from SC under MNE of RK



Investments

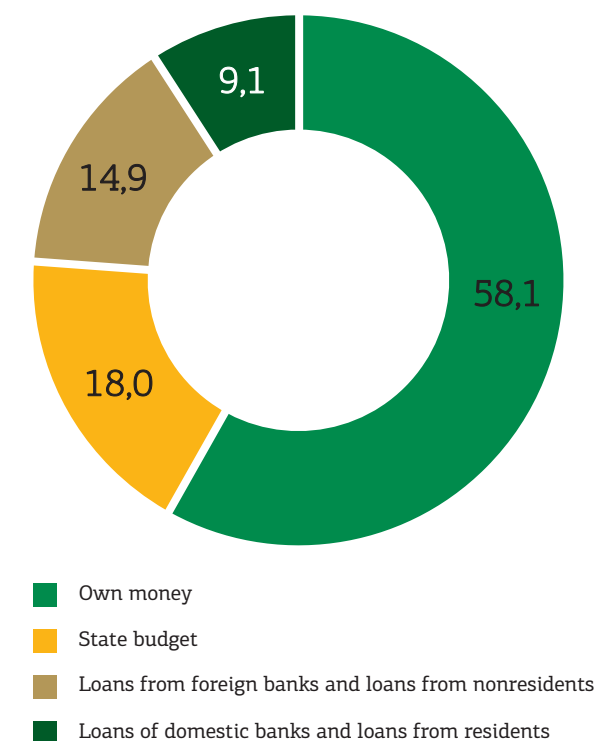
The total volume of investments to fixed capital in the last year was 7,025 trillion KZT, showing growth of 3.7%. Ratio of volume of investments to GDP as of year end was 17.2%.

Industry attracts over half of total investments – 54.2%, the next sectors by weight were transport and warehousing (16.6%), operations with real estate (11.4%).

Within the structure of funding for the investments, the predominant share is own money (58.1%) and state budget money (18.0%). Foreign loans take 14.9%, and 9.1% – loans of Kazakhstani commercial banks and loans from residents.

Structure of investment in RK's economy in 2015 by sources of funding, %

Source: estimates of Expert Kazakhstan as per data from SC under MNE of RK



STRATEGIC REPORT

Economic overview

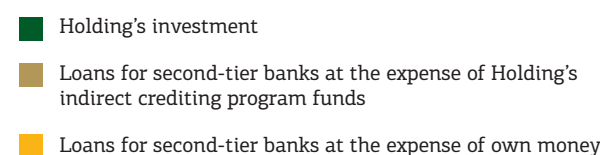
Input of the Holding

As of yearend 2015, within the direct crediting, we financed projects in processing industries and industrial infrastructure (energy, transport and communication) for the amount of 262 bln KZT, which is higher than the indicator for the previous year by 13% which is 31 bln KZT. During the period 2013-2015, the share of direct loans of the Holding into long-term crediting of non-extractive sectors of the economy increased from 19% to 40%.

Taking into account the money allocated to interbank crediting, the share of the Holding in long-term crediting non-extractive industries was 58%. Therefore, each second tenge granted for long-term crediting to the processing industries and industrial infrastructure was the investments of the Holding.

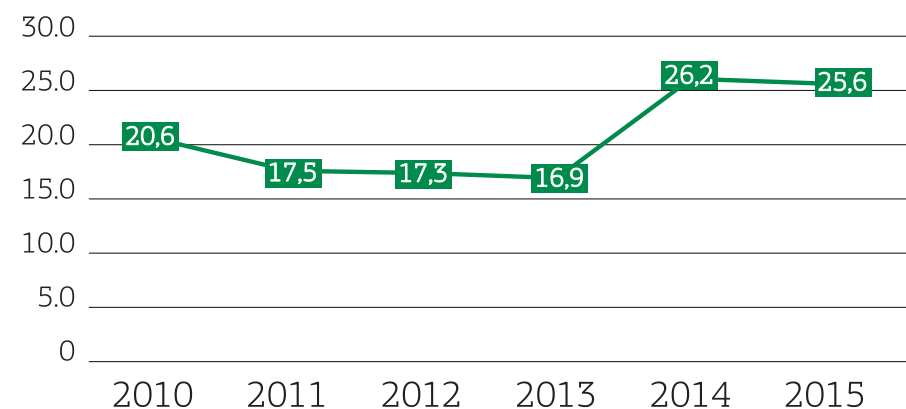
Share of the Holding in long-term crediting of non-extractive sectors of the economy, bln. KZT

Source: Baiterek



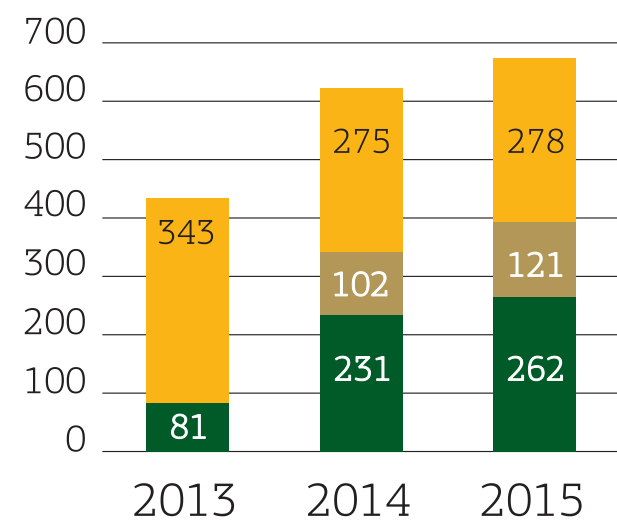
Share of GVA of small and medium business in GRP of RK, %

Source: SC under MNE of SoK



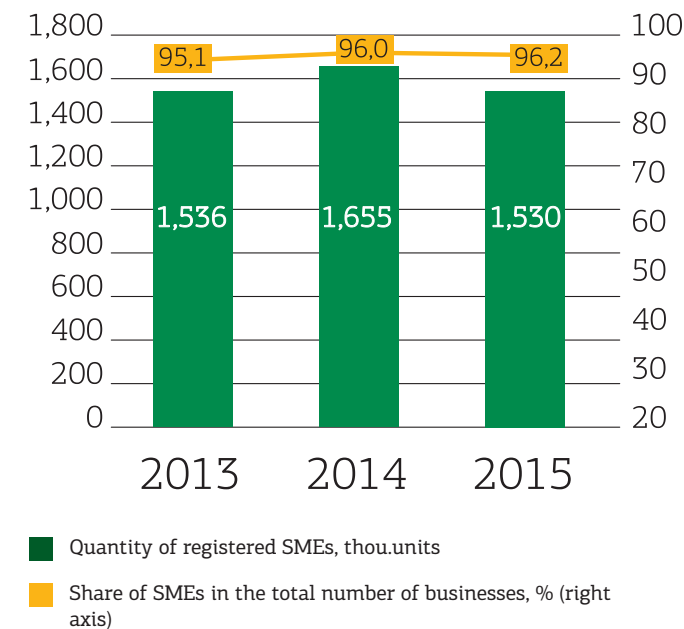
Small and medium business

Taking into account the economic situation in the country, in 2015 the share of small and medium business in the Kazakhstan's economy was 25,6%, decreasing compared to 2014 by 0,6%, while the quantity of registered SME subjects in Kazakhstan decreased by 7% down to 1530 thousand entities. At the same time, the share of SME entities in the total number of business entities of the country retained at the level of 2014 – 96%. Within the structure of SME entities, the individual entrepreneurs segregate from the others and take the share of 72,1%. Share of peasant farms was 14,0%, small companies – 13,6%, medium companies – 0,2%.



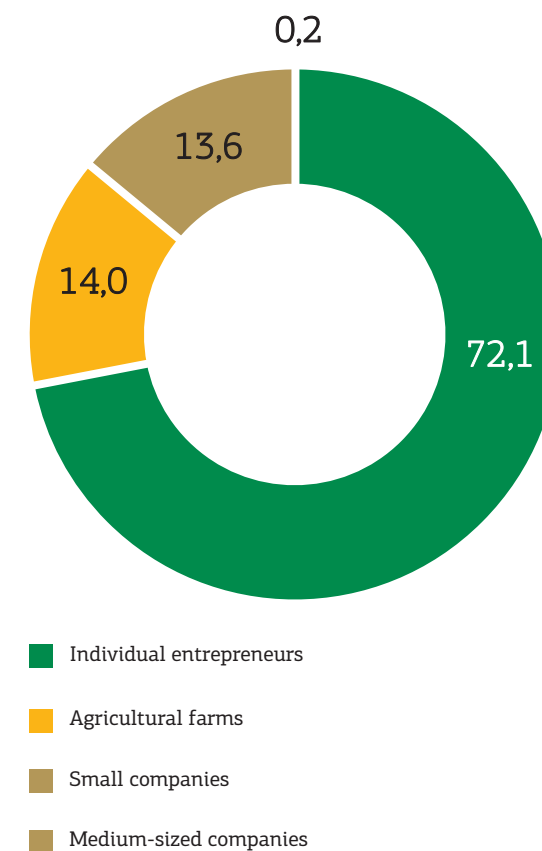
Dynamics of registered SMEs number

Source: SC under MNE of RK



Structure of RK SMEs (as of 1 Jan 2016), %

Source: SC under MNE of RK



Input of the Holding

The volume of financial support provided by the Holding in 2015 diminished the negative impact of growing interest rates which took place in 2015, and decreased the deficit of KZT loans. Based on data of NB RK, the share of loans to SMEs in the total structure of the loans portfolio for 2015 increased by 4,1% and constituted 23,5% which is 3,66 trillion KZT. Share of non-performing loans of SMEs (loans with overdue 90 days plus) decreased by 2,8% and comprised 11% which is 401,7 bln KZT of the total SME portfolio.

Residential construction and mortgage crediting

Growth of the construction sector during the past year was one of the most stable in the economy: construction showed growth by 4,3% after the growth of 4,6% upon year end 2014.

During the past year, 8,94 million sq.m of housing were brought into operation in RK, and the growth was 18,9%.

Prices in the construction show decrease of growth. In 2015 inflation in construction was 2,8% – it is the minimum for the last 6 years.

STRATEGIC REPORT

Economic overview

Input of the Holding

Within implementation of the Program for Regional Development till 2020, the Holding provided housing for 13,792 families with 829,500 sq.m of total housing space, where:

– **425,4 k sq.m of housing** (7 234 flats) within the direction «Housing of Kazakhstan Mortgage Company»;

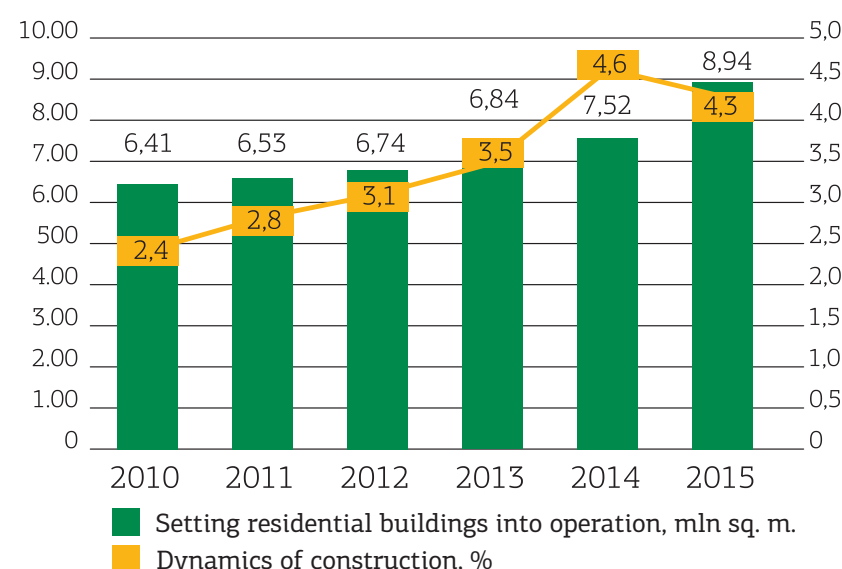
– **404 k sq.m of housing** (6 558 flats) within Housing Construction Savings Bank of Kazakhstan.

