

2015

Annual Report



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Dear readers of the annual report, colleagues, partners!

In 2015 negative global economic trends, political tensions, and sanctions policy against countries that are trade partners of Kazakhstan continued to exert its influence on the main basic positions of Kazakhstan's exports and the overall performance in the country's economy.

In the reporting period, the pace of the national economy development fell to 1.2%, in 2014 this figure was 4.3%. In January-December 2015 the foreign trade turnover of Kazakhstan amounted to 76 billion US dollars and decreased by 37.1% compared to 2014, including exports - by 42.5%.

Trade turnover with Russia and Belarus, which accounts for over 50% of the volume of rail transportation decreased by 27.8% and 37.8%, respectively.

Generally this had a negative impact on operation of the transport and logistics sector of the country, especially in a traditional for JSC «NC «KTZ» segment of export shipments of general cargo mass.

So, due to decrease of world prices and of demand for iron ore on the world market, mainly in the Chinese market, a shipper of such cargo - Sokolov-Sarbaiskoye mining and processing production association - during 2015 exported to China the iron ore in the amount of 190 thousand tons against 2.8 million tons in 2014 and comparing with the level of 2013, this figure had decreased by 30 times.

In connection with that, the company directed its efforts on diversification and increase of the volume of transit container transportation.

In 2015, in the direction of China - Europe - China 47.4 thousand TEUs were carried, which is 2 times more than the annual output in 2014, or 40 times more than the level of 2011.

JSC «NC «KTZ» has also introduced a new transit container trains in the direction of Iran and the Caucasus.

As a result, in 2015, we have increased the level of income from transit traffic to 706 million US dollars, accounting for 30% of the Company's revenues. This cushioned the fall in traffic volume of conventional goods, the devaluation of the national currency, and limited capacities for tariff increases.

On the whole, in 2015 the total income of JSC «NC «KTZ» amounted to 810 billion tenge, profit from operating activities to 54 billion tenge, index of EBITDA margin amounted to 21.6%.

The devaluation of the national currency influenced deterioration of the final financial results of the company significantly.

In order to preserve the financial stability of the company during 2015 anti-crisis measures for costs optimization were carried out, which allowed for neutralization of more negative factors that affect the operating profit and net income. The overall effect of those measures amounted to 169 billion tenge.

As the main operator of the program «Nurly Zhol» in the field of transport infrastructure development, in the past year we launched a project for construction of a second track with its electrification at the Almaty - Shu portion of line with the length of 111 km, a ferry complex in the port of Kuryk.

Projects on construction of a railway section Borzhakty - Ersai and expansion of the port of Aktau were completed in the west.

The largest in Central Asia transport and logistics center of «A» class was put into operation in Astana.

In 2015 the company updated the development strategy of JSC «NC «KTZ».

In accordance with an updated mission and vision of JSC «NC «KTZ» - a highly integrated transport and logistics holding with a main source of business growth in our key segment of through transportation.

Development of new competences, and harsh competitive environment in the global transport and logistics market place high demands on quality and effectiveness of our products, the level of our business.

That is why the business transformation program of the JSC «NC «KTZ» is a key strategic initiative.

In 2015 a large amount of work on re-engineering of the business was conducted. A diagnosis and design of all business processes were implemented, a concept of business architecture was formed, business initiatives undertook analysis, a portfolio of projects was develop, as well as an assessment of necessary resources, investments and the expected benefits.

The company continues to expand the product range of railway engineering.

In 2015 the Aktobe rail and section works began producing its first products. A plant for production of diesel engines was launched in Astana.

In order to create infrastructure conditions for development of the capital city as we approach EXPO-2017 the passenger terminal of the International Airport of Astana is being reconstructed and a railway junction and a railway station are being built.

In accordance with the corporate vision and business philosophy a great attention is paid to achievement of social goals.

I would like to express my gratitude to customers and partners for our successful joint efforts. I hope that our future cooperation will be as efficient and productive.

**Sincerely yours,
President of JSC «NC «KTZ» A. Mamin**



2015



Mamin Askar Uzakpaevich
President of JSC «NC «KTZ»



INFORMATION ON
JSC “NC “KAZAKHSTAN TEMIR ZHOLY”



About the company

Brief Information of JSC «NC «KTZ»

The Republican State Enterprise «Kazakhstan Temir Zholy» was created by decree of the Government of the Republic of Kazakhstan dated January 31, 1997 No.129 «On reorganization of railway enterprises of the Republic of Kazakhstan « by merging national state enterprises: the Almaty railway administration, the Tselinnaya railway administration, and the West Kazakhstan railway administration. The aim of the merger was to optimize a transportation process management structure and to eliminate unnecessary branches, as well as a financial and economic recovery of the railroad industry.

Degree of the Government of the Republic of Kazakhstan dated March 15,

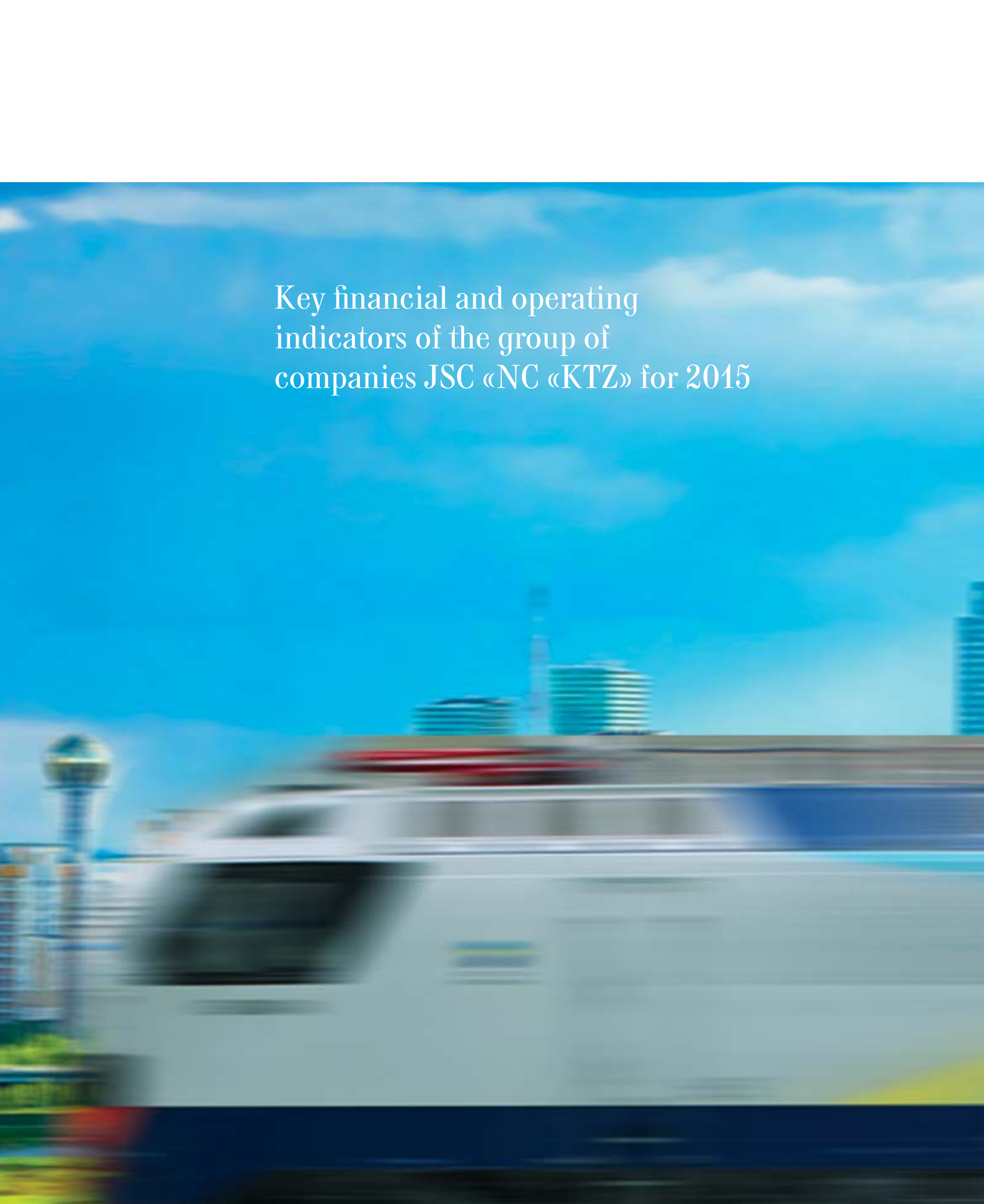
2002 No. 310 «About creation of the closed joint-stock company «National Company «Kazakhstan Temir Zholy» the Closed Joint Stock Company «National Company «Kazakhstan Temir Zholy» was formed by merging of the Republican State Enterprise «Kazakhstan Temir Zholy» and its subsidiaries state-owned enterprises.

On April 2, 2004 in accordance with the law «On Joint Stock Companies», the CJSC «NC «KTZ» was re-registered as JSC «NC «KTZ» April 2, 2004 in accordance with the Law of the Republic of Kazakhstan dated May 13, 2003.

Currently JSC «NC «KTZ» has a holding structure based on ensuring the functional integrity and manageability of the railway industry in transportation process. The sole shareholder of JSC «NC «KTZ» is JSC «National Welfare Fund «Samruk-Kazyna». As of January 01, 2016:

- number of authorized shares - 502,040,458 ordinary shares;
- nominal value of the authorized shares – 1,000 tenge;
- number of outstanding shares - 494,698,044 ordinary shares.

JSC «NC «KTZ» carries out the following activities: acting as an operator of a mainline railway network, transportation of passengers and goods by rail. To date, rail transport is an important component part of the industrial infrastructure of the Republic of Kazakhstan.



Key financial and operating
indicators of the group of
companies JSC «NC «KTZ» for 2015

ITEM	UNIT	2014 YEAR	2015 YEAR	% EVIATION
Freight rate/turnover index	mln. t – km net	216 524	189 759	-12,4
Loading	thous. tons	247 161	220 441	-10,8
Freights carried	thous. tons	275 261	251 509	-8,6
Passenger turnover	mln. pass-km	18 229	17 030	-6,6
Total revenues	mln. tenge	937 366	810 949	-13,5
incl. freight revenues	mln. tenge	743 243	629 050	-15,4
Total expenses	mln. tenge	906 968	1 271 824	40,2
incl. foreign exchange loss (net balance)	mln. tenge	71 979	449 940	525,1
Total income / loss	mln. tenge	30 397	-460 875	



OPERATING RESULTS



Operating results for 2015

Key financial and operating indicators of the group of companies JSC «NC «KTZ» for 2015

The **freight rate/turnover** index amounted to 189,759 million ton-km net. Regarding the year 2014 a reduction was 12.4%, which is associated with a decrease in cargo transportation of main nomenclature with exception of sulfur ore and non-ferrous raw materials, chemical and mineral cargo and non-ferrous metals. In terms of types of services the following changes in comparison to 2014 took place:

- in the interrepublican service a decline by 4.8% due to a decrease in traffic by 4.6% and an average distance of carriage of goods by 0.2%;
- for the export a decline was 22.9% due to decrease in traffic by 16.8% and an average distance of carriage of goods by 7.4%;
- for the import a decline reached 1.9% due to a decrease of medium-range cargo transportation by 3.7% with an increase in traffic by 1.9%;
- for the transit a decline of 11.5% due to a decrease in traffic by 12.8% with an increase in the average haul by 1.5%.

Nevertheless in the transit of container traffic in the direction of China - Europe - China according to the results of 2015 a double growth was achieved comparing to the level of 2014, which amounted to 47.4 thousand TEU.

Freight handling reached 220,441 thous. tons. In comparison to 2014 a decrease was 10.8%, which is associated with a decrease in loading of main types of goods except for color ore and sulphuric raw materials and cement.

Freight carried 251,509 thous. tons. In comparison to 2014 a decrease by 8.6%, due mainly to a decline in transportation of coal, oil and oil products, iron ore and building materials.

Passenger traffic (including private operators) amounted to 17,030 mln. passenger-km, in comparison to 2014 a decline was 6.6%.

Revenue of the group of companies JSC «NC «KTZ» amounted to 810,949 mln tenge, which is below the level of 2014 by 13.5% due to a decrease of operating income. Revenue from freight transportation amounted to 629,050 mln tenge, which is below the level of income in 2014 by 15.4%, which is associated with a decrease in traffic volumes.

Expenses of the group of companies JSC «NC «KTZ» amounted to 1,271,824 mln tenge, which is higher than during the same period of 2014 by 40.2%, due to a five-fold increase in foreign exchange loss due to devaluation of the national currency.

Total loss of the company was 460,875 mln. tenge at the end of 2015.

189 759
million ton-km net

THE FREIGHT RATE/ TURNOVER

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17 030
mln. passenger-km

PASSENGER TRAFFIC

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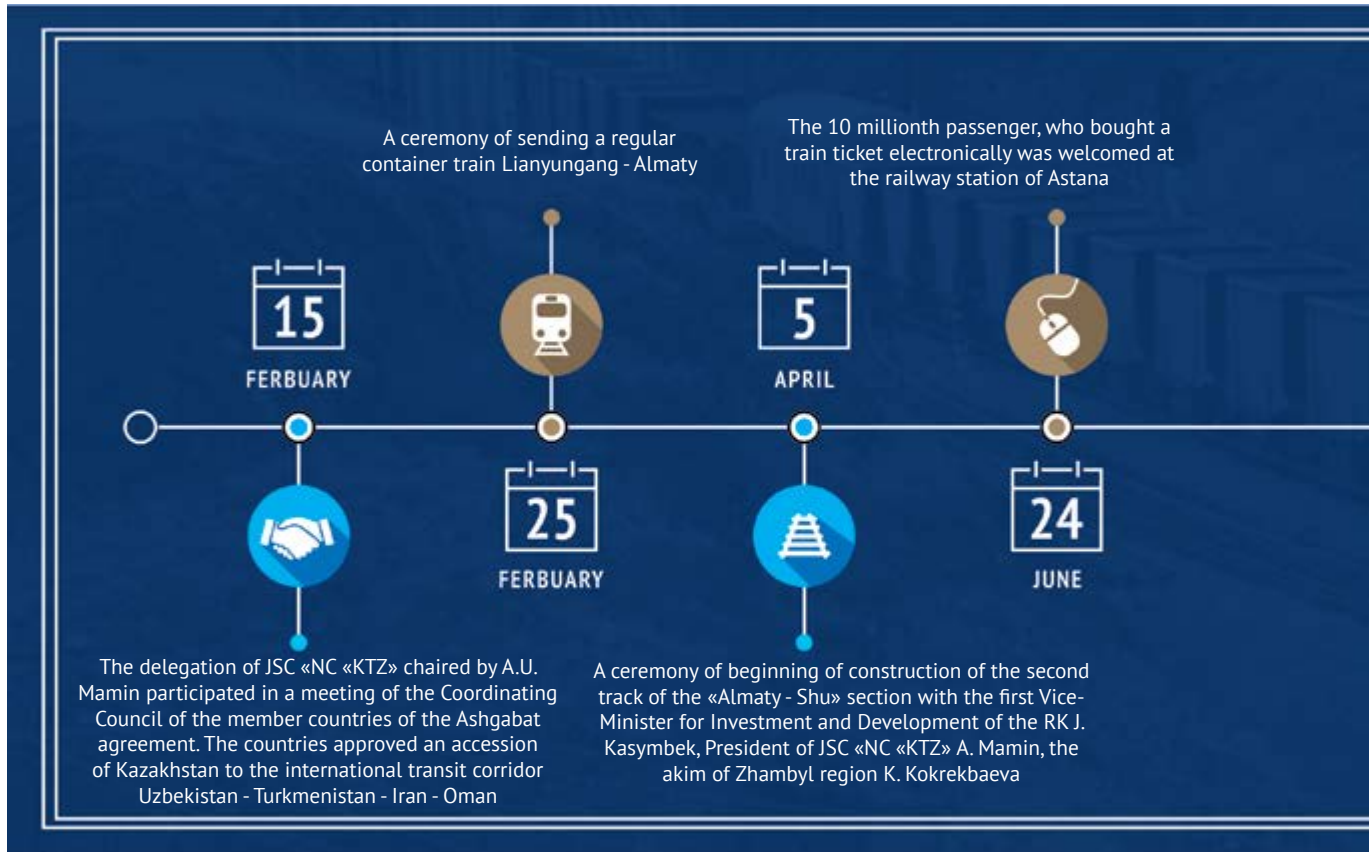
810 949
mln tenge

REVENUE OF THE GROUP

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Important Events

for JSC «NC «KTZ» in 2015



20 JANUARY Assignment of the corporate status to the passenger train Kostanay - Almaty

19 FEBRUARY A «Victory Train» departed from the «Zhambyl» station, the train had been formed under the Month's campaign «Zhenyske tagzym», dedicated to the celebration of the 70th anniversary of the Great Victory

21 FEBRUARY - 2 MARCH 100% of state-owned shares of JSC «NC «KazAvtoZhol» transferred to the trust management of JSC «NC «KTZ» (agreement dated January 29, 2015 No.2/2)

3 MARCH In Dubai (UAE), an international investment forum «Silk Road: the creation of new logistics opportunities for trade between Asia and Europe» organized by JSC «NC «KTZ» together with DP World took place in Dubai (UAE)

3 APRIL The President of the RK Nursultan Nazarbayev visited the Aktobe Rail and Section Works LLP

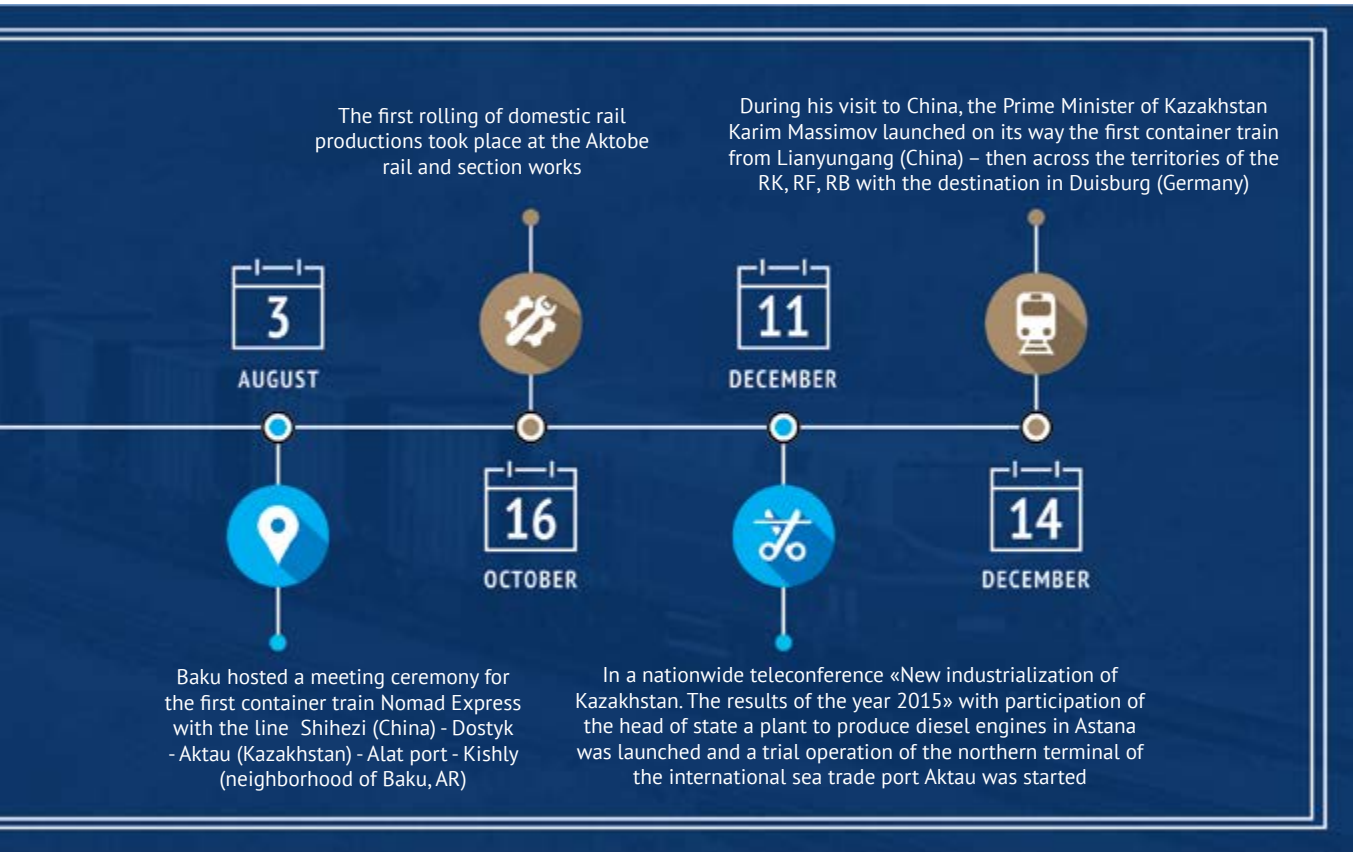
13 MAY Trains conductors and train masters received certificates of completion of a specialized English course in the educational center for preparation of the «Tulpar-Talgo» service staff

20 MAY Trains conductors and train masters received certificates of completion of a specialized English course in the educational center for preparation of the «Tulpar-Talgo» service staff

8 JUNE During a working visit to Turkmenistan, the head of JSC «NC «KTZ» A. Mamin was received by the President of Turkmenistan Gurbanguly Berdimuhamedov

18 JUNE The XIV meeting of the joint working group of representatives of the railway administrations of Kazakhstan, Russia and Belarus took place in Astana

30 JUNE The second train formation Almaty-2 - Zashchita, consisting of new «Tulpar-Talgo» cars departed



28 AUGUST A service center for maintenance of TE33A locomotives collected at JSC «Locomotive Kurastyru zauyty» was opened in Astana

1 SEPTEMBER Within the framework of a state visit of the Head of state of PRC the president of JSC «NC «KTZ» A. Mamin and the Governor of Jiangsu Province Li Syueyun signed a framework agreement on strategic cooperation for joint development of projects of Free economic zone «Khorghos - Eastern Gate» in the Republic of Kazakhstan and the SCO international logistics zone in the city of Lianyungang, PRC

1 SEPTEMBER The manufacturers of Kazakhstani electric locomotives from the assembly factory «Electrovoz Kurastyru Zauyty» presented at the V International Salon of railway equipment and technologies EXPO-1520 a passenger electric AC locomotive KZ4AT

16 SEPTEMBER The Borzhakty - Ersai railway was delivered for temporary service

19 OCTOBER Heads of the diplomatic corps accredited in Kazakhstan visited the facilities of Free economic zone «Khorghos - Eastern Gate», «Altynkol» station, the Kazakh-Chinese International Center for Cross-Border Cooperation (ICBC)

20 OCTOBER In four train formations that travel between Astana - Almaty and Almaty - Petropavlovsk a multimedia entertainment portal was launched

12 NOVEMBER A full cycle of multimodal services provided by the transport-logistic center (TLC) Astana was launch

26 NOVEMBER The Development Strategy of JSC «NC «KTZ» until 2025 was approved by the Board of Directors of JSC «NC «KTZ»

4 DECEMBER JSC «NC «KTZ» was named «The Best Customer of the Year» on the 1st Forum of producers

4-7 DECEMBER The VI Republican Youth Forum, devoted to the Day of the First President of Kazakhstan was held at JSC «NC «KTZ»

21 DECEMBER A press conference with the president of JSC «NC «KTZ» A. Mamin on the «Results of the first year of the «Nurly Zhol» program. The development of transit potential of Kazakhstan» was held at the Central Communications Service



Innovative development of JSC «NC «KTZ»

5 principal directions are determined as a strategy of innovation and technological development of the group of JSC «NC «KTZ» companies for the period of 2013-2018 and they are: cargo and passenger carrying operations; maintenance and service of infrastructure facilities; modernization and development of the manufacturing facilities, and repair in accordance with international standards of safety, ecology and motion speed, as well as improvement of innovations management.

23 projects for the amount of more than 101 bln tenge were included into the list of innovation projects in the group of JSC «NC «KTZ» companies in 2015. For the course of 12 months of 2015, 94.8 billion tenge (94%) were applied. Reduction of an annual rate was due to the current economic circumstances, the dollar rate increase, reductions of a volume of transportation in 2015. A number of projects due to impossibility of implementation were postponed to 2016, the adjustments of targets were performed.

In respect to the management of a main route network

Equipage of crossings with blockings for prevention of an automobile transport to enter on them during a train passage

It is provided to equip 72 railway crossings with blocking devices (Blocking devices of crossing, hereafter BDC) for the period of 2015-2019. A long term agreement with PZTM LLP was signed for installation of BDCs at railway crossings. Construction and installation works of 10 BDCs are provided in the investment programme of 2015. Their installation works are completed.

Replacement of lensed sets for LED ones

Long-term agreements with Kaztekhresurs LLC, Kazcentrelectro-provod LLP, and Todes LLP for delivery of 33,000 units of LED modules were signed.

8,380 units of LED modules were delivered from the beginning of the implementation (2013 – 3,480 units, 2014 – 3,300 units, 2015 – 1,600 units are delivered from 1,600 of scheduled ones).

Implementation of new generation electric switch mechanisms

A long term agreement with founded Kazelektromash JV LLP was signed for the delivery of 10,000 electric actuators. 2,080 units of electric actuators, including in 2015 – 250 units out of the 250 scheduled ones were delivered from the beginning of the project implementation.

Improvement of energy infrastructure

Modernization of tracking substations is planned to be performed in 8 stages for the total of 42 substations. At the present time the first stage of 7 tracking substations modernization is being performed, as a part of which the 110 kV outdoor switch-gear was performed, works on modernization of 27.5 kV outdoor switchgear are being performed. The works were completed at Shu, Astana, Sorokovaya, Bosaga stations, the facilities have been accepted for the service (acceptance certificates were signed). Construction and installation works (CIW) were completed at Karaganda-Sortirovochnaya, Karabas and Shokai stations.

Reconstruction of lighting devices of stations (transfer to LED lighting)

Supply agreements for lamps dated December 30, 2014 No. 1491-TSZHS and dated January 14, 2015 No. 22 - TSZHS were concluded with the Display systems LLC (the Russian Federation). The delivery schedule for the lamps in 2015 is 9,190 pieces. Delivery of the first batch of lamps was performed in a volume of 11,588 pieces (a plan of 2014). An installation of lamps for 99 stations was performed with the help of powers of electrical supply distances. The tender documentation was prepared for the second batch.

In respect to the management of information technologies

Implementation of an automated system Billing Center for Cargo Transportation

A project that was begun in 2014. For the purposes of the project realization, works based on the third stage of agreement No.CIT-138 dated December 30, 2013 and the second stage of agreement No.CIT-10-14 dated January 30, 2014 are being currently performed. The project is not completed.

Implementation of «Magistral» automated control system of track facility

An R & D project aimed at creating the technical and regulatory framework for providing a transition from repair according to the plan for repair and maintenance of track facilities according to their actual state was currently implemented. According to the results of the project, the commercial prototype of Highway ACS was created, which represents modern measurement systems, including the unique development of combination on the basis of one railroad car and track-measuring equipment (mobile diagnostic complex), manual diagnostics tools were supplied (manual ultrasonic flaw detector «Avikon-14», ultrasonic flaw detector «Avikon-15», ultrasonic flaw detector «Avikon-17», track-measuring truck «Skanput»). Work on software configuration for a 3D scanner and GPR of automobile railway cars ASE-1 was carried out. The reference network was deployed on the area of Astana station - Kurort-Borovoe station with involvement of JSC «NC «KTZ» and a digital model of the route with length of 227 km was built. The interaction between described solutions is carried out by means of a software support for automated realization and repairs planning according to an actual state, which allows adopting new standards.

In accordance with the requirements of the technical specification all work processes are automated. 17 of 17 subsystems of the licensed EAM-MR software (maintenance and repair) and a situation centre were implemented at 4 sites of IFA-17 and TSZHS. An audit and business processes reengineering was carried out, and standard and technical documentation in the amount of 34 pieces was developed (16 pcs.) and updated (18 pcs.).

A scientific and technical council of JSC «NC «KTZ» was held on the issue of examination and assessment of R & d results according to the project of Magistral ACS on January 6, 2016, where an approval of the R & D results was obtained.

In respect to Remlocomotiv JSC, Center of new and import-substituting production development

Production of railway rails

General construction of ARBZ LLP is about 99.9% complete (17 sites). Pre-commissioning works are being carried out.

Construction of a plant of GEVO diesel engines production in Astana

Financial model of the project is approved at «Samruk-Kazyna» JSC. A feasibility study of the project was developed; a positive conclusion of Gosexpertiza RSE was received. Design and estimate documentation is being passed a state examination. Construction and installation work are carried out at the plant site. A work of foundation of a joint venture is performed.

In respect to Passagyrskiy perevozki JSC

Complex of works on construction of technical service station of «Talgo» passenger cars at Almaty-2 station



The project is at stage of design and estimate documentation development. A positive conclusion for the first stage was obtained on May 28, 2015. The second stage was directed to Gosexpertiza RSE on June 9, 2015. A negative opinion under No. 01-0353/15 was issued on August 25, 2015. 1506.1 million tenge (29%) was applied at the moment, the non-applying was occurred due to the delay in obtaining of a positive conclusion of Gosexpertiza RSE. Based on the decision of the Vice-President of the company R. V. Sklyar (minute dated November 4, 2015 No. 06-TSZO/8), an additional agreement for a prolongation of execution of works dated November 23, 2015 No. 5/24-TSUKS was concluded.

Software of automation of work scheduling, monitoring and control functions of a passenger cars park taking into account an impersonal park and rented for Passagyrskiyе pеrеvozki JSC, harmonization with ACSC, Astana.

The project implementation is postponed to 2016 under the programme of JSC «NC «KTZ» financial stability preservation

and its subsidiaries for the 2015 (decision of the Board of JSC «NC «KTZ» dated August 06, 2015 Minute No. 02/24). Due to the lack of financial capability of ILP (Minute No.9 dated November 02, 2015), this project implementation is rejected. In addition, this project is related to a number of priority ones and will be included at the earliest opportunity.

- Purchasing of «Tulpar-Talgo» passenger cars

The cars are supplied with delay from the delivery schedule. From 2012 till 2015 inclusive 436 cars have been purchased (2012 – 52 units, 2013 – 160 units, 2014 – 71 units, 2015 – 153 units).

Introduction of technology of an electronic travel document (a ticket) Planned 151 unit of fiscal ticket and cash complexes based on the electronic tickets printing was installed. 647 conductor mobile terminals on the reading of electronic tickets according to the plan were installed. Functions of a sales organization and registration of electronic tickets were transferred to outsourcing.

In respect to Lokomotiv JSC*Purchasing of mainline locomotives of TЭ33A series*

268 locomotives were purchased for period of 2009-2014. Plan of 2015 is 19 units. The current number amounts to 19 units.

Purchasing of electric freight locomotives

Plan of 2015 is 9 units. The actual number for 12 months amounts to 6 units. A purchasing plan revision from 9 units to 6 units was performed.

Purchase of passenger electric locomotives

Plan of 2015 is 2 units. The actual number for 12 months amounts to 5 units. A purchasing plan revision from 2 units to 5 units was performed.

*Implementation of an automated control system**«Energy dispatching traction»*

The system has been put into commercial operation.

In respect to Vokzal servis JSC*Purchasing and installation of a CCTV surveillance system, an access control system, a system and means of security alarm, a system and means of warning*

According to minutes No. 02/24 dated August 06, 2015 of a meeting of the JSC «NC «KTZ» Board under the chairmanship of A. Mamin, a decision of reducing the number of stations on which the installation of video surveillance was planned was accepted after this project, from 5 (Dostyk, Arys-1, Mangyshlak, Ayagoz, Beineu) to 2 stations (Mangyshlak, Beineu) and, accordingly, a reduction of costs from 25,000 thous. tenge to 10,000 thous. tenge.

In respect to Kaztemirtrans JSC*Purchasing of freight wagons*

Plan of Kaztemirtrans JSC as of 2015 is a purchasing of 2 covered railroad cars of 11-9980 model for the amount of 29,013,000 tenge, 150 open-box cars of 12-9941 model for the amount of 2,393,142 million tenge. It is done.

In respect to Kaztransservis JSC*Creation of transport and logistics center of Eurotransit KTS*

TLC construction is being performed, it is about 95% complete. Installation (of cranes) on the part of a supplier is completed.

In respect to Temirzholsy JSC*Implementation of a high temperature water heating furnace*

Planned in 2015 replacement of 2 boilers in the amount of 7.0 million tenge is performed for the amount of 4.241 million tenge at Zhana-aul station. Saving is 2.759 million tenge.

Electrovoz kurastyru zautty LLP*Purchasing of processing equipment for the plant of a modern electric locomotives production in Astana*

The work on the purchasing and installation of processing equipment is carried out according to the concluded agreements.

