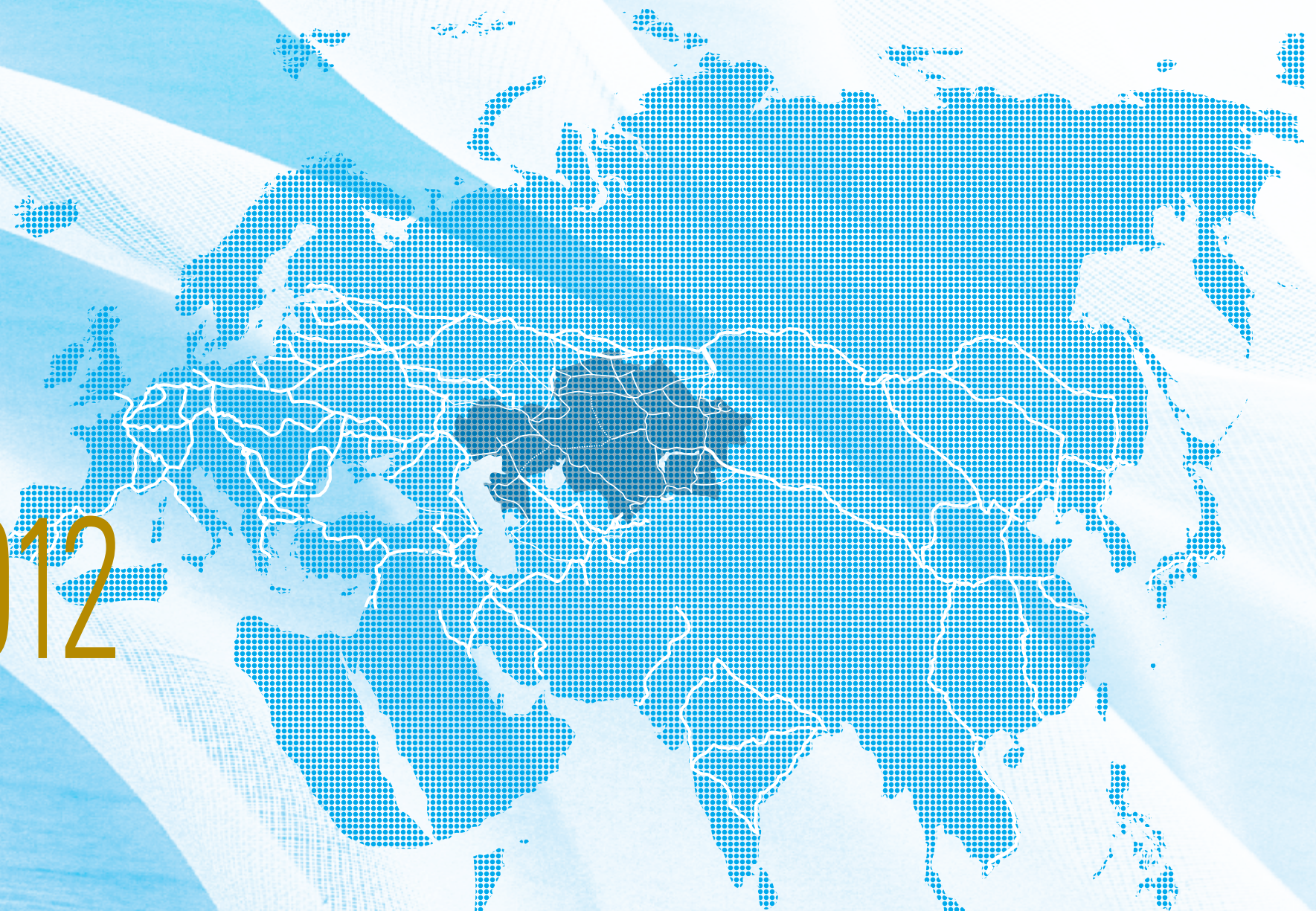


2012





2012 REPORT
JOINT STOCK COMPANY
“NATIONAL COMPANY “KAZAKHSTAN
TEMIR ZHOLY”

CONTENT





ABOUT THE COMPANY



MISSION

«Being a backbone of infrastructure, we ensure an adequate transport basis for sustainable economic growth and create values for the Shareholder, customers and society as a whole by providing high-quality and competitive services in transportation and logistics of cargos and passengers and main-line network services»

VISION

The highly effective national transport corporation of Kazakhstan corresponding to the best global business practices and meeting the requirements of the Sole Shareholder.

ESTABLISHMENT HISTORY

The Republican State Enterprise “Kazakhstan Temir Zholy” was established in accordance with the Resolution No. 129 of the Government of the Republic Kazakhstan dated January 31, 1997 “On Reorganization of the Railway Enterprises of the Republic Kazakhstan” by the merge of the following republican state enterprises: Almaty Railway Management, Tselina Railway Management and West Kazakhstan Railway Management. The merge aimed at optimization of transportation management structure, liquidation of needless excessive links, and financial and economic improvement of the railway industry.

Closed Joint Stock Company “National Company “Kazakhstan Temir Zholy” was established in pursuance of the Resolution No. 310 of the Government of the Republic Kazakhstan dated March 15, 2002 “On Establishment of Closed Joint Stock Company “National Company “Kazakhstan Temir Zholy” through the merge of the Republican State Enterprise “Kazakhstan Temir Zholy” and its subsidiary state enterprises.

On April 2, 2004 in accordance with the Law of the Republic of Kazakhstan “On Joint Stock Companies” dated May 13, 2003, Closed Joint Stock Company “National Company “Kazakhstan Temir Zholy” was re-registered into Joint Stock Company “National Company “Kazakhstan Temir Zholy” (hereinafter – JSC “NC “KTZ” or the Company).

To date, JSC “NC “KTZ” represents a holding based on functional integrity and governability of the railway industry in transportation process.

The Sole Shareholder of JSC “NC “KTZ” is the Joint Stock Company “National Welfare Fund “Samruk-Kazyna” (hereinafter – JSC “Samruk-Kazyna”) which is engaged in corporate governance system and budget transparency improvement and carries the overall governance of the Company through the Board of Directors without interfering in its operations.

Also, the authorized body to govern the activity of JSC “NC “KTZ” is the Ministry of Transport and Communications of the Republic of Kazakhstan, which performs the implementation of state railway transportation policy, monitoring, regulation and control of transportation industry in the Republic of Kazakhstan in accordance with the Law No.266-II of the Republic of Kazakhstan “On Railway Transport” dated December 8, 2001.

STRATEGIC GOALS AND OBJECTIVES

The Development Strategy of JSC “NC “KTZ” until 2020 was adopted by the Decision of the Board of Directors of JSC “NC “KTZ” of May 7, 2010.

The Company sees its main objective in maximizing the aggregate shareholder capital being the indicator of meeting the Shareholder’s requirements and assessing the performance efficiency of the Company’s management.

All activities of JSC “NC “KTZ” in strategic and medium-term periods shall be aimed at maximization of aggregate shareholder capital through the profitability (net income) growth.

1. Improvement of production and economic activities efficiency of JSC “NC “KTZ”

To ensure the growth of aggregate shareholder capital the Company will migrate from expense-oriented corporate culture to the culture aiming at maximizing the efficiency of the involved resources and processes.

Also, for the provision of current operating stability and to improve the competitiveness of the services provided, JSC “NC “KTZ” will implement the measures to decrease production and administrative costs.

2. Maintaining leading positions in freight traffic market

In order to ensure the planned yield growth at freight traffic market JSC “NC “KTZ” shall hold not less than 80% of the market share after opening of access to the railway infrastructure. With this purpose, the Company shall introduce customer-oriented approaches to the provision of transportation services.

3. Generation of the effective portfolio and production assets structure

The governmental intentions in the field of the railway industry liberalization and relevant constitutional changes will affect the structure of JSC “NC “KTZ” as the industry-forming economic entity. In this regard, a large-scale restructuring of portfolio assets is scheduled to create the optimal structure considering corporate and industry interests (concentration of resources on key activities and promotion of machine-building industry and repair facilities).

Along with financial assets structure transformation, the optimization changes will also cover the production assets. Radical renovation and modernization of the fixed assets of JSC “NC “KTZ” will take place as part of general industry investment program.

4. Governance improvement

Measures for the Company’s governance improvement will affect the managerial activities. In order to ensure better governance transparency, responsibility, qualification, subordination and effectiveness JSC “NC “KTZ” will work on introduction of the process approach to the governance system.

Successful implementation of the Strategy will allow making JSC “NC “KTZ” the highly-efficient commercial organization providing high-quality transportation services at low costs. In particular, within the framework of the transformation the following changes are expected:

- Changes in the organizational structure. **Instead** of the structure aimed at production, with complicated interaction schemes, excessive elements and inefficient organizational structure, the flexible and simple market-oriented structure **will appear** to improve the Company’s competitiveness.
- Asset portfolio restructuring. **Instead** of the great quantity of auxiliary subsidiaries, a few profile assets of strategic importance **will remain**.
- Weak financial transparency will be replaced by clear distribution of financial statement to ensure unambiguous subordination and high level of transparency.
- Infrastructural changes. Budget cost center with cross subsidizing at the expense of freight traffic will be replaced by the efficient and independent supplier of railway infrastructure services with the transparent pricing.

PERFORMANCE OVERVIEW

In the age of globalization, the railroad closely cooperates with seaports, road enterprises, and airports.

In 2012, the government has adopted measures to develop transport logistics in the country and the main role in the development of Kazakhstan as a business, transport and logistics Central Asian hub was assigned to JSC “NC “KTZ”.

The task was set by the President Nursultan Nazarbayev in his Message to the People “Kazakhstan-2050 Strategy – New Policy of Successful Country” of December 14, 2012 to “focus on entering foreign markets to create production transport and logistics facilities outside Kazakhstan, carefully calculating benefits, ... go beyond the established beliefs and

create joint ventures in the region and around the world – Europe, Asia, the Americas, such as, for example, ports in countries with direct access to the sea, and transport and logistics hubs at key transit points of the world”.

In the framework of implementation of its mission as transport logistics operator of Kazakhstan, JSC “NC “KTZ” jointly with its partners is finalizing the process of transferring shares of Aktau sea port to the Company. The issue of governing the port using the experience of global logistics leaders is under consideration.

The project to open Aktau – Baku ferry and subsequent acquisition of ship facilities is in the process of implementation.

Participation of JSC “NC “KTZ” in the management of state assets of eleven leading airports of Kazakhstan is also under consideration.

Development of feasibility study for the construction of transport and logistic centers in the regions of Kazakhstan with the highest concentration of traffic flows has been started, and the development of FEZ Khorgos – Eastern Gates project on the border with China is being implemented.

STRATEGIC IMPORTANCE FOR KAZAKHSTAN

Railway transportation covers more than half of the total amount of freight and passenger traffic in the Republic of Kazakhstan annually.

Activities of JSC “NC “KTZ” include the functions of the main railway network operator and the transportation of passengers and freight by rail. The specified activities are regulated by the Laws of Republic Kazakhstan “On Railway Transport” and “On Natural Monopolies and the Adjustable Markets”.

To date, rail transport is the major part of production infrastructure of the Republic of Kazakhstan. Geographical location of the country (absence of direct access to the sea, availability of navigable rivers), extensiveness of its territory, production raw materials structure and distribution of production facilities, as well as the immaturity of motor transportation infrastructure make a role of rail transport extremely important for the economy.

The railway industry of Kazakhstan is a developing sphere of economy, its production and technical potential is steadily growing recently and ensuring employment of more than 160 thousand people.

TRANSPORTATION MARKET OVERVIEW

Economic and geographical features of Kazakhstan, in particular, its large territory, no access to the sea, uneven location of settlements and natural resources make the country's economy one of the most cargo-intensive in the world and explain a high dependency on the transport system.

Being at the interface between Europe and Asia, Kazakhstan possesses considerable transit potential providing the Asian states with geographically non-competitive land transport connection with Russia and Europe.

Relatively flat landscape and availability of large natural stone material contribute to the unrestricted development of railway and road transport communications.

The main share of land route network belongs to roads and railways (about 96 and 14.8 thousand km respectively), while the length of waterways is approximately four thousand km.

At the present stage of its development, the transport system of the republic is characterized by the poor condition of fixed assets, obsolete infrastructure and technologies.

There are four international transport corridors available in the territory of Kazakhstan based on the existing transport infrastructure, in particular:

The Northern corridor of Trans-Asian Railway Line (TARM): Western Europe – China, the Korean Peninsula and Japan through Russia and Kazakhstan (section Dostyk – Aktogai – Sayak – Mointy – Astana – Petropavlovsk (Presnogorkovskaya).

The Southern corridor of TARM: South-East Europe – China and South-East Asia through Turkey, Iran, Central Asian countries and Kazakhstan (section Dostyk – Aktogai – Almaty – Shu – Arys – Saryagash).

TRASECA: Eastern Europe – Central Asia through the Black sea, the Caucasus and the Caspian sea (section Dostyk – Almaty – Aktau).

North-South: Northern Europe – countries of the Persian Gulf through Russia and Iran, with the participation of Kazakhstan on sites, seaport Aktau – Ural regions of Russia and Aktau – Atyrau. In addition to the areas involved in transcontinental routes, the **Central corridor of TARM** should be noted which is important for the regional transit in Saryagash – Arys – Kandagach – Ozinki direction.

The corridors significantly reduce the East-West connection distance and the timing of shipments. Strong growth of China's economy, its western regions in particular, today necessitates the delivery of various goods to the world markets.

The Government of Kazakhstan has developed and approved the Development Strategy of the state transport industry up to 2015, the main purpose of which is the progressive development of transport and communication complex in accordance with the economic strategy of the country.

In the result of the Transport Strategy, transport system will be transferred to a qualitatively new level, and an optimal transport network will be created. Financing of the infrastructure on the principle of full cost recovery shall generate resources for its further sustainable development and maintenance at a high technical level.

Kazakhstan's transport sector will be organically integrated into the global transport system and the transport infrastructure shall meet relevant international standards. The regulatory framework and control system in the sphere of environment shall be in compliance with international standards.

All the above will significantly increase the share of transit traffic, the core element of which will be container traffic. Transit will provide substantial financial injections to the budget of the state and transportation companies.

The strategy covers rail, road, urban passenger, air and water transport, the development and effective functioning of which largely depends on the policy of the state.

The strategy provides for the modernization of existing and the creation of new routes and infrastructure along with the upgrade of all types of vehicles.

OWNERSHIP STRUCTURE

The assets portfolio structure of JSC "NC "KTZ" represents the structure of vertically integrated company organized by functional type, with subsidiaries and jointly controlled organizations carrying out profile and non-profile activities and geographically present on the entire territory of Kazakhstan.

KEY FIGURES

1 920

LOCOMOTIVES

65.5

THOUSAND
FREIGHT CARS

2 255

PASSENGER CARS

LENGTH OF THE RAILWAY

14.8

THOUSAND KM

LENGTH OF ELECTRIFIED AREAS

4.2

THOUSAND KM

784

STATIONS AND
INTERSTATIONS

160



thousand employees

16

DIVISION POINTS WITH
CHINA, RUSSIA, UZBEKISTAN,
KYRGYZSTAN AND TURKMENISTAN



COMPLIANCE WITH ISO 9001:2008, ISO
14001:2004, ISO/IEC 27001:2005 AND OHSAS
18001:2007 INTERNATIONAL STANDARDS



AJSC “NC “KTZ” owns:

100% ORDINARY SHARES OF THE FOLLOWING JOINT STOCK COMPANIES:

1) JSC “Locomotive”

Principal activities of JSC “Locomotive” include the provision of traction electrical equipment services, technical arrangement of locomotives work, maintenance of locomotives in stock and reserves in the technically operating condition.

2) JSC “Kaztransservice”

The main activities of JSC “Kaztransservice” include the provision of container transportation services (from consignors’ orders execution to delivery of freight to consignees, organization of work for accounting and operation of freight cars and containers), and provision of all accompanying services to legal entities and individuals (for any route types).

3) JSC “Transtelecom”

Principal activities of JSC “Transtelecom” include the provision of local, long-distant and international communication services to legal entities and individuals, audio conference and/or video conference communications, internet access services, leasing of communication channels, linking of networks and traffic transit, mobile radio telephone communications, cellular communications, mobile radio communications, creation and operation (subject to the main line operator’s consent) of fiber-optic and copper cable communication networks, satellite and radio-relay telecommunication systems both in railway transport right-of-way and in any other allowed places.

