

ANNUAL REPORT 2018



ГОДОВОЙ
ОТЧЕТ

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OVERVIEW





LADIES AND GENTLEMEN!

Allow me to greet you on behalf of Board of Directors of «KazAgro» National Managing Holding» JSC!

As the First President of the Republic of Kazakhstan - Elbasy N. Nazarbayev noted, the agro-industrial complex is one of the main priorities in the development of the country, this industry in the near future should become a new economic driver.

To this end, systematic measures were taken to address problematic issues in agriculture. As a result, the last three years, agriculture has been growing progressively at an average annual rate of 4%.

Along with this, the State Program for the Development of Agro-Industrial Complex until 2021 was adopted, the main purpose of which is to provide production of competitive and commercially successful agricultural products.

In this regard, in 2018, «KazAgro» Holding's activities were focused on increasing the availability of financial services for agribusiness entities and involving private financial institutions in lending to agricultural sector, developing rural microcredit, agricultural cooperation, and encouraging direct investment in AIC.

The subsidy measures taken by the State Program significantly influenced lending growth on the part of «KazAgro» Holding. The amount of financing in 2018 amounted to KZT 400 billion, which is 1.5 times more than in 2016 (KZT 267 billion) before the adoption of the State Program. The transition to subsidizing loans and leasing interest rates, investment subsidies gave a new push and incentives to farmers to invest more in industry development.

In addition, the Program for the Development of Productive Employment and Mass Entrepreneurship is being implemented, within the framework of which thousands of new producers are involved through microfinance.

The mission of «KazAgro» Holding is the implementation of the state policy to stimulate the industrial development of AIC on the principles of efficiency, transparency and effective corporate governance of the Holding's structures. Currently, the work is underway to improve the performance efficiency of «KazAgro» Holding.

The results of the past year lay a solid foundation for further work in priority areas. In this regard, I would like to wish «KazAgro» Holding a successful implementation of their plans!

Respectfully,
Deputy Prime Minister of the Republic
of Kazakhstan Zh. Kassymbek



DEAR COLLEAGUES AND USERS OF «KAZAGRO» SERVICES!

We present to your attention the Annual Report of «KazAgro» Holding JSC for 2018. In the past year we did a great and important work towards achieving the strategic goals of the Holding. Emphasis was placed on improving the operating efficiency of the Holding and its subsidiaries, improving business processes and reflecting the challenges we have recently faced. However, temporary difficulties did not prevent the Holding from implementing large-scale funding for the industry. In 2018, KZT 400 billion was allocated to finance domestic agricultural sector - an unprecedented amount for all the years of the Holding and its subsidiaries.

96% of the volume or KZT 385 billion was directed to lending and leasing. Over the past year, about 20 thousand loans were provided.

Against the background of a decline in banks' interest in financing agriculture, the Holding actively expanded the channels of access to financial services through private financial institutions. The volume of loans through funding of credit cooperatives, microfinance organizations, second-tier banks and leasing companies increased to KZT 132 billion, or almost 48%. The volume of approved investment projects in agro-industrial complex has doubled, which demonstrates a favorable climate for development of joint ventures and attracting investments in the industry.

Great efforts were made to intensify the socio-economic activities of the Holding - we are continuously working to increase the level of employment in agro-industrial sector by developing agribusiness through the provision of long and cheap loans in the countryside.

It is important to note a number of significant achievements for us in 2018. Due to the negative financial result for 2017, which was also caused by devaluation fluctuations that hit the country's economy as a whole and still have an effect until today, we initiated a short-term strategy to repurchase foreign currency bonds that were previously placed to raise funds for the forced support of Kazakhstanis involved in agribusiness. This step allowed us to maximally neutralize the hard effect caused by currency fluctuations, and to minimize the volume of loans in foreign currency. We are currently on one pace from completely becoming independent of foreign exchange markets turmoil. All achieved results will allow the Holding and its subsidiaries to attract new loans in national currency and direct them to support agro-industrial complex, since the continuous development of the industry requires additional funding.

In addition, we have introduced new loan products and services. The past year, for example, was marked by the successful promotion of previously canceled Sybaga lending program, aimed at raising the livestock population in the framework of implementation of Program for the Development of Beef Husbandry. Despite the fact that the launch of loan product was carried out in the second half of the year, we managed to achieve an unprecedented increase in the interest of farmers in it. The planned indicatives of past year were fulfilled, and the implementation of the program is in its active phase.

Our subsidiaries, being operators of credit programs, centrally and locally, continue to introduce modern technologies and a methodology for the most efficient interaction with the end user of our financial services. In addition, competence centers have been initiated locally to train farmers and increase their interest in launching their own personal agribusiness. To date, the digitalization of the Holding's services serves as the flagship project. The limiting factor is the low level of consumption of digital services, which so far does not allow us to speak of complete withdrawal from bureaucratic costs, but we strive to make them as convenient and attractive as possible for users.

In conclusion, I want to emphasize that the past year was a turning point for us to some extent - besides the fact that we actively sought to change the external environment, we also changed from the inside. Guided by strict requirements dictated by economic realities, we optimized the structure of the Holding and business processes. Carrying out work practically in the anti-crisis mode, in the past year we did everything possible to preserve the reputation of the corporate brand of the Holding, strengthen the financial position and, most importantly, demonstrate corporate responsibility to users of our services and employees of the Holding itself.

We still have much to do, but the changes that are taking place in the Holding are already noticeable. They are seen by our stakeholders - agricultural producers, the Government, the only shareholder - the Ministry of Agriculture of the Republic of Kazakhstan, our partners in the corporate sector, and, of course, employees who sincerely follow the agro-industrial complex, day by day giving their strength and knowledge to increase the agricultural productivity in our huge country.

**Best wishes,
Rustem Kurmanov**

1.3 KEY PERFORMANCE INDICATORS

«KazAgro» is the largest support institute for AIC, it coordinates the activities of subsidiary companies in order to implement the state policy of development of the agricultural sector of Kazakhstan.

The share of the Holding in the loan portfolio of agriculture of the republic reaches about **60%**

A RECORD AMOUNT OF FUNDS WAS ALLOCATED TO FINANCE DOMESTIC AGRICULTURAL SECTOR –

400.1
BILLION KZT

WHICH IS 33% HIGHER THAN THE LEVEL OF THE YEAR EARLIER

385.2
BILLION KZT

or 96% of the volume were directed to lending and leasing

354.6
BILLION KZT

or 92% of lending were provided to SMEs

ABOUT **20**
THOUSAND LOANS

were provided, 90% of loans - long-term

the number of borrowers increased to

67.7
THOUSAND

over

56,000
PEOPLE

were provided with employment

11,600
NEW JOBS

were created

The Holding is actively expanding the channels of access to financial services.

34%
OF THE VOLUME

of loans were directed through private financial institutions

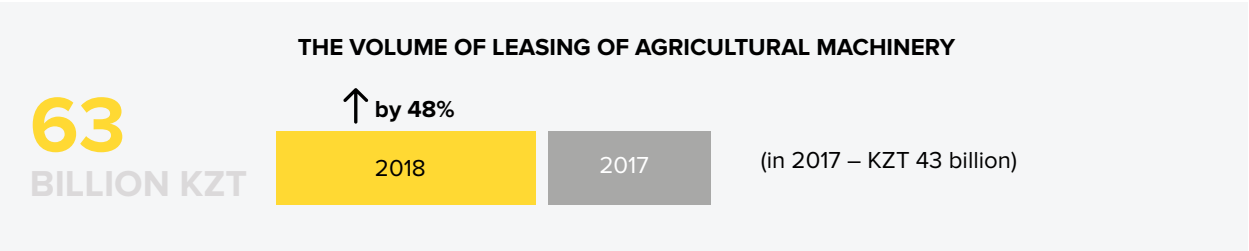
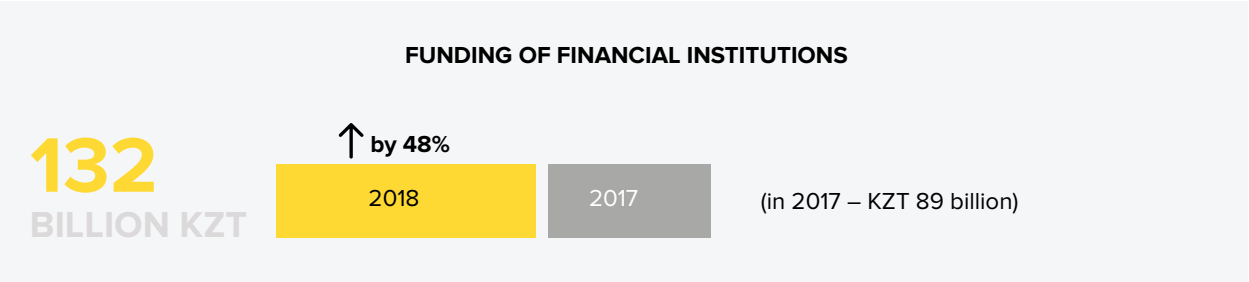
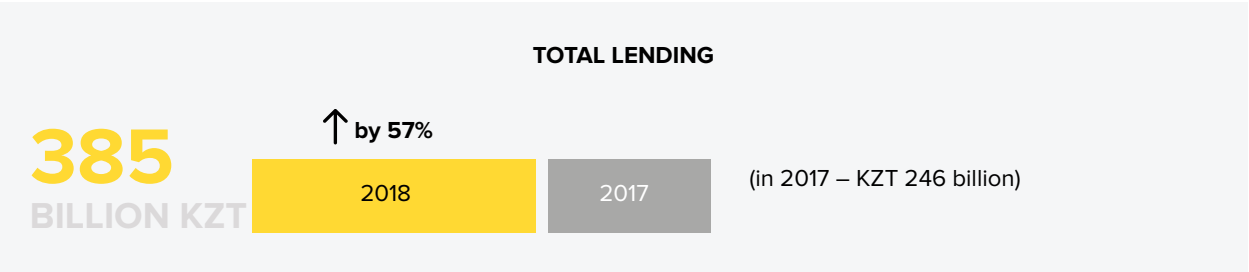
the volume of lending through private financial institutions (CC, MFO, STB and leasing companies) increased to

132
BILLION KZT

IN 2018, THE ASSETS OF THE GROUP INCREASED BY 27%

THE TOTAL LOAN PORTFOLIO GREW BY 15%

THE VOLUMES OF AIC CREDITING FOR A GROUP OF COMPANIES «KAZAGRO» HOLDING» JSC (according to the results of 2018)



REGIONAL REPRESENTATION

The Holding provides financial services in all regions of Kazakhstan, covering 121 administrative districts.

KEY EVENTS IN 2018

IN THE INVESTMENT PORTFOLIO

of «KazAgro» there are

672
PROJECTS

In 2018,

115
PROJECTS
were commissioned
(an increase of 3.7 times
compared with 2017)

with a total value of

504.9
BILLION KZT

worth

147.8
BILLION KZT
(an increase of 4 times
compared with 2017)

THE INVESTMENT PROGRAM OF THE HOLDING IS AIMED AT FINANCING HIGH-TECH INVESTMENT PROJECTS IN THE FIELD OF AIC.

THE BUY-BACK OF EURO BONDS OF THE HOLDING

As a result of the actions taken in 2018, the amount of foreign currency liabilities in dollar equivalent decreased

from \$1,699 million to \$1,175 million.

Currently, foreign currency assets cover all foreign currency liabilities.

THE FILING APPLICATIONS BY AIC SUBJECTS THROUGH THE DIGITAL BUSINESS PLATFORM GOLDAU.KZ. STARTED.

THE HOLDING AND ITS SUBSIDIARIES AND AFFILIATES IMPLEMENTED A PHASED TRANSITION TO A 100% ELECTRONIC PROCUREMENT FORMAT.

IN 2018, THE COMPLIANCE SERVICE WAS ESTABLISHED IN «KAZAGRO» HOLDING» JSC.

It is entrusted with the work of countering corruption and compliance control.

A PROGRAM HAS BEEN ADOPTED FOR THE DEVELOPMENT OF BEEF FARMING FOR 2018–2027.

The main operator of the program is the «Holding «KazAgro» JSC.

IN NOVEMBER 2018, EXECUTIVE BOARD OF THE HOLDING MADE A DECISION ON LIQUIDATION OF DJSC «KAZAGROMARKETING» JSC.

As part of implementation of a comprehensive privatization plan for 2016-2020.

2

- 2.1 Mission and Vision
- 2.2 Business Model
- 2.3 Strategic development directions
- 2.4 Organizational structure

ABOUT THE HOLDING



2.2 BUSINESS MODEL

«KazAgro» Holding» JSC coordinates the activities of subsidiaries in order to implement the State Policy for the Development of AIC, contributes their resources' provision, determines the directions and provides the methodological support for corporate development of its subsidiaries.

SUBSIDIARIES

THE SUBSIDIARIES OF THE HOLDING ACT ON THE BASIS OF THE DEVELOPMENT STRATEGIES FOR 2017-2026 APPROVED IN 2017.

The following strategic directions are defined:

- «KazAgroFinance» JSC - assistance in upgrading agricultural machinery and equipment of the Republic of Kazakhstan through the provision of quality and competitive leasing services.

■ «Fund for Financial Support of Agriculture» JSC - small business development in priority agricultural sectors by ensuring the availability of financial services.

■ «KazAgroProduct» JSC - assisting AIC subjects in increasing production of meat and meat products.

■ «Food Contract Corporation» NC» JSC - development of export potential of products of domestic agro-industrial complex and participation in ensuring food security.
- «KazAgroMarketing» JSC - providing high-quality services for the development and maintenance of specialized systems in AIC field.

■ «KazAgroGarant» JSC - implementation of agro-industrial policy for the development of systems for guaranteeing the fulfillment of obligations and insurance in AIC.

■ «Agrarian Credit Corporation» JSC - promoting the sustainable development of the agro-industrial complex of the Republic of Kazakhstan through the formation of an affordable and efficient financing system through the involvement of private financial institutions and increasing the competence of agribusiness entities.

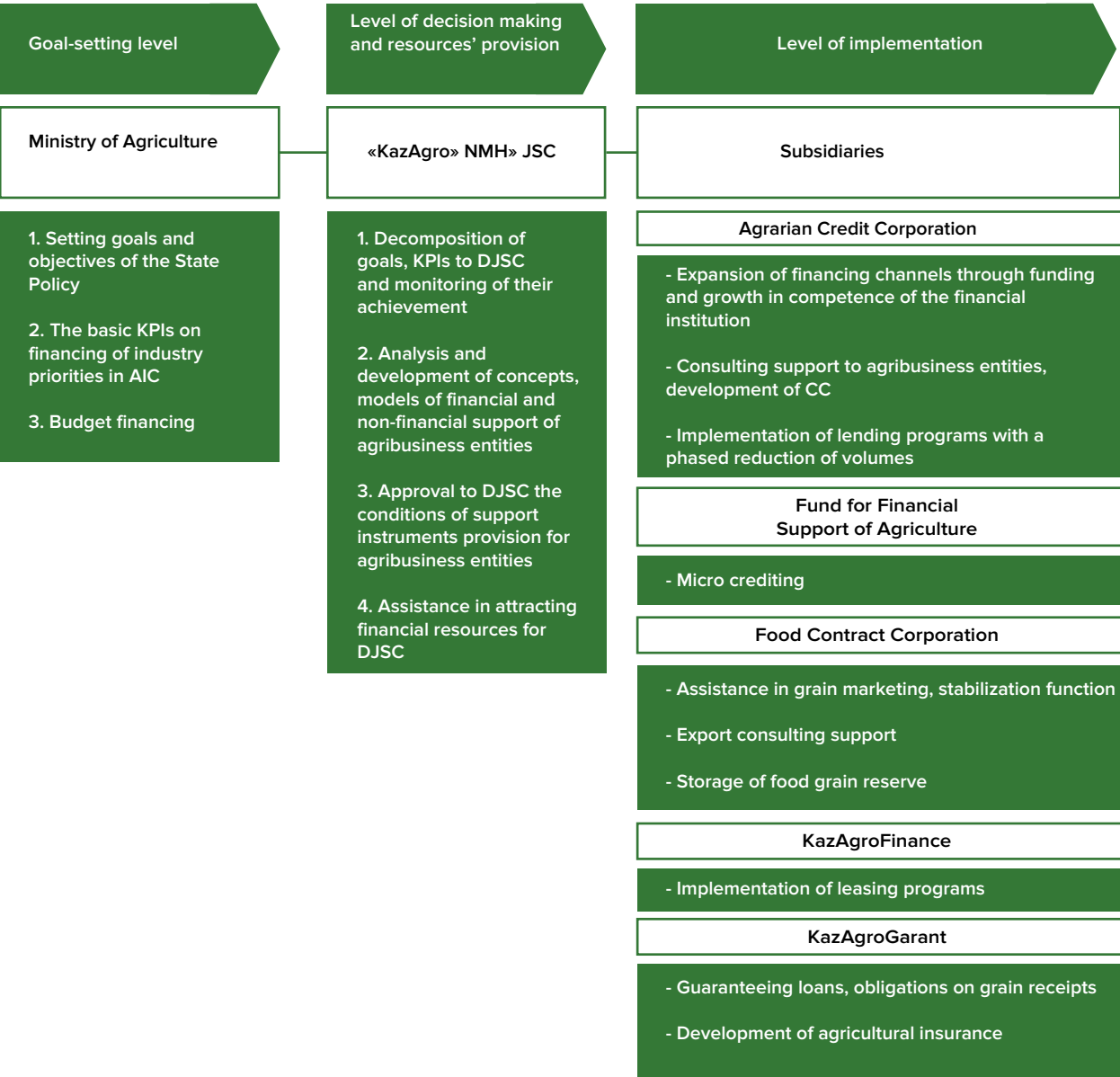
IMPLEMENTATION OF THE STATE POLICY OF AIC DEVELOPMENT

The Holding focuses the activities of its subsidiaries in achieving the goals and objectives of AIC development policy through setting appropriate decomposable goals and indicatives in Strategies and other internal documents of the companies.

As a shareholder, the Holding attracts funds from the republican budget for subsequent replenishment of authorized capital of companies through repurchase of shares. The Holding also attracts funds from non-budgetary sources and provides funds to its subsidiaries in the form of loans for implementation of assigned tasks.

In order to increase the effectiveness of its subsidiaries' activities, the Holding consistently increases the requirements for corporate culture level of the companies, studies and implements the best practices of corporate governance, provides a through-going process for all companies to improve key functional units of organizations (for example, improving internal control systems, audit services, etc.).

THE HOLDING SEEKS TO MINIMIZE INTERFERENCE IN THE OPERATING ACTIVITIES OF COMPANIES, DELEGATING AUTHORITY AND RESPONSIBILITY TO MANAGING AND EXECUTIVE BODIES OF ITS SUBSIDIARIES.



2.3 STRATEGIC DEVELOPMENT DIRECTIONS

The Development Strategy of the Holding for 2011–2020 defines the following strategic directions, goals, tasks for a 10-year period:
(approved by the Decree of the Government of the Republic of Kazakhstan dated January 31, 2011 No. 52).

In 2018, Strategy was updated taking into account the implementation of important government policy documents, including Strategic Development Plan of the Republic of Kazakhstan until 2025, State Program for the Development of agro-industrial complex for 2017–2021, and Program for the Development of Productive Employment and Mass Entrepreneurship for 2017–2021.

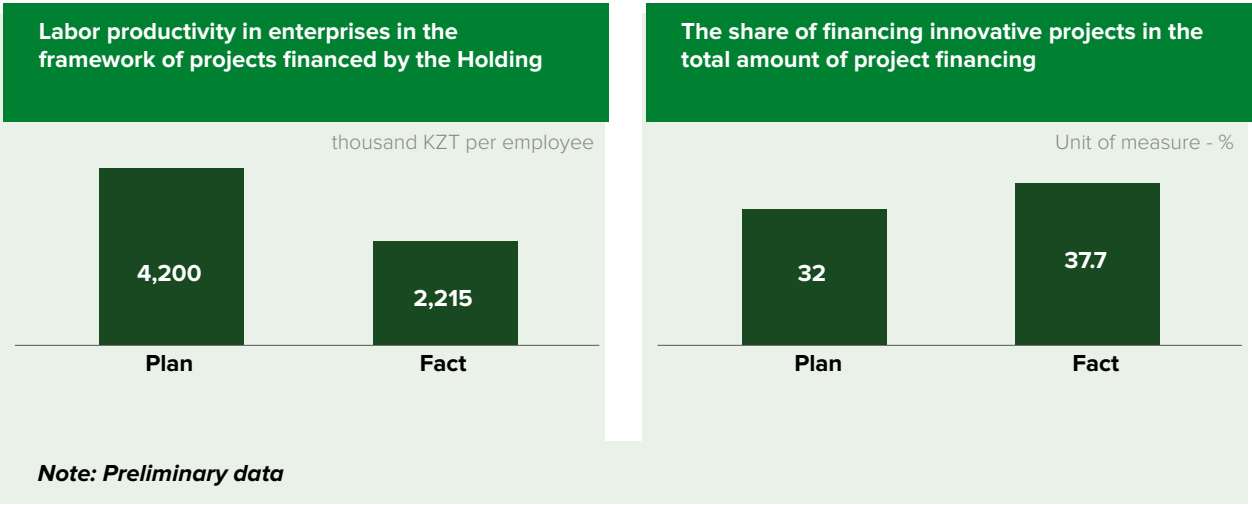
HOLDING'S STRATEGIC PRIORITIES ARE FOCUSED ON THE FOLLOWING AREAS:

1. STIMULATION OF THE GROWTH OF LABOUR PRODUCTIVITY IN AIC THROUGH INDUSTRIALIZATION AND DIVERSIFICATION

Goal 1. Growth of labor productivity through financing of high-tech (innovative) projects with application of modern agro-technologies.

TASKS:

- development of the investment policy of the Holding Group of companies in AIC in accordance with industrial priorities;
- attraction of funds for financing of Agribusiness entities, investment, including innovative projects;
- managing the processes of direct participation in implementation of investment (benchmark) projects, including the projects based on the principles of public-private partnership;
- assistance in technical and technological renewal of AIC through leasing instruments;
- assistance in cluster development of AIC;
- promoting the introduction of «green technologies».



2. PARTICIPATION IN ENSURING THE COUNTRY'S FOOD SECURITY

Goal 1. Saturation of domestic food markets with domestic agricultural products and products of its processing.

TASKS:

- coordination of DJSC financing processes of Agribusiness entities within the food belts around the cities of Nur-Sultan and Almaty;
- development of marketing and trade infrastructure and logistics;
- planning and monitoring of financing of production, processing, purchase and sale of agricultural products.

KPI	Unit of measure	Plan 2018	Fact 2018
meat and meat products produced:	thousand tons	101.1	93.6
including delivered to the market of Astana	thousand tons	2.7	9.1
including put on the market of Almaty	thousand tons	25.5	30.9
milk and dairy products produced:	thousand tons	180.7	231.3
including delivered to the market of Astana	thousand tons	11.4	13.2
including put on the market of Almaty	thousand tons	5.2	19.5

Note: Preliminary data

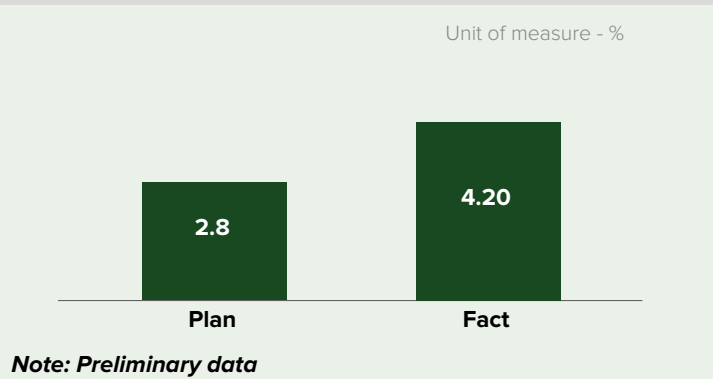
3. ASSISTANCE IN THE DEVELOPMENT AND IMPLEMENTATION OF THE EXPORT POTENTIAL OF AIC

Goal 1. Development of export potential of AIC

TASKS:

- planning and monitoring of DJSC financing of export-oriented projects;
- development of the investment policy for the development of intensive and free-range animal husbandry, fodder cropping;
- coordination of DJSC work to expand the infrastructure for grain storage and export;
- organization of DJSC work to increase the export of agricultural products, including the expand of its geography;
- participation in exhibition and fair events, business forums, conferences on the territory of the country and abroad.