Holding's share of the total volume of lending for construction and acquisition of housing by commercial banks and mortgage companies was 31,8% (total loans portfolio of banks and mortgage companies as of yearend 2015 was 1 136 bln KZT), including: loans portfolio of Housing Construction Savings Bank of Kazakhstan as of end 2015 achieved the level of 279 bln KZT which is 24,6% of the mortgage market; loans portfolio of Kazakhstan Mortgage Company as of end 2015 was 81,8 bln KZT, which is 7,2%. As of yearend 2015 the share of participants to the system of housing construction savings of the Holding targeted to solving the housing problems of citizens, to the economically active population achieved 7,1%.

At the same time, we need to note the considerable growth of this indicator from 4,0% as of yearend 2013 up to 7,1% as of end 2015.

Dynamics of construction sector of RK (%) and total square area of buildings set in operation (mln sq.m.; right scale)

Source: SC under MNE of RK



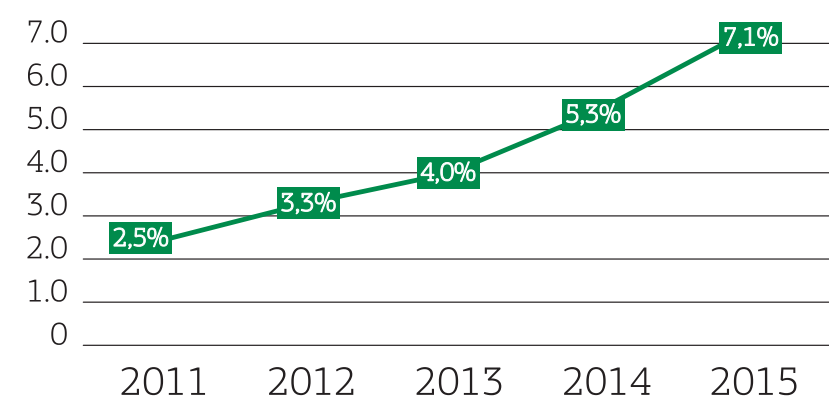
Index of prices in construction, %

Source: SC under MNE of RK



Share of housing savings system participants to the economically active population

Source: SC under MNE of RK



STRATEGIC REPORT

Development Strategy

The Development Strategy of Baiterek NMH JSC for 2014–2023 was approved with the Decree of the Government of the Republic of Kazakhstan dated 18 June 2014 # 674.

The Management of Baiterek NMH JSC with resolution dated 10 June 2014 (minutes # 20/14) approved Action Plan 2014–2016 for implementation of the Development Strategy of Baiterek NMH JSC for 2014–2023. Status reports on execution of this Plan are delivered to the Board of Directors once a semester.

For the purpose of exercising the mission and vision, the Holding operates in five key directions:

1.

Assistance in sustainable development of the economy of the Republic of Kazakhstan via financial support to the priority sectors of the economy:

Ensuring financing of the economy via mechanisms of lending and investing.

Within this direction, the Holding is working toward increasing granted loans and making direct investments with available and raised funds to increase the input of production of the projects implemented with support of the development institutions. The focus of the Holding is at the priority sectors of industry determined by SPIID.

Supporting in implementation of PPP projects is an important task of the Holding.

Ensuring structuring and financing for infrastructural projects, including the projects of public-private partnership:

Supporting in implementation of PPP projects is an important task of the Holding. For a more efficient structuring of the projects, the Holding established PPP Advisory Center.

Interaction with the private financial institutions on ensuring the necessary level of financing the economy:

The Holding is focusing on attracting private investments and ensuring the multiplier effect in investing the state money. For solution of this task, the group of the Holding extends cooperation and interaction with the private sector for participation in co-investing, as well as international financial institutions and commercial banks for involvement of additional financing to the economy.

STRATEGIC REPORT

Development Strategy

2.

Support of small and medium entities

Ensuring financial support to SME subjects:

Activities of the Holding are aimed at increasing availability of financing for SMEs. The Holding is working on subsidizing interest rates and guaranteeing loans for SME subjects, and financing SMEs via commercial banks and leasing companies.

Improving competences of SME subjects:

The Holding is working on ensuring access of potential and existing businessmen to services for improvement of SME competences. Training is provided in the entrepreneurial consultancy centers, where consultations and acceptance of primary documents within the programs of subsidiaries of the Holding, provision of consulting / practical assistance in creation and/or development of entrepreneurs for the purpose of preparing them for participation in the programs of entrepreneurship support.

3.

Supporting new, modern sectors of the economy and development of innovations

Financial support to new sectors of the economy and innovational projects:

For the purpose of providing financial support to new sectors of the economy and innovational projects, the Holding provides innovational grants for commercialization of perspective innovational ideas, developments and technologies.

4.

Support to export operations of Kazakhstan companies

Development of export insurance and trade finance

The Holding carries out addressed support of non-extractive export, where main instruments are insurance of payments with delays under export contracts, insurance of documentary letters-of-credit, export trade financing, and pre-export financing.

5.

Assistance in solution of socially-oriented goals of the state

Development of the system of housing construction savings

The Holding improves conditions of the offered products on continuous basis (rates, fees, decreasing deadlines for consideration of applications and related business processes) for the purpose of improving access of the population to the system of housing construction savings.

Development of instrument «rental with further acquisition»:

The Holding provides assistance on financing construction of rental and credit housing.

CASE #2

TIG ALINA



Company's profile

Trading-Industrial Group Alina is a part of the Alina group of companies, which represents the largest group in the Central Asia and Russia on production of dry building mixtures, varnish and paints, construction gypsum and decorating-finishing materials. The company carries out the full cycle of production – from extraction and processing of raw materials to sale of manufactured goods to the final customer. Branches of Alina cover almost all the largest cities of Kazakhstan and Central Asia.

The production manufactured at the plants, includes finishing materials used in repair of old buildings and finishing of the new ones. The core products manufactured by the company, include stucco, filling, paints, clays, varnish, gypsum plasterboard, mixtures, hydro-isolation, self-levelling floor, float-work and many others.

Project

Within the program «Leaders of Competitiveness – National Champions», the company received financing for replenishment of working capital in the amount of 1 bln KZT, as well as the investment loan for construction of plant for production of marble in Karatau for the amount of around 700 M KZT. The expected production capacity of the plant is – 110 thousand tons of marble stuffing, annual volume of sales — up to 1,4 bln KZT.



The expected
production capacity
of the plant

110
thousand tons
of marble
stuffings

annual volume
of sales

1,4
bln KZT



Effect

In total, by 2018 across the trading-industrial group Alina, we expect growth of sales by 15% per year, as well as the creation of an additional 450 jobs.

OPERATIONAL AND FINANCIAL PERFORMANCE RESULTS

Key events of 2015

Implementation of the state program «Nurly Zhol»

Four subsidiaries of the Holding (Development Bank of Kazakhstan, Damu Fund, Kazakhstan Mortgage Company and Kazakhstan Fund for Guaranteeing Mortgage Loans) are implementing «Nurly Zhol» government program for infrastructure development for 2015-2019.

In 2015, as part of the program, funds in the amount of 277.5 bln KZT were allocated from the National Fund of the Republic of Kazakhstan.

Participation in the Government Program for Regional Development till 2020

In execution of the President's State of the Nation Address to the people of Kazakhstan «Kazakhstan – 2050» Strategy: New Political Course of the Successful State» dated 14 December 2012, the Decree of Government of the Republic of Kazakhstan dated June 28, 2014 approved the Program for Regional Development until 2020. One of the key directions of the program, which is being implemented by the Holding, is construction of affordable rental housing.

As part of the Program for Regional Development until 2020, the Holding brought into operation 425.4 thousand sq.m of residential housing (7,234 flats) through «Housing of KMC» and ensured buy-out of 404 thousand sq.m of housing (6,558 flats) through Housing Construction Savings Bank of Kazakhstan.

Receiving funds from the National Fund of the Republic of Kazakhstan

In 2015 the Holding received 315,6 bln KZT from the money of the National Fund of the Republic of Kazakhstan, including 100 bln KZT for financing the processing industries, 92,5 bln KZT for financing construction and acquisition of housing for further rental, 85 bln KZT for financing domestic manufacturers and exporters, and 38,1 bln KZT for financing construction of real estate at the territory of EXPO-2017.

Capitalization

In 2015 the Holding was capitalized for 40 bln KZT from the reserve fund of the Government of the Republic of Kazakhstan for ensuring competitiveness and sustainability of the national economy.

Maintaining credit ratings

In July 2015, Fitch Ratings International Rating Agency confirmed the credit rating of the Holding at the level of the sovereign credit rating (BBB+).

In February 2015, Standard & Poor's International Rating Agency, following the downgrade of the sovereign credit rating, lowered the credit rating of the Holding (BBB).

In July 2015, due to the changes in assessment of government support probability, Standard & Poor's lowered the credit rating of the Holding by one notch below the sovereign credit rating (BBB-).

Participation in development of draft regulatory legal acts

Representatives of the Holding were included into the working group for the draft of Entrepreneurial Code Project and the related draft bill, created by the Majilis (lower house) of the Parliament.

Within this working group, amendments focused on envisaging the following provisions were elaborated:

- clarification and improvement of the special fund for development of entrepreneurship (purpose of the Damu Fund);
- legal status of the national managing holding (Baiterek NMH JSC);
- legal status of Investment Fund of Kazakhstan as the national development institution, cases of entering charter capital, restructuring of debts, etc.

Within the respective draft law, we worked out amendments to the laws of the Republic of Kazakhstan «On Development Bank of Kazakhstan» and «On Project Financing and Securitization».

Within the draft Law of the Republic of Kazakhstan «On amendments to certain legal acts of the Republic of Kazakhstan on the issues of insurance and Islamic financing», the representatives of the Holding presented an issue on establishing a special procedure in the tax laws on determination

of tax liabilities on property tax with respect to the housing leased out to individuals with the right of further buy-out and without it, within the Program for Regional Development.

Also in 2015, Alina Aldambergen, Deputy Chairman of the Management Board of the Holding being a member of the Inter-agency Committee on issues of legislative drafting activities under the Government of the Republic of Kazakhstan, attended thirty-one meetings of this collegial body.

The results of international projects

In 2015, the Holding's management held about 90 international meetings, signed over 15 agreements and memoranda for over 10 bln USD with major foreign companies and international financial institutions, arranged a number of international events.

Chinese direction

The main direction of international cooperation in 2015 was China.

In March 2015, in the course of the official visit of Karim Massimov, Prime-Minister of the Republic of Kazakhstan to the People's Republic of China, four agreements were signed in Beijing:

1. Memorandum of Understanding between Development Bank of Kazakhstan (DBK) and the State Development Bank of China.
2. Memorandum of Understanding between DBK and Export-Import Bank of China.
3. Loan agreement between DBK and the State Development Bank of China for 650 M USD for investment projects of DBK.
4. Loan agreement between DBK and Export-Import Bank of China for 500 M USD for investment projects of DBK. This loan agreement was concluded as part of the Framework Agreement on Cooperation in the Sphere of Energy for the amount of 5 bln USD, signed

OPERATIONAL AND FINANCIAL PERFORMANCE RESULTS

International projects

in 2009 in the course of the visit by Nursultan Nazarbayev, the Head of the State, to China.

As a part of the visit of the Head of the State to Beijing from August 22 to September 2, 2015, three agreements that were signed aimed at attraction of financing to the prioritized industrial projects:

1. Memorandum on Cooperation between Baiterek NMH JSC and the Bank of China on possibility of financing industrial projects of the Republic of Kazakhstan for an indicative amount of 5 bln USD.
2. Agreement on joint participation and extension of the Kazakhstan Infrastructure Fund between Baiterek NMH JSC and the CITIC Group (total capitalization of the fund is 600 M USD).
3. Framework agreement on arrangement of financing between Samurk-Energo JSC, DBK and the State Development Bank of China for the project of wind power plant for the total amount of 120 M USD.