4) JSC “Passenger Transportation”

The main activities of JSC “Passenger Transportation” include the organization and provision of passenger, luggage, freight and post rail transportation in the international, inter-region, inter-district and internal routes; maintenance, repair and exploitation of passenger cars fleet, provision of high quality services to passengers, safety of passenger trains traffic, their life and health, as well as safety of luggage, freight and mailings.

5) JSC “Transport Service Center”

Principal activities of JSC “Transport Service Center” include the provision of railway approach line services to legal entities and individuals, namely provision of approach lines to rolling

stock transit, shunting operations, handling operations, and other technological operations of transportation process, as well as layover of the rolling stock not provided for by technological operations of transportation process; current maintenance and repair of railway approach lines, and manufacturing of small tools and equipment.

6) JSC “Military Railway Security”

The main activities of JSC “Military Railway Security” include the protection of property of legal entities and individuals; including transportation protection; consulting and preparation of recommendations on the methods of protection and legal protection against unlawful infringements, protection of life and health of individuals.

7) JSC “Kaztemirtrans”

Among the main activities of JSC “Kaztemirtrans” are the transportation of freight, including oversized, special, military and dangerous freight, by rail transport; provision of car placing and removal services; provision of transportation and forwarding services, and car operator services; accounting of railway cars belonging to the company located both on the territory of the Republic of Kazakhstan and beyond its borders; property lease (rent) of freight cars, and freight cars repair.

8) JSC “Temirzholsu”

The main activities of JSC “Temirzholsu” include timely and high-quality satisfaction of railway transport organizations’ and population demands in potable and technical water, acceptance, purification and disposal of waste waters, maintenance of water supply systems and sanitary-technical devices, meeting the demands of rail organizations, other legal entities and the society in thermal and electric power in a timely and qualitative way.

9) JSC “Locomotive Service Center”

The main activities of JSC “Locomotive Service Center” include the provision of technically operating conditions and stable work of locomotives, the provision of locomotive traction services, and services for organization of rest of locomotive crew, filling of locomotives with combustive and lubricating materials, provision of locomotives with oil, water, sand, repair and maintenance of railway rolling stock, provision of services for mounted wheels inspection of the railway rolling stock, repair and maintenance of the mounted wheels.

10) JSC “Almaty Car Repair Plant”

Principal activities of JSC “Almaty Car Repair Plant” include satisfaction of demands of railway transport and enterprises of other sectors connected with the repair of railway rolling stock, its units and aggregates; development and introduction of new technologies, equipment, mechanical tools and automation in production processes, manufacturing of spare parts and non-standard equipment.

11) JSC “Locomotive Kurastyru Zauyty”

Main activities of JSC “Locomotive Kurastyru Zauyty” include the production of locomotives, spare parts for locomotives, provision of traction rolling stock services, provision of proper technical condition of locomotives fleet and stable operation of locomotives, development and implementation of measures for introduction of new traction types, devices for their operation and repair developed on the basis of science and engineering achievements, and leasing activities.

12) JSC “Remlocomotive”

Principal activities of JSC “Remlocomotive” include the modernization, major repair, maintenance and other works of traction rolling stock, multiple unit rolling stock, coaches and track equipment, maintenance, repair and modernization of locomotive equipment.

13) JSC “National Center for Transport Logistics Development”

The main activities of JSC “National Center for Transport Logistics Development” include researches in the field of transport policy, definition of corridors for transit freight traffic, submission of proposals for the evolution of transport and logistics system of the Republic of Kazakhstan, market research of transportation and logistics services in the republic and abroad, providing information and consulting services to government agencies, industrial and public organizations and individuals in respect of the development of transportation and logistics services.

14) JSC “Vokzal-service”

Principal activities of JSC “Vokzal-Service” include the organization of proper operation of stations, servicing passengers at railway stations (ticket offices, waiting rooms, sanitary and living facilities and information service units, medical and public security offices), organization of maintenance and repair of railway stations and platforms; creation, development and improvement of servicing infrastructure at railway stations and platforms; sale of travel tickets,

and ensuring security of life and health of passengers and baggage safety at railway stations and platforms.x.

2 SHARES OF THE FOLLOWING JOINT STOCK COMPANIES:

1) 65.00% SHARES OF JSC “KAZAKH ACADEMY OF TRANSPORT AND COMMUNICATIONS”.

The main activities of JSC “Kazakh Academy of Transport and Communications” include the provision of training for the rail industry, as well as for urban electric transport, metro and road transport, information technology and telecommunications.

2) 46.016% ordinary shares of JSC “Doszhan Temir Zholy”.

Principal activities of JSC “Doszhan Temir Zholy” include provision of project estimate documentation and design and exploration works, attraction of vendors for the construction, repair and commissioning operations, organization of project documentation expertise and fulfillment of contract works, as well as acceptance of new infrastructure objects, attraction of funds required for construction and operation of railway line “Shar Station – Ust-Kamenogorsk” through issuing and placement of the Company’s securities; operation of the railway line “Shar Station – Ust-Kamenogorsk” and other railway infrastructure objects.

3) 33.00% ordinary shares of JSC “Kedentransservice”.

JSC “NC “KTZ” “Kedentransservice” is engaged in handling operations, customs clearance of freight, locomotive traction services, cars (containers) operator services, the activities under individual customs treatments in accordance with the customs legislation of the Republic of Kazakhstan, and provision of customs services.

4) 23.43% ordinary shares of JSC “Temirzhol Zhondeu”.

The main activities of JSC “Temirzhol Zhondeu” include organization and fulfilment of works for reconstruction, major and interim track repair and other track facilities works, construction of new rail lines, operation, maintenance and repair of heavy track machinery fleet, mechanisms and equipment, covering of rails and cross-ties, assembling and laying of track switches, freight transportation, transportation of track structure materials and bulky goods using own rolling stock, major, interim and current repair of track machines, repair of automotive engineering equipment, diesel engines and small tools and equipment, production of ballast aggregate for rail roads, motor roads, and construction.

KAZAKHSTAN – NEW SILK ROAD



- North TATR (Lianyungang–Dostyk–Petropavlovsk–Brest–Hamburg)
- Centr. TATR (Lianyungang–Dostyk–Astana–Ozinki–Brest)
- South TATR (Lianyungang–Dostyk–Sarakh–Razi–Istanbul)
- North-South (St. Petersburg–Aktau–Amirabad–Bender–Abbas)
- Chongqing–Duisburg
- TRACECA (Lianyungang–Dostyk–Aktau–Baku–Poti–Istanbul)
- Transsib (Nakhodka–Petropavlovsk–Helsinki)
- South sea route
- Kashgar (PRC) – Osh (Krg) – Herat (Afg)

Saudi Arabia	Qatar	Oman	Yemen	India	UAE

	Japan
	S. Korea
	Philippines
	Taiwan
	Malaysia

JSC "NC "KTZ" OWNS:

1

100% ORDINARY SHARES

OF THE FOLLOWING JOINT STOCK COMPANIES:

- JSC "Locomotive"
- JSC "Kaztransservice"
- JSC "Transtelecom"
- JSC "Passenger Transportation"
- JSC "Transport Service Center"
- JSC "Militarized Railway Security"
- JSC "Kaztemirtrans"
- JSC "Temirzholsu"
- SC "Locomotive Service Center"
- JSC "Almaty Car Repair Plant"
- SC "Locomotive Kurastyru Zauyty"
- JSC "Remlocomotive"
- JSC "National Center for Transport Logistics Development"
- JSC "Vokzal-service"

2

SHARES OF THE FOLLOWING JOINT STOCK COMPANIES:

- 65.00% shares of JSC "Kazakh Academy of Transport and Communications"
- 46.016% ordinary shares of JSC "Doszhan Temir Zholy"
- 33.00% ordinary shares of JSC "Kedentransservice"
- 23.43% ordinary shares of JSC "Temirzhol Zhondeu"
- 13.403% ordinary shares of JSC "Kaskor Transservice"
- 3.521% ordinary shares of JSC "Accumulating Pension Fund of Halyk Bank of Kazakhstan" (APF of HBK)

3

100% SHARES OF THE FOLLOWING LIMITED

LIABILITY PARTNERSHIPS:

- LLP "Lesozashchita"
- LLP "Repair Corporation "Kamkor"
- LLP "Scientific Research Institute of Transport"
- LLP "Akzhaiyk-Zapad 2006"

4

100% OF ORDINARY SHARES OF

- JSC "International Centre of Boundary Cooperation "Khorghos"

5) 13.403% ordinary shares of JSC “Kaskor Transservice”.

The main activities of JSC “Kaskor Transservice” include transportation and forwarding services, provision of approach lines services at Mangyshlak station – Aktau port section.

6) 3.521% ordinary shares of JSC “Accumulating Pension Fund of Halyk Bank of Kazakhstan” (APF of HBK).

The main activities of APF of HBK are the acceptance of pension contributions and provision of investment income for contributors.

3. 100% SHARES OF THE FOLLOWING LIMITED LIABILITY PARTNERSHIPS:

1) LLP “Lesozashchita”

LLP “Lesozashchita” is mainly engaged in servicing of man-made and natural forest plantings, creation of new snow-, wind-, sand-break and greenery planting at the trunk railway networks right-of-ways, and other relevant activities.

2) LLP “Repair Corporation “Kamkor”.

The main activities of LLP “Repair Corporation “Kamkor” include governing of subsidiaries which shares belong to the Corporation on the right of ownership; construction and repair of railway tracks; repair, modernization and construction of railway rolling stock; maintenance of special rolling stock; maintenance of railway rolling stock; design, construction, installation, servicing of signaling, centralization and blocking (SCB) devices of radio and communication.

3) LLP “Scientific Research Institute of Transport”

LLP “Scientific Research Institute of Transport” is mainly engaged in research activities, development activities and planning and surveying activities.

4) LLP “Akzhaiyk-Zapad 2006”

Currently “Akzhaiyk-Zapad 2006” LLP does not carry out production activities and is in the process of liquidation in accordance with the resolution of the Board of Directors of JSC “NC “KTZ” of November 24, 2009 (Minutes № 7).

4. 100% OF ORDINARY SHARES OF JSC “INTERNATIONAL CENTRE OF BOUNDARY COOPERATION “KHORGOS”.

The principal activities of the “International Centre of Boundary Cooperation “Khorgos” include the creation, development and maintenance of the infrastructure of the Kazakh part of the International Border Cooperation Center “Khorgos”, interaction with public authorities and economic entities operating in the Kazakh part of the Centre to achieve its goals, participation in the development and implementation of ongoing and long-term development programs of the Center, etc.



Chairman of the Board of Directors of
JSC “NC “KTZ” N. BAIDAULETOV

DEAR COLLEAGUES, PARTNERS AND CLIENTS!

The present Annual Report of JSC “National Company “Kazakhstan Temir Zholy” describes the favorable growth trends of industrial and financial performance, social indicators, and the multiplicative effect from the railway transport activity.

Following the year-end results, JSC “NC “KTZ”, for two years in succession, was awarded a special Altyn Sapa award of the Head of State Nursultan Nazarbayev in the nomination “Leader of Industrialization” for its contribution to the implementation of the State Program of Forced Industrial-Innovative Development.

In 2012, the activity of the Company changed its vector for the accumulation of the functions of the three branches: the railway, the engineering and the logistics, and we achieved impressive results in all of them.

JSC “NC “KTZ” implements measures to improve efficiency and increase productivity in good time.

In 2012, the management system of JSC “NC “KTZ” received international standard certificates for quality management, environmental security, health and safety, and information security.

High credit ratings of such prestigious rating agencies as Standard & Poor’s, Fitch Ratings and Moody’s Investors Service were assigned to the Company at the Sovereign level, which allows JSC “NC “KTZ” and its subsidiaries borrowing funds on favorable terms.

The Company is positioned as the operator of the Eurasian transport and logistics hub, and is consistently implementing multimodal international projects. As such, in 2012 JSC “NC “KTZ” established a regular service of container trains on Chongqing – Dostyk – Duisburg route, and sent pilot container trains in the direction of Wuhan (China) – Pardubice (Czech Republic), supporting this route with electronic document turnover, Chengdu (China) – Lodz (Poland) route, Lianyungang (China) – St. Alamedin (Kyrgyzstan) route and others.

I would like to thank everyone who supported Kazakhstan Temir Zholy in the above initiatives and other important projects and wish prosperity to the Company and its partners.

Sincerely,

Chairman of the Board of Directors of
JSC “NC “KTZ” N. Baidauletov



President of JSC “NC “KTZ” A. MAMIN

DEAR PARTNERS AND FRIENDS!

AJSC “NC “KTZ” today is a multi-modal conglomerate with an extensive network of facilities.

The Company spreads its influence beyond the borders of Kazakhstan, creating a worldwide network of logistics terminals covering seaports, key railway lines, land and air corridors.

Hard work of 160 thousand railway workers last year gave its results. In pursuance of the commissions of the President of Kazakhstan Nursultan Nazarbayev and the Government, three major full-cycle production facilities were launched in different regions of the country: the electric plant in Astana, the manufactory for the production of shunting locomotives at the Shu station of Zhambyl oblast and the production facility for large car casting in Ust-Kamenogorsk.

Also, the production of engines for Evolution locomotives was started in Astana and the construction of rail and structural plant was initiated in Aktobe.

Zheskazgan – Saksaulskaya and Arkalyk – Shubarkol railroads are in the process of construction aimed at making transit to third countries through Kazakhstan more profitable and to give

a boost to living standards and economic development of the involved regions.

In the framework of the implementation of the State Program of Forced Industrial-Innovative Development JSC “NC “KTZ” has built nine large plants with high export potential.

The Company aims at building a second railway station in Astana, in the immediate vicinity of the airport and roads of national importance with the creation of regional passenger hub.

The Company's management team places a special emphasis on the mission of JSC “NC “KTZ” to ensure adequate transport basis for sustainable economic growth. Today we can say with confidence that this mission is being carried out on all counts, as evidenced by the present Annual Report.

Sincerely,

President of JSC “NC “KTZ” A. Mamin

THE BOARD OF DIRECTORS

The Board of Directors determines strategic objectives and priority development directions, establishes basic long-term activity guidelines, and ensures availability of relevant financial and human resources for the implementation of the set objectives. The Board of Directors controls the activities of the executive body of JSC “NC “KTZ”.

Composition of the Board of Directors of JSC “NC “KTZ” as at December 31, 2012:

BAIDAULETOV Nurzhan Talipovich Chairman of the Board of Directors

He was born in 1960. He graduated from the Moscow Railway Transport Institute in 1986 with a specialization in Management of Railway Transportations.

He commenced his labor activities in 1986 as a Yardmaster and Ekibastuz station Duty Officer at Tselina railroad. He worked as an Engineer-Technologist at Ekibastuz station and a Chief Engineer at Pavlodar-Severnyi station in Pavlodar.

From 1989 to 1998 he was Deputy Head of Transportation department of Pavlodar division of Tselina railway, Head of Pavlodar station, First Deputy Head of Pavlodar division of Tselina railway, Deputy Head of Akmola railway, Head of Pavlodar railway division, Head of Akmola railway of Republican State Enterprise “Kazakhstan Temir Zholy”.

In 1998 he was appointed to the position of Director of Railway Transport Department of the Ministry of Transport and Communications of the Republic of Kazakhstan.

During 2003–2004 he held the post of Vice-Minister of Transport and Communications of the Republic of Kazakhstan.

From 2004 to 2006 he was Chairman of the Railroads Committee of the Ministry of Transport and Communications of the Republic of Kazakhstan.

From 2006 to present he works as Director for Transport and Industry Assets of JSC “Holding “Samruk”, Managing Director of JSC “Holding “Samruk”, Managing Director of JSC “Samruk-Kazyna”, and Chairman of the Board of Directors of JSC “NC “KTZ”.

He is a citizen of the Republic of Kazakhstan. He does not own shares of JSC “NC “KTZ” and its suppliers and competitors. He was first elected to the Board of Directors of JSC “NC “KTZ” on June 20, 2006 and re-elected on June 21, 2012.

MAMIN Askar Uzakpayevich

Member of the Board of Directors, Chairman of the Management Board – President of JSC “NC “KTZ”

He was born in 1965. Graduated from the Tselinograd Civil Engineering Institute, Russian Economic Academy named after G.B. Plekhanov with civil engineer and economics specialties.