SHARE OF EXPORTED PRODUCTS PRODUCED AT THE EXPENSE OF RESOURCES OF HOLDING GROUP OF COMPANIES IN TOTAL VOLUME OF AIC EXPORTS



KPI	Unit of measure	Plan 2018	Fact 2018
Commissioning of grain storage capacities established using the resources of Holding Group of companies	thousand tons / year	100	35
including: construction of grain terminals and granaries in export destinations through "NC "Food Contract Corporation" JSC	thousand tons / year	100	-

Note: The main reason for the failure to achieve this KPI was the overestimation of planned targets set with regard to the record harvest of 2011, but exceeding the real demand of private business for soft loans for construction of granaries.

Non-fulfillment of construction plan of grain terminals and granaries in 2018 in export directions through «NC «Food Contract Corporation» JSC with a capacity of 100 thousand tons is due to the lack of budget financing of «NC «Food Contract Corporation» JSC.

At the same time, within the framework of financing programs of «KazAgroFinance» JSC, projects with a grain storage capacity of 35 thousand tons were implemented.

4. INCREASE IN THE AVAILABILITY OF SERVICES TO SUPPORT AGRIBUSINESS ENTITIES

Goal 1. Financial improvement of AIC entities

TASKS:

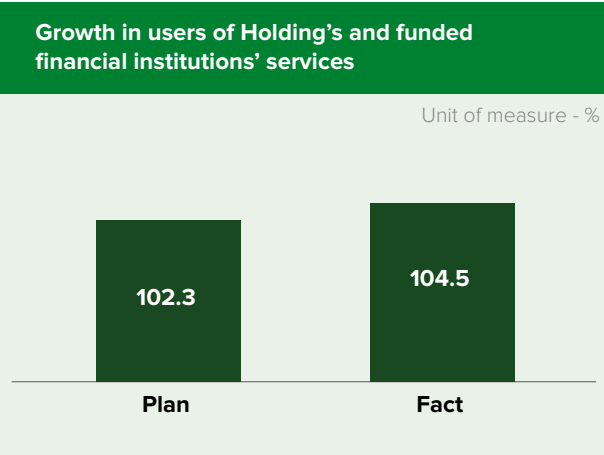
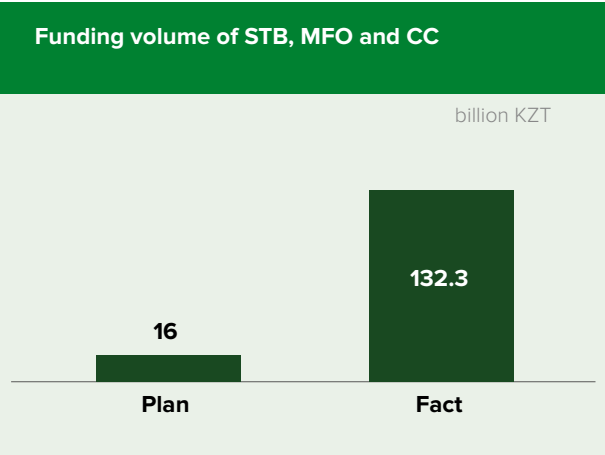
- attraction of funds in organized capital markets for the implementation of financial recovery measures for agribusiness entities;
- funding of STBs for financial recovery of agribusiness entities;
- coordination of the financial recovery process of agribusiness entities DJSC of the Holding.

Note: KPI was implemented in 2013-2014 under the program «Agribusiness 2020»

Goal 2. Development of affordable financial, industrial and service infrastructure of AIC

TASKS:

- organization of provision of DJSC services on the principle of «one window»;
- promoting the development of rural consumer cooperation;
- increasing the stability of the system for guaranteeing the fulfillment of obligations under grain and cotton receipts;
- improving the system of providing information and marketing services for the development of agribusiness;
- development of micro crediting in rural areas;
- coordination of the process of increasing the Holding’s DJSC client base;
- funding of DJSC, STB for the subsequent crediting of agribusiness entities;
- funding of CC for subsequent crediting of agribusiness entities;
- MFO funding for subsequent crediting of agribusiness entities;
- organization of support of non-agricultural types of entrepreneurial activity in rural areas.



Note: The actual value of this KPI «Funding volume of STB, MFO and CC» is fully fulfilled by «Agrarian Credit Corporation» JSC (ACC). A significant over-fulfillment of this KPI is due to the fact that the State Program for the Development of AIC for 2017–2021 and ACC Development Strategy provide a shift away from direct lending in favor of STB and other financial institutions funding. Thus, ACC Development Strategy for 2018 provides the achievement of planned value of «The share of financial institutions funding in total volume of lending» - 55%, according to preliminary data, the implementation is 51%, or 98% of the plan.



5. IMPROVEMENT IN THE QUALITY OF CORPORATE GOVERNANCE AND TRANSPARENCY OF THE ACTIVITIES OF THE HOLDING

Goal 1. Increase in the effectiveness of asset management of the Holding

TASKS:

- increasing the effectiveness of equity and assets use;
- improving the monitoring system for funded projects;
- quality management of the loan portfolio;
- increasing the role of risk management in the activities of the Holding’s group of companies;
- management of debt obligations of the Holding’s group of companies through establishment and monitoring of debt ratios;
- introduction and development of innovations in Holding’s the group of companies;
- maintaining the Holding’s credit ratings.

INCREASE IN THE EFFECTIVENESS OF ASSET MANAGEMENT OF THE HOLDING

КПД	Unit of measure	Plan 2018	Fact 2018	Note
ROA	%	0.32	-10.25	The negative values of ROA, ROE in the reporting period are due to the Holding’s loss in the amount of 136.1 billion KZT.
ROE	%	0.64	-40.35	
Maintaining the optimal level of formed reserves (provisions) for loan portfolio of the Holding’s DJSC	no more than 18 18%	18	12.9	

Goal 2. Growth in the corporate governance system effectiveness

TASKS:

- optimization of organizational structure, exclusion of duplication of functions and withdrawal of non-core assets of Holding’s DJSC;
- optimization of business processes providing services to agribusiness entities;
- development of human potential and development of a competitive salary system in the Holding.

KPI	Unit of measure	Plan 2018	Fact 2018
% of employees’ satisfaction with moral and psychological climate and wage system (at least 80% of employees)	%	94	59.72

Note: The assessment of achievement of the indicator is carried out on the basis of an anonymous survey of the Holding's employees

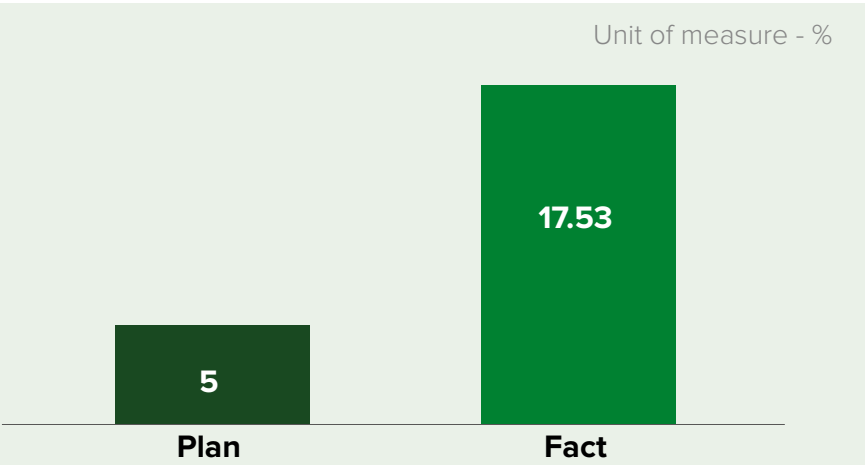


Goal 3. Provision of activities transparency of the Holding’s group of companies

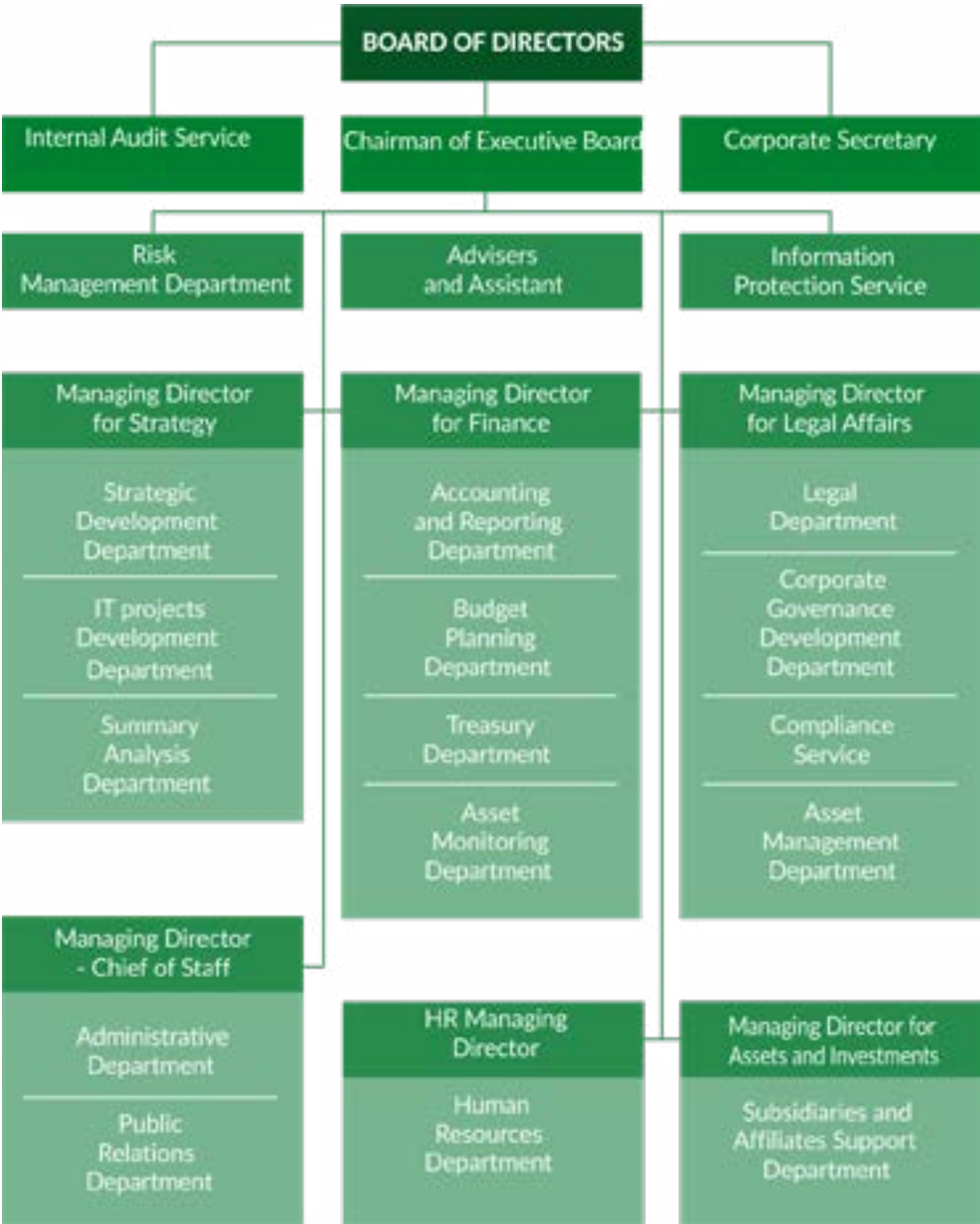
TASKS:

- development and promotion of the unified brand of the Holding and its DJSC;
- inclusion of public organizations representatives in management bodies of the Holding's group of companies;
- activation of information and image activity of the Holding and its DJSC in the media.

ANNUAL INCREASE IN NUMBER
OF REFERENCES IN MEDIA TO THE
ACTIVITIES OF THE HOLDING AND
ITS SUBSIDIARY JSCs



2.3 ORGANIZATIONAL STRUCTURE OF THE HOLDING



- 3.1 Macroeconomic indicators
- 3.2 Operating results
- 3.3 Implementation of funding programs
- 3.4 Risk Management
- 3.5 Automation of processes

BUSINESS OVERVIEW



3.1 MACROECONOMIC INDICATORS AFFECTING THE COMPANY'S MARKET AND BUSINESS

*In 2018, the real growth rate of Kazakhstan's economy amounted **4,1%**, thereby securing past year's result (GDP growth in 2017 was 4%).*

*Among the industries that demonstrated a steady positive trend, agriculture - **3,4%** and food production - **1,6%**.*

A positive impact on Kazakhstan's economy as a whole in 2018 was exerted by the price situation on commodity markets. The price of oil on world markets at around \$ 60 per barrel was higher than approved figures for 2018 at the level of \$ 45 per barrel in the three-year budget.

In addition, this was due to the deferred effect of investments in fixed assets in 2017, reaching **KZT 352.5 billion** (an increase of 29.3% compared with 2016).

Also, a significant increase in investment in fixed assets is observed in food industry - **KZT 123.1 billion** (an increase of 27.3%).

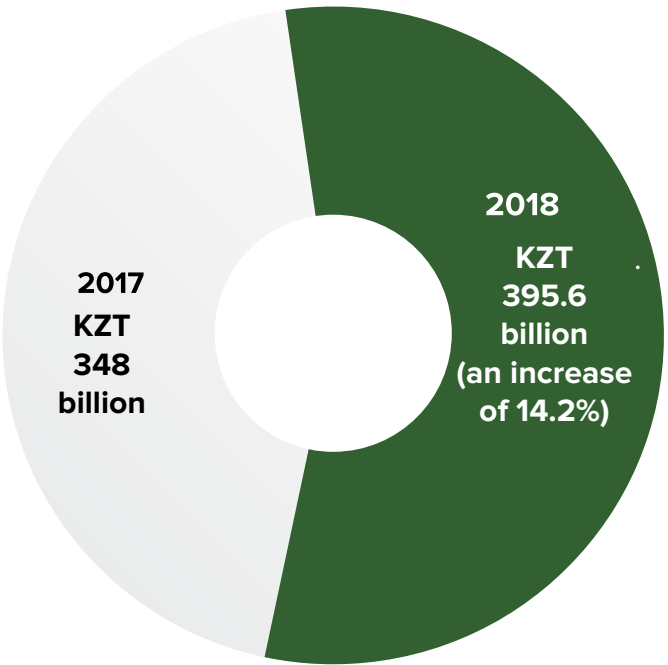
A positive signal for long-term investments in the development of the industry was also the growth of income of Kazakhstanis, that after two years of decline, in 2018 grew by **4%**.

According to **EBRD**, in 2019 the real incomes of population will grow slightly less, but experts from financial institution noted that the gap between the regions and the center in general is decreasing.

In general, according to the World Bank, current situation contributed to an increase in total investments in the economy of Kazakhstan by 3%. The business environment also responded positively to general economic sentiment, increasing long-term investment in fixed assets.

For AIC, this has become an important factor ensuring the growth of industry indicators.

On the chart: Investments in fixed capital in AIC:



GLOBAL DEMAND

In 2018, a new global trend emerged - a change in the level of global demand against the backdrop of trade war between the United States and China. The sanctions standoff between Russia and the West also has an impact on current world trade balance.

According to forecasts, the agricultural products market will also undergo changes. The countries with so-called emerging economies will claim to be the largest importers. According to Food and Agriculture Organization of United Nations, China's share in global imports increased more than 3.5 times in the last 15 years: **from 2.3% in 2000 to 8.2% in 2016**, the cumulative share of Russia, India and Indonesia rose **from 3.4 to 5.2** percent, respectively.

It is the countries of the EEU, China, as well as the countries of the Persian Gulf that are primarily considered as promising markets for Kazakhstani agricultural products. Kazakhstan agrarians exported **1.2 million** tons of products to the EEU countries worth **\$490 million**. Past year, **919 million** tons of agricultural products worth **\$258 million** were exported to the PRC.

In total, in 2018 Kazakhstan exported AIC products in total amount of \$3 billion 023 million, which is 26% more compared to 2017. The growth rate of AIC products exports amounted to 1.26. The share of exports of processed products amounted to 37% (\$ 1 billion 125 million). At the same time, the growth rate of exports of processed products – 1.04.

In the long term, an important external factor is the growth in global food demand (especially for organic products), which, according to Food and Agriculture Organization of United Nations, will increase by 50% by 2050. At the same time, a huge Chinese market is of particular importance for Kazakhstan, in which quantitative growth in demand for food is accompanied by a qualitative change in demand caused by an increase in level of welfare of the population.

Thus, the global environmental factors as a whole create favorable prerequisites for the successful development of agriculture.

EVENTS IN THE BANKING SECTOR

*2018 was marked by significant developments in the banking sector. The National Bank of Kazakhstan has taken measures to rehabilitate the banking sector and made a transition to risk-oriented supervision. The licenses of three second-tier banks were revoked. «Halyk Bank of Kazakhstan» JSC and «Kazkommertsbank» JSC were merged. The trend of narrowing of bank crediting of agriculture continued. The volume of loans provided to an industry by STBs in a year has dropped to **KZT 112 billion**, a decrease of **26%**. Over the past **8** years, lending to the sector has declined by almost 4 times.*

2011
448 BILLION KZT

2018
112 BILLION KZT

In connection with the negative devaluation impact, which put pressure on the country's economy as a whole in 2017, and hit the agro-sector, the Holding initiated a short-term strategy for repurchasing foreign currency bonds. This made it possible to minimize the volume of loans in foreign currency.

Thus, the measures taken have allowed agriculture to calmly absorb negative consequences in the banking market and continue steady growth in all major areas. In the near future, the Holding plans to become completely independent of the turmoil in foreign exchange markets. The Holding expects that the measures taken by the National Bank to stabilize the financial sector in 2019 will break the downward trend in bank lending to agriculture and create the basis for future growth in bank financing to the industry.

ACHIEVEMENTS IN AIC

The key market affecting the Holding is agriculture, in which the main assets of KazAgro group of companies are concentrated and the clients of the Holding's subsidiaries operate.

The volume of gross agricultural output

4 410.1
BILLION KZT

The increase in production volumes of the industry is explained by the growth of livestock production (by 3.9%) against the background of an increase in the volume of slaughter of livestock and poultry in live weight, cow's milk and chicken eggs. A positive contribution was also made by growth in crop production (by 3.1%).

The volume of crop production reached

2.33
TRILLION KZT
(growth by 3.1%)

The area under oilseeds has grown to **2.8 million hectares** (growth by 14.3%), vegetables, melons, root crops and tubers to **459 thousand hectares** (growth by 4.9%), barley to **2.5 million hectares** (growth 22.1%).

The area under wheat decreased to **11.4 million hectares** (a decrease of 4.7%), which is a positive factor and evidence of a systematic government policy to encourage diversification in crop production.

Gross harvest of cereals (including rice) and bean cultures increased to

21.7
MILLION TONS
(an increase of 5.5%)

while wheat production decreased by **13.9 million tons** (5.8% decrease).

The yield of oilseeds reached

2.93
MILLION TONS
(14.1% increase)

potatoes

3.8
MILLION TONS
(7.2% increase)

sugar beet

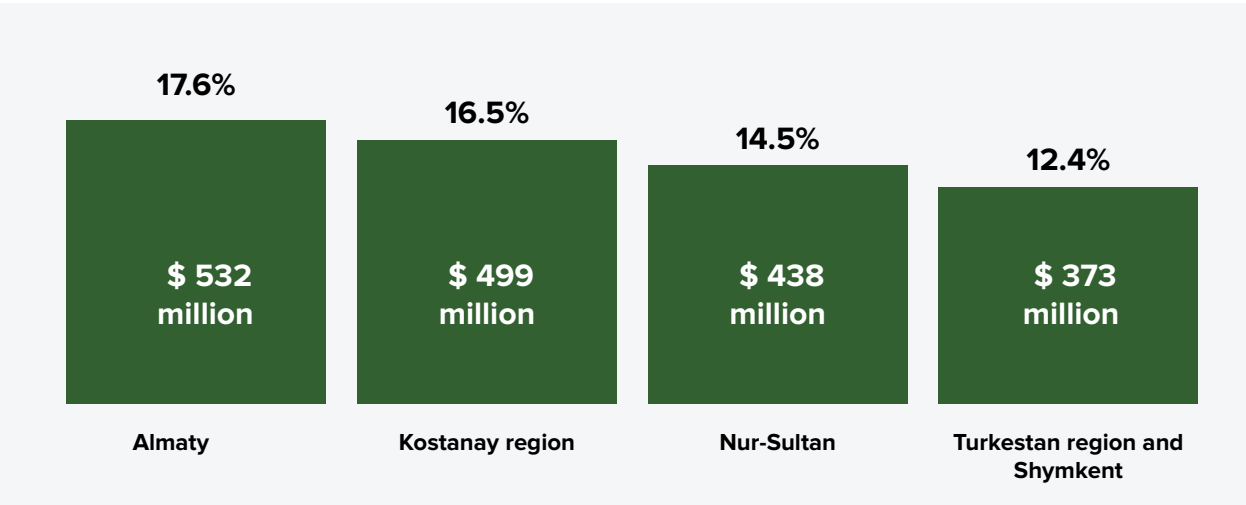
504.5
THOUSAND TONS
(8,9% increase)

vegetables

4.08
MILLION TONS
(7,6% increase)

11.7 million tons of grain were exported, which is 32.4% more than in 2017. It is worth noting that crop producers began to put in priority the demands of the market, rather than support from the state. Thus, in 2018 barley exports increased 2.2 times compared to 2017, rapeseed oil - 3.3 times, soybeans - 2.5 times, tomatoes - 2.4 times, cabbage - 2.5 times.

LEADERS IN THE EXPORT OF AGRICULTURAL PRODUCTS AMONG THE REGIONS



For graphics: The volume of livestock production amounted to

KZT
2.04
TRILLION
(3.9% increase)

A fat-and-oil cluster is gaining momentum. Thus, the gross harvest of oilseeds amounted to **2.7 million** tons. Including flax production, Kazakhstan took the first place in the world for the first time, bringing its volume to **930 thousand** tons.

The number of cattle reached

7.1
MILLION HEADS
(growth by 5.5%)

sheep and goats

18.3
MILLION HEADS
(growth by 1.9%)

horses

2.6
MILLION HEADS
(growth by 8.6 %)

poultry

44.5
MILLION
heads (growth by 11.5%)

FOR FURTHER EXPORT GROWTH, THE HOLDING WILL CONTINUE THE TREND TO SUPPORT THE DIRECTION OF DEEP PROCESSING OF CROP PRODUCTION.

There has been a significant increase in production of cattle meat - **477.4 thousand tons** (growth by 6%), poultry meat - **192 thousand tons** (growth by 6.9%), horse meat - **126.5 thousand tons** (growth by 7.7 %), eggs – **5,591 million units** (growth by 9.6%).

We believe that the industry will be supported by a special preferential credit product **«Sybaga»**, which is restarted again from the second half of 2018. A large-scale implementation of animal husbandry program in the republic began with this credit product. Its basis is small and medium enterprises. Within 6 months of 2018, more than 600 family meat farms received loans and entered the program.