During the official visit of the Prime-Minister of the Republic of Kazakhstan to the People's Republic of China in December 2015, additional two agreements were signed:

1. Memorandum on Cooperation between Baiterek NMH JSC and the Silk Road Fund (on possibility to raise financing for industrial projects up to 2 bln USD).
2. Framework agreement for the insurance coverage cooperation between the China Export & Credit Insurance Corporation and DBK (for 400 M USD).

Japanese direction

In October 2015, during the official visit of Shinzo Abe, the Prime-Minister of Japan, to the Republic of Kazakhstan, DBK signed the loan agreement with the SUMITOMO MITSUI BANKING CORPORATION EUROPE LIMITED for the amount of 37.3 M USD for the general corporate purposes.

European direction

In November 2015, during the official visit of the President of the Republic of Kazakhstan to the United Kingdom and France, the following agreements were signed:

1. Framework agreement between DBK and The Bank of Tokyo-Mitsubishi UFJ on financing the projects to procure goods and services with the insurance support of export credit agencies for up to 1 bln EUR.
2. Agreement on guarantees and damage indemnification between Damu Fund and European Bank for Reconstruction and Development (EBRD) for the amount of 50 M USD.
3. Memorandum of Understanding between IFK and The Float Glass Consortium Limited.
4. Memorandum of Understanding between Baiterek NMH JSC and BPI France.
5. Framework agreement on cooperation between Baiterek NMH JSC, Saryarkaautoprom and Peugeot France on development of the automotive industry and export of cars.
6. Memorandum on Cooperation between DBK and COFACE – the French Export Credit Agency.
7. Memorandum of Understanding between KCM and Veolia Water Solutions and Technologies JSC on joint implementation of the infrastructure project in Mangystau region, the Republic of Kazakhstan

On July 8, 2015 in Berlin, the 8th Kazakhstan-German Business Council was held, which was attended by financial institutions of Germany and the Holding's Management Board. During the Business Council, over 10 business meetings were held; financial opportunities for the German companies in Kazakhstan, status of implementation of the current projects in the mining industry, and issues of energy consumption of major enterprises in Kazakhstan were discussed.

On September 23-25, 2015, the delegation of Baiterek NMH JSC visited France, where the Kazakhstan-French Business Council was held. As a part of the Business Council, thirteen meetings were held with the French companies, where the issues of joint implementation of the projects were discussed.

Forums

In May 2015, as a part of the Astana Economic Forum, the Department of International Cooperation of Baiterek NMH JSC organized the Forum of Europe and Asia. The main purpose of the Forum was to study the ways for further integration of economies of Europe and Asia. Well-known political figures such as Romano Prodi, Alfred Gusenbauer, Alexander Kwaśniewski, Ehud Barak among others were invited as speakers. As a part of the Forum, we arranged two sessions, the first was «Strengthening the partnership between Europe and Asia to rekindle global growth» and the second was «Building competitive ecosystems to catalyze public and private innovation efforts in Europe and Asia».

At the Forum, the Prime-Minister of the Republic of Kazakhstan announced the launch of the program for integration of joint efforts of the two continents in the sphere of innovations.

International cooperation of subsidiaries

- In March 2015, Investment Fund of Kazakhstan, concluded EPC contract for plant construction as a turnkey project with the American company Stewart Engineers, Inc. to implement the investment project «Construction of the plant for production and processing plate glass». The total amount of the contract was 190 M USD (33.7 bln KZT).

- Damu Fund actively cooperates with the international financial institutions of Korea, Germany, Malaysia, the Netherlands, Singapore, Turkey, France, Japan, and the Asian Development Bank (ADB), EBRD and the World Bank on issues of loan attraction for development of SMEs in particular.

- Under the Framework Agreement on partnership concluded in May 2014 between ADB and the Government of RK, ADB is elaborating the possibility of allocation of a loan in 2016 to Damu Fund in the amount of 200 M USD with the government guarantee. ADB is also elaborating with the Ministry for National Economy of RoK the issue of creation of the Apex Fund in Kazakhstan (the institution established upon financial infusions

from investors to extend the access possibilities to by microfinancial organizations to financial resources, promotion of financial services in the regions. and support of entrepreneurial activities).

- Earlier, to implement the Investment Program of ADB on financing of small and medium-sized business in Kazakhstan, the Framework Agreement was concluded between the Government of the Republic of Kazakhstan, ADB and Damu Fund in May 2011, where ADB opened the credit line in the form of multi-tranche mechanism of financing for 500 M USD. All tranches were raised by Damu Fund with the government guarantee from the Government of RoK (1st tranche of the loan – 22.2 bln KZT was received in 2011, 2nd tranche – 122 M USD – in 2014). The last tranche of the ADB loan in amount of 228 M USD was received by Damu Fund in October 2015.

- In addition to the above agreements, Development Bank of Kazakhstan also signed Memorandums on Cooperation with major organizations of Russia, China, Republic of Belarus, and France.

- During the reporting period, the National Agency for Technological Development signed agreements for technological cooperation with the scientific institutions of the United Kingdom, Turkey, China, South Korea, and the Russian Federation.

- The Housing Construction Savings Bank of Kazakhstan cooperates with the financial institutions of Austria, Belgium, Luxemburg, Spain, Russia, and ADB to establish business contacts and increase awareness of the world experience in the sphere of housing financing, and to study possibilities to attract additional sources of financing based on the examples of financial institutions of these countries. In July 2015, HCSBK signed the Memorandum on Cooperation with Bausparkasse Schwäbisch Hall, the largest construction savings organization of Germany.

- During the reporting period, KazExportGuarant participated in trading missions to Kyrgyzstan, Belarus, Uzbekistan, Azerbaijan, Iran, and the Russian Federation. Following the results of these events, five projects were insured for the total amount of 161.5 M KZT. Three projects for over 50 M KZT are under consideration. The corporation also concluded the reinsurance agreement with the subsidiary of ICIEC, the Islamic Development Bank, for the total amount of 5.63 bln KZT as a part of the support for export of the Kazakhstan locomotives to the Republic of Azerbaijan.

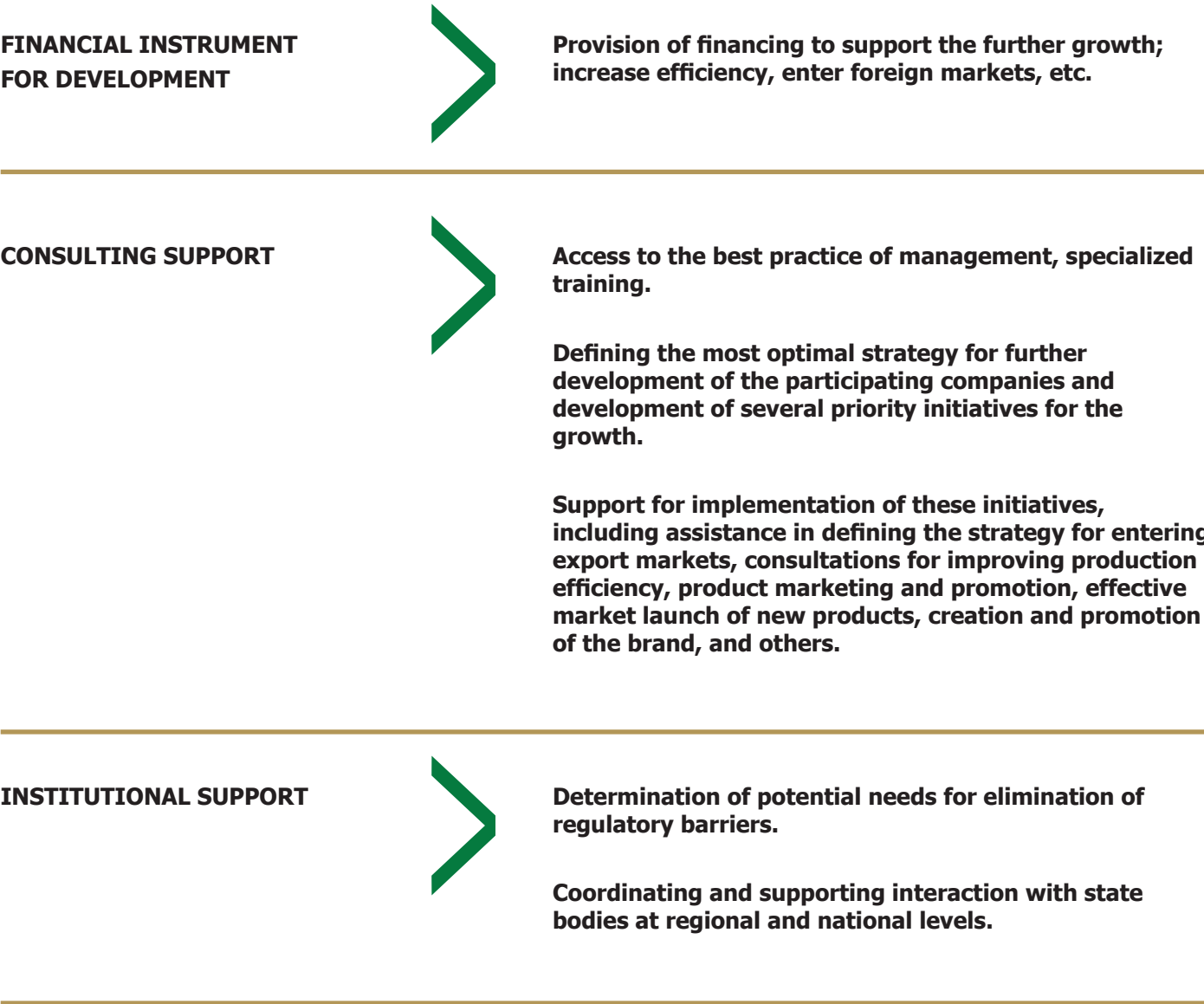
OPERATIONAL AND FINANCIAL PERFORMANCE RESULTS

National Champions Program

«Leaders of Competitiveness – National Champions» program was initiated in 2015 as a part of the 62nd step of the Plan of the Nation «100 specific steps».

The purpose of the program is to assist in the dynamic growth of the participating companies that can become competitive leaders in EAEU. The implementation of the program will allow solving problems such as development of non-resource export, increase of industrial production capacities, creation of new highly-paid jobs, and import substitution.

The participating companies are provided with a comprehensive support within the following directions:



The program consists of annual cycles, each of them includes three stages:

1. selection of participants,
2. diagnostics of their operations, and
3. provision of the comprehensive support based on the outcome of diagnostics.

First cycle of the Program (2015)

Within the first cycle of the Program, which was launched in February 2015, we detected 27 participants from three industries: food industry (16 companies), machine-building (6 companies), and production of construction materials (5 companies).

The list of participants to «National Champions – Leaders of Competitiveness» program

INDUSTRY	COMPANIES	
FOOD INDUSTRY	RG Brands Kazakhstan	Galanz Bottlers
	Eurasian Foods	Tea House
	Agroproduct	Becker & Co
	Bayan Sulu	Unix
	Maslodel	Caspian Beverage
	Raimbek Group	Natizhe Sut
	Alel Agro	APK Adal
	UKPF	Shin-Line
MACHINE-BUILDING	Alageum Group	Hyundai Trans Auto
	Kainar-AKB	Format Group
	Zhigermunaiservice	
	Karlskrona LC AB	
PRODUCTION OF CONSTRUCTION MATERIALS	Standard Cement	Alina Management
	Ekoton+	
	Santechprom	
	Zhambylgypsum	

- During the diagnostics of the participating companies, we determined:
- Initiates for their further development and growth,
 - Volumes and types of financing required for implementation of these initiatives,
 - Suggestions for institutional support of the companies from the industries in question.

Consulting support

We held **7 forums** and ensured consultancy support **for implementation of 105 initiatives**. The consultancy support was provided for the following directions:

- **Products and marketing:** improvement of approach to pricing, introduction of the advanced

- brand management, optimization of expenses for marketing.
- **Sales and distribution:** development of sales and distributors management skills.
 - **Expansion:** entering markets of Russia, China, replacement of import at Kazakhstani market.
 - **Production:** investments in the new production capacities, introduction of «lean production» practices.
 - **Human resources / Organization:** introduction of personnel performance management systems, clarification of the Holding’s structure of the companies.