In addition, it was asked to carry out the processing audit of the company within the period 2014-2015 by the letter of expectations of the sole shareholder of JSC «NC «KTZ».

In connection with a spendings optimization for consulting services delivery at the end of 2014, it was decided to reduce the field of application of processing audit up to two GDODs. The pilot ones were identified such GDODs as Kostanay and Shymkent.

Purpose of the processing audit is to check an actual operating condition of technical facilities and equipment of JSC «NC «KTZ», deviations in repair technology and maintenance, analysis of failures causes, scheduling and execution of measures on reduction of their frequency; a comparative assessment with the best practically used technologies, technical means and equipment and making of recommendations for technological development and improvement, replacement of technology and equipment.

According to a concluded agreement on procurement of services for conducting a processing audit No. 528 dated July 31, 2015 between JSC «NC «KTZ» and Global Trans Services LLP, the processing audit was conducted in 4 stages. At the end of each phase the vendor supplied a technical documentation according to the technical specification, work acceptance certificate is signed.

Loans

The following large loans were applied and raised by JSC «NC «KTZ» group with the aim of implementation of investment projects in 2015:

- An application to the amount of 5.85 million euros and of 18.07 million euros in a framework of the signed supplementary agreement on the loan for the purchase of electric locomotives from HSBC France company, together with HSBC Bank plc. company against the cover of export-credit agency Coface of France for a total amount of 880 million euros at the rate of CIRR EURO +0.75/0.9% for the period until 2024 and 2026 years;

- An application to the amount of 7.25 million U.S. dollars within the frame of a loan from the EBRD for a total amount of 40 million U.S. dollars at an LIBOR6M + 3% interest rate per annum for 10 years for financing the «Aquisition and installation of energy efficiency components in stationary devices such as heat pumps, solar energy collecting panels, effective lighting, gas boilers» project;

- An application of the amount of 9.12 billion tenge within the framework of a loan from the Development Bank of Kazakhstan for the total amount of 25.42 billion tenge at an interest rate of 8% per annum with a payback period in June 2024 for the implementation of «VOLS» project;

- Raising of loan from the Development Bank of Kazakhstan for a total amount of 5 billion tenge at an interest rate of 1.75% per annum with a payback period in 2035, for the project financing of acquisition of passenger cars for «Passazhirskaya Lizingovaya Vagonnaya Kompaniya» JSC and «Passenger transportation» JSC;

- Raising of a loan from «Samruk-Kazyna» JSC for a total amount of 8.86 billion tenge at an interest rate of 0.075% per annum with a payback period in 2045, for financing of fleet renewal of a railway passenger cars railway equipment of Passenger transportation JSC subsidiary;

- Raising of a loan from Halyk Bank JSC in the amount of 33 billion tenge for a working capital financing at 12% per annum for a period of 12 months. Taking into account a repayment of the loan in the amount of 30 billion tenge, a debt on the principal amount of the loan as of December 31, 2015 is 3 billion tenge;

- An application of the amount of 5.32 billion tenge within the framework of a loan from Eurasian Development Bank for a total amount of 17.5 billion tenge at an interest rate of 7.7% per annum with a payback period in October 2020 for implementation of Automated control system «Energy dispatching traction» project;

- An application of the amount of 260.6 billion tenge within the framework of a loan from Eurasian Development Bank for a total amount of 7.5 billion tenge at an interest rate of 9% per annum with a payback period in October 2024 for implementation of Automated control system «Energy dispatching traction» project.





Large investment projects

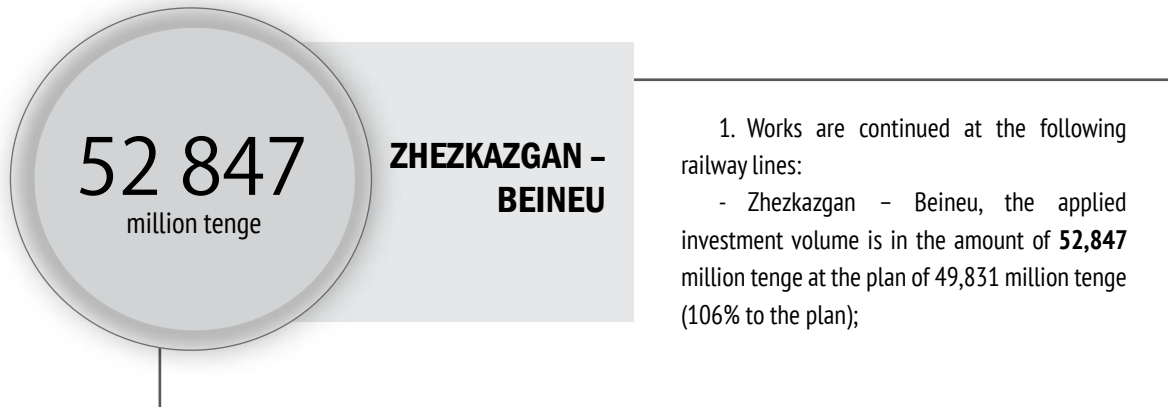
An investment activity of JSC «NC «KTZ» is focused on the implementation of a set of actions concerning assurance of a stable operation of railway transportation in improve the quality and safety improvement of transportation services.

Spending plan of the development of JSC «NC «KTZ» companies group for 2015 is approved by a decision of the Board of Directors of JSC «NC «KTZ» in the amount of 366,047 mln. tenge, including capital investments – 364,247 million tenge.

An actual appliace of the capital investments plan was in the amount of 312,308 million tenge (86% to the plan), or 77% by 2014.

Main factors that influenced the nonfulfillment of development costs in the reporting period are: optimization of investment projects in the framework of the accepted program for the preservation of financial stability of JSC «NC «KTZ» and its subsidiaries for the 2015, delay of terms for carrying out of bidding procedures, delay in receiving conclusions of the state expertise on a developed DED and feasibility study, improper performance of contractual commitments by contracting organizations, the postponement of the development at later dates, etc.

The following large projects were implemented during a reported period:



2. The following projects were implemented within the framework of the «Nurly Zhol» program:

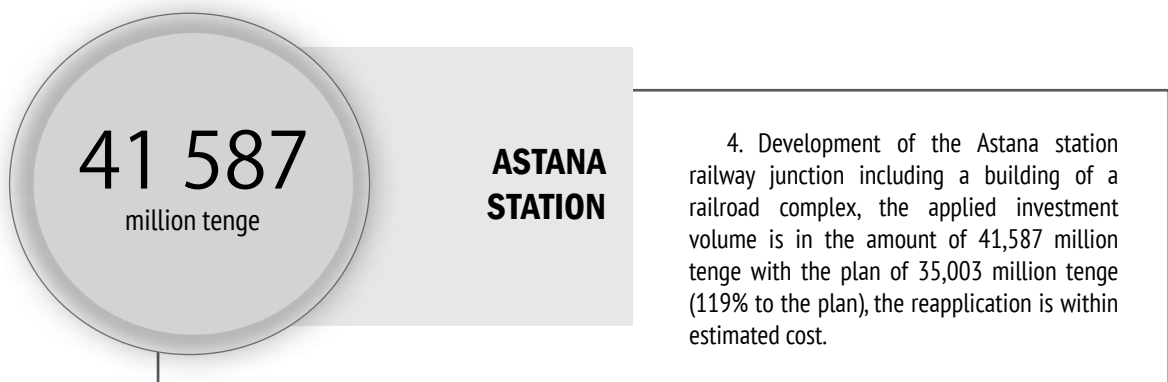
- «Construction of Borzhakty – Ersai railway line», the applied investment volume is in the amount of **6,673** million tenge with the plan of 8,663 million tenge (77% to the plan)

- «Construction of second tracks at a site of Almaty – Shu» the applied investment volume is in the amount of **5,072** million tenge with the plan 9,918 million tenge (51% to the plan);

- «Construction of a ferry complex at Kuryk port and operation of multipurpose passengers and freight ferries», the applied investment volume is in the amount of **2,833** million tenge with the plan of 4,800 million tenge (59% to the plan);

- «Creation and integrated development of Khorgos – Vostochnye vorota FEZ», the applied investment volume is in the amount of **50,119** million tenge with the plan of 70,373 million tenge (71% to the plan).

3. Implementation of «Energy dispatching traction of automated control system» is continued, the applied investment volume is in the amount of **3,561** million tenge with the plan of 3,561 million tenge (100% to the plan).



5. Implementation of «Construction of multifunctional ice palace» project is continued, the applied investment volume is in the amount of 21,676 million tenge with the plan of 29,048 million tenge (75% to the plan).

6. Locomotives fleet renewal: the application is **30,634** million tenge (49 units) with the plan of 30,189 million tenge (52 units), or 101% to the plan; among other things, 30 units of locomotives were purchased (19 units of Evolution series) and 19 units of locomotives were thoroughly repaired.

7. Freight wagons fleet renewal: the application is **11,354** million tenge (857 units) with the plan of 13,772 million tenge (1 073 units), or 82% to the plan; among other things 857 units of freight wagons were purchased (a thorough repair was not performed).

21 377
million tenge

PASSENGER CARS

8. Passenger cars fleet renewal: the application is **21,377** million tenge (156 units) with the plan of 21,244 million tenge (155 units), or 101% to the plan; among other things 153 units of passenger cars, 3 units of passenger cars were repaired with the help of a thorough repair.

14 142
million tenge

A THOROUGH REPAIR

9. A thorough repair of a track bed structure: the application is **14,142** million tenge with the plan of 9,070 million tenge (156% to the plan); is accepted, according to work completion, 313 km of a way.

10. Infrastructure refreshment and rehabilitation: the application is **32,382** million tenge with the plan of 60,476 million tenge (54% to the plan).

11. Improvement of administrating and social condition of laborers work: the application is **1,479** million tenge with the plan of 1,744 million tenge (85% to the plan).

3 645
million tenge

ACQUISITION OF STAKES

In addition, according to «Acquisition of stakes» title, the application is **3,645** million tenge with the plan of 1,800 million tenge (203% to the plan).



ASSETS PROFILE

OF THE COMPANY



Structure of assets

The structure of assets portfolio of JSC «NC «KTZ» is represented as a structure of a vertically integrated company organised according to a functional principle with its subsidiaries, related and jointly controlled entity performing core and non-core activities and which has a geographic footprint in the entire country of Kazakhstan.

Information on organizations, blocks of **высцлы** (shares) of which whether directly or indirectly are held by JSC «NC «KTZ» as on January 1, 2016

Ser. No.	Name of the organization	% of the paid registered capital
1	Kaztransservis JSC	100
1.1	KTS-Khorgos LLC	100
1.2	Eurotranzit – KTS LLC	25
1.3.	YuXinOu (Chongjing) Logistics Co. Ltd JVC	16,3
2	Passenger transportation JSC	100
2.1.	Prigorodnye perezovzki JSC	100
2.2.	Vagonservic JSC	100
2.3.	Passazhirskaaya lizingovaya vagonnaya kompaniya JSC	100
2.4.	**Bagazhnye perezovzki JSC	100
3	Vokzal-servis JSC	100
4	Transtelecom JSC	100
5	Militarized railway guard JSC	100
6	Kaztemirtrans JSC	100
6.1.	Transport servis centre JSC	100
6.2.	Limited liability company Kazakhstan Temir Zholy Finance B.V.	100
6.3.	Regional forward logistic LLC	90
6.4.	Kazakhstani car manufacturing company LLP	69,94
6.5.	Astyk Trans JSC	50
6.6.	***Roskazzheldortrans LLC	50

Ser. No.	Name of the organization	% of the paid registered capital
7	Lokomotiv JSC	100
7.1.	Bas-Balhash 2004 LLP	100
7.2.	Rauan-Barabay LLP	100
7.3.	Birzhan-Atyrau LLP	100
7.4.	*Yesil-Zhendeu LLP	100
8	Temirzholsu JSC	100
8.1.	Temirzholsy- Aktobe LLP	100
8.2.	Temirzholsy- Mangistau LLP	100
8.3.	Temirzholsy- Kzyl-Orda LLP	100
8.4.	Temirzholsy- Kokshetau LLP	100
8.5.	Temirzholsy- Karagandy LLP	100
8.6.	Temirzholsy- Pavloadar LLP	100
8.7.	Temirzholsy- Almaty LLP	100
8.8.	Temirzholsy- Arys LLP	100
8.9.	Temirzholsy- Shu LLP	100
8.10.	Temirzholsy- Kostanay LLP	100
8.11.	Temirzholsy- Ayagoz LLP	100
8.12.	Temirzhozhylyu- Atyaru LLP	100
8.13.	Temirzhozhylyu- Karagandy LLP	100
9	Lokomotivnyy servisnyy tsentr JSC	100
9.1.	MAK-Eskibastuz LLP	100
10	Almaty car repair plant JSC	100
10.1.	*** Nur-Zholbarys LLP	51
11	Remlokomotiv JSC	100
11.1.	Kazakhstan TZH-Ansaldo Italiya LLP	51
11.2.	TEMIR ZHOL ELECTRIFICATION LLP	51
11.3.	Tulpar-Talgo LLP	99,99926
11.4.	Elektrovoz Kurastyru zauyty LLP	50
11.5.	Aktobe Rail and Section works LLP	30

Ser. No.	Name of the organization	% of the paid registered capital
12	KTZ Express JSC	100
12.1.	UKSEZ “Khorgos – Eastern gateway”	100
12.2.	Airport Management GroupLLP	100
12.2.1.	Airport Management Services LLP	49
12.2.2.	****Kokshetay Airlines JSC	100
12.2.3.	****International Airport Astana JSC	100
12.2.4.	**** International Airport Kostanay JSC	100
12.2.5.	**** International Airport Petropavlovsk JSC	100
12.2.6.	****Shymkent Intrenational Airport JSC	100
12.3	KTZ EXPRESS SHIPPING LLP	100
12.4.	Foreign-founded company Xinjiang KTZ International Logistics Co.Ltd	100
12.5.	KTZ Express Hong Kong LLC	100
12.6.	KTZE – Khorgos Gateway LLP	100
12.7.	Kazakhstan-Chinese international logistic company Lianyngang LLC	49
12.8.	Aktay marine north terminal LLP	30
12.9.	Continental Logistics LLP	30
12.9.1.	Continental Logistics Shymkent LLP	90
12.10.	**** Khorgos international center of boundary cooperation JSC	100
12.10.1.	Khorgos- Service LLP	100
12.10.2.	Khorgos- Energo LLP	100
12.10.3.	Khorgos- Kuzet LLP	100
12.10.4.	Khorgos- Kommerts LLP	100
12.11.	Kyzylorga aeroterminal LLP	70

Ser. No.	Name of the organization	% of the paid registered capital
13	Kazakh academy of transport and communications JSC	100
13.1.	Aqmola college of «Kazakh academy of transport and communications JSC» LLP	100
13.2.	Aktau transport College of Kazakh academy of transport and communications named aftet M. Tynyshpayev LLP	100
13.3.	Aktobe college of transport and communication of «Kazakh academy of transport and communications named aftet M. Tynyshpayev JSC» LLP	100
13.4.	Shymkent transport college of Kazakh academy of transport and communications named aftet M. Tynyshpayev LLP	100
13.5.	Almaty transport college of Kazakh academy of transport and communications named aftet M. Tynyshpayev LLP	100
13.6.	ATB+ LLP	100
13.7.	RailwaysEcoEnergy LLP	25
13.8.	Engeneering centre of JSC «KazATK» LLP	100
14	Lokomotiv kurastyru zaulyty JSC	50
14.1.	*****Astana Diesel Service LLP	100
15	Logistic System Management B.V. Company	50
15.1.	HELME'S OPERATION UK LIMITED Company	100
15.1.1.	Kadentransservis JSC	46,9
15.2.	Kadentransservis JSC	53,1

Ser. No.	Name of the organization	% of the paid registered capital
15.2.1.	TRANSPORT HOLDING OF KAZAKHSTAN LLP	100
15.2.2.	Trasevrasia CJSC	10
16	Doszhan temir zholy JSC	46,016
17	Temirzhol zhondeu LLP	23,43
18	United transport and logistics company JSC	0,08
19	Magistral-Kyzmeti LLP	100
20	Scientific research institute of transport LLP	100
21	Repair corporation «Kamkor» LLP	100
21.1.	Vostokmashzavod JSC	95,08
21.2.	JVC «KazElectroPrivod» LLP	50
21.3.	Kazakhstani car manufacturing company LLP	8,53
22	**** National company «Aktay International Commercial Sea Port» JSC	100
22.1.	Aktay marine north terminal LLP	10
23	**** National company «KazAvtoZhol» JSC	100

* at a stage of liquidation

** at a reorganization stage by a merger with PT JSC

*** productive activity is not carried out

**** in trust management

***** in trust management at RK «Kamkor» LLP

NATIONAL COMPANY «KAZAKHSTAN TEMIR ZHOLY» JSC TODAY

*KTZ – transport and logistics holding,
which plays a significant role in the transport system on the Eurasian continent.*



STRATEGIC GOALS:

- Maximizing aggregate value of equity
- Traffic safety
- Customer satisfaction
- Good corporate governance
- Social stability
- Environmental safety

Mission

Being one of the major infrastructural company, we provide high-quality transport foundation for sustainable growth of the economy of Kazakhstan, create value for shareholders and benefit consumers and society as a whole by providing popular and competitive transport and logistics services

145 900

93%

MANUFACTURING
PERSONNEL

THE NUMBER OF EMPLOYEES

189 759

MLN.T-KM NET

FREIGHT TURNOVER

17 BN

PASSENGER-KILOMETER

PASSENGER TURNOVER

THE DATE OF ESTABLISHMENT OF THE COMPANY

1997_{YEAR} | 31_{JANUARY}



OBJECTS AND PLANS FOR FUTURE PERIODS



Purposes and plans for future periods

Company mission

«As a backbone infrastructure company we provide a high-quality transport base for sustainable growth of the economy of Kazakhstan, create value for the Shareholder, and benefit consumers and society as a whole by offering demanded and competitive transportation and logistics services».

Strategic initiatives

The development strategy till 2025 was approved by the Board of Directors of JSC «NC «KTZ» on the 26th of November 2015 with amendments and additions dated February 11, 2016.

To fulfill its mission and vision effectively, JSC «NC «KTZ» intends to work systematically towards the following strategic objectives:

- Stock capital aggregate value maximization;
- Traffic safety;
- Customer satisfaction;
- Effective corporate governance;
- Social stability;
- Environmental safety.

We consider the maximization of stock capital aggregate value as an indicator meeting the requirements of a Shareholder and estimating the efficiency/inefficiency of JSC «NC «KTZ» management activity as main purposes of JSC «NC «KTZ».

All actions of JSC «NC «KTZ» in the strategic and short-term periods will be aimed at stock capital aggregate value maximizing by means of growth of profitability (net income).

JSC «NC «KTZ» will focus on the 8 blocks of strategic initiatives:

1. Development of domestic sales function. Purpose: retention and enlargement of the freight turnover in the market that is tied to the country by means of focusing on competition in segments that are most subjected to be changed to a road carriage.
2. Increase in own cars utilization.¹ Purpose: a revenue increase due to the existing incompletely utilized car fleet and also improvement of transport conditions for shippers by means of providing the best proposals on cars operation in the market.
3. Container transit development. Purpose: increase of the transit traffic by means of a container freight involvement between China, Europe, the Near East and Russia as a segment with the highest growth potential
4. Efficiency improvement of passenger transportations. Purpose: reduction of the destructible value size by a direction, and reduction of subsidies volume for recovery of losses of Passenger transportation JSC on regulated routes. Herewith this result can be achieved simultaneously with reservation of railway services offers, growth of a traffic volume and improvement of quality of provided services.
5. Operational efficiency improvement. Purpose: provision of conditions for growth of JSC «NC «KTZ» business in domestic and foreign markets. In particular, achievement of leading positions in costs optimization for infrastructure and locomotive utility is required for realization of KTZ transit traffic.

¹ This strategic initiative is effective until the privatization of Kaztemirtrans JSC

6. Project office development (for efficiency improvement and reduction of realization period of strategic initiatives). Purpose: the efficiency improving and reduction of the realization period of strategic initiatives. The project office makes it possible to solve a number of typical difficulties arising during the realization of strategic initiatives.

7. Change of the governmental regulation system.² Purpose: increasement of freight revenue for group of KTZ companies, and as for passenger transportation it is involvement of private carriers, change of a system of subsidies with the purpose of carriers motivation for improving the efficiency and increasement in tariffs for transportations in carriages of «reserved seat» and «coupe» type at the growth of total traffic volume.

8. China support of a transit via Kazakhstan.³ Purpose: an increasement of target volumes of the container transit without reduction of the carriage cost.

Implementation of a transformation program

The preparation stage in the framework of a transformation program of JSC «NC «KTZ» was fully implemented in 2015 during which a team of 88 best specialists was mobilized, a methodology training was conducted, necessary equipment and software was acquired, an administrative system was formed. Procurement procedures of services were performed and a team of consultants of the PwC (PricewaterhouseCoopers) and Deutsche Bahn International consortium was formed.

Work provided by the scope of stage 1 «Diagnostics and design» were performed in 2015.

- Processes model was formed – a high level process map of an enterprise, consisting of 269 processes at the first and second levels and about 24 thousand processes at the third and fourth levels, with scripts, roles, risks, technical rules and regulations and an integration within the model framework.

- The company development strategy integrating within the frameworks of a long term financial model a potential and market strategy in key segments, initiatives concerning an incensement of an operating efficiency, an improvement of state regulation and organizational changes was updated and approved in association with consultants.

- Business principles formulating complete rethink of a daily work management of the company are defined. They are at the forefront of an unchallenged reputation of a new company

- A base of regulatory documents was codified. The following became a result of this work:

1) documents nomenclature and their classification (7 classes are identified: regulatory, administrative, scheduled and design, accounting, reporting, information, treaty);

2) areas of application were identified for each document taking into account a process approach;

3) regulatory documents basis that are used in KTZ process model, which consists of 1685 documents (including 222 external documents).

- Strategic efficiency factors are approved and a tree of an efficiency factor was developed, which is a tool for the company effective management, which cascades components of EVA, laying out a strategic cost parameter of the company to operating leverages.

Works on the formation of a tree with the current indicators of the company were also performed within the framework of works on the tree efficiency factor formation and a comparative analysis of these indicators was conducted with the best global performance indicators of the industry. The performed analysis made it possible to determine a list of priority directions of activities for improvement.

A comparative analysis of efficiency factor tree indicators was conducted with the best railway companies in the world together with an involved of PwC consultants.

Similar companies were considered on the basis of their general approaches to conducting of a business, profitability and ability to maintain growth over the last 3-5 years.

Union Pacific Company is an industry leader according to the results of a comparative analysis. Comparison of indicators of the best companies in the business revealed the potential for improvement on the basis of which an expected benefit is determined. In addition, indicator EBIDTA was selected for comparison of indicators interindustry profit.

- Diagnostics of an IT landscape is checked, the concept of an IT and data management development, a target architecture and IT strategy was developed.

² This initiative implementation is not dependent of JSC «NC «KTZ»

³ This initiative implementation is not dependent of JSC «NC «KTZ»

A target model of IT-architecture and data model is a program document containing general information about the current state of IT and intended to provide information for the key participants and other parties involved. Within the frameworks of a work on diagnostics, an analysis of the current state of the company was performed in the following directions:

- IT administration (IT management): a low connection between IT and business was revealed here, the lack of business responsibility for achievement of an effect upon the functionality implementation (business does not feel itself as the owner of a functionality);
 - current application architecture: an evaluation of the portfolio of application systems was conducted and gaps in the automation of a number of key areas of a company activities were identified;
 - data management: low level of the management maturity of a corporate information was revealed, which is expressed in duplication, incompleteness and poor data management of a company, there is no centre of competence for data management, there is no methodological and regulatory documentation of the data management;
 - technological architecture: there is no standardization of a server and network equipment fleet, which increases the cost of technical support;
- information security: IS management model was assigned an average level of maturity model information security according to standard ISO/IEC 27001:2005.

Results for 2015 within the frame of the completed work on a management of changes:

A success of transformation that is implemented in a company depends on behavior, mood and culture of the people working in it – in a word it depends on willingness and desire of people to change. In this direction the «Changes Management» (CMG) unit has been conducting a purposeful work on informing, involvement of employees to the transformation program within the reporting year.

The unit activity can be divided into two components: analytical and awareness-raising work.

Personal involvement plans (PIPs) for implementation of stage 1 of the «Diagnostics and design» program were given to all the top managers of the company by the President of JSC «NC «KTZ» under the scope of analytical work with the aim of maximum involvement into a transformation of top managers of the company in June 2015. These plans were developed by a changes management unit in order to help the company management to coordinate and control their participation in the project team results. Monitoring the PIP execution was conducted on a weekly basis.

An evaluation of interested parties of 59 people who participated in a coordination of a target business management model developed by a transformation team (Map of 1, 2 levels) was conducted in June, 2015. This work was carried out according to the methodology proposed by consultants from PwC, based on ADKAR system. At that time, the full engagement was shown by 97% of interested parties, 3% of the managers have not coordinated processes due to the absence from workplaces (business trips, certificates of sickness).

Within the framework of phase 1 «Diagnostics and design» of the transformation program, the control unit of changes worked off one of the most important results of the project - an organization health inventory (OHI). These researches were carried out for the first time. OHI is a unique tool proposed by consultants of the McKinsey Company, making it possible to assess the thinking and behavior of a company staff affecting the organization activity. It helps to describe in details management methods, values and organizational culture that are present in the organization. In JSC «NC «KTZ» the research was conducted in five activity areas of the company - «Passenger transportation», «Freight transportation», «Logistics», «Infrastructure» and «Corporate center». In the analysis period, which lasted from June to November 2015, 568 employees of the company were interviewed – top management, middle managers and branch managers and subsidiaries and associates of the company. These are the very people who bring the basic culture to their teams. The target management practices that are most appropriate for a particular activity of the company has been developed by the CMG unit together with consultants from PwC as a result of all of the research.

Target values of the management practices is a vision of what the company wants to become in the future in order to be the most effective, executive, meeting the requirements of the sole shareholder on the basis of the best available international practices of doing business. This is the goal the company seeks after, the thing that can be achieved in reality with the current base and improvement of those management practices which weakness were revealed by the analysis of OHI.

It must be noted that JSC «NC «KTZ» is a «pilot» company, where an analysis of OHI was carried out. Based on the experience of the CMG unit, a methodology of the «Organizational health improvement» research execution has been developed for the entire group of «Samruk-Kazyna» JSC companies.

The CMG unit has been conducting an awareness-raising activity under the scope of a comprehensive plan of the companies group of the «Samruk-Kazyna» fund on a regular basis since January 2015. A «Transformation» tab where there is all information about the project, as well as articles and news of a program was created on the official website of JSC «NC «KTZ» since the beginning of the year. Currently, 19 articles about a transformation prepared by the communication unit staff and accredited journalists, and 55 press releases were published under that rubric.

Realization of the Business transformation program will be expressed in productivity of a company activity. Thus, the company has an intention to reach a positive economic value added by the year 2020.



RISKS MANAGEMENT



Risk management

JSC «NC «KTZ» realizes the importance of risks management as a key component of company corporative governance and its subsidiaries directed to a timely identification and actions taking for a decrease of risks level which can undermine its cost and reputation. JSC «NC «KTZ» Management Committee confirms the functioning of risks corporate management system.

Introduction of the risks corporate management system in JSC «NC «KTZ» is performed within the framework of implementation of «Samruk-Kazyna» JSC recommendations according to which an introduction of the corporate risks management system shall be carried out in accordance with the «Risks corporate management – «Integrated model» COSO model (2004).

A level of risks management system effectiveness according to assessment results that had been obtained by the Internal audit service of JSC «NC «KTZ» (in accordance with an effectiveness evaluation method of the corporate risks management system at subsidiaries and related organizations of «Samruk-Kazyna» JSC) in 2015, was 70.7%.

An effectiveness level of an internal control system according to the evaluation results that had been obtained by the Internal audit service of JSC «NC «KTZ» (in accordance with an effectiveness evaluation method of the corporate risks management system at subsidiaries and related organizations of «Samruk-Kazyna» JSC) in 2015, was 87.35%.

The work of the risks committee, managing board and the board of directors concerning risks was focused on a further development of the corporative system of risks management and its harmonization with the best global practices in 2015.

4 meetings of the Risk committee were held in 2015. Herewith, decisions concerning the following issues were made: 1) about approval of the report of risks management with a description and analysis of the company key risks (including legal risks), information concerning the risks limits observation, a risk appetite of JSC «NC «KTZ» was approved for 2015; 2) about approval of an actions plan of the administration of the company debt portfolio; 3) about approval of a meetings plan of JSC «NC «KTZ» risks committee for 2015; 4) about approval of invalidation of a currency risk hedging strategy of JSC «NC «KTZ», related to remuneration payments and principal debt concerning JSC «NC «KTZ» Eurobonds, that were settled in May 2016 to the amount of three hundred and twenty-four million (324,000,000) US dollars, approved by a decision of the company management dated February 5, 2014 (minutes No.02/2); 5) about approval of the reports of risks management with a description and analysis of the company key risks (including legal risks), information concerning the risks limits observation; 6) about accounting of cash flow hedging for the purpose of a risk reduction an equivalent change in tenge of sales revenue, represented by Swiss francs in the process of formation of separate and consolidated financial accounting of JSC «NC «KTZ»

Within the frameworks of improving the effectiveness of a corporate risk management system in 2015, a number of the following key activities were carried out:

1. The amendments into the composition of the Risk Committee of JSC «NC «KTZ» and the Provision on the Risk Committee of JSC «NC «KTZ» were introduced by the decision of the Board of the Company dated January 29, 2015 (minutes No. 02/2).
2. The limits on balance and off-balance sheet liabilities for Capital Bank Kazakhstan JSC and AsiaCredit Bank JSC, the counterparty banks, were set by the decision of the Board of the Company dated February 12, 2015 (minutes No. 02/5).
3. The limit on balance and off-balance sheet liabilities for Capital Bank Kazakhstan JSC, the counterparty bank, was approved by the decision of the Board of the Company dated February 26, 2015 (minutes No. 02/8).
4. The limit on balance and off-balance sheet liabilities for Capital Bank Kazakhstan JSC, the counterparty bank, was set on a consolidated basis by the decision of the Board of Directors of the Company dated April 16, 2015 (Minutes No. 4).

5. The maximum allowable country limits on the recipient countries of JSC «NC «KTZ» were set by the decision of the Board of the Company dated May 15, 2015 (minutes No. 02/12). The limits were set in accordance with the Policy of establishing the country limits for legal entities, where more than 50% of voting shares (partnership shares) belong to Samruk-Kazyna on the right of ownership or trust management, approved by decision of the Board of Samruk-Kazyna JSC (minutes No. 59/14 dated December 29, 2014).

6. The invalidation of the Rules establishing the country limits of JSC «NC «KTZ», approved by the Board of Directors of JSC «NC «KTZ» dated November 24, 2009 (minutes No. 7), was approved by the decision of the Board of the Company dated May 15, 2015 (minutes No. 02/12).

7. The project of the methods of risk-oriented budgeting of JSC «NC «KTZ» and its subsidiaries was approved by the decision of the Board of the Company dated May 15, 2015 (minutes No. 02/12). At that the Rules of maintaining the database of historical data on the held risks and losses of JSC «NC «KTZ», approved by the decision of the Board of JSC «NC «KTZ» dated July 7, 2009 (minutes No. 02/27), are considered as invalidate.

8. The report on risk management with a description and analysis of the key risks of the company (including the legal risks), information about compliance with the risk limits, as well as data on the implementation of plans on risk minimization of the company for I quarter of 2015, was approved by the decision of the Board of Directors of the Company dated May 28, 2015 (Minutes No. 6).

9. The amendments into the composition of the Risk Committee of JSC «NC «KTZ» were introduced by the decision of the Board of the Company dated September 10, 2015 (minutes No. 02/27) due to the personnel changes.

10. The limits on balance and off-balance sheet liabilities for the counterparty banks of JSC «NC «KTZ» were set (on a consolidated basis) by the decision of the Board of the Company dated September 10, 2015 (minutes No. 02/27). The limits are set in accordance with the Policy of establishing the limits on balance and off-balance sheet liabilities for the counterparty banks of the companies of «Samruk-Kazyna», approved by the decision of the Board of «Samruk-Kazyna» JSC (minutes No. 51/12 dated November 28, 2012).

11. The amendments and additions into the Provision on the Risk Committee of JSC «NC «KTZ» were introduced by the decision of the Board of the Company dated September 10, 2015 (minutes No. 02/27) due to the execution of recommendations of the Internal Audit Service of the Company.