He commenced his labor activities as Erector of Tselintyazhstroy trust. Served as Deputy General Director of Innovative Enterprises Union of Kazakhstan.

From 1996 to 2008 he was First Deputy Akim of Astana, Vice-Minister of Transport and Communications of the Republic of Kazakhstan, First Vice-Minister of Industry and Trade of the Republic of Kazakhstan, Minister of Transport and Communications of the Republic of Kazakhstan, Akim of the city of Astana.

From April 2008 to present he is Chairman of the Management Board – President of JSC “NC “KTZ”, Member of the Board of Directors of JSC “National Company “Kazakhstan Temir Zholy”.

He is a citizen of the Republic of Kazakhstan. He does not own shares of JSC “NC “KTZ” and its suppliers and competitors. He was first elected to the Board of Directors of JSC “NC “KTZ” on April 4, 2008 and re-elected on June 21, 2012.

URAZBEKOV Marat Zhanabergenovich

Member of the Board of Directors of JSC “NC “KTZ”

He was born in 1960. He graduated from the Almaty Institute of Railway Engineers in 1986 with specialization of engineer-electrician. In 2000 he graduated from the Academy of Public Administration under the President of the Republic of Kazakhstan specializing in state and municipal management.

He started his working career as Inspector, then Senior Inspector of the locomotive depot and in 1988 he was appointed to the position of Chief Technologist of Arys locomotive depot of Almaty railway.

From 1993 to 2003 he worked as Deputy Head, Head of the Department of the Factory and Repair Facilities Development of the Railway Transport Department of the Ministry of Transport of the Republic of Kazakhstan, Deputy Director of Railway Transport Department and then Director of the said Department.

From August 2003 to October 2008 he worked as Deputy Chairman of Railway Transport Committee of the Ministry of Transport and Communications of the Republic of Kazakhstan, and then Chairman of Railway Transport Committee of the Ministry of Transport and Communications of the Republic of Kazakhstan.

From October 2008 to present he is Director of Transport Assets Department of JSC “Samruk-Kazyna”.

With effect from January 2012 he is a Member of the Board of Directors of JSC “NC “KTZ”.

He is a citizen of the Republic of Kazakhstan. He does not own shares of JSC “NC “KTZ” and its suppliers and competitors. He was first elected to the Board of Directors of JSC “NC “KTZ” on January 24, 2012 and re-elected on June 21, 2012.

KASYMBEK Zhenis Makhmudovich

**Member of the Board of Directors of
JSC “NC “KTZ”**

He was born in 1975. He graduated from the Kazakh State Architectural and Construction Academy as an architect-designer and the Eurasian University specializing in state and local government.

He started his career as Chief Banker in JSC “Temirbank”. He worked as Head of Rail and Port of the Agency for Regulation of Natural Monopolies and Protection of Competition, Head of Tariff Policy of the Tariff Policy Coordination Department, Director of the Department of Water Transport of the Ministry of Transport and Communications of Kazakhstan, Director of RSE “Aktau International Sea Port”.

Since November 2005 he is Vice-Minister of Transport and Communications of the Republic of Kazakhstan.

Since 2009 he is service as Executive Secretary of the Ministry of Transport and Communications of the Republic of Kazakhstan.

With effect from 2011 he is Member of the Board of Directors of JSC “NC “KTZ”.

He is a citizen of the Republic of Kazakhstan. He does not own shares of JSC “NC “KTZ” and its suppliers and competitors. He was first elected to the Board of Directors of JSC “NC “KTZ” on June 20, 2006 and re-elected on June 21, 2012.

SYZDYKOV Tito Uakhapovich

Independent Director

He was born in 1948. He graduated from the Semipalatinsk Zootechnical and Veterinarian Institute and Pavlodar University. Master of Science in Economics and Management in the fields and the social sphere.

He worked in the farms of Pavlodar oblast for about ten years. He led the farm, and then over a number of years held responsible political and governmental positions.

From 1997 to 1999 he served as Akim of Aksu city of the Pavlodar oblast.

In 1999 he was elected to the post of Deputy in the Mazhilis of the Parliament of the Republic of Kazakhstan.

Since 2012 he is Independent Director, Member of the Board of Directors of JSC “NC “KTZ”.

He is a citizen of the Republic of Kazakhstan. He does not own shares of JSC “NC “KTZ” and its suppliers and competitors. He was first elected to the Board of Directors of JSC “NC “KTZ” on October 10, 2012.

ISINGARIN Nigmatzhan Kabatayevich

Independent Director

He was born in 1941. In 1964 he graduated from the Ural Electromechanical Institute of Railway Engineers. In 1984 he graduated from the Academy of National Economy under the USSR Council of Ministers. He is Doctor of Economic Science.

From 1964 to 1986 he worked as Engineer, Chief Engineer, Head of Section of Tselinograd Division of Signaling and Communication, Head of Department of Signaling and Communication of Tselinograd road division, Head of Technical Department – Deputy Chief Engineer of the Kazakh Railway, Chief Engineer, and Head of Tselinnaya Railway.

From 1986 to 1991 he served as Deputy Minister of the Ministry of Communication Lines of the USSR, Head of Alma-Ata Railway.

From 1991 to 2002 he was appointed to the positions of Minister of Transport and Communications of the Republic of Kazakhstan, First Deputy Prime Minister of the Republic of Kazakhstan, Chairman of the Integration Committee of the Customs Union (Belarus, Kazakhstan, Kyrgyzstan, Russia and Tadzhikistan), and Deputy Secretary General of Eurasian Economic Community.

From 2002 to present he is General Director of “Economtransconsulting” LLP, Chairman of Association of National Forwarders of the Republic of Kazakhstan, Kazakhstan Association of Carriers and Wagon Operators.

With effect from 2006 he is Independent Director, Member of the Board of Directors of JSC “NC “KTZ”.

He is a citizen of the Republic of Kazakhstan. He does not own shares of JSC “NC “KTZ” and its suppliers and competitors. He was first elected to the Board of Directors of JSC “NC “KTZ” on June 20, 2006 and re-elected on June 21, 2012.

WALTON KRIS

Independent Director

He was born in 1957. He graduated from the University of Western Australia. Holds a BA in Political Science and a Master of Business Administration (MBA) in finance.

From 1983 to 2005 he was Research Assistant for Senator D. Evans, Corporate Planner in BP Australia, Manager of Group’s financial planning, Acting Finance Director, Finance Manager of Australian Airlines Group, General Manager of Finance Department of Australia Post, Finance Manager, Acting Director of International Sales and Marketing Department of New Zealand Air, General Manager for Effective Partnership, General Manager for Financial Planning and Analysis of Qantas Airways, and Financial Director of JSC “Easy Jet”.

At present he works as Independent Chairman of the Board of Directors of Goldenport Holdings Inc., Independent Director, Chairman of Audit Committee of OJSC Rockhopper Exploration.

With effect from 2008 he is Independent Director and Member of the Board of Directors of JSC “NC “KTZ”.

He is a citizen of Great Britain. He does not own shares of JSC “NC “KTZ” and its suppliers and competitors. He was first elected to the Board of Directors of JSC “NC “KTZ” on June 13, 2008 and re-elected on June 21, 2012.

THE MANAGEMENT BOARD

The Management Board is the Company’s collective executive body engaged in resolution of all issues connected with the Company’s activities and not attributed by the Law or any other legislative acts of the Republic of Kazakhstan and the Charter to the competence of any other Company’s bodies and officials.

Composition of the Management Board of JSC «NC «KTZ» in 2012:

MAMIN Askar Uzakpayevich **Chairman of the Management Board – President of JSC «NC «KTZ»**

He was born in 1965 in Tselinograd. He graduated from the Tselinograd Civil Engineering Institute and Plekhanov Russian Academy of Economics with qualifications in civil engineering and economy. He started his working career in 1987 as Erector at the Tselintyazhstroy construction organization. Later he held the position of Deputy General Director of Kazakhstan Innovation Enterprises Union. From 1996 to 2008 he worked as First Deputy Akim of Astana, Vice-Minister of Transport and Communications, First Vice-Minister of Industry and Trade, Minister of Transport and Communications of the Republic of Kazakhstan, and Akim of Astana. Since April 2008, he is the President of JSC “NC “KTZ”. He is a citizen of the Republic of Kazakhstan. He does not own shares of JSC “NC “KTZ” and its suppliers and competitors.



KIZATOV Yermek Anuarbekovich

Chairman of the Management Board – President of JSC «NC «KTZ»

He was born in 1961 in Akmola oblast. He graduated from the Almaty Railway Engineering Institute. He is a Doctor of technical science. He commenced his labor activities as Supervisor of the New-Ishim Distance of Tselinnaya Rail Road. He occupied executive positions in Tselinnaya Railway, RSE “Kazakhstan Temir Zholy”, and JSC “NC “KTZ”. Since April 2008 he is appointed to the position of Vice-President of JSC “NC “KTZ”. He is a citizen of the Republic of Kazakhstan. He does not own shares of JSC “NC “KTZ” and its suppliers and competitors.

SULTANOV Yerik Hamzinovich

Vice-President for Procurement of JSC “NC “KTZ”

He was born in 1956 in North-Kazakhstan region. Graduated from the Karaganda Polytechnic Institute. After graduation he occupied executive positions in the industrial and state enterprises of Pavlodar and North-Kazakhstan regions, Ministry of Transport and Communications, and akimat of Astana. In April 2008 he was appointed to the position of Vice-President for Procurement of JSC “NC “KTZ”. He is a citizen of the Republic of Kazakhstan. He does not own shares of JSC “NC “KTZ” and its suppliers and competitors.

ALPYSBAYEV Kanat Kaliyevich

Vice-President for Economy and Finance of JSC “NC “KTZ”

He was born in 1972 in Atbasar town of Akmola oblast. He graduated from the Almaty Railway Engineering Institute, Kentucky University (the USA), and Moscow International High Business School. He has a master's degree. From 1994 to 2002 he worked at the enterprises of Tselinnaya Railway, RSE “Kazakhstan Temir Zholy”, in various joint stock companies. In 2002–2003 he was Finance and Managing Director, Vice-President for Finance and Informational Technologies of CJSC “Air Astana”. From November 2005 until June 2008 he worked as Director of Business Development in the branch of “General Electric” Corporation. Since June 2008 he is Vice-President for Economy and Finance of JSC “NC “KTZ”. He is a citizen of the Republic of Kazakhstan. He does not own shares of JSC “NC “KTZ” and its suppliers and competitors.

AKCHURIN Askhat Harisovich

Vice-President for Human Resources Management and Social Issues of JSC “NC “KTZ”

He was born in 1961 in West-Kazakhstan region. He graduated from the Kazakh Agricultural Institute. From 1983 to 1996 he worked as Construction Engineer, Chief Engineer, and Chief General Constructor of GSKB PET. In 1996–2008 he worked in the akimats of Akmola city, Almaty and Sary-Arka district akimats of Astana, Administration of the President of the Republic of Kazakhstan, and Deputy Akim of West-Kazakhstan region. From 2008 to 2009 he served as Secretary General of JSC “NC “KTZ”. Since January 2009 he is Vice-President for Human Resources Management and Social Issues of JSC “NC “KTZ”. He is a citizen of the Republic of Kazakhstan. He does not own shares of JSC “NC “KTZ” and its suppliers and competitors.

ISKALIEV Yerikhat Serikovich

Vice President for Logistics of JSC “NC “KTZ”

He was born in 1976 in Almaty. He graduated from the Academy of Banking and Commerce of Karich Brothers University and the Academy of Jurisprudence – Adilet Higher School of Law. He has a PhD in Economic Sciences, MBA, and DBA. He began his career in the Ministry of Finance; hold senior positions at the Administration of Atyrau region. In 2003 he worked as Director of Investment Policy and Project Finance department of JSC “NC “KTZ”. Since 2003 he served as Managing Director of JSC “Development Bank of Kazakhstan”, Chairman of the Management Board of JSC “DBK-Leasing”, and in 2008–2009 – President of JSC “Kaztemirtrans”. During 2009–2010 he was Vice-Minister of Industry and Trade of the Republic of Kazakhstan. Since June 2011 he is Vice President for Logistics of JSC “NC “KTZ”. He is a citizen of the Republic of Kazakhstan. He does not own shares of JSC “NC “KTZ” and its suppliers and competitors.

ALMAGAMBETOV Kanat Yesmukhanovich

Managing Director – Head of Administration of JSC “NC “KTZ”

He was born in 1962 in Akmola oblast. He graduated from the Almaty Railway Engineering Institute, and the Tynyshpayev Kazakh Transport and Communications Academy. All his labor activity is connected with railway transport of the Republic of Kazakhstan. He commenced his career as Shunting Master at Kurort-Borovoye Station of Tselinnaya Rail Road. Later he occupied managerial positions in the administration of Tselinnaya Rail Road, RSE “Kazakhstan Temir Zholy” and JSC “Kaztemirtrans”. From 2008 to 2012 he was Managing

Director for Transportation of JSC “NC “KTZ”. Since April 2012 he is Managing Director – Head of Administration of JSC “NC “KTZ”. He is a citizen of the Republic of Kazakhstan. He does not own shares of JSC “NC “KTZ” and its suppliers and competitors.

KHASENOV Rustem Koibagarovich

Managing Director for Legal Issues of JSC “NC “KTZ”

He was born in 1962 in Kokshetau. He graduated from the Karaganda State University. From 1997 to 2004 he worked as Head of Legal Department; Senior Specialist of Legal Expertise of the legal department of the Ministry of Transport and Communication of the Republic of Kazakhstan, and Head of Legal Department of the Ministry of Transport and Communication of the Republic of Kazakhstan. From 2004 to 2008 he served as Deputy Director of the legal department of the Ministry of Transport and Communications of the Republic of Kazakhstan, Director of the State and Legal Department of the Akim administration of Astana city. Since 2008 he occupies the position of Managing Director for Legal Issues of JSC “NC “KTZ”. He is a citizen of the Republic of Kazakhstan. He does not own shares of JSC “NC “KTZ” and its suppliers and competitors.

LEPESBAYEV Almas Muratovich

Managing Director for Economy of JSC “NC “KTZ”

He was born in 1978 in Akmola oblast. He graduated from the Kokshetau University named after Sh. Ualikhanov, and the Kazakh Humanitarian and Legal University. He is a candidate of economic science. He worked as Leading Engineer, Chief Specialist and Deputy Department Head of RSE “Kazakhstan Temir Zholy”, Head of department of SSE “First Sate Company for the Fleet Management”. From 2002 he occupied managerial positions at JSC “NC “KTZ”. Since February 2009 he is Managing Director for Economy of JSC “NC “KTZ”. He is a citizen of the Republic of Kazakhstan. He does not own shares of JSC “NC “KTZ” and its suppliers and competitors.

LEPSKAYA Yelena Ivanovna

Managing Director for Finance of JSC “NC “KTZ”

She was born in 1968 in Kostanai oblast. She graduated from the Tselinograd Agricultural Institute with specialization of “The Economist-organizer of agricultural production”. She has a Ph.D. in Economics. She worked as Leading Expert at Akmola regional department of

agriculture, and Economist in Tsesna Corporation. From 1998 to 2001 she served as Vice Chairman for Finance of the Management Board of JSC “Astana Finance”. In 2008 she was appointed to the post of Director of Finance Department of JSC “NC “KTZ”. Starting from April 2011 she is Managing Director for Finance of JSC “NC “KTZ”. She is a citizen of the Republic of Kazakhstan. She does not own shares of JSC “NC “KTZ” and its suppliers and competitors.

URYNBASSAROV Bauyrzhan Pazylbekovich

Managing Director of Field Operation of JSC “NC “KTZ”

He was born in 1970 in Kyzylorda oblast. He graduated from the Almaty Institute of Railway Engineers specializing in the management of transport process. He began his career as Train Dispatcher in the Almaty office of the Almaty branch of the Railroad. Later he worked as Senior Engineer, Head of industrial engineering department of the Railroad Office of RSE “Kazakhstan Temir Zholy” in Almaty. Since 2007–2008 he headed the branch of JSC “NC “KTZ” – “Karaganda Branch of the Railroad”. From 2009 to 2010 he was Director of JSC “NC “KTZ” branches – “Transportation Process Division” and “Almaty Division of Road”. From 2010 to 2011 he was Managing Director – Chief Engineer of JSC “NC “KTZ”. Since April 2012 – Managing Director of Field Operation in JSC “NC “KTZ”. He is a citizen of the Republic of Kazakhstan. He does not own shares of JSC “NC “KTZ” and its suppliers and competitors.