Financial support

At the stage of the diagnostics, the program participants stated their need for financing for about **190 bln KZT**, including investments, replenishment of working capital, and refinancing.

At the same time, filed applications were for **131.9 bln KZT**. The difference in needs and applications is due to the following factors: revision of plans, certain investment projects at the analysis stage, and to the lack of KZT currency liquidity.

Currently, the amount around **67 bln KZT** was approved, where **41.5 bln KZT** have been already given to subsidiaries of the Holding to finance the investment needs, replenish working capital, and refinance.

Institutional support

While analyzing the participating companies, we determined the additional measures of the government support, which will facilitate the further development, eliminate the barriers, and stimulate the growth of the Kazakhstani products for export. This list of actions includes: reimbursement of expenses incurred when delivering industrial infrastructure to the enterprises / projects of the program, and support of export (entering the market of retailers in Russia, assistance in obtaining permits for entering the market of China, certification, etc.).

Offers for the institutional support were considered at the meeting by the Working Group for implementation of the third direction «Industrialization and Economic Growth» under the National Commission for Modernization of the Economy. In accordance with the Working Group's Resolution, the offers are being considered by the government bodies.

During the visit by the Kazakhstani delegation to Iran, headed by Asset Issekeshiev, the Minister for Investment and Development of the Republic of Kazakhstan and Kuandyk Bishimbayev, the Chief Executive Officer of Baiterek NMH JSC on February 7-8, 2016, we held the exhibition of the National Champions. On the occasion of the April visit of the Head of the State, we held the Kazakhstani-Iranian Business Council. The Kazakhstani delegation included representatives of the program participants. As a result, the Kazakhstani and Iranian partners signed an agreement and contracts for delivery of the Kazakhstani products to Iran.

Second cycle of the Program (2016)

On February 26, 2016, at its meeting, the Steering Committee of the program summarized the outcome of the first cycle, and made a resolution to launch the second cycle of the program, which envisages selection of the new participants.

To participate in the selection, the potential candidates must comply with the primary criteria of the selection approved by the Steering Committee. The second cycle of the program will include companies of the processing industry, services and agriculture. The eligible companies are the Kazakhstani companies with the revenue from 5 to 70 bln KZT. Companies with the government participation and subsidiaries of major multinational corporations can't participate.

The participating companies of the second cycle will also receive the consultation, financial, and institutional support.

Implementation of the second cycle is characterized by in-depth diagnostics (developed for specific industries, detailed for specific companies): preliminary analysis of the industry and information of the company, visit to the premises of the company, direct participation of the respective expert in on-site diagnostics, detailed discussion of the suggested initiatives with the management of the companies.

During the second cycle we plan to provide individual consultancy support for implementing the initiatives defined during the diagnostics, including development of plans for initiatives introduction in cooperation with the company, provision of the world's best practices required for introduction of the initiatives. To do this, we will also attract the high-class international experts in the respective industries.

Expected results

The Holding will continue providing assistance to the participant companies in the implementation of the earlier defined initiatives until the end of 2018.

The comprehensive implementation of the above initiatives will ensure growth of revenue of the participant companies by **170 bln KZT**, and allow creating **4,600 new jobs** by 2018.

CASE #3

BAYAN SULU

Баян Сұлу

Company's profile

The core business of the company is to produce and sell confectionery. **Bayan Sulu** is one of the largest confectionery producers in Kazakhstan, has 40 years work experience and the high business reputation in the food industry.

The enterprise annually produces and sells the high-quality products, its product line has around 250 names of caramel, dragee, toffee, candies, chocolate, marmalade, marshmallow, cookies, and waffles.

Project

Bayan Sulu was selected as a participant to «Leaders of Competitiveness – National Champions» program, which is supported as part of the first cycle of the program. Within the program, the extensive work was done with the consultants from McKinsey, as a result, the weaknesses were identified, and the sales system was reorganized, which allowed to considerably increase the sales at the domestic market.

In 2015, **Bayan Sulu** received financing for replenishment of working capital in the amount of 2 bln KZT for pre-export financing, as well as the investment loan for procurement of machinery for the Biscuit Workshop # 2 with the block of supporting premises in the amount of 1.5 bln KZT. The annual sales are



forecasted at 4.5 bln KZT, and it is planned to create 150 jobs. In the near future, the company plans the stagewise launch of production lines, in August 2016 – one line, and in September-October 2016 — the second line.

The annual sales is forecasted at

4,5
bln
tenge



Effect

By 2018, **Bayan Sulu** is planning to increase sales by 50%.

CORPORATE GOVERNANCE

Principles of corporate governance

The Holding's Long-term Development Strategy sets a priority goal to develop as an integrated development institution with a roll-out of the best practices of corporate governance. Formalization and clear segregation of competences, authorities, responsibilities and accountability between the Holding as the Shareholder and boards of directors and management boards of the subsidiaries have been performed while implementing this goal with due account to legal requirements and recommended best practice.

Professional boards of directors with a balanced composition involving independent directors with appropriate qualifications and professional background in the international companies and private sector were organized across the Holding's subsidiaries. The Holding's executives were also represented in the subsidiaries' board of directors. A number of document templates were adopted to define the unified standards for operations of the boards of directors, internal audit services, and corporate secretaries.

Boards of directors of the subsidiaries' organized committees for audit, human resources, and remunerations.

Board of directors' meeting frequency is defined and high level of the board members' attendance of respective meetings is ensured.

The performance assessment of the subsidiaries' boards of directors conducted in 2015 demonstrated good results across the entire group of companies in terms of the board of directors' authorities, completeness and deadlines for informational materials delivery, quantitative and qualitative composition of the boards of directors,

and implementation of action plans, etc.

The Code of Business Conduct was adopted and the ombudsman mechanism was introduced to ensure timely resolution of the corporate disputes and conflicts of interests.

In November 2015, independent directors of the Holding and its subsidiaries took part in the round table held in the framework of development of the dialogue between the corporate governance levels within the Holding group. Adoption of the unified methods for business process assessment, including systems for corporate governance, risk management and internal controls, allowed the internal audit services of the Holding and its subsidiaries to perform an audit as per international standards with comparable results.

In 2015 the subsidiaries' internal audit services assessed the systems of corporate governance, internal control and risk management in the Holding's subsidiaries based on the international approaches. The assessment showed a higher level of: 1) corporate governance amongst the subsidiaries in Development Bank of Kazakhstan, Housing Construction Savings Bank, and Damu Fund, 2) internal control system amongst the subsidiaries in Development Bank of Kazakhstan, Damu Fund, insurance corporation KazExportGuarant, Kazyna Capital Management, Baiterek Development, 3) risk management systems amongst the subsidiaries in Development Bank of Kazakhstan, Housing Construction Savings Bank, Damu Fund, insurance corporation KazExportGuarant, Kazyna Capital Management, and Baiterek Development. This demonstrates progress in building of the overall structure for corporate governance, risk management, business processes performance, transparency development and significant information disclosure.

Corporate governance principles:

- Protection of rights of The Sole Shareholder's rights and interest protection.
- Efficient governance of the Holding by the Board of Directors and the Management Board.
- Independent operations of the Holding.
- Transparency and objectivity of informational disclosures of the Holding's operations.
- Legitimacy and ethics.
- Efficient dividend policy.
- Efficient human resource policy.
- Environmental protection.
- Equitable resolution of corporate disputes and conflicts of interests.
- Responsibility.

Information on the Sole Shareholder

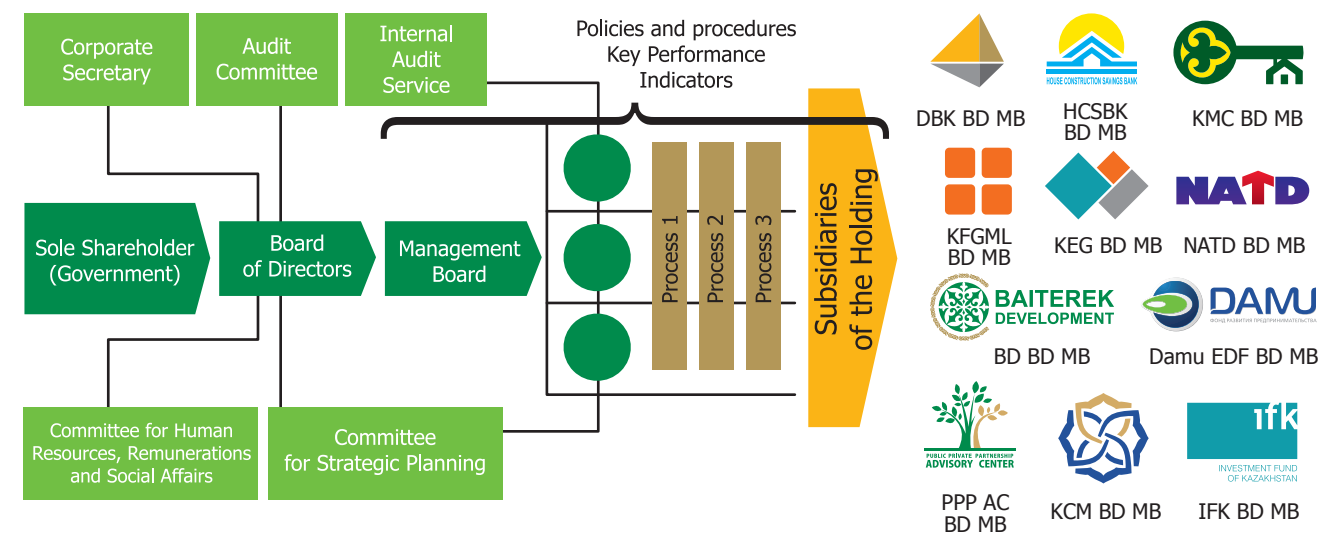
The Government of the Republic of Kazakhstan represented by the Committee for the State Property and Privatization of the Republic of Kazakhstan is the Sole Shareholder of the Holding.

On June 26, 2013, the rights of ownership and use of the government stake in the Holding were transferred to the Ministry of Industry and New Technologies of the Republic of Kazakhstan (MINT).

In accordance with a Decree of the President of the Republic of Kazakhstan dated August 6th, 2014 # 875 «On reformation of the public administration system of the Republic of Kazakhstan», the functions of the Ministry of Industry and New Technologies were transferred to the newly established Ministry for Investments and Development (MID) of the Republic of Kazakhstan (successor of the eliminated MINT).

On November 27, 2014, the rights of ownership and the use of the government stake in the Holding were transferred to MID. Therefore, the Ministry of Investments and Development of the Republic of Kazakhstan makes decisions on issues which are referred to the Sole Shareholder's competence by legislation and the Articles of Association of the Holding, and formally documented by orders of the authorized officials of Ministry for Investments and Development of the Republic of Kazakhstan.

Corporate governance structure



The Holding bodies structure:

- Sole Shareholder – supreme body of the Holding.
- Board of Directors – a managing body performing general governance and control over of the Management Board's activities.
- Management Board – a collective executive body, which manages the Holding's current operations.
- Internal Audit Service – a body performing supervision over financial and business operations of the Holding, assessment of internal controls and risk management, execution of corporate governance documents and consultancy in order to improve the Holding's performance.

CORPORATE GOVERNANCE

Board of directors

On the Board of Directors

The Board of Directors of the Holding includes ten directors, three of which are independent.