12. The report on risk management with a description and analysis of the key risks of the company (including the legal risks), information about compliance with the risk limits, as well as data on the implementation of plans on risk minimization of the company for II quarter of 2015, was approved by the decision of the Board of Directors of the Company dated September 17, 2015 (Minutes No. 9).

13. The report on risk management with a description and analysis of the key risks of the company (including the legal risks), information about compliance with the risk limits, as well as data on the implementation of plans on risk minimization of the company for III quarter of 2015, was approved by the decision of the Board of Directors of the Company dated November 5, 2015 (Minutes No. 10).

14. The limits on balance and off-balance sheet liabilities of JSC «NC «KTZ» (on a consolidated basis), Capital Bank Kazakhstan JSC and EximBank Kazakhstan JSC, the counterparty banks, were set by the decision of the Board of the Company dated December 29, 2015 (Minutes No. 02/35).

The Company discloses the note «Financial instruments, objectives and policy of financial risk management» in a format of the audited annual consolidated and separate financial statements of JSC «NC «KTZ».

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

Reduction of the cargo transportation level (a market risk) due to resumption of the crisis developments of the world economy and fall of raw material prices. Worsening of economic conditions can result in decrease in the scope of services provided for the carriage of goods by rail, lost productivity, increase of cost of products sold and services provided, and it has a negative impact on implementation of the planned indicators. The company is taking steps to improve the efficiency of its operations, increase the transit traffic, as well as to implement the anti-crisis measures (additional cost reduction).

Operational risks (risks related to traffic safety, occupational safety and protection of the environmental)

The Group is the owner and infrastructure manager in Kazakhstan, as well as the largest owner and operator of the passenger and freight rolling stock and locomotives in Kazakhstan. In this regard, the group may be exposed to risks of traffic safety, including collisions, derailment of rolling stock in freight and/or passenger trains on the mainline, station and approach roads and/or during shunting operation with rolling stock at the stations, and natural disasters. In order to manage this risk, JSC «NC «KTZ» implements measures to strengthen the preventive work on organization and protection of trains associated with the train traffic. Within the frameworks of industrial injury risk management, JSC «NC «KTZ» implements measures to ensure occupational health and safety, accident prevention and the improvement of working conditions, provides the compulsory insurance of employees against accidents during execution of labor (service) duties.

Currency risk

The Company is mainly exposed to a risk associated with changes to the US dollar exchange rate due to the fact that it involves borrowing mainly in US dollars, and weakening (devaluation) of tenge against the US dollar means an increase in expenses according to an exchange difference. Within the frameworks of this risk management, the company monitors the changes in exchange rates of USD/KZT, as well as other factors influencing the change of the exchange rate on a daily basis: currency USD/RUR, USD/EUR, oil prices and raw materials. At that, the company controls the level of temporarily surplus funds in the US dollars in order to control the exchange risk associated with the management of temporarily surplus funds.

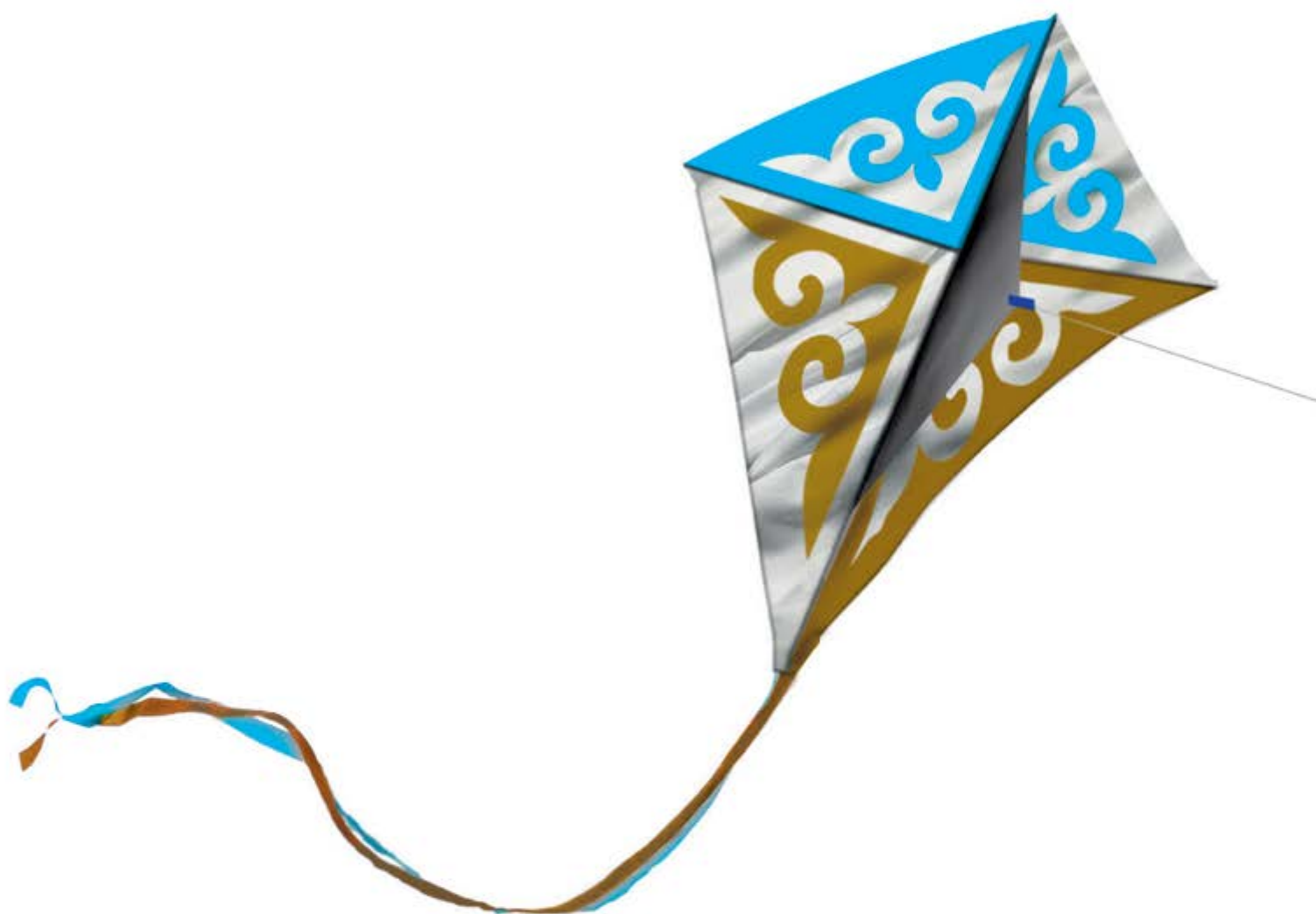
In June 20, 2014, JSC «NC «KTZ» released two tranches of Eurobonds totaling 285,000 thous. of Swiss francs (100,000 thous. of Swiss francs with an interest rate of 2.59% with a maturity of June 20, 2019, and 185,000 thous. of Swiss francs with an interest rate of 3.638% with a maturity of June 20, 2022) on the Swiss Stock Exchange (SIX Swiss Exchange).

The release of Eurobonds denominated in Swiss francs allowed to provide a «natural» hedging of a currency risk of JSC «NC «KTZ» due to the revenues of JSC «NC «KTZ» from the transit cargo transportation in Swiss francs.

In respect of the increase of the exchange risk factors associated with a reduction of free market prices, volatility of the Russian ruble, as well as world currencies from August 7, 2015, the company transferred to a special account of cash flow hedge in order to reduce the risk of an equivalent change in tenge of sales revenue, denominated in Swiss francs during formation of a separate and consolidated financial statements of JSC «NC «KTZ»

Information and technology risks

The group uses telecommunications networks and computer systems to coordinate the running times and other aspects of its railway operations as well as for accounting records maintenance, ticket sales for passenger trains, tracking of cargo delivery and performance of many other functions. Hardware and software used by the group can be potentially damaged as a result of an operator error, natural disasters, power cutoff, sabotage, computer viruses and other circumstances. Inspections are carried out annually in structural subdivisions of the group to reduce the risk of failure of information technology and information security incident, in order to comply with local regulations and corporate policy in the field of information security and protection of official, commercial or other secrets protected by law of the Republic of Kazakhstan. The company has been certified for compliance with the international standard ISO/IEC 27001:2005 on information security.



CORPORATE GOVERNANCE



Corporate governance

JSC «NC «KTZ» is aware of the importance of improving corporate governance and aims to ensure openness and transparency, as well as the practical implementation of the basic principles of the Corporate Governance Code.

The Corporate Governance Code of JSC «NC «KTZ» is approved in a new edition by the decision of a sole shareholder (minutes of the board of directors of «Samruk-Kazyna» JSC No. 22/15 dated May 27, 2015).

The objectives of the Code are improvement and systematization of the corporate governance ensuring greater transparency in the governance of organizations. The Code consists of 7 chapters and 2 parts. The first part contains the basic principles and the second part – «Annotations» – contains explanations and rules to the basic principles:

- 1) The Government as a shareholder of the fund.
- 2) Cooperation of fund and organizations.
- 3) Sustainable development.
- 4) Rights of shareholders and fair treatment to them.
- 5) Effectiveness of the board of directors and executive body.
- 6) Risk management, internal control and audit.
- 7) Transparency.

Corporate governance of JSC «NC «KTZ» is annually assessed for compliance with the best practice according to the method of diagnostics of corporate governance in the companies of the group of «Samruk-Kazyna» JSC.

An assessment indicator is a corporate governance score.

In 2015, «Samruk-Kazyna» JSC together with PricewaterhouseCoopers Company carried out the diagnostics and development of measures to improve the corporate governance in JSC «NC «KTZ».

An analysis of the current corporate governance practice was carried out and recommendations for its further improvement were developed during this project.

The corporate governance score of JSC «NC «KTZ» in 2015 reached the level of 77% at a planned indicator of 75% according to the results of the diagnostics carried out.

Sole shareholder

The highest governing body is a sole shareholder, «Samruk-Kazyna» JSC, delegating the general management of the company operation to the Board of Directors.

The corporate governance in the company is based on the principle of protection and respect of rights and legitimate interests of the sole shareholder. The sole shareholder has rights provided by the law and the charter.

The exclusive competence of the sole shareholder consists of the following issues:

- introduction of amendments and additions into the charter of the company or its approval in new edition;
- approval of the Corporate Governance Code, as well as amendments and additions thereto;
- voluntary reorganization or liquidation of the company;
- approval of the annual financial statements of the company;
- approval of the order of distribution of net income of the company for the reported finance year, decision-making for payment of dividends on common shares, and approval of the dividend amount per a common share of the company;
- other issues, decision-making on which is referred to the exclusive competence of the sole shareholder of the company by the legislation and (or) the charter.

The sole shareholder is entitled to cancel any decision of other bodies of the company on issues relating to the internal operations of the company.



Board of Directors

The Board of Directors determines the strategic objectives, priority development areas and sets the basic guidelines of the company activities for the long term, ensures the availability of the required financial and human resources for the objectives to be achieved. The Board of Directors oversees the activities of the executive body of JSC «NC «KTZ».

The structure of the composition of the Board of Directors provides true and fair representation of interests of the sole shareholder.

The quantitative composition of the Board of Directors is determined by the sole shareholder. Only a natural entity can be a member of the Board of Directors.

The sole shareholder when making decisions on election (appointment) of members of the Board of Directors is guided by the following requirements for selection of candidates for members of the Board of Directors:

- credibility of the sole shareholder and other members of the Board of Directors to the candidate;
- positive achievements and impeccable reputation of the candidate in a business and industry environment;
- professional knowledge and skills of the candidate that allow him to make balanced decisions that best meet the interests of the sole shareholder and the society. At that an additional advantage of the candidate is the availability of an academic degree in the field corresponding to the core business of the company;
- availability of leadership experience at least three (3) years, preferably in the field corresponding to the core business of the company;
- availability of sufficient time to effectively fulfill its responsibilities.

The director is recognized as independent in cases if:

- it is not an affiliated person of the company and has not been it for three (3) years preceding its election to the Board of Directors (except the case of its tenure as an independent director of the company);
- it is not an affiliated person with respect to affiliated persons of the company;
- it is not connected by subordination with officials of the company or organizations, affiliated persons of the company and was not connected by subordination with these persons within three (3) years preceding its election to the Board of Directors;
- it is not an auditor of the company and has not been it for three (3) years preceding its election to the Board of Directors;
- it is not a public official.

Independent directors of JSC «NC «KTZ» meet the specified requirements.

The members of the Board, except the Chairman of the Board of the Company, cannot be elected to the Board of Directors. The Chairman of the Board of the Company cannot be elected as a Chairman of the Board of Directors.

Composition of the Board of Directors of JSC «NC «KTZ» in 2015

The following were elected to the Board of Directors of JSC «NC «KTZ» by the decision of the Board of «Samruk-Kazyna» JSC dated July 7, 2015 (minutes No. 30/15):

- N.T. Baydauletov – a chief director of asset management of «Samruk-Kazyna» JSC, the representative of the sole shareholder;
- E.Zh. Balapanov – a representative of the sole shareholder;
- A. Ilkyavichus – a chief director of transformation of «Samruk-Kazyna» JSC, the representative of the sole shareholder;
- A.U. Mamin – a chairman of the Board of JSC «NC «KTZ»;
- T.U. Syzdykov – an independent director;
- Shomodi Kalman – an independent director;
- Christian Kuhn – an independent director;
- Jeremy Drew – an independent director.



**BAYDAULETOV
NURZHAN
TALIPOVICH**

the Chairman of the Board of Directors

He was born in 1960. In 1986 he graduated from the Moscow Railway Transport Institute on a specialty of «Management of transportation processes on railway transport».

He began his career in 1986 as a shunting master, a duty officer at Ekibastuz station on the Tselinnaya railway. He worked as a technical engineer at the Ekibastuz station, as well as a chief engineer at the Pavlodar-Severny station in Pavlodar.

From 1989 to 1998 – a Deputy Head of the Transportation Department of the Pavlodar division of the Tselinnaya railway, a Head of Pavlodar station in Pavlodar, the first Deputy Head of the Pavlodar division of the Tselinnaya railway, a Deputy Head of Akmola railway, a Head of the Pavlodar railway division, a Head of Akmola railway of the Kazakhstan temir zholy RSE.

In 1998 he was appointed as a Director of the Railway Transport Department at the Ministry of Transport and Communications of the Republic of Kazakhstan.

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

From 2004 to 2006 – a Chairman of the Committee of communication lines of the Ministry of Transport and Communications of the Republic of Kazakhstan.

Since 2006 – a Director of Transport and Industry Assets of Holding Samruk JSC, a Managing Director of Holding Samruk JSC, a Managing Director, a Chief Director of asset management of «Samruk-Kazyna» JSC, a 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 the company, its suppliers and competitors. He was first elected to the Board of Directors on June 20, 2006, and re-elected on June 21, 2012.



**MAMIN
ASKAR
UZAKPAEVICH**

*a Member of the Board of Directors, a
Chairman of the Management Board – a
president of JSC «NC «KTZ»*

He was born in 1965. He graduated from the Tselinograd Civil Engineering Institute, the Plekhanov Russian Academy of Economics on a specialty of «civil engineer and economist». He began his career working as a rigger of the Tselintyazhstroy Trust. He worked as a Deputy General Director of the Innovative Enterprises Union of Kazakhstan.

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

Since April 2008 – a Chairman of the Management Board – a President of JSC «NC «KTZ», 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 the company, its suppliers and competitors. He was first elected to the Board of Directors on April 4, 2008, and re-elected on June 21, 2012.



**SYZDYKOV
TITO
UAKHAPOVICH**
an Independent Director

He was born in 1948. He graduated from the Semipalatinsk Zoo Technical and Veterinarian Institute and Pavlodar University. He is a Master of Science in Economics and Management in the field of social sphere. He is a Ph.D. in Economics. Tito Syzdykov worked in the farming sector of the Pavlodar region for approximately ten years. He was a head of a state farm, and then for many years held important political and governmental positions. From 1997 to 1999 – an Akim of Aksu city of the Pavlodar region. In 1999 he was elected to the post of Deputy in the Mazhilis of the Parliament of the Republic of Kazakhstan. Since 2012 – an Independent Director, 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 the company, its suppliers and competitors. He was first elected to the Board of Directors on October 10, 2012.



**SHOMODI
KALMAN**
an Independent Director

He was born in 1959. From 1983 to 1989 he held various posts at the Hungarian State Railways (MAV), also he was an assistant of freight of a Deputy Director General, a Head of the Department of International Management of the MAV, and others. The international career of Kalman Shomodi is largely associated with the Organization for Cooperation between Railways (OSJD, Warsaw):

- from 1989 to 1992 he worked as a Deputy Chairman and the Chairman of the Transport Law Commission;
- from 1993 to 1999 – a Chairman of the Commission on transport policy;
- from 2002 to 2008 he held the post of an Executive Secretary.

From 1999 to 2002 he held the post of an authorized person on cooperation with railways of CIS and Baltic states in the International Union of Railways (UIC, Paris). From 2008 to 2011 – a Head of Department of MAV Zrt. In addition, from 2006 to 2012 he was a Member of the Board of Directors of JSC «NC «KTZ» as an independent director, a Chairman of the Committee on audit of the Board of Directors of JSC «NC «KTZ» and a member of the Human Resources and Compensation Committee of the Board of Directors of JSC «NC «KTZ». Since June 1, 2011 he has been working as an Executive Secretary of OSJD, and he is a Member of the Committee of OSJD from Hungary. He is a citizen of Hungary. He does not own shares of the company, its suppliers and competitors. He was first elected to the Board of Directors of JSC «NC «KTZ» on June 20, 2006, re-elected on June 21, 2009 for a period of three years, and re-elected to the Board of Directors of JSC «NC «KTZ» on August 1, 2014.



**CHRISTIAN
KUHN**

an Independent Director

He was born in 1965.

From February 1992 to February 1996 – a research associate at the University of Hanover at the Institute for transportation, railway construction and operations, the Doctor of science at the University of Hannover.

From March 1996 to December 1999 – a Project Manager, Head of Freight Deutsche Eisenbahn Gesellschaft mbH (DEG).

From November 2000 to October 2005 – a Managing Director of Connex Cargo Logistics (CCL).

From August 1998 to February 2005 – a Managing Director of Industriebahn-Gesellschaft Berlin mbH (IGB) and a member of the Board of Niederbarnimer Eisenbahn AG (NEB).

From November 2005 to February 2009 – a Head of Division of the steel and coal industry (Stinnes Freight Logistics/ Railion Deutschland AG).

Since April 2009 to the present – a Managing Director of Martrade Holding und Management GmbH, an Independent Director of Martrade Group and Tata Martrade International Logistics Ltd (TMILL), Kolkata, India.

From January 2010 to May 2011 – a Executive Vice President of production DB Schenker Rail, a managing director for production DB Schenker Rail GmbH, an Independent Director of BLS Cargo AG (Bern), NordCargo srl (Milan), DB Schenker Rail Scandinavia A/S (Copenhagen) and XRail SA (Brussels).

From November 2005 to February 2009 and from January 2010 to May 2011 – a Member of the steering committee, a Managing Director of Deutsche Bahn AG.

From June 2011 to the present – an independent consultant in the field of railways and logistics.

He is a citizen of Germany. He does not own shares of the company, its suppliers and competitors. He was first elected to the Board of Directors of JSC «NC «KTZ» on August 1, 2014.



**JEREMY
DREW**

an Independent Director

He was born in 1948. He is a consultant in the field of railways, specializing in railway policy, strategy, management and commercial issues. He worked at the railways in more than 20 countries of the world.

From 1979 to 1985 he worked at the World Bank.

From 1985 to 1993 – a founding director of a Prague office of «Coopers & Lybrand Management Consultants», now it is IBM.

From 1995 to 1997 he worked at a British Regulatory Office of railway operations.

From 2008 to 2010 he worked at the Community of European Railways.

Recent experience includes the work for United States Transportation in the Council for research and development of railway finance of the European Bank of reconstruction and development according to the tariffs of the railway infrastructure in Russia and Romania; on the railway privatization for the Greek government; on the franchising (concession) policy for the British Department of Transportation and on the business plan and financing of a new line in the East Africa for the African Development Bank.

He is a citizen of the United Kingdom. He does not own shares of the company, its suppliers and competitors. He was first elected to the Board of Directors of JSC «NC «KTZ» on August 1, 2014.



**BALAPANOV
ERIK
ZHUMAKHANOVICH**
a Member of the Board of Directors

He was born in 1968. He graduated from the Almaty Institute of the National Economy, the Eurasian institute of the market. He is a Candidate of Economic Sciences. He began his career as an accountant's pupil, a foreman of a stud farm.

From 1995 to 1998 he worked at various posts in Turanbank incorporated bank, beginning from the head of department of currency transactions to the Deputy Chairman of the Board of the bank.

From 1998 to 2000 – a Chairman of the Board of Directors of Nan Onemderi LLP.

From 2000 to 2001 – an Acting Chairman of the Board of Almatinsky Kommerchesky Bank JSC (Almaty Commercial Bank).

From 2001 to 2002 – a managing director of Bank Razvitiya Kazakhstana JSC (Development Bank of Kazakhstan).

From 2002 to 2003 – a Deputy Director General of Kaspiyskaya promyshlenno-finansovaya gruppa LLP (Caspian Industrial Financial Group).

From 2003 to 2012 – a Managing director of Kazkommertsbank JSC and he was at the same time elected as the Chairman of the Board of Directors of a number of the affiliated organizations of Kazkommertsbank JSC.

From 2012 to 2013 – an Adviser of the Chairman of the Board, a Chairman of the Board of BTA Bank JSC.

Since January 2014 to the present he works as the Deputy Director of Zenith LLP.

He is a citizen of the Republic of Kazakhstan. He does not own shares of the company, its suppliers and competitors. He was first elected to the Board of Directors of JSC «NC «KTZ» on August 1, 2014.



**ADAMAS
ILKEVICIUS**
a Member of the Board of Directors

He was born in 1975.

From 1996 to 2000 he studied at the Open University, a Bachelor in Business Administration and Computer Sciences, Tel-Aviv, Israel.

From 2005 to 2007 – BMI School of Business, a Master of International Business Administration BMI-197, Copenhagen, Denmark.

Information about the passing of seminars, courses to improve the skills for the last three years: he was certified in the ASAP and SAP projects system; certified IBM management executive leadership program; a Certified Architect of business processes.

IBM Global Business Services, an Executive Director of the Program.

From 2009 to 2013 – a Director General, Program Manager of Eurasian Natural Resources Corporation, Business Management and Technology (ENRC BTS) global business transformation.

From November 26, 2013 to the present – an Advisor to the Chairman of the Board, a Chief Director on Business Transformation of «Samruk-Kazyna» JSC, a Managing Director of Transformation and special projects of «Samruk-Kazyna» JSC.

He is a citizen of the Republic of Lithuania. He does not own shares of the company, its suppliers and competitors. He was first elected to the Board of Directors of JSC «NC «KTZ» on August 1, 2014.

Information about the work of the Board of Directors of JSC «NC «KTZ»

The Board of Directors is responsible to the sole shareholder for the effective management and control of the company. Since November 17, 2014 the Board of Directors of JSC «NC «KTZ» consists of 8 members, 4 of whom are Independent Directors. In total in 2015 the Board of Directors of JSC «NC «KTZ» held 11 meetings, 9 of them by personal attendance. Participation of the members of the Board of Directors in-person meetings was as follows:

Full name	Participation in person meetings	Reasons for absence in meetings
Baydauletov N.T.	8 of 9	1 – in connection with a business trip
Mamin A.U.	6 of 9	1 – by reason of illness 1 – in connection with participation in the protocol events with participation of the President of the Republic of Kazakhstan and the President of the Republic of Turkey 1 – in connection with the execution of an urgent order the head of the state
Syzdykov T.U.	9 of 9	
Shomodi K.	8 of 9	1 – due to being on annual leave
Kuhn C.	9 of 9	
Drew J.	9 of 9	
Balapanov E.Zh.	6 of 9	1 – by reason of illness 1 – due to the flight delay 1 – in connection with a business trip
Ilkevicius A.	4 of 9	2 – in connection with a business trip 3 – due to being on annual leave

In 2015, the Board of Directors of JSC «NC «KTZ» considered 143 issues, including those relating to:

- the sole shareholder - 7;
- the Board of Directors of JSC «NC «KTZ» - 22;
- the Managing Board of JSC «NC «KTZ» - 10;
- the internal audit services of JSC «NC «KTZ» - 9;
- social issues - 5;
- conclusion of interested transactions - 7;
- issues of a production and economic nature - 67;
- reports on the activities of JSC «NC «KTZ» - 79;
- personnel issues - 9.



143

As a result of consideration of 143 issues by the Board of Directors of JSC «NC «KTZ», 338 orders were issued.

In 2015 the Board of Directors considered 4 issues in relation to transactions in which the Company has an interest:

1. On conclusion of transactions in which JSC «NC «KTZ» has an interest by entering into residential purchase and sale agreements with payment in installment and pledge agreements on pledging immovable property with Kilybaev N.I. and Omarbekova Sh.S., the members of the Board of JSC «NC «KTZ».

2. On conclusion of a transaction in which JSC «NC «KTZ» has an interest by entering into a supplementary agreement to the indemnity contract between JSC «NC «KTZ» and Transport Technologies LLP in provision of the warranty of JSC «NC «KTZ» issued by Development Bank of Kazakhstan JSC to secure the obligations of Aktobe Rail Manufacturing Plant LLP.

3. On conclusion of a transaction in which JSC «NC «KTZ» has an interest by entering into an agreement for provision of loading and unloading services and services for storage of cargoes in the future between Continental Logistics LLP, KTZ Express JSC, JSC «NC «KTZ», a subsidiary bank of Sberbank of Russia JSC and Odyssey Investment Group LLP.

4. On conclusion of a transaction in which JSC «NC «KTZ» has an interest by entering into an agreement for provision of loading and unloading services and services for storage of cargoes in the future between Aktau Sea North Terminal LLP, KTZ Express joint stock company, JSC «NC «KTZ», Sberbank of Russia OJSC and Inter Port Development Pte. Ltd. Company.

Information about the Board of Directors Committees of JSC «NC «KTZ»

The following committees were established with the Board of Directors of JSC «NC «KTZ»:

1) Audit committee of the Board of Directors of JSC «NC «KTZ»:

until July 22, 2015 was consisted of 4 members of the Board of Directors, three of whom are independent:

Shomodi K.	Independent Director, Chairman of the Committee
Syzdykov T.U.	Independent Director, Member of the Committee
Drew J.	Independent Director, Member of the Committee
Balapanov E.Zh.	Representative of the Sole Shareholder, Member of the Committee

from July 22, 2015 is consisted of 3 members of the Board of Directors who are independent:

Drew J.	Independent Director, Chairman of the Committee
Shomodi K.	Independent Director, Member of the Committee
Syzdykov T.U.	Independent Director, Member of the Committee

2) Human Resources and Remuneration Committee of the Board of Directors of JSC «NC «KTZ»:

until July 22, 2015 was consisted of 3 members of the Board of Directors who are independent:

Syzdykov T.U.	Independent Director, Chairman of the Committee
Kuhn C.	Independent Director, Member of the Committee
Shomodi K.	Independent Director, Member of the Committee

from July 22, 2015 is consisted of 4 members of the Board of Directors, three of whom are independent:

Syzdykov T.U.	Independent Director, Chairman of the Committee
Kuhn C.	Independent Director, Member of the Committee
Shomodi K.	Independent Director, Member of the Committee
Balapanov E.Zh.	Representative of interests of the Sole Shareholder, Member of the Committee

3) Committee on Strategic Planning and Innovations of the Board of Directors of JSC «NC «KTZ»:

Kuhn C.	Independent Director, Chairman of the Committee
Drew J.	Independent Director, Member of the Committee
Balapanov E.Zh.	Representative of the Sole Shareholder, Member of the Committee
Ilkevicius A.O.	Representative of the Sole Shareholder, Member of the Committee <i>Elected by the decision of the Board of Directors of JSC «NC «KTZ» dated February 5, 2015, minutes No. 2</i>
Alpysbayev K.K.	Vice-President of JSC «NC «KTZ», Expert of the Committee
Zhusanbaev E.S.	Managing Director of Corporate Development of JSC «NC «KTZ» Expert of the Committee

4) Safety and Environment Committee of the Board of Directors of JSC «NC «KTZ»

The following members of the Committee were elected by the decision of the Board of Directors of JSC «NC «KTZ» dated July 22, 2015 (minutes No.7):

Shomodi K.	Independent Director, Chairman of the Committee
Kuhn C.	Independent Director, Member of the Committee
Syzdykov T.U.	Independent Director, Member of the Committee
Balapanov E.Zh.	Representative of interests of the Sole Shareholder, Member of the Committee

In total in 2015, 23 meetings of the Committees of the Board of Directors of JSC «NC «KTZ» were held, where in 2015 the Audit Committee of the Board of Directors of JSC «NC «KTZ» held 7 in-person meetings, at which 32 issues were considered.

Participation of the members of the Audit Committee of the Board of Directors of JSC «NC «KTZ» in person meetings was as follows:

Full name	Participation in person meetings	Reasons for absence in meetings
Drew J.	7 of 7	
Shomodi K.	6 of 7	1 – due to being on annual leave
Syzdykov T.U.	7 of 7	
Balapanov E.Zh.	1 of 4	3 – in connection with a business trip

The Human Resources and Remuneration Committee of the Board of Directors of JSC «NC «KTZ» held 7 in-person meetings, at which 46 issues were considered.

Participation of the members of the Human Resources and Remuneration Committee of the Board of Directors of JSC «NC «KTZ» in person meetings was as follows:

Full name	Participation in person meetings	Reasons for absence in meetings
Syzdykov T.U.	7 of 7	
Balapanov E.Zh.	1 of 2	1 – in connection with a business trip
Shomodi K.	6 of 7	1 – due to being on annual leave
Kuhn C.	7 of 7	

In 2015 the Committee on Strategic Planning and Innovations of the Board of Directors of JSC «NC «KTZ» held 8 in-person meetings, at which 56 issues were considered.

Participation of the members of the Committee on Strategic Planning and Innovations of the Board of Directors of JSC «NC «KTZ» in person meetings was as follows:

Full name	Participation in person meetings	Reasons for absence in meetings
Kuhn C.	8 of 8	
Drew J.	8 of 8	
Ilkevicius A.O.	4 of 7	1 – in connection with a business trip 1 – due to being on annual leave 1 – due to being at the meeting of «Samruk-Kazyna» JSC
Balapanov E.Zh.	5 of 8	3 – in connection with a business trip

The Safety and Environment Protection Committee of the Board of Directors of JSC «NC «KTZ» held 1 in-person meeting, at which 5 issues were considered.

Participation of the members of the Safety and Environment Protection Committee of the Board of Directors of JSC «NC «KTZ» in person meetings was as follows

Full name	Participation in person meetings	Reasons for absence in meetings
Shomodi K.	1 of 1	
Balapanov E.Zh.	0 of 1	1 – in connection with a business trip
Syzdykov T.U.	1 of 1	
Kuhn C.	1 of 1	

Assessment of performance of the Board of Directors of JSC «NC «KTZ»

The Code of Corporate Governance of JSC «NC «KTZ» provides for an annual performance assessment of the Board of Directors of JSC «NC «KTZ», with at least one assessment in every three years performed by independent consultants.

In 2015, in accordance with best international corporate governance practices, the performance assessment of the Board of Directors of JSC «NC «KTZ» was carried out with participation of Dostyk Advisory, an independent consulting company.

The assessment of performance of the Board of Directors of JSC «NC «KTZ» was based on the methodology of assessing the performance of the activities of the Board of Directors and its Committees, the Chairman, Members of the Board of Directors and the Corporate Secretary of JSC «NC «KTZ», approved by resolution of the Board of Directors of JSC «NC «KTZ». In addition, the assessment of performance of the Board of Directors included the requirements of best practices and standards in the field of corporate governance.

The assessment result showed to the Board of Directors of JSC «NC «KTZ» the directions for further improvement of its own activities and development of corporate governance practices.

The following areas are designated among the main directions of development of the activities of the Board of Directors of JSC «NC «KTZ»:

- review the composition and competencies of the current Board of Directors and its Committees;
- definition of the model of competencies and personal development plans of Members of the Board of Directors;
- strengthening the role of the Human Resources and Remuneration Committee and Committee on Strategic Planning and Innovations.



Management Board

The Management Board is a collegial executive body of the company, the competence of which includes resolution of all issues of the activities of the company, not covered by the law, other legislative acts of the Republic of Kazakhstan and the Charter to the competence of other bodies and officers of the company.