AS A RESULT, IN 2018 BEEF EXPORTS AMOUNTED TO 19.9 THOUSAND TONS, EXCEEDING THE LEVEL OF 2017 3.6 TIMES. THIS YEAR, THE PLAN FOR EXPORT OF BEEF - 25 THOUSAND TONS. FOR LAMB, EXPORTS AMOUNTED TO 3.8 THOUSAND TONS (FOR COMPARISON, 1.3 THOUSAND TONS IN 2017).

It is important that exporting enterprises work in anchor cooperation with small and medium-sized farms in the region. In total, more than 19 thousand farms are involved in the animal husbandry program. They exported **33 thousand tons** of meat to 11 countries.

IN ADDITION, IN THE FRAMEWORK OF THE PROGRAM FOR THE DEVELOPMENT OF DAIRY FARMING IN 2018, 25 DAIRY FARMS WERE COMMISSIONED. OF THESE, 7 INDUSTRIAL AND 18 FAMILY WITH A TOTAL CAPACITY OF MORE THAN 6.0 THOUSAND HEADS. IN 2019, IT IS PLANNED TO ESTABLISH 84 DAIRY FARMS.

Analysis of macroeconomic environment of the Holding shows the presence of positive dynamics of the main factors influencing achievement of goals and objectives set by the Government in implementation of state policy for the development of AIC:

- growth of the economy of Kazakhstan, reduction of inflation, as well as an increase in population contribute to the growth and quality of domestic demand for food;
- production growth in the main branches of AIC stimulates the demand of AIC subjects for financial and non-financial services of the Holding's subsidiaries;
- the growing food markets of China, Russia, as well as the transport accessibility of the markets of the Middle East countries give an additional impetus to the export-oriented development of AIC.

The Holding positively assesses the prospects for changes in key macroeconomic factors affecting the activities of «KazAgro» Holding JSC, which allows us to adhere to the strategy of sustainable long-term development of the company.

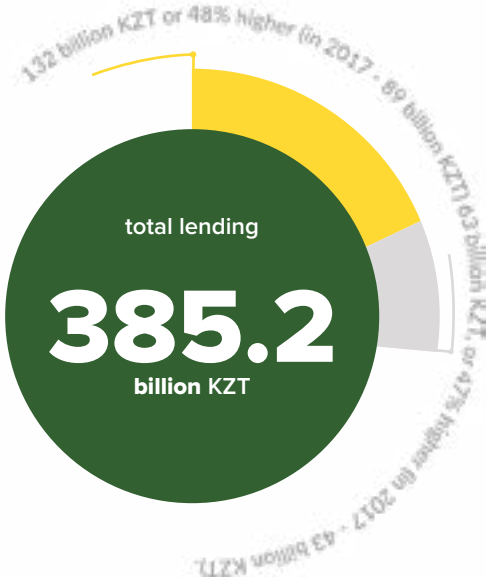


3.2 OPERATING RESULTS OF «KAZAGRO» HOLDING» JSC

THE HOLDING IS THE LARGEST INDUSTRY-WIDE FINANCIAL OPERATOR, TAKING INTO ACCOUNT THE SPECIFICS OF DOMESTIC AGRIBUSINESS AND INDUSTRY RISKS.

The task of increasing the availability of financing for AIC subjects is solved by lending under existing programs of «KazAgro» Holding» JSC structures, as well as through funding of STB, CC, microcredit organizations and leasing companies for further financing of AIC entities.

Volumes of AIC crediting in a group of companies of «KazAgro» Holding» JSC (2018)

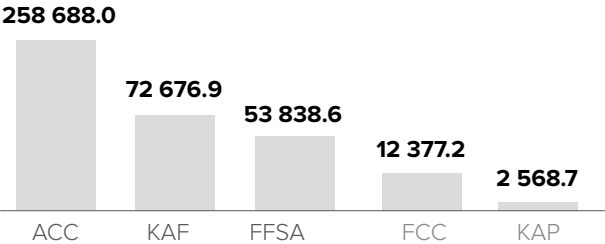


- loans
- purchase of agricultural products
- funding of financial institutions
- the volume of agricultural machinery leasing

As of December 31, 2018

As of December 31, 2018

Volume of AIC crediting in a group of companies of «KazAgro» Holding» JSC



Assets of «KazAgro» Holding» JSC, million KZT



CREDITING

AS OF DECEMBER 31, 2018, THE LOAN PORTFOLIO OF «KAZAGRO» HOLDING» JSC REACHED

735.3
BILLION KZT

(an increase over the year - 15.4% compared with the data as of January 1, 2018).

THE SHARE OF «HOLDING «KAZAGRO» JSC IN KAZAKHSTANI AGRICULTURAL SECTOR'S LOAN PORTFOLIO IS GROWING STEADILY, IN 2018 IT GREW BY

12.7% TO 59.7%

AS OF DECEMBER 31, 2018, THE ASSETS OF «KAZAGRO» HOLDING» JSC EXCEEDED

1,627,238
MILLION KZT

having increased in 2018 by 27%, while in previous years the maximum growth was around 10%.

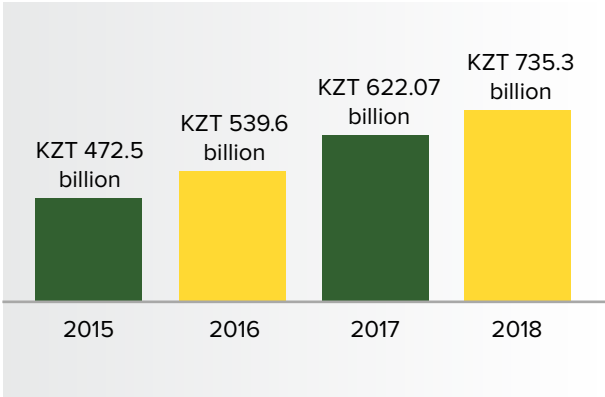
As of December 31, 2018

As of December 31, 2018

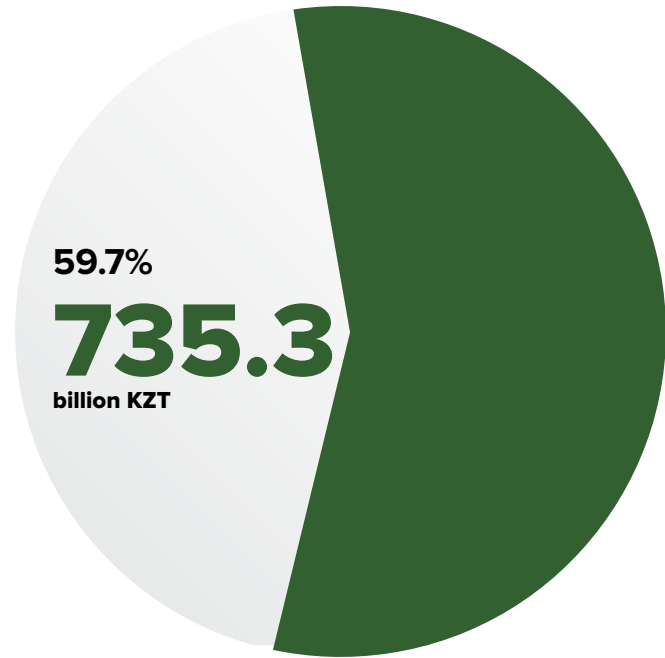
THE SHARE OF LONG-TERM LOANS AMOUNTED TO

89.6%

LOAN PORTFOLIO OF «KAZAGRO»
HOLDING» JSC, BILLION KZT



THE SHARE OF THE HOLDING IN AIC
LOAN PORTFOLIO IN 2018



In 2018, the Holding allocated

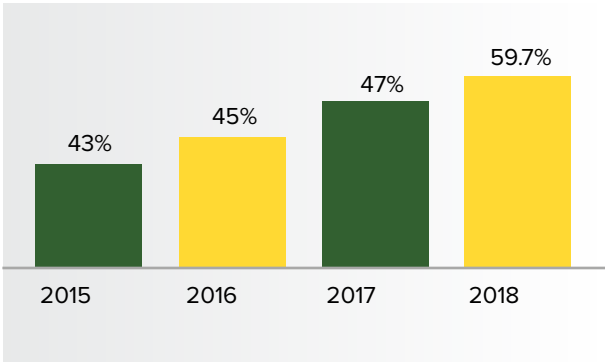
400.1
BILLION KZT
to finance AIC,

which is

33%
more than a year earlier

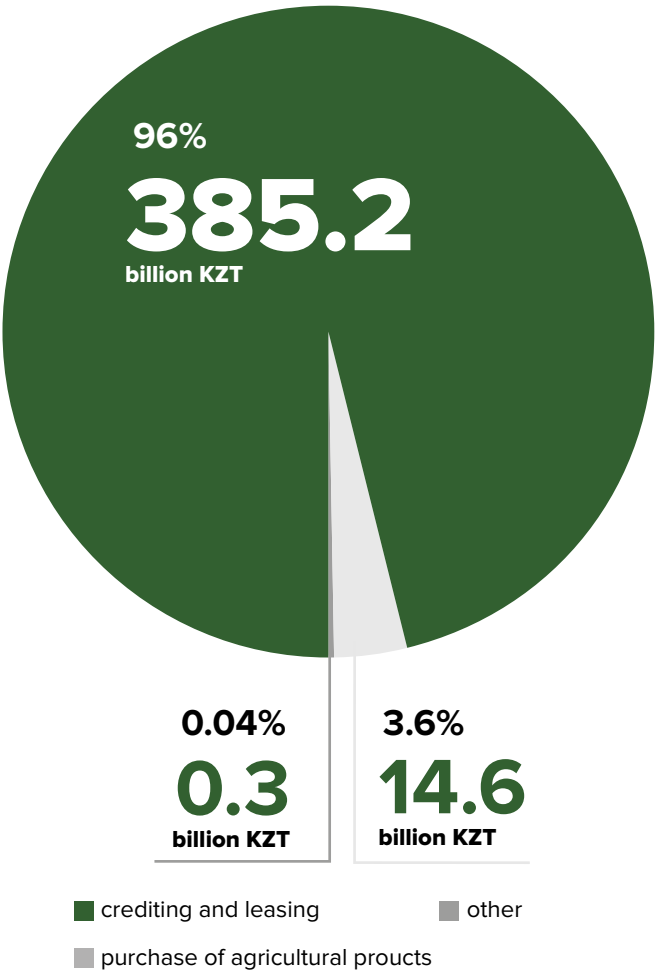
96%
of finances - for crediting and leasing

THE SHARE OF THE HOLDING IN AIC
LOAN PORTFOLIO



Funds allocated to support Kazakhstani farmers in the framework of existing programs of the Holding's subsidiaries are distributed through lending and product procurement tools.

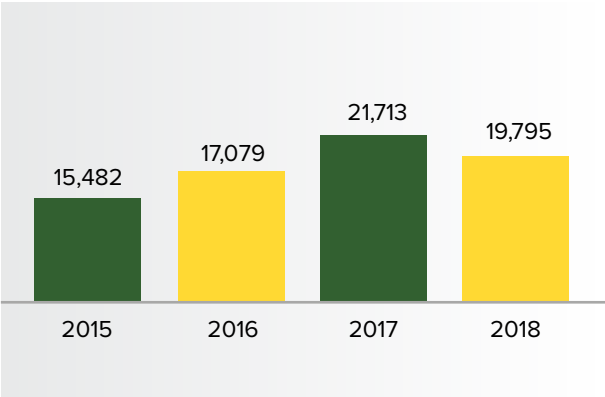
FINANCING OF AIC,
BILLION KZT



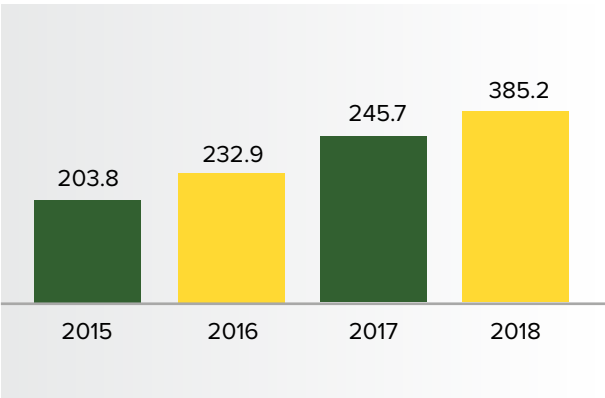
According to the data as of December 31, 2018, «Holding «KazAgro» JSC provided

19,795
THOUSAND LOANS

NUMBER OF LOANS, NUMBER

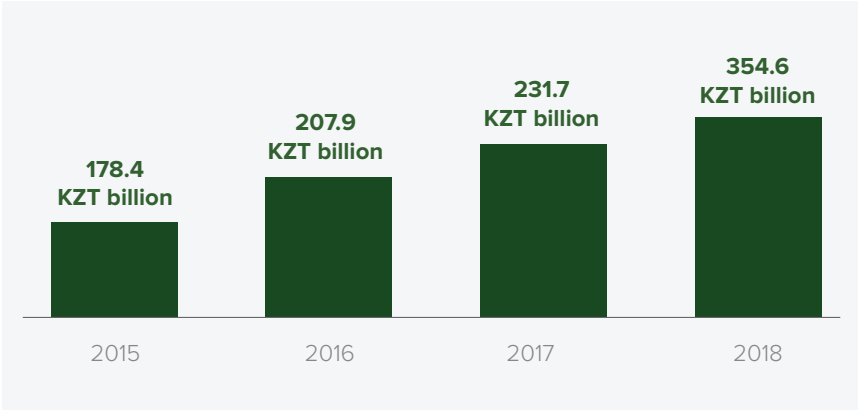


VOLUME OF AIC CREDITING,
BILLION KZT

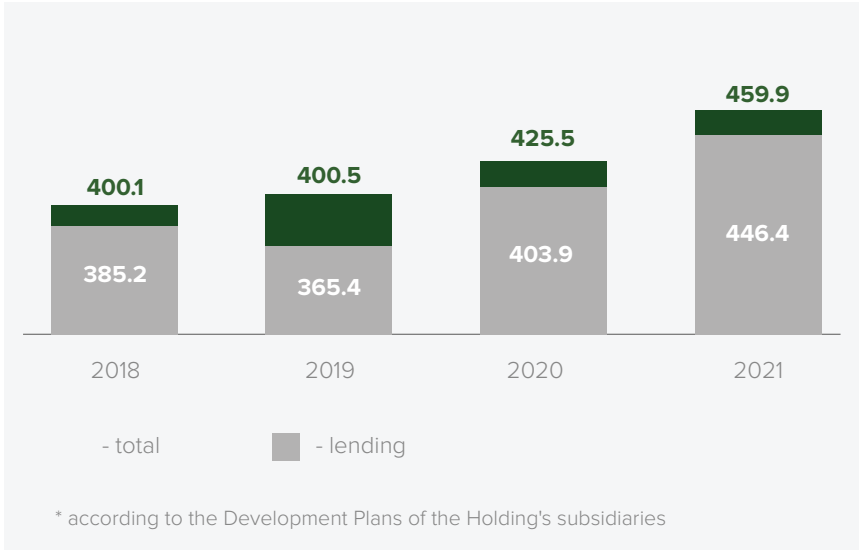


A slight quantitative decrease is fully compensated by increased volume of lending - by **36%** in monetary terms as compared with the previous year.

LENDING TO SME's (LEGAL ENTITIES AND INDIVIDUALS) IN 2018,
BILLION KZT

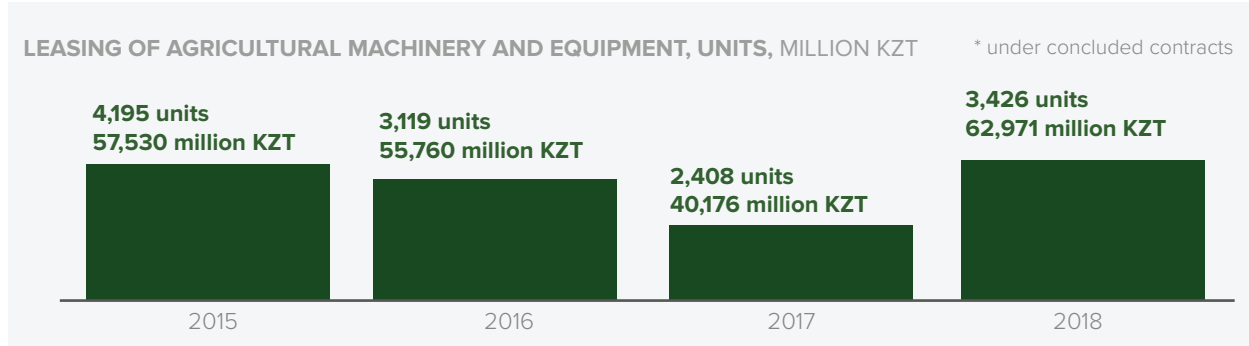


PLANNED VOLUMES OF AIC FINANCING FOR 2019-2021,
MILLION KZT



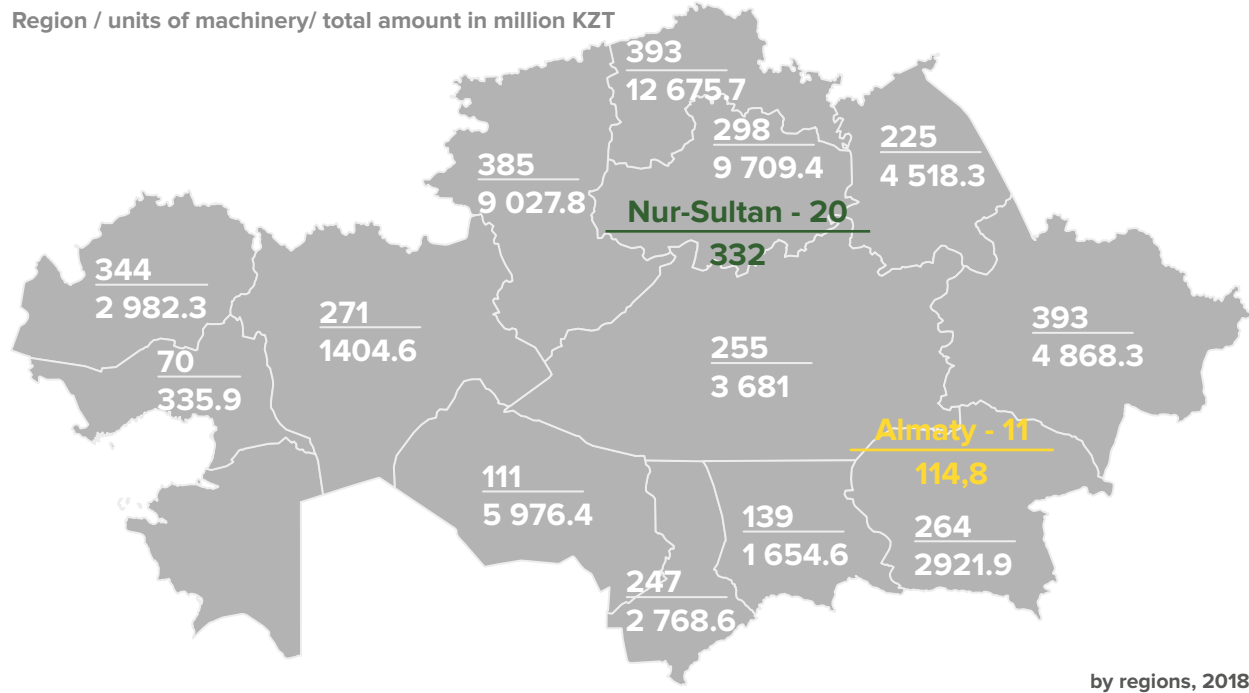
LEASING

In 2018, contracts were concluded for the purchase of 3,426 units of agricultural and special machinery / equipment worth **62,971.7 million KZT**, which exceeded by 36% the amount of funding past year.



LEASING OF AGRICULTURAL MACHINERY AND EQUIPMENT, UNITS, MILLION KZT

Region / units of machinery/ total amount in million KZT



The main operator of the Holding for leasing programs is «KazAgroFinance» JSC. During 2000–2018, more than 42 thousand agricultural and special machinery and equipment worth KZT 503.7 billion were financed.

Leasing - the share of «Kazagrofinance» JSC in the leasing market is

49.4%

DEBT LIABILITIES OF «KAZAGRO» HOLDING» JSC AS OF DECEMBER 31, 2018

Creditors	The balance of principal amount, thousand units of currency	The balance of principal amount, thousand KZT	% per annum	Term of payment	Portfolio share
External, incl.		465,400,824			30.82
Eurobonds - EUR	179,558	78,892,398	3.255%	2019	5.23
Eurobonds - USD	961,500	369,408,300	4.625%	2023	24.47
Other external financial institutions - USD	7,362	2,828,341	3.1 - 4.9%	2017 - 2021	0.19
Other external financial institutions - EUR	1,423	625,204	1.63 - 2.58%	10.07.2019	0.04
Other external financial institutions - RUB	756,627	4,176,580	5.75%	2019 - 2023	0.28
Other external financial institutions - KZT	9,470,000	9,470,000	12%	2017 and 2021	0.63
Internal, incl.		1,044,494,425			69.18
Bond issue (capital market investors)	772,721,334	772,721,334	7.5% - 15 %	18 - 32	51.18
Funds of the National Fund	120,000,000	120,000,000	0.02%	18.02.2041	7.95
Budget Credit Funds	0	0	0.01%	-	0.00
LEB Funds	127,182,372	127,182,372	0.01 - 1%	2018 - 2021	8.42
STB loans (KZT)	24,143,719	24,143,719	4.5%	June, 2021	1.60
Loans of “Atameken National Chamber of Entrepreneurs”	447,000	447,000	0	25.01.2019	0.03



In 2018, the Holding organized the process of redemption of the Holding's Eurobonds. As a result of the actions taken in 2018, the amount of foreign currency liabilities in dollar terms decreased from \$1,699 million to \$1,175 million. Currently, foreign exchange assets cover all foreign currency liabilities.

On August 10, 2018, the Holding redeemed international bonds ISIN XS1070363343 in the amount of 420.44 million euros at par, which accounted 74% of the total 600 million euros of Eurobonds placed. As a result of transaction, the Holding reduced the level of foreign borrowing and reduced the debt burden in foreign currency.

DEBT LIABILITIES OF «KAZAGRO» HOLDING» JSC AS OF DECEMBER 31, 2018

Creditors	The balance of principal amount, thousand units of currency	The balance of principal amount, thousand KZT	Portfolio share
Всего обязательств		1 509 895 249	100
KZT	1,029,820,706	1,029,820,706	68.20
USD	25,112,580	396,380,360	26.25
EUR	180,981	79,517,603	5.27
RUB	756,627	4,176,580	0.28

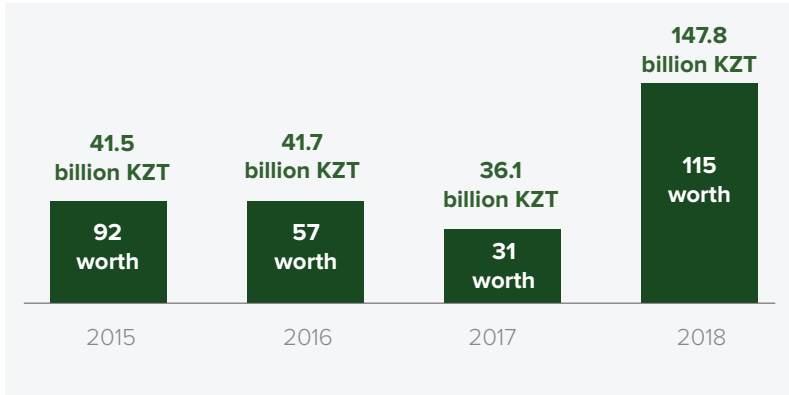
3.3 IMPLEMENTATION OF FUNDING PROGRAMS

IMPLEMENTATION OF INVESTMENT PROJECTS

The investment program of the Holding is aimed at financing high-tech investment projects in the field of AIC.