Members of the Board of Directors



Karim Massimov – Prime-Minister of the Republic of Kazakhstan, Chairman of the Board
Date of birth: June 15, 1965.
January 2007 - September 2012 – Prime-Minister of the Republic of Kazakhstan (reappointed on January 20, 2012).
September 2012 - April 2014 – Chief of Staff of the Presidential Executive Office of the Republic of Kazakhstan.
January 2014 - April 2014 – Acting Secretary of the State of the Republic of Kazakhstan.
Since April 2014 – Prime-Minister of the Republic of Kazakhstan.
April 9, 2014 - appointed as Chairman of the Board of Directors, according to the order of A. Rau, the First Vice-Minister of Investments and New Technologies of the Republic of Kazakhstan, № 119 «On composition of the Board of Directors of Baiterek National Managing Holding Joint Stock Company»



Bakhytzhan Sagintayev – First Deputy Prime-Minister of the Republic of Kazakhstan, the Board member.
Date of birth: October 13, 1963.
September 24, 2012 - January 2013 – First Deputy of Nur-Otan People's Democratic Party.
January 2013 - November 2013 – First Deputy Prime-Minister – Minister of Regional Development of the Republic of Kazakhstan.
Since November 2013 – First Deputy Prime-Minister of the Republic of Kazakhstan.
June 25, 2013 - appointed as a Board Director, according to the order of E. Utegov, Chairman of the Committee for State Property and Privatization, № 471 «On governing body of Baiterek National Managing Holding Joint Stock Company».
December 30, 2013 - appointed as a Board Director, according to the order of A. Rau, the First Vice-Minister of Investments and New Technologies of the Republic of Kazakhstan, № 464 «On composition of the Board of Directors of Baiterek National Managing Holding Joint Stock Company».



Asset Issekeshov – Minister of Investments and Development of the Republic of Kazakhstan, the Board member.
Date of birth: August 17, 1971.
2008 - 2009 – Assistant to the President of the Republic of Kazakhstan for Economic Affairs.
May 2009 - March 2010 – Minister of Industry and Trade of the Republic of Kazakhstan.
March 2010 - January 2012 – Deputy Prime-Minister of the Republic of Kazakhstan – Minister of Industry and New Technologies of the Republic of Kazakhstan.
January 2012 - September 2012 – Minister of Industry and New Technologies of the Republic of Kazakhstan.
September 2012 - August 2014 – Deputy Prime-Minister of the Republic of Kazakhstan – Minister of Industry and New Technologies of the Republic of Kazakhstan.
Since August 2014 - Minister of Investments and Development of the Republic of Kazakhstan.
June 25, 2013 - appointed as a Board Director, according to the order of E. Utegov, Chairman of the Committee for State Property and Privatization, № 471 «On governing body of Baiterek National Managing Holding Joint Stock Company».
December 30, 2013 - appointed as a Board Director, according to the order of A. Rau, the First Vice-Minister of Investments and New Technologies of the Republic of Kazakhstan, № 464 «On composition of the Board of Directors of Baiterek National Managing Holding Joint Stock Company».



Bakhyt Sultanov – Minister of Finance of the Republic of Kazakhstan, the Board member.
Date and place of birth: November 29, 1971.
March 2010 - January 2012 – Assistant to the President of the Republic of Kazakhstan.
January 2012 - November 2013 – Deputy Chief of the Staff of the Presidential Executive Office of the Republic of Kazakhstan.
November 2013 - August 2014 – Deputy Prime-Minister – Minister of Finance of the Republic of Kazakhstan.
Since August 2014 – Minister of Finance of the Republic of Kazakhstan.
June 25, 2013 - appointed as a Board Director, according to the order of E. Utegov, Chairman of the Committee for State Property and Privatization, № 471 «On governing body of Baiterek National Managing Holding Joint Stock Company».
December 30, 2013 - appointed as a Board Director, according to the order of A. Rau, the First Vice-Minister of Investments and New Technologies of the Republic of Kazakhstan, № 464 «On composition of the Board of Directors of Baiterek National Managing Holding Joint Stock Company».



Erbolat Dossaev – Minister of National Economy of the Republic of Kazakhstan, the Board member.
 Date and place of birth: May 21, 1970.
 2006 - 2012 – Chairman of Board of Directors, KazInvestBank JSC.
 September 2012 - January 2013 – Minister of Economic Development and Trade of the Republic of Kazakhstan.
 January 2013 – August 2014 – Minister of Economy and Budget Planning of the Republic of Kazakhstan.
 Since August 2014 – Minister of National Economy of the Republic of Kazakhstan.
 June 25, 2013 - appointed as a Board Director, according to the order of E. Utepov, Chairman of the Committee for State Property and Privatization, № 471 «On governing body of Baiterek National Managing Holding Joint Stock Company».
 December 30, 2013 - appointed as a Board Director, according to the order of A. Rau, the First Vice-Minister of Investments and New Technologies of the Republic of Kazakhstan, № 464 «On composition of the Board of Directors of Baiterek National Managing Holding Joint Stock Company».



Yerbol Orynbayev – Assistant to the President of the Republic of Kazakhstan, the Board member.
 Date of birth: June 29, 1971.
 January - October 2007 – Head of the Prime-Minister's Office of the Republic of Kazakhstan.
 October 2007 - November 2013 – Deputy Prime-Minister of the Republic of Kazakhstan.
 November 2013 - October 2014 – Assistant to the President of the Republic of Kazakhstan.
 October 23, 2014 - appointed as a Board Director, according to the order of A. Issekeshev, Minister for Investments and Development of the Republic of Kazakhstan, № 96 «On composition of the Board of Directors of Baiterek National Managing Holding Joint Stock Company».



Kuandyk Bishimbayev – Chief Executive Officer of Baiterek NMH JSC, the Board member.
 Date of birth: April 11, 1980.
 2010 - 2011 – Vice-Minister of Economic Development and Trade of the Republic of Kazakhstan.
 2011 - 2013 – Deputy CEO at Sovereign Wealth Fund Samruk-Kazyna Joint Stock Company.
 Since 30 May 2013 – CEO at Baiterek National Managing Holding Joint Stock Company.
 June 25, 2013 - appointed as a Board Director, according to the order of E. Utepov, Chairman of the Committee for State Property and Privatization, № 471 «On governing body of Baiterek National Managing Holding Joint Stock Company».
 December 30, 2013 - appointed as Board Director, according to the order of A. Rau, the First Vice-Minister of Investments and New Technologies of the Republic of Kazakhstan, № 464 «On composition of the Board of Directors of Baiterek National Managing Holding Joint Stock Company».



Klaus Mangold – Independent director, the Board member.
 Date of birth: June 6, 1943.
 1995 - 2003 – Member of the Management Board at DaimlerChrysler AG and the Chairman of the Management Board at Debis AG.
 1999 - 2010 – Chairman at Ost-Ausschuss der Deutschen Wirtschaft.
 Since 2011 – Chairman of the Supervisory Board at TUI AG, member of the supervisory boards at Metro AG, Alstom AG, Continental AG, Rothschild GmbH, Alstom S.A., Ernst & Young.
 June 25, 2013 - appointed as a Board Director, according to the order of E. Utepov, Chairman of the Committee for State Property and Privatization, № 471 «On governing body of Baiterek National Managing Holding Joint Stock Company».
 December 30, 2013 - appointed as a Board Director, according to the order of A. Rau, the First Vice-Minister of Investments and New Technologies of the Republic of Kazakhstan, № 464 «On composition of the Board of Directors of Baiterek National Managing Holding Joint Stock Company».



Thomas Mirow – Independent director, the Board member.
 Date of birth: January 6, 1953.
 2002 - 2005 – senior consultant at Ernst & Young.
 2005 - 2008 – The State Secretary at the Ministry of Finance of Germany.
 2008 - 2012 – President at European Bank for Reconstruction and Development (EBRD).
 Board Member at Deutsche Telekom, Daimler Chrysler Aerospace, KfW.
 June 25, 2013 - appointed as a Board Director, according to the order of E. Utepov, Chairman of the Committee for State Property and Privatization, № 471 «On governing body of Baiterek National Managing Holding Joint Stock Company».
 December 30, 2013 - appointed as a Board Director, according to the order of A. Rau, the First Vice-Minister of Investments and New Technologies of the Republic of Kazakhstan, № 464 «On composition of the Board of Directors of Baiterek National Managing Holding Joint Stock Company».



Philip Yeo – Independent Director, the Board member.
 Date of birth: October 29, 1946.
 Prior to 2007 – Chairman at A*STAR, Agency for Science, Technology and Research, Singapore.
 2007 - 2011 – Special Advisor on Economic Development at the Prime-Minister Office, Singapore.
 2001 - 2006 – Co-Chairman of Singapore Economic Development Board.
 At present time – Chairman at Ascendas India Trust, Accuron Technologies and Economic Development Innovations Singapore Pte Ltd, Non-Executive Director at City Developments Limited and Hitachi. Chairman at SPRING – Singapore Government Development Agency. Member of the UN Committee of Experts on Public Administration.
 June 25, 2013 - appointed as a Board Director, according to the order of E. Utepov, Chairman of the Committee for State Property and Privatization, № 471 «On governing body of Baiterek National Managing Holding Joint Stock Company».
 December 30, 2013 - appointed as a Board Director, according to the order of A. Rau, the First Vice-Minister of Investments and New Technologies of the Republic of Kazakhstan, № 464 «On composition of the Board of Directors of Baiterek National Managing Holding Joint Stock Company».

CORPORATE GOVERNANCE

Board of directors

BoD meetings

In 2015, the meetings of the Board of Directors of Baiterek NMH JSC were held on a regular basis in accordance with the Work Plan of the Board of Directors of Baiterek NMH JSC approved on November 20, 2014 (minutes № 09/14). Besides, when needed, the Board of Directors held additional meetings.

Eleven meetings of the Board of Directors were held during the reporting period, six of them were held in the form of meetings, and five by correspondence.

The most important resolutions made:

- Update of the Board Committees Statutes (Resolution № 04/15 dated 21.04.2015).
- Update of amended and restated Investment Policy of Baiterek NMH JSC (minutes № 10/15 dated 19.11.2015).
- Approval of internal documents on risk management: Risk Aggregation Methods, Regulation for Centralized Risk Management System, Methodology for Business Processes Identification, the risks and Key Risk Indicators at Baiterek NMH JSC (Resolution # 04/15 dated 21.04.2015).
- Approval of the Code of Business Conduct of Baiterek NMH JSC (Resolution № 04/15 dated 21.04.2015).
- A number of decisions on related-party transactions with subsidiaries of Baiterek NMH JSC (DBK, Damu Fund) within the government programs for economic development targeted at financing via a leasing and/or loans mechanism for national manufacturers of cars, helicopters and passenger wagons, export and pre-export lending; placement of funds at second-tier banks to finance small and medium enterprises, and large-scale manufacturing enterprises as well.
- Preliminary approval of the annual financial statements (consolidated and standalone) for 2014 (minutes № 05/15 dated 22.05.2015).
- Approval of the report on implementation of the Development Plan of Baiterek NMH JSC for 2014-2018 at the year-end 2014, and report on execution

of Baiterek NMH JSC budget for 2014 (minutes № 06/15 dated 29.06.2015).

- Appointment of Ombudsman at Baiterek NMH JSC (minutes № 08/15 dated 10.09.2015).

Committees under the Board of Directors

The Board Audit Committee

The Audit Committee was established on September 25, 2013 for the purpose of preparing recommendations to the Board on organization of an efficient system of controls over financial and business operations of the Holding (including completeness and reliability of financial reporting), control over reliability and performance of internal controls and risk management systems, as well as compliance with documents on corporate governance, supervision over independence of external and internal audits.

Composition of the Committee:

- **Thomas Mirow** – Independent Director, Chair of the Committee
- **Klaus Mangold** – Independent Director, member of the Committee

During 2015, the Committee held four in-person meetings and 3 by correspondences, where thirty-four items were considered.

The most critical decisions made:

- Consideration and approval of draft internal documents on risk management: Risk Aggregation Methods, Regulation for Centralized Risk Management System, Methodology for Business Processes Identification, the risks and Key Risk Indicators at Baiterek NMH JSC.
- Consideration and approval of Draft Regulation

on Internal Controls System at Baiterek NMH JSC.

- Preliminary consideration of the audited financial statements (consolidated and standalone) of Baiterek NMH JSC for 2014.
- Consideration of the internal audit at Baiterek NMH JSC: annual audit plan, key indicators maps, quarterly reports on results of the internal audit and monitoring over implementation of the recommendations by the internal and external auditors, other auditing parties, and approval of the detailed Internal Audit Organization Procedures at Baiterek NMH JSC that included methods for performance assessment of IT systems, internal control, and the risk management.
- Scheduled consideration of status reports on the risk management and internal controls systems.