In 2015 the following composition of the Board of JSC «NC «KTZ» was determined in accordance with the decision of the Board of Directors of JSC «NC «KTZ»:

1. Askar Uzakpaevich Mamin – the Chairman of the Board – the President of JSC «NC «KTZ» (the decision of the Board of Directors of JSC «NC «KTZ» dated March 19, 2013, Minutes No. 2);

2. Bauyrzhan Pazyzbekovich Urynbasarov – the Vice-President of JSC «NC «KTZ» (the decision of the Board of Directors of JSC «NC «KTZ» dated March 19, 2013, minutes No. 2);

3. Kanat Kalievich Alpysbayev – the Vice-President of JSC «NC «KTZ» (the decision of the Board of Directors of JSC «NC «KTZ» dated March 19, 2013, Minutes No. 2);

4. Berik Saylauovich Kamaliev – the Vice-President of JSC «NC «KTZ» (the decision of the Board of Directors of JSC «NC «KTZ» dated March 12, 2015, Minutes No. 3);

5. Maksat Rakhimzhanovich Kabashev – the Vice-President of JSC «NC «KTZ» (the decision of the Board of Directors of JSC «NC «KTZ» dated September 17, 2015, Minutes No. 9);

6. Roman Vasilyevich Sklyar – the Vice-President of JSC «NC «KTZ» (the decision of the Board of Directors of JSC «NC «KTZ» dated September 15, 2014, Minutes No. 9);

7. Akbulat Landyshovich Zhagiparov – the Managing Director – the Chief of Staff of JSC «NC «KTZ» (the decision of the Board of Directors of JSC «NC «KTZ» dated September 17, 2015, Minutes No. 9);

8. Rustem Koybagarovich Khasenov – the Managing Director of Legal Activities of JSC «NC «KTZ» (the decision of the Board of Directors of JSC «NC «KTZ» dated March 19, 2013, Minutes No. 2);

9. Erkin Semetaevich Zhusanbaev – the Managing Director of Corporate Development of JSC «NC «KTZ» (the decision of the Board of Directors of JSC «NC «KTZ» dated November 11, 2013, Minutes No. 11).

The powers of the following Members of the Management Board of JSC «NC «KTZ» were early terminated due to the early termination of powers of the Members of the Management Board of JSC «NC «KTZ» by the decisions of the Board of Directors of JSC «NC «KTZ» dated February 5, 2015 (minutes No. 2) and dated September 17, 2015 (Minutes No. 9).

1. A.M. Lepesbaev – the Vice-President of economy and finance;

2. E.A. Kizatov – the Vice-President of human resources and social issues;

3. Sh.S. Omarbekova – the Vice-President of JSC «NC «KTZ»;

4. N.I. Kilybay – the Managing Director – the Chief of Staff of JSC «NC «KTZ».

Information on the work of the Board of JSC «NC «KTZ»

The Board is responsible for the implementation of the strategy and for the current activities of the company. In 2015 the Board JSC «NC «KTZ» held 35 meetings of JSC «NC «KTZ», including 27 in-person meetings, 8 meetings by correspondence. 436 issues, submitted by the structural units, subsidiaries and dependent joint stock companies of JSC «NC «KTZ» were discussed as a part of meeting of the JSC «NC «KTZ» Board.

Remuneration of the company's officials

Payment of remuneration to administrative officers and managers of JSC «NC «KTZ» on the basis of performance for the year is made in accordance with the Rules of the assessment of performance and payment of remuneration to administrative officers and managers of JSC «NC «KTZ», approved by the resolution of the Board of Directors of JSC «NC «KTZ». October 30, 2014 (Minutes No. 11).

The above mentioned rules are based on the following principles:

- interrelation of remuneration with the performance of tasks that are in the interests of JSC «NC «KTZ» and its sole shareholder;
- dependence of the amount of remuneration from the results of activities of JSC «NC «KTZ» and efficiency of employees.

According to paragraph 26 of these rules, the main condition of remuneration payment following the results of the year's work is the presence of consolidated net profit for the reporting year, calculated based on the planned amount of remuneration.

The execution of the plan on corporate and individual key performance indicators for each position and is considered by the calculation of the remuneration, and it is charged proportionally to the actual time worked at the appropriate positions.

The amount of the basic remuneration and bonuses of corporate officers for 2015 were:

- to the members of the Board, tenge 403 672 690;
- to the members of the Board of Directors, tenge 600 000;
- to the members of the Board of Directors, US dollars 63 315.

Information on the work of the internal audit service of JSC «NC «KTZ» for 2015

The internal audit service of JSC «NC «KTZ» is the body, exercising control over financial and economic activity, assessment in the field of internal control, risk management, execution of documents in the field of corporate governance and counseling to improve activities of JSC «NC «KTZ».

The audit plan of the internal audit service of JSC «NC «KTZ» for 2015 was approved by the Decision of the Board of Directors dd. December 5, 2014 (Minutes No. 12).

29 audit engagements, provided under the annual audit plan, were completely performed.

The audit covered the following key business processes like investment projects, purchases, credits and loans, personnel and social policy, preservation of fixed assets, and the diagnostics of corporate governance system, evaluation of efficiency of the corporate system of risk management and internal control system was performed in accordance with the recommendations of the sole shareholder.

According to the results of the performed audit engagements, the internal audit service issued 482 recommendations. In accordance with the Policy on organization of internal audit in JSC «NC «KTZ», the internal audit service provided acceptance of the corrective actions plans by the audit entities.

Report concerning the compliance of JSC «NC «KTZ» to the requirements of the Code of Business Conduct of JSC «NC «KTZ»

The Code of Business Conduct of the Company was approved in order to implement the provisions of the corporate governance Code by decision of the Board of Directors of the company dd. March 19, 2013 (Minutes No. 2).

The purpose of the code is the development and improvement of corporate culture, facilitating the effective interaction of officers/employees of the company with interested parties through the application of business practice.

The fundamental corporate values, which form the basis for the company's activity, are: honesty, integrity, respect for people, mutual assistance and trust.

The indispensable values of corporate culture of the company are safety, quality and environment protection, responsibility, sustainable development and mutual prosperity, the ability to work in a team, openness to development, professionalism and pride in their work.

The effects of this code are applied to all officers and employees of the company.

The practice of regular tracking and verification of knowledge of the provisions of the code is introduced in order to ensure compliance with the requirements of the Code of business conduct and ethics.

Reports for violations of the provisions of the code of ethics of employees of JSC «NC «KTZ» are accepted:

- expressly through the mailing department;
- by email: temirzhol@railways.kz;
- using mailboxes installed in the lobby of block «B» near the pass office;
- hot line.

With the clarification of the requirements of the code, or arising ethical issues, violations of the requirements of the code officials and employees of the company, interested parties can contact:

- direct managers of the structural divisions or managers at a higher level.
- Corporate Secretary;
- Head of internal audit service;
- Chairman of the Board;
- Board of Directors.



SUSTAINABLE DEVELOPMENT



Sustainable development

Personnel policy

Human resources are the main value of JSC «NC «KTZ». The number of employees of JSC «NC «KTZ» and its subsidiaries on January 1, 2016 amounted to 145 901 employees, of which more than 93% is represented by the production staff. In 2015, the turnover of staff has dropped compared to the previous period and amounted to 7.3%.

New innovative technologies are implemented, large-scale actions are realized in the framework of the realization of strategic goals directed on transformation of JSC «NC «KTZ» into the effective customer-focused transportation and logistics company with concentration of resources on key types of activity.

The qualification requirements for the employees were revised considering the changes. Thus, the List of positions (professions) of employees of railway transport and the qualification requirements was updated on September 29, 2015.

The list contains more than 1000 positions related to enforcement of traffic safety. Requirements for the qualifications for 90% of the positions (professions) of employees of railway transport has been completely revised and brought into compliance with the applicable reference positions and the classifiers of jobs.

Not only completely new professional activities were created in connection with the development of new technologies, but also new requirements were formed for the employees themselves.

For example, the requirements for conductors of passenger cars are differentiated depending on type, class of the car.

The requirements for the qualification of conductors of passenger cars «Tulpar-Talgo» were simplified in terms of the specialty (the list of specialties was expanded) due to lack of technical functionality of the conductors of passenger cars «Tulpar-Talgo», and focus mainly on the provision of services to passengers.

Therewith, the candidates for the post of conductors of passenger cars «Tulpar-Talgo» of the Grand and Business class have an additional requirement for mastery of English language. Similar changes were made to the post of the train master.

In order to improve the quality of service of the Kazakh stations of foreign passengers, assisting in purchasing tickets, directions to the duty on the station, employees of the referral service, speakers also have additional requirement – knowledge of the English language.

It is expected that the introduction of indicated changes will have a positive impact on the security of train traffic, and the quality of provided services will reach a new level.

The influence of external factors such as reducing the capacity of traditional sources of growth, changes in the structure of the cargo base and long-term trends of economic development of the Eurasian region on JSC «NC «KTZ» establishes new requirements for the human resource management system.

The activity of JSC «NC «KTZ» for the formation of high-performance and cohesive team able to react to changing market demands, is based on the personnel policy for 2014-2018.

One of the successful directions of personnel policy is the training and development of staff. JSC «NC «KTZ» has successfully functioning system of corporate training, which provides various mechanisms for training each category of staff and covers the entire spectrum of training, retraining, advanced training and academic training of staff from external providers of training, in educational organizations of JSC «NC «KTZ».

More than 27 000 employees of the group of companies of JSC «NC «KTZ» were trained over 2015 year, including training centers – more than 10000 employees of production personnel, 17000 employees passed training on the specialized, compulsory and certification programs, 522 employees, that are in the reserve, passed training according to individual development plans.

28 best students of educational institutions of the Republic of Kazakhstan and 4 employees of JSC «NC «KTZ» were awarded with educational grants and scholarships of the President of JSC «NC «KTZ» for higher and postgraduate education in educational institutions of the Republic of Kazakhstan and abroad.

2015 employees have received training at the enterprises of JSC «NC «KTZ» under the leadership of 1650 teachers with the aim of adaptation of young employees of JSC «NC «KTZ» and the development of their professional skills, understanding the specifics of work.

Trainings for 51 workers with the involvement of experts from companies of Belgium, France and the Institute of transport logistics Jiao Tong University, China were organized to study best global practices and development of professional competencies of employees of JSC «NC «KTZ».



230 training programs were developed and updated in order to improve the process of training of the production personnel and quality of professional training.

The basis of the content of the training programs contains in the study, development and application of practical skills on new techniques, innovative technologies, introduced at the enterprises of JSC «NC «KTZ».

The psycho physiological assessment of professional suitability of the worker for the «human factor» was implemented to reduce the impact of human factor on the level of traffic safety.

Being the shareholder of the Kazakh Academy of transport and communications named after M. Tynyshpayev JSC «NC «KTZ» is directly involved in the activities of the Academy and strives to improve the quality of training and level of knowledge of future specialists.

Every year the top management of JSC «NC «KTZ» is engaged in the thematic lectures to the students of the Academy and participation in the meetings of the State examination and certification commissions. In 2015, there were 17 public lectures and seminars, the teaching staff of the Academy undergo regular training at the enterprises of JSC «NC «KTZ».

Mechanism of annual passage of paid industrial practice by students of the Academy was implemented along with the passage of educational institutions of all practices at the enterprises of JSC «NC «KTZ». In 2015, 1107 of the Academy students passed the professional practice at the enterprises of JSC «NC «KTZ», including the paid practice – 85 students.

100%

Supporting the course of modernization of the national education system, JSC «NC «KTZ» pays special attention to professional development and enhancement of the skills of staff, actively participates in the implementation of dual education program, providing training of skilled professional and technical personnel for the transportation industry.

Subject to the Agreement for the implementation of dual training, concluded between JSC «NC «KTZ», the Ministry of education and science of the Republic of Kazakhstan and 17 colleges of railway profile from 2013 to 2014 JSC «NC «KTZ» held a practical training of 462 students, of which 238 were employed at the enterprises of JSC «NC «KTZ».

The group of students of Akmola College Academy proceeded to education from February 2015 in the framework of the experimental platform on introduction of dual system of training in the specialty «Maintenance, repair and technical maintenance of railroads rolling equipment». The working program providing for the acquisition by college students of practical skills in the locomotive and repair depot under the guidance of a mentor during the whole training course was developed and approved together with industrial enterprises.

Apart from the work with young specialists, personnel reserve operates to ensure personnel protection in JSC «NC «KTZ». As of January 1, 2016 the number of employees in the personnel reserve reached 588 people.

In 2015, the percentage of appointments from the personnel reserve was 70%, the percentage turnover of reservists was 6.5%.

«Road map for business transformation», approved by decision of Board of «Samruk-Kazyna» JSC dd. December,



9, 2014, provides for the formation of talents, in terms of which the candidates were selected in the group of «25 talents».

The program of «25 talents» includes 2 subgroups. The first subgroup consists of 5 executives who can take the position of managing Directors of JSC «NC «KTZ» in 5 years, the second group consists of the young workers who within 2 years will be able to climb 2 positions higher on the corporate ladder.

Of the 133 young and promising employees 20 candidates showed the best results and were approved by the orders of heads of branches, 8 of them are employees of the branch of JSC «NC «KTZ» – «Directorate of highway network» and 12 of them are employees of the branch of JSC «NC «KTZ» – «Directorate of the transportation process».

More than 30 participants of a personnel reserve assisted in a presentation on the topic «My contribution to the transformation of the business». Five most interesting and relevant ideas were presented to the members of the Board of Directors of JSC «NC «KTZ».

Creation of the center for service personnel is one of the most important events of 2015.

Personnel service center was created on the model of a general service center that is a global trend in the world.

Pilot project of the center serves 27 branches of JSC «NC «KTZ» with the number of 11 127 units.

JSC «NC «KTZ» is one of the first national companies, implementing such project in Kazakhstan with the goal of centralizing functions of the personnel account in one structural unit and focus on the implementation of strategic tasks of HR services.

Social policy

Pursuant to the corporate ideology and business philosophy the company is investing heavily in human capital development and growth of social protection of employees.

Annually, the group of companies facilitates the complex of measures for implementation of main directions of social policy for more than 145 thousand employees, 48 thousand veterans of the railway workers and 80 thousand children of workers.

Appropriate measures to address the social problems of employees of the company, for the prevention and timely resolution of labor disputes and/or conflicts, the implementation of collective agreements and interaction with industry trade unions to be bound by these conditions are provided on the regular basis in order to improve social stability in the whole group of companies of JSC «NC «KTZ».

The collective agreement between the company and its personnel, completed on the basis of the Labor code and the industry agreement between the Ministry for investment and development of Kazakhstan, the employers and the Union is the main document under which free benefits and guarantees are provided for employees and pensioners railway employees.

The social package, provided to the railroad, is one of the most «weighty» social package in the Republic and provides for voluntary commitment to comply with rules in the field of social and labor relations; provision of material support and

social guarantees to workers, youth, retirees of the company, etc., that is, it reflects those moments which are not covered by legislation, but very important for workers.

Traditionally, all issues of social support of employees and veterans of the company are solved together with the labor union.

The Commission works in the Company on a permanent basis and considers the proposals and the development of additions and changes to the collective agreement, which includes Union representatives and the respective structural units.

Only in recent years, the collective agreement had a number of new positions that provide additional benefits to employees, such as providing financial assistance to employees in connection with the registration of marriage, payment of the difference of the allowances for pregnancy and childbirth, the provision of material assistance to the Day of knowledge (September, 1), the Day of the disabled workers, workers with disabled children, etc.

The company has not reduce the expenses on social programs in a condition of austerity program in connection with a reduction of business activity and turnover. So, in 2016, the budget of social benefits for the group of companies of JSC «NC «KTZ» is about 9 billion tenge.



Health service

The specificity of the medical service of the company employees consists in that the organization of this work has not only social orientation, but also provides medical component of traffic safety of trains.

It may be noted, that the employer has obligations towards the employee, which consists in conducting pre-shift medical examinations and periodic medical examinations, as well as the social aspect, aimed at taking care of worker health, the formation of the company commitment to healthy lifestyles. Voluntary insurance agreement is concluded by the Company on the annual basis with the aim of providing preferential terms for obtaining medical services.

Under the current agreement, more than 38,5 thousand employees and their family members (for Group of companies – about 43 thousand people) were insured, which have the ability to get along with outpatient and inpatient aid also medicines, dental services within the established limit. The insured people, residing even in remote stations and crossings, can get a full range of skilled and highly specialized medical care in leading national medical organizations.

The company adopted a program of healthy lifestyle aimed at the formation of worker's responsibility for their own health and the health of others.

This program includes the conduction of publicity activities for a healthy lifestyle, avoiding harmful habits (donor Day, a Day of healthy nutrition, a Day without nicotine, a flash mob «Railroad – iron health», training through youth forums of young workers of skills for a healthy lifestyle), regular placing of information on corporate websites, in trade press about healthy lifestyles, disease prevention, the development and distribution for regional branches of brochures on the prevention of cardiovascular diseases, carrying on gymnastics and physical workout on the enterprises.

Each year, about 8,000 employees and retirees of the group companies improve their health in sanatoriums and health resorts located on the territory of Kazakhstan and the Russian Federation. The percentage of recovery in organs and systems annually is: by the diseases of the musculoskeletal system – 21.6, peripheral nervous system – 20.9, respiratory system – 19.7, cardiovascular system – 19.0, gastrointestinal tract – 3.6, endocrine system – 3.5, etc. The main part of the railway workers (50%) passes sanitation in departmental sanatorium named after S. Seifulin, including employees – 75%, and pensioners – 25%. The highest percentage of sanitation falls on the production staff (71%), followed by engineering (22%) and administrative and managerial personnel is 7%.

Herewith company pays the main part of the cost of vouchers to sanatoriums, and employees and retirees – from 10% to 30%.

More than 200 sports events, reaching about 20 000 railway workers are carried out In the framework of a healthy lifestyle throughout the year at the enterprises of railway transport.

The project: organization of specialized medical trains «Densaulyk», «Zhardem» and «Salamatty Kazakhstan» is realized to provide residents of remote stations and crossings with skilled medical care with 2010 on behalf of the head of state and based on the Memorandum of cooperation with Emergency Situations Ministry of the Republic of Kazakhstan.

Medical trains are equipped with modern diagnostic and therapeutic equipment, Internet access and telecommunications service, patients are treated by doctors of first and highest qualification categories. For the entire running period from July 2, 2010 to March 25, 2016 the medical train were on 952 stations, experts of the trains provided medical assistance to more than 280 thousand people.

Housing policy

Housing policy covers all regions of the Republic and consists of 4 mechanisms of implementation:

- realization of housing to the worker by providing installment payments for 15 years (100% of balance value), is regulated by the Rules of housing realization in installments payments (SD KTZ dd. March 16, 2011 No. 1). 1105 apartments were realized by installment in the period from 2013 to 2015 in Kazakhstan.

- alienation of corporate housing set in operation before April 1, 2008 for workers and pensioners of the company by applying preferential conditions of housing realization to workers (realization on 30% of balance value), is regulated by the Rules of alienation of residential premises of NC «Kazakhstan Temir Zholy» JSC (KTZ SD dd. April 16, 2014, No. 5). The plan for the alienation of official housing for 2015-2016 covers 633 apartments, implementation – 102 apartments (year of construction 1904 – 1990).

- mortgage program for the employees of the group of companies KTZ for 9-11% in the framework of bilateral cooperation with Halyk Bank of Kazakhstan JSC; according to the cooperation agreement dd. October 17, 2013 No. 171-AO signed between KTZ and Halyk Bank of Kazakhstan. 129 families of railroad workers in different regions of the country are provided with housing under preferential mortgage program for employees of the group KTZ.

- Provision of corporate housing by JSC «NC «KTZ» according to the Rules of provision of corporate housing by JSC «NC «KTZ», approved by resolution of the Board of Directors dd. November 5, 2015, No. 10. 3299 corporate apartments are in balance of the company.

Youth policy

The key element in the development of human potential of company is the system implementation of the corporate youth policy. Today more than 36 thousand young workers are in the company JSC «NC «KTZ», accounting for about 23% of the total number of employees of the company.

Advisory body – the Council of youth Affairs under the President of the company and regional representatives in the field were created.

The main programs implemented in the framework of the youth policy are: «Project management», «Future managers», corporate camp «Sen bolmasan, kim?», movement of «Club of the Funny and Inventive» aimed to the development of competencies and creative spirit.

Following the results of the 2010-2015 about 7500 young employees of the company were trained by professional trainers according to programs «Future managers» and «Project management».

Corporate social network Zhastemir.kz and interactive website Goodrail.kz. are working.

Youth contests held in the company, including the contest «Zhas kasibi mamam», are automated and available on the Internet.

The company pays great importance to social protection of young workers, which includes assisting in solving the housing issues of young specialists of the company (the provision and implementation of housing to employees of the company on preferential terms, providing rental housing, provision of housing with option to purchase); provision of educational grants and scholarships of the President of the company; vocational training of young people, providing young professional railway workers who came to work at the station of the 3, 4, 5 classes, tracks for passing and crossings, financial assistance for the arrangement in the amount of 25 MPT, 20 percent premium to the tariff rates (salaries) for young professionals, directed at stations of 3, 4, 5 classes, and operating points within the first two years of work to retain the staff on the linear stations and operating points; provision of financial assistance in connection with the birth, adoption of a child.

The results of the work of the youth policy is the Republican forum «Youth – the future of the railway!», which reveals the names of talented innovating engineers, replenishes the personnel reserve of the JSC «NC «KTZ» with young promising workers, provides an opportunity to improve skills and to take higher positions.

During the implementation of the program of youth policy, the participation of young employees on 10 main youth projects amounted to 15 000 people, on sporting mass and athletic-health measures – 47 300 people, corporate events, flash mobs, round tables, Patriotic and social actions – 7 500 people.

Veterans and pensioners care

Annually about 800 million tenge are spent from the budget of the group of companies annually for social support of veterans of railway.

The Council of veterans of railway was created uniting 48 thousand pensioners that are on the account in the company.

Pensioners have various festive and sport events, excursions are organized for them (in plants «Tulpar-Talgo», «Locomotive kyratury zauyty», visiting of «Astana-Opera») and charitable acts («Veteran lives nearby», «Medet», «Zhiger»).

According to the provisions of the collective agreement, retirees receive financial assistance (to anniversaries, funeral, holidays – Day of workers of transport, Victory Day); free travel on the railway transport, free dentoprosthetic rehabilitation.

Social support of the children of workers

The funds for the organization of corporate events on social support of children of employees of the company are provided annually in the budget of the company.

During summer holidays about 8 000 children of the employees have rest in the best children's health centers.

Exhibitions and contests of children's drawings, theatrical performances, open days, Christmas parties and gifts are held.

Taking into account the remoteness of the stations of 4, 5 classes and trips from the big cities, the absence of highways, in order to retain staff, taking into account international experience the newborn children of employees of these stations will receive sets the type of the Finnish boxes containing baby clothes and accessories needed by the child in the first days of life.



Sponsorship and charity

One of the types of social involvement of the Company in society is a charitable and sponsor activity. Sponsorship and charity support of the company is based on openness and promotes the company's reputation and creation of positive image.

The specialized train «Menin Kazakhstanym» was launched in 2015 according to the order of the Administration of the President of the Republic of Kazakhstan, devoted to the year of the Assembly of the Kazakhstan nation, 70 anniversary of the Victory in the Great Patriotic War, 500 anniversary of the Kazakh khanate, the aim of which was the clarification of the main positions of the message of the Chief of the State and popularization of the nation idea «Mangilik El». Three medical trains «Salamatty Kazakhstan», «Zhardem», «Densaulyk» started their work simultaneously with indicated train.

Specialized train «Menin Kazakhstanym» visited all regions of Kazakhstan during the period from March, 23 to April, 22, 2015 and stopped in 29 remote settlements.

Among the accompaniment of the specialized train «Menin Kazakhstanym» were representatives of the culture, social workers, doctors, lawyers, bankers, sportsmen, famous Kazakhstan actors; cultural events were conducted, consultation services were rendered in the sphere of social support, medicine, jurisprudence.

The conduction of this action promotes to the provision of interethnic agreement in the country and formation of Kazakhstan patriotism. And the specific practical assistance was rendered, the availability of qualitative social services was provided to the residents of different regions, that showed maximum positive social effect.

During the train trip in the period from June, 2, 2010 and June, 26, 2015 medical trains «Densaulyk», «Zhardem» and «Salamatty Kazakhstan» visited 929 stations, 284133 persons consulted medical specialists. The number of medical visits to the train specialists was 1701192, that is in general every addressed person visited 6 medical specialists.

The doctors of the train conducted more than 431 216 medical and laboratory experiments, operating surgeons conducted 12311 small surgeries, dental surgeons treated 64282 persons.

The company organized free travel for the participants and veterans of the Great Patriotic War for May, 1, 2015 on all directions within CIS.

The support totaling in 766 thous. tenge was rendered to the «Child charitable foundation Ymit-Nadezhda» for the organization of summer rest of the handicapped children and charitable foundation «Baurzhan» for the transportation of orphan children for the participation in the football tournament.

The medication assistance was rendered to the employees of the company in the amount of 2500 thous. tenge.

Moreover, in 2015 the corporate foundation «Foundation of social projects» realized 23 social projects covering about 150 social objects and vulnerable representatives of the population («Grant of the rail road manager», «By the route of charity», «Happy child» – replenishment of deposit accounts of the orphan children, «Prepare child to school», Patronage over regional schools, where more than 50% of children of rail workers are studying, «Support of the worker and members of his family in a pitch», «Deserving old age», «Make a gift of sport to children» etc.)

Social investigations for the study the level of social stability are performed annually since 2013 to make the assessment of efficiency of social politics realization by the group of companies of JSC «NC «KTZ» and the conditions fulfillment of the collective agreements of the «Social partnership center Samruk Kazyna» JSC.

The rating of social stability is the strategic social activity highlight.

The investigation for the determination of rating includes the assessment of the social climate level of the production personnel (social interview of the personnel) and the assessment of the company level of social development (filling of electronic questionnaire by the company – social passport of the company). The assessments are performed in all regions in structural divisions of TsD, TSZHS, AOT, TsLP and «Kaztemirtrans».

According to the report, by the results of the social stability rating determination over 2015 the rate of social stability over the group of companies of JSC «NC «KTZ» resulted in 66% and by the adopted rating scale it is assessed as «above average». It means that the company rather successfully solves social tasks, arising in the course of activity, but it has problem areas or preconditions that need to be solved (For reference only: SSR in 2013 was 85%, in 2014 – 65%).

On a regular basis the company controls and monitors the well-being of the employees and once in six months sends the information on measures for the improvement of social stability rating to the «Center of social partnership Samruk Kazyna JSC».

Labor safety and health protection

The priority of company's work is directed to the issues of provision labor safety and health protection. Renewal and modernization of production capacities, perfection of systems for management and production organization as well the increase of performance and technological discipline permits us to support positive dynamics of corresponding ratings.

Over 2015 the number of accidents, related to production, was reduced on 39 % – 29 cases against 48 cases in 2014 in JSC «NC «KTZ» and its subsidiary enterprises.

Herewith the frequency rate of industrial injuries for 1000 employees was reduced on 39 % (0,209 against 0,345 in 2014) and the rate of production accident severity is reduced on 51 % (13,04 against 27,03 in 2014).

Complex measures for the provision of safety and labor protection planned for the creation of safety labor conditions for employees are performed in 99,61 % for 2015.

Provision of ecological sustainability

JSC «NC «KTZ» is responsible for ecological safety and security of environment by the performance of its activity.

Environmental activity is performed in accordance with the Ecological Code of the Republic of Kazakhstan, other regulatory legal acts and international contracts and agreements, validated by the Republic of Kazakhstan and regulated by the administration on the system of ecological management in JSC «NC «KTZ».

Currently the ecological safety in the group of companies is characterized by the reduction of emission of harmful substances in the environment on 1,5 % from 93,5 thous. tons to 92,4 thous. tons. Including:

- emissions of pollution agents reduced on 3 % from 9767 tons to 9468 tons;
- emissions of pollutions agents with waste waters reduced on 11 % from 1933 tons to 1728 tons;
- number of carried out wastes of consumption and production over concluded agreements reduced on 1 % from 81 864 tons to 81 259 tons.

The amount in 716 mln. 703 thous. tenge was assimilated by the performance of conservation measures, the saving of money resources is 71 mln. 236 thous. tenge due to the conclusion of agreements on less amount.





FINANCIAL STATEMENT



Financial account

Consolidated financial statements for the year ended 31 december 2015 content

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Statement of management's responsibilities for the preparation and approval of the consolidated financial statements for the year ended 31 december 2015

Management of «Kazakhstan Temir Zholy» National Company JSC (the «Company») is responsible for the preparation of consolidated financial statements that present fairly the financial position of the Company and its subsidiaries (collectively, the «Group») as at 31 December 2015, and the results of its operations, cash flows and changes in equity for the year then ended, in compliance with International Financial Reporting Standards as issued by the International Accounting Standards Board («IFRS»).

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

- properly selecting and applying accounting policies;
- presenting information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- providing additional disclosures when compliance with the specific requirements in IFRS are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the Group's consolidated financial position and financial performance; and,
- making an assessment of the Group's ability to continue as a going concern.

Management is also responsible for:

- designing, implementing and maintaining an effective and sound system of internal controls, throughout the Group;
- maintaining adequate accounting records that are sufficient to show and explain the Group's transactions and disclose with reasonable accuracy at any time the consolidated financial position of the Group, and which enable them to ensure that the consolidated financial statements of the Group comply with IFRS;
- maintaining statutory accounting records in compliance with local legislation and IFRS;
- taking such steps as are reasonably available to them 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 31 December 2015 were approved by management on 14 March 2016.

On behalf of management of the Group:

B.S. Kamaliyev
Acting President

14 March 2016

M.R. Kabashev
Vice-President

14 March 2016

N.Kh. Abilova
Chief Accountant

14 March 2016

Independent auditors' report

To the Board of Directors and Shareholder of «Kazakhstan Temir Zholy» National Company JSC:

We have audited the accompanying consolidated financial statements of «Kazakhstan Temir Zholy» National Company JSC and its subsidiaries (collectively, the «Group»), which comprise the consolidated statement of financial position as at 31 December 2015, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of cash flows and consolidated statement of changes in equity for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the consolidated financial statements

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

Auditors' responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

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

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 31 December 2015, and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board.