As of December 31, 2018, the investment portfolio of DJSC of the Holding consists of 672 projects worth KZT 504.9 billion. Since 2007, 647 projects worth KZT 482.6 billion were commissioned. In 2018, 115 projects were launched worth KZT 147.8 billion or one fifth of the total volume of existing projects.

COMMISSIONED INVESTMENT PROJECTS
NUMBER, BILLION KZT



FULL IMPLEMENTATION OF THESE PROJECTS WILL ACHIEVE THE FOLLOWING RESULTS:

GREENHOUSES: 59 projects worth KZT 77,882.6 mln. with an aggregate production capacity of 83.8 thousand tons of fruits and vegetables per year, with an area of 159 hectares.

DAIRY FARMS: 62 projects worth KZT 71,670.8 mln. will allow to achieve an aggregate production capacity of 222.4 thousand tons of milk and dairy products per year.

POULTRY FARMS: 33 projects worth KZT 82,575.6 mln. will allow to achieve an aggregate egg production capacity in excess of 1 billion pieces per year, for poultry meet 165.4 thousand tons per year.

FEEDLOT PLATFORMS: 30 projects worth KZT 38,728.5 mln. for 92.7 thousand fattening places of cattle will allow to achieve production capacity for meat production in the amount of 38.3 thousand tons per year.

MEAT-PROCESSING INDUSTRIES AND SLAUGHTERHOUSES: 26 projects worth KZT 16,567.9 mln. will allow to achieve production capacity of 74.2 thousand tons for the production of meat products.

DEVELOPMENT OF KAZAKHSTAN GRAIN EXPORT INFRASTRUCTURE AND ITS PROCESSING: 28 projects worth KZT 18,891.9 mln., with transshipment of grain in the amount of 3.2 million tons per year, production of grain processing products in the amount of up to 358.1 thousand tons per year.

GRANARIES: 48 projects worth KZT 27,024.1 mln. with a capacity of one-time storage of 931.5 thousand tons.

VEGETABLE STORAGES: 53 projects worth KZT 20,851.9 mln. with a capacity of one-time storage of 203.6 thousand tons.

MANUFACTURING OF PRODUCTS USING IRRIGATION SYSTEMS: 69 projects worth KZT 12,217.0 mln., with a total area of 49.4 thousand hectares and a total production capacity of 192.8 thousand tons of fruit and vegetable products per year.

CREATION AND DEVELOPMENT OF GARDENS: 25 projects worth KZT 16,821.6 mln. with a total capacity of fruit and vegetable production - 56.8 thousand tons of fruit on an area of 1.6 thousand hectares.

PROCESSING OF MILK: 10 projects worth KZT 5,132.6 mln. with a total production capacity of dairy products of 53.5 thousand tons.

HOUSEHOLD REPRODUCERS: 108 projects worth KZT 53,084.7 mln. for 79.7 thousand heads of cattle.

DEVELOPMENT OF FODDER PRODUCTION: 37 projects worth KZT 15,199.2 mln. with a release of 208.5 thousand tons of mixed fodders per year and 315.7 thousand tons of feed per year.

ASSEMBLING OF AGRICULTURAL MACHINERY: 5 projects worth KZT 6,864.2 mln. with a production capacity of 1,500 MTZ tractors and 36 aircraft.

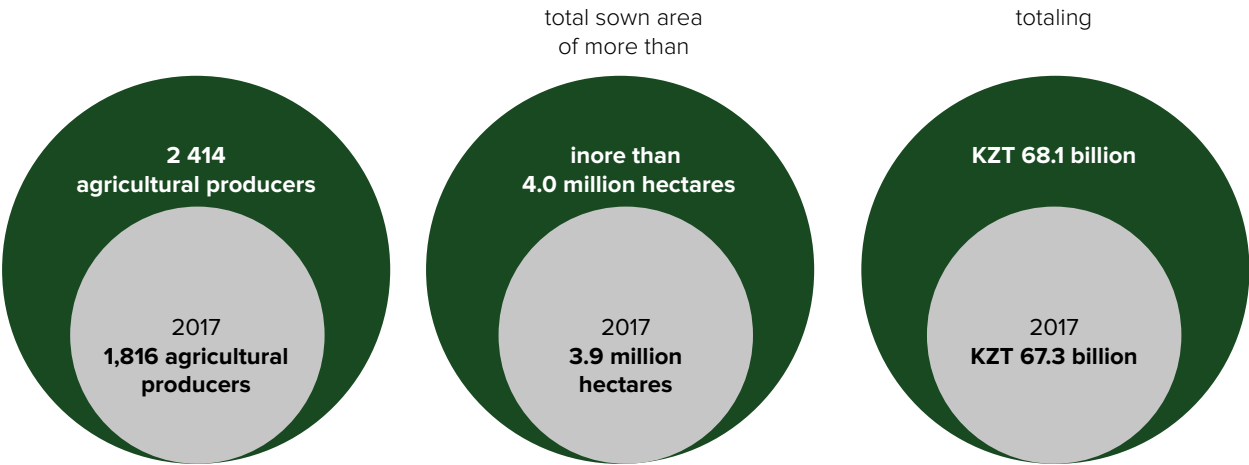
PROCESSING OF AGRICULTURAL PRODUCTS (PROCESSING OF WOOL, FISH, RICE, LEATHER, VEGETABLES, SUNFLOWER, FISH FARMING): 54 projects worth KZT 40,242.6 mln. with a cumulative volume of output in the amount of 1,083.4 thousand tons and 260.0 thousand liters.

OTHER DIRECTIONS (PRODUCTION OF PIPES, CELLULOSE, MEDICINAL HERBS, COTTON PROCESSING, CONSTRUCTION OF A REST HOUSE, CAFE, STORE, PHOTOELECTRIC MODULE AND WIND GENERATOR): 6 projects worth KZT 1,149.9 mln.

The Holding's group of companies provides financial services in all regions of Kazakhstan, covering 121 administrative districts. The regional representation of the Holding's structures is at the level of 76%.

LENDING FOR SPRING FIELD AND HARVESTING

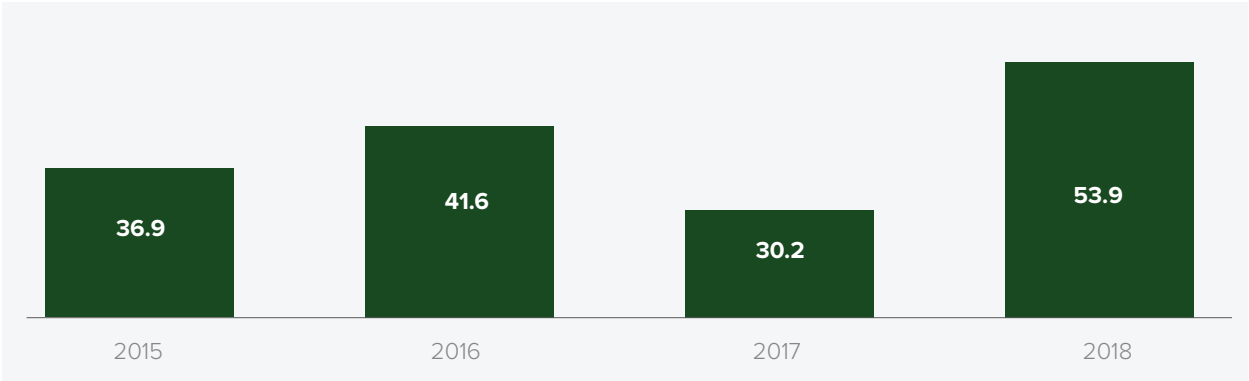
In 2018 in order to carry out spring field and harvesting works the Holding financed:



2,711 financial leasing agreements worth **KZT 53.9 billion** for the purchase of equipment were concluded:

for spring field – 1,479 contracts worth **KZT 21.6 billion**.
for harvesting - 1,232 contracts worth **KZT 32.4 billion**.

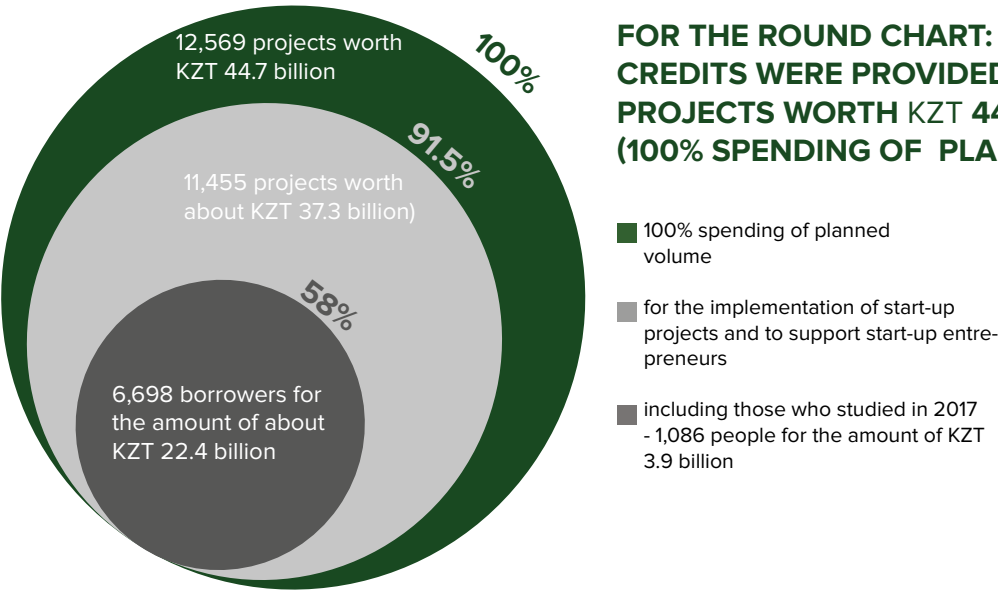
VOLUME OF FINANCING OF MACHINERY UNDER FINANCIAL LEASING AGREEMENTS, BILLION KZT (FOR SPRING FIELD WORK)



IMPLEMENTATION OF THE SECOND DIRECTION OF THE PROGRAM FOR THE DEVELOPMENT OF PRODUCTIVE EMPLOYMENT AND MASS ENTREPRENEURSHIP FOR 2017–2021 IN RURAL AREAS

In 2018, the subsidiaries of the Holding (FFSA, ACC) attracted **KZT 44.7 BILLION** (about 11 thousand loans)

provided at least **290 GUARANTEES** to agricultural producers

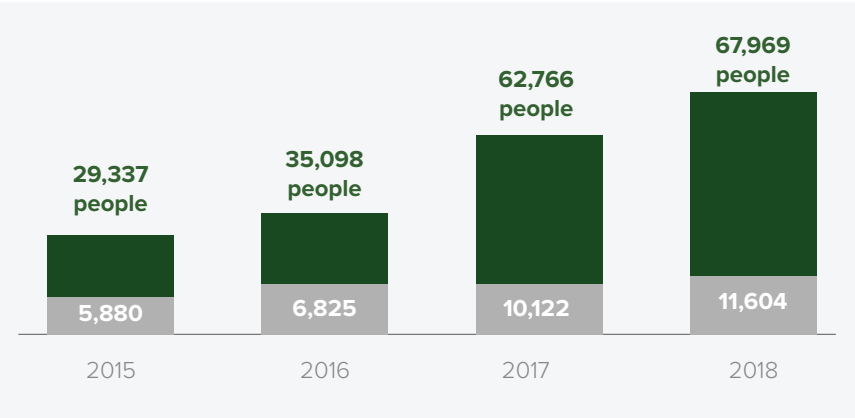
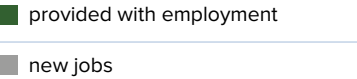


FOR THE ROUND CHART: IN 2018, MICRO-CREDITS WERE PROVIDED FOR 12,569 PROJECTS WORTH KZT 44.7 BILLION (100% SPENDING OF PLANNED VOLUME)

2017		2018	
«KazAgroGarant» JSC financed	worth KZT	«KazAgroGarant» JSC financed	worth KZT
247 APPLICATIONS	979.4 MILLION KZT	553 APPLICATIONS (548 agribusiness entities)	1 615.1 MILLION KZT

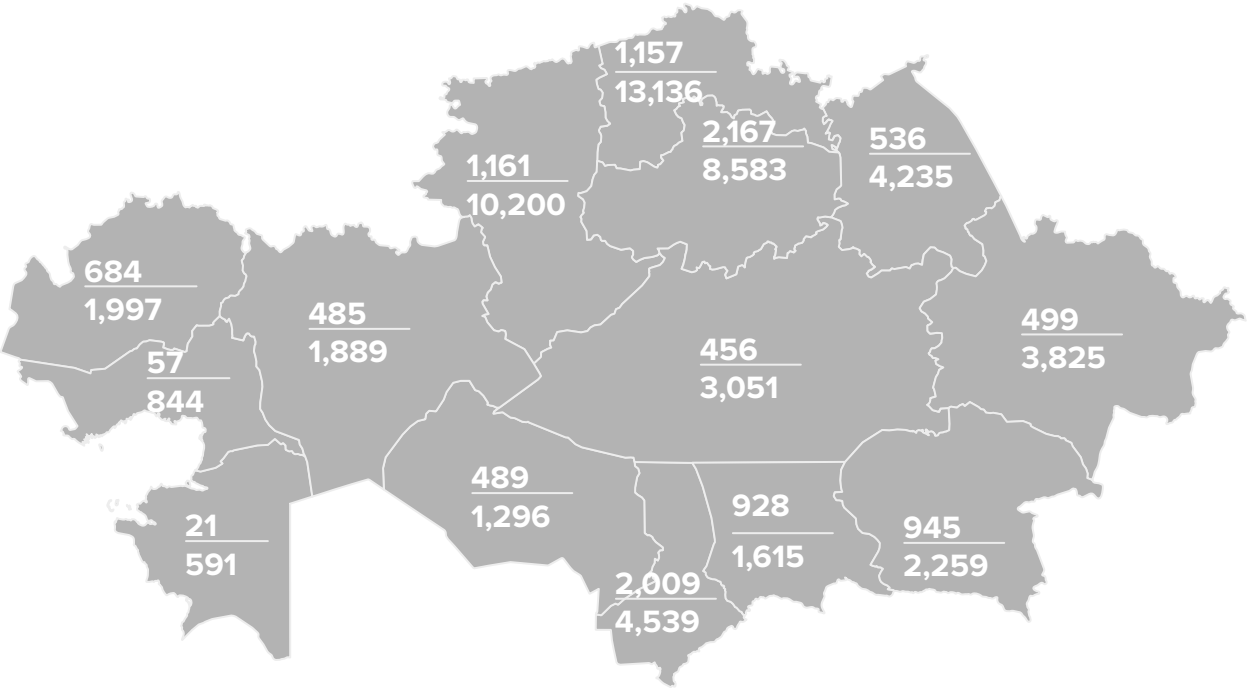
EMPLOYMENT PROVISION

IN 2018, THE CREDIT RESOURCES OF THE HOLDING ALLOWED TO PROVIDE EMPLOYMENT FOR 67,969 PEOPLE, INCLUDING FROM THEM TO CREATE 11,604 NEW JOBS.



EMPLOYMENT SECURITY IN THE FRAMEWORK OF IMPLEMENTATION «HOLDING «KAZAGRO» PROJECTS, 2018, PEOPLE

Region / New jobs and / People were provided with employment



FINANCING OF THE CAPITAL'S FOOD BELT PROJECTS

In 2018, the projects delivered the following products to Astana market:

- 44 million eggs
- about 13 thousand tons of milk and dairy products
- 3.3 thousand tons of cucumbers,
- 0.9 thousand tons of potatoes,
- more than 8 thousand tons of meat and meat products (poultry meat, lamb, beef, horse meat),
- 0.3 thousand tons of pasta.

The projects also provide storage of agricultural products using modern technologies.

Implementation of food belt projects of the city of Nur-Sultan (within a radius of 50 km in the direction Nur-Sultan - Kokshetau)

- The work on 92 projects is carried out:
- 16 dairy projects,
 - 56 meat projects,
 - 20 projects in other areas (irrigation and fish farming).

Of these, 22 projects were financed in the amount of 2.2 billion KZT, 4 projects are approved for funding in the amount of 0.2 billion KZT, 18 potential borrowers are collecting documents, for the rest the work continues.

Project funding in these areas is provided under the State Program for the Development of AIC.

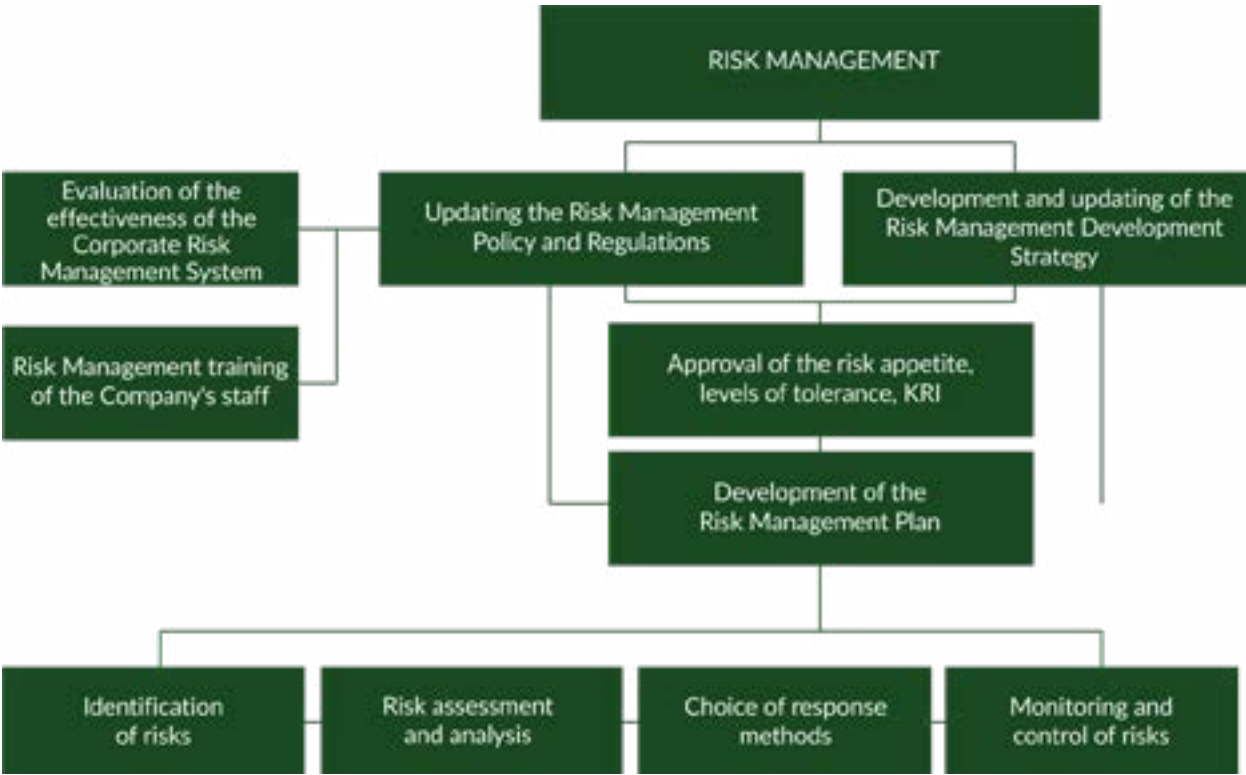
3.4 RISK MANAGEMENT

In order to work effectively with the factors that may negatively affect the cost of capital and the reputation of the Holding, a corporate Risk Management System has been introduced in «KazAgro» NMH» JSC.

Risk management in the Holding is regulated by the Risk Management Concept and the Risk Management Policy approved by the resolution of Board of Directors, as well as by other rules and procedures. The Holding, in the adopted Risk Management Policy, confirms its adherence to the best practices in this field, among which are the

following: ISO 31000 «Risk Management — Principles and Guidelines»; model COSO «Enterprise risk management — an integrated model».

Within the framework of the corporate Risk Management System of the Holding, the world’s best practices in the field of risk management are applied, such as risk appetite determination, development of key risk indicators.



THE RISK MANAGEMENT SYSTEM IN THE HOLDING AND ITS DJSC IS A MULTI-LEVEL STRUCTURE:

The first level - the Board of Directors (defines the Risk Management Policy).

The second level - the Executive Board (provides the conditions for effective implementation of the Risk Management System, organizes the process itself, and identifies responsible units).

The third level - Risk Management Department (is responsible for building the Risk Management System, actively interacts with other subdivisions of the Company).

The forth level - structural units in the person of each employee manage risks at the level of owners of business processes.

The Internal Audit Service regularly assesses the effectiveness of the Corporate Risk Management System.



THE HOLDING USES THE FOLLOWING RISK CLASSIFICATION:

External risks are the risks not related to the activities of «KazAgro» NMH» JSC and its DJSC, and which the Holding does not have the ability to manage.

Internal risks are the risks arising from the activities of the Holding itself.

EXTERNAL RISKS INCLUDE:

Regulatory and legal risks are associated with changes in the legislation of the Republic of Kazakhstan. This category also includes tax risks:

- increase in existing tax rates;
- expansion of the taxable base;
- introduction of new payments, a change in the procedure for settlements and collection may unfavorably affect both on the activities of the Holding and its borrowers.

INFLATIONARY RISK involves the possibility of depreciation of assets (capital, cash, etc.), as well as revenues and profits of the Holding in connection with inflationary processes in the economy.

SOCIAL RISKS stem from uneven distribution of income among the population. Due to the fact that the main consumers of financial and non-financial services of the Holding are concentrated in rural areas, an increase in inflation, currency devaluation, decline in economic growth directly affect the purchasing power of the population and the decline in consumer demand.

COUNTRY RISKS. The Holding does not carry out any operations in foreign countries (placement of funds, purchase of securities, financing of non-resident borrowers, etc.). In this regard, changes in economic and political situation of a foreign state do not directly affect the financial results of the Holding.

INTERNAL RISKS ARE DIVIDED INTO:

OPERATIONAL RISKS — risks of loss resulting from deficiencies or errors in internal processes, committed by employees or caused by functioning of information systems and technologies. In order to minimize operational risks, the Holding uses electronic document management, dual control and standardization of procedures, a clear distribution of powers for structural subdivisions.

LIQUIDITY LOSS RISK is associated with possible failure or untimely execution of Holding’s liabilities. In the process of managing liquidity loss risk, the current liquidity of the Holding is monitored and planned, and the terms of placed and attracted money, income and expenses associated with the receipt (payment) of the remuneration are compared. Thanks to government support, liquidity risk is greatly reduced.

INDUSTRY RISKS. Agriculture is located in the zone of risk farming: it has low labor productivity, an outdated fund, plays the role of seasonality, and harsh climatic conditions. In this regard, the industry risk in this sector is quite high.

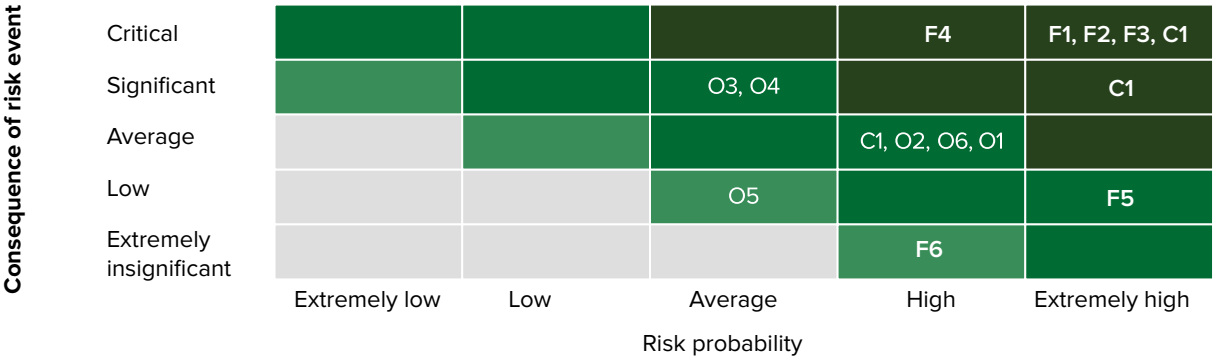
From this perspective, the state provides maximum support to agriculture using the following tools:

- **subsidizing interest rates;**
- **provision of soft loans;**
- **subsidizing investment costs;**
- **cheapening of various costs.**

FOREIGN EXCHANGE RISK. In connection with issuance of Eurobonds, great attention is paid to foreign exchange risk — the risk of expenses (losses) related to change in foreign exchange rates during the implementation of the Holding activities. Due to the repurchase of Eurobonds, the size of currency position has been significantly reduced, and currently foreign currency assets cover all foreign currency liabilities.