The Board Committee for Human Resources, Remunerations and Social Affairs

The Committee for Human Resources, Remunerations and Social Affairs was established on September 25, 2013 to improve the Board of Directors' performance by means of in-depth elaboration and monitoring of issues applicable to the Board's competence in the areas of human resources policy, appointment and remunerations system, as well as performance assessment in the aggregate, and members of the Board of Directors and the Management Board of the Holding, the Internal Audit Service, the Corporate Secretary and the international specialists employed by the Holding in particular.

Composition of the Committee:

- **Klaus Mangold** – Independent Director, Chair of the Committee
 - **Philip Yeo** – Independent Director, member of the Committee
 - **Kuandyk Bishimbayev** – CEO, member of the Committee
- During 2015, the Committee held three in-person

meetings and three by correspondences and considered eleven items.

The most critical decisions made:

- Consideration and approval of the Draft Code of Business Conduct of Baiterek NMH JSC .Development of recommendations for the Board of Directors on the issue of remuneration payment to CEO and the Management Board members of Baiterek NMH JSC at year-end 2014.

The Board Committee for Strategic Planning

The Strategic Planning Committee was established on September 25, 2013 to prepare recommendations for the Board of Directors on issues of the priority directions of business (development), strategic goals (development strategy) of the Holding including development of activities enhancing the Holding's performance in mid- and long-term perspectives.

Composition of the Committee:

- **Philip Yeo** – Independent Director, Chair of the Committee.
- **Thomas Mirow** – Independent Director, member of the Committee.
- **Asset Issekeshiev** – Minister of Investments and Development, member of the Committee.
- **Kuandyk Bishimbayev** – CEO, member of the Committee.

During 2015, the Committee held three in-person meetings and two by correspondences and considered eight items.

The most critical decisions made:

- Consideration and approval of the amended and restated draft Investment Policy of Baiterek NMH JSC.
- Consideration and approval of a draft of adjusted Development Plan of Baiterek NMH JSC for 2014-2018 and the annual budget of Baiterek NMH JSC for 2016.
- Consideration of the Status Report on execution of the Action Plan for implementation of the Development Strategy of Baiterek NMH JSC for 2014-2023.

CORPORATE GOVERNANCE

The Management Board

Information on the Management Board

Members of the Management Board

Alina Aldambergen — Deputy CEO, Member of the Management Board
Date of birth: January 11, 1973.
March 2008 - April 2011 – Deputy Chairman of the Management Board at the Agency of the Republic of Kazakhstan for Regulation and Supervision of Financial Market and Financial Organizations (from 13.03.2008 to 04.2011 due to elimination of the Agency).
April 2011 - July 2013 – Director General (Deputy) at Samruk-Kazyna Finance LLP.
Since July 2013 – Deputy CEO at Baiterek NMH JSC.

Askar Dostiyarov — Managing Director, Member of the Management Board
Date of birth: June 18, 1976.
2004 - 2008 – corporate al specialist at Meridian Capital.
2008 - 2010 – Director General, Chairman of the Board of Directors at «Mobile Telecom-Service» (Tele2).
2010 - 2013 – Managing Director at Meridian Capital.
Since November 2013 – Managing Director at Baiterek NMH JSC.

Dinara Seidzhaparova — Managing Director, Member of the Management Board
Date of birth: July 1, 1975.
2007 - 2008 – Deputy Director at Shymkent branch of KMG Kashagan B.V.
2007 - 2013 – Deputy Director General for economics and finance at KazMunaiTeniz NC.
Since July 2013 – Managing Director at Baiterek NMH JSC.

Kanysh Tuleushin — Managing Director, Member of the Management Board
Date of birth: December 6, 1983.
2008 - 2011 – Consultant, head of sector, deputy head of Department for Social-Economic Monitoring at the Presidential Executive Office of the Republic of Kazakhstan.
2011 - 2013 – Vice-Minister of Industry and New Technologies of the Republic of Kazakhstan.
Since July 2013 – Managing Director at Baiterek NMH JSC.

The Management Board includes five members: Chief Executive Officer, deputy CEO and three managing directors.

Committees of the Management Board:

- Investment Committee
- Committee for Planning and Performance Assessment
- Committee for Assets and Liabilities Management
- Committee for Human Resources Policy

Key corporate governance events in 2015

- General meeting of shareholders held on June 15, 2015, where the 2014 annual financial statements were approved and a decision on non-distribution of dividends for 2014 was made (Order of the Sole Shareholder № 679);
- Approval of the Code of Business Conduct of Baiterek NMH JSC (Resolution of the Board of Directors № 04/15 dated 21.04.2015);
- Appointment of Baiterek NMH JSC's Ombudsman represented by Deputy Corporate Secretary – Head of Corporate Secretarial Service (minutes of the Board of Directors meeting № 08/15 dated 10.09.2015);
- November 18, 2015 - a meeting of the Holding's leadership with the subsidiaries' independent directors to discuss performance and ensure achievement of the strategic development goals of Baiterek NMH JSC group of companies;
- Over 2015, internal audit services of the Holding and its subsidiaries performed diagnostics of the corporate governance system that were followed up by the development and adoption of an action plan for improvement of the corporate governance systems in 2015-2016.

CASE #4

KAZAZOT



Company's profile

The company is the only manufacturer of ammonia and ammonia niter in Kazakhstan. It manufactures chemicals oriented on production of mineral fertilizers for the needs of the agricultural sector and the mining industry.

Project

The project of the comprehensive modernization of the plant for production of mineral fertilizers in Aktau is being implemented within the State Program for Industrial-Innovational Development of Kazakhstan for 2015-2019. The total cost of the project is over 56 bln KZT, 72.3% of the required funds are provided by DBK as a loan in the national currency with the term of up to 10 years.

The comprehensive modernization of the plant assumes increase of the ammonia and nitric mineral fertilizers production capacity from 300 to 400 thousand tons by 2018, creation of the full manufacturing cycle, from extraction and processing of raw materials to sale of the manufactured goods.

The project includes «Shagyrly-Shomyshy» gas field development, construction of a gas engine power plant, a unit for recycling of ammonia from tank and blowdown gases, and a granulating tower. Upon reaching the plant's



project capacity, up to 60% of the output products used in agriculture and mining will be delivered to the internal market, the rest 40% – for export.

The total cost of the project is over

56
bln
KZT

Effect

We expect decrease of prime costs in mineral fertilizers by 34% even by 2018, while the quality of the products will increase. Also, due to development of the new field, we expect four-fold increase of extraction and sale of natural gas during the following ten years. Export is planned to grow to Lithuania, Russia and Central Asian countries: Kyrgyzstan, Turkmenistan and Uzbekistan.

INTERNAL CONTROL, RISK MANAGEMENT AND INTERNAL AUDIT

Internal control

The Internal control system of the Holding is an integral part of the risk management system, corporate governance, and it covers all levels of governance, all internal processes and operations of the Holding.

The Board of Directors in collaboration with the Management Board ensures creation of the control environment, which expresses and demonstrates importance and necessity of the internal control and the ethical practices compliance at all levels of operations by the Holding's employees.

The Management Board ensures development of control procedures across the three key areas (operational and investment activities, ensuring authenticity of financial and management reporting, compliance with legal and internal regulatory requirements) aimed at:

- decrease of possibility for potential risks occurrence;
- errors prevention and/or errors identification after their occurrence;
- identification and elimination of redundant operations;
- identification of weaknesses and areas for improvement;
- further improvement of internal control system.

The first line of protection of internal control is ensured by the structural units of the Holding themselves. Controls are developed by the structural units and they are an integral part of business processes. Organization, supervision, and monitoring of the internal control will be carried out by the heads of the structural units of the Holding.

The second line of protection is ensured by various structural units including but not limited to such structural units as the risk management unit, the Holding's unit for legal affairs, human resources management unit, security unit (including IT, informational, physical security) and other structural units of the Holding performing control functions.

The third line of protection represents a function for independent assurance of the internal control environment performance within the framework of the audit plan, which covers both first and second lines of protection and ensures performance assessment of the entire internal control system in the Holding.

The control procedures are a documented system of activities and actions for ensuring efficient internal controls over execution of the Holding's goals, tasks and plans, identification and running of non-standard operations, as well as prevention and limitation of risks and potential negative actions on behalf of the Holding's officials and employees.

The control procedures are implemented at all levels of the Holding and are to be complied with by the Holding bodies, structural units and employees.

Risk management

The corporate system for risk management is an integral part of the Holding's operations and its subsidiaries. The system is aimed at identification, assessment and monitoring of all significant risks ensuring measures for mitigation of risks that may negatively impact the value and reputation of the Holding and its companies.

According to the approved Risk Management Policy, the structure of risk management in the Holding has several levels including the following bodies and units of the Holding:

- governing body – Board of Directors,
- executive body – Management Board,
- supervisory body – Internal Audit Service,
- unit responsible for risk management,
- other functional units.

The Board of Directors plays the key role in supervision over the corporate system for risk management. The main functions of the Board of Directors include setting long-term and short-term goals of the Holding, approval of the basic documents regulating the risk management processes in the Holding, consideration of reports on the risk management system performance. The Board of Directors organized the Audit Committee, which is a consultative and advisory body for providing the Board of Directors with recommendations on controls over the Holding's financial and operational performance, reliability and efficiency of internal control and risk management systems, compliance with the corporate governance regulations, and independence of external and internal auditors.

The Holding's Management Board is responsible for organization of an efficient risk management system and creation of a control framework to ensure implementation and compliance of the corporate policies. To ensure efficient risk management organization, the Management Board sets a regular consultative and advisory body – Committee for Assets and Liabilities Management, which main functions are development of recommendations on improving performance of assets and liabilities management of the Holding and its subsidiaries in order to achieve the principles of assets and liabilities diversification, risks optimization, and financial sustainability.

The Holding continuously improves the corporate system of risk management in accordance with the best international practices. These efforts cover

development and update of the risk assessment and management methodology and risk reporting delivered to the Holding's Board of Directors and Management Board. The Board of Directors and the Management consider quarterly reports on risks of the Holding with description of an action plan for managing the Holding's critical risks.

The following efforts were performed in 2015 within improvement of the risk management and internal control system of the Holding:

- implementation of centralized risk management system based on the process of quantitative assessment of certain types of risks, their further aggregation for calculation of the internal capital and its comparison with available financial resources aimed at covering the aggregate risk of the Holding's group of companies;
- development of risks and controls matrix, update of the risk register and risk map of the Holding and its subsidiaries;
- deployment of a managerial accounting system (MAS) for risk management.

Internal audit

Mission of internal audit is conservation and enhancement value and performance of an organization by means of objective internal audits based on the risk-oriented approach, provision of recommendations and knowledge sharing.

Functionality of the internal audit system is ensured by the Holding's Internal Audit Service (hereinafter – IAS) that acts in accordance with the Articles of Association of the Holding, Code of Corporate Governance, Regulation on IAS and other internal regulatory documents on internal audit issues regulating inter alia procedures of IAS assessments of the systems for internal control, risk management and corporate governance.

Advantages, strengths of the Holding's internal audit function, include:

- professionally defined status, IAS competence and functions taking into account provisions of the International Professional Practices Framework recommended by the Institute of Internal Auditors;

INTERNAL CONTROL, RISK MANAGEMENT AND INTERNAL AUDIT

- qualified governance of the internal audit function on behalf of the Audit Committee, the Board of Directors, and meaningful interaction of the top executives with IAS;
- development of risk-oriented audit work plans based on the map of audit areas, determined with due account to the approved strategic targets, register of risks and controls, business processes matrix of the Holding;
- objectivity and independence of IAS judgements, as well as their mandatory preliminary discussion with the audit stakeholders that encourages credibility of IAS efforts;
- «collective» knowledge and skills of the two current IAS specialists – G. Engameden and N. Iglíkova, who attained required education (MSc in Financial engineering & Risk management, MSc in Finance), expertise in the program for internal auditors certification (CIA), skills and work experience in areas of internal audit, financial accounting, methodology / supervision in financial markets, civil service, and their readiness to changes and, continuous training.