ZHUSUPOV Beibit Gazizovich

Advisor to the President of JSC “NC “KTZ”

He was born in 1948 in Kostanai oblast. He graduated from the Sverdlovsk Law Institute, Almaty High Party School. He worked as Deputy Akim of Akmola oblast. In 1998 he was elected as Deputy of the Senate of the Parliament of the Republic of Kazakhstan, later he was appointed to the position of Deputy Head of Administration of the Senate of the Parliament of the Republic of Kazakhstan. From 2004 to 2007 he was Head of Administration of the Supreme Court of the Republic of Kazakhstan. In February 2007 he was appointed to the post of First Deputy of Akim of Kyzylorda oblast. From 2009 to 2012 he served as Managing Director – Head of Administration of JSC “NC “KTZ”. Since April 2012 he is Advisor to the President of JSC “NC “KTZ”. He is a citizen of the Republic of Kazakhstan. He does not own shares of JSC “NC “KTZ” and its suppliers and competitors.

2012 RESULTS

Tariff freight turnover in 2012 was 235,845 million t-km, by 5.5% higher than similar indicator of the previous year due to the growth of freight transportation volumes.

Freight handling in 2012 was 257,846 thousand tonnes, by 3.6% higher than the actual figure of 2011 due to the increase in handling of grain, color ore, oil products and iron ore.

Passenger turnover in 2012 by carriers included in the consolidation of JSC “Passenger Transportation” was 16,708 million pass-km, by 14.1% higher than in 2011 due to the increase in the number of routes serviced by JSC “Passenger Transportation”.

19,498 thousand passengers were serviced in the reporting year by the carriers included in the consolidation of JSC “Passenger Transportation”, by 17.8% higher than the actual figure of 2011.

294,716 thousand tonnes of freight were transported in 2011, by 5.4% higher than in 2011.

The average technical speed of cargo traffic in 2012 was 49.03 km/h, by 1.0% higher than the actual indicator of 2011, which indicates the increase in speed on the stretch.

The average locomotive daily capacity was 1,735 thousand gross tonnes-km, which is above the actual figure of 2011 by 1.5%.

Operating profitability as of the year-end of 2012 was 16.8%, lower than the 2011 indicator by 5.4% due to lower net income.

Income from operations increased by 13.2%, of which revenues from freight traffic increased by 13.6% due to growth in freight turnover by 5.5%;

- growth in tariff rates from April 1, 2012 by an average of 14.9%, and
- the change in the coefficients of the rates in tariff policy in 2012 in transit traffic

2012 RESULTS

Revenues from passenger traffic increased by 15.6% due to the increase in passenger traffic, and the introduction of new routes and the increase of tariffs by 12%.

Net income in relation to the previous year decreased by 9,559 million tenge (7.8%) due to the rapid pace of growth of expenses over the rate of income growth.

The following ratings are assigned to JSC “NC “KTZ” by the three major rating agencies:

- 1. Standard & Poor’s** - BBB-/Stable;
- 2. Fitch Ratings** - BBB / Stable;
- 3. Moody’s Investors Service** - Baa3/Stable.

The Company is the **winner** of Altyn Sapa award in the nomination “Leader of Industrialization of 2012”

Eurobond issuing

During the first six months of the year of 2012, JSC “NC “KTZ” issued Eurobonds in the domestic and international markets through its subsidiary registered in the Netherlands – Kazakhstan Temir Zholy Finance B.V.

As a result, a successful placement of new Eurobond issue was conducted on July 10, 2012 in London and Kazakhstan stock exchanges for 800 million US Dollars with a 30 years maturity and a rate of 6.95% per annum in the format of Reg S/144A.

This release was marked by a record repayment tenor among the corporate issuers of the post-Soviet area, and has been the largest deal with a 30 years maturity in Kazakhstan and the countries of Central and Eastern Europe, Middle East and Africa since 2008. The placement is also marked by the lowest rate of return shown by the CIS corporate issuer for the issuance with a 30 years maturity.

On November 8, 2012, Kazakhstan Temir Zholy Finance B.V. made additional placement of Eurobonds in the amount of 300 million US Dollars. The Eurobonds were issued at a premium and the actual issue price was 120.244% of face value (or the equivalent of 60,732,000 US dollars).

The successful Eurobonds placement by the Group of companies of JSC “NC “KTZ” confirms the high level of the Company’s reputation among the investors achieved through the medium-and long-term development strategy, stable financial position and a high level of corporate governance. These funds were attracted for the implementation of the investment program and for general corporate purposes of the Group of companies of JSC “NC “KTZ”.


Key production and financial performance indicators of JSC “NC “KTZ” in 2012:

Item	Unit of measurement	2010	2011	2012
Freight handling	thousand tonnes	239 314	248 847	257 846
Tariff freight turnover	million t-km	213 174	223 583	235 845
Including as per communication types:				
Internal republican	mln t-km	82 877	88 405	91 684
Export	mln t-km	87 898	90 029	95 277
Import	mln t-km	18 229	19 708	21 668
transit	mln t-km	24 170	25 441	27 216
Freight transported	thousand tonnes	267 735	279 595	294 716
Including as per communication types:				
Internal republican	thousand tonnes	140 876	148 678	158 751
Export	thousand tonnes	96 026	97 903	100 927
Import	thousand tonnes	16 866	17 928	18 777
transit	thousand tonnes	13 967	15 086	16 261
Average hauling distance of one ton of freight	km	796	800	800
Passenger turnover (JSC “Passenger Transportation” excluding individual carriers)	mln p-km	13 991	14 649	16 708
Passengers transported (JSC “Passenger Transportation” excluding individual carriers)	thousand pass.	15 016	16 556	19 498



Average occupancy (JSC "Passenger Transportation" excluding individual carriers)	pass./wagon	33	32	33
Income from operating activity	thousand tenge	582 380 808	702 740 094	795 788 793
Cost of sales	thousand tenge	397 418 883	470 280 262	547 142 199
Gross income	thousand tenge	184 961 925	232 459 832	248 646 594
General and administrative expenses	thousand tenge	69 164 226	62 107 961	78 800 676
Expenses on sale and services	thousand tenge	121 788	159 971	193 391
Other income	thousand tenge	1 991 464	4 293 372	5 605 289
Financing income	thousand tenge	3 289 691	4 637 732	3 991 446
Financing expenses	thousand tenge	12 998 931	19 022 743	29 188 901
Other expenses	thousand tenge	118 652	2 444 594	4 155 305
Share in (loss)/income in associated and jointly controlled organizations	thousand tenge	242 810	69 331	-72 209
Income before taxes	thousand tenge	108 082 293	157 724 998	145 832 847
Corporate income tax expenses	thousand tenge	41 545 541	32 554 051	30 304 707
Net loss for the year from discontinuing operation	thousand tenge		-1 942 128	-1 109 451
Income for the year before deduction of minority interest	thousand tenge	66 536 752	123 228 819	114 418 689
Minority interest	thousand tenge	619 112	341 919	1 090 617
Profit for the year attributable to the Shareholder of holding company	thousand tenge	65 917 640	122 886 900	113 328 072

1ST QUARTER

January 16 – medical train Salamatty Kazakhstan organized jointly by JSC “NC “KTZ”, Ministry of Health and Ministry of Emergency Situations of Kazakhstan made a start to the Northern regions of the country.

January 23 – a Memorandum on cooperation was signed between JSC “Transport Logistics Development Center” and Apply Logistic Consulting (Belarus).

January 24 – N. Baidaletov, Managing Director of JSC “Samruk-Kazyna”, was elected to the post of the Chairman of the Board of Directors of JSC “NC “KTZ”.

January 26 – an agreement on cooperation was signed between JSC “NC “KTZ” and JSC “NMSC “Kazmortransflot” for the creation of integrated transport and logistics product “Sea-Land”.

February 9 – President of the Republic of Kazakhstan N. Nazarbayev visited Germany to sign a framework rail electrification procurement agreement between JSC “NC “KTZ”, LLP “Temir Zhol Electrification” and Siemens AG.

Workshop venue of the President of JSC “NC “KTZ” A. Mamin with Karl-Frederik Ruysch, Member of the Management Board for Logistics of Deutsche Bahn, took place. Discussion of issues on cooperation in the sphere of transport logistics.

February 10 – Astana hosted the first intercompany network meeting of OJSC “Transcontainer”. Representatives of JSC “NC “KTZ”, JSC “Kedentransservice” and a leading Russian container company discussed the issues of increasing the efficiency of transit traffic of Europe-Asia route.

February 20 – two TE33A Evolution locomotives were exported to Tadzhikistan.

March 1 – JSC “NC “KTZ” won the Republican competition “Senim 2011” as the best national company-employer in Kazakhstan.

March 2 – a new type of service – sale of rail tickets through payment terminals for cash was introduced for the passengers.

March 19 – Chairman of the Management Board of JSC “Samruk-Kazyna” U. Shukeyev visited plants for the production of diesel locomotives of JSC “Locomotive Kurastyru Zauyty” and Tulpar-Talgo passenger cars in Astana.

2ND QUARTER

April 24 – JSC “NC “KTZ” presented its transit transport and logistics capacities and projects in the field of freight traffic and container business on TransRussia exhibition in Moscow.

April 25 – JSC “Passenger Transportation” introduced 14 new open-plan train carriages.

May 23 – JSC “NC “KTZ”, General Electric and Transmashdiesel signed a memorandum of intent for the establishment of a company to produce diesel engines and spare parts in Kazakhstan.

May 25 – JSC “NC “KTZ” and South China Industrial Corporation of Cars and Locomotives (CSR) signed a framework agreement on strategic partnership and cooperation in the sphere of production of diesel-locomotive shunters.

May 26 – President of Kazakhstan N. Nazarbayev visited Altynkol and Khorgos International Centre, the main infrastructure objects of the global transport project New Silk Way.

May 31 – new cars of higher comfort made in Ukraine were added to the Astana–Almaty fast train No 9/10.

June 1 – JSC “Locomotive” attracted financing under the guarantee of the French Export Credit Agency COFACE for the purchase of electric locomotives produced in Kazakhstan, using the technology and equipment of Alstom.

June 4 – President of OJSC “Russian Railways” V. Yakunin visited Kazakhstan; discussion of issues of functioning of rail transport in the Single Economic Space and Customs Union, expansion of the spheres of influence of railways, and harmonization of tariffs.

June 20 – an Agreement on export opportunities of Kazakhstani transport engineering production to the markets of the Russian Federation was signed by the President of JSC “NC “KTZ” A. Mamin and the Chairman of the Board of Directors of CJSC “Transmashholding” A. Bokarev in St. Petersburg.

3RD QUARTER

July 1 – a new high-speed Zhetysu train No 151/152 made a start from the station Almaty-2 in Petropavlovsk.

July 2 – JSC “NC “KTZ” successfully placed Eurobonds with a 30 years maturity on London and Kazakhstan stock exchanges for 800 million US Dollars.

July 2 – the President of JSC “NC “KTZ” A. Mamin and CEO of Kyrgyz Temir Zholu A. Malabayev signed an agreement on deliveries to Kyrgyzstan of diesel locomotives Evolution TE33A made in Astana.

July 4 -- new strategic projects of JSC “NC “KTZ” were presented to the Head of State Nursultan Nazarbayev during the national teleconference devoted to the presentation of projects of the Industrialization Map: the beginning of the construction of Zhezkazgan – Beineu and Arkalyk – Shubarkol railway sites and a new high-speed route of the Zhetysu passenger train made of cars of national assembly.

July 5 – a new suburban diesel-rail train “Turkistan” started the route between Shymkent and Turkestan.

July 30 – employees of the new stations of a newly built Zhetygen – Khorgos railway received the keys to 565 comfortable apartments.

August 2 – during the celebration of Transport Workers Day 56 employees of JSC “NC “KTZ” were granted the title “Honorable Railroader”.

August 31 – a Memorandum of Cooperation was signed between JSC “NC “KTZ” and SENKO Co., Ltd. (Japan) in the framework of the Global Partner project.

September 1 – school supplies kits were presented to 280 pupils of the new schools of Taskarasu and Altynkol stations of Almaty region. The schools – for 600 seats and 250 seats respectively – were commissioned as part of the project for a social infrastructure around the new Zhetygen – Khorgos railway.

September 1 – the first Almaty-Altynkol passenger train No 393/394 made its start on the new Zhetygen-Khorgos railway.

September 4 – medical train Salamatty Kazakstan went to Pavlodar oblast.

4TH QUARTER

October 4 – an agreement for the transfer of technology for the production of passenger locomotive TEP33A was signed between JSC “NC “KTZ” and General Electric during the international exhibition of railway technology InnoTrans 2012 in Berlin.

October 4 – medical train Salamatty Kazakhstan made its start from Karaganda station to the northern areas of the country.

October 13 – the Prime Minister of the Republic of Kazakhstan S. Akhmetov visited LLP “Tulpar-Talgo” and the Center of Technologies in the vehicles of JSC “NC “KTZ”.

November 9 – a joint pilot container train Wuhan (China) – Pardubice (Czech Republic) was launched by JSC “NC “KTZ” and Interrail Holding AG.

November 12 – the production of global companies Acer and Asus was transported by the container train Chongqing (China) – Duisburg (Germany).

November 13 – III International Rail Business Forum “Strategic Partnership 1520: Central Asia” – “1520 at the forefront of the Euro-Asian Trade” started its work in Astana.

November 13 – following the results of the Ratsionalizator.KZ contest JSC “NC “KTZ” took the first place in the nomination “The Best Innovation Support System in the Enterprise”.

November 14 – the tripartite agreement on cooperation in the field of dual education was signed between JSC “NC “KTZ”, the Ministry of Education and Science and 17 colleges in the Center of technology in transport.

November 19 – JSC “NC “KTZ” successfully passed the first year inspection audit of the integrated management system in terms of compliance with international standards ISO 9001:2008, ISO 14001:2004 and OHSAS 18001:2007.

November 29 – a first direct loan was granted to the Republic of Kazakhstan by the EXIM Bank of the United States for more than 400 million US Dollars for the purchase of 200 Evolution locomotives from JSC “Locomotive Kurastyru Zauyty”.

December 4 – the President of the Republic of Kazakhstan Nursultan Nazarbayev opened the Electrovoz Kurastyru Zauyty plant for the production of electrics in Astana.

December 4 – an Agreement for the establishment of a joint venture for the production of GEVO diesel locomotive engines in Astana was signed between JSC “NC “KTZ”,

4TH QUARTER

General Electric and Transmashdiesel.

December 14 – a new high-speed Aktobe train formed of passenger cars produced in Kazakhstan made its start for the route between Aktobe and Astana.

December 22 – traffic of freight trains started on the second railway crossing between Kazakhstan and China “Altynkol – Khorgos”.

December 25 – JSC “NC “KTZ” was awarded a special prize of the President of the Republic of Kazakhstan “Altyn Sapa” in the nomination “Leader of Industrialization in 2012”.

December 26 – the first shunting locomotive was built based on Locomotive Plant of Shu station as part of a joint project of JSC “NC “KTZ” and South China Industrial Corporation (CSR).



OPERATING ACTIVITY



FREIGHT TRAFFIC

Rail transport is the uppermost in the republic by the volume of freight turnover. The main volume of freight traffic of the Company accounts for the production of extractive industries of the national economy.

Freight shipments in 2012 totaled 257,846 tonnes exceeding the actual figures of 2011 by 3.6% due to the increased loading of grain, colored ore, petroleum products, and iron ore.

The demand for transportation increased significantly due to the improvement of the economic situation in Kazakhstan and neighboring countries as well as the introduction of international agreements in the framework of the Customs Union. 294,716 tonnes of cargo were transported in 2012, by 5.4% higher than the actual figures of the year 2011.

Rail transportation is still the only practical type of transportation of coal, ores and metals. About 46% of internal republican freight transported by JSC “NC “KTZ” accounts for coal, while 8.1% and 8.7% account for iron and non-ferrous ores, respectively, and about 7% – for crude oil and petroleum products. The largest volume of export traffic (36.1%) accounts for coal, 17.8% and 1.9% – for iron and non-ferrous ores respectively, about 19% – for oil and oil products, and 8% – for grain.

PASSENGER TRAFFIC

Rail transport covers more than half of the passenger traffic of the country.