CREDIT RISKS — the risks of losses due to a borrower failing to make the required payments. The Holding and its DJSC manage the credit quality of financial assets through an internal rating system. This provides the possibility of a focused management of existing risks, as well as allows to compare the amount of credit risk for different activities, geographic regions and products. The Holding also raises the requirement for counterparty banks, which should reduce the level of credit risks.

LOCATION OF RISKS ON THE MAP IN 2018



THE FOLLOWING RISKS WERE IN THE CRITICAL ZONE:

No. and risk code	Critical Risk Name	Reason
1. (F.1)	Financial Risks: Foreign exchange risk	The Holding has liabilities in foreign currency.
2. (F.2)	Financial Risks: Liquidity loss risk	There is a risk of a possible cash deficit in the long term. Measures are being taken to minimize the risk.
3. (F.3)	Financial Risks: The risk of impairment of financial investments	The risk is associated with the possibility of realization of the risks of impairment of investments in DJSCs.
4. (F.4)	Financial Risks: The risk of default covenant	The Holding has a number of covenants under the international bond program.
5. (C.1)	Credit risks: Risk of late / incomplete performance of obligations by counterparty banks	The Holding has a significant amount of assets in the form of claims to second-tier banks.
6. (C.2)	Credit risks: Loan portfolio impairment	A significant part of the group's assets is concentrated in the loan portfolio.

For all identified risks, the authorized bodies of the Holding Company and DJSC have adopted risk reduction and risk management plans, within which relevant measures are taken.

CURRENCY RISK: in 2018, the amount of currency liabilities in dollar equivalent decreased from \$1,699 million to \$1,175 million. At the same time, at the end of 2018 the amount of cash in foreign currency exceeds the volume of liabilities in foreign currency.

LIQUIDITY LOSS RISK: the volume of liquidity in the short-term period is sufficient to fulfill all current liabilities, including the repayment of the remaining part of Eurobonds.

THE RISK OF IMPAIRMENT OF THE VALUE OF FINANCIAL INVESTMENTS: in order to reflect the fair value of the investments, the Holding has impaired some investments in DJSC.

THE RISK OF NON-FULFILLMENT OF COVENANTS: after the remaining part of Eurobonds is redeemed, Holding's liabilities will mainly consist of funds raised in domestic market, and a significant part of the covenants will be withdrawn.

RISK OF UNTIMELY / INCOMPLETE FULFILLMENT OF OBLIGATIONS BY COUNTERPARTY BANKS: in order to minimize risk, the Holding significantly tightens the requirements for counterparty banks.

CREDIT RISKS: Loan portfolio impairment: since a part of the group's assets is concentrated in the loan portfolio, the Holding is constantly working to increase the efficiency of its lending processes.

OPERATIONAL RISKS: Risks of low automation of reporting in the Holding: in order to minimize operational risks, the Holding is continuously working to improve business processes, including through automation.



3.5 AUTOMATION OF PROCESSES

ELECTRONIC DOCUMENT FLOW SYSTEM

The Holding uses Electronic Document Flow System (EDFS), which is designed to optimize internal processes of «KazAgro» NMH» JSC and DJSCs, monitor and control timing of tasks’ execution.

In 2018, work was done on connecting EDFS to Kazakhstan Electronic Document Exchange Center (KEDEC), which made it possible to freely exchange documents between legal entities and individuals.

Also in 2018, work began on integration with EDFS of state bodies through the Unified Electronic Document Flow System of the State Authorities (UEDFS), which will reduce the delivery time of electronic documents.

E-PROCUREMENT SYSTEM

The electronic procurement system is designed to ensure transparency in procurement process, reduce operating costs and time for consideration of applications.

In 2018, a step-by-step transition of the Holding and its subsidiaries to the 100% electronic procurement format was implemented.

Also in 2018, work was carried out on integration of web-services of the Holding with the portal «Single Window of Purchases» by NCE RK «Atameken» (SWP) in order to transfer information on procurement.

A new feature has been implemented:

- office of auditors (Internal Audit Service, KPEM)
- procurement audit and audit trail;
- procurement planning at KTPY;
- possibility to invite several suppliers
- expert committee, etc.

SYSTEM FOR COLLECTION AND PROCESSING OF LOAN APPLICATIONS

The system for collection and processing of loan applications (SCPLA) is designed to submit online applications for services under the lending and leasing programs of «Agrarian Credit Corporation» JSC, «Fund for Financial Support of Agriculture» JSC, «KazAgroFinance» JSC with no need to visit the offices of the Holding's lending companies, while significantly reducing time and financial costs.



In 2018, work was carried out on provision of measures of state support by means of SCPLA to AIC subjects. So SCPLA was integrated with the platform «Single window of an entrepreneur» by NCE RK «Atameken» (SWE). A project was launched on the possibility of submitting applications by AIC subjects through Goidau.kz digital business platform.

THE SYSTEM OF CONSOLIDATED FINANCIAL STATEMENTS

In 2017, the first stage of the project to launch the System of consolidated financial statements (hereinafter - SCFS) has been completed. The objectives of the System are:

- automation of process for preparation of consolidated and separate financial statements of the Holding and its DJSCs;
- reduction of terms of preparation of consolidated and separate financial statements of the Holding and its DJSCs;

FORECAST ANALYTICAL CENTER

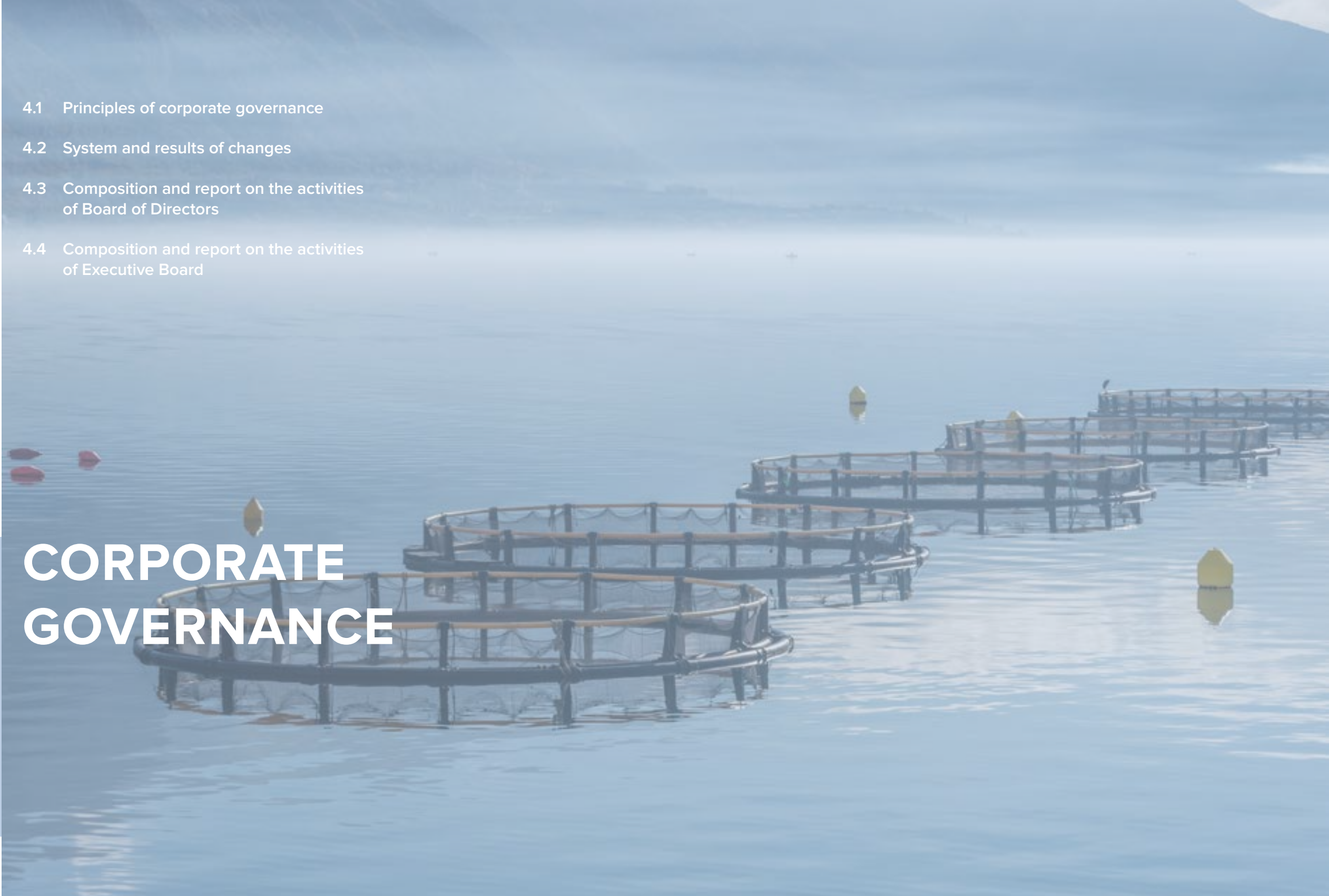
In 2018, the first phase of the project for launching Forecast Analytical Center was completed, the task of which is to introduce a set of tools for making timely and high-quality management decisions based on reporting, models and forecasts of financial and production indicators across the entire Holding.

Software licenses were purchased, the system was deployed on the Holding's servers, and Technical task for the second stage was developed.

- 4.1 Principles of corporate governance
- 4.2 System and results of changes
- 4.3 Composition and report on the activities of Board of Directors
- 4.4 Composition and report on the activities of Executive Board

4

CORPORATE GOVERNANCE



4.1 PRINCIPLES OF CORPORATE GOVERNANCE

THE HOLDING'S ACTIVITIES ARE BASED ON COMPLIANCE WITH THE PRINCIPLES AND PROVISIONS OF THE CORPORATE GOVERNANCE CODE

THE BASIC PRINCIPLES OF THE CODE ARE:

- Principle of delineation of powers;
- Principle of protecting the rights and interests of the shareholder;
- Principle of effective management of the Holding by Board of Directors and Executive Board;
- Principle of sustainable development;
- Principle of risk management, internal control and audit;
- Principle of regulation of corporate conflicts and conflicts of interest;
- Principles of transparency and objectivity of disclosure of information on the Holding's activities.

4.2 SYSTEM AND RESULTS OF CHANGES

SOLE SHAREHOLDER - SUPREME BODY

The Sole Shareholder of the Holding is the Government of the Republic of Kazakhstan represented by the state body of the Ministry of Agriculture of the Republic of Kazakhstan, to which the rights of ownership and / or use of the state-owned stake in «KazAgro» Holding» JSC have been transferred.
The supreme body of the Holding has the exclusive right to cancel any decision of other bodies of the Holding.

BOARD OF DIRECTORS – GOVERNING BODY

Provides strategic management of the Holding and control over the activities of Executive Board, except for matters attributed to the exclusive competence of the Sole Shareholder. The Board of Directors is accountable to the Sole Shareholder and is liable to him for the performance of its duties.

EXECUTIVE BOARD –MANAGING BODY

Manages daily activities of the Holding. Is responsible for development and implementation of the Development Strategy. Is accountable to Board of Directors. Takes decisions on activities not related to the competence of other bodies and officials of the Holding. Has an obligation to execute decisions of General Meeting of Shareholders and Board of Directors.

INTERNAL AUDIT SERVICE

Provides independent and objective information to Board of Directors designed to ensure effective management of the Holding.

INTERACTION WITH THE SOLE SHAREHOLDER AND SUBSIDIARY JOINT-STOCK COMPANIES OF «KAZAGRO» HOLDING» JSC

Interaction with the Sole Shareholder

The Sole Shareholder of «KazAgro» Holding» JSC is a state body represented by the Ministry of Agriculture of the Republic of Kazakhstan, to which the ownership and / or use rights of the state shareholding of «KazAgro» Holding» JSC are transferred.
The interaction of «KazAgro» Holding» JSC with its Sole Shareholder is regulated in accordance with the current legislation of the Republic of Kazakhstan, the Charter of «KazAgro» Holding» JSC and the Corporate Governance Code of «KazAgro» Holding» JSC.
The Holding is constantly improving its corporate governance policies and practices.

THE MAIN DECISIONS OF EXECUTIVE BOARD OF «KAZAGRO» HOLDING» JSC AS THE SOLE SHAREHOLDER OF DAUGHTER JOINT-STOCK COMPANIES IN THE FIELD OF CORPORATE GOVERNANCE IN THE REPORTING YEAR:

- Determination of the number of members of the Board of Directors of «Agrarian Credit Corporation» JSC, the term of powers and election of its members.
- Determination of the number of members of the Board of Directors of «KazAgroFinance» JSC, the term of powers and election of its members.
- Determination of the number of members of the Board of Directors of «KazAgroGarant» JSC, the term of powers and election of its members.
- Determination of the number of members of the Board of Directors of «KazAgroProduct» JSC, the term of powers and election of its members.
- Determination of remuneration rates for independent directors of daughter joint-stock companies of «KazAgro» Holding» JSC.
- Approval of the annual report of daughter joint-stock companies of «KazAgro» Holding» JSC.
- Approval of the procedure for distribution of net income of daughter joint-stock companies, on payment or non-payment of dividends on ordinary shares and on approval of the amount of dividends per year per ordinary share.
- Determination of the audit organization, auditing the financial statements of daughter joint-stock companies.

CORPORATE GOVERNANCE DIAGNOSTICS

In 2018, work was carried out to implement the Action plan of «KazAgro» Holding» JSC for 2018, based on analysis of the level of corporate governance conducted by «Rating Agency of the Regional Financial Center of Almaty City» JSC (hereinafter referred to as RA RFCA), approved by the decision of Executive Board of «KazAgro» Holding» JSC dated January 19, 2018 No.5. In 2017, following a report on the analysis of the level of corporate governance by RA RFCA, the Holding was assigned a corporate governance rating of KZ CG 6 (stable outlook) - 85.01%. This rating, first assigned to the Holding,

reflects a high level of corporate governance and confirms the low risks of main parameters of its assessment.

DIAGNOSTICS OF CORPORATE GOVERNANCE IN SUBSIDIARY COMPANIES

In accordance with the decision of the rating committee adopted on the basis of conducted management quality analysis, the rating agency «Expert RA Kazakhstan» Rating Agency» LLP (hereinafter referred to as RA Expert) first assigned corporate management ratings based on the results of 2018 in accordance with its own Management Quality Assessment Methodology to following daughter joint-stock companies of «KazAgro» Holding» JSC.

- «KazAgroFinance» JSC with a rating assigned at the level of RCG 7 “Developed practice of corporate governance»;
- «Agrarian Credit Corporation» JSC with a rating assigned at the level of RCG 6 “Developed corporate governance practice»;
- «Fund for Financial Support of Agriculture» JSC with a rating assigned at the level of RCG 5 «Average practice of corporate governance»;
- «KazAgroGarant» JSC with a rating assigned at the level of RCG 5 «Average practice of corporate governance».

According to the results of analysis of the quality of management by an independent expert RA Expert, the Action Plans to improve the corporate governance systems of daughter joint-stock companies for 2018 were updated.

«KazAgro» Holding» JSC diagnosed the corporate governance in «NC «Food Contract Corporation» JSC and «KazAgroProduct» JSC and assigned ratings (levels) of corporate governance according to the results of 2018 in accordance with the Methodology of diagnosis of corporate governance of daughter joint-stock companies of «KazAgro» Holding» JSC. The level of corporate governance was at the level of «Satisfactory». In 2018, diagnostics confirmed the high corporate development culture of the Group of Companies of the Holding based on transparency of activities and high criteria for human development.



PLANS FOR 2019

Carrying out diagnostics of corporate governance of «KazAgro» Holding» JSC with the involvement of a rating agency.

Carrying out diagnostics of corporate governance of daughter joint-stock companies of «KazAgro» Holding» JSC in accordance with the Methodology of diagnostics of corporate management of daughter joint-stock companies of «KazAgro» Holding» JSC.

MAJOR CHANGES IN THE FIELD OF CORPORATE GOVERNANCE OF «KAZAGRO» HOLDING» JSC

The following internal regulatory documents were approved by the resolution of Board of Directors of «KazAgro» Holding» JSC in the reporting year:

- Approval of the Classifier of internal regulatory documents (new edition)
- Approval of the Rules for disclosing information about activities and ensuring the safety of commercial and official secrets (new edition)
- Approval of the Regulations on the evaluation of Board of Directors, Committees of Board of Directors and members of Board of Directors
- Amendments and additions to the Regulations for Committees of Board of Directors

- Amendments to the Policy on the settlement of corporate conflicts and conflicts of interest
- Approval of the Compliance Policy
- Approval of the Policy of Notice of Violation
- Approval of the Anti-Corruption Holding Policy

PLANS FOR 2019 FOR THE APPROVAL OF INTERNAL REGULATORY DOCUMENTS IN THE FIELD OF CORPORATE GOVERNANCE OF «KAZAGRO» HOLDING» JSC

- Approval of the new Corporate Governance Code
- Approval of the Procedure for evaluating the diagnosis of corporate governance
- Amendments and additions to the Regulations for Board of Directors
- Approval of the new edition of the Corporate Governance Code of DJSCs
- On approval of the Sustainable Development Policy and the Sustainable Development Action Plan.

4.3 COMPOSITION AND REPORT ON THE ACTIVITIES OF BOARD OF DIRECTORS

The Board of Directors carries out general management of activities of «KazAgro» Holding» JSC, with exception of resolving issues referred by the laws of the Republic of Kazakhstan and (or) the Charter to the exclusive competence of the Sole Shareholder and Executive Board.

The quantitative composition of Board of Directors of the Holding - 9 people. The Board of Directors includes representatives of the public sector, independent directors and the Chairman of Executive Board of the Holding. The composition of Board of Directors is balanced. The share of independent directors of the Holding is 44% of the total number of members of Board of Directors, with 30% required by current legislation of the Republic of Kazakhstan. Thus, the composition of Board of Directors of the Holding is diversified, which corresponds to the best practices of corporate governance.

THE COMPOSITION OF BOARD OF DIRECTORS OF «KAZAGRO» HOLDING» JSC

as of December 31, 2018:

Shukeyev Umirzak Yestaevich – Deputy Prime Minister – Minister of Agriculture of the Republic of Kazakhstan – Chairman of Board of Directors of «KazAgro» Holding» JSC

Zhamishev Bolat Bidakhmetovich – Chairman of Executive Board of «Development bank of Kazakhstan» JSC, member of Board of Directors

Smailov Alikhan Askhanovich – Minister of Finance of the Republic of Kazakhstan, member of Board of Directors

Suleimenov Timur Muratovich – Minister of National Economy of the Republic of Kazakhstan, member of Board of Directors

Yegimbaeva Zhanna Dacharovna – Independent Director

Zhandosov Oraz Alievich – Independent Director

Zhumagaziev Eldar Tynyshbayevich – Independent Director

Mukhambetzhanov Berik Kopzhasarovich – Independent Director;

Kurmanov Rustem Zhomartovich – Chairman of Executive Board of «KazAgro» Holding» JSC, member of Board of Directors

CHANGES IN BOARD OF DIRECTORS IN 2018:

February 1	<p>— Shukeyev Umirzak Yestayevich - Deputy Prime Minister of the Republic of Kazakhstan - Minister of Agriculture of the Republic of Kazakhstan - was elected as a member of Board of Directors.</p> <p>— Zhumagaziev Eldar Tynyshbayevich - Deputy Chairman of Executive Board of «Atameken» National Chamber of Entrepreneurs of the Republic of Kazakhstan - was elected as a member of Board of Directors - Independent Director.</p> <p>— the powers of the member of Board of Directors Myrzakhmetov Askar Isabekovich were early terminated.</p>
February 14	<p>— Zholdassov Elnar Rasilkhanovich was elected as a member of Board of Directors - Independent Director.</p> <p>— the powers of the member of Board of Directors - Independent Director Elmesov Askar Raushanuly were early terminated.</p>
March 5	<p>— the powers of the member of Board of Directors - Independent Director Zholdassov Elnar Rasilkhanovich were early terminated.</p>
March 29	<p>— Mukhambetzhanov Berik Kopzhasarovich was elected as a member of Board of Directors - Independent Director.</p>
June 21	<p>— the powers of Chairman of Executive Board Malelov Nurlybek Tolebayevich were early terminated.</p> <p>— the powers of the member of Board of Directors Malelov Nurlybek Tolebayevich were early terminated on his own initiative.</p> <p>— KURMANOV RUSTEM ZHOMARTOVICH was elected as a Chairman of Executive Board.</p>
June 22	<p>— Kurmanov Rustem Zhomartovich was elected as a member of Board of Directors.</p>
November 30	<p>— the powers of the member of Board of Directors Sultanov Bakhyt Turlykhanovich were early terminated.</p> <p>— Smailov Alikhan Askhanovich was elected as a member of Board of Directors.</p>

MEMBERS OF BOARD OF DIRECTORS



SHUKEYEV UMIRZAK YESTAYEVICH

Deputy Prime Minister of the Republic of Kazakhstan - Minister of Agriculture of the Republic of Kazakhstan, Chairman of Board of Directors of «KazAgro» Holding» JSC

Born on March 12, 1964, in the city of Turkestan, the citizen of the Republic of Kazakhstan. He graduated from Moscow Institute of Economics and Statistics (economist and mathematician). Doctor of Economic Sciences. In the period from 2005 to 2018, he worked as Minister of Economy of the Republic of Kazakhstan, Minister of Economy and Trade of the Republic of Kazakhstan, Akim of Kostanay Region, Astana, South Kazakhstan Region, Chairman of Executive Board of «Samruk-Kazyna» NWF» JSC, Deputy Prime Minister of the Republic of Kazakhstan - Minister of Agriculture of the Republic of Kazakhstan. From February 26, 2019, he was appointed to the position of Akim of Turkestan Region.



ZHAMISHEV BOLAT BIDAХMETOVICH

Chairman of Executive Board of «Development Bank of Kazakhstan» JSC

Born on June 28, 1957, in Altyn-Emel village, Taldy-Kurgan region, the citizen of the Republic of Kazakhstan. In 1981, he graduated from Kazakh Agricultural Institute with a degree in «Economics». The candidate of Economic Sciences. From 2003 to 2014, he worked as Deputy Chairman of the National Bank of the Republic of Kazakhstan, Head of the Agency of the Republic of Kazakhstan for Regulation and Supervision of Financial Organizations, Deputy Chairman of Board of EDB, Minister of Finance of the Republic of Kazakhstan, Minister of Regional Development of the Republic of Kazakhstan. From August, 2014, to April, 2019, – Chairman of Executive Board of «Development Bank of Kazakhstan» JSC. Currently he is an independent director of JSC «First Heartland Jýsan Bank»



SMAILOV ALIKHAN ASKHANOVICH

Minister of Finance of the Republic of Kazakhstan

Born on December 18, 1972 in the city of Alma-Ata, the citizen of the Republic of Kazakhstan. He graduated from Kazakh State National University named after Al-Farabi with a degree in Applied Mathematics, Kazakhstan Institute of Management, Economics and Forecasting under the President of the Republic of Kazakhstan. Master of Public Administration. In the period from 2003 to 2018, he worked as the Chairman of Executive Board of «State Insurance Company on Insurance of Export Credits and Investments» JSC, Vice Minister of Finance of the Republic of Kazakhstan, President of «KazAgro» Holding» JSC, Vice Minister of Finance of the Republic of Kazakhstan, Chairman of the Agency of the Republic of Kazakhstan for Statistics, Chairman of the Committee on Statistics of the Ministry of National Economy of the Republic of Kazakhstan, Assistant to the President of the Republic of Kazakhstan, Minister of Finance of the Republic of Kazakhstan. From February 25, 2019, he was appointed to the position of the First Deputy Prime Minister of the Republic of Kazakhstan - Minister of Finance of the Republic of Kazakhstan.