In addition to the risk-oriented work plan, IAS carries out annual monitoring of the Holding's compliance with limits of certain types of administrative costs in accordance with the Decree of the Government of the Republic of Kazakhstan dated December 2nd 2014 № 1266 «On determination of limits for certain types of administrative costs of national managing holdings (except for the Sovereign Wealth Fund), national holdings and national companies with controlling government stakes, as well as national companies which are included into the national managing holdings (except for the national companies which are included into the group of companies of the

Sovereign Wealth Fund), national holdings and a mechanism for their monitoring and introduction of amendments and complements to certain resolutions of the Government of the Republic of Kazakhstan.

At the end of 2015, IAS once again assessed performance of the internal controls, risk management and corporate governance systems in accordance with the internal methods approved by the Holding's Board of Directors. Upon the assessments, a significant progress was determined within the levels of the abovementioned systems organization («above average»). Besides, following the findings of the Holding's corporate governance assessment performed in accordance with the Procedures for Corporate Governance assessment in the government controlled joint stock companies (as approved by the order of the Minister of Economic Development and Trade of the Republic of Kazakhstan dated 06.06.2011 № 157) – this system complies with the 3rd level of development: «Continuous improvement of corporate governance quality is being implemented across majority of areas».

¹The Institute of Internal Auditors (<https://global.theiia.org>) is the international professional association, aimed to develop the profession of internal auditor and to support internal auditors around the world. IIA unites about 180 000 persons in more than 170 countries and territories of the world.

CASE #5

UST-KAMENOGORSK POULTRY FARM



Company's profile

UKPF — is the second largest poultry farm in Kazakhstan and a specialized enterprise for production and processing of broiler meat. Share of UKPF at the domestic market is about 10%, share in the domestic production is about 17%. **UKPF** produces about 24 thousand tons of poultry per year. It was the first company in Kazakhstan that started delivery of chilled chicken meat to the market.

Project

The Company participates in the «Competitiveness Leaders – National Champions» program with a project for construction of the Makinsk Poultry Farm for broilers breeding with capacity of 60 thousand tons in live weight. The project will encourage additional development of related industries of the country's economy, further diversification of the Kazakhstan's economy, creation of new jobs and favorable industrial infrastructure in the region.

DBK has approved financing at the amount of 12.5 bln KZT within the framework of Baiterek NMH JSC tools since the start of ULPF's participation in the «Competitiveness Leaders – National Champions» program.



UKPF produces about

24
thousand tons
of poultry per
year



Effect

It is expected that the Company will be capable to increase revenues for 7.8 bln KZT, create 565 new jobs and provide additional internal investments at the amount KZT 20 bln by 2018 with the support of Baiterek NMH JSC due to implementation of the growth initiatives.

HUMAN RESOURCES MANAGEMENT POLICY

Key Human Resources Indicators

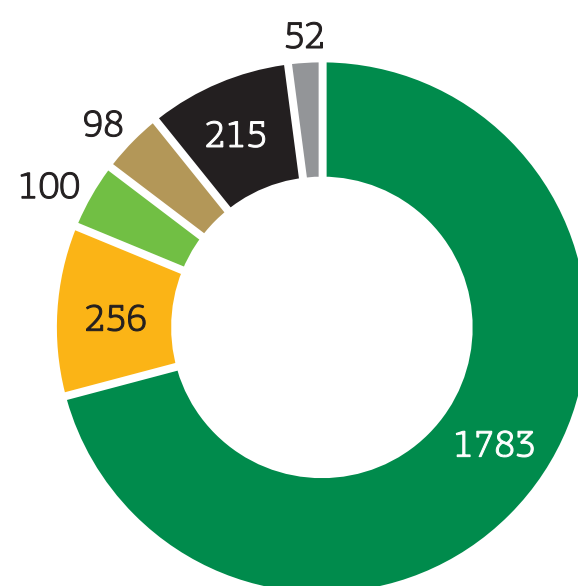
Nowadays Baiterek NMH JSC employs over 2,555 persons across 11 subsidiaries and the Holding's headquarters. Since the establishment of the Holding, considerable attention has been paid to development of the modern human resources management system, development of the most efficient environment for attraction and retention of the financial industry talents.

As a result of such efforts, decline in the consolidated personnel turnover across the Holding's group of companies down to 11% at the year-end 2015. The key indicator for personnel performance growth as per results of the reporting period is improvement of labor productivity that is currently equal to 116.1 mln KZT per person.

Mean age of employees across the Holding's group of companies is 34 years.

Qualitative and quantitative composition of the Holding's group staff, persons

Source: Baiterek



- Staff with higher education
- Masters of Science
- Bolashak program graduates
- Staff with foreign education
- Certified staff
- Doctors and PhD

Personnel development

In 2015 the Holding proactively implemented the key initiatives of the Unified Human Resource Strategy for 2015 – 2020. Particular attention was paid to development and update of the normative documentation regulating the human resources performance management systems, selection of candidates for vacant positions, remunerations and compensations across the Holding's group of companies, human resources training and development.

Outcomes

- An automated process for testing candidates in the process of competitive selection for vacant positions. The automation reduced the timeline for the tests checks, increased their validity and made it possible for candidates residing in different cities, including those outside of the Republic of Kazakhstan, to take part in the test with high level of confidentiality..
- An analysis of personnel search and selection in subsidiaries in terms of compliance with the transparency and objectivity requirements for the process of attraction of the labor resources to the Holding's group of companies. A normative document regulating the search and selection process has been updated in follow up of the analysis.
- An efficient system of employees' motivation based on the principles of external competitiveness aimed at attraction of highly-qualified specialists in the labor market, transparency and justice, and meritocracy. These actions are focused on enhancement of the employees' confidence in fair remuneration of their e.
- Large-scale efforts aimed to improve the systems for employees performance management and implementation of a human resources management system based on performance assessment and competencies development assessment Update of these systems ensures alignment of the Holding's strategy with its functional units goals and individual goals of the employees.
- A specialized review of the motivation systems at peer companies around Kazakhstan performed in cooperation with the auditing and consulting company Ernst&Young, which resulted into elaboration of recommendations on development

of a motivation system for the Holding's and its subsidiaries.

- Newly developed standards for remuneration of administrative executives and top managers of the Holding's subsidiaries. The new remuneration system is to encourage achievement of the subsidiaries' strategic goals, ensure a clear dependency between the employee remuneration level, his/her individual performance and overall employees' performance, and provide incentives for professional growth.
- Amendments introduced into the Procedures for Training and Professional Development of the Holding's employees, in accordance with which the structure of training types was transformed as well. These are professional platforms for sharing experience, knowledge and skills across functional areas of the Holding and its subsidiaries.
- Practice of monthly breakfast meetings with famous speakers implemented for the employees in order to motivate and encourage by successful experience of the industry leaders. All the Holding's employees were involved into the training due to conduction of the corporate format events.
- A competency model of highly-potential employee developed to form the talent pool. The organized talent pool allowed 50 employees across the three groups to join the «Baiterek TOP-50» talent pool program.
- Code of Business Conduct developed and approved in order to form a unified corporate culture based on high ethical standards and corporate values. Six joint corporate events were held (including the forum of line managers of the Holding's group of companies «Baiterek Management Forum: from plans to action»), to develop a single vision of the Strategy and the Holding's goals, team-building, fulfilment of intellectual and creative potential of the employees of the Holding and its subsidiaries, promotion of healthy life culture.

HUMAN RESOURCES MANAGEMENT POLICY

Social focus in human resources policy

Particular emphasis is made on the social component of the Holding's Human Resources Policy. Social responsibility of the HR policy has **internal and external vectors** of development.

Internal vector

Internal vector is aimed at social support of the employees, training and development, creation of maximum comfort working conditions through supporting of the corporate culture and increasing the personnel involvement level. As of year-end 2015, all the Holding's employees were involved into training due to conduction of training events in the corporate format. Integrated indicator of personnel involvement across the Holding's group of companies for 2015 was 74%.

As of year-end 2015, all the Holding's employees were involved into training due to conduction of training events in the corporate format. Integrated indicator of personnel involvement across the Holding's group of companies for 2015 was 74%.

The Holding provides its employees with core social protection and compensations envisaged by the current legislation of the Republic of Kazakhstan, and consistently implements and develops additional social programs and benefits. Thus, the Holding annually provides its employees with health insurance within the social support program.

External vector

External vector of the social responsibility is aimed at the sponsorship and charity activities by means of various specialized foundations and rendering targeted aid to individuals who applied for financial aid and through programs and projects for young professionals and students.

In 2015 the Holding's sponsorship and charity activities were aimed at delivery of aid to vulnerable groups of population, low-income citizens, revival of the national values, support of culture, science and education,

promotion of healthy life style and sports.

A number of motivational master classes for MBA students of the Nazarbayev University focused on development of professional competency to ensure successful careers were held within the Youth Policy. The Holding actively communicates and supports partnership relations with the country's higher education institutions, encouraging the students and young specialists to attain practical skills through completion of internships. Over 160 students and graduates completed internships in the Holding's group of companies in 2015.

One of the key events of 2015 was a release of the first Kazakhstani collection of business cases in cooperation with the Bolashak Association and Alma University. Presentation of the collection «Bolashak Business Cases» was held in the Library of the First President of the Republic of Kazakhstan – Leader of the Nation in November 2015. The collection was sent to higher educational institutions of Kazakhstan and international business schools for introduction into the educational process. This collection will allow young specialists and students to understand the mechanisms of real business operating in Kazakhstani business environment.

CASE #6

PROMMASHKOMPLEKT



ПРОММАШКОМПЛЕКТ



Company's profile

PMK — is a Kazakhstani plant producing track switches and railway wheels, launched in 2012 within the first five-year period of industrialization. The core of the company's machinery and equipment is represented by automated metalworking machinery.

Project

PMK participates in the State Program for Industrial-Innovational Development of the Republic of Kazakhstan for 2015-2019 with a project for increasing railway wheels production capacity. The total cost of the project is —50.9 bln KZT, 71% of the required funding is provided by DBK, a term of the loan is up to 19 years. Upon achievement of the production capacity the enterprise will deliver up to 40% of the output products to the internal market – mainly for the needs of National Company Kazakhstan Temir Zholy JSC, the remaining 60% – for export to Iran, Azerbaijan, Russia and Turkmenistan.



The total cost of the project is

50,9
bln
KZT

Effect

The project for increasing railway wheels production capacity based on PMK sites is planned to be completed in the second quarter of 2017. Commissioning into operations of the new production, which is engineered by Relart SA company, will allow to increase **PMK** capacity from 75 to 200 thousand units of output production per year, create over 400 jobs, improve the production localization level from 15 to 50%.

DEVELOPMENT OF IT TECHNOLOGIES

The Holding pays great attention to development of IT technologies and informational security. Strategy for development of the Holding's informational technologies for 2014-2018 has been approved within development of the given area in order to improve performance of the business processes and processing rate, consolidate the data and facilitate managerial decision-making.

Six primary targets of the Strategy were implemented in 2015.

1. Collection and consolidation of data from all subsidiaries for further analysis and compilation of various types of reporting.

Management accounting system (MAS) was implemented in accordance with the detailed methodology for management accounting at the Holding and its subsidiaries developed in 2014 and including four functional areas: business planning and budgeting, financial consolidation, integrated monitoring of treasury operations and centralized risk management. The following activities were performed within the MAS works:

- Installation of MAS software (IBM Cognos TM1/ Controller/BI)
- Development of Terms of References (ToR) for MAS. An independent audit company provided an expert review in terms of compliance of the ToR with the MAS methodology
- MAS customization and roll-out
- Training for users of the Holding and its subsidiaries
- Upload of the Holding and its subsidiaries' data on all MAS areas into the system
- MAS data testing and reconciliation (reconciliation acts from the subsidiaries)

- Pilot integration of the MAS and Damu's accounting systems for business planning and budgeting, as well as financial consolidation and partial integration of the «business planning» and «budgeting» forms with DBK.