In 2012, passenger traffic of the carriers included in the consolidation of JSC “Passenger Transportation” was 16,708 million passenger-km, which is higher than the actual figure of 2011 by 14.1% due to the increased number of routes served by JSC “Passenger Transportation”.

19,498 thousand passengers were served, by 17.8% higher than in 2011.

Routine work is maintained to improve the time of arrival and departure, time spent in transit, as well as to increase the routing speed of passenger trains and renovation of the rolling stock.

RAILWAY INFRASTRUCTURE

Timely and prompt resolution of issues on implementation of planned works contributed to the improvement of operational performance in relation to the previous year. As such, the average evaluation of the route condition was 66 points against 69 points of the year 2011.

Modernization and current maintenance of track account for the main share of capital repair. In order to ensure safety of trains and increase the speed, the realigning of 2,616.1 kilometers of track (131%), abrading of 5,364 km of track (134%), and scaling of hard stone for 491 km (100%) was performed in 2012 by means of mechanized complexes.

The volumes of preventive works in relation to the same period of last year increased by 10%.

Capital repair of track and mechanized complexes allowed increasing the speed of passenger traffic as follows: by 1448.6 km for passenger traffic and by 882.2 km for freight traffic.

In addition, the speed of Astana – Aktobe Talgo passenger train was increased by 1678 km in accordance with the plans for 2012-2013.

The average speed of passenger traffic increased to 88.1 km/h, and freight trains – to 69.5 km/h.

Measures were taken for the modernization and capital repair of Almaty–Petropavlovsk and Astana–Aktobe infrastructure to allow staging of trains with Talgo cars with the speed up to 140 km/h. Works on strengthening the contact network and the preparation of signaling and communication devices to pass trains with the established speed were performed in full.

TRAIN MOVEMENTS SAFETY

The measures implemented in 2012 allowed reducing the total number of traffic safety violations.

During the 12 months of 2012, JSC “NC “KTZ” have reduced the number of defects in 36 cases, or 33%, from 108 to 72. The absence of accidents and derailments should be noted as well.



Indicators	Unit of measurement	Unit of measurement	12 months of 2012
Train movement safety:			
- number of derailments	cases	cases	No
- number of accidents	cases	cases	No
- number of defects	cases	cases	72

Note: there were neither accidents, nor accidents resulting in business interruption and environmental damage.

INVESTMENT ACTIVITY

The investment activity of JSC “NC “KTZ” aims at implementing measures to ensure the sustainable operation of rail transport, and to improve the quality and safety of transportation services.

A capital expenditure plan for a group of companies of JSC “NC “KTZ” for 2012 was approved by the Board of Directors of JSC “NC “KTZ” (Minutes No 7 of October 12, 2012) in the amount of 498,849 million tenge, of which 501,259 million tenge or 100% was utilized (by 1.3 times higher than the actual figure of 2011).

The following major projects were implemented in the reporting period:

1. Completion of works and opening of the newly constructed railway lines Khorgos – Zhetygen and Uzen – the state border with Turkmenistan to traffic. The amount of investments utilized (including construction of customs and border infrastructure, and social facilities of Zhetygen – Khorgos railway line) in 2012 was 38,970 million tenge;
2. Construction of a plant for the production of Talgo passenger cars and the first stage of the plant for the production of modern electrics using the technology of Alstom was finalized as part of the project for production of domestic transport engineering facilities. The project for modernization of a large car-casting department based on JSC “Vostokmashzavod” was completed, and additional manufacturing equipment for the plant to produce Evolution locomotives was purchased. The total amount of investments utilized under these projects in 2012 totaled 14,030 million tenge. Also, a shunting locomotives assembly plant on the technology of CSR (PRC) based on Shu Locomotive Repair Plant was opened in December 2012;

3. Significant funds were spent to update the rolling stock, including:

- purchasing of 152 locomotives and capital repair of 47 locomotives for a total amount of 61,259 million tenge;
- purchasing of 14,217 freight cars and capital repair of 1,312 freight cars to the amount of 192,975 million tenge;
- purchasing of 102 passenger cars and capital repair of 66 passenger cars for a total amount of 17,493 million tenge;
- purchasing of 103 containers in the amount of 59 million tenge.

4. Capital repair of 692 km of track structure in the amount of 43,228 million tenge;

5. In addition, the implementation of the following major investment projects started in 2012:

- construction of 1,202 km new Arkalyk – Shubarkol and Zheskazgan – Beineu railway lines started in June, the amount of utilized investments in 2012 was 18,959 million tenge;
- the Formation Agreement and the Shareholders’ Agreement were signed between JSC “NC “KTZ”, General Electric and JSC “Transmashdiesel” in December 2012 for the establishment of a joint venture in Astana to produce GEVO diesel generator sets based on the technology of General Electric;
- a Memorandum of cooperation was signed in December between JSC “NC “KTZ” and LLP “Transport Technologies” for the creation of a rail and structural steel production in Aktobe (construction works were started in December 2012).

A stable decline in depreciation of production assets of JSC “NC “KTZ” confirms the effectiveness of measures taken to improve the Company’s efficiency through the use of internal optimization measures.

A large-scale program of renovation of fixed assets by own production contributed to the 20% reduction in the depreciation of productive assets in recent years.

COMPANY DEVELOPMENT



INNOVATION ACTIVITY

Innovative projects portfolio includes the organization of transportation process, customer service processes, servicing of infrastructure facilities and rolling stock. Nine large factories for the production of high-tech products with high export potential were built in the framework of the State Program of Forced Industrial-Innovative Development of Kazakhstan and in partnership with world railway engineering leaders, such as General Electric, Alstom, Talgo, and Siemens.

In particular, Vostokmashzavod will be able to produce up to four million car sets per year. The casting of large car specimens has been completed at the production facilities of Parkhomenko machine-building plant. Format Mach Company started the production of large and medium car casting with a capacity of three million car sets per year.

The first stage of the production of track switching equipment and wrought wheels was launched at Prommashkomplekt in Ekibastuz. The project for rail and beam production based on Siemens Voest Alpine technology with a capacity of 430 thousand tonnes of steel a year, including 200 tonnes of rail of 120 meters, was initiated in the year 2012. The plant is scheduled for commissioning in December 2014.

Agreements to establish a joint production of diesel engines and GEVO spare parts was signed in December between General Electric, Transmashdiesel and Remlokomotiv for a total capacity of 300 units per year. The start of the project is planned for the first half of 2013, and the first issue of the diesel engine is scheduled for December 2014.

In addition, routine work is maintained to implement a new method of management in the rail farm, and a pilot project combining two distances of the track - Chiganak and Sary-Shaganskaya has been developed. Temporary Instruction for the organization of labor under the new model of management containing job descriptions, distribution of duties between the heads of track distance, standards of track measurement and turnouts, inspection of track and switches, etc. has been developed in the branch of JSC "NC "KTZ" - Enlarged Sary-Shaganskaya Track Distance.

Implementation of a pilot project with vertically integrated matrix system of track management contributed to the improvement of production performance indicators for the year 2012 of the Enlarged Sary-Shaganskaya Distance Track branch. Thus, in 2012 compared to the same period of 2011 and with a decrease in population by 12.8%, the average scoring of the track improved by 33%, the number of aberrations decreased by 65%, the average length of welded end-to-end rails increased by 32% and was 1,279 m, and the volume of work performed on regular and preventive track surfacing and the change of cress-sleepers increased to

225% and 165% respectively. Other results include the increase of productivity by 11.6%, the decrease of manual work by 21%, and the increase of the average salary for the basic jobs (track serviceman, road master, non-destructive testing inspector) by 13%.

Following the results of the implementation of a pilot project for vertically integrated matrix management system of track facilities, the order № 986-I of October 25, 2012 "On Approval of the Action Plan" has been initiated. The Plan provides for further implementation of Oliver Wyman recommendations and a change of track management structure for 2013-2015. On the basis of the Order, the work was started in 2012 for the unification of the following branches of JSC "NC "KTZ": Nurinskaya Track Distance, Karagandinskaya Track Distance, Saryarkinskaya Track Distance, Akadyrskaya Track Distance, Atyrauskaya Track Distance, Ganyushkinskaya Track Distance, Shu Track Distance, Shokparskaya Track Distance; on their basis the following branches of JSC "NC "KTZ" were established: The Enlarged Karagandinskaya Track Distance, The Enlarged Akadyrskaya Track Distance, The Enlarged Atyrauskaya Track Distance, and The Enlarged Shuskaya Track Distance. The organization chart and regulations on these track distances have been duly prepared and approved.

According to the Plan, the number of track distance branches is planned to be reduced until 2015 from 54 units to 35 units, and the number of personnel shall be optimized by 1809 people, to increase the productivity by 9% and reduce the number of employees per one km of equated mileage by 10%.

As part of the introduction of resource-saving technologies, the works on welding of rails lying in the track, with welded end-to-end rails on the wooden base have been performed at Atyrauskaya Track Distance. As a result, operating costs for the track structure materials (plates, screws, rail connectors) were decreased, and the number of points burning significantly reduced, track circuits are working without failure, and the number of inspections and measurements of station tracks at these stations reduced as well. Also, positive feedbacks were received from stations chiefs and employees of signaling and communication spheres.

INTERNATIONAL COOPERATION

The purpose of the international activity of the Company is the deep integration of rail transport of the Republic of Kazakhstan with the international transport system and the increase of its competitiveness in the global market.

In this regard, the following two strategic tasks were assigned by the Head of State to JSC “NC “KTZ”: formation of the Republic of Kazakhstan as a transport and logistics hub, and establishing on the basis of JSC “NC “KTZ” of a multimodal transport and logistics company of the international level with the possibility to create a single (complex) center of multimodal transportation services in the development of transit potential and promotion of domestic products to foreign markets.

Development of international traffic corridors through the territory of Kazakhstan

The optimal routes with international transport corridors of the Organization for Cooperation of Railroads (hereinafter – OCR) are running through the territory of Kazakhstan. Ongoing measures taken by the Ministry of Transport and Communications of the Republic of Kazakhstan to develop the infrastructure, border rail crossings and railway stations contributed to the increase of the volume of transit freight traffic in the Kazakh section of OCR corridors from 2006 to 2012 by 73% - from 4.3 million tonnes to 7.4 million tonnes.

In order to increase the volume of transit cargo in the international North-South transport corridor, the implementation of a railway project Uzen-Gyzylgaya-Bereket-Etrek-Gorgan, the best transportation route in the direction of the Persian Gulf countries, has been initiated.

In December 2011, the construction of the first start-up complex of the Kazakh section of the railway line Uzen-Gyzylgaya-Bereket-Etrek-Gorgan with the length of 146 km has been started.

Customs and border infrastructure facilities, and housing and social facilities were built at the border station Bolashak.

An intergovernmental agreement with Turkmenistan for the opening of a new international railroad control point Bolashak - Serkhetyaka and interdepartmental documents for the implementation of transport activities on the new line were signed in 2012.

The volume of traffic in the first year of operation is projected at the level of six million tonnes.

The second railway crossing Altynkol-Khorgos between Kazakhstan and China was opened in 2012, and the construction of its Kazakh part, a railway line Zhetygen-

Altynkol, was completed by JSC “NC “KTZ”. Thus, an additional transit route from China to Europe via Kazakhstan appeared significantly expanding the transport and logistics capabilities in this popular direction of continental transportation. The potential of a new cross-border highway built in record time is very high and is dictated by the dynamic pace of economic development of the neighboring countries. It is expected that in 2015 the freight turnover at this section shall be ten million tonnes, and in 2020-15 million tonnes.

Strengthening of cooperation with the world largest transport companies

Much attention is paid to container traffic, including by means of container trains. One of the most important international projects in this field is the organization of a Chongqing - Duisburg regular New Silk Road container train.

Owing to the coordinated work of the railways of China, Kazakhstan, Russia, Belarus, Poland and Germany, the start of the first container Chongqing (China, Sichuan Province) - Duisburg (Germany) trains during March - October 2011 opened new opportunities in the freight transportation by rail transport between Asia and Europe.

Cooperation with DP World (UAE)

Since April 2012, the Company has been working with DP World to increase the efficiency of the management of “FEZ “Khorgos - Eastern Gates” and “Aktau Seaport” projects.

Using the basic principles of work of DP World will set the stage of exploring the opportunities of the overseas investment in the expansion of marine and land terminals in the FEZ, as well as the development of multimodal systems in Kazakhstan, which, thereby, will give a powerful impetus to the development of transport and logistics system and expansion of transit potential of the country.

Participation in international railway organizations

The Company implements the task on the intensification of its integration into the global transportation system through the expansion of cooperation in the framework of international organizations. The priority is given to the development of cooperation in the framework of the Council for Rail Transport of the Commonwealth, due to a single standard of a 1520 mm rail gauge. At the same time, special attention is paid to technological unity of railways, for which new and existing regulations are adopted and revised every year.

Important areas include the work of JSC “NC “KTZ” within the OCR. The Company is the lead performer for the majority of tasks (improvement of traffic and the development of rail transport corridors of OCR, railway reforms, railway line and man-made structures, power devices and electric traction, rolling stock for railways, finance and accounting, coding and

computer science, improvement of the basic documents of OCR), which allows taking into account the interests of the Company in the documents and decisions adopted under the OCR.

The Transport and Legal Harmonization of CIM/AIGTR project is one of the best projects of the last decade as it has been extended to a large area of the Eurasian continent and covered large volumes of traffic.

Usage of the CIM/AIGTR waybill helps to significantly reduce the time of freight delivery to the recipient.

The launch of a container train to Duisburg using the unified CIM/AIGTR waybill took place in Chongqing, China during October 31, 2012 - November 2, 2012.

Since its entry the OCR in 2003, the Company has been carrying out the extensive work to strengthen its position in the Organization. Today JSC “NC “KTZ” is a member of the Executive Board of the OCR, and the Asian Regional Assembly, the last meeting of which hosted the ceremony of extending the mandate of the President of JSC “NC “KTZ” A. U. Mamin in his capacity of Deputy Chairman for the Asia-Pacific region.

During the OCR meetings, special attention was paid to the discussion of the growing freight traffic potential of China and South-East Asia, the transportation of goods between Asia and Europe and the increasing need for efficient and secure rail freight traffic in this area.

Cooperation with international companies for the implementation of innovations

Cooperation with General Electric (USA)

The result of a bilateral interaction between GE Transportation and JSC “NC “KTZ” is the construction of the locomotive assembly plant with further assembling of locomotives using the technology of General Electric.

Under the project, General Electric transfers the technology and delivers training to local personnel. Technical and institutional experts of General Electric perform technological process control and provide technical and organizational support.

At present, technical specification for a new generation of passenger locomotives is being developed in cooperation with specialists of General Electric. The production and release of a pilot batch of locomotives is scheduled for 2014.

Cooperation with Patentes Talgo S. L. (Spain)

In order to organize the production of passenger cars in the Republic of Kazakhstan, a joint venture LLP “Tulpar-Talgo” has been established with the participation of JSC “NC “KTZ” and Patentes Talgo S. L.

On December 9, 2011 the Free Economic Zone of Astana hosted the ceremony of the opening of the plant for the production of passenger cars using the technology of Patentes Talgo. The plant will produce 150 cars a year. Localization of production will be 56%.

In order to ensure the needs in passenger cars, the agreement was signed between JSC “Passenger Transportation” and LLP “Tulpar-Talgo” for the supply of 420 railway passenger cars in the period of 2011-2014.

It is planned to implement a phased launch on the territory of Kazakhstan of passenger trains formed of the above cars.

Cooperation with Alstom Transport S.A.

In 2011, a Memorandum on the establishment of a joint venture for the production of electric switches in the Republic of Kazakhstan was signed between a subsidiary of JSC “NC “KTZ” - LLP “Repair Corporation “Kamkor” and Alstom Holdings. Currently, the works are being implemented to establish a joint venture in Almaty. JSC “NC “KTZ” plans to purchase 1000 units of electric switch mechanisms annually.

In addition, an agreement to establish a joint production of freight and passenger locomotives in the Republic of Kazakhstan was signed on June 19, 2010 between a subsidiary of JSC “NC “KTZ” – JSC “Remlokomotiv”, CJSC “Transmashholding” and Alstom Transport in the framework of St. Petersburg International Economic Forum. Electric Locomotive Plant was put into operation in December 2012. The plant’s capacity is 50 double locomotives a year.