SULEIMENOV TIMUR MURATOVICH

Minister of National Economy of the Republic of Kazakhstan

Born on April 5, 1978, in Kazakh SSR, the citizen of the Republic of Kazakhstan. He graduated from Pavlodar State University with a degree in «Management» (2000), Robert H. Smith School of Business, University of Maryland with «Master of Business Administration» degree under the program «Bolashak» (USA, 2002); certification of the Institute of Chartered Accountants in England and Wales. From 2009 to 2017, he served as Vice Minister of Economy and Budget Planning of the Republic of Kazakhstan, Vice Minister of Economic Development and Trade of the Republic of Kazakhstan, member of Eurasian Economic Commission Board in charge of Economy and Financial Policy, Minister of National Economy of the Republic of Kazakhstan. From March 1, he was appointed to the position of Deputy Chairman of the National Bank of the Republic of Kazakhstan, from March 22, 2019 - Assistant to the President of the Republic of Kazakhstan.



YEGIMBAEVA ZHANNA DACHEROVNA

Ex-Deputy Head of the Chancellery of the Prime Minister of the Republic of Kazakhstan

Born on May 12, 1953, in Ivashka village, Kamchatka region, Russian Soviet Federative Socialist Republic, the citizen of the Republic of Kazakhstan. In 1980, she graduated from Taldy-Kurgan Law School, in 1988, from Kazakh State University named after S.M. Kirov with «Lawyer» specialty. From 2001 to 2018, she was the Head of Legal Department of the Government Office, Office of the Prime Minister of the Republic of Kazakhstan, the Deputy Head of the Chancellery of the Prime Minister of the Republic of Kazakhstan, advisor in «Baiterek» NMH» JSC. She is also a member of Board of Directors of «KEGOC» JSC.



ZHANDOSOV ORAZ ALIEVICH

Director of the Center for Economic Analysis «Rakurs»

Born on October 26, 1961, in Alma-Ata, the citizen of the Republic of Kazakhstan. He graduated from M.L. Lomonosov Moscow State University with «Economics and Cybernetics» specialty. In the period from 1996 to 2018, he worked as the Chairman of the National Bank of the Republic of Kazakhstan, First Deputy Prime Minister - Chairman of the State Investment Committee of the Republic of Kazakhstan, President of «KEGOC» JSC, Deputy Prime Minister of the Republic of Kazakhstan, Partner of «Sana-Consulting» LLP, Assistant to the President of the Republic of Kazakhstan, Chairman of the Agency of the Republic of Kazakhstan for Regulation of Natural Monopolies and Protection of Competition, since 2008 - Director of the Center for Economic Analysis «Rakurs». He is also an independent director at «Damu» Entrepreneurship Development Fund» JSC and «Kazpost» JSC.



ZHUMAGAZIEV ELDAR TYNYSHBAYEVICH

Chairman of Board of the Union of Legal Entities «Financial Institutions Association of Kazakhstan»

Born on May 12, 1973, in Atyrau Region, the citizen of the Republic of Kazakhstan. He graduated from Atyrau Institute of Oil and Gas with a degree in Automobiles and Automobile Economy, and Russian Academy of State Service under the President of Russian Federation with a degree in Political Science. From 2001 to 2018, he worked as Director of «Itera» LLP, Head of Department for Work with Youth and Non-Governmental Organizations, Deputy Director of Internal Policy Department of Atyrau Region, Head of the main regional Media Holding «Atyrau – Akparat», Head of Directorate of Internal Policy of Atyrau Region Akimat, Advisor to Chairman of Executive Board of the National Chamber of Entrepreneurs «Atameken», Deputy Head of the National Chamber of Entrepreneurs «Atameken». From January 2017 - Deputy Chairman of Executive Board - Member of Executive Board of NCE «Atameken». By the resolution of the Sole Shareholder of «KazAgro» Holding» JSC represented by the Ministry of Agriculture of the Republic of Kazakhstan No. 53 dated February 1, 2018, he was elected as a member of Board of Directors - Independent Director of «KazAgro» Holding» JSC.



MUKHAMBETZHANOV BERIK KOPZHASAROVICH

Managing Director for Finance, member of Executive Board of Eurasian Development Bank

Born on February 4, 1972, in the city of Alma-Ata, the citizen of the Republic of Kazakhstan. He graduated from Kazakh State Academy of Management with a degree in Finance and Credit. From 2003 to 2018, he worked as financial controller - member of Executive Board of HSBC Bank Kazakhstan, Director of Audit Department of Kazakhstan Holding for State Assets Management «Samruk», and Head of Planning and Reporting Department of EDB, Managing Director for Finance -member of EDB Executive Board. By the resolution of the Sole Shareholder of «KazAgro» Holding» JSC represented by the Ministry of Agriculture of the Republic of Kazakhstan No. 133 dated March 29, 2018, he was elected as a member of Board of Directors of «KazAgro» Holding» JSC as an Independent Director.



KURMANOV RUSTEM ZHOMARTOVICH

Chairman of Executive Board of «KazAgro» Holding» JSC

Born on July 17, 1981, in Novoishimsky village, North Kazakhstan Region, the citizen of the Republic of Kazakhstan. He graduated from Kokshetau State University named after Sh. Ualikhanov with a degree of “Economist-manager in the areas of the agro-industrial sector”, and doctoral school of Kokshetau State University named after Sh. Ualihanov with a degree in Economics and National Economy Management (agriculture). Candidate of Economic Sciences. In the period from 2005 to 2018, he worked as Head of Economic Analysis Department, Public Procurement Department and Economic Analysis of Akmola Regional Territorial Inspection of the State Inspection Committee in the agro-industrial complex of the Ministry of Agriculture of the Republic of Kazakhstan, Head of Department for Development of Processing Industry and Agri-Food Markets, Acting Director of Department for Development of Processing Industry and Agri-Food Markets, Director of Investment Policy Department, Department of the State Inspectorate Committee in the agro-industrial complex, Chairman of Veterinary Control and Supervision Committee of the Ministry of Agriculture of the Republic of Kazakhstan, Block A of the Ministry of Agriculture of the Republic of Kazakhstan, Head of Secretariat of the Committee of AIC NCE of the Republic of Kazakhstan, Managing Director - Director of Department of Agro-Industrial Complex and Food Industry of NCE «Atameken», Acting Advisor to the Minister of Agriculture of the Republic of Kazakhstan, Advisor to the Minister of Agriculture of the Republic of Kazakhstan, Vice-Minister of Agriculture of the Republic of Kazakhstan, Chairman of Executive Board of «KazAgro» Holding» JSC. Since March 2019, he was appointed to the position of Vice Minister of Agriculture of the Republic of Kazakhstan.

AT THE TIME WHEN THE ANNUAL REPORT WAS DRAFTED, THE FOLLOWING CHANGES IN BOARD OF DIRECTORS HAVE TAKEN PLACE:

February 6, 2019	— the powers of Zhumagaziev Eldar Tynyshbayevich were early terminated on his own initiative
February 26, 2019	— the powers of Zhamishev Bolat Bidakhmetovich were early terminated on his own initiative
April 24, 2019	<div>— the powers of Shukeyev Umirzak Yestayevich were early terminated</div> <div>— the powers of Alikhan Askhanovich Smailov were early terminated</div> <div>— the powers of Suleimenov Timur Muratovich were early terminated</div> <div>— the powers of Kurmanov Rustem Zhomartovich were early terminated</div>

THE COMPOSITION OF BOARD OF DIRECTORS OF «KAZAGRO» HOLDING» JSC, TAKING INTO ACCOUNT CHANGES MADE TO IT AS OF MAY, 2019:

Kassymbek Zhenis Makhmuduly, Deputy Prime Minister of the Republic of Kazakhstan - Chairman of Board of Directors
Omarov Saparkhan Kesikbayevich, Minister of Agriculture of the Republic of Kazakhstan - member of Board of Directors
Dalenov Ruslan Yerbolatovich, Minister of National Economy of the Republic of Kazakhstan - member of Board of Directors
Sholpankulov Berik Sholpankulovich, First Vice-Minister of Finance of the Republic of Kazakhstan - member of Board of Directors
Karashukeyev Yerbol Shyrakpayevich, Chairman of Executive Board of «KazAgro» Holding» JSC - member of Board of Directors
Yegimbaeva Zhanna Dachervovna - Independent Director
Zhandosov Oraz Alievich - Independent Director
Yeseneyev Yerbol Yerkenovich - Independent Director
Mukhambetzhinov Berik Kopzhasarovich - Independent Director

REPORT ON THE ACTIVITIES OF BOARD OF DIRECTORS IN 2018

By the resolution of Board of Directors of «KazAgro» Holding» JSC No. 2 dated February 5, 2018, the Work Plan of Board of Directors of «KazAgro» Holding» JSC for 2018 (hereinafter - the Plan) was approved.

In 2018, 17 meetings of Board of Directors of the Holding were held, of which 13 in-person and 4 absentia. Following the results of 2018, Board of Directors of «KazAgro» Holding» JSC considered and made resolutions on 114 issues, including 60 issues according to the Work Plan of Board of Directors, 54 issues outside the Plan. This fact characterizes the increased activity of Board of Directors, which is rated positively. Voting on strategic issues is carried out in person.



COMMITTEES OF BOARD OF DIRECTORS

The Board of Directors has established Committees whose competence includes consideration of issues related to audit, risk management, strategic planning, personnel and remuneration, as well as other issues provided by internal regulatory documents of «KazAgro» Holding» JSC.

THE BOARD OF DIRECTORS COMMITTEE ON STRATEGIC PLANNING

The basic functions of the Committee are development and submission of recommendations to Board of Directors of «KazAgro» Holding» JSC on issues of developing priorities for the Holding and its development strategies, including issues on developing activities that contribute to Holding’s performance improvement, implementing the strategy and / or development plan, and sustainable development.

The composition of Committee on Strategic Planning was approved by the resolution of Board of Directors of «KazAgro» Holding» JSC No. 5 dated February 7, 2016, and supplemented by the resolution of Board of Directors of «KazAgro» Holding» JSC No. 2 dated February 5, 2018.

COMMITTEE MEMBERS:

1. **Zhandosov Oraz Alievich**, Independent Director - Chairman of Committee;
2. **Zhumagaziev Eldar Tynyshbayevich**, Independent Director - member of Committee;
3. **Omarov Alpamys Amirzhanovich**, Director of Strategic Development Department of «KazAgro» Holding» JSC - Committee expert

In 2018, 6 meetings of Board of Directors of «KazAgro» Holding» JSC were held, of which 5 in-person and 1 absentia, 15 issues were considered.

THE BOARD OF DIRECTORS COMMITTEE ON INTERNAL AUDIT AND RISKS

The basic functions of the Committee include issues of internal and external audit, financial reporting, corporate governance, internal control and risk management, compliance with the legislation of the Republic of Kazakhstan, internal regulatory documents and other matters as instructed by Board of Directors.

The composition of Committee on Internal Audit and Risks was approved by the resolution of Board of Directors of «KazAgro» Holding» JSC No. 5 dated February 7, 2016, and supplemented by the resolutions of Board of Directors of «KazAgro» Holding» JSC No. 2 dated February 5, 2018, and No. 5 dated April 10, 2018.

COMMITTEE MEMBERS:

- 1. **Mukhambetzhano** **Berik** **Kopzhasarovich**, Independent Director - Chairman of Committee;
- 2. **Zhamishev** **Bolat** **Bidakhmetovich**, Chairman of Executive Board of JSC «Development Bank of Kazakhstan» - member of Committee.

In 2018, 9 meetings of Board of Directors of «KazAgro» Holding» JSC were held, of which 6 in-person and 3 in absentia, 47 issues were considered.

THE BOARD OF DIRECTORS COMMITTEE ON SOCIAL AFFAIRS, HR AND REMUNERATION

The basic functions of the Committee include the issues of appointment (election), setting motivational (strategic and individual) KPIs, performance evaluation, remuneration and succession planning of the Chairman and members of Executive Board, appointment and remuneration of the Corporate Secretary and employees of the Internal Audit, and also participation in consideration of specified questions concerning the composition of Board of Directors itself, in cases of granting such powers by the Sole Shareholder.

The composition of Committee on Social Affairs, HR and Remuneration was approved by the resolution of Board of Directors of «KazAgro» Holding» JSC No. 5 dated February 7, 2016, and supplemented by the resolution of Board of Directors of «KazAgro» Holding» JSC No. 2 dated February 5, 2018.

COMMITTEE MEMBERS:

- 1. **Yegimbaeva** **Zhanna** **Dacherovna**, Independent Director - Chairman of Committee;
- 2. **Zhumagaziev** **Eldar** **Tynyshbayevich**, Independent Director - member of Committee.

In 2018, there were 8 in-person meetings of Board of Directors of «KazAgro» Holding» JSC, and 16 issues were considered.

CORPORATE SECRETARY OF «KAZAGRO» HOLDING» JSC

In order to effectively organize the activities of Board of Directors and interaction of Executive Board with Shareholder, Board of Directors appoints a Corporate Secretary.

The functions of Corporate Secretary, his rights and obligations are determined by internal regulatory documents of «KazAgro» Holding» JSC.

By the resolution of Board of Directors of «KazAgro» Holding» JSC No. 14 dated November 2, 2018, **Kumurbekova Sabina Ramazanovna** was appointed to the position of Corporate Secretary of «KazAgro» Holding» JSC.

INTERNAL AUDIT SERVICE

In order to exercise control over financial and economic activities of the Holding, assessments in the field of internal audit and control, risk management, and compliance with the legislation of the Republic of Kazakhstan, «KazAgro» Holding» JSC has established an Internal Audit Service.

The tasks and functions of Internal Audit Service, its rights and responsibilities are determined by internal regulatory documents of «KazAgro» Holding» JSC.

CHANGES IN COMPOSITION OF INTERNAL AUDIT SERVICE IN 2018

February 22 2018	— the powers of Deputy Head of Internal Audit Service Sisengali Klara Ashikovna were early terminated.
April 26 2018	— the powers of Head of Internal Audit Service were early terminated.
June 1 2018	— Pak Vyacheslav Alexandrovich was appointed to the position of Head of Internal Audit Service.
December 31 2018	— Pak Vyacheslav Alexandrovich - Head of Internal Audit Service; — Tlenchina Ainur Ulanovna – Auditor of Internal Audit Service.

EVALUATION OF BOARD OF DIRECTORS’ PERFORMANCE

By the resolution of Board of Directors of «KazAgro» Holding» JSC No. 28 dated April 27, 2018, the Regulations on evaluation of Board of Directors’ performance, Committees of Board of Directors and members of Board of Directors of «KazAgro» Holding» JSC were approved.

The Regulations identify general directions and recommendations, methods and types of evaluation, process of evaluation, role of Corporate Secretary in conducting an assessment using self-evaluation, role of an independent external consultant, criteria for evaluating the performance of Board of Directors, evaluation of Committees of Board of Directors, and procedure for disclosing information about evaluation.

In 2019, it is planned to conduct an assessment of Board of Directors, Committees of Board of Directors and members of Board of Directors of «KazAgro» Holding» JSC in accordance with the Regulations on evaluation of Board of Directors’ performance, Committees of Board of Directors and members of Board of Directors of «KazAgro» Holding» JSC.

INFORMATION ON REMUNERATION

By the resolution of the Sole Shareholder of «KazAgro» Holding» JSC No. 156 dated April 10, 2017, the Condition of payment of remuneration and compensation of expenses to members of Board of Directors of «KazAgro» Holding» JSC was approved in the following order:

- quarterly fixed remuneration for participation in meetings of Board of Directors;
- additional remuneration for each participation in in-person meetings of Committees of Board of Directors;
- Payment of remuneration is made within the funds provided in budget of «KazAgro» Holding» JSC.

Payment of quarterly remuneration is reduced by 50% if an Independent Director participates in half or less than half of all in-person and absentia meetings of Board of Directors in the reporting period, except in cases of illness, vacation, business trip when providing supporting documents. In the case of one hundred percent non-participation of an Independent Director in in-person and absentia meetings of Board of Directors in the reporting period (quarter), except for cases of illness, the quarterly fixed remuneration is not paid.

4.4 COMPOSITION AND REPORT ON THE ACTIVITIES OF EXECUTIVE BOARD

THE COMPOSITION OF EXECUTIVE BOARD OF «KAZAGRO» HOLDING» JSC ACCORDING TO THE DATA AS OF DECEMBER 31, 2018:

Kurmanov Rustem Zhomartovich
Chairman of Executive Board of «KazAgro» Holding» JSC

Zholdassov Elnar Rasilkhanovich
Managing Director for Finance, member of Executive Board of «KazAgro» Holding» JSC

Munzhasarov Zhumagali Akhmetgaliyevich
Managing Director for Legal Affairs, member of Executive Board of «KazAgro» Holding» JSC

Dzhugashev Asylkhan Bolatovich
Managing Director for Assets and Investments, member of Executive Board of «KazAgro» Holding» JSC

Raisova Gulmira Bolatovna
HR Managing Director, member of Executive Board of «KazAgro» Holding» JSC

March 15	Munzhasarov Zhumagali Akhmetgaliyevich was elected as a member of Executive Board of the Holding
	Zholdassov Elnar Rasilkhanovich was elected as a member of Executive Board of the Holding
	the powers of Mukhamadiyeva Aigul Stakhanovna as Deputy Chairman of Executive Board of the Holding were early terminated
	Mukhamadiyeva Aigul Stakhanovna was elected as a member of Executive Board
	the powers of members of Executive Board of the Holding Kenzhebulat Saruar Kenzhebulatovich and Yergaliyeva Banu Bakytzhanovna were early terminated
April 26	Dzhugashev Asylkhan Bolatovich was elected as a member of Executive Board of the Holding
June 29	the powers of Mukhamadiyeva Aigul Stakhanovna as a member of Executive Board of the Holding were terminated
November 2	Raisova Gulmira Bolatovna was elected as a member of Executive Board of the Holding

COMPOSITION OF EXECUTIVE BOARD OF «KAZAGRO» HOLDING» JSC:



KURMANOV RUSTEM ZHOMARTOVICH

Chairman of Executive Board of «KazAgro» Holding» JSC

Born on July 17, 1981, in Novoishimsky village, North Kazakhstan Region, the citizen of the Republic of Kazakhstan. He graduated from Kokshetau State University named after Sh. Ualikhanov with a degree of «Economist-manager in the areas of the agro-industrial sector», and doctoral school of Kokshetau State University named after Sh. Ualihanov with a degree in Economics and National Economy Management (agriculture). Candidate of Economic Sciences.

He began his career in 2003 as a specialist in the Department of Economic Analysis of Akmola Regional Territorial Inspection of the State Inspection Committee in the agro-industrial complex of the Ministry of Agriculture of the Republic of Kazakhstan. In 2012-2013, he served as Director of Investment Policy Department, Chairman of Veterinary Control and Supervision Committee of the Ministry of Agriculture of the Republic of Kazakhstan.

From 2015, he held the positions of the Head of Secretariat of the Committee of AIC NCE of the Republic of Kazakhstan, Managing Director - Director of Department of Agro-Industrial Complex and Food Industry of NCE «Atameken», and Advisor to the Minister of Agriculture of the Republic of Kazakhstan, Vice-Minister of Agriculture of the Republic of Kazakhstan, Chairman of Executive Board of «KazAgro» Holding» JSC. From March 2019, he was appointed to the position of Vice Minister of Agriculture of the Republic of Kazakhstan.

Basic powers:

Coordination of Risk Management Department and Information Security Service.



ZHOLDASSOV ELNAR RASILKHANOVICH

Managing Director for Finance, member of Executive Board of «KazAgro» Holding» JSC

Born on February 25, 1979, in tSouth Kazakhstan Region, the citizen of the Republic of Kazakhstan. He graduated from Kazakh State National University named after Al-Farabi with a degree in Law, Karaganda State University named after Buketov with a specialty «Finance and Credit».

He began his career in 2001. From 2001 to 2018, he worked in various second-tier banks of the Republic of Kazakhstan (he held senior positions in «Nurbank» JSC, «Kaspi Bank» JSC, and «Bank of Astana» JSC). February 14, 2018 - March 14, 2018 - Independent Director of «KazAgro» Holding» JSC, Chairman of Committee of Board of Directors of the Holding on Internal Audit and Risks. Since March 15, 2018, Managing Director for Finance - member of Executive Board of «KazAgro» Holding» JSC.

Basic powers:

Coordination of Accounting and Reporting Department, Budget Planning Department, Treasury Department and Asset Monitoring Department. He is the Chairman of Board of Directors of «Fund for Financial Support of Agriculture» JSC, «KazAgroGarant» JSC.

COMPOSITION OF EXECUTIVE BOARD OF «KAZAGRO» HOLDING» JSC:



MUNZHASAROV ZHUMAGALI AKHMETGALIYEVICH

Managing Director for Legal Affairs, member of Executive Board of «KazAgro» Holding» JSC

Born on May 30, 1977, in Kostanay Region, the citizen of the Republic of Kazakhstan. He graduated from Kostanay State University named after A. Baitursynov, Kazakh Academy of Labor and Social Relations, Russian Academy of National Economy and Public Administration under the President of Russian Federation (MBA). Master of Laws.

He began his career in 1998 as a lecturer at the Faculty of Law of Kostanay State University named after A. Baitursynov, Kostanay. Over the years he worked in senior positions of civil service; 2009-2011 Advisor to Deputy Prime Minister of the Republic of Kazakhstan, in 2012-2018 - Managing Director of «Samruk-Kazyna» National Welfare Fund” JSC. Since March 15, 2018, Managing Director for Legal Affairs, member of Executive Board of «KazAgro» Holding» JSC.

In 2009-2011, Advisor to the Deputy Prime Minister of the Republic of Kazakhstan, in 2012-2018 - Managing Director of «Samruk-Kazyna» JSC. From March, 2018, Managing Director for Legal Affairs, member of Executive Board of «KazAgro» Holding» JSC.

Basic powers:
Coordination of Corporate Governance Development Department, Legal Department and Compliance Service. He is the Chairman of Board of Directors of «KazAgroFinance» JSC, Board of Directors of «Food Contract Corporation» NC» JSC.



DZHUVASHEV ASYLKHAN BOLATOVICH

Managing Director for Assets and Investments, member of Executive Board of «KazAgro» Holding» JSC.

Born on January 31, 1981, in Almaty Region, the citizen of the Republic of Kazakhstan. He graduated from Kazakh Economic University named after T. Ryskulov with a specialty «Economist».

In 2002-2009, he consistently held the positions of specialist, chief specialist, credit expert, and Head of Credit Department of «ATFBank» JSC (Almaty). From August 2009 to May 2011 - Head of Department of Lending and Leasing of «KazAgroFinance» JSC. From May 2011 to November 2015, he served as Deputy Chairman of Board of «KazAgroFinance» JSC. From November 2015 to March 2018 - Managing Director - member of Executive Board of «KazAgroFinance» JSC. From March 2018 - Managing Director of «KazAgro» Holding» JSC. From April 2018 - Managing Director - member of Executive Board of «KazAgro» Holding» JSC.

Basic powers:
Coordination of Subsidiaries and Affiliates Support Department, he is the Chairman of Board of Directors of «Agrarian Credit Corporation» JSC.