Alexander Dorofeyev
Engagement Partner
Qualified auditor
of Russian Federation
Certificate No. 042607
dated 28 February 2002
Russian Federation

Daulet Kuatbekov
Auditor-performer
Qualified auditor
of the Republic of Kazakhstan
Certificate No. 0000523
dated 15 February 2002
Republic of Kazakhstan

Deloitte, LLP
State license on auditing in the Republic of Kazakhstan No.0000015,
type MFU-2, issued by the Ministry of Finance of the Republic of
Kazakhstan dated 13 September 2006

Nurlan Bekenov
General Director
Deloitte, LLP

14 March 2016

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2015 (in thousands of tenge)

	Notes	31 December 2015	31 December 2014
ASSETS			
Non-current assets			
Property, plant and equipment	7	2,395,441,635	2,228,942,130
Asset held for the benefit of the Shareholder	30	41,268,374	23,850,672
Investments in joint ventures	8	22,104,613	21,086,452
Intangible assets		13,288,840	12,566,300
Investments in associates	8	10,898,604	16,299,164
Investment property		6,574,127	6,931,262
Other non-current financial assets	12	178,929	4,001,783
Long-term trade accounts receivable	11	137,599	-
Other non-current assets	9	99,847,392	172,856,718
Total non-current assets		2,589,740,113	2,486,534,481
Current assets			
Cash and cash equivalents	14	67,838,129	86,552,218
VAT recoverable		53,353,425	70,938,553
Other current financial assets	12	41,466,840	38,753,294
Asset held for the benefit of the Shareholder	30	30,158,259	28,997,449
Inventories	10	29,315,295	34,814,915
Trade accounts receivable	11	9,616,182	7,649,242
Prepaid income tax		2,224,060	2,129,314
Other current assets	13	25,511,265	11,800,956
		259,483,455	281,635,941
Assets and disposal groups classified as held for sale	15	34,750,812	67,283,089
Total current assets		294,234,267	348,919,030
Total assets		2,883,974,380	2,835,453,511
EQUITY AND LIABILITIES			
Equity			
Share capital	16	865,393,896	793,329,985
Cash flow hedging reserve	16	(43,491,357)	-
Foreign currency translation reserve	16	4,601,406	(782,574)
Retained earnings		142,411,682	600,970,019
Equity attributable to the Shareholder		968,915,627	1,393,517,430
Non-controlling interests		(651,552)	16,056,277
Total equity		968,264,075	1,409,573,707

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2015 (CONTINUED) (in thousands of tenge)

	Notes	31 December 2015	31 December 2014
Non-current liabilities			
Borrowings	17	1,174,883,855	809,015,812
Deferred tax liability	19	229,520,855	240,880,392
Constructive obligation for the benefit of Shareholder	30	48,601,265	48,601,265
Employee benefit obligation	18	28,429,598	27,178,832
Finance lease liabilities		2,183,849	2,667,615
		1,483,619,422	1,128,343,916
Total non-current liabilities			
Current liabilities			
Borrowings	17	199,754,238	45,800,422
Trade accounts payable	20	97,281,627	91,661,881
Constructive obligation for the benefit of Shareholder	30	30,188,574	29,235,914
Other taxes payable		6,629,531	7,090,368
Employee benefit obligation	18	3,254,055	2,977,924
Income tax payable		1,579,639	732,921
Finance lease liabilities		499,023	441,902
Other current liabilities	21	88,450,436	86,007,591
		427,637,123	263,948,923
Liabilities directly associated with disposal groups classified as held for sale	15	4,453,760	33,586,965
		432,090,883	297,535,888
Total current liabilities			
		1,915,710,305	1,425,879,804
Total liabilities			
		2,883,974,380	2,835,453,511
Total equity and liabilities			

B.S. Kamaliyev
Acting President

14 March 2016

M.R. Kabashev
Vice-President

14 March 2016

N.Kh. Abilova
Chief Accountant

14 March 2016

The notes below form an integral part of the consolidated financial statements.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2015 (in thousands of tenge)

	Notes	2015	2014
Continuing operations			
Revenue			
Freight transportation		629,049,742	743,243,126
Passenger transportation		71,787,391	77,386,364
Government grants		21,721,705	24,637,811
Other revenue	22	37,950,983	36,001,266
Total revenue		760,509,821	881,268,567
Cost of sales	23	(622,968,439)	(643,893,521)
Gross profit		137,541,382	237,375,046
General and administrative expenses	24	(78,452,245)	(71,326,751)
Impairment of assets	7, 9, 10, 12	(4,960,728)	(2,735,886)
Other profit and loss		885,734	3,662,888
Finance income	25	6,000,871	10,529,813
Finance costs	26	(66,170,599)	(46,980,953)
Foreign exchange loss	31	(449,940,248)	(71,978,880)
Share of (loss)/profit of associates and joint ventures	8	(12,187,711)	45,324
Gain from disposal of subsidiaries		1,512,011	821,163
(Loss)/profit before tax		(465,771,533)	59,411,764
Income tax benefit/(expenses)	19	7,955,960	(21,104,620)
(Loss)/profit for the year from continuing operations		(457,815,573)	38,307,144
Discontinued operations			
Loss for the year from discontinued operations	15	(2,166,136)	(4,750,353)
(Loss)/profit for the year		(459,981,709)	33,556,791
Other comprehensive income/(loss) net of tax:			
<i>Items that will not be reclassified subsequently to profit or loss:</i>			
Remeasurement of defined benefit obligations		174,318	(257,013)
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Net fair value loss on hedging instruments entered into for cash flow hedges		(43,491,357)	-
Exchange differences on translating foreign operations		5,391,426	(638,493)
Other comprehensive loss for the year		(37,925,613)	(895,506)
Total comprehensive (loss)/income for the year		(497,907,322)	32,661,285
(Loss)/profit for the year attributable to:			
Shareholder		(460,875,531)	30,397,462
Non-controlling interests		893,822	3,159,329
		(459,981,709)	33,556,791
Total comprehensive (loss)/income for the year attributable to:			
Shareholder		(498,808,660)	29,501,956
Non-controlling interests		901,338	3,159,329
		(497,907,322)	32,661,285
(Loss)/earnings per share from continuing and discontinued operations (in whole tenge)	27	(937)	62
(Loss)/earnings per share from continuing operations (in whole tenge)	27	(932)	71

B.S. Kamaliyev
Acting President

14 March 2016

M.R. Kabashev
Vice-President

14 March 2016

N.Kh. Abilova
Chief Accountant

14 March 2016

The notes below form an integral part of the consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2015 (in thousands of tenge)

	Notes	2015	2014
Cash flows from operating activities:			
(Loss)/profit for the year		(459,981,709)	33,556,791
Income tax (benefit)/expense recognized in profit or loss including discontinued operations	15, 19	(6,881,118)	22,791,364
Adjustments for:			
Depreciation and amortization		107,519,344	101,196,715
Finance costs	15, 26	66,506,639	47,361,597
Impairment of assets		4,940,387	2,941,923
Finance income	15, 25	(6,077,255)	(10,786,274)
Defined benefit plan costs		4,605,250	3,253,396
Share of loss/(profit) of associates and joint ventures	8	12,187,711	(45,324)
Allowance for doubtful debts		10,638,658	3,305,303
Foreign exchange loss		449,570,560	72,166,751
Gain on disposal of subsidiaries		(1,512,011)	(821,163)
Gain on disposal of discontinued operations	15	(1,096,611)	-
Other		3,121,682	(880,547)
Operating income before changes in working capital and other balances		183,541,527	274,040,532
Change in trade accounts receivable		(66,756)	6,421,688
Changes in inventories		3,464,520	2,588,921
Change in other current and non-current assets (including non-current VAT recoverable)		(7,037,335)	(1,911,612)
Changes in trade accounts payable		(20,800,383)	9,033,940
Changes in other taxes payable		18,657,442	(21,100,706)
Change in other current liabilities		(14,721,747)	(11,624,102)
Change in employee benefit obligations		(2,955,062)	(2,063,208)
Change in other non-current liabilities		1,352,587	500
Cash generated from operations		161,434,793	255,385,953
Interest paid		(59,115,772)	(43,109,409)
Interest received		5,471,074	4,488,927
Income tax paid		(4,766,768)	(8,727,135)
Net cash flows from operating activities		103,023,327	208,038,336
Cash flows from investing activities:			
Purchase of property, plant and equipment, including advances paid		(209,055,211)	(353,536,388)
Purchase of intangible assets		(1,395,471)	(2,164,560)
Proceeds from disposal of other non-current assets		8,607,778	-
Investments in associates	8	(3,645,194)	(14,813,614)
Cash invested in other financial assets		(79,035,388)	(78,032,351)
Proceeds from sale of other financial assets		86,986,193	85,107,717
Dividends received from joint ventures		1,358,688	516,517
Net cash inflows from disposal of subsidiaries and discontinued operations		17,947,051	1,812,114
Other		644,520	1,104,382
Net cash flows used in investing activities		(177,587,034)	(360,006,183)

**CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR
ENDED 31 DECEMBER 2015 (CONTINUED) (in thousands of tenge)**

	Notes	2015	2014
Cash flows from financing activities:			
Contributions to share capital	16	68,338,937	79,000,000
Proceeds from borrowings		81,879,893	149,596,234
Repayments of borrowings		(77,708,027)	(54,290,098)
Proceeds from sale of derivative financial instrument		327,008	-
Dividends and distributions paid		(306,471)	(5,170,372)
Purchase of asset held for the benefit of the Shareholder		(18,069,308)	(15,065,475)
Repayments of finance lease		(602,523)	(560,226)
Net cash flows from financing activities		53,859,509	153,510,063
Net (decrease)/increase in cash and cash equivalents			
Cash and cash equivalents at the beginning of the year	14	(20,704,198)	1,542,216
Effects of exchange rate changes on the balance of cash held in foreign currencies		89,964,767	85,855,902
		5,642,952	2,566,649
Cash and cash equivalents at the end of the year	14	74,903,521	89,964,767
Non-cash transactions:			
Trade accounts payable and receivable arising from disposal of subsidiaries		23,539,128	-
Additions to construction-in-progress arising from disposal of subsidiaries		12,562,464	-
Advances paid and received arising from disposal of subsidiaries		8,978,155	-
Additions of property, plant and equipment for the borrowing funds directly transferred by bank to supplier		4,971,503	20,797,846
Settlement of loans given by non-current assets		3,671,032	-
Railway administrations receivables and payables offset		3,505,050	2,982,329

B.S. Kamaliyev
Acting President

14 March 2016

M.R. Kabashev
Vice-President

14 March 2016

N.Kh. Abilova
Chief Accountant

14 March 2016

The notes below form an integral part of the consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2015 (in thousands of tenge)

	Share capital	Additional paid-in capital	Cash flow hedging reserve	Foreign currency translation reserve	Retained earnings	Equity attributable to the shareholder	Non-controlling interests	Total equity
At 1 January 2014	683,932,991	30,000,000	-	(144,081)	601,316,737	1,315,105,647	14,065,376	1,329,171,023
Profit for the year	-	-	-	-	30,397,462	30,397,462	3,159,329	33,556,791
Other comprehensive loss for the year	-	-	-	(638,493)	(257,013)	(895,506)	-	(895,506)
Total comprehensive (loss)/income for the year	-	-	-	(638,493)	30,140,449	29,501,956	3,159,329	32,661,285
Shares issue (Note 16)	109,396,994	(30,000,000)	-	-	-	79,396,994	-	79,396,994
Dividends declared (Note 16)	-	-	-	-	(16,165,051)	(16,165,051)	(1,170,372)	(17,335,423)
Other distributions (Note 16)	-	-	-	-	(24,659,207)	(24,659,207)	-	(24,659,207)
Other contributions (Note 16)	-	-	-	-	10,337,091	10,337,091	-	10,337,091
Acquisition of subsidiaries	-	-	-	-	-	-	1,944	1,944
At 31 December 2014	793,329,985	-	-	(782,574)	600,970,019	1,393,517,430	16,056,277	1,409,573,707
At 1 January 2015	793,329,985	-	-	(782,574)	600,970,019	1,393,517,430	16,056,277	1,409,573,707
(Loss)/profit for the year	-	-	-	-	(460,875,531)	(460,875,531)	893,822	(459,981,709)
Other comprehensive (loss)/income for the year	-	-	(43,491,357)	5,383,980	174,248	(37,933,129)	7,516	(37,925,613)
Total comprehensive (loss)/income for the year	-	-	(43,491,357)	5,383,980	(460,701,283)	(498,808,660)	901,338	(497,907,322)
Shares issue (Note 16)	72,063,911	-	-	-	-	72,063,911	-	72,063,911
Dividends declared (Note 16)	-	-	-	-	(4,559,619)	(4,559,619)	(6,471)	(4,566,090)
Other distributions (Note 16)	-	-	-	-	(952,660)	(952,660)	-	(952,660)
Other contributions (Note 16)	-	-	-	-	7,167,201	7,167,201	-	7,167,201
Disposal of subsidiaries (Note 15)	-	-	-	-	-	-	(13,389,698)	(13,389,698)
Change in ownership share in subsidiaries without loss of control	-	-	-	-	488,024	488,024	(4,712,998)	(3,724,974)
At 31 December 2015	865,393,896	-	(43,491,357)	4,601,406	142,411,682	968,915,627	(651,552)	968,264,075

B.S. Kamaliyev
Acting President
14 March 2016

M.R. Kabashev
Vice-President
14 March 2016

N.Kh. Abilova
Chief Accountant
14 March 2016

The notes below form an integral part of the consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015 (in thousands of tenge unless otherwise is stated)

1. GENERAL INFORMATION

«Kazakhstan Temir Zholy» National Company JSC (the «Company») was organized in Kazakhstan in accordance with Resolutions of the Government of the Republic of Kazakhstan (the «Government») for the purpose of establishing a holding company for the Government's railway industry assets. The Company was registered on 15 May 2002. The consolidated financial statements include the results of the operations of the Company, and its wholly controlled subsidiaries (collectively, the "Group"). The address of the Company's registered office is 6 D. Kunayev St., Astana, 010000, the Republic of Kazakhstan.

The Government represented by Samruk-Kazyna National Welfare Fund JSC is the sole shareholder of the Company (the «Shareholder»).

The Group operates a Government regulated nationwide railway system providing freight transportation, passenger transportation and maintenance of railway infrastructures within the Republic of Kazakhstan. As part of the regulation of the rail industry in Kazakhstan, the Government sets the tariffs, which the Group charges its freight and passenger customers, as well as partially subsidizes certain passenger transportation activities through government grants. These regulated tariffs differ based on the type of transportation provided. The tariff for freight transportation in international transit direction is not regulated by the Government.

The Government of Kazakhstan approved a tariff for 2016-2020 for railway network services with annual tariff increase of 4%. The previous increase in tariffs was set by the Government from 1 January 2014 by an average of 7% for freight transportation and passenger transportation for international, interregional and inter-district directions. There were no changes to tariffs in 2015.

The Group historically financed large investment projects through the capital contributions received from the Government, and loans, in addition to cash flows from operating activities. As at 31 December 2015, the Group's loans of 199,754,238 thousand tenge are payable within twelve months of the reporting date, including Eurobonds of 120,045,700 thousand tenge payable in May 2016. The Group has assessed its needs for cash, including its debts liabilities and its development plans, and believes that there will be sufficient cash flows from operations, along with available cash to finance its obligations (Note 31).

Emerging markets such as Kazakhstan are subject to different risks than more developed markets, including economic, political and social, and legal and legislative risks. Laws and regulations affecting businesses in Kazakhstan continue to change rapidly, tax and regulatory frameworks are subject to varying interpretations. The future economic direction of Kazakhstan is heavily influenced by the fiscal and monetary policies adopted by the government, together with developments in the legal, regulatory, and political environment.

Because Kazakhstan produces and exports large volumes of oil and gas, its economy is particularly sensitive to the price of oil and gas on the world market. During 2014-2015 and then in the first quarter of 2016, the oil price decreased significantly, which led to significant decrease in national export revenue. On 20 August 2015, the Government and the National Bank of Kazakhstan announced a transition to a new monetary policy based on free-floating tenge exchange rate, and cancelled the currency corridor. In 2015, tenge depreciated significantly against major foreign currencies.

Management of the Group is monitoring developments in the current environment and taking measures it considered necessary in order to support the sustainability and development of the Group's business in the foreseeable future. However, the impact of further economic developments on future operations and financial position of the Group is at this stage difficult to determine.

2. BASIS OF PREPARATION

Statement of compliance

The Group's consolidated financial statements have been prepared in accordance with International Financial Reporting Standards («IFRS») as issued by the International Accounting Standards Board («IASB»).

Going concern

The consolidated financial statements have been prepared on a going concern basis. This assumes the sale of assets and settlement of liabilities in the normal course of business in the foreseeable future. As at 31 December 2015, current liabilities of the Group exceeded its current assets by 137,856,616 thousand tenge. In assessing its going concern basis, the management have considered the Group's financial position, expected future performance, its borrowings, available credit facilities and its capital expenditure commitments, considerations of tariffs, currency exchange rates and other risks facing the Group. After making appropriate enquiries, management consider that the Group has adequate resources to continue in operational existence and settle its liabilities and that the going concern basis is appropriate in preparing these consolidated financial statements.

Basis for measurement

The consolidated financial statements have been prepared on the historical cost basis, except for certain financial instruments that are measured at revalued amounts or fair values at the end of each reporting period.

Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and entities controlled by the Company and its subsidiaries listed in Note 29. The Company's investments in which it has significant influence are accounted for using the equity method. All intragroup transactions, balances, and unrealized gains and losses are eliminated on consolidation.

Functional and presentation currency

The Group's consolidated financial statements are presented in Kazakhstan tenge («tenge» or «KZT»). The assets and liabilities of foreign operations, where the functional currency is different to tenge, are translated into tenge at the exchange rate effective at the reporting date and the profit and loss items are translated into tenge at the weighted-average exchange rate for the year. Exchange rate differences arising on translation are recorded directly to other comprehensive income. Upon disposal of a foreign operation, all of the accumulated exchange differences related to that specific foreign operation are recognized in profit or loss.

The tenge is not a fully convertible currency outside the Republic of Kazakhstan. Transactions in currencies other than the Group's functional currency (foreign currencies) are recorded at the market rate ruling at the date of the transaction using market rates, fixed by the Kazakhstan Stock Exchange («KASE»). For foreign currencies which are not quoted by KASE, the exchange rates are calculated by the National Bank of Kazakhstan using cross-rates to the US Dollar («USD» or «US\$») in accordance with quotations received from Reuters.

Monetary assets and liabilities that are denominated in foreign currencies are translated to the entity's functional currency at the exchange rate effective at the reporting date with all differences arising from a change in exchange rates subsequent to the date of a transaction recognized in profit or loss. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

The following table summarizes the foreign currency exchange rates for tenge at:

	31 December 2015	31 December 2014
US Dollar	340.01	182.35
Swiss Franc	343.48	184.64
Russian Ruble	4.61	3.17

3. SIGNIFICANT ACCOUNTING POLICIES

Adoption of new and revised standards

The Group has early applied the amendments to IAS 1 Presentation of Financial Statements, which are effective for annual periods beginning on and after 1 January 2016.

In particular, the Group reconsidered:

- disclosed information in terms of application of materiality, since the inclusion of immaterial information may obscure the usefulness of disclosed material financial information;
- significant accounting policies for disclosure of particular transactions and events specific to the Group when those policies are selected from alternatives allowed in IFRSs.

The Group believes that the amendments will increase the quality, understandability and usefulness of the consolidated financial statements.

The Group has not early applied other standards, amendments and interpretations, which have been issued, but not effective.

Management of the Group anticipates that the application of IFRS 9 Financial Instruments in the future may have an impact on amounts reported in respect of the Group's financial assets and financial liabilities. However, it is not practicable to provide a reasonable estimate of the effect of IFRS 9 until a detailed review has been completed.

Management of the Group also anticipates that the application of IFRS 15 Revenue from Contracts with Customers in the future may have a significant impact on amount and timing of revenue recognition. However, it is not practicable to provide a reasonable estimate of the effect of IFRS 15 until a detailed review has been completed.

Management of the Group anticipates that the application of IFRS 16 Leases in the future may have a significant impact on the amount of assets and liabilities due to recognition of all leases for contracts where the Group is a lessee. However, it is not practicable to provide a reasonable estimate of the effect of IFRS 16 until a detailed review has been completed.

For other Standards, amendments and Interpretations effective starting on and after 1 January 2016, management anticipates that application of those Standards, amendments and Interpretations will not have a material effect of the consolidated financial statements in the periods of their application.

Property, plant and equipment

Property, plant and equipment are stated at historical cost less any subsequent accumulated depreciation and impairment losses.

Subsequent expenditure

Maintenance expenses incurred during the useful life of the asset (regular maintenance activities to maintain the asset in a good condition) and repair expenses (technical inspections, maintenance contracts, etc.) are recorded as operating expenses.

Only those costs are capitalized which qualify for recognition as assets in accordance with provisions of IAS 16 Property, Plant and Equipment.

Construction-in-progress

Construction-in-progress comprises costs directly related to the acquisition and construction of the assets, including appropriate allocation of directly attributable variable overheads incurred during the construction. Depreciation is charged on the same basis as for other assets and commence once the asset becomes available for its intended use. Carrying value of construction-in-progress is regularly reviewed for impairment.

Borrowing costs

The Group capitalizes borrowing costs that are directly attributable to the acquisition, construction or production of qualifying assets as part of the cost of that asset.

The Group capitalizes the borrowing costs on generally used borrowings to the extent that it uses them for the purpose of obtaining a qualifying asset. The capitalization rate is the weighted average of the borrowing costs applicable to the borrowings of the entity that are outstanding during the period and used for construction and production of a qualifying asset, other than borrowings made specifically for the purpose of obtaining a qualifying asset.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization.

Borrowing costs also include the exchange differences arising from loans in foreign currencies to the extent to which they are considered to be an interest expense adjustment. The exchange difference amount capitalized as an interest expense adjustment must not exceed the interest expense amount, which would be capitalized by the Group if the loan were received in the local currency. Any excess of exchange difference is recognized in profit or loss.

All other borrowing costs, including any excess exchange differences, are recognized in profit or loss in the period in which they are incurred.

Inventories

Inventories are valued at the lower of cost or net realizable value. Costs comprise of charges incurred to bring the inventory to its present location and condition for its intended use. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and costs necessary to make the sale. Inventory is valued on a weighted-average cost basis.

Equity

Share capital

Common shares are classified as equity. Costs directly attributable to the issue of new shares, other than on a business combination, are shown as a deduction from the proceeds in equity. All non-cash contributions to share capital are assessed at fair value as at the date of the contribution by an independent appraiser.

Consideration received for common shares yet to be legally registered is recognized as additional paid-in capital until such time as the common shares are registered, when such proceeds are transferred to share capital.

Other contributions

The Group enters into equity transactions with the Shareholder, such as transfer of assets, benefits from below market interest loans and others that would not relate to acquisition of additional equity interest in the Group. The Group recognizes such transactions in retained earnings.

Other distributions

Distributions are recognized in equity when the Group has irrevocably committed to transfer cash or non-cash assets to its Shareholder/ultimate Shareholder and the amount of the commitment can be reliably measured. Distributions are recognized in equity at their fair value, net of any related deferred tax effects, where appropriate.

Financial instruments

Financial instruments are contracts that give rise to a financial asset of one party and a financial liability or equity instrument of another party.

Financial instruments are recognized initially at fair value, which is the amount of consideration that would be agreed upon in an arm's length transaction between willing parties.

Subsequent measurement depends on how the financial instruments have been classified. Accounts receivable and investments, classified as loans and receivables, are measured at amortized cost, using the effective interest method. Certain equity investments, classified as available for sale, are recognized at cost as fair value cannot be reliably established. Accounts payable, accrued liabilities, borrowings, dividends payable and other liabilities, classified as other liabilities, are also measured at amortized cost.

Hedge accounting

The Group designates certain hedging instruments, which include derivatives, embedded derivatives and non-derivatives in respect of foreign currency risk, as either fair value hedges, cash flow hedges, or hedges of net investments in foreign operations. Hedges of foreign exchange risk on firm commitments are accounted for as cash flow hedges.

At the inception of the hedge relationship, the entity documents the relationship between the hedging instrument and the hedged item, along with its risk management objectives and its strategy for undertaking various hedge transactions. Furthermore, at the inception of the hedge and on an ongoing basis, the Group documents whether the hedging instrument is highly effective in offsetting changes in fair values or cash flows of the hedged item attributable to the hedged risk.

Cash flow hedges

The effective portion of changes in the fair value of financial instruments that are designated and qualify as cash flow hedges is recognized in other comprehensive income and accumulated under the heading of cash flow hedging reserve. The gain or loss relating to the ineffective portion is recognized immediately in profit or loss, and is included in the 'finance costs' line item.

Amounts previously recognized in other comprehensive income and accumulated in equity are reclassified to profit or loss in the periods when the hedged item affects profit or loss, in the same line as the recognized hedged item.

Hedge accounting is discontinued:

- a) when the Group revokes the hedging relationship,
- b) when the hedging instrument expires or is sold, terminated, or exercised, or
- c) when it no longer qualifies for hedge accounting.

Any gain or loss recognized in other comprehensive income and accumulated in equity at that time remains in equity and is recognized when the forecast transaction is ultimately recognized in profit or loss. When a forecast transaction is no longer expected to occur, the gain or loss accumulated in equity is recognized immediately in profit or loss.

Recognition of revenue

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Group and measured based upon the fair value of the consideration received or receivable.

In respect of services related to transportation, revenue is recognized by reference to the stage of completion of the transportation at the reporting date provided that the stage of completion of the transportation and the amount of revenue can be measured reliably. The extent of completion of the cargo transportation process is calculated as the ratio of services volume, provided as at the reporting date to the total services volume according to information on the dates of cargo departure and arrival (intersection of joint station).

Prepayments received from customers relating to transportation services that have not been initiated are recognized as «Advances received from customers». Upon commencement of the services, the amount related to that service is reclassified to deferred income under the «Other current liabilities» caption in the consolidated statement of financial position. Deferred income is credited to revenue as the service is provided.

Revenue relating to services for the use of wagons is recognized in the period of use of the Group's wagons.

In respect to the sale of goods, revenue is recognized when the goods are delivered and titles have passed, at which time all of the following conditions are satisfied:

- the Group has transferred to the buyer the significant risks and rewards of ownership of the goods;
- the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be reliably measured;
- it is probable that the economic benefits associated with the transaction will flow to the Group; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Government grants

The Group is eligible to receive a subsidy, in the form of a Government grant, for a portion of the costs of transporting passengers on socially important routes within the Republic of Kazakhstan, as defined by the Government. The Group, along with other railway companies in the Republic of Kazakhstan, submits an application for these grants to the Government on an annual basis. If awarded the contract, the Group is eligible for a subsidy of the costs to transport passengers on the socially important routes within the Republic of Kazakhstan up to a pre-budgeted amount, which is determined by the Government.

Government grants are recognized in profit or loss in the period in which the transportation is provided to the passengers at the reduced tariffs set by the Government when there is reasonable assurance that the Group will comply with the conditions attaching to the grants and the collection of the grant funds can be reasonably assured.

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

The preparation of the consolidated financial statements in conformity with IFRS requires management to make judgments and use estimates and assumptions that affect the reported amounts of assets and liabilities at the reporting date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Although these estimates are based on historical experience and other factors that are considered to be relevant, events or actions may mean that actual results ultimately differ from those estimates.

Critical judgements in applying accounting policies

The following are the critical judgements, apart from those involving estimations, that management have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognized in the consolidated financial statements.

Control assessment

Control over KazAutoZhol National Company JSC

On 29 January 2015, the Group and the Committee of state property and privatization of the Ministry of Finance of the Republic of Kazakhstan (the «Committee») entered into a trust management agreement of 100% state-owned shares of KazAutoZhol National Company JSC, which is owned by the Ministry of Transport and Communications of the Republic of Kazakhstan. The Group has not recognized KazAutoZhol National Company JSC as a subsidiary, as the Group is acting as an agent and does not control this entity, exercising its decision making authority delegated to the Group by the Committee for and on behalf of the Committee. This agreement does not entitle the Group to any returns from operations of KazAutoZhol National Company JSC.

Control over Aktau International Sea Commercial Port National Company JSC

Aktau International Sea Commercial Port National Company JSC is recognized as a subsidiary of the Group (Note 29), although the Group does not legally own shares in Aktau International Sea Commercial Port. The Group assessed whether it has control over Aktau International Sea Commercial Port, considering all relevant facts and circumstances arising from a trust management agreement concluded with Samruk-Kazyna National Welfare Fund JSC, the legal owner, in respect of its 100% ownership interest in Aktau International Sea Commercial Port. The Group concluded that it controls Aktau International Sea Commercial Port. In reaching this judgment, management of the Group considered the broad power granted to the Group by the Shareholder, which gives the Group the practical ability to unilaterally direct the relevant activities of Aktau International Sea Commercial Port to affect its returns to the Group.

Control over airports

The Group and the Committee of the state property and privatization of the Ministry of Finance of the Republic of Kazakhstan (hereinafter referred to as the «Committee») have entered into an agreement on the trust management of 100% state-owned shares of joint-stock companies Kokshetau Aircompany, Petropavlovsk International Airport, Astana International Airport, Kostanay International Airport and Shymkent Airport, which are owned by the Ministry of Transport and Communications of the Republic of Kazakhstan. The Group has not recognized the airports as subsidiaries as the Group is acting as an agent and does not control these airports. This agreement does not entitle the Group to any returns from the operating activities of the airports.

Control over Khorgos International Centre of Boundary Cooperation JSC

The Group entered into a trust management agreement with the Committee in respect of 100% equity interest in JSC Khorgos International Centre of Cross-border Cooperation (hereinafter, «Khorgos»), a state-owned company. The Group has not recognized Khorgos as a subsidiary as the Group is acting as an agent, exercising decision-making authority for and on behalf of the Committee, and does not control the entity. This agreement does not entitle the Group to any returns from the operating activities of Khorgos.

Control over Tulpar-Talgo LLP

The Group, represented by the subsidiary Remlocomotive JSC, owns 99.99% interest in Tulpar-Talgo LLP.

On 15 May 2015, the Group and Patentes Talgo S.L.U., sole founder of Talgo Kazakhstan S.L., entered into a preliminary agreement on sale of 51% of the shares in Tulpar Talgo LLP, under which the Group received an advance of 23,000 thousand euro (4,661,410 thousand tenge). The agreement provides certain conditional clauses, including the Shareholder's approval of the transaction by the stated date, reimbursement of financial consequences of changes in euro exchange rate against tenge, as well as an increase in the purchase price of passenger coaches delivered in 2015 or later in the case of growth of the exchange rate of euro against tenge, which resulted in increased costs for the production of these passenger coaches. Since these terms have not been met yet as at 31 December 2015, the transaction is considered as incomplete, therefore the Group continues to exercise control over Tulpar Talgo LLP. Meanwhile, management considers the sale transaction as highly probable. Accordingly, it classifies the subsidiary within disposal group classified as held for sale.

Loans at a rate below the market interest rate

The Group receives loans from the Shareholder/Ultimate Shareholder at a rate below the market rate of interest for similar loans in arm's length transactions. These loans are initially recognized at the fair value of the consideration received less directly attributable transaction costs. The Group calculates the fair value (amortized cost) of these loans using market rates on governmental long-term treasury bonds with comparable maturities and recognizes an adjustment to the loan value (less the related deferred tax) within equity. When no comparable maturities exist, the Group extrapolates the most comparable market rates to the life of the loan received by the Group. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortized cost using the effective interest method.

Key sources of estimation uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Fair value measurements

Some of the Group's assets and liabilities are measured at fair value for financial reporting purposes. In estimating the fair value of an asset or a liability, the Group uses market-observable data to the extent it is available. Where Level 1 inputs are not available, the Group engages third party qualified appraisers to perform the valuation.

Information about the valuation techniques and inputs used in determining the fair value of various assets and liabilities are disclosed in Notes 15 and 31.

Impairment of tangible and intangible assets

At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss.

The assessment of whether there is an indication of impairment is based on a number of factors, such as change in expectations of growth in the railway industry, estimates of future cash flows, changes in the future availability of financing, technological obsolescence, discontinuance of service, current replacement costs and other changes in circumstances.

If any such indication exists, the recoverable amount of the asset is estimated and compared to the carrying amount of the asset. If the carrying amount exceeds the recoverable amount, an impairment is recorded. The recoverable amount is the greater of fair value less cost to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate (adjusted WACC) that management believes reflects the current market assessment of the time value of money and the risks specific to the assets.

Due to existing indicators, the Group performed an impairment test as at 31 December 2015.

Management of the Group considered all segments as a single cash-generating unit (CGU) for the purposes of the impairment testing as under the current operating model of the Group the cash flows for each segment are not considered to be sufficiently independent. The Government of Kazakhstan as a sole shareholder of the Company has approved a privatization plan of certain entities of the Group, which, if realized, would result in a new scheme of interaction among the various business units within the group, and would include development of the new tariff system. Due to absence of approved detailed plans, these possible developments have not been taken into account for the purposes of the current year impairment testing. Subsequent changes in identification of the cash generating units may affect the carrying value of the Group's assets.

Additionally, there are a number of subjective factors that are necessarily incorporated into impairment review, both operational and financial, using the best evidence available.

The operational considerations used in the test reflect the most likely volume of transportation services based on historical data and forecasted demand, as well as government's development plan for transportation and logistics industry in Kazakhstan.

The financial assumptions include significant estimates associated with forecasted level and growth rate of tariffs, discounts, as well as forecasted tenge to US Dollar exchange rate. The key long-term assumptions used in calculation were the annual growth in tariffs of 4%, the exchange rate of 400 tenge per 1 USD and the pre-tax discount rate of 12.52%. These assumptions related to cash flow projections in real terms.

As at 31 December 2015, no impairment has been identified based on the estimate of the value in use of the Group's property, plant and equipment. However, the value in use estimate is sensitive to the following assumptions: discount rate, the appropriate level of sustainable maintenance costs, variable costs coefficients and a forecasted tenge to US Dollar exchange rate. Adverse changes to the planned growth rates of cargo and passenger traffic associated with the general trends in the economy, lack of appropriate indexation of tariffs to inflation, the continuing volatility of tenge against foreign currencies, the level of government support, as well as adverse changes in other factors in the future may lead to significant impairment losses in the period in which they occur.

Recoverability of VAT

At each reporting date, the Group assesses the recoverability of VAT arising on sales to customers on international transportation. The Group cannot charge VAT onwards to these customers, and accordingly can only receive these amounts through a collection from the tax authorities. In assessing the recoverability of the VAT recoverable, the Group considers information from its internal tax department regarding projected collection of VAT, correspondence with government tax authorities, and historical recovery experience. The actual amount of VAT recovered could differ materially from the Group's estimate and this could materially affect future operating results.

Depreciation of property, plant and equipment and amortization of intangible assets

Depreciation of property, plant and equipment and intangible assets is computed using the straight-line method over estimated useful lives. The estimates of useful lives, residual values and methods of depreciation are reviewed at each reporting date, and adjusted if appropriate. Any changes are accounted for prospectively as a change in accounting estimate. Estimates of the useful lives and residual value of these assets are based on the expected economic use, repair and maintenance programs, and volume of activity, technological advancements and other business conditions and may require significant future expenditures in order to maintain the property to a high level. If these assumptions were to change, it could result in significantly different depreciation amounts than those previously recorded.