Cooperation with Siemens

On July 18, 2010 a memorandum on mutual cooperation was signed between JSC “NC “KTZ” and Siemens AG which provided for the establishment of a joint venture LLP “Temir Zhol Electrification”.

The new joint venture implements projects in the field of modernization of the energy infrastructure of the railway of the Republic of Kazakhstan. The implementation of the Program for the modernization of rectifier substations of Kazakhstan railway using innovative technologies started in 2012. On February 8, 2012, a framework agreement for the procurement of goods, works and services for the modernization of rectifier substations for 2012-2020 was signed between JSC “NC “KTZ”, LLP “Temir Zhol Electrification” and

Siemens AG during the visit of President Nursultan Nazarbayev to Germany. The agreement provides for the modernization of 42 rectifier substations.

Cooperation with South China Industrial Corporation (CSR)

A framework agreement on strategic partnership and cooperation was signed in May 2012 between JSC “NC “KTZ” and the South China Corporation of Wagons and Locomotives (CSR). The project to assemble TEM-KZ shunting locomotives was implemented on the basis of Shu Locomotive Repair Plant.

The project was implemented in the shortest possible time, and the new production capacity by 2016 will be 50 locomotives per year, which will meet the demand for such products in Kazakhstan enterprises.

In the future, the share of local content will increase to 51%.

Expansion of external relations

In order to strengthen transport relations between the countries and their further development JSC “NC “KTZ” has opened seven offices abroad, which allowed having a platform for faster and more efficient contacts with the railway authorities and foreign companies.



SUSTAINABLE DEVELOPMENT REPORT



SOCIAL POLICY

Caring about people and their well-being, solving the issues of social support, and as a result, improving the quality of life of the employees are among the priorities of JSC “NC “KTZ”. Social support for employees and retirees of the Company provides for the following voluntarily assumed obligations:

- adherence to the social and labor relation standards;
- provision of material support and social services to employees, pensioners, the disabled, as well as to the victims of accidents at work and occupational diseases;
- provision of a range of social guarantees to youth, families of the employees, including summer holidays and health improvement of the children of the Company’s employees;
- health safety issues;
- promoting all-round professional development and training of staff;
- solving housing issues, and other, that is, reflecting the issues that are not covered by the legislation, but are very important for the employees.

The Company is implementing several social projects.

“Project Management” aims to seek innovative ideas, projects, and talented young people with a high level of professional competence.

The “Project Management” teaches young people to competently initiate, plan, manage and present projects, and helps to show their worth in the preparation of and conducting the youth forum of JSC “NC “KTZ”. Starting from 2012, the program is held on a unique information internet platform – the “4i system” (Information Incubator of Innovative Ideas) allowing automation of previously manual processes such as collection of tender applications, collection of projects for expert evaluation, etc. JSC “NC “KTZ” was the first in Kazakhstan to introduce this system. At the moment, JSC “Samruk-Kazyna” is conducting the Innovative Kazakhstan competition on similar information platform.

All projects participating in the competition have been created through the interactive means and tools of the system, and passed preliminary assessment. In 2012, more than 120 experts of the Central Office were attracted to the evaluation process.

“Future Managers” is a project aimed at creating the necessary conditions for the formation of a qualitatively new type of employees among the young people: the leaders, the people with a new mentality, progressive-minded, active and eager to develop and build a career.

The mechanism for the implementation of these programs include conducting regional and national Youth Forums, identifying the best projects for presentation and their further implementation at the local level.

Active participants and creators of best projects are selected for the participation in the National Youth Forum in Astana.

Following the 2011-2012 results, around 2,250 young employees of the Company were trained by the experienced coaches under the above-mentioned programs.

More than 950 young employees were trained as part of the Youth Policy of the Company. Among the best participants of the Third National Forum, five participants were moved to higher positions, two projects received support for the implementation in the Company, 17 young employees will be sent on advanced training in the Republic of Kazakhstan and abroad, and another 17 employees have been included in the reserve database.

In addition, the Company in cooperation with the Ministry of Health and the Ministry of Emergency Situations continues to implement the projects of specialized Densaulyk, Zhardem and Salamatty Kazakhstan medical trains. In 2012, the medical trains provided medical assistance to more than 60,000 residents of 235 stations. Five teleconferences were held from the train Salamatty Kazakhstan with participation of the best specialists of leading national clinics of Astana and Almaty.

In addition, the Company pays a special attention to solving social issues of their employees. Thus, a 2011-2015 Housing Program is under implementation with a budget of 19 billion tenge. The program will provide housing to 35% of the Company’s employees in need.

During the Program, 172 apartments out of the planned 180 (in the regions of Akmola, Pavlodar, Kostanay, Zhambyl, Kyzylorda, Semei and Aktobe) were acquired. Construction of a housing complex with 1,029 apartments is being conducted in Astana. The first stage of construction is scheduled for completion for the 3rd quarter of 2013, while the completion of the whole construction is scheduled for 2014. 812 apartments in 18 stations were commissioned as part of construction of railway lines Zhetygen-Khorgos and Uzen-State Border with Turkmenistan.

Construction of 67 houses with 389 apartments for the employees of the Company’s group is under finalization.

A housing construction program at stations of 3,4,5 classes is being implemented for the total amount of 12 billion tenge. The construction covers 1,984 corporate housing facilities in all

regions of the country. Given the investment opportunities of the Company, the construction will start from 2013.

To ensure the affordability of housing in the regions the work is being performed with commercial banks to reduce the mortgage base rate.

A local social network Zhastemir.kz is actively operating with more than 2,500 registered users. New tools will appear in the nearest future: the creation of joint projects, video messages of managers, training videos, testing, surveying and other. Starting from the next year all youth contests held in the Company will be automated and available in the internet.

In order to identify the best young employees a contest for an annual Zhas Kasibi Maman (Жас кәсіби маман) award was held in the framework of the Third National Youth Forum. 68 out of more than 500 applicants won the contest in 23 nominations.

Insurance programs were improved and the volume of limited services increased in the sphere of health care. Also, the Employees' Health Safety Program until 2020 was developed providing for the opening of health centers, the introduction of the posts of doctors at work, record keeping and timely recovery of dispensary patients, and the introduction of engineering and medical teams, which undoubtedly contributes to the improvement of health and longevity of employees.

The Group of companies conducts health resort treatment of about 10,000 employees annually.

Also, the Company organizes summer vacation for the children of employees. In 2012 this service was provided to about 9,000 children, including vacations in the United Arab Emirates - 250 children and Turkey - 50 children.

Specialized training and seminars in the sphere of the rail industry was organized on the basis of the wellness center for more than 1,500 children of the employees of JSC "NC "KTZ".

PERSONNEL POLICY

Personnel is one of the most important assets of JSC "NC "KTZ". Personnel policy is aimed at creating a high-performance and cohesive team able to timely react to the demands of the changing market in order to achieve the strategic goals and objectives.

The effectiveness of personnel policy of JSC "NC "KTZ" is confirmed by the annual increase in the level of employee satisfaction, which in 2012 was 71%.

As at January 1, 2013 the total headcount in the group of companies of JSC "NC "KTZ" was 160,576 people. More than 68% of the staff employed by JSC "NC "KTZ" and its subsidiaries are the workers, staff turnover in 2012 was 9.3%.

Ensuring the efficiency not only in the personnel records management, but also in other functions of personnel management, the project on automation of HR processes on SAP platform was implemented in JSC "NC "KTZ" in 2012. The processes of recruitment, personnel recording, training, personnel evaluation, and payroll are automated as well.

In order to achieve its strategic and operational goals the Company pays much attention to the improving the quality of staff.

The training system of JSC "NC "KTZ" represents a continuous process starting from training in higher technical and professional education system and ending with the advanced training in the system of internal corporate education of the Company.

The Company provides various mechanisms of training and professional development for each category of staff.

Specialists with higher education have opportunities to:

- get supplementary education in accordance with the Postgraduate Study, Master's Degree and Doctorate/PhD programs;
- development of competence, including training programs in foreign educational institutions;
- training on specialized programs for certification.

Professionals with technical and professional education, as well as nonprofessional employees have the opportunity to:

- get higher education under the Highway, and Nominal Grant of the President of JSC "NC "KTZ" programs;
- pass advanced training in the training centers of the Company.

In 2012 JSC "NC "KTZ" has expanded the network of internal corporate training centers through the opening a modern training center in Astana - a Center of Technologies in Transport. Both the employees of JSC "NC "KTZ" and the students of educational institutions receive training in the Center in the framework of the dual system of education. Modern equipment and exercisers provided by such partner companies of JSC "NC "KTZ" as General Electric, ALSTOM, Talgo, and Siemens, ensure qualitative training to deliver the knowledge

and experience in implementation and operating with innovative equipment, engineering and technology.

On an average, more than 93,000 employees undergo training on an annual basis, including in the neighboring countries and abroad. The growth trends in the number of employees trained in 2012 in relation to 2011 is about 3,000 people, or 10.3%.

In order to enhance the management skills of the management team of JSC “NC “KTZ” and to exchange the experience with leading transport and logistics organizations, the program of training of the Company’s employees in foreign educational institutions is being implemented. Under the program, in 2012, 229 people have been trained in the USA, Spain, Germany, France and the UK.

The Company promotes learning of foreign languages through the active engagement in the integration processes and developing international cooperation. In 2012, 134 people were sent to English language courses.

A system of staff motivation has been introduced in JSC “NC “KTZ”, using both material and non-material incentives and constantly improving the system of control and monitoring of tasks assigned to the employees. In 2012, a new system of integrated assessment of competence and effectiveness of personnel was introduced in the Company, which has no analogues in Kazakhstan and aims to ensure the employees’ interest in increasing their professionalism and efficiency.

The results of this assessment allow clearly identifying problem areas, and providing significantly better return on investment in human resources, considering both the effectiveness of the employee and the potential for his/her further development.

The system of moral encouragement by means of corporate, departmental and state awards provides recognition of outstanding employees of JSC “NC “KTZ” and is one of the most effective tools of non-financial incentives.

SPONSORSHIP AND CHARITY

JSC “NC “KTZ” is constantly organizing various charitable projects and campaigns both for its employees and for the vulnerable social groups.

The volume of sponsorship and charity for the Group companies in 2012 amounted to 3,384.9 million tenge.

Sponsorship is carried out by the Company in the following areas:

- supporting the activities under the commissions of the President of the Republic of Kazakhstan, Prime Minister of the Republic of Kazakhstan, Head of the Administration of the President of the Republic of Kazakhstan, the Board of Directors of JSC “Samruk-Kazyna”, and in accordance with the decisions of the Management Board of JSC “Samruk-Kazyna”;
- supporting individual sports and sporting events;
- supporting social projects;
- supporting organizational and practical measures related to the Company’s activity (international conferences, forums, investment summits, roundtables, etc.).

Charitable assistance is provided in the following areas:

- supporting statutory activities of organizations of veterans, the disabled, orphanages and children centers, and other non-profit social organizations;
- supporting pensioners registered in the Company;
- assisting in medical treatment of the Company’s employees and their close relatives.

Also, about 400 thousand tenge was collected for sick children through the charity boxes installed in the administrative building of the Company. Under the Grant from the Railroad Head project, material assistance was provided to six children of rail workers from the broken families.

The Company provides assistance to schools and orphanages on a permanent basis. Thus, by the 1st of September, school kits were presented to the children of new schools of the five stations of Zhetygen - Khorgos line (Altynkol, Taskarasu, Shelek, Ainabulak and Ushtobe), as well as to the children with disabilities registered in the clinic No 4 in Astana.

In addition, in 2012 financial assistance was provided to 1,845 employees and 716 retirees of the group of companies for more than 150 million tenge, including 111 million tenge to the employees of JSC “NC “KTZ”.

ENVIRONMENTAL PROTECTION

JSC “NC “KTZ” in carrying out its activities assuming the responsibility for environmental safety and prosperity.

The Company’s environmental activity is carried out in accordance with the Environmental Code of the Republic of Kazakhstan, other regulatory acts and international treaties and agreements, ratified by the Republic of Kazakhstan, as well as by the Regulations on the Environmental Protection of JSC “NC “KTZ”.

Following the results of realization of nature conservation measures in the structural divisions and subsidiaries of the Company, all out of 213 measures planned for 2012 were implemented in full considering the adjustments of annual plans due to the exclusion of separate measures.

The Company implements complex measures to create safe working conditions in the amount of 1,98 billion tenge, which is not less than 1% of a salary pool and corresponds to the provision of article 318 of Labor Code of the Republic of Kazakhstan and the Collective Agreement signed between the Company and its employees.

OCCUPATIONAL SAFETY

In 2012 production injury in JSC “NC “KTZ” decreased by 14% (42 cases against 49 in 2011), including the reduction of fatal accidents by 50% (5 cases against 10 in 2011).

Following the year end results and in accordance with the legislative acts of the Republic of Kazakhstan in relation to the compensation of damage to the health of those employees who received injuries at work, the Company paid compensation of the material damage in the amount of 358,103 thousand tenge.



CORPORATE GOVERNANCE





The main purpose of corporate governance of JSC “NC “KTZ” is the realization of the interests of the Sole Shareholder of the Company and ensuring sustainable growth of capitalization of JSC “NC “KTZ”.

PERFORMANCE OF THE BOARD OF DIRECTORS OF JSC “NC “KTZ”

The Board of Directors is accountable to the Sole Shareholder for the effective managing and proper controlling the Company’s activity.

In 2012 the new composition of the Board of Directors was elected consisting of seven members: three of them are independent members, two are the representatives of JSC “Samruk-Kazyna”, one is the representative of the Ministry of Transport and Communication, and one is the Chairman of the Management Board of JSC “NC “KTZ”. Also, the composition of the committees has been re-elected as well.

At present, there are the following committees operating under the Board of Directors of JSC “NC “KTZ”:

1) Audit Committee consisting of four members of the Board of Directors, three of which are independent members:

Walton K.	Independent Director, Chairman of the Committee
Syzdykov T.U.	Independent Director, Member of the Committee
Isingarın N.K.	Independent Director, Member of the Committee
Kassymbek Z.M.	Executive Secretary of the Ministry of Transport and Communications of the Republic of Kazakhstan, Member of the Board of Directors, Member of the Committee

2) Human Resources and Remuneration Committee consisting of six members, three of them are independent members:

Syzdykov T.U.	Independent Director, Chairman of the Committee
Urazbekov M.Z.	Transport Assets Management Director of JSC “Samruk-Kazyna”, Member of the Board of Directors, Member of the Committee
Walton K.	Independent Director, Member of the Committee
Isingarın N.K.	Independent Director, Member of the Committee
Ordabayeva A.T.	Senior Manager of Human Resources Department of JSC “Samruk-Kazyna”, expert of the Committee
Lepesbayev A.M.	Managing Director for Economy of JSC “NC “KTZ”, expert of the Committee



3) Strategic Planning and Innovations Committee consisting of five members, three of them are independent members:

Isingarın N.K.	Independent Director, Chairman of the Committee
Syzdykov T.U.	Independent Director, Member of the Committee
Walton K.	Independent Director, Member of the Committee
Urazbekov M.Z.	Transport Assets Management Director of JSC "Samruk-Kazyna", Member of the Board of Directors, Member of the Committee
Kasymbek Z.M.	Executive Secretary of the Ministry of Transport and Communications of the Republic of Kazakhstan, Member of the Board of Directors, Member of the Committee

In 2012, the Board of Directors of JSC "NC "KTZ" conducted nine meetings, including eight meetings in presence.

Participation of the Board of Directors Members in the meetings:

Name	Participation	Reasons for absence
Baidauletov N.T.	7	1 – due to vacation
Mamin A.U.	6	1 – due to vacation
Kasymbek Z.M.	6	1 – due to participation in business forum "Strategic Partnership 520: Central Asia"; 1 – due to participation in the meeting of the Government of the Republic of Kazakhstan.
Urazbekov M.Z.	8	-
Isingarın N.K.	8	-
Syzdykov T.U.	2	Was elected to the Board of Directors on October 2, 2012
Walton K.	8	-

The Board of Directors defines strategic development directions of the Company, considers and approves production and financial issues. In 2012, 79 issues were considered at the meetings of the Board of Directors, including the issues on:

- the activity of the Board of Directors;
- the activity of Internal Audit Service;
- financial and economic issues;
- regulatory measures of JSC “NC “KTZ”.