COMPOSITION OF EXECUTIVE BOARD OF «KAZAGRO» HOLDING» JSC:



RAISOVA GULMIRA BOLATOVNA

HR Managing Director, member of Executive Board of «KazAgro» Holding» JSC

Born on October 24, 1971, in Almaty Region. In 2003 she graduated with honors from Kazakh State National University named after Al-Farabi with a degree in Psychology, T. Ryskulov Kazakh Economic University with a degree in Bachelor of Economics, Executive MBA from Nazarbayev University Graduate School of Business.

She began her career in 1994 as a teacher at Kazakh State National University named after Al-Farabi. In 1998-2000 she worked in European Union TACIS Project «Assistance to the development of the unified state service in Kazakhstan». From 2003 to 2006, she worked in «KazMunayGas» NC JSC. In 2006-2007, she held the position of Deputy Director of Private Enterprise «Unified Center for the Development of Personnel in «KazMunayGas» NC JSC», in 2007–2009 - Deputy Director, Director of Human Resources Management Department in «Samruk-Kazyna» JSC (Kazakhstan Holding for Management of State Assets «Samruk»); in 2009-2011 - Director of Private Enterprise «Samruk-Kazyna Corporate University», in 2011-2016 - Director of Human Resources Management Department in «Samruk-Kazyna» JSC, in 2016-2018 - Director of Private Enterprise «Samruk-Kazyna Corporate University». From September 2018 - HR Managing Director in «KazAgro» Holding» JSC, from November 2018 - HR Managing Director, member of Executive Board of «KazAgro» Holding» JSC.

AT THE TIME WHEN THE ANNUAL REPORT WAS DRAFTED, THE FOLLOWING CHANGES IN EXECUTIVE BOARD HAVE TAKEN PLACE:

By the resolution of the Sole Shareholder of «KazAgro» Holding» JSC represented by the Ministry of Agriculture of the Republic of Kazakhstan No. 68 dated February 15, 2019	the powers of Kurmanov Rustem Zhomartovich as the Chairman of Executive Board of «KazAgro» Holding» JSC were early terminated, as well as the employment agreement No. 20 dated June 22, 2018, by agreement of parties from February 15, 2019.
By the same resolution, the duties of Chairman of Executive Board of «KazAgro» Holding» JSC were entrusted to Managing Director for Finance, member of Executive Board of «KazAgro» Holding» JSC Zholdassov Elnar Rasilkhanovich from February 18, 2019, until the appointment of Chairman of Executive Board of «KazAgro» Holding» JSC.	
By the resolution of the Sole Shareholder of the Holding represented by the Ministry of Agriculture of the Republic of Kazakhstan of No. 138 dated April 5, 2019	Karashukeyev Yerbol Shyrakpayevich was elected as a Chairman of Executive Board of «KazAgro» Holding» JSC.
By the resolution of Board of Directors of the Holding No. 6 dated April 26, 2019	<p>the powers as members of Executive Board of «KazAgro» Holding» JSC were terminated on the basis of applications submitted by them:</p> <ul style="list-style-type: none">Managing Director for Legal Affairs Munzhasarov Zhumagali Akhmetaglievich from April 1, 2019;HR Managing Director Raisova Gulmira Bolatovna from April 8, 2019;Managing Director for Finance Zholdassov Elnar Rasilkhanovich from April 17, 2019. <p>By the same resolution, the following members of Executive Board of «KazAgro» Holding» JSC were elected:</p> <ul style="list-style-type: none">HR Managing Director Daribayev Murat Amankeldievich;Managing Director for Legal Affairs Taszhurekov Yerbol Kuanyshevich;Managing Director for Finance Karnakova Nazgul Sholpankulovna;Managing Director for Strategy Zhumashov Daniyar Bimuratovich.

THE COMPOSITION OF EXECUTIVE BOARD OF THE HOLDING WITH THE CHANGES MADE TO IT:

- | | |
|---|--|
| <ul style="list-style-type: none">Karashukeyev Yerbol Shyrakpaevich - Chairman of Executive Board of «KazAgro» Holding» JSC;Dzhuvashev Asylkhan Bolatovich - Managing Director for Assets and Investments, member of Executive Board of «KazAgro» Holding» JSC;Daribayev Murat Amankeldievich - Managing Director for HR Issues, member of Executive Board of «KazAgro» Holding» JSC; | <ul style="list-style-type: none">Taszhurekov Yerbol Kuanyshevich - Managing Director for Legal Affairs, member of Executive Board of «KazAgro» Holding» JSC;Karnakova Nazgul Sholpankulovna - Managing Director for Finance, member of Executive Board of «KazAgro» Holding» JSC ;Zhumashov Daniyar Bimuratovich - Managing Director for Strategy, member of Executive Board of «KazAgro» Holding» JSC. |
|---|--|

REPORT ON THE ACTIVITIES OF EXECUTIVE BOARD

The Executive Board is accountable to Board of Directors and manages the daily activities of the Holding, is responsible for the implementation of development strategy and / or development plan and decisions made by Board of Directors and the Sole Shareholder.

- By the resolution of Board of Directors of «KazAgro» Holding» JSC dated February 16, 2017, the Regulations on Executive Board of «KazAgro» Holding» JSC were approved.
- During 2018, 74 meetings of Executive Board were held, 356 issues were considered in-person.

INFORMATION ON REMUNERATION

Remuneration at the end of the year for executives is paid subject to availability of net consolidated profit for the reporting year. The results of financial and economic activities are pre-approved, the achievements of strategic and individual KPIs are assessed.

Remuneration (including salary, bonuses for public holidays) to members of the Holding’s Executive Board

in 2017 amounted to KZT 391 344 thousand,
in 2016 – KZT 80 195 thousand,
in 2015 – KZT 60 481 thousand,
in 2014 – KZT 89 377 thousand.

Bonuses for the year of 2018 were not paid to the members of Executive Board.

DIVIDENDS

THE MAIN OBJECTIVES AND PRINCIPLES OF DIVIDEND POLICY ARE ENSHRINED IN THE REGULATIONS ON DIVIDEND POLICY OF «KAZAGRO» HOLDING» JSC APPROVED BY THE RESOLUTION-ORDER OF THE SOLE SHAREHOLDER NO. 656 DATED OCTOBER 24, 2008.

INFORMATION ON DIVIDENDS PAID BY «KAZAGRO» HOLDING» JSC IN RECENT YEARS:

In 2014	1,080,420,021.70 (one billion eighty million four hundred twenty thousand twenty one) KZT and seventy tiyn were provided to pay dividends.
In 2015	due to a negative financial result, dividends were not paid.
In 2016	1,112,127,698.60 (one billion one hundred twelve million one hundred twenty seven thousand six hundred ninety eight) KZT and sixty tiyn were provided to pay dividends.
In 2017	due to a negative financial result, dividends were not paid.
In 2018	at the time of drafting the annual report for 2018, the decision of the Sole Shareholder on the payment of dividends was not approved.

IN 2018, «KAZAGRO» HOLDING» JSC ESTABLISHED COMPLIANCE SERVICE (it is charged with the work on countering corruption and compliance control)

WORK ON DEVELOPMENT AND UPDATING OF INTERNAL REGULATORY DOCUMENTS IN TERMS OF COMPLIANCE WAS DONE.

Thus, by the resolution of Executive Board of «KazAgro» Holding» JSC dated August 8, 2018, the Anti-Corruption Standards were approved in the new edition.

By the resolution of Board of Directors dated August 28, 2018, the following documents were approved:

- 1. Compliance Policy.
- 2. «Anti-Corruption Policy».
- 3. «Violation Notification Policy».
- 4. «Additions to the Policy on the settlement of corporate conflicts and conflicts of interest».
- 5. «Amendment to the Disclosure Rules».

By the resolution of Executive Board dated October 17, 2018, the Rules for implementation of compliance control in «KazAgro» Holding» JSC were approved.

INITIATIVE INFORMATION LINE (HELPLINE) AND A SECTION ON CORPORATE WEBSITE OF THE HOLDING (ANTI-CORRUPTION) WERE INTRODUCED.

The line of initiative informing allows you to receive and process messages on compliance risks, as well as subsequently analyze the causes and conditions for their occurrence.

In addition, the Holding’s website has «Anti-Corruption» column. Internal regulatory documents of the Holding regarding anti-corruption issues are posted.

In general, over 12 months of 2018, by a helpline, the Holding received 8 complaints from citizens. These appeals did not contain information about corruption manifestations of employees of the Holding and its subsidiaries.

Basically, the Holding is contacted by a helpline on issues affecting the financing of agricultural producers.

Applicants indicate that they do not know at what stage the consideration of applications for funding is due to the lack of information from the funding organization.

Relevant information was sent to subsidiaries of the Holding for feedback to borrowers and applicants on issues of consideration of their applications.

ACTION PLAN FOR 2018-2020 TO COMBAT CORRUPTION IN THE HOLDING WAS DEVELOPED AND APPROVED BY BOARD OF DIRECTORS OF THE HOLDING NO. 59 DATED OCTOBER 17, 2018.

The Plan is synchronized with the National Action Plan for 2018–2020 for implementation of Anti-Corruption Strategy of the Republic of Kazakhstan for 2015–2025 and for counteracting shadow economy.

Anti-corruption monitoring and internal analysis of corruption risks in the activities of the Holding for 2018–2020 are included in Anti-Corruption Action Plan in the Holding for 2018–2020.

THE CREATION OF AN INDEPENDENT STRUCTURAL UNIT IN SUBSIDIARIES OF THE HOLDING, EXERCISING COMPLIANCE CONTROL WITH SUBORDINATION TO BOARD OF DIRECTORS OF SUBSIDIARY OF THE HOLDING (RESOLUTION OF BOARD OF DIRECTORS DATED AUGUST 28, 2018).

A NUMBER OF MODEL INTERNAL REGULATORY DOCUMENTS FOR COMPLIANCE SERVICE OF THE HOLDING'S SUBSIDIARIES WERE APPROVED BY THE RESOLUTION OF EXECUTIVE BOARD NO. 59 DATED OCTOBER 17, 2018:

1. model compliance policy for subsidiary organization of «KazAgro» Holding» JSC;
2. model policy to combat corruption for subsidiary organization of «KazAgro» Holding» JSC;
3. model anti-corruption standards for subsidiary organization of «KazAgro» Holding» JSC;
4. model violation notification policy for subsidiary organization of «KazAgro» Holding» JSC;
5. model statutes of Compliance Service for subsidiary organization of «KazAgro» Holding» JSC.

WORK WAS CARRIED OUT ON THE FORMATION OF ANTI-CORRUPTION CULTURE BY POSTING INFORMATIONAL MESSAGES.

As part of tasks for 2019, Compliance Service together with Compliance Services of subsidiaries is working to adopt internal regulatory documents related to compliance activities in the Holding's subsidiaries, as well as measures to further implement the compliance function aimed at preventing the occurrence of compliance risks in Holding’s subsidiaries.

- 5.1 Stakeholders and Aspects
- 5.2 Key aspects and risks in the field of sustainable development
- 5.3 Contribution of the Holding to the achievement of sustainable development

SUSTAINABLE DEVELOPMENT



SUSTAINABLE DEVELOPMENT

// We are committed to sustainable development in accordance with the best international standards //

According to definition of Food and Agriculture Organization of the United Nations (FAO), agribusiness is considered as «collective business activity that takes place from farm to fork». In other words, it covers the entire production chain from the farmer to the consumer, creating an extensive structure of interested parties (stakeholders).

Therefore, considering direct economic indicators, such as profit margins, production diversification and productivity growth within the framework of sustainable development report, it is important to assess the indirect impact of the Holding's activities on socio-economic development of the regions as a whole, taking into account food and environmental safety factors and impact on the local population and natural resources (land, water, bioresources, etc.).

5.1 STAKEHOLDERS AND ASPECTS

«KAZAGRO» HOLDING» JSC

- recognizes the importance of its influence on the economy, ecology and society and strives for effective implementation of the strategy and / or development plan, ensures the consistency of its economic, environmental and social goals for sustainable development in the long term, while respecting the balance of interests of stakeholders. The approach of responsible, thoughtful and rational interaction with stakeholders will contribute to the sustainable development of «KazAgro» Holding» JSC.

SUSTAINABLE DEVELOPMENT IN «KAZAGRO» HOLDING» JSC IS ENSURED BY THREE COMPONENTS:

- **Economic**
ensuring financial stability, ensuring the interests of the shareholder and investors, improving the effectiveness of processes, increasing investment in creation and development of more advanced technologies, increasing labor productivity.
- **Ecological**
minimizing the impact on biological and physical natural systems, the optimal use of limited resources, the use of environmentally friendly, energy and material saving technologies, the creation of environmentally friendly products, minimization, processing and disposal of waste.

- **Social**
ensuring the principles of social responsibility, including ensuring occupational safety and health of employees, fair remuneration and respect for the rights of employees, individual development of personnel, implementation of social programs for personnel, creation of new jobs, sponsorship and charity, conducting environmental and educational activities.

INTERACTION WITH STAKEHOLDERS

Identifying stakeholders and working with them is one of the tools that allows to improve the business reputation, the capitalization of the company, establish effective and balanced relationships with all stakeholders.

OUR STAKEHOLDERS

THE HOLDING DISTINGUISHES THREE GROUPS OF STAKEHOLDERS:
(depending on the area of impact)

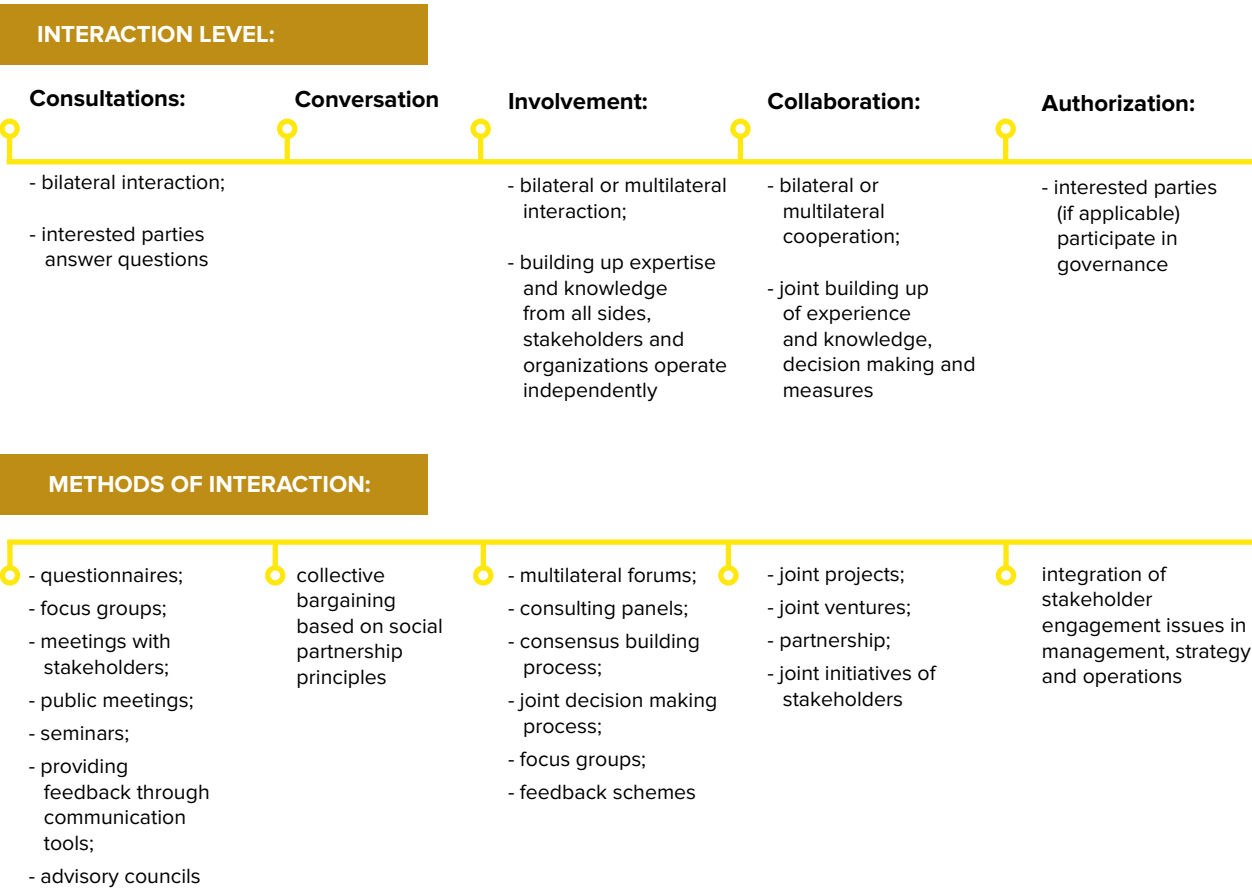
- **Scope of authority / responsibility:**
 - 1 Sole shareholder
 - 2 Management body
 - 3 Management
 - 4 Staff
- **Area of direct impact:**
 - 1 State bodies
 - 2 Subsidiaries
 - 3 Investors
 - 4 Financial institutions
 - 5 Suppliers
 - 6 Partners
 - 7 Customers, consumers
 - 8 Auditors
 - 9 Consulting organizations
- **Area of indirect impact:**
 - 1 Population
 - 2 Public organizations
 - 3 Media

Forms of interaction:
joint programs and projects, memorandums of cooperation, joint working groups, reporting on activities, meetings, publications, interviews.

Areas of interaction:
strategic planning, financial activities, project management, supply of goods, works and services, lawmaking, operations, interaction with the media.

METHODS OF INTERACTION WITH STAKEHOLDERS INCLUDE, BUT ARE NOT LIMITED TO THE FOLLOWING FORMS:

(AA 1000 "The Standard for interaction with Stakeholders" 2011 (AA 2011 Stakeholder Engagement Standard 12011)



- EFFECTIVE INTERACTION WITH STAKEHOLDERS WILL ALLOW:**
- Combine resources (knowledge, personnel, money and technology) to solve problems and achieve goals;
 - Assess the external environment, including the development of markets, as well as identify new strategic opportunities;
 - Improve business processes;
- Pursue a policy of openness and transparency of activities.
- (strategy of interaction with each stakeholder, as well as instruments of influence are determined by the structural subdivisions of the Holding independently depending on the specifics of the activity).

5.2 KEY ASPECTS AND RISKS IN THE FIELD OF SUSTAINABLE DEVELOPMENT FOR THE HOLDING

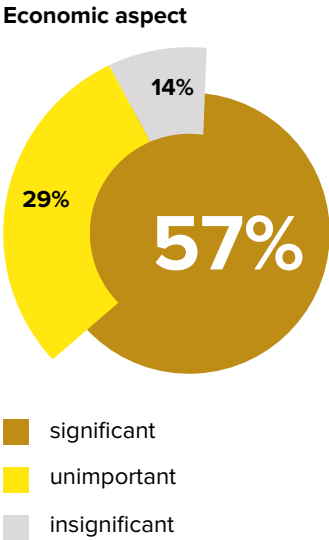
(based on the analysis of stakeholder questionnaires)

As part of its mission, the Holding implements the state policy to stimulate the industrial development of AIC on the principles of effectiveness, transparency and effective corporate governance.

Based on this, the Holding has identified its internal and external stakeholders to assess the materiality of various aspects of its activities - economic, environmental and social.

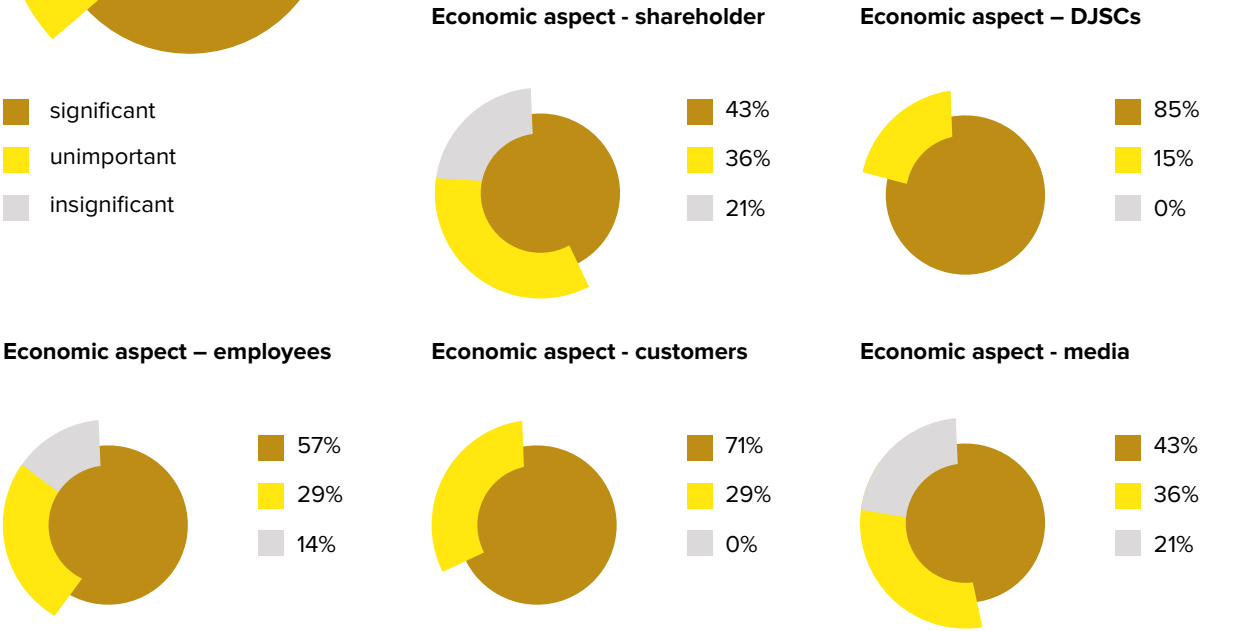
According to a survey of stakeholders in 2019, the following patterns described below were established.

ECONOMIC ASPECT

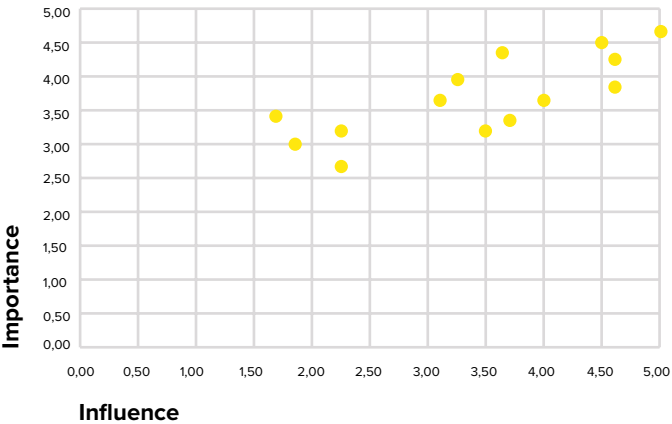


Taking into account the fact that the Holding plays one of the main roles in the implementation of the State Program for the Development of the Agro-Industrial Complex of the Republic of Kazakhstan for 2017-2021, the Program for the Development of Productive Employment and Mass Entrepreneurship for 2017-2021, the State Program for Industrial-Innovative Development for 2015-2019 57% of indicators of economic influence are assessed as significant by all respondents.

WITH A BREAKDOWN BY STAKEHOLDER GROUPS, THE PICTURE IS SOMEWHAT DIFFERENT:



ECONOMIC ASPECT



As in 2017, the highest impact estimates showed issues of risk assessment related to corruption, taking into account confirmed cases of corruption and actions taken (4,58).

At the same time, internal stakeholders should pay more serious attention to informing about policies, anti-corruption methods and training them in the company, as external stakeholders expect (importance 4,41).

External stakeholders consider the risks of climate change as an ESSENTIAL aspect that can lead to changes in the company's business, revenues or expenses (4,58).

They also consider significant for the company to indicate in the annual report or report on sustainable development financial assistance from the state (tax breaks and tax credits, subsidies, investment grants, awards, grace periods for royalty payments, financial assistance from credit export agencies, financial incentives (4,58).