The estimated useful lives used by the Group presented are as follows (in years):

Buildings and construction	10-140
Railway infrastructure	5-100
Machinery and equipment	3-35
Transport	4-40
Other	2-50
Intangible assets	1-10

Taxation

Kazakhstan legislative acts and regulations are not always clearly written. Instances of inconsistent opinions between local, regional and national tax authorities are possible. Where additional taxes are imposed by the tax authorities, penalties and interest applied are significant; penalties are generally assessed at 50% of the additional taxes accrued, and interest is assessed at 13.75% of taxes not settled on a timely basis. As a result, penalties and interest can exceed the amount of additional accrued taxes.

Because of the uncertainties disclosed above, the ultimate amount of taxes, penalties and interest, if any, imposed may be in excess of the amount expensed to date and accrued as at 31 December 2015. Any difference between the estimated amount and the actual amount paid, if any, could have a significant impact on future operating results.

5. CHANGES IN CLASSIFICATION AFFECTING COMPARATIVE INFORMATION

For the purpose of better presentation of information and understandability of the financial statements, the Group reclassified certain items in the consolidated statement of financial position. Accordingly, the comparative amounts as at 31 December 2014 have been restated.

Effect on the consolidated statement of financial position

	<u>As previously reported</u>	<u>Reclassifications</u>	<u>As restated</u>
At 31 December 2014			
Non-current assets			
Derivative financial instrument	4,001,783	(4,001,783)	-
Other non-current financial assets	-	4,001,783	4,001,783
Total non-current assets	2,486,534,481	-	2,486,534,481
Current assets			
VAT recoverable	-	70,938,553	70,938,553
Restricted cash	734,044	(734,044)	-
Derivative financial instrument	676,213	(676,213)	-
Other current financial assets	38,077,081	676,213	38,753,294
Other current assets	82,005,465	(70,204,509)	11,800,956
Total current assets	348,919,030	-	348,919,030
Non-current liabilities			
Borrowings	355,121,763	453,894,049	809,015,812
Debt securities issued	453,894,049	(453,894,049)	-
Other non-current liabilities	48,601,265	(48,601,265)	-
Constructive obligation for the benefit of Shareholder	-	48,601,265	48,601,265
Total non-current liabilities	1,128,343,916	-	1,128,343,916
Current liabilities			
Borrowings	42,676,856	3,123,566	45,800,422
Current portion of debt securities issued	3,123,566	(3,123,566)	-
Other taxes payable and obligatory payments to budget	8,100,811	(8,100,811)	-
Other taxes payable	-	7,090,368	7,090,368
Constructive obligation for the benefit of Shareholder	-	29,235,914	29,235,914
Other current liabilities	114,233,062	(28,225,471)	86,007,591
Total current liabilities	297,535,888	-	297,535,888

Additionally, to bring its presentation of the consolidated statement of profit or loss and other comprehensive income in line with the accounting policy of the Shareholder, the Group recognized tax expenses, which are directly related to the production of goods, works and services (except for income tax), within the cost of sales account. The Group also reclassified assets impairment provisions from general and administrative expenses to the separate item of consolidated statement of profit or loss and other comprehensive income.

In December 2015, the Group, through its subsidiary Kaztemirtrans JSC, terminated the contract of ownership sale in Kazakhstan Wagon Construction Company LLP (hereinafter – «KWCC LLP»). Selling the asset in its current state is no longer assessed as highly probable. As KWCC LLP no longer meets the criteria for assets classified as held for sale, the Group reclassified the items of income and expense related to KWCC LLP as part of continuing operations. Consequently, the amounts for the year ended 31 December 2014 have also been restated.

Effect on the consolidated statement of profit or loss and other comprehensive income

	As previously reported	Taxes	Assets impairment provisions	Selling expenses	Discontinued operations	As restated
2014						
Other revenue	35,979,278	-	-	-	21,988	36,001,266
Total revenue	881,246,579	-	-	-	21,988	881,268,567
Cost of sales	(634,172,853)	(9,712,762)	-	-	(7,906)	(643,893,521)
Gross profit	247,073,726	(9,712,762)	-	-	14,082	237,375,046
General and administrative expenses	(82,344,029)	9,712,762	1,571,080	-	(266,564)	(71,326,751)
Selling expenses	(26,614)	-	-	26,614	-	-
Finance income	10,521,364	-	-	-	8,449	10,529,813
Finance costs	(46,702,065)	-	-	-	(278,888)	(46,980,953)
Foreign exchange loss	(71,699,687)	-	-	-	(279,193)	(71,978,880)
Impairment of property, plant and equipment	(1,164,806)	-	1,164,806	-	-	-
Impairment of assets	-	-	(2,735,886)	-	-	(2,735,886)
Other profit and loss	3,620,763	-	-	(26,614)	68,739	3,662,888
Profit before tax	60,145,139	-	-	-	(733,375)	59,411,764
Income tax expense	(21,086,274)	-	-	-	(18,346)	(21,104,620)
Profit from continuing operations	39,058,865	-	-	-	(751,721)	38,307,144
Loss from discontinued operations	(5,502,074)	-	-	-	751,721	(4,750,353)
Profit for the year	33,556,791	-	-	-	-	33,556,791
Earnings per share from continuing and discontinued operations (in whole tenge)	73	-	-	-	(2)	71

The Group reclassified impairment of assets expenses in the non-cash adjustments in the consolidated statement of cash flows and grouped other immaterial items.

Effect on the consolidated statement of cash flows

	As previously reported	Assets impairment provisions	Other reclassifications	As restated
2014				
Allowance for non-recoverable value added tax	803,000	(803,000)	-	-
Loss from impairment of property, plant and equipment	1,173,221	(1,173,221)	-	-
Allowance for obsolete and slow-moving inventories	181,310	(181,310)	-	-
Allowance for doubtful debts	4,089,695	(784,392)	-	3,305,303
Impairment of assets	-	2,941,923	-	2,941,923
Recovery of provision on legal claims	(420,576)	-	420,576	-
Loss on disposal of property, plant, and equipment and other non-current assets	465,565	-	(465,565)	-
Unused vacation provision expense	978,687	-	(978,687)	-
Other	(1,904,223)	-	1,023,676	(880,547)
Net cash flows from operating activities	208,038,336	-	-	208,038,336
Proceeds from disposal of property, plant and equipment and other non-current assets	460,401	-	(460,401)	-
Purchase of other non-current assets	(655,078)	-	655,078	-
Acquisition of subsidiaries, less cash and cash equivalents acquired	656,881	-	(656,881)	-
Proceeds from sale of available for sale investments	642,178	-	(642,178)	-
Other	-	-	1,104,382	1,104,382
Net cash flows used in investing activities	(360,006,183)	-	-	(360,006,183)

6. SEGMENT INFORMATION

The Group's operating segments are based on the services provided. The Group has two reportable segments, namely cargo transportation and passenger transportation. All other operating segments including mainly communication services, utilities services, loading and unloading services and vessels servicing, which in aggregate do not exceed quantitative thresholds for disaggregation, are thus not separately disclosed.

The Chief Operating Decision Maker («CODM») of the Group monitors multiple measures of segment profitability for the Group's operating segments, such as profit before taxation, profit for the year and gross profit. However, profit for the year from continuing operations is the primary measure used by the CODM for the purpose of resource allocation and assessment of segment performance.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015 (CONTINUED) (in thousands of tenge unless otherwise is stated)

The Group does not have a specified pricing policy for inter-segmental sales, however in general intersegment transactions are charged at prevailing market prices.

	For the year ended 31 December 2015				
	Cargo transportation	Passenger transportation	Total reportable segments	Other	Total
Key operating measures					
Revenue					
Transportation	656,811,366	73,755,616	730,566,982	-	730,566,982
Government grants	-	21,721,705	21,721,705	-	21,721,705
Other revenue	17,142,194	3,945,284	21,087,478	48,673,830	69,761,308
Intersegment revenue	(29,405,609)	(2,446,681)	(31,852,290)	(29,687,884)	(61,540,174)
Revenue	644,547,951	96,975,924	741,523,875	18,985,946	760,509,821
Cost of sales	(527,614,931)	(91,185,150)	(618,800,081)	(4,168,358)	(622,968,439)
General and administrative expenses	(67,369,185)	(4,865,439)	(72,234,624)	(6,217,621)	(78,452,245)
Impairment of assets	(3,088,728)	(1,872,000)	(4,960,728)	-	(4,960,728)
Other profit and loss	(274,483)	924,963	650,480	235,254	885,734
Finance income	4,355,188	503,864	4,859,052	1,141,819	6,000,871
Finance costs	(58,330,928)	(1,500,780)	(59,831,708)	(6,338,891)	(66,170,599)
Foreign exchange (loss)/gain	(450,383,148)	(129,861)	(450,513,009)	572,761	(449,940,248)
Share of loss of associates and joint ventures	(5,818,460)	-	(5,818,460)	(6,369,251)	(12,187,711)
Gain on disposal of subsidiaries	1,215,814	-	1,215,814	296,197	1,512,011
Loss before tax	(462,760,910)	(1,148,479)	(463,909,389)	(1,862,144)	(465,771,533)
Income tax benefit/(expenses)	9,091,984	(903,429)	8,188,555	(232,595)	7,955,960
Loss for the year from continuing operations	(453,668,926)	(2,051,908)	(455,720,834)	(2,094,739)	(457,815,573)
Other key segment information					
Additions to property, plant and equipment	238,693,032	24,146,718	262,839,750	26,318,850	289,158,600
Depreciation of property, plant and equipment	90,135,335	7,504,226	97,639,561	7,957,740	105,597,301

FOR THE YEAR ENDED 31 DECEMBER 2015 (CONTINUED)
(in thousands of tenge unless otherwise is stated)

	For the year ended 31 December 2014				
	Cargo transportation	Passenger transportation	Total reportable segments	Other	Total
Key operating measures					
Revenue					
Transportation	772,834,872	79,400,169	852,235,041	-	852,235,041
Government grants	-	24,637,811	24,637,811	-	24,637,811
Other revenue	17,086,932	3,364,481	20,451,413	45,215,446	65,666,859
Intersegment revenue	(31,372,390)	(2,569,080)	(33,941,470)	(27,329,674)	(61,271,144)
Revenue	758,549,414	104,833,381	863,382,795	17,885,772	881,268,567
Cost of sales	(545,018,124)	(93,259,757)	(638,277,881)	(5,615,640)	(643,893,521)
General and administrative expenses	(62,440,057)	(3,664,693)	(66,104,750)	(5,222,001)	(71,326,751)
(Impairment)/impairment recovery of assets	(1,581,958)	(1,192,349)	(2,774,307)	38,421	(2,735,886)
Other profit and loss	543,618	1,799,597	2,343,215	1,319,673	3,662,888
Finance income	9,230,435	258,703	9,489,138	1,040,675	10,529,813
Finance costs	(41,333,629)	(1,358,269)	(42,691,898)	(4,289,055)	(46,980,953)
Foreign exchange (loss)/gain	(71,985,504)	151,516	(71,833,988)	(144,892)	(71,978,880)
Share of profit/(loss) of associates and joint ventures	2,637,997	-	2,637,997	(2,592,673)	45,324
Gain on disposal of subsidiaries	420,326	-	420,326	400,837	821,163
Profit before tax	49,022,518	7,568,129	56,590,647	2,821,117	59,411,764
Income tax expenses	(18,915,342)	(1,513,982)	(20,429,324)	(675,296)	(21,104,620)
Profit for the year from continuing operations	30,107,176	6,054,147	36,161,323	2,145,821	38,307,144
Other key segment information					
Additions to property, plant and equipment	318,815,851	30,116,880	348,932,731	50,424,735	399,357,466
Depreciation of property, plant and equipment	86,553,273	6,898,127	93,451,400	5,994,328	99,445,728

Geographical information for the Group

The Group derives its revenues from customers in multiple geographical regions. The table below provides revenue based on customer country of domicile for each of the years ended 31 December.

Customer country of domicile	2015	2014
Kazakhstan	749,544,018	871,831,897
Russia	8,381,189	7,062,389
Other	2,584,614	2,374,281
	<u>760,509,821</u>	<u>881,268,567</u>

Substantially all of the Group's non-current assets are in Kazakhstan.

7. PROPERTY, PLANT AND EQUIPMENT

	Railway infrastructure	Buildings and construction	Machinery and equipment	Transport	Land	Other	Capital construction in progress	Total
Carrying value at 1 January 2014	599,536,660	129,817,409	189,634,185	761,688,272	3,824,436	12,905,542	282,594,924	1,980,001,428
Additions	74,258	1,048,887	1,113,399	76,496,441	663,221	407,330	304,836,444	384,639,980
Disposals	(18,782)	(1,343,687)	(2,499,041)	(4,537,856)	(77,567)	(376,749)	-	(8,853,682)
Transfer to assets of disposal groups classified as held for sale	-	(9,996,382)	(13,139,831)	(11,127,486)	(191,936)	(268,146)	(2,271,254)	(36,995,035)
Depreciation charge	(22,987,345)	(3,876,176)	(24,033,799)	(46,877,274)	-	(1,671,134)	-	(99,445,728)
Depreciation on disposal	18,426	540,952	2,384,509	3,956,722	-	360,411	-	7,261,020
Impairment (charge)/reversal	(11,730)	(154,684)	(238,957)	(397,827)	-	6,289	(367,897)	(1,164,806)
Other movements	(3,162,139)	(415,459)	7,941,251	2,352,241	(45,840)	3,341,824	(6,512,925)	3,498,953
Transfers	57,522,818	21,152,080	49,442,151	8,052,899	(197,226)	713,530	(136,686,252)	-
Carrying value at 1 January 2014	630,972,166	136,772,940	210,603,867	789,606,132	3,975,088	15,418,897	441,593,040	2,228,942,130
Cost	754,560,946	162,999,508	310,651,629	1,048,418,242	3,975,088	22,379,219	446,961,182	2,749,945,814
Accumulated depreciation and impairment	(123,588,780)	(26,226,568)	(100,047,762)	(258,812,110)	-	(6,960,322)	(5,368,142)	(521,003,684)
Carrying value at 1 January 2015	630,972,166	136,772,940	210,603,867	789,606,132	3,975,088	15,418,897	441,593,040	2,228,942,130
Additions	30,419	14,821	1,577,316	65,173,653	58,568	111,828	216,657,349	283,623,954
Disposals	(97,918)	(347,754)	(1,674,664)	(3,604,480)	(51,410)	(482,889)	-	(6,259,115)
Depreciation charge	(23,301,032)	(6,918,496)	(26,263,509)	(47,255,961)	-	(1,858,303)	-	(105,597,301)
Depreciation on disposal	78,377	208,357	1,623,946	3,131,919	-	387,164	-	5,429,763
Impairment (charge)/reversal	511,216	(1,467,711)	(184,109)	(45,773)	-	(8,325)	(795,619)	(1,990,321)
Transfer from assets of disposal groups classified as held for sale	-	3,480,070	3,047,313	21,783	7,917	54,567	-	6,611,650
Transfer to non-current assets and assets of disposal groups classified as held for sale	-	(15,001,695)	(2,583)	(168,698)	(93,757)	(2,948)	-	(15,269,681)
Other movements	(1,741,182)	16,741	3,372,039	167,759	-	1,898,269	(3,763,070)	(49,444)
Transfers	297,623,524	8,404,158	44,700,010	2,015,995	-	(21,137)	(352,722,550)	-
Carrying value at 31 December 2015	904,075,570	125,161,431	236,799,626	809,042,329	3,896,406	15,497,123	300,969,150	2,395,441,635
Cost	1,048,883,901	156,822,649	362,903,067	1,108,852,072	3,896,406	23,839,402	307,132,911	3,012,330,408
Accumulated depreciation and impairment	(144,808,331)	(31,661,218)	(126,103,441)	(299,809,743)	-	(8,342,279)	(6,163,761)	(616,888,773)

In 2015, the Group received property, plant and equipment of 50,816 thousand tenge from the ultimate shareholder/Shareholder (2014: 860,597 thousand tenge, including train stations and passenger platforms of 396,994 thousand tenge) and recognized them in the consolidated statement of changes in equity as a contribution to share capital and other contributions (Note 16).

As at 31 December 2015, capital construction in progress primarily comprises project costs for the construction of railway lines Zhezkazgan-Beineu and Arkalyk-Shubarkol of 142,091,568 thousand tenge (31 December 2014: 349,160,830 thousand tenge), the development of a railway junction at Astana station, including construction of a railway station of 54,124,453 thousand tenge (31 December 2014: 12,339,944 thousand tenge), construction of dry port and infrastructure of special economic zone «Khorgos-Eastern Gates» of 49,345,478 thousand tenge (2014: 335,446 thousand tenge).

As at 31 December 2015 and 2014, property, plant and equipment of the Group with a carrying value of 149,720,567 thousand tenge and 162,467,016 thousand tenge, respectively, was pledged as collateral for a portion of the Group's borrowings.

For the years ended 31 December 2015 and 2014, capitalized borrowing costs amounted to 5,411,762 thousand tenge and 4,457,583 thousand tenge, respectively. The average capitalization rate varied from 2.59% to 10% (2014: from 3.04% to 12%).

As at 31 December 2015 and 2014, the cost of fully depreciated property, plant and equipment which was still in use amounted to 235,488,259 thousand tenge and 208,896,610 thousand tenge, respectively.

As at 31 December 2015, the carrying value of property, plant and equipment under finance lease included in machinery and equipment and railway transport amounted to 4,161,879 thousand tenge (31 December 2014: 4,655,268 thousand tenge).

8. INVESTMENTS IN ASSOCIATES AND JOINT VENTURES

	Name	Principal activity	Place of incorporation and principal place of business	2015		2014	
				Carrying value	Share	Carrying value	Share
Associates:							
	China-Kazakhstan International Logistics Company in Lianyungang	International multimodal transportation	China	10,792,218	49%	6,063,411	49%
	Aktobe Rail and Section Mill Plant LLP	Production and sales of metal roll	Kazakhstan	-	30%	4,249,345	30%
	Continental Logistics LLP	Construction and exploitation of transportation and logistics centers	Kazakhstan	-	30%	3,538,298	30%
	Aktau Sea North Terminal LLP	Construction and exploitation of logistics, industrial and infrastructural constructions	Kazakhstan	-	40%	2,279,388	40%
	Other			106,386	25-49%	168,722	25-49%
	Total investments in associates			10,898,604		16,299,164	
Joint ventures:							
	Logistic System Management B.V.	Forwarding services, handling rolling stock, terminal service	Kazakhstan (incorporated in Netherlands)	9,887,179	50%	7,280,213	50%
	Locomotive Kurastyru Zauyty JSC	Assembly of locomotives	Kazakhstan	8,378,678	50%	9,526,378	50%
	Astyk Trans LLP	Forwarding services for grain transportation and other agricultural products by railway	Kazakhstan	3,464,364	50%	3,024,081	50%
	LLP Electrovoz kurastyru zauyty	Cargo and passenger electric locomotives production	Kazakhstan	374,392	25%	1,040,304	25%
	Other			-	50%	215,476	50%
	Total investments in joint ventures			22,104,613		21,086,452	

² The Group owns 50% in the joint venture as at 31 December 2015 and 2014, where 25% is classified as held for sale in accordance with the Group's decision to sell (Note 15).

All the above-mentioned associates and joint ventures are strategic for the Group's activities.

As at 31 December, the movement in investments in associates and joint ventures was as follows:

	<u>2015</u>	<u>2014</u>
Associates		
At 1 January	16,299,164	1,943,788
Effect of foreign currency exchange differences	4,725,013	-
Contributions to charter capital without change in ownership share	3,645,194	2,828,375
Share of loss	(13,770,767)	(630,227)
Additions	-	12,157,228
At 31 December	<u>10,898,604</u>	<u>16,299,164</u>
Joint ventures		
At 1 January	21,086,452	24,746,576
Share of profit	1,583,056	675,551
Contributions to charter capital without change in ownership share	793,793	1,336,135
Dividends	(1,358,688)	(588,558)
Transfer to disposal groups classified as held for sale (Note 15)	-	(5,083,252)
At 31 December	<u>22,104,613</u>	<u>21,086,452</u>

As at 31 December 2015, the carrying value of investments in Aktobe Rail and Section Mill Plant LLP, Continental Logistics LLP and Aktau Sea North Terminal LLP decreased to zero. The unrecognized Group's share of loss in these entities amounted to 7,211,794 thousand tenge.

During 2015, the Group, represented by its subsidiary Remlocomotive JSC, made an additional cash contribution of 1,453,994 thousand tenge to Aktobe Rail and Section Mill Plant LLP. In addition, the Group, represented by its subsidiaries KTZ Express JSC and Aktau International Sea Commercial Port National Company JSC, made an additional cash contribution of 1,643,400 thousand tenge and 547,800 thousand tenge, respectively, to Aktau Sea North Terminal LLP.

During 2015, the Group, represented by its subsidiary Kaztemirtrans JSC, made an additional contribution by non-current assets to Astyk Trans LLP of 708,288 thousand tenge (2014: 1,336,135 thousand tenge) with the other joint venture party contributing non-current assets of the same value.

Summary financial information for the Group's material investments in associates as at 31 December and for the years then ended was as follows:

	2015				2014			
	China-Kazakhstan International Logistics Company in Lianyungang	Aktobe Rail and Section Mill Plant LLP	Continental Logistics LLP	Aktau Sea North Terminal LLP	China-Kazakhstan International Logistics Company in Lianyungang	Aktobe Rail and Section Mill Plant LLP	Continental Logistics LLP	Aktau Sea North Terminal LLP
Current assets	3,616,003	8,608,842	1,747,351	12,351,231	6,269,756	2,074,073	9,708,411	10,842,666
Non-current assets	18,718,986	74,672,980	31,239,237	22,763,567	6,913,194	54,785,380	6,745,894	2,424,664
Total assets	22,334,989	83,281,822	32,986,568	35,114,798	13,182,950	56,859,453	16,454,305	13,267,330
Current liabilities	310,054	13,516,573	11,703,912	3,642,958	808,642	5,121,060	4,659,979	7,568,859
Non-current liabilities	-	90,419,983	22,227,605	33,301,562	-	37,573,911	-	-
Total liabilities	310,054	103,936,556	33,931,517	36,944,520	808,642	42,694,971	4,659,979	7,568,859
Net assets	22,024,935	(20,654,734)	(944,949)	(1,829,722)	12,374,308	14,164,482	11,794,326	5,698,471
Group's ownership interest	49%	30%	30%	40%	49%	30%	30%	40%
Group's share of net assets	10,792,218	(6,196,420)	(283,485)	(731,889)	6,063,411	4,249,345	3,538,298	2,279,388
Carrying amount of investments	10,792,218	-	-	-	6,063,411	4,249,345	3,538,298	2,279,388
Revenue	811,478	674,032	944,524	-	402,055	-	-	-
(Loss)/profit for the year and total comprehensive (loss)/income	7,743	(39,665,865)	(12,739,277)	(13,006,193)	9,509	(1,697,941)	(205,673)	(73,529)
Group's recognized share of total comprehensive (loss)/income of associate	3,794	(5,703,339)	(3,538,298)	(4,470,588)	4,659	(509,382)	(61,702)	(29,412)

Summary financial information for the Group's material investments in joint ventures as at 31 December and for the years then ended was as follows:

	2015				2014			
	Logistic System Management B.V	Locomotive Kurastyru Zauyty JSC	Astyk Trans LLP	Electrovoz kurastyru zauyty LLP	Logistic System Management B.V	Locomotive Kurastyru Zauyty JSC	Astyk Trans LLP	Electrovoz kurastyru zauyty LLP
Current assets, including	11,028,571	15,528,088	8,749,928	48,265,560	4,950,645	29,032,928	5,699,863	19,248,894
Cash and cash equivalents	4,037,034	219,368	1,267,603	127,326	1,125,010	118,760	198,016	3,300,589
Non-current assets	10,831,288	15,939,512	1,225,593	17,476,854	11,110,299	16,124,788	2,633,252	15,599,696
Total assets	21,859,859	31,467,600	9,975,521	65,742,414	16,060,944	45,157,716	8,333,115	34,848,590
Current liabilities, including	4,590,978	11,166,252	2,948,695	57,986,857	3,892,362	19,839,073	2,284,954	15,857,629
Current financial liabilities (excluding trade and other payables and provisions)	112,593	6,049,971	-	8,838,498	162,825	4,311,099	-	1,559,645
Non-current liabilities, including	842,192	1,275,619	98,098	6,257,990	955,825	3,997,514	-	14,829,745
Non-current financial liabilities (excluding trade and other payables and provisions)	450,370	-	-	-	715,107	2,108,422	-	8,545,863
Total liabilities	5,433,170	12,441,871	3,046,793	64,244,847	4,848,187	23,836,587	2,284,954	30,687,374
Net assets	16,426,689	19,025,729	6,928,728	1,497,567	11,212,757	21,321,129	6,048,161	4,161,216
Group's ownership interest at year end	50%	50%	50%	25%	50%	50%	50%	25%
Group's share of net assets of joint ventures	8,213,345	9,512,865	3,464,364	374,392	5,606,379	10,660,565	3,024,081	1,040,304
Goodwill	1,673,834	-	-	-	1,673,834	-	-	-
Fair value adjustment of the remaining interest	-	(1,134,187)	-	-	-	(1,134,187)	-	-
Carrying amount of investments	9,887,179	8,378,678	3,464,364	374,392	7,280,213	9,526,378	3,024,081	1,040,304
Revenue	41,446,291	20,712,393	16,596,757	16,988,700	44,483,979	16,860,729	9,296,040	23,986,141
(Loss)/profit for the year and total comprehensive (loss)/income	5,213,931	(2,466,409)	2,181,365	(2,663,647)	2,883,246	(346,288)	3,108,424	(3,001,342)
Group's recognized share of total comprehensive (loss)/income of joint ventures	2,606,966	(1,233,205)	1,090,683	(665,912)	1,441,623	(173,144)	1,554,212	(1,500,671)

9. OTHER NON-CURRENT ASSETS

	31 December 2015	31 December 2014
Advances to suppliers for property, plant and equipment	67,150,813	121,811,497
VAT recoverable	27,178,359	35,005,242
Assets for sale to the Government	12,977,064	12,905,735
Loans given to employees	7,205,444	2,357,445
Prepaid expenses	4,323,531	-
Residential properties	1,766,689	20,895,758
Other	1,897,449	296,655
	<u>122,499,349</u>	<u>193,272,332</u>
Less: allowance for advances to suppliers for property, plant and equipment	(2,452,512)	(2,088,169)
Less: allowance for non-recoverable VAT	(20,199,445)	(18,327,445)
	<u>99,847,392</u>	<u>172,856,718</u>

As at 31 December, advances to suppliers for property, plant and equipment comprised the following:

	31 December 2015	31 December 2014
Construction of Zhezkazgan-Beineu and Arkalyk-Shubarkol railway lines	14,686,212	36,118,004
Supply of locomotives	12,864,944	30,311,060
Construction of dry port and infrastructure at Khorgos-Eastern Gates Special Economic Zone	4,154,798	21,364,520
Construction of a railway station in Astana	-	3,716,582
Other	35,444,859	30,301,331
	<u>67,150,813</u>	<u>121,811,497</u>

As at 31 December 2015 and 2014, non-current VAT recoverable represents amounts that arose from the purchases of goods, services, and property, plant and equipment and are expected to be recovered in more than one year.

Assets for sale to the Government

In 2011, the ultimate Shareholder issued the Company with a decree in which it requested that the Company should sell certain assets constructed within railway lines construction projects at a price yet to be agreed. The sale is expected to occur in 2017 at a price not less than the carrying value of the related assets. In these consolidated financial statements, such assets have been presented within other non-current assets. As at 31 December 2015, the carrying value of assets for sale to the Government is 12,977,064 thousand tenge (2014: 12,905,735 thousand tenge).

10. INVENTORIES

	<u>31 December 2015</u>	<u>31 December 2014</u>
Materials and supplies	10,764,000	9,476,025
Spare parts	7,056,514	8,247,164
Fuel	6,512,774	9,676,511
Upper railway components	2,946,970	4,383,572
Construction materials	869,095	1,351,208
Finished goods	485,040	576,934
Work in process	307,422	424,333
Other	782,127	1,015,781
Less: allowance for obsolete and slow-moving inventories	(408,647)	(336,613)
	<u>29,315,295</u>	<u>34,814,915</u>

11. TRADE ACCOUNTS RECEIVABLE

	<u>31 December 2015</u>	<u>31 December 2014</u>
Trade accounts receivable	21,017,888	12,881,564
Less: allowance for doubtful debts	(11,264,107)	(5,232,322)
	<u>9,753,781</u>	<u>7,649,242</u>
Current portion of trade accounts receivable	9,616,182	7,649,242
Non-current portion of trade accounts receivable	137,599	-
	<u>9,753,781</u>	<u>7,649,242</u>

The movements in the allowance for doubtful debts for the years ended 31 December were as follows

	<u>2015</u>	<u>2014</u>
Allowance for doubtful debts at the beginning of the year	(5,232,322)	(4,658,654)
Provided for during the year	(6,174,680)	(1,284,515)
Transfer to disposal groups classified as held for sale	-	192,801
Written-off during the year against previously created allowance	142,895	517,393
Transfer to other current assets (Note 13)	-	653
Allowance for doubtful debts at the end of the year	<u>(11,264,107)</u>	<u>(5,232,322)</u>

As at 31 December, analysis of age of trade accounts receivables that are past due but not impaired were as follows:

	<u>Total</u>	<u>Not past due and not impaired</u>	<u>Past due but not impaired</u>		
			<u>Less than 90 days</u>	<u>From 90 to 120 days</u>	<u>More than 120 days</u>
2015	9,753,781	9,657,932	-	4,811	91,038
2014	7,649,242	7,513,475	-	95,180	40,587

12. OTHER FINANCIAL ASSETS

	<u>31 December 2015</u>	<u>31 December 2014</u>
Amounts in credit institutions (short-term financial investments)	39,705,096	38,077,081
Loans given	2,502,804	-
Derivative financial instrument	-	4,677,996
Less: allowance on loans given	(562,131)	-
	<u>41,645,769</u>	<u>42,755,077</u>
Current portion of other financial assets	41,466,840	38,753,294
Non-current portion of other financial assets	178,929	4,001,783
	<u>41,645,769</u>	<u>42,755,077</u>

As at 31 December 2015, loans given are mainly represented by loans in tenge given to joint venture, Locomotive Kurastyru Zauyty JSC.

Amounts in credit institutions:

	<u>31 December 2015</u>	<u>31 December 2014</u>
Ratings from BBB-(Baa3) till BB-(Ba3)	349,592	50,000
Ratings from B+(B1) till B-(B3)	39,355,504	37,839,261
Ratings from C(C) till D(D)	-	187,820
	<u>39,705,096</u>	<u>38,077,081</u>

As at 31 December 2015, weighted average interest rate on amounts in credit institutions comprised 5.32% in US Dollars and 13.99% in tenge (2014: 4.57% in US Dollars, 6.68% in tenge).

Amounts in credit institutions as at 31 December were denominated in the following currencies:

	<u>31 December 2015</u>	<u>31 December 2014</u>
US Dollars	39,593,209	29,608,320
Tenge	111,887	8,468,761
	<u>39,705,096</u>	<u>38,077,081</u>

13. OTHER CURRENT ASSETS

	<u>31 December 2015</u>	<u>31 December 2014</u>
Other taxes prepaid	8,874,213	3,589,074
Claims, fines and penalties	7,667,593	5,286,620
Advances paid	4,644,594	3,189,532
Prepaid expenses	4,028,963	882,509
Restricted cash	2,393,520	734,044
Receivables from employees	1,448,224	621,446
Other	6,595,196	4,304,897
	<u>35,652,303</u>	<u>18,608,122</u>
Less: allowance for doubtful debts	<u>(10,141,038)</u>	<u>(6,807,166)</u>
	<u><u>25,511,265</u></u>	<u><u>11,800,956</u></u>

The movements in the allowance for doubtful debts related to advances paid and other current assets for the years ended 31 December were as follows:

	<u>2015</u>	<u>2014</u>
Allowance for doubtful debts at the beginning of the year	(6,807,166)	(7,291,735)
Provided for the year	(3,605,099)	(1,770,332)
Written off during the year against previously created allowance	274,679	1,232,086
Transfer to disposal groups classified as held for sale	(3,452)	864,282
Transfer to other non-current assets	-	159,186
Transfer from trade accounts receivable (Note 11)	-	(653)
Allowance for doubtful debts at the end of the year	<u><u>(10,141,038)</u></u>	<u><u>(6,807,166)</u></u>

14. CASH AND CASH EQUIVALENTS

	<u>31 December 2015</u>	<u>31 December 2014</u>
Cash in current accounts in tenge	35,443,413	49,164,829
Cash in current accounts in US Dollars	7,394,554	7,328,185
Cash in current accounts in other currencies	2,070,226	2,327,662
Short-term bank deposits in tenge	20,254,433	27,553,056
Short-term bank deposits in US Dollars	2,663,862	154,998
Petty cash	11,641	23,488
	<u>67,838,129</u>	<u>86,552,218</u>
Cash included in disposal groups classified as held for sale	<u>7,065,392</u>	<u>3,412,549</u>
	<u><u>74,903,521</u></u>	<u><u>89,964,767</u></u>

As at 31 December 2015, weighted average interest rate on cash on current accounts comprised 7.12% in tenge, 0.37% in US Dollars and 1.97% in other currencies (31 December 2014: 1.26%, 1.69% and 0.16%, accordingly).