In particular, the Strategy of Innovation and Technological Development of JSC “NC “KTZ”, the Action Plan for the Implementation of the Development Strategy of JSC “NC “KTZ” until 2020, and the amendments to the Company’s Development Plan were duly approved. Other activities include the preliminary approval of financial statements and the Annual report of the Company and regular revision of the reports on the activity of the Committees of the Board of Directors and Internal Audit Service, etc.

147 commissions were set under the 79 issues considered by the Board of Directors of JSC “NC “KTZ”.

In 2012, the Board of Directors considered two issues in relation of deals in which the Company has an interest:

1) on conclusion of a deal in which JSC “NC “KTZ” has an interest, by signing the agreement on purchasing of services for the development of a business plan for the governing of a special economic zone Khorgos-Eastern Gates and Aktau port;

2) on conclusion of a deal in which JSC “NC “KTZ” has an interest, by signing the agreement for renting of transshipping location No 4B (closed type) at Dostyk station with JSC “Kedentransservice”.

PERFORMANCE OF THE COMMITTEES OF THE BOARD OF DIRECTORS OF JSC “NC “KTZ”

21 meetings of the Committees of the Board of Directors were held in 2012, including:

nine meetings of the Audit Committee, including six meetings in presence, at which 19 issues were considered.

Name	Participation	Reasons for absence
Kasymbek Z.M.	3	1 – due to participation in the meeting of the Government of the Republic of Kazakhstan. 1 - due to participation in business forum “Strategic Partnership 520: Central Asia”. (was elected to the Committee on 22.08.2012)
Shomodi K.	1	Removed from the Committee with effect from 22.08.2012
Urazbekov M.Z.	1	Removed from the Committee with effect from 22.08.2012
Isingarın N.K.	1	2 – due to a business trip (was elected to the Committee on 12.10.2012)
Syzdykov T.U.	3	was elected to the Committee on 12.10.2012
Walton K.	6	-

Human Resources and Remuneration Committee held nine meetings, including seven meetings in presence, at which 22 issues were considered.



Participation in the meetings of Human Resources and Remuneration Committee:

Name	Participation	Reasons for absence
Kasymbek Z.M.	4	-
Urazbekov M.Z.	7	-
Isingarın N.K.	7	-
Syzdykov T.U.	2	was elected to the Committee on 12.10.2012
Walton K.	4	3 – due to a business trip

The Strategic Planning and Innovations Committee held three meetings in presence, at which three issues were considered.

Participation in the meetings of the Strategic Planning and Innovations Committee:

Name	Participation	Reasons for absence
Kasymbek Z.M.	2	1 – due to a business trip
Urazbekov M.Z.	3	-
Isingarın N.K.	3	-
Syzdykov T.U.	1	was elected to the Committee on 12.10.2012
Walton K.	-	was elected to the Committee on 12.10.2012 1 – due to a business trip

The Audit Committee develops recommendations on:

- implementation of efficient system of management over the financial and economic activity of the Company (including the completeness and reliability of financial reporting);
- the reliability and efficiency of internal control system and risk management system;
- the independency of external and internal auditors.

Human Resources and Remuneration Committee develops recommendations on:

- proper remuneration of the Directors, Members of the Management Board, Corporate Secretary, and Corporate Secretary Office in accordance with the goals, objectives and current status of the Company;
- implementation of a structural and transparent system of remuneration of the Directors, Members of the Management Board, and Corporate Secretary.

The Strategic Planning and Innovations Committee develops recommendations on:

- increasing the competitiveness and stimulating the innovation activity of the Company based on the analysis of the scientific, technological and innovational spheres of the Company's activity;
- effective cooperation and coordination of the Company's activity in respect of innovation policy;
- reforming the Company's activity to improve the innovation activity.

ASSESSMENT OF THE BOARD OF DIRECTORS' PERFORMANCE

In 2012, in line with best international practice of corporate governance, the assessment of the Board of Directors was conducted in the Company for the first time by an independent facilitator, which meets the leading requirements to ensure the effectiveness and transparency of corporate governance. As a facilitator the Company attracted the Consortium of the Russian Association of Independent Directors and the British Institute of Directors, which has considerable experience in the assessment of the board of directors of public and private international companies.

The evaluation was conducted based on the methodology for assessing the activities of the Board of Directors developed by the Consortium in cooperation with JSC "Samruk-Kazyna" and based on the requirements of the legislation of the Republic of Kazakhstan, as well as on the requirements of best international practices in corporate governance, in particular, the corporate governance principles of the OECD and the UK Corporate Governance Code. According to the methodology, assessment technology included the surveying of all the members of the Board of Directors and the interviews conducted by an independent facilitator with the Chairman of the Board of Directors, the members of the Board of Directors, the Chairman of the Board and Corporate Secretary.

The result of the evaluation of the Board of Directors showed the directions for further development of corporate governance practices. In particular, it identified areas such as the participation of the Board of Directors in strategic planning, appointment and remuneration of senior executives, the organization of work of the committees, the optimal allocation of powers between shareholders and the board of directors. A plan of practical measures aimed at improving the efficiency of the Board of Directors, committees and members of the Board of Directors has been developed.

REMUNERATION OF THE MEMBERS OF THE BOARD OF DIRECTORS

The conditions of remuneration of independent directors are reflected in the relevant labor agreements. The Chairman of the Management Board is not entitled for the remuneration for his work in the Board of Directors.

In 2012, the amount of remuneration paid to independent directors was 15,371 thousand tenge:

№	Name	Annual remuneration, thousand tenge	Note
1	Isingarın Nigmatzhan Kabatayevich	4,375.0	
2	Kris Wolton	6,472.3	
3	Kalman Shomodi	2,862.2	Removed from the Board of Directors on 21.06.2012
3	Syzdykov Tito Uakhapovich	1,661.9	Appointed to the Board of Directors on 02.10.2012.

PERFORMANCE OF THE MANAGEMENT BOARD OF JSC "NC "KTZ"

The Management Board is responsible for the implementation of the strategy and current activity of the Company.

32 meetings of the Management Board of JSC "NC "KTZ" were held in 2012, including 24 meetings in presence and eight meetings in absentia. Structural divisions and subsidiaries of JSC "NC "KTZ" submitted 359 issues to the consideration of the Management Board, including the issues on:

- assets management;
- social performance;
- economic and financial issues;
- mainline network;
- human resources management.

REMUNERATION OF THE MANAGEMENT BOARD MEMBERS

Remuneration to the managerial staff of JSC “NC “KTZ”, following the year-end results, is paid in accordance with the Rules for Remuneration of Managerial Employees of JSC “NC “KTZ” as of December 12, 2011 (Minutes No 7), considering the amendments of December 13, 2012 (Minutes No 9).

In accordance with point 5 of the above Rules the main condition for remuneration payment is the availability of consolidated net profit for the reporting year calculated considering the projected amount of remuneration.

When calculating the remuneration amount, the fulfilment of the planned corporate and individual key performance indicators for each position, and the proportion of actual work hours to the current standards of the reporting year are taken into account.

At that, in accordance with the Policy for Remuneration of Managerial Employees of JSC “Samruk-Kazyna” for the Year, approved by the Decision of the Management Board of JSC “Samruk-Kazyna” as of June 28, 2011 (Minutes No 30/11), and the Rules for Remuneration of Managerial Employees of JSC “NC “KTZ” for the Year, and also based on the decision of the Board of Directors of JSC “NC “KTZ” of September 5, 2012, remuneration was paid to the managerial staff of JSC “NC “KTZ” for the year 2011.

PERFORMANCE OF THE INTERNAL AUDIT SERVICE OF JSC “NC “KTZ”

Internal Audit Service of JSC “NC “KTZ” performs control over financial and economic activity of the Company, evaluation of internal control and risk management, execution of documents in the field of corporate governance and consulting for the overall improvement of the Company’s performance.

The 2012 Audit Plan of the Internal Audit Service of JSC “NC “KTZ” has been approved by the decision of the Board of Directors as of JSC “NC “KTZ” on December 12, 2011 (Minutes No 7).

All 29 audit tasks provided by the annual audit plan were executed in full.

Audits covered such key business processes as freight traffic, capital construction, inventory accounting, implementation of investment projects, as well as those recommend

by the Sole Shareholder – corporate governance diagnostics and evaluation of risk management system. 266 recommendations were provided following the inspection results of Internal Audit Service.

CORPORATE RISK MANAGEMENT

JSC “NC “KTZ” is aware of importance of risk management as the key element of the Company’s and its subsidiaries’ corporate governance, aiming at timely identification of and taking measures for risks mitigation, which may negatively impact the Company’s value and reputation.

Introduction of the corporate risk management system in JSC “NC “KTZ” is performed within the framework of the fulfillment of JSC “Samruk-Kazyna” Recommendations, according to which the introduction of corporate risk management system must be performed in accordance with COSO model “Corporate Risk Management – “Integrated Model” (2004). The level of efficiency of risk management system, as per the results of the evaluation conducted by Internal Audit Service of JSC “NC “KTZ” in 2012, was 65.3% (the rating is high).

The Company has implemented a system of internal control of business processes for the preparation of financial statements, also the measures are carried out to automate the system of internal control based on SAP GRC platform. Under this system, the matrixes of risk and controls of the financial reporting preparation and consolidation processes, test plans, methods of evaluation of the effectiveness of internal control systems, and the rules of the internal control have been developed and approved in the Company and its subsidiaries. The level of effectiveness of internal control following the results of the assessment carried out by the Internal Audit Service of JSC “NC “KTZ” in 2012 was 89% (the rating is high).

In 2012, the work of the Board of Directors and the Management Board aimed at further improvement of corporate risk management system and bringing it in line with best international practices.

Also in 2012, JSC “NC “KTZ” took measures to develop and replicate corporate risk management system based on SAP GRC platform (the operation commencement act is dated December 29, 2012).

In order to improve the efficiency of the corporate risk management, a number of key documents was adopted in 2012 by the Board of Directors and the Management Board of JSC “NC “KTZ”.

The Company may be exposed to the following key risks that could adversely affect the Group's operations and the achievement of its strategic objectives:

Reducing of freight traffic (market risk) due to the resumption of global economic crisis and the fall of commodity prices

Worsening of economic conditions could lead to a decline in the services provided on the transport of goods by rail, a decrease in productivity, an increase in cost of goods sold and services rendered and have a negative impact on the planned indicators. The Company is taking steps to improve its efficiency and increase transit transportations, as well as the implementation of anti-crisis measures (additional cost reduction).

Operational risks (risks of traffic safety, health and environment)

The Group is the owner and operator of the railway infrastructure in Kazakhstan, and the largest owner and operator of passenger and freight rolling stock and locomotives in the country. In this regard, the Group is exposed to the risks of traffic safety, including collisions, gatherings of rolling in cargo and / or passenger trains on the main line, station and access roads and / or during the production of the shunting of rolling stock at the stations, and natural disasters. To manage this risk JSC "NC "KTZ" implements measures to strengthen prevention efforts and ensure the safety of trains associated with the movement of trains.

As part of the occupational injuries risk management JSC "NC "KTZ" is implementing measures to ensure the security and safety of health, accident prevention and the improvement of working conditions, provides compulsory insurance against accidents in the performance of labor (official) duties.

Currency risk

The Company is mainly exposed to risks associated with changes in the US dollar rate due to the fact that the Company attracts borrowings mainly in US dollars and the devaluation

of the Tenge against the US dollar means an increase in foreign exchange losses. As part of managing this risk, the Company on a daily basis monitors the changes in USD / KZT exchange rates, as well as other factors affecting the change in the exchange rates: the USD / RUR and USD / EUR rates, oil and raw materials prices. In order to control foreign exchange risk associated with the management of temporarily available money, the Company controls the level of temporarily free funds denominated in US dollars.

By the decision of the Board of Directors of the Company dated December 23, 2010 (Minutes No 9) a Policy of Hedging Currency and Interest Rate Risks has been adopted in the Company. The Policy was developed to minimize (decrease) the interest rate and currency risks, which may arise due to unfavorable changes in KZT rate to foreign currencies and adverse changes in interest rates on loans with floating interest rates.

Information and technology risks

The Group uses telecommunication networks and computer systems to coordinate schedules and other aspects of its rail operations, as well as for the purposes of accounting, ticket sales, freight tracing, and many other functions. Equipment and software used by the Group may potentially be damaged by human error, natural disasters, power outages, sabotage, computer viruses, and other circumstances.

To reduce the risk of failure of informational technology and breaches of informational security, and in order to comply with local regulations and corporate policy in the field of informational security and protection of professional, commercial and other secrecy protected by the legislation of the Republic of Kazakhstan, the audits are being held in the structural units of the Group on an annual basis. In 2012, the Company has been certified under the international standard ISO / IEC 27001:2005 Information Security.

2013 DEVELOPMENT PERSPECTIVES



The following production and financial results are planned by the Company in 2013:

- Tariff freight turnover – 236.726 million t-km;
- Passenger turnover – 16.075 million pass-km;
- Total income for the Group of companies of JSC “NC “KTZ” – 899.1 billion tenge;
- State subsidies – 25.7 billion tenge;
- Total operating expenses – 735.9 billion tenge;
- Net income – 125.2 billion tenge.

Capital expenditure plan for 2013 for the Group of companies of JSC “NC “KTZ” is set in the amount of 499,354 million tenge.

Major investment areas include:

- “Construction of Khorgos-Zhetygen Railway Line for the Amount of 9,013 Million Tenge”;
- “Construction of Zhezkazgan-Beineu Railway Line for the Amount of 144,905 Million Tenge”;
- “Construction of Arkalyk-Shubarkol Railway Line for the Amount of 32,559 Million Tenge”;
- “Construction of a Multifunctional Ice Palace in Astana for the Amount of 17,851 Million Tenge”;
- “Construction of Talgo Passenger Cars Production Plant in Astana for the Amount of 913 Million Tenge”;

- “Construction of Modern Electric Locomotives Production Plant for the Amount of 2,165 Million Tenge”;
- “Modernization of Large Car Casting Production Facility No 10 for the Amount of 1,952 Million Tenge”;
- “Automated Management System Power Dispatch Rod for the Amount of 9,768 Million Tenge”;
- “Renovation of Freight Car Fleet for the Amount of 39,239 Million Tenge (2,654 Units)”;
- “Renovation of Locomotive Fleet for the Amount of 67,672 Million Tenge (98 Units)”;
- “Renovation of Passenger Cars Fleet for the Amount of 32,777 Million Tenge (218 Units Including 158 Talgo Cars)”;
- “Renovation of Container Fleet for the Amount of 413 Million Tenge (250 Units)”;
- “Capital Repair of Track Structure for the Amount of 40,827 Million Tenge (652 km)”;
- “Capital Repair of 1,416 Units of Freight Cars in the Amount of 9,806 Million Tenge”;
- “Capital Repair of 38 Units of Locomotives in the Amount of 3,327 Million Tenge”;
- “Capital Repair of 50 Units of Passenger Cars and Electric Trains in the Amount of 1,960 Million Tenge”.



CONSOLIDATED
FINANCIAL STATEMENTS
OF THE COMPANY

MANAGEMENT'S RESPONSIBILITY FOR THE PREPARATION AND APPROVAL OF CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2012

The management team of JSC "National Company "Kazakhstan Temir Zholy" (hereinafter referred to as the Company) is responsible for the preparation of consolidated financial statements presenting fairly, in all material respects, the financial position of the Company and its subsidiaries (hereinafter collectively referred to as the Group) as at December 31, 2012 and the results of its operations, cash flows and changes in equity for the year then ended, in accordance with International Financial Reporting Standards (IFRS).

In preparing the consolidated financial statements, the management is responsible for:

properly selecting and applying appropriate accounting policies;

- presenting information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- disclosing additional information in cases when compliance with the specific IFRS requirements is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the consolidated financial position and consolidated financial results of the Group's operations, and assessing the Group's ability to continue its operations in the foreseeable future.

The management is also responsible for:

designing, implementing and maintaining an effective and sound system of internal control throughout the Group;

- maintaining accounting records that are sufficient to show and explain the Group's transactions and to provide information on any date with reasonable accuracy on the consolidated financial position of the Group and to ensure compliance of the financial statements with IFRS;
- maintaining statutory accounting records in compliance with local legislation and IFRS;
- taking all reasonably possible steps to safeguard the assets of the Group, and preventing and detecting fraud and other irregularities.