A number of questions regarding the impact on the local economy (Kazakhstani content) for external stakeholders are more important than internal parties (shareholders) evaluate them, which should be taken into account in the reporting:

- informing about employment to the company of employees in regions (branches) from the local population to senior positions;
- financing in the local economy (in infrastructure or in gratuitous services), along with investments in the company's own activities;
- indirect economic impact on the availability of products and services for low-income people.

ENVIRONMENTAL ASPECT

In accordance with the Vision of the Holding, by 2020 it should become the leading management company in the implementation of state policy to improve the efficiency of AIC sector of the Republic of Kazakhstan.

TASKS:

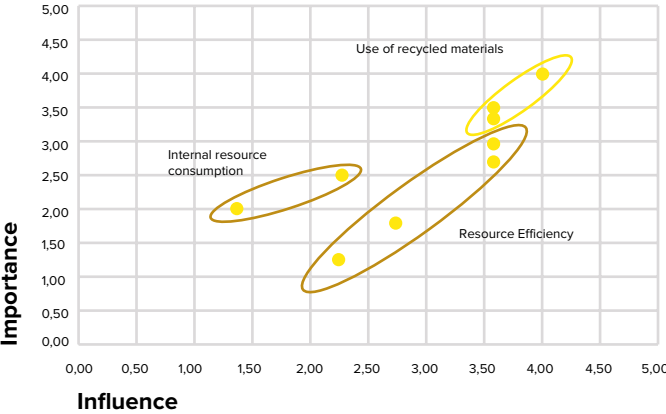
- assistance in technical and technological renewal of AIC through leasing tools;
- promoting the introduction of «green technologies».

As a financial operator of the most important strategic agricultural development projects, the Holding must ensure the effective use of state and attracted resources, including natural resources, which are involved in the process of expanding and diversifying AIC: land reclamation, phytosanitary, changing the structure of sown areas, increasing the concentration of agricultural animals in farms and others.

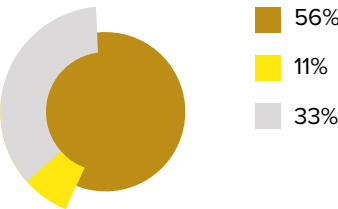
Therefore, along with economic indicators, the report should present estimates for promotion of «green» technologies, digitalization, and transition of AIC to resource-saving programs, and case studies of practical implementation of innovative «green» technologies (drip irrigation, efficient processing of products, etc.)

Taking into account that the internal activity of the Holding is not related to environmental aspect, but its influence should be viewed through the prism of a financial intermediary.

ENVIRONMENTAL ASPECT



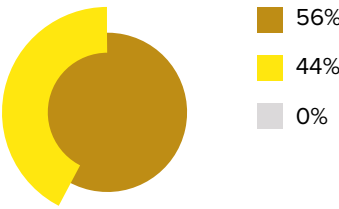
Environmental aspect



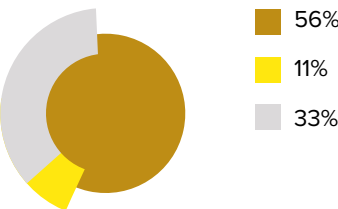
Environmental aspect – shareholder



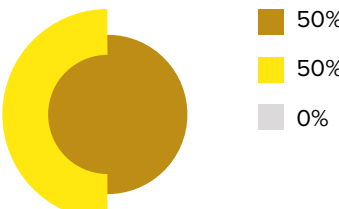
Environmental aspect – DJSCs



Environmental aspect – employees



Environmental aspect - customers



Environmental - media



significant

unimportant

insignificant

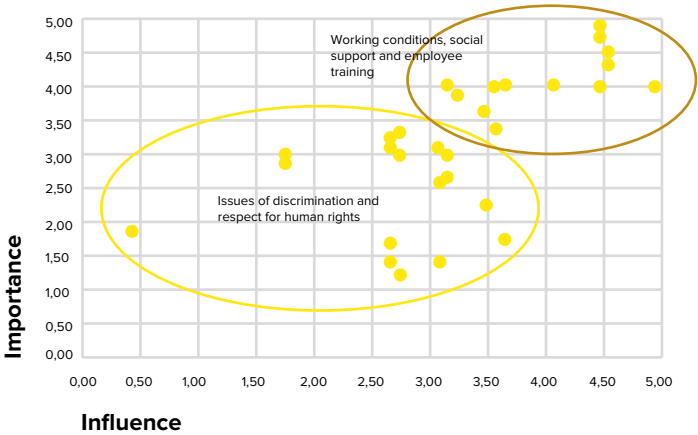
For subsidiaries and DJSCs of the Holding, it is essential to reflect the following indicators in the Sustainable Development Report:

- use of materials representing recycled or reused waste (4,17);
- organizing the return of packaging materials to the manufacturer for recycling (envelopes, postcards, paper boxes) (5,0);
- company programs to reduce energy consumption (3,95);
- water consumption and impact of the organization on the sources of water consumption (3,75);
- significant volume of discharges and wastes (3,75).

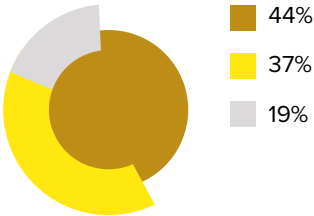
Regulatory compliance issues:

- materiality of reflection in the report on sustainable development of monetary values of fines and the total number of non-financial sanctions imposed for non-compliance with environmental legislation and / or regulatory requirements, including the presence of suppliers that have been evaluated according to environmental criteria (4,58).

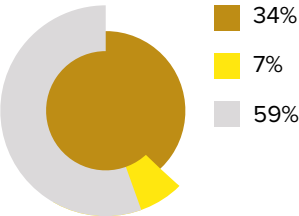
SOCIAL ASPECT



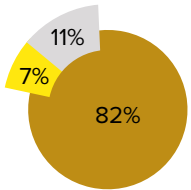
Social aspect



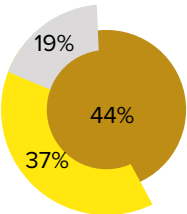
Social aspect- shareholder



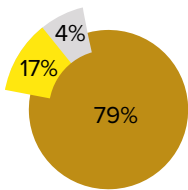
Social aspect – DJSCs



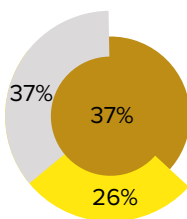
Social aspect – employees



Social aspect – customers



Social aspect – media



■ significant ■ unimportant ■ insignificant

All interested parties unanimously consider as significant indicators:

- reflection in the report on sustainable development of cases of violation of legislation and regulatory requirements (5,0);
- indicator of the minimum notification period in respect of significant changes in the company's activities, as well as its definition in collective agreement (4,5);

For DJSCs and customers, issues related to ensuring safe working conditions, professional growth of workers and their fixation in agreements with trade unions (5,0) are essential:

- indicator as an average annual number of training hours per employee, broken down by sex and category of employees;
- periodic evaluations of performance and career development, broken down by sex and category of employees;
- suppliers who violate or significantly threaten the right to use freedom of association and collective bargaining;

- the existence of lifelong skills development and education programs designed to support the ability of workers to work, and support at retirement (4,5);
- identification of suppliers who use forced and / or child labor and training security personnel the policies and procedures regarding the human rights aspects related to ongoing activities (4,58).

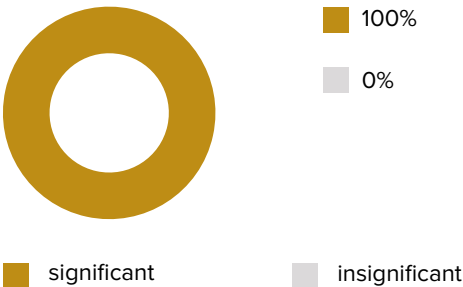
- assess the impact of the company's services on health and safety of clients (4,17);
- the number of cases of non-compliance with regulatory requirements and voluntary codes relating to marketing communications, including advertising, product promotion and sponsorship, by type of impact; procedures that require the indication of product / service information and its labeling (4,17);
- introduction of accounting by the number of complaints relating to violations of privacy of consumer and the loss of data about consumers (5,0).

GENERAL ASPECT

According to a survey of external stakeholders (media, customers), feedback questions are essential (100%), including:

- studies assessing the degree of customer satisfaction of services (5,0);
- «black» list of suppliers that have or potentially have a negative social impact on the company's customers (4,08);
- access to internal mechanism for receiving, processing and resolving environmental impact complaints (4,08).

Feedback – media



Feedback – customers



■ significant
■ insignificant

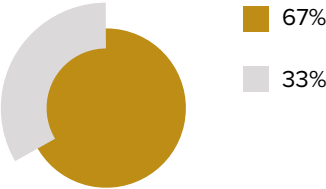
Decision-makers on behalf of the Sole Shareholder (MoA) and Holding’s employees are recommended to pay serious attention to the issue of access to internal mechanism for receiving, processing and settling environmental impact complaints, which they consider insignificant (1,96).

This assessment is based on an incomplete assessment of external risks related to environmental issues and changes in the legislation of the Republic of Kazakhstan, which can adversely affect both the activities of borrowers of the Holding and its own image.

So, to the question:

// “In your opinion, does the company have a significant number of cases of non-compliance with regulatory requirements and voluntary codes relating to marketing communications, including advertising, product promotion and sponsorship, broken down by type of impact?” //

Customer Feedback – Shareholder



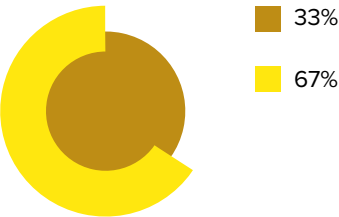
Internal stakeholders consider insignificant (1,39) while for external parties (customers) this question is very important (4,17).

It is important to report violations of legislation and regulatory requirements in the Sustainable Development Report, including the following:

- the total number of cases of violations affecting the rights of local population;
- the total number of cases of legal actions in relation to the company in connection with the obstacle of competition and violation of anti-monopoly laws and their results;
- implementation of community engagement and community development programs;
- assessment of the impact of the company's services on health and safety of local communities and customers;
- information on the product / service and its labeling, in particular with regard to substances that may have an impact on the environment or society, safe use of products and disposal of products without impact on environment / society.
-

! This is especially important given the fact that the Holding determines the strategic course for export-oriented development of AIC.

Customer Feedback – Employees



■ significant
■ unimportant

5.3 CONTRIBUTION OF THE HOLDING TO ACHIEVEMENT OF SUSTAINABLE DEVELOPMENT GOALS

ECONOMIC ASPECT

Promoting sustainable economic growth in the regions through financial support in creation of new industries, technical re-equipment of existing enterprises, and introduction of innovative technologies in the field of AIC.

The investment program of the Holding is aimed at financing high-tech investment projects in the field of AIC. As of the end of April 2019, the investment portfolio of «KazAgro» Holding» JSC consists of 672 projects, which is estimated at KZT 504.9 billion. It should be noted that in

2018, 3.7 times more new projects were put into operation than a year earlier: 115 projects worth KZT 147.8 billion. At the same time, the share of financing innovative projects in total amount of financing projects exceeded the planned figure for 2018 and reached 37.7%.

Provision of financial services for the development of entrepreneurship in small business segment

The main work is carried out at the level of small business. In 2018, KZT 354.6 billion, or 92% of the total, was allocated for lending to small and medium-sized businesses. This is 35% more than in 2017.

In addition, we did not abandon such important for rural population support as microcredit. The main conductor

of this policy is the Holding’s DJSC «Fund for Financial Support of Agriculture» JSC. It should be noted that the overwhelming majority of borrowers - more than 70% of total number - are emergent entrepreneurs. In this we see the mission of educating a new generation of young entrepreneurs in rural areas, including from the ranks of youth and women.

Promoting the export of Kazakhstani agricultural products

The share of exported products produced at the expense of resources of the Holding Group of companies in total export volume of agricultural sector was 4.17%, which exceeded the planned figure almost 2 times. Recall that, in 2018, Kazakhstan exported agricultural products in total amount of \$ 3 billion 023 million, which is 26%

more compared to 2017. Currently, projects financed by the Holding's DJSCs are exporting to countries: Russian Federation, Tajikistan, Afghanistan, Kyrgyzstan, Uzbekistan, etc. Among export products are chicken eggs, early vegetables, oil and fat products, broiler meat, turkey, pork, cattle, lamb and others.

In 2018

Increasing the availability of the Holding's services through introduction of new technologies and development of service channels and infrastructure and fight against corruption

a step-by-step transition of the Holding and its subsidiaries to 100% electronic procurement format was implemented. The work was carried out on integration of web-services of the Holding with the portal «Single Window of Purchases» by NCE RK «Atameken» (SWP) in order to transfer information on procurement. In 2018, work was carried out on provision of state support measures to agribusiness entities online through the System for Collection and Processing of Loan Applications (SCPLA). So SCPLA was integrated with the platform «Single window of an entrepreneur» by NCE RK «Atameken» (SWE).

A project was launched on possibility of submitting applications by the subjects of AIC through the Qoldau.kz digital business platform.

It should be noted that in all subsidiaries of the Holding in order to prevent and exclude corruption and other unlawful actions, as well as provide feedback to consumers of services, there is a direct hotline, a manager's blog on corporate website, a possibility of direct appeal in case of violation of rights of potential borrowers, systematic anti-corruption training workshops are held.

SOCIAL ASPECT

Promoting productive employment in regions and increasing productivity

In 2018, the number of borrowers of the Holding increased to

67.7
THOUSAND,

including
by region:

56,000
PEOPLE

IN AKMOLA

2,167
JOBS

were provided with employment, over

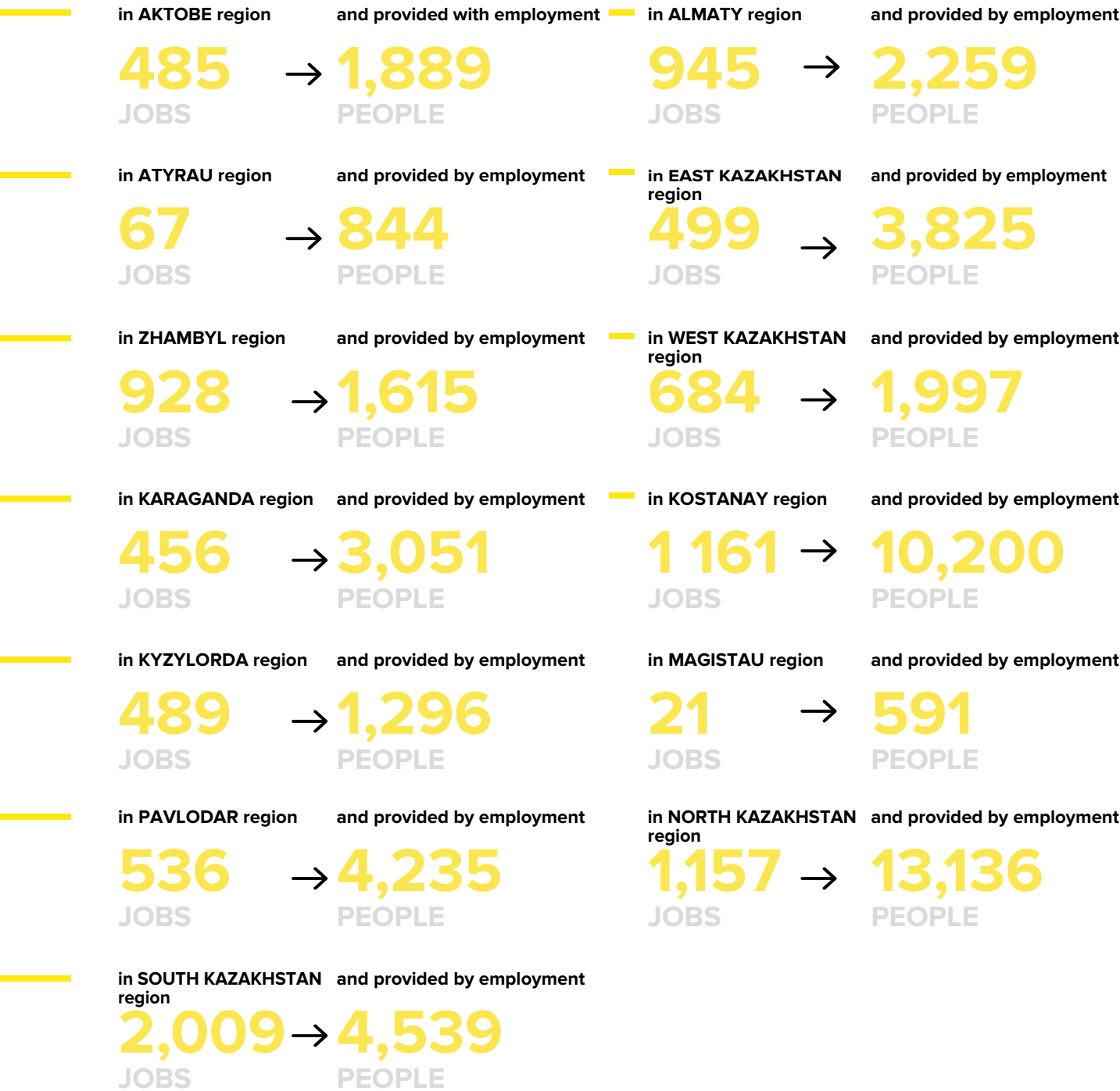
11,600
JOBS

new jobs were created, including:



and provided by employment

8,583
PEOPLE



In addition,
in 2018

DJSCs of the Holding initiated in the regions the opening of Competence Centers to train farmers and increase their interest in launching their own agribusiness. Thus, we solve two problems: increase of entrepreneurial literacy among rural residents and contribute to cultivation of new entrepreneurs.

CREATING
EQUAL
WORKING
CONDITIONS
AND CAREER
OPPORTUNITIES
WITHIN THE
HOLDING

As of December 31, 2018, «KazAgro»
Holding» JSC has a staff number of

73
UNITS

the actual number is

68
PEOPLE

the workforce is

75
PEOPLE
which includes workers
who are on maternity leave.

The team of the Holding is represented mainly by young specialists, the average age of employees is 38 years.

Of those actually working at the end
of the year, there were

32
WOMEN OR
47%,
36
MEN OR
53%.

In accordance with the requirements of labor legislation in the Holding, in order to consider individual labor disputes within the framework of labor legislation of the Republic of Kazakhstan, a Conciliation Commission was established from the representatives of employees and the employer. Employment contracts have been concluded with all employees.

In order to create a communication platform for employees of the Holding, management in March and October, 2018 organized meetings (TownHall), which clarified and held

a dialogue on the priority areas of the Holding's activities, including on the changes in the Holding's structure, transition to a new organizational structure, implementation of grading system, transformation of the Holding and its subsidiaries, etc.

In 2018, 31 employees underwent professional training at various seminars, trainings and courses, incl. at the expense of the Holding. In order to develop teamwork skills for employees of the Holding a corporate event was held - teambuilding.



Ensuring equal system of performance evaluation and remuneration

In order to introduce a fair remuneration system in the Holding, in 2018, the implementation of grade grading system and, accordingly, remuneration system, and assessment of posts began.

The remuneration of employees of the Holding is based on the principles of fairness (matching the amount of wages to the amount and quality of work of an individual employee) and transparency (having clear principles for determining the amount of individual wages). There were no complaints from workers on discrimination in payment of labor.

The remuneration on the basis of work for the year for executives is paid subject to availability of net consolidated profit for reporting year after approval in prescribed manner of the results of financial and economic activities based on audited financial statements of the Holding for the reporting year depending on the results of achieving strategic and individual KPIs and evaluating their activities.

In 2018, by the decision of the Shareholder, the Chairman and members of Executive Board of «KazAgro» National Managing Holding» JSC were not paid any remuneration for the year 2017.

For the employees of «KazAgro» Holding» JSC such social guarantees are provided as voluntary medical insurance, compulsory insurance of employees against accidents during performance of their labor (official) duties, payment of social benefits for temporary disability, health benefits for the annual paid labor leave, payment of maternity leave.

In order to provide medical services to employees of the Holding, a voluntary health insurance contract has been concluded with «Oil Insurance Company» JSC.

6

FINANCIAL STATEMENTS





«Евробекс энд Ритейл» ЖШС
Әл-Фараби даңы, 77/77
«Евробекс» Тауарлық маркасы
Алматы қ., 050060
Қазақстан Республикасы
Тел.: +7 727 258 5960
Факс: +7 727 258 5961
www.ey.com

ООО «Евробекс энд Ритейл»
пр. Аль-Фараби, 77/77
офисное «Евробекс» Тауарлық
з. Алматы, 050060
Республика Казахстан
Тел.: +7 727 258 5960
Факс: +7 727 258 5961

Ernst & Young LLP
Al-Farabi ave., 77/77
Eurasia Tower
Almaty, 050060
Republic of Kazakhstan
Tel.: +7 727 258 5960
Fax: +7 727 258 5961

Independent auditor's report

To the Shareholders and Board of Directors of Joint Stock Company “KazAgro” National Management Holding

Opinion

We have audited the consolidated financial statements of Joint Stock Company “KazAgro” National Management Holding and its subsidiaries (the “Group”), which comprise the consolidated statement of financial position as at 31 December 2018, and the consolidated statement of profit or loss, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2018 and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the consolidated financial statements section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (“IESBA Code”), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code.

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

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the Auditor's responsibilities for the audit of the consolidated financial statements section of our report, including in relation to these matters.



Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

Key audit matters	Description of Auditor's Response
Allowance for impairment of loans to customers and finance lease receivables	
Allowance for impairment of loans to customers and finance lease receivables is the key area of the Group's management judgement. Determination of the evidence of impairment and assessment of the recoverable amount are the processes that involve high level of subjective judgment, use of assumptions and analysis of different factors, including borrower's or lessee's financial position, expected future cash flows and value of collateral or leased property. Use of different models and assumptions may materially affect the amount of allowance for impairment.	Our audit procedures included analysis of the methodology on estimation of allowance for impairment of loans to customers and finance lease receivables. As part of the audit procedures, we analyzed assumptions and tested the accuracy of inputs used by the Group in its assessment of impairment of loans to customers and finance lease receivables on a collective basis, such as loss rates, probability of default and loss given default rates.
Due to the substantial balances of loans to customers and finance lease receivables, which in aggregate amount to 24% and 16% of the Group's total assets as at 31 December 2018, respectively, and significant judgments used by the management, estimation of allowance for impairment was the key audit matter.	We analyzed the sequence of the Group's management judgments used in assessment of the statistical information on the losses incurred, as well as conformity of the applied impairment model with general practice and our professional judgment. With regard to assessment of impairment of loans to customers and finance lease receivables on an individual basis, we performed the analysis of the Group's management expectations on future cash flows, including the cash flows that may result from foreclosure of collateral or repossession of leased property, based on our professional judgment and information available in the market.
	We assessed the information on allowance for impairment of loans to customers and finance lease receivables disclosed in Notes 9, 10 and 42 to the consolidated financial statements.



Compliance with debt covenants

In accordance with the terms of Eurobonds issued, the Group should maintain and comply with certain financial and non-financial covenants. Breaching covenants could result in significant fines and penalties along with funding shortages. Cross-default provisions are in place under the Group's certain financing arrangements with credit institutions and the documentation of Eurobonds issuance. Compliance with the covenants is one of the matters of most significance in the audit as it can have a major impact on the going concern assumption used in the preparation of the consolidated financial statements, and on classification of financial liabilities in the consolidated financial statements.

Recoverability of deferred income tax assets

We considered this matter to be one of the key audit matters of the current period due to the magnitude of the amounts involved and subjective judgments of the Group's management used in estimating the recoverability of deferred income tax assets, which is impacted by uncertainties regarding the likely timing and amount of future taxable profits, together with tax planning strategies and the statutory expiration of tax losses.

We have examined the terms of financing arrangements with credit