Short-term bank deposits in tenge and in foreign currency are placed for varying periods of up to three months depending on the Group's immediate cash requirements. As at 31 December 2015, weighted average interest rate on short-term bank deposits comprised 37.34% in tenge and 5.21% in US Dollars (31 December 2014: 12.91% in tenge and 0.04% in US Dollars).

15. NON-CURRENT ASSETS, ASSETS AND LIABILITIES OF DISPOSAL GROUPS CLASSIFIED AS HELD FOR SALE AND DISCONTINUED OPERATIONS

In July 2014, as part of the Government privatization plan for 2014-2016, the Shareholder approved a list of the Group's subsidiaries, associates and joint ventures subject to disposal to private investors.

The complex plan of privatization for 2016-2020 years was approved by the Government of the Republic of Kazakhstan in December 2015. As at 31 December 2015, management of the Group has not approved the updated list of the Group's subsidiaries, associates and joint ventures subject to disposal (Note 32).

As at 31 December 2015 and 2014, assets and liabilities of the subsidiaries satisfying criteria of non-current assets held for sale were classified as disposal groups in the consolidated financial statements.

Tulpar-Talgo LLP

In May 2015, the Group, represented by its subsidiary Remlocomotive JSC, entered into a preliminary agreement for the sale of 51% of the shares in Tulpar-Talgo LLP, under which the Group received an advance of 23,000 thousand euro (4,661,410 thousand tenge). The agreement provides certain conditional clauses, including the Shareholder's approval of the transaction by the stated date, reimbursement of financial consequences relating to changes in the euro exchange rate against tenge, as well as an increase in the purchase price of passenger coaches delivered in 2015 or later in the case of growth of the exchange rate of euro against tenge, which resulted in increased costs for the production of these passenger coaches.

As at 31 December 2015, the conditions are not met due to administrative delays and the transaction is considered as incomplete. However, management believes that main condition will be fulfilled and the transaction will be completed during 2016.

Administrative building «Emerald Quarter»

In December 2015 the Group entered into an agreement with a third party relating to the sale of the administrative building «Emerald Quarter» for the amount of 24,300,000 thousand tenge including VAT. The Group classified the administrative building of 15,062,484 thousand tenge as a non-current asset held for sale.

Assets classified as held for sale, assets and liabilities of disposal groups are as follows:

	As at 31 December 2015			As at 31 December 2014				Total
	Tulpar-Taligo LLP	Other	Total	Subsidiaries of Kamkor Repair Corporation LLP	KWCC LLP	Tulpar-Taligo LLP	Other	
Assets								
Property, plant and equipment	-	357,185	357,185	29,864,361	6,792,387	-	338,287	36,995,035
Intangible assets	-	1,049	1,049	374,472	197,463	-	1,661	573,596
Other non-current assets	-	-	-	8,067	126,221	-	26,088	160,376
Inventories	-	40,767	40,767	9,133,271	263,176	-	65,689	9,462,136
Trade accounts receivable	-	34,049	34,049	1,234,340	540	-	26,134	1,261,014
Other current assets	-	15,648	15,648	2,277,887	566,221	-	21,597	2,865,705
Cash and cash equivalents	-	124,472	124,472	2,767,070	45,270	-	39,406	2,851,746
Assets of newly acquired subsidiary	18,074,855	-	18,074,855	-	-	11,174,091	-	11,174,091
Total assets of disposal groups classified as held for sale	18,074,855	573,170	18,648,025	45,659,468	7,991,278	11,174,091	518,862	65,343,699
Transfer from investments in joint ventures	-	1,040,303	1,040,303	-	-	-	1,040,303	1,040,303
Administrative building 'Emerald Quarter'	-	15,062,484	15,062,484	-	-	-	-	-
Other	-	-	-	-	-	-	899,087	899,087
Total non-current assets classified as held for sale	-	16,102,787	16,102,787	-	-	-	1,939,390	1,939,390
Total non-current assets and assets of disposal groups classified as held for sale	18,074,855	16,675,957	34,750,812	45,659,468	7,991,278	11,174,091	2,458,252	67,283,089
Liabilities								
Loans	-	-	-	2,746,444	2,140,705	-	-	4,887,149
Employee benefit obligations	-	20,183	20,183	1,412,695	36,463	-	68,697	1,517,855
Deferred tax liabilities	-	13,720	13,720	2,344,508	-	-	14,170	2,358,678
Trade accounts payables	-	19,668	19,668	13,332,815	3,541,103	-	106,104	16,980,022
Other taxes	-	21,208	21,208	1,949,820	19,037	-	34,491	2,003,348
Other non-current liabilities	-	-	-	170,168	-	-	-	170,168
Other current liabilities	-	34,703	34,703	3,307,217	202,106	-	94,335	3,603,658
Liabilities of newly acquired subsidiary	4,344,278	-	4,344,278	-	-	2,066,087	-	2,066,087
Total liabilities of disposal groups classified as held for sale	4,344,278	109,482	4,453,760	25,263,667	5,939,414	2,066,087	317,797	33,586,965
Net assets of disposal group	13,730,577	-	-	20,395,801	2,051,864	9,108,004	-	-

Discontinued operations

The Group has presented the results of operations of subsidiaries of Kamkor Repair Corporation LLP and Tulpar-Talgo LLP in the consolidated statement of profit or loss and other comprehensive income as discontinued operations.

On 4 May 2015, the Group sold its ownership interest in the subsidiaries of Kamkor Repair Corporation LLP to a third party, based on the sale and purchase agreement of the ownership interest in subsidiaries dated 31 December 2014.

The assets and liabilities of disposed subsidiaries of Kamkor Repair Corporation LLP are presented as follows at the date of disposal:

	As at 4 May 2015
Assets	
Property, plant and equipment	30,096,095
Intangible assets	374,472
Other non-current assets	20,520
Inventories	13,317,926
Trade accounts receivable	22,074,751
Other current assets	10,737,214
Cash and cash equivalents	4,218,292
Total assets of disposal groups classified as held for sale	80,839,270
Liabilities	
Loans	4,083,755
Employee benefit obligations	1,412,695
Deferred tax liabilities	2,365,327
Trade accounts payables	18,332,427
Other taxes	1,586,450
Other non-current liabilities	94,147
Other current liabilities	24,642,312
Total liabilities of disposal groups classified as held for sale	52,517,113
Net assets of disposal group	28,322,157

Net cash inflows relating to the disposal of subsidiaries of Kamkor Repair Corporation LLP are as follows:

	2015
Consideration received	16,029,070
Less cash and cash equivalents disposed of	(4,218,292)
Net cash inflow	11,810,778

The results of the discontinued operations were as follows:

	2015		
	Subsidiaries of Kamkor Repair Corporation LLP	Tulpar-Talgo LLP	Total
Revenue	1,410,052	-	1,410,052
Cost of sales	(454,820)	-	(454,820)
General and administrative expenses	(1,514,943)	(1,681,547)	(3,196,490)
Other income and expenses	34,906	(91,585)	(56,679)
Finance income	41,442	34,942	76,384
Finance cost	(97,911)	(238,129)	(336,040)
Foreign exchange gain	42,433	327,255	369,688
Loss before tax	(538,841)	(1,649,064)	(2,187,905)
Income tax expenses	(750,700)	(324,142)	(1,074,842)
Loss from discontinued operations for the year	(1,289,541)	(1,973,206)	(3,262,747)
Consideration from disposed subsidiaries	16,029,070	-	16,029,070
Disposed net assets	(28,322,157)	-	(28,322,157)
Disposed non-controlling interest	13,389,698	-	13,389,698
Income on disposed subsidiaries:	1,096,611	-	1,096,611
Loss from discontinued operations for the period	(192,930)	(1,973,206)	(2,166,136)
Basic loss per share (in tenge)	(2)	(3)	(5)
	2014		
	Subsidiaries of Kamkor Repair Corporation LLP	Tulpar-Talgo LLP	Total
Revenue	3,975,307	-	3,975,307
Cost of sales	(2,006,069)	-	(2,006,069)
General and administrative expenses	(5,408,678)	277,257	(5,131,421)
Loss from impairment of assets	(8,415)	-	(8,415)
Other income	344,518	74,525	419,043
Finance income	256,461	-	256,461
Finance costs	(380,644)	-	(380,644)
Foreign exchange (loss)/gain	(193,294)	5,423	(187,871)
(Loss)/profit before tax	(3,420,814)	357,205	(3,063,609)
Income tax expenses	(1,686,744)	-	(1,686,744)
(Loss)/profit from discontinued operations for the year	(5,107,558)	357,205	(4,750,353)
Basic (loss)/earning per share (in tenge)	(10)	1	(9)

The cash flows from discontinued operations of subsidiaries of Kamkor Repair Corporation LLP are presented as follows:

	2015	2014
Net cash inflows from operating activities	739,594	306,571
Net cash outflows from investing activities	(678,487)	(2,056,034)
Net cash inflows/(outflows) from financing activities	1,392,687	(3,906,946)
Net cash inflows/(outflows)	1,453,794	(5,656,409)

16. EQUITY

Share capital as at 31 December 2015 and 2014 comprised the following:

	Number of shares authorized	Number of shares issued and paid	Share capital, in thousands of tenge
At 1 January 2014	502,040,458	491,297,819	683,932,991
New shares issued	-	330,200	109,396,994
At 31 December 2014	502,040,458	491,628,019	793,329,985
At 1 January 2015	502,040,458	491,628,019	793,329,985
New shares issued	-	3,070,025	72,063,911
At 31 December 2015	502,040,458	494,698,044	865,393,896

The Company's initial share capital was established through a series of share issuances in exchange for either cash or property, plant and equipment or shares. The Shareholder is entitled to dividends, a part of the Company's property in the event of liquidation, and preference in purchasing the Company's shares or other securities convertible into the Company's shares.

Contributions

Contributions to share capital

During 2015, additions to share capital were as follows:

- an issue of 361,907 shares for which cash of 36,190,700 thousand tenge was received. This capital was received to finance construction of Zhezkazgan-Beineu and Arkalyk-Shubarkol railway lines;
- an issue of 67,000 shares for which cash of 6,700,000 thousand tenge was received. This capital was received for completion of the project «Completion of construction Borzhaty-Yersai railway lines»;
- an issue of 48,000 shares for which cash of 4,800,000 thousand tenge was received. This capital was received for completion of the project «Construction of ferry in village Kyryk»;
- an issue of 83,000 shares for which cash of 8,300,000 thousand tenge was received. This capital was received for completion of the project «Construction of second railway lines on sector Shu-Altmy 1»;
- an issue of 2,472,492 shares for which cash of 12,348,237 thousand tenge was received. This capital was received for completion of the project «Construction of second railway lines on sector Shu-Altmy 1» и «Creation and complex development of special economic zone «Korgos-Eastern Gates»;
- an issue of 37,626 shares for which 35% of shares in subsidiary Kazakh Academy of Transport and Communications named after M.Tynyshpaev JSC for the total amount of 3,724,974 thousand tenge were received (Note 29).

During 2014, additions to share capital were as follows:

- (a) a transfer from additional paid-in capital to share capital to reflect legal registration for the issue of 30,000 of shares for which a cash contribution of 30,000,000 thousand tenge was received in 2013;
- (b) an issue of 299,500 shares in total for which cash of 79,000,000 thousand tenge was received during 2014. This capital was received to finance construction of Zhezkazgan-Beineu and Arkalyk-Shubarkol railway lines; and
- (c) an issue of 700 shares for which passengers platforms and train stations valued at 396,994 thousand tenge were received of (Note 7).

Other contributions

Other contributions during the years ended 31 December were as follows:

	<u>2015</u>	<u>2014</u>
Property, plant and equipment by the Company	50,816	463,603
Property, plant and equipment received by subsidiaries	-	171,989
Benefit recognized for the loans received at below market rate of interest	<u>7,116,385</u>	<u>9,701,499</u>
	<u><u>7,167,201</u></u>	<u><u>10,337,091</u></u>

During 2015, the Company received property, plant and equipment valued at 50,816 thousand tenge (2014: 463,603 thousand tenge) for which no shares were issued in exchange.

During 2014, the Group, through its subsidiary, Kaztransservice JSC, received from the Government a long-term right for the use of land plots of 171,989 thousand tenge.

During 2014, a fair value adjustment to loans of 8,895,481 thousand tenge (2014: 12,126,873 thousand tenge) less deferred tax of 1,779,096 thousand tenge (2014: 2,425,374 thousand tenge) was recognized (Note 17).

These contributions were recognized directly in the Group's retained earnings.

Foreign currency translation reserve

Foreign currency translation reserve is used for accounting of exchange differences occurred due to recalculation of financial statements of structural subdivisions of subsidiaries, joint ventures and associates of the Company, whose functional currency is not tenge and whose financial statements are included in the consolidated financial statements of the Group.

Cash flow hedging reserve

Cash flow hedging reserve includes effect of cash flow hedging for accounting of any gains or losses at fair value related to revenue denominated in foreign currency.

On 7 August 2015, the Group performed hedging of cash flows to decrease the risk of changes in tenge equivalent revenues denominated in Swiss Francs. The principal amounts of Eurobonds issued on 20 June 2014 on Swiss stock exchange and maturing on 20 June 2019 and 2022 are used as the hedging instruments, which are separately identifiable and reliably estimated. A highly probable forecasted revenue stream relating to the transit transportation in Swiss francs (in particular, first sales received in the period from 1 January to 20 June 2019 and 2022) is the hedged item in this hedging relationship.

In order to confirm the highly probable transactions, the Group used available historical cash flows from transit traffic in Swiss francs, sufficient infrastructure and advantageous geographical location for transit traffic. The Group is a monopolist in terms of access to the mainline railway network and dominant in freight transportation.

Hedging effectiveness is assessed at each reporting date using prospective and retrospective tests, and at the time of recognition of the hedging relationship using prospective test, and on the hedging closing date using retrospective test.

Prospective effectiveness test is carried out by comparing the fair value of the hedging instrument to the fair value of the cash flows of the hedged item.

Retrospective effectiveness test is carried out by comparing the changes in spot rates of the hedging instrument to the fair value change based on the spot rate method of the cash flows of the hedged item on a cumulative basis for the period since the beginning of the hedge accounting and till the balance sheet date/closing date.

As at 31 December 2015, the effective part of 43,491,357 thousand tenge was recognized through other comprehensive income in the cash flow hedging reserve.

Dividends and other distributions

Dividends

During 2015, the Company declared dividends of 4,559,619 thousand tenge in respect of 2014 results (2014: 16,165,051 thousand tenge in respect of 2013 results).

As at 31 December 2015, the amount of dividends payable to the Shareholder was to 16,424,670 thousand tenge (31 December 2014: 12,165,051 thousand tenge) (Notes 21 and 30).

Other distributions

During 2015, due to an increase in the budgeted cost, the Group accepted an additional irrevocable commitment for the construction of a kindergarten in Astana and, as a result, recognized a distribution to the Shareholder of 952,660 thousand tenge, which is equal to the corresponding construction agreement.

In 2014, the Group entered into an irrevocable commitment with the Kazakhstan Government for the construction of additional facilities in the multifunctional ice palace and, as a result, additionally recognized a distribution to the Shareholder of 23,595,513 thousand tenge, which is equal to the amount of respective additional construction agreement.

During 2014, the Group accepted entered into an irrevocable commitment for construction of a kindergarten in Astana of 750,000 thousand tenge and the transfer of social facilities to the Mangistau municipality of 313,694 thousand tenge (Note 30).

17. BORROWINGS

Borrowings, including accrued interest, as at 31 December comprised the following:

	31 December 2015		31 December 2014	
	Amount	Weighted-average interest rate (%)	Amount	Weighted-average interest rate (%)
<i>Borrowings with fixed interest rate</i>				
Loans	467,861,572	8.42	364,821,941	6.85
Debt securities	852,871,232	6.36	457,017,615	6.17
<i>Borrowings with floating interest rate</i>				
Loans	53,905,289	3.78	32,976,678	3.53
	<u>1,374,638,093</u>		<u>854,816,234</u>	
Current portion of borrowings	199,754,238		45,800,422	
Non-current portion of borrowings	1,174,883,855		809,015,812	
	<u>1,374,638,093</u>		<u>854,816,234</u>	

Borrowings, excluding debt securities, are repayable as follows:

	31 December 2015	31 December 2014
Within 1 year	75,052,223	42,676,856
1 to 2 years	48,110,930	24,635,806
2 to 3 years	123,084,189	104,071,931
3 to 4 years	35,361,210	30,083,077
4 to 5 years	34,119,006	22,004,290
Over 5 years	206,039,303	174,326,659
	<u>521,766,861</u>	<u>397,798,619</u>

Borrowings as at 31 December were denominated in currencies as follows:

	<u>31 December 2015</u>	<u>31 December 2014</u>
US Dollars	916,750,198	503,748,670
Tenge	280,656,118	254,719,666
Euro	72,263,520	39,374,967
Other currencies	104,968,257	56,972,931
	<u>1,374,638,093</u>	<u>854,816,234</u>

Loans

During 2015, the Group received the following loans:

EBRD

Under the loan agreement dated 19 December 2013 with the European Bank for Reconstruction & Development («EBRD») for the total amount of 40,000,000 US Dollars on the financing of the project «Purchase and installation of the components of the energy efficiency in the stationary devices, such as heat pumps, solar collectors, effective lightening, gas boilers», the Group drew credit funds of 7,250,000 US Dollars (1,746,882 thousand tenge) during 2015.

Shareholder

On 22 July 2015, the Group entered into a loan agreement with the Shareholder for the total amount of 8,862,000 thousand tenge. This loan is granted on the renewal of rolling stock for passenger coaches at the subsidiary Passenger Transportation JSC. The loan is not secured. Interest on the loan is repayable in semi-annual instalments from 5 May 2016 at the interest rate of 0.08%. A grace period for principal amount is provided of ten years, after which payments will be made in equal annual instalments until full repayment in 2045. The Group has the right to early repay all or part of the loan as agreed with the Shareholder without premium or penalty.

The loan was granted at a below market interest rate, and the fair value of the loan was calculated based on an interest rate of 7.38%. During 2015, the Group recognized a fair value adjustment to the loan of 6,422,912 thousand tenge net of deferred tax of 1,284,582 thousand tenge with an offsetting adjustment to retained earnings.

HSBC France

In accordance with the General Framework Agreement with HSBC France, HSBC Bank Plc and HSBC Kazakhstan SB JSC, and with support from export-credit agency COFACE, concluded on 31 May 2012 for the financing of cargo and passenger electric locomotives purchase in the total amount of 880,877,000 Euro and additional agreements to them, the Group, represented by its subsidiary JSC Locomotive, drew credit funds of 18,067,239 Euro (3,732,355 thousand tenge) during 2015 (including the premium paid to COFACE). The annual effective interest rate on the loan amounted to 13.5% for the year ended 31 December 2015.

Development Bank of Kazakhstan

In accordance with the credit line agreement with Development Bank of Kazakhstan, concluded on 26 June 2014 for the total amount of 25,420,927 thousand tenge to finance the project for the construction of a hardware and software communications platform along the railway lines, the Group, represented by its subsidiary Transtelecom JSC, drew credit funds of 9,118,390 thousand tenge during 2015. The effective interest rate on the loan was 9.5% per annum for the year ended 31 December 2015.

On 31 July 2015, the Group entered into an agreement with the Development Bank of Kazakhstan for the total amount of 5,000,000 thousand tenge. The loan was granted to finance the purchase of passenger coaches for Passenger Leasing Wagon Company JSC and Passenger Transportation JSC. The loan is not secured. Interest on the loan is repayable in semi-annual instalments at the annual interest rate of 1.75%. A grace period for the principal amount is provided of ten years, after which payments will be made in equal semi-annual instalments until full repayment in 2035. The loan was granted at a below market interest rate, and the fair value of the loan was calculated based on an interest rate of 7.38%.

During 2015, the Group recognized a fair value adjustment of the loan of 2,472,569 thousand tenge net of deferred tax of 494,514 thousand tenge in retained earnings.

Eurasian Development Bank JSC

In accordance with the loan agreement on non-renewable credit line concluded on 2 April 2013 with Eurasian Development Bank JSC for realization of the project «Automated Control System Energy Dispatching Traction» for the total amount of 17,513,000 thousand tenge, the Group, represented by its subsidiary Transtelecom JSC, drew credit funds of 5,321,239 thousand tenge during 2015 with annual interest rate of 7.7%. In connection with market changes the bank increased the interest rate from 7.7% to 9% starting from 26 November 2015. A grace period for the principal amount is provided for two years, after which payments will be made in equal semi-annual instalments until full repayment in October 2020. Interest is paid semi-annually. The effective interest rate on the loan was 10.66% per annum for the year ended 31 December 2015. The loan is guaranteed by the Company.

In accordance with the credit line agreement concluded on 30 October 2014 with Eurasian Development Bank JSC for the total

amount of 7,500,000 thousand tenge to refinance the loan from Sberbank of Russia JSC for the project «Automated Control System Energy Dispatching Traction» and financing tight area equipment in Astana, the Group, represented by its subsidiary Transtelecom JSC, drew credit funds of 260,563 thousand tenge during 2015. The effective interest rate on the loan was 13.1% per annum for the year ended 31 December 2015. Loan is guaranteed by the Company.

Halyk Bank of Kazakhstan JSC

In accordance with the credit line agreement concluded with Halyk Bank JSC, during 2015, the Company borrowed short-term loans of 33,000,000 thousand tenge for replenishment of working capital at the interest rate of 12% per annum and maturity of twelve months, without collateral. Interest is paid monthly. The Company repaid the loan of 30,000,000 thousand tenge in advance.

Debt securities

Debt securities as at 31 December comprised the following:

	Maturity date	Markets	31 December 2015	31 December 2014
Eurobonds issued at price				
6.95% Eurobonds (105.521%)	10 July 2042	LSE/KASE	391,928,889	210,065,888
6.375% Eurobonds (100%)	6 October 2020	LSE	241,414,460	129,331,623
7.00% Eurobonds (98.292%)	11 May 2016	SGX-ST	120,045,700	64,206,382
3.638% Eurobonds (100%)	20 June 2022	SIX Swiss Exchange	64,696,345	34,737,623
2.59% Eurobonds (100%)	20 June 2019	SIX Swiss Exchange	34,785,838	18,676,099
Total debt securities issued			852,871,232	457,017,615
Current portion of debt securities			124,702,015	3,123,566
Long-term portion of debt securities			728,169,217	453,894,049
			852,871,232	457,017,615

On 24 July 2015, the Group entered into loan agreement with EBRD, under which the Group may draw up to 300 million US Dollars to refinance the Eurobonds maturing in 2016. As at 31 December 2015, the funds were undrawn.

Fair value of the borrowings is disclosed in Note 31.

Covenants and breach of loan agreements

The Eurobonds contain covenants that place certain limitations on the Group including, but not limited to, limitations on changes in the business and the disposal of property, limitations on mergers and consolidations with other legal entities. In the case of any payment default, or any of default as defined by the Eurobond indenture, investors are entitled to require repayment of the Eurobonds.

As at 31 December 2015, the Group negotiated with creditors to change thresholds for financial covenants in order to avoid the non-compliance on obligations to creditors. As at 31 December 2015, waivers were received on credit agreements concluded with EBRD, HSBC France and Development Bank of Kazakhstan.

On 16 November 2015, the Group, represented by its subsidiary Vostokmashzavod JSC, delayed payment of interest and principal on the loans from Halyk Bank of Kazakhstan JSC of 528,927 thousand tenge on the loans with a carrying value of 15,671,396 thousand tenge. During the period from November to December 2015 Vostokmashzavod JSC delayed payment of interest and principal on the loans in accordance with the repayment schedule of 1,130,839 thousand tenge. The delay had arisen in connection with the postponement of the investment project implementation for which these loans were drawn. As at 31 December 2015 and 2014, the loans were classified within current portion of borrowings.

18. EMPLOYEE BENEFIT OBLIGATIONS

Defined benefits scheme and other non-current employee benefits

According to certain legislation of the Republic of Kazakhstan, pension contributions are the responsibility of employees, and the Group has no current or future obligations to make payments to employees following their retirement, apart from those stipulated in the agreement with the Labor Union (see below).

Employee benefit obligations and other non-current employee benefits are payable in accordance with the Labor Union Agreement concluded between the Group and its employees for 2015-2017. Pursuant to this agreement, the Group provides the following benefits under an unfunded scheme:

- one-time retirement grant;
- annual financial support to pensioners;
- free train passenger tickets;
- funeral aid to pensioners;
- jubilees of workers and pensioners;
- financial assistance on denture treatment; and
- other benefits.

The movements in the present value of the obligations for the years ended December 31 were as follows:

	2015	2014
Total liability at the beginning of the year	30,156,756	30,227,410
Current service cost	1,258,561	1,172,037
Past service cost	635,214	567,162
Interest cost	2,064,322	1,868,199
Actuarial remeasurement recognized in other comprehensive (loss)/income	(152,951)	257,013
Benefits paid during the year	(2,951,913)	(2,063,208)
Actuarial loss/(gain) recognized in profit and loss during the year	647,973	(327,096)
Transfer to disposal groups classified as held for sale	36,463	(1,517,855)
Disposal of subsidiaries	(10,772)	(26,906)
Total liability at the end of the year	<u>31,683,653</u>	<u>30,156,756</u>
Including liabilities due within a year	3,254,055	2,977,924
Liabilities due after one year	28,429,598	27,178,832
	<u>31,683,653</u>	<u>30,156,756</u>

The total amounts recognized in profit and loss in respect to these defined benefit obligations and other long term benefits during 2015 and 2014 were as follows:

	2015	2014
Cost of sales (Note 23)	4,006,107	2,749,703
General and administrative expenses (Note 24)	599,143	363,033
Recognized in profit and loss during the year	<u>4,605,250</u>	<u>3,112,736</u>

The estimates of the Group's obligations were made based on the published statistical data regarding mortality and the actual Group's data concerning the number, age, sex and years of service of the employees and pensioners and the Group's turnover statistics. Other significant actuarial assumptions at the reporting date were as follows:

	2015	2014
Discount rate	7.29%	6.70%
The expected rate of future annual material assistance increases	5.90% (average)	4.50%
The expected rate of future annual minimum salary increases	7.20% (average)	4.50%
The expected rate of future annual railway ticket price increases	10.20% (average)	7.50%

Based on sensitivity analysis made by the actuary, the maximum increase in employee benefits obligation is 10.1%, which may result in case of inflation rate increase by 1%.

19. INCOME TAX EXPENSES

Income tax expense for the years ended 31 December comprised the following:

	2015	2014
Current income tax expense	3,403,820	1,655,405
Adjustment in respect of prior years	1,772,332	4,367,057
Deferred income tax (benefit)/expense	(13,132,112)	15,082,158
	<u>(7,955,960)</u>	<u>21,104,620</u>

A reconciliation of income tax expense applicable to profit before taxation at the statutory income tax rate to income tax expense reported in the consolidated financial statements was as follows for the years ended 31 December:

	2015	2014
(Loss)/profit before taxation from continuing operations	(465,771,533)	59,411,764
Statutory tax rate	20%	20%
Theoretical tax expense at the statutory rate	(93,154,307)	11,882,353
Tax effect of expenses/(gains) that are not deductible/(not taxable) for tax purposes:		
Adjustment in respect of previous years	1,772,332	4,367,057
Non-deductible expenses	21,957,041	3,703,632
Change in unrecognized deferred tax assets	61,468,974	1,151,578
Income tax (benefit)/expense recognized in profit or loss (relating to continuing operations)	<u>(7,955,960)</u>	<u>21,104,620</u>

Deferred tax balances calculated by applying the statutory tax rates in effect at the respective reporting dates to the temporary differences between the tax basis of assets and liabilities and the amounts reported in the consolidated financial statements, are as follows at 31 December:

	<u>31 December 2015</u>	<u>31 December 2014</u>
Deferred tax assets:		
Tax losses carried forward	97,725,451	59,550,920
Differences in accounts receivable	3,908,672	1,017,705
Accrued liabilities to employees	2,457,249	2,644,862
Adjustment to fair value of loans given	2,238,931	-
Other	344,272	1,229,276
	<u>106,674,575</u>	<u>64,442,763</u>
Deferred tax liabilities:		
Property, plant and equipment and other non-current assets	(284,778,900)	(256,489,621)
Adjustment to fair value of loans received	(49,942,550)	(48,833,534)
Prepaid expenses	(1,473,980)	-
	<u>(336,195,430)</u>	<u>(305,323,155)</u>
Total net deferred tax liabilities	<u>(229,520,855)</u>	<u>(240,880,392)</u>

	<u>2015</u>	<u>2014</u>
Net deferred income tax liability as at the beginning of the year	(240,880,392)	(225,465,889)
Recorded in profit or loss	13,132,112	(15,082,158)
Recorded in the consolidated statement of changes in equity	(1,779,096)	(2,425,374)
Transfer to liabilities of disposal groups classified as held for sale	-	2,082,419
Transfer from liabilities of discontinued operations classified as assets held for sale	25,881	-
Disposal of subsidiaries	(19,360)	7,799
Addition at business combination	-	2,811
Net deferred income tax liability as at the end of the year	<u>(229,520,855)</u>	<u>(240,880,392)</u>

The Group has not recognized deferred tax assets relating to tax losses carried forward and indexation of liabilities on intragroup loans. In management's opinion, there is no high probability that there will be sufficient taxable income available in the future against which such deferred tax assets can be utilized. The total tax effect of unrecognized tax losses carried forward as at 31 December 2015 amounted to 64,231,715 thousand tenge (31 December 2014: 2,762,741 thousand tenge). These tax losses carried forward expire in ten years from the date they were incurred.

20. TRADE ACCOUNTS PAYABLE

	<u>31 December 2015</u>	<u>31 December 2014</u>
Accounts payable for services	37,498,000	18,850,886
Accounts payable for property, plant and equipment	36,658,975	42,268,980
Accounts payable for inventory	22,823,523	30,220,420
Other accounts payable	301,129	321,595
	<u>97,281,627</u>	<u>91,661,881</u>

Trade accounts payable as at 31 December were denominated in various currencies as follows:

	2015	2014
Tenge	91,115,840	86,141,243
US Dollars	3,319,841	3,864,069
Swiss francs	481,334	354,334
Other currencies	2,364,612	1,302,235
	<u>97,281,627</u>	<u>91,661,881</u>

The average credit period taken for trade purchases is 55 days (2014: 48 days).

21. OTHER CURRENT LIABILITIES

	31 December 2015	31 December 2014
Advances received	41,227,532	33,980,380
Dividends payable (Note 16)	16,424,670	12,165,051
Unused vacation provision	11,265,432	11,712,051
Salaries payable	5,672,409	13,901,586
Deferred income	5,225,137	5,402,894
Obligatory pension and social contributions	3,971,576	4,795,270
Other liabilities	4,663,680	4,050,359
	<u>88,450,436</u>	<u>86,007,591</u>

As at 31 December 2015 and 2014, current salaries payable and other liabilities were mainly denominated in tenge.

22. OTHER REVENUE

	2015	2014
Revenue from the sale of goods and provision of other services	34,205,138	30,723,010
Penalties received	3,745,845	5,278,256
	<u>37,950,983</u>	<u>36,001,266</u>

Revenue from the sale of goods and provision of other services consists primarily of revenue from sale of loading and unloading services, vessels servicing, the sale of inventory and scrap, communication services and sales of electricity.

Penalties received represent mainly revenue earned on the assessment of penalties on the late pickup of cargo cars for breach of contract terms.