2. Extension of the tools for tablets access arranging within development of the corporate portal of the Holding and its subsidiaries, which was implemented in 2014, in order to ensure conduction of the meetings both at level of the Holding's Management Board and its subsidiaries

3. Organization of paper-free electronic document flow between the Holding and its subsidiaries aimed at their performance improvement. Implementation and commissioning into commercial operations a program for electronic documents processing (EDP) at the Holding and its subsidiaries. EDP launch allowed to transfer correspondence between the Holding and its subsidiaries within few minutes. An online paper-free electronic documents exchange significantly reduced timeline for delivery of official correspondence of the Holding and its subsidiaries.

4. Purchase of automated informational system for fixed asset inventory with use of RFID technology.

5. Organization of online conferences with organizations / subsidiaries located in other cities by means of additional installation of videoconference terminals.

6. Installation / customization and commissioning into commercial operations of Next Generation Firewall (NGF) equipment aimed at enhancement of informational security and development of the integrated informational security system. NGF – hardware network protection allowing to monitor and prevent external attacks and ban dangerous services.

Consolidated financial statements

Consolidated statement of Financial Position

(KZT 000s)	Comment	December 31, 2015	December 31, 2014
ASSETS			
Cash and cash equivalents	6	376,224,818	263,777,147
Financial instruments at fair value that changes are reflected in the period profit or loss	7	167,193,565	39,922,634
Cash due from banks	8	544,991,946	442,651,990
Loans to customers	9	1,733,170,866	1,071,335,028
Investment securities available for sale	10	369,338,324	363,961,744
Receivables under reverse repurchase agreements		-	701,124
Finance lease receivables	11	62,508,925	26,122,360
Investment securities held to maturity		-	14,595,693
Investment property	12	2,078,760	3,724,560
Investment in associates and joint ventures	13	1,813,213	1,516,868
Current income tax prepayments		16,043,192	12,789,939
Deferred income tax assets	34	4,960,948	6,486,752
Fixed assets	14	12,022,859	13,063,285
Intangible assets	15	2,339,687	1,691,298
Marketable long-term assets	16	16,344,872	13,360,483
Other financial assets	17	23,716,394	16,436,586
Other assets	18	127,577,185	32,777,623
TOTAL ASSETS		3,460,325,554	2,324,915,114
LIABILITIES			
Customer deposits	19	314,423,007	260,089,868
Debt securities in issue	20	800,446,305	505,668,105
Interim debt	21	14,652,856	14,163,005
Loans from banks and other financial institutions	22	1,138,032,857	619,119,766
Loans from the Government of the Republic of Kazakhstan	23	54,381,837	61,845,338
Current income tax liability		613,748	220,590
Deferred tax liability	34	26,032,406	7,116,637
Insurance contract liabilities		1,070,893	706,654
Liabilities directly associated with disposal groups held for sale		146,989	-
Other financial liabilities	24	41,799,802	22,330,519
Other liabilities	25	205,726,581	33,908,484
TOTAL LIABILITIES		2,597,327,281	1,525,168,966
EQUITY			
Share capital	26	758,318,712	718,318,712
Revaluation reserve for investment securities available for sale		(14,763,833)	(7,063,690)
Revaluation reserve for financial assets reclassified from "investment securities available for sale" to "loans to customers"		4,522,580	6,386,403
Share premium reserve		5,259,474	898,082

Hedge reserve		3,403,546	(348,584)
Business combination reserve and additional paid-in capital		89,201,158	89,147,503
Other reserves		25,140,351	24,618,200
Accumulated deficit		(12,472,799)	(33,057,692)
Net assets attributable to the Holding's owners		858,609,189	798,898,934
Non-controlling interest		4,389,084	847,214
TOTAL EQUITY		862,998,273	799,746,148
TOTAL LIABILITIES AND EQUITY		3,460,325,554	2,324,915,114

Consolidated Statement of Profit or Loss

(KZT 000s)	Comment	2015	2014
Interest income	27	178,065,019	128,508,820
Interest expense	27	(83,095,522)	(60,489,744)
Net interest income		94,969,497	68,019,076
Reversal of/(provision for) loan portfolio impairment	9	(24,986,447)	1,690,961
Net interest income less provision charge for loan portfolio impairment		69,983,050	69,710,037
Fee and commission income	28	3,904,095	4,152,503
Fee and commission expense	28	(1,762,038)	(1,425,948)
Net fee and commission income/(expense)		2,142,057	2,726,555
Net gain/(loss) from financial assets at fair value through profit or loss	29	87,717,562	(9,664,651)
Net foreign exchange gain	30	(42,821,515)	14,271,917
Net (loss)/gain on investment securities available for sale		156,721	(990,125)
Net insurance premiums earned		107,919	629,685
Net insurance claims incurred and changes in insurance contract provisions		449,740	(351,751)
Other operating (expense) / income	31	(2,834,295)	3,461,692
Operating income		114,901,239	79,793,359
Provision for impairment of other assets and credit related commitments	32	(4,770,600)	(302,426)
Administrative expenses	33	(32,623,195)	(27,774,776)
Share of financial result of associates and joint ventures	12	(976,780)	(121,224)
Profit before income tax		76,530,664	51,594,933
Income tax expense	34	(27,148,616)	(9,980,795)
PROFIT FOR THE YEAR		49,382,048	41,614,138
Profit attributable to:			
- owners of the Holding		49,017,188	41,298,271
- non-controlling interest		364,860	315,867
PROFIT FOR THE YEAR		49,382,048	41,614,138

Consolidated Statement of other comprehensive income

(KZT 000s)	Comment	2015	2014
PROFIT FOR THE YEAR		49,382,048	41,614,138
Other comprehensive loss:			
Items that may be reclassified subsequently to profit or loss:			
Revaluation reserve for investment securities available for sale:			
- Losses less gains arising from revaluation		(7,174,955)	(2,246,625)
- Gains less losses/ (losses less) gains reclassified to profit or loss		(156,721)	990,125
Income tax recognized directly in other comprehensive income	34	(368,467)	340,865
Exchange differences on translating foreign operations		4,361,392	643,805
Unrealized gains less losses/ (losses less gains) from hedging instruments		3,752,130	(17,661)
Revaluation reserve for financial assets reclassified from «investment securities available for sale» to «loans to customers»		(1,863,823)	(477,429)
Other comprehensive loss for the year		(1,450,444)	(766,920)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		47,931,604	40,847,218
Total comprehensive income attributable to:			
- owners of the holding		47,566,744	40,586,002
- non-controlling interest		364,860	261,216
Total comprehensive income for the year		47,931,604	40,847,218

Consolidated Statement of Cash Flows

(KZT 000s)	Comm.	2015	2014
Cash flows from operating activities			
Interest receipts		146,050,786	113,907,991
Interest payments		(56,168,237)	(45,648,657)
Fee and commission receipts		5,362,841	3,186,389
Fee and commission payments		(1,704,278)	(1,420,478)
Proceed from/(payments on) operations with financial instruments at fair value through profit or loss		787,566	(19,181,637)
Net foreign exchange dealing gain		4,505,197	119,267
Revenue from disposal of assets leased out to customers		-	198,611
Net insurance premiums written		962,266	592,655
Net insurance claims reimbursements/(payments)		132,764	(118,030)
Other operating income received		5,965,419	3,473,346
Administrative and other operating expenses paid		(30,484,221)	(26,716,940)
Income tax paid		(11,054,850)	(8,021,433)
Cash flows from operating activities before changes in operating assets and liabilities		64,355,253	20,371,084
Net (increase)/decrease in:			
- financial instruments at fair value through profit or loss		(22,098,743)	(10,297,598)
- due from banks		(129,651,322)	(258,554,744)
- loans to customers		(201,790,315)	(240,374,916)
- finance lease receivables		(25,786,910)	697,451
- receivables under reverse repurchase agreements		81,481	(221,305)

- other financial assets		(9,248,681)	2,729,407
- other assets		(89,735,510)	(20,917,266)
Net (decrease)/increase in:			
- customer accounts		45,841,626	53,225,286
- other financial liabilities		36,205,419	(168,500)
- other liabilities		(17,533,936)	1,043,834
Net cash used in operating activities		(349,361,638)	(452,467,267)
Cash flows from investing activities			
Acquisition of investment securities held for sale		(59,100,690)	(64,513,289)
Proceeds from disposal and redemption of investment securities available for sale		119,728,968	144,186,490
Proceeds from disposal and redemption of investment securities held to maturity		3,710,029	669,120
Acquisition of property, plant and equipment and intangible assets		(4,316,297)	(3,015,955)
Proceeds from disposal of property, plant and equipment		40,587	325,290
Proceeds from disposal of investment property		65,190	-
Acquisition of associates		-	(93,740)
Proceeds from disposal of associates and joint ventures		413	200,895
Dividends received		368,139	346,590
Net cash from investing activities		60,496,339	78,105,401

Cash flows from financial activities

Loans from banks and other financial institutions		105,695,537	73,437,300
Loans from banks and other financial institutions		(46,313,801)	(37,117,861)
Raising of Loans from the Government of the Republic of Kazakhstan		2,800,000	580,000
Repayment of Loans from the Government of the Republic of Kazakhstan		(750,000)	(196,593)
Subordinated debt repayment		-	(3,953,782)
Equity shares emission		40,000,000	45,000,000
Income from debt securities issued		315,595,125	297,201,358
Repayment / Repurchase of debt securities issued		(103,313,827)	(9,497,430)
Non-controlling interest deposits		593,564	14,243,800
Net cash flows from financial activities		314,306,598	379,696,792
Impact of exchange rate change on cash and cash equivalents		87,006,372	21,294,808
Net increase in cash and cash equivalents		112,447,671	26,629,734
Cash and cash equivalent at the beginning of the financial year	6	263,777,147	237,147,413
Cash and cash equivalent at the end of the financial year	6	376,224,818	263,777,147

*Consolidated financial statements in accordance with the International Financial Reporting Standards and the Report of External Auditors of Baiterek National Managing Holding Joint-Stock Company were placed at the website www.baiterek.gov.kz

List of abbreviations

Abbreviation	Definition
ICD	Islamic Corporation for the Development of the Private Sector
NGF	Next Generation Firewall, hardware network protection
PE	Private Equity
ROA	Return on Assets
ROE	Return on Equity
JSC	Joint-Stock Company
Damu EDF JSC, Damu Fund	Entrepreneurship Development Fund Damu JSC
Baiterek NMH JSC	Baiterek National Managing Holding JSC
DBK	Development Bank of Kazakhstan
GDP	Gross Domestic Product
BD	Baiterek Development JSC
WEF	World Economic Forum
ha	hectare
SPIID	State Program for Industrial-Innovational Development of RK for 2015-2019
SPFIID	State Program for Forced Industrial-Innovational Development of RK for 2010-2014
HPP	Hydro Power Plant
EAEU	Eurasian Economic Union
EBRD	European Bank for Reconstruction and Development
EU	European Union
HCSBK	Housing Construction Savings Bank of Kazakhstan
ICT	Information and communications technologies
IFK	Investment Fund of Kazakhstan
sq.m	square meter
KMC	Kazakhstan Mortgage Company
KCM	Kazyna Capital Management
KPI	Key Performance Indicator

Abbreviation	Definition
SC MNE RK	Statistics Committee under Ministry of National Economy of the Republic of Kazakhstan
KFGML	Kazakhstan Fund for Guaranteeing Mortgage Loans
KEG	KazExportGuarant
MINT	Ministry for Industry and New Technologies
LEBs	Local executive bodies
MID	Ministry for Investments and Development
M	million
SME	Small and medium enterprises
bln	billion
NATD	National Agency for Technological Development
NBRK	National Bank of the Republic of Kazakhstan
IAS	Internal Audit Service
BoD	Board of Directors
JV	Joint venture
MAS	Management Accounting System
EDS	Electronic Document Flow System
LLP	Limited liability partnership
CEDP	Center for Electronic Documents Processing
ESC	Entrepreneurship Support Center
PPP AC	Public-Private Partnerships Advisory Center