The consolidated financial statements of the Group for the year ended December 31, 2012 were approved by management on March 14, 2013.

On behalf of the Group's Management team:

A.U. Mamin
President

March 14, 2013

E.I. Lepskaya
Vice-President for Economy
and Finance

March 14, 2013

N.H. Abilova
Chief Accountant

March 14, 2013

INDEPENDENT AUDITORS' REPORT

To the Board of Directors and the Shareholders of JSC “National Company “Kazakhstan Temir Zholy”:

We have audited the enclosed consolidated financial statements of JSC “National Company “Kazakhstan Temir Zholy” and its subsidiaries (hereinafter jointly referred to as the Group) which comprise the consolidated statement of financial position as at December 31, 2012 and the consolidated statements of comprehensive income, cash flows and changes in equity for the year then ended, and disclosure of significant accounting principles and other explanatory information.

Management's responsibility for the consolidated financial statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards, and for the organization of such internal control as the management deems necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on the assurance and credibility of consolidated financial statements based on our audit. We conducted our audit in accordance with International Auditing Standards. These standards require compliance with ethical requirements, and planning and performing the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures of the consolidated financial statements. The selection of procedures depend on the auditor's professional judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. The assessment of such risks includes consideration of internal controls relevant to the preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for expressing an opinion on the effectiveness of internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of estimates made by management, as well as evaluating the overall financial statement presentation.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Group as at December 31, 2012 and the results of its operations and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Tatyana Gutova

Project Partner

Qualified Auditor

Qualification certificate №0000314

of December 23, 1996,

Republic of Kazakhstan

LLP “Deloitte”

License with the right to conduct audit in the Republic of Kazakhstan
№0000015, MFU-2, issued by the Ministry of Finance of the Republic of
Kazakhstan on September 13, 2006

Nurlan Bekenov

General Manager LLP “Deloitte”

March 14, 2013


CONSOLIDATED STATEMENT OF FINANCIAL CONDITION AS OF DECEMBER 31, 2012 (in thousand tenge)

	Note	December 31, 2012	December 31, 2011
ASSETS			
Long-term assets			
Fixed assets	4	1,618,330,771	1,269,468,987
Intangible assets	5	8,522,684	8,356,743
Investments in associated and jointly controlled companies	6	15,479,199	4,939,504
Investment property	7	7,129,207	6,578,879
Assets attributable to the Shareholder	12	7,000,000	-
Other long-term assets	8	133,189,328	55,428,341
Total long-term assets		1,789,651,189	1,344,772,454
Current assets			
Commodities and materials	9	33,794,699	41,484,666
Trade accounts receivable	10	7,689,604	4,568,143
Other financial assets	11	43,050,711	51,221,664
Income tax pre-paid		2,125,829	5,538,970
Assets attributable to the Shareholder	12	28,238,638	47,777,020
Cash and cash equivalents	14	67,313,397	130,211,949
Monetary funds restricted for use	17	223,531	224,665
Other current assets	13	47,688,985	38,437,374
		230,125,394	319,464,451
Long-term assets held for sale	15	37,720,512	-
Total current assets		267,845,906	319,464,451
Total assets		2,057,497,095	1,664,236,905



CONSOLIDATED STATEMENT OF FINANCIAL CONDITION AS OF DECEMBER 31, 2012 (CONTINUED)
(in thousand tenge)

	Note	December 31, 2012	December 31, 2011
CAPITAL AND LIABILITIES			
Capital			
Charter capital	16	675,526,248	579,417,097
Additional paid-up capital and unissued charter capital		43,407,831	103,121,474
Provisions from foreign currencies revaluation		(112,268)	(197,201)
Undistributed income		305,078,378	261,978,267
Equity capital of the Parent Company's shareholder		1,023,900,189	944,319,637
Minority interests		7,525,291	6,158,078
Total capital		1,031,425,480	950,477,715
Long-term liabilities			
Loans	17	210,731,801	167,374,546
Issued debt securities	18	331,688,969	154,927,950
Liabilities under financial leasingt	19	4,546,064	5,016,103
Obligations under remuneration to employees	20	21,581,319	17,455,418
Liabilities under deferred income tax	21	150,504,835	118,599,053
Other long-term liabilities	24	25,150,747	104,554
Total long-term liabilities		744,203,735	463,477,624
Current liabilities			
Loans	17	27,279,361	33,119,423
Current part of issued debt securities	18	7,587,539	2,056,610



CONSOLIDATED STATEMENT OF FINANCIAL CONDITION AS OF DECEMBER 31, 2012 (CONTINUED)
(in thousand tenge)

	Note	December 31,2012	December 31, 2011
Current part of liabilities under financial leasing	19	552,251	614,257
Current part of obligations under remuneration to employees	20	2,387,767	1,985,504
Trade accounts payable	22	98,355,798	70,963,528
Income tax liabilities		89,812	107,835
Taxes and other obligatory payments to the budget	23	9,488,936	7,779,382
Other current liabilities	24	119,452,297	133,655,027
		265,193,761	250,281,566
Liabilities directly associated with non-current assets classified as held for sale	15	16,674,119	-
Total current liabilities		281,867,880	250,281,566
Total liabilities		1,026,071,615	713,759,190
Total capital and liabilities		2,057,497,095	1,664,236,905

A.U.Mamin
President

E.I.Lepskaya
Vice-President for
Economy and Finance

N.H.Abilova Chief
Accountant

March 14, 2013

March 14, 2013.

March 14, 2013

**CONSOLIDATED STATEMENT OF AGGREGATE INCOME FOR THE YEAR ENDED DECEMBER 31, 2012 (in thousand tenge)**

	Note	2012	2011
Continued operation			
Income			
Freight transportations		686,097,952	603,656,403
Passenger transportations		63,484,428	54,913,553
State subsidies		22,148,264	18,454,475
Other income	25	24,058,149	25,715,663
Total income		795,788,793	702,740,094
Realization cost price	26	(547,142,199)	(470,280,262)
Gross income		248,646,594	232,459,832
General and administrative expenses	27	(78,800,676)	(62,107,961)
Realization expenses		(193,391)	(159,971)
Impairment of fixed assets	4	(101,945)	(903,059)
Income from acquisition of the ownership at a price below fair value	30	-	948,610
Other income and loss		5,605,289	3,344,762
Financial income	28	3,991,446	4,637,732
Financial expenses	29	(29,188,901)	(19,022,743)
Loss from exchange rate difference		(4,053,360)	(1,541,535)
Share of associated organizations and jointly controlled companies in incomes/losses	6	(72,209)	69,331
Income before taxation		145,832,847	157,724,998
Corporate income tax expenses	21	(30,304,707)	(32,554,051)
Income for the year from continued operations		115,528,140	125,170,947
Discontinued operations			
Net loss for the year from discontinued operations	15	(1,109,451)	(1,942,128)


CONSOLIDATED STATEMENT OF AGGREGATE INCOME FOR THE YEAR ENDED DECEMBER 31, 2012 (CONTINUED)
(in thousand tenge)

	Note	2012	2011
Income for the year		114,418,689	123,228,819
Other aggregate income/(loss):			
Income/(loss) arising from revaluation of foreign companies reports		84,933	(93,404)
Other aggregate income/(loss) for the year		84,933	(93,404)
Total aggregate income for the year		114,503,622	123,135,415
Income for the year attributable to:			
Parent Company's Shareholder		113,328,072	122,886,900
Minority interests		1,090,617	341,919
		114,418,689	123,228,819
Total aggregate income attributable to:			
Parent Company's Shareholder		113,413,005	122,793,496
Minority interests		1,090,617	341,919
		114,503,622	123,135,415
Income per share from continued and discontinued operations, in tenge	31	231	250
Income per share from continued operations, in tenge	31	233	254

(*) Comparative data for 2011 was recalculated due to separation of discontinued operations (Note 15).

A.U.Mamin
President

E.I.Lepskaya
Vice-President for
Economy and Finance

N.H.Abilova Chief
Accountant

March 14, 2013

March 14, 2013.

March 14, 2013

**CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED DECEMBER 31, 2012) (in thousand tenge)**

	Note	2012	2011
Cash flows from operating activities:			
Income for the year		114,418,689	123,228,819
Corporate income tax expenses reflected in incomes and losses		30,664,517	33,292,672
Adjustments to:			
Wear and depreciation		76,537,148	60,972,868
Financial costs		29,703,080	19,515,232
Provisions for non-refundable value added tax	8	180,792	(9,905,425)
Provisions for legal claims	27	99,277	590,447
Loss from fixed assets devaluation	4	101,945	903,059
Loss/(income) from disposal of fixed assets and other capital funds		640,221	(688,534)
Financial income		(3,997,911)	(4,644,247)
Actuarial obligations under the plan with the fixed payments		6,440,510	5,497,239
Share in loss/(income) of associated and jointly-controlled organizations	6	72,209	(69,331)
Restoration of provisions for non-liquid and obsolete commodities and materials	9	(33,720)	(291,770)
Accrual of provisions under doubtful debts		1,842,850	1,118,705
Accrual of provisions under unused vacancies		940,244	1,473,272
Accrual of provisions under additional payments for accommodation in the areas of ecological disaster	26, 27	50,734	3,223,972
Negative exchange rate difference		4,287,846	1,640,265
Income from the acquisition of ownership shares at a price below fair value	30	-	(948,610)
Other income		(388,894)	(163,056)
Operating income before change in circulating capital		261,559,537	234,745,577
Increase of trade accounts receivable		(8,870,976)	(3,592,506)
Decrease/(increase) of commodities and materials		1,413,147	(13,799,347)
(Increase)/decrease of other current and long-terms assets (including long-term VAT subject to reimbursement)		(22,197,179)	7,602,429
Increase of trade accounts payable		19,516,871	7,891,547



CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED DECEMBER 31, 2012 (CONTINUED)

(in thousand tenge)

	Note	2012	2011
Increase/(decrease) of other taxes payable		1,292,988	(8,064,235)
(Decrease)/increase of other current liabilities		(2,631,209)	10,655,189
Decrease of liabilities under remuneration to employees		(1,889,242)	(1,816,422)
Increase of other long-term liabilities		791	85,420
Cash flows from operating activities		248,194,728	233,707,652
Interest paid		(21,405,739)	(20,620,645)
Income tax paid		(5,125,637)	(5,335,739)
Net cash flows from operating activities		221,663,352	207,751,268
Cash flows from investment activity:			
Acquisition of fixed assets		(496,486,385)	(338,914,446)
Acquisition of intangible assets		(2,555,415)	(341,709)
Revenues from disposal of fixed assets and other capital funds		3,650,968	1,776,686
Acquisition of other long-term assets		(7,377,801)	-
Acquisition of subsidiaries excluding available money		-	(505,080)
Acquisition of investments		(1,842,588)	(2,794,997)
Interest received		2,928,899	4,300,465
Acquisition of short-term investments		(103,513,714)	(128,196,788)
Income from sale of short-term investments		111,705,784	198,723,015
Net cash flow from investment activities		(493,490,252)	(265,952,854)


CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED DECEMBER 31, 2012 (CONTINUED)
(in thousand tenge)

	Note	2012	2011
Cash flows from financial activities:			
Contribution to the unissued share capital	16	4,000,000	90,821,510
Loans received		190,063,370	145,428,149
Income from bonds issuance		173,418,791	-
Loans repayment		(108,561,761)	(28,508,488)
Bonds repayment		-	(66,049,200)
Contribution of minority interests		-	19,554
Dividends and distributions paid		(34,219,790)	(10,876,307)
Acquisition of an asset for the benefit of Shareholder		(14,916,953)	(38,606,736)
Repayment of finance lease liabilities		(607,852)	(685,935)
Net cash flow from financing activities		209,175,805	91,542,547
Net (decrease)/increase of cash and cash equivalents		(62,651,095)	33,340,961
Cash and cash equivalents as of the beginning of the year	14	130,211,949	97,513,097
Currency exchange rate change effect on the balance of cash and cash equivalents nominated in foreign currency		(227,609)	(642,109)
Cash and cash equivalents at the year end	14	67,333,245	130,211,949
Non-cash transactions:			
Inflow of fixed assets as a capital contribution		5,514,165	1,203,236
Adjustment to fair value of loans provided by the Shareholder		33,601,679	10,271,770
Acquisition of fixed assets not paid before the end of the reporting period		14,554,719	12,255,643
Capitalization of borrowing costs		1,806,889	2,361,383



CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED DECEMBER 31, 2012 (CONTINUED)
(in thousand tenge)

	Note	2012	2011
Offsetting of debt to railway administrations		4,707,817	4,114,905
The contribution of long-term assets to the authorized capital of LLC "Tulpar-Talgo" (Note 6)		9,384,985	-
Acquired by JSC "Kazakh Academy of Transport and Communications" (Notes 8 and 24)		6,996,752	-
Transfer by the Shareholder of legal rights to rail assets		-	30,482,773
Transfer of ownership of LLP "Repair Corporation "Kamkor"		-	10,255,000
Acquisition of assets under financial lease agreements (Note 19)		-	1,042,029

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Chief Accountant

March 14, 2013

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March 14, 2013


CONSOLIDATED REPORT ON CHANGES IN EQUITY FOR THE YEAR ENDED DECEMBER 31, 2012 (in thousand tenge)

	Authorized capital	Additional paid-in capital and unissued authorized capital	Provisions from foreign currency translation	Undistributed income	Share of the parent company's shareholder	Minority interest	Total capital
As at December 31, 2011	579,417,097	103,121,474	(197,201)	261,978,267	944,319,637	6,158,078	950,477,715
Income for the year	-	-	-	113,328,072	113,328,072	1,090,617	114,418,689
Other aggregate income for the year	-	-	84,933	-	84,933	-	84,933
Aggregate income for the year	-	-	84,933	113,328,072	113,413,005	1,090,617	114,503,622
Shareholder's contribution (Note 16)	4,084,405	5,429,760	-	-	9,514,165	-	9,514,165
Transfer in connection with the legal registration of the placement of shares (Note 16)	92,024,746	(92,024,746)	-	-	-	-	-
Payment of dividends (Note 16)	-	-	-	(36,866,070)	(36,866,070)	-	(36,866,070)
Distribution (Notes 16 and 24)	-	-	-	(32,958,124)	(32,958,124)	-	(32,958,124)
Contribution – loan adjustment to fair value excluding deferred tax in the amount of 6,720,336 thousand tenge (Note 16)	-	26,881,343	-	-	26,881,343	-	26,881,343
Change of minority shares in subsidiaries	-	-	-	(403,767)	(403,767)	276,596	(127,171)
As at December 31, 2012	675,526,248	43,407,831	(112,268)	305,078,378	1,023,900,189	7,525,291	1,031,425,480
As at December 31, 2010	521,100,457	41,472,001	(103,797)	197,385,718	759,854,379	5,688,859	765,543,238
Income for the year	-	-	-	122,886,900	122,886,900	341,919	123,228,819
Other aggregate loss for the year	-	-	(93,404)	-	(93,404)	-	(93,404)
Aggregate income for the year	-	-	(93,404)	122,886,900	122,793,496	341,919	123,135,415
Contribution from the Shareholder (Note 16)	-	92,024,746	-	-	92,024,746	-	92,024,746
Acquisition of subsidiary organizations (Note 30)	-	-	-	-	-	1,035,225	1,035,225



Contribution from minority interest	-	-	-	-	-	19,608	19,608
Equity contributions (Note 16)	10,255,000	-	-	(10,255,000)	-	-	-
Transfer due to legal registration of place- ment of shares	17,578,867	(17,578,867)	-	-	-	-	-
Transfer due to transfer of legal title of the rail assets (Note 16)	30,482,773	(21,013,822)	-	(9,468,951)	-	-	-
Payment of dividends (Note 16)	-	-	-	(9,776,307)	(9,776,307)	-	(9,776,307)
Distribution (Notes 12, 16 and 24)	-	-	-	(29,714,107)	(29,714,107)	-	(29,714,107)
Contribution - loan adjustment to fair value excluding deferred tax in the amount of 2,054,354 thousand tenge (Note 17)	-	8,217,416	-	-	8,217,416	-	8,217,416
Change of minority interests in subsidiaries	-	-	-	920,014	920,014	(927,533)	(7,519)
As at December 31, 2011	579,417,097	103,121,474	(197,201)	261,978,267	944,319,637	6,158,078	950,477,715

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ҚАЗАҚСТАН ТЕМІР ЖОЛЫ