23. COST OF SALES

	2015	2014
Personnel costs, including taxes, contributions and unused vacation provision	221,317,879	235,081,510
Depreciation and amortization	101,167,501	96,798,415
Fuels and lubricants	66,084,788	97,460,902
Repair and maintenance	61,254,031	35,048,885
Services	51,628,796	53,509,070
Materials and supplies	40,531,685	49,474,274
Electricity	40,493,849	41,104,592
Taxes	13,135,123	9,874,758
Employee benefit expense (Note 18)	4,006,107	2,749,703
Utilities and building maintenance	2,619,378	2,066,419
Business trip expenses	2,369,449	3,060,364
Communication services	2,345,473	1,672,696
Insurance	2,153,006	2,008,664
Operating lease expenses	2,054,205	2,047,521
Transportation services	1,088,870	888,445
Other	10,718,299	11,047,303
	<u>622,968,439</u>	<u>643,893,521</u>

24. GENERAL AND ADMINISTRATIVE EXPENSES

	2015	2014
Personnel costs, including taxes, contributions and unused vacation provision	33,234,233	33,016,956
Property tax and other taxes	10,996,431	12,321,648
Allowances for doubtful debts	9,780,281	3,054,967
Depreciation and amortization	5,994,708	4,096,658
Consulting, audit and legal services	4,461,762	2,744,182
Business trip expenses	1,077,727	1,224,613
Bank services	922,209	819,243
Utilities and building maintenance	811,470	1,067,104
Advertising expenses	747,353	1,101,480
Employee benefit expenses (Note 18)	599,143	363,033
Materials	593,925	723,029
Charities and sponsorship	521,180	3,758,595
Other services of third parties	457,157	715,639
Social sphere objects maintenance	397,684	351,744
Expenses on holiday and cultural events	375,893	1,581,485
Professional trainings and qualifications	293,150	455,558
Repair and maintenance	247,006	247,812
Operating lease expenses	227,645	250,928
Insurance	210,895	200,329
Other	6,502,393	3,231,748
	<u>78,452,245</u>	<u>71,326,751</u>

25. FINANCE INCOME

	2015	2014
Interest income on cash and cash equivalents	3,783,951	2,553,805
Interest income on amounts in credit institutes (short-term financial investments)	1,849,215	2,504,113
Change in fair value of derivative financial asset designated as at fair value through profit or loss	-	4,677,996
Other finance income	367,705	793,899
	<u>6,000,871</u>	<u>10,529,813</u>

26. FINANCE COSTS

	2015	2014
Interest expense on borrowings	60,331,502	46,032,035
Change in fair value of derivative financial asset designated as at fair value through profit or loss	4,350,988	-
Finance leasing expense	1,323,880	948,918
Other finance cost	164,229	-
	<u>66,170,599</u>	<u>46,980,953</u>

27. EARNINGS PER SHARE

Basic earnings per share are calculated based on the weighted average number of common shares outstanding during the year. Basic and diluted per share data are the same, as there are no material dilutions.

	2015	2014
Weighted average number of common shares	492,114,758	491,363,675
(Loss)/profit for the year attributable to the owner of the Company (thousand tenge)	(460,875,531)	30,397,462
(Loss)/profit per common share (tenge)	(937)	62
(Loss)/profit for the year from continued operations attributable to the owner of the Company (thousand tenge)	(458,709,395)	35,147,815
(Loss)/profit from continued operations per common share (tenge)	(932)	71
Net assets, excluding intangible assets and non-controlling interests	955,626,787	1,380,951,130
Number of common shares in issue	494,698,044	491,628,019
Carrying value per share ² , tenge	<u>1,932</u>	<u>2,809</u>

28. FINANCIAL AND CONTINGENT LIABILITIES

Capital commitments

As at 31 December 2015, the Group had capital commitments for the construction of railway lines Zhezkazgan-Beineu and Arkalyk-Shubarkol, development of railway junction in Astana including railway station, construction of the multifunctional ice palace in Astana,

² Carrying value of shares is calculated in accordance with requirements of Kazakhshtan Stock Exchange (KASE).

construction of the dry port and objects of infrastructure of the special economic zone Khorgos-East Gate, construction of primary railway transportation communication network, acquisition of freight and passenger electric locomotives, freight and passenger wagons, diesel locomotives totaling 409,412,239 thousand tenge (31 December 2014: 555,845,899 thousand tenge). This amount includes commitments for the purchase of passenger locomotives from the joint venture, Electrovoz Kurastyru Zauyty LLP of 179,246,693 thousand tenge (31 December 2014: 168,069,016 thousand tenge) to be supplied up to 31 December 2020, locomotives from the joint venture of Locomotive Kurastyru Zauyty JSC of 41,849 thousand tenge (31 December 2014: 80,637,394 thousand tenge).

Contingent liabilities

Legal claims

The Group is subject to various legal proceedings related to business operations, such as property damage claims. The Group does not believe that pending or threatened claims of these types, individually or in aggregate, are likely to have any material adverse effect on the Group's consolidated financial position, results of operations, or cash flows.

Kazakhstan taxation contingencies

As at 31 December 2015, contingent liabilities related to Kazakhstan taxation comprised the following:

During the thematic tax audit of VAT refund carried out for the periods from 2009 to September 2010, the tax authorities revealed that VAT amounts of 3,881,862 thousand tenge claimed for refund, but not confirmed by counter check of suppliers, and assessed a penalty of 2,354,669 thousand tenge.

As at 31 December 2015, the Group did not accrue provisions for these amounts, since the Group believes that actions of tax authorities contradict tax law and the Group intends to defend its position in the court and state bodies.

Due to the uncertainties associated with the Kazakhstan tax system, the ultimate amount of taxes, penalties and interest, may be in excess of the amount expensed to date and accrued as at 31 December 2015. It is not practicable to determine the amount of any unasserted claims that may manifest, if any, or the likelihood of any unfavorable outcome.

Insurance

The insurance market is still in the early stage of development in Kazakhstan and, in common with other state-owned enterprises, the Group does not, with the exception of obligatory passenger insurance with regard to personal injury, death and loss or damage to passenger property, maintain any insurance against the risk of damage to any of its properties, assets or equipment (including infrastructure, rolling stock and stations) nor against business interruption or third party liability in respect of property or environmental damage arising from accidents to the Group's property or relating to the Group's operations. The Group maintains the required insurance coverage under policies purchased from commercial insurance operators in Kazakhstan. Прочие обязательства

Other contingencies

Guarantees

As at 31 December 2015, Guarantees comprised the following:

	Guarantee purpose	Guarantee issued date	Guarantee maturity	Guarantee amount
ATF Bank JSC	Execution of obligations on loan agreement on refinancing the loan provided on 4 August 2008 ABN Amro Bank N.V. (The Royal Bank of Scotland) for the purpose of locomotive assembly plant construction in Astana. Waiver from the creditor was received as at 31 December 2015	27 January 2011	till 2016.	95,000,000 US Dollars (32,300,950 thousand tenge)
Eurasian Development Bank	execution of obligations of the joint venture Electrovoz Kurastyru Zauyty LLP on financing construction of the plant for production of locomotives	17 September 2012	till 2022	2,370,000 thousand tenge
Development Bank of Kazakhstan JSC	Execution of obligations of the associate Aktobe Rail and Section Mill Plant LLP on financing construction of rail and section mill plant in Aktobe. Waiver on non-application of financial covenants from the creditor was received as at 31 December 2015	4 July 2013	till 2023	13,353,126 thousand tenge

As at 31 December 2015 and 2014, the Group has not recognized a liability in relation to the above listed guarantees.

29. SUBSIDIARIES

Information about the composition of the Group at the end of the reporting period is included in the following table:

Subsidiary	Nature of activities	Country of residence	Ownership share, %	
			2015	2014
1. Kaztemirtrans JSC	Operation of cargo wagons	Kazakhstan	100	100
2. Passenger Transportation JSC	Passenger transportation	Kazakhstan	100	100
3. Locomotive JSC	Locomotive haul services	Kazakhstan	100	100
4. KTZ Express JSC	Formation of transport and logistics	Kazakhstan	100	100
5. Temirzholsu JSC	Utilities	Kazakhstan	100	100
6. Remlocomotive JSC	Repair of locomotives	Kazakhstan	100	100
7. Almaty Wagon Repair Plant JSC	Repair of wagons	Kazakhstan	100	100
8. Locomotive Service Center JSC	Repair of locomotives	Kazakhstan	100	100
9. Kaztransservice JSC	Transit cargo transportation	Kazakhstan	100	100
10. Transtelecom JSC	Communication services	Kazakhstan	100	100
11. Magistal kyzmet LLP (Lesozashita LLP)	Protection of railway transportation property from unfavorable weather conditions	Kazakhstan	100	100
12. Center of Transport Service JSC	Operating of local railway lines	Kazakhstan	-	100
13. Militarized Railway Guard JSC	Security services	Kazakhstan	100	100
14. Akzhaiyk Zapad 2006 LLP	Flushing and steaming of wagons	Kazakhstan	-	100
15. Kamkor Repair Corporation LLP	Repair of railway rolling stock and mainline railway track	Kazakhstan	100	100
16. Vokzal-service JSC	Railway stations activities	Kazakhstan	100	100
17. Kazakh Academy of Transport and Communications named after M.Tynyshpaev JSC	Education, training and retraining	Kazakhstan	100	65
18. Aktau International Sea Commercial Port National Company JSC ³	Sea port services, loading, unloading vessels servicing	Kazakhstan	100	100
19. Research Institute of Transport and Communications LLP	Research and development activities	Kazakhstan	100	100

As at 31 December 2015, the process of subsidiary Akzhaiyk Zapad 2006 LLP liquidation was completed.

On 11 November 2015, the Company received from the Shareholder as a contribution to charter 35% shares in subsidiary Kazakh Academy of Transport and Communications named after M.Tynyshpaev JSC, increasing ownership in subsidiary to 100% (Note 16).

30. RELATED PARTY TRANSACTIONS

For the purposes of these consolidated financial statements, parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions. In addition, parties under common control with the Group are considered to be related. In considering each possible related party relationship, attention is directed to the substance of the relationship, and not merely the legal form.

³ In November 2013, the Shareholder transferred 100% interest in Aktau International Sea Commercial Port National Company JSC to the Group under the trust management agreement. The entity was recognised as the Group's subsidiary, while the entity is not legally owned by the Group.

Related parties may enter into transactions that might not be necessarily available to unrelated parties, and transactions between related parties may not be effected on the same terms, conditions and amounts as transactions between unrelated parties.

The nature of related party relationships for those related parties with which the Group entered into significant transactions or had significant balances outstanding as at 31 December that are not outlined elsewhere in these notes are detailed below.

		Shareholder	Associates of the Group	Joint ventures where the Group is a participant	Companies in the group of the Shareholder	Other related parties
Debt due from related parties for goods, services and non-current assets	2015	-	3,614,794	13,861,465	410,365	-
	2014	-	2,372	30,757,738	497,783	-
<i>Including allowance on doubtful debt</i>	2015	-	(3,622)	(2,131)	(1,454,035)	-
	2014	-	-	-	(18,820)	-
Debt to from related parties for goods, services and non-current assets	2015	-	1,015,857	3,590,081	1,938,274	20
	2014	-	767,560	1,859,548	3,972,894	-
Current accounts and contributions	2015	-	-	-	-	792
	2014	-	-	-	-	2,211
Restricted cash	2015	-	-	-	-	862,705
	2014	-	-	-	-	734,044
Loans given	2015	-	-	1,863,699	-	-
	2014	-	-	-	-	-
Loans received	2015	171,249,829	-	-	-	50,480,696
	2014	165,489,594	-	-	-	34,718,282
Liabilities on finance lease	2015	-	-	-	-	229,092
	2014	-	-	-	-	299,595
Dividends payable	2015	16,424,670	-	-	-	-
	2014	12,165,051	-	-	-	-

Operations with related parties for the years ended 31 December comprised the following:

		Shareholder	Associates of the Group	Joint ventures where the Group is a participant	Companies in the group of the Shareholder	Other related parties
Sale of goods, services and non-current assets	2015	-	73,706	21,811,681	24,805,368	-
	2014	-	19,568	24,367,874	30,710,872	-
Accrual of allowance on doubtful debt	2015	-	-	(5,287)	(317,258)	-
	2014	-	-	-	(1,137,450)	-
Purchase of goods, services and non-current assets	2015	-	5,581,952	30,468,830	13,639,711	1,706
	2014	-	3,460,381	39,325,573	36,617,661	1,227
Loans receipt	2015	8,862,000	-	-	-	-
	2014	18,931,411	-	-	-	-
Finance income	2015	-	-	32,810	-	-
	2014	-	-	-	3,274	-
Finance cost	2015	8,097,515	-	85,505	-	3,183,738
	2014	7,733,180	-	-	-	1,762,646
Dividends declared	2015	4,559,619	-	-	-	-
	2014	16,165,051	-	-	-	-
Contributions to charter capital	2015	72,063,911	-	-	-	-
	2014	79,396,994	-	-	-	-

As at 31 December 2015 and 2014, the Group's certain borrowings of 4,096,677 thousand tenge and 2,832,176 thousand tenge, respectively, were guaranteed by the Government of the Republic of Kazakhstan.

As at 31 December 2015, certain borrowings of the associates and joint ventures have been guaranteed by the Group (Note 28).

Transactions with the companies in the group of the Shareholder, associates and joint ventures and other related parties are mainly comprise transactions with KazMunaiGas National Company JSC (fuel), Kazakhtelecom JSC (communication services), Kazatomprom National Nuclear Company JSC (electricity), KEGOC JSC (electricity), Kazpost JSC (post services), Kazakhstan Engineering National Company JSC (engineering production) and Samruk-Energo JSC (electricity). In addition, the Group provides cargo transportation services to the associates and joint ventures of the Shareholder.

As at and for the years ended 31 December, the Group recognized constructive obligations for the construction of the following objects for the benefit of the Shareholder:

	Current liabilities			Non-current liabilities		
	Teleradio complex equipment	Mangistau municipalities	Kindergarten in Astana	Total	Ice palace	Total
As at 1 January 2014	28,238,638	965,450	-	29,204,088	25,005,752	25,005,752
Additions	-	313,694	750,000	1,063,694	23,595,513	23,595,513
Disposals	-	(1,031,868)	-	(1,031,868)	-	-
As at 31 December 2014	28,238,638	247,276	750,000	29,235,914	48,601,265	48,601,265
Additions	-	-	952,660	952,660	-	-
As at 31 December 2015	28,238,638	247,276	1,702,660	30,188,574	48,601,265	48,601,265

As at and for the years ended 31 December, the Group incurred the following costs related to the construction of the objects for the benefit of the Shareholder under abovementioned constructive obligations:

	Current assets			Non-current		
	Teleradio complex equipment	Mangistau municipalities	Kindergarten in Astana ⁴	Total	Ice palace	Total
As at 1 January 2014	28,238,638	965,450	-	29,204,088	10,757,881	10,757,881
Additions	-	313,694	511,535	825,229	13,092,791	13,092,791
Disposals	-	(1,031,868)	-	(1,031,868)	-	-
As at 31 December 2014	28,238,638	247,276	511,535	28,997,449	23,850,672	23,850,672
Additions	-	-	1,160,810	1,160,810	17,417,702	17,417,702
As at 31 December 2015	28,238,638	247,276	1,672,345	30,158,259	41,268,374	41,268,374

Compensation of key management personnel of the Group

Key management personnel comprise members of the Group's Management Board and Board of Directors and other key managers of the Company, totaling 22 persons as at 31 December 2015 (31 December 2014: 31 persons). Total amount of compensation to key management personnel, included in the personnel costs in the consolidated statement of profit or loss and other comprehensive income, comprised 743,803 thousand tenge for the year ended 31 December 2015 (31 December 2014: 767,269 thousand tenge). Compensation to key management personnel is mainly consists of expenses related to salary based on agreements, and bonuses based on operational results. Besides, key management personnel was provided with apartments with installment payment of 98,013 thousand tenge.

31. FINANCIAL INSTRUMENTS, FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES, AND FAIR VALUE OF FINANCIAL INSTRUMENTS

The Group's principal financial instruments consist of borrowings, debt securities issued (Eurobonds), finance lease liabilities, cash and cash equivalents and short-term deposits as well as trade accounts receivable and trade accounts payable. The main risks arising from the Group's financial instruments are interest rate risk, foreign currency risk and credit risk. The Group further monitors the market risk and liquidity risk arising from all financial instruments.

Capital risk management

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximizing the return to the Shareholder by optimizing the balance of debt and equity. The Group's overall strategy remains unchanged from 2014.

⁴ See Note 32

The Group's capital structure includes net debt (borrowings, debt securities and finance lease liabilities after deducting cash and cash equivalents) and equity of the Group (which comprises share capital, foreign currency translation reserve, retained earnings and non-controlling interests).

Financial risk management objectives

Management of risk is an essential element of the Group's operations. The Company monitors and manages financial risks relating to the Group's operations through internal reports on risks, which analyze the exposure to risk by the degree and size of risks. These risks include market risk (including currency risk, fair value interest rate risk and price risk), liquidity risk and cash flow interest rate risk. A description of the Group's risk management policies in relation to those risks follows.

Interest rate risk

The interest rate risk to the Group is the risk of changes in market interest rates reducing the overall return on the Group's investments and/or increasing cash outflow on its borrowings and debt securities issued. The Group limits its interest rate risk by monitoring changes in interest rates in the currencies in which its financial instruments are held, and by maintaining a balance between its loans with fixed and floating interest rates.

The Group's exposure to the interest rate risk mainly relates to the Group's borrowings with the floating interest rate.

The following table shows the sensitivity of the Group's profit before tax to the reasonably possible change in interest rates on borrowings (through the effect on the interest on borrowings with floating interest rate) with all other variables remaining constant.

	31 December 2015		31 December 2014	
	Increase/decrease in interest rates in basis points	Effect on profit before tax/equity	Increase/decrease in interest rates in basis points	Effect on profit before tax/equity
US Dollars	50/(12)	(261,435)/62,744	2/(2)	(6,560)/6,560
Tenge	50/(12)	(6,640)/1,594	-	-

Foreign currency risk

The Group undertakes transactions denominated in foreign currencies; consequently, exposures to exchange rate fluctuations arise.

A significant portion of the Group's short-term and long-term foreign currency debt is denominated in US Dollars. A change in the tenge value against the US Dollar, or any other foreign currency in which debt is denominated will result in a foreign exchange gain or loss. The Group maintains a portion of its cash and cash equivalents and other financial assets in US dollars in order to partially offset any foreign currency gain or loss on the borrowings.

The following table reflects sensitivity of the Group's profit before tax to potential changes in the exchange rate of US Dollars, Euro, Russian Rubles and other currencies, provided all other parameters are constant values.

	31 December 2015			31 December 2014		
	Increase/decrease in exchange rate	Effect on profit before tax	Effect on capital	Increase/decrease in exchange rate	Effect on profit before tax	Effect on capital
US Dollars	60%/(20%)	(519,146,138)/ 173,048,713	-	17.37%/ (17.37%)	(81,514,673)/ 81,514,673	-
Euro	60%/(20%)	(43,222,489)/ 14,407,496	-	18.36%/ (18.36%)	(7,134,983)/ 7,134,983	-
Russian Rubles	40%/(29%)	133,661/ (96,904)	-	33.54%/ (33.54%)	58,600/ (58,600)	-
Swiss francs	60%/(20%)	(32,784)/ 10,928	(59,689,310)/ 19,896,437	18.50%/ (18.50%)	(9,809,899)/ 9,809,899	-
Other currencies	60%/(20%)	(3,286,138)/ 1,095,379	-	18.50%/ (18.50%)	(644,822)/ 644,822	-

On 7 August 2015, the Group commenced cash flow hedging in order to decrease the risk of changes in tenge equivalent of revenue denominated in Swiss francs. Eurobonds issued on 20 June 2014 on the Swiss stock exchange are used as the hedging instruments. Revenue from the transit transportation in Swiss francs is the hedged item. As a result of hedging, effect of 43,491,357 thousand tenge was recognized in other comprehensive income.

On 20 August 2015, the Government and the National Bank of Kazakhstan announced a transition to a new monetary policy based on a free-floating tenge exchange rate, and cancelled the currency corridor. As a result, tenge to US Dollar exchange rate fluctuated from 187 to 350 tenge per US Dollar during the period August to December 2015. The foreign exchange loss for the year ended 31 December 2015 of 449,940,248 thousand tenge mainly occurred on the Group's debt securities issued and borrowings, as a major part of such items is denominated in foreign currency.

Credit risk

Credit risk arising from the inability of a party to meet the terms of the Group's financial instrument contracts is generally limited to the amounts, if any, by which the counterparty's obligations exceed the obligations of the Group to that party. It is the Group's policy to enter into financial instruments with a diversity of creditworthy parties. The maximum exposure to credit risk is represented by the carrying value of each financial asset.

Concentrations of credit risk may arise from exposures to a single debtor or to groups of debtors having similar characteristics such that their ability to meet their obligations is expected to be affected similarly by changes in economic or other conditions.

The Group has procedures in place to ensure that sales are only made to customers with an appropriate credit history and that an acceptable credit exposure limit is not exceeded. Credit risk is minimized by the fact that the Group operates on a prepayment basis with the majority of its customers.

The Group does not guarantee the obligations of other parties, other than those disclosed in Note 28.

Market risk

Market risk is the risk that the value of a financial instrument will fluctuate as a result of changes in market prices. The Group manages market risk through the periodic estimation of potential losses that could arise from adverse changes in market conditions.

Liquidity risk

The Group manages short-term, mid-term and long-term financing liquidity risk in accordance with requirements of the Shareholder. The Group manages the liquidity risk by maintaining adequate reserves, bank loans and accessible credit lines by constant monitoring of the projected and actual cash flows and comparison of maturities of financial assets and liabilities.

To refinance Eurobonds maturing in 2016, on 24 July 2015 the Group entered into a loan agreement with EBRD, under which the Group may draw up to 300 million US Dollars (Note 17). As at 31 December 2015, the funds were undrawn. In addition the Group plans to make placement of bonds in the local market within its registered bonds programme (Note 32), and borrow funds from Kazakhstani banks.

As at 31 December 2015, the Group has also available credit lines in credit organisations: Halyk Bank of Kazakhstan JSC, CitiBank of Kazakhstan, Eurasian Development Bank JSC and Development Bank of Kazakhstan for a total amount of 27,283,897 thousand tenge.

The remaining amount of 50 million US Dollars of Eurobonds will be settled using the Group's own funds, which are accumulated based on the approved schedule.

In addition, the Group is negotiating redemption of borrowings received from the Shareholder on purchase of passenger wagons for total amount of 49,800,000 thousand tenge by transfer of the Group's non-core assets.

The Group focuses on control over compliance with the covenants set by the Shareholder and credit/guarantee agreements on a constant basis.

As at 31 December 2015, the Group negotiated with creditors to change the thresholds for the financial covenants in order to avoid the non-compliance on obligations to creditors. As at 31 December 2015, waivers were received on credit agreements concluded with EBRD, HSBC France, Development Bank of Kazakhstan.

The following tables reflect contractual terms of the Group's financial liabilities. The table was prepared based on the undiscounted cash flows on financial liabilities based on the earliest date at which the Company can be required to pay. The table includes cash flows on both interest and principal.

	Less than 1 month	1-3 months	3 months- 1 year	1-5 years	Beyond 5 years	Total
2015						
<i>Non-interest bearing:</i>						
Trade accounts payable	64,727,938	20,731,983	11,821,706	-	-	97,281,627
Other current liabilities	-	-	4,663,680	-	-	4,663,680
<i>Interest bearing:</i>						
Borrowings	18,028,832	10,393,658	234,049,141	854,365,077	1,516,137,093	2,632,973,801
Finance lease	70,177	163,704	698,882	2,849,893	-	3,782,656
	82,826,947	31,289,345	251,233,409	857,214,970	1,516,137,093	2,738,701,764
2014						
<i>Non-interest bearing:</i>						
Trade accounts payable	59,528,624	13,767,394	18,365,863	-	-	91,661,881
Other current liabilities	-	-	4,050,359	-	-	4,050,359
<i>Interest bearing:</i>						
Borrowings	10,296,341	7,949,773	57,297,405	465,899,500	1,185,097,573	1,726,540,592
Finance lease	-	-	940,122	3,781,372	-	4,721,494
	69,824,965	21,717,167	80,653,749	469,680,872	1,185,097,573	1,826,974,326

The following table reflects expected maturities of Group's financial assets. The table was prepared based on undiscounted contractual cash flows of financial assets, including interest received on these assets, except when the Company expects the cash flow in a different period.

	Less than 1 month	1-3 months	3 months- 1 year	Beyond 1 year	Indefinite settlement term ⁵	Total
2015						
<i>Interest bearing:</i>						
Short-term deposits	19,886,199	61,474	2,970,622	-	-	22,918,295
Interest on short-term deposits	217,112	1,026	199,870	-	-	418,008
Other financial assets	6,758,521	344,470	32,517,979	-	-	39,620,970
Interest on other financial assets	29,701	3,759	911,200	-	-	944,660
Cash and cash equivalents	12,192,810	-	-	-	-	12,192,810
<i>Non-interest bearing:</i>						
Cash and cash equivalents	32,727,024	-	-	-	-	32,727,024
Restricted cash	-	-	2,393,520	-	-	2,393,520
Trade accounts receivable	9,543,141	42,794	30,127	137,719	11,264,107	21,017,888
	81,354,508	453,523	39,023,318	137,719	11,264,107	132,233,175
2014						
<i>Interest bearing:</i>						
Short-term deposits	26,715,189	992,865	-	-	-	27,708,054
Interest on short-term deposits	73,253	61,503	-	-	-	134,756
Other financial assets	-	4,920,456	32,415,309	-	-	37,335,765
Interest on other financial assets	-	68,742	1,454,029	-	-	1,522,771
Cash and cash equivalents	17,588,424	-	-	-	-	17,588,424
Derivative financial instrument	-	-	579,648	4,661,399	-	5,241,047
<i>Non-interest bearing:</i>						
Cash and cash equivalents	41,255,740	-	-	-	-	41,255,740
Restricted cash	-	-	734,044	-	-	734,044
Trade accounts receivable	7,443,304	14,671	191,267	-	5,232,322	12,881,564
	93,075,910	6,058,237	35,374,297	4,661,399	5,232,322	144,402,165

Fair values of financial instruments

Fair value is defined as the amount at which an instrument could be exchanged in a current transaction between knowledgeable willing parties according to arm's length conditions, other than in a forced or liquidation sale. As no readily available market exists for a large part of the Group's financial instruments, judgment is needed to arrive at a fair value, based on current economic conditions and the specific risks attributable to the instrument.

⁵ Due to uncertainty in recoverability of doubtful debts, the Group included the provided trade accounts receivable in the 'Indefinite settlement term'.

The following methods and assumptions are used by the Group to estimate the fair value of these financial instruments:

Cash and cash equivalents

The carrying value of cash and cash equivalents approximates their fair value due to the short-term maturity of these financial instruments.

Financial assets and liabilities

For assets and liabilities maturing within twelve months, the carrying value approximates fair value due to the relatively short-term maturity of these financial instruments.

For financial assets and liabilities maturing in over twelve months, the fair value represents the present value of estimated future cash flows discounted at year-end market rates.

Derivative financial assets

On 5 May 2015, the Group closed, with the gain of 1,760,000 US Dollars (327,008 thousand tenge), the deal on cross-currency swap concluded on 29 August 2014 with The Royal Bank of Scotland plc. (United Kingdom) with the purpose of the partial hedging its exposure to Eurobonds denominated in US Dollars for the total amount of 324,000,000 US Dollars with the annual interest rate of 7.0% and maturity date in May 2016 and its exposure to Swiss franc denominated sales.

Borrowings

The estimated fair value for loans from banks was made by discounting the scheduled future cash flows of individual loans through the estimated maturity using prevailing market rates as at the respective year-end for debt with a similar maturity and credit-rating profile. The Group's bank loans are mostly provided by international development institutions and foreign banks at floating rates, which are considered to be the market interest rates for this category of lenders. The fair value of debt securities issued (Eurobonds) has been determined based on market prices at the reporting date.

Fair value of financial assets and financial liabilities that are not measured at fair value on a recurring basis

As at 31 December 2015 and 2014, the fair value of financial assets and financial liabilities, except for borrowings and debt securities, was not significantly different from its cost. Carrying value and fair value of borrowings and debt securities (Eurobonds) as at 31 December is presented as follows:

	31 December 2015		31 December 2014	
	Carrying amount	Fair value	Carrying amount	Fair value
Loans	521,766,861	492,188,671	397,798,619	390,398,236
Debt securities (Eurobonds)	852,871,232	801,131,583	457,017,615	451,601,264

Fair value hierarchy as at 31 December 2015

	Level 1	Level 2	Level 3	Total
<i>Financial assets</i>				
Loans given to a related party	-	1,940,673	-	1,940,673
Other financial assets	-	39,705,096	-	39,705,096
Total	-	41,645,769	-	41,645,769
<i>Financial liabilities</i>				
Financial liabilities held at amortized cost:				
- debt securities (Eurobonds)	801,131,583	-	-	801,131,583
- bank loans	-	269,838,663	9,582,751	279,421,414
- loans from related parties	-	212,767,257	-	212,767,257
- finance lease	-	2,682,872	-	2,682,872
Total	801,131,583	485,288,792	9,582,751	1,296,003,126

Fair value hierarchy as at 31 December 2014

	Level 1	Level 2	Level 3	Total
<i>Financial assets</i>				
Loans given to a related party	-	4,677,996	-	4,677,996
Other financial assets	-	38,077,081	-	38,077,081
Total	-	42,755,077	-	42,755,077
<i>Financial liabilities</i>				
Financial liabilities held at amortized cost:				
- debt securities (Eurobonds)	451,601,264	-	-	451,601,264
- bank loans	-	192,886,200	6,391,385	199,277,585
- loans from related parties	-	191,120,651	-	191,120,651
- finance lease	-	3,109,517	-	3,109,517
Total	451,601,264	387,116,368	6,391,385	845,109,017

The fair values of the financial assets and financial liabilities included in the level 2 and level 3 categories above have been determined in accordance with generally accepted pricing models based on a discounted cash flow analysis, with the most significant inputs being the discount rate that reflects the credit risk of counterparties.

For trade accounts receivable and payable, the fair value approximates its carrying value and relates to Level 3 of the hierarchy. During 2015 and 2014, there were no transfers between the hierarchy levels.

32. EVENTS AFTER THE REPORTING DATE

Privatization plan

In February 2016, as part of the Complex plan on privatization for 2016-2020 years, the Group's management approved a list of the subsidiaries, associates and joint ventures of the Group, which should be sold to private investors (Note 15).

Disposal of non-current assets held for sale

In January 2016, the Group, through its subsidiary Locomotive JSC, sold its 100% ownership in the subsidiary Birzhan-Atyrau LLP. As Birzhan-Atyrau LLP does not represent a significant type of operations of the Group, it has not been classified as discontinued operations in these consolidated financial statements. As a result of the sale, the Group lost control over Birzhan-Atyrau LLP.

In February 2016, the Group, through its subsidiary Remlocomotive JSC, sold a 25% stake of the ownership in the joint venture Electrovoz Kurastyru Zauyty LLP. As a result of the sale, the Group lost joint control of Electrovoz Kurastyru Zauyty LLP, however, retained a 25% ownership stake and significant influence. Accordingly, the Group classified Electrovoz Kurastyru Zauyty LLP as an associate.

In January 2016, the Group sold its administrative building 'Emerald Quarter' for the total amount of 24,300,000 thousand tenge including VAT.

Dividends

In January 2016, the Group received dividends for 2014 from its joint venture Logistic System Management B.V. of 951,036 thousand tenge (2,398 thousand Euro).

Contributions to share capital

In January 2016, the Group issued shares for 57,780 thousand tenge for the contribution from the Shareholder by residential property in Taraz for accommodation of technical library of the Group's Center of science and technical information and analysis.

In March 2016, the Group issues shares for 26,400,000 thousand tenge for the contribution from the Shareholder for completion of the projects «Construction of second railway lines on sector Shu-Almaty 1» and «Construction of ferry in village Kyryk».

Guarantees

In January 2016, the guarantee given to ATF Bank of 95,000,000 US Dollars for liabilities execution by Locomotive Kurastyru Zauyty JSC, the Group's joint venture, expired due to settlement of its liabilities by the joint venture.

Borrowings

In accordance with the credit line agreement concluded with Development Bank of Kazakhstan on completion of the project VOLS for the total amount of 25,420,927 thousand tenge, the Group, represented by its subsidiary Transtelecom JSC, drew credit funds of 508,367 thousand tenge in February 2016. A grace period for the principal amount is granted until June 2016, after which

payments will be made in semi-annual instalments until full repayment in June 2024. Interest on the loan is payable in semi-annually at the annual interest rate of 8%. The loan was obtained under the guarantee of the Company.

In February 2016, the Group registered its bonds issuance programme of 200,000,000 thousand tenge. In accordance with the Decree of the Government of the Republic of Kazakhstan, the Company will be provided with the funds from Integrated Accumulated Pension Fund JSC of 50,000,000 thousand tenge for refinancing of foreign currency debts and repayment of Eurobonds. As at the date of consolidated financial statements approval, the debt securities have not been issued (Note 31).

Asset for the benefit of the Shareholder

In February 2016, the Group transferred the kindergarten (except for separate service lines) to the Astana municipality, for which the Group entered into irrevocable commitment to construct in 2014.

Approval of the financial statements

The consolidated financial statements of the Group for the year ended 31 December 2015 were approved and authorized for issue by management on 14 March 2016.

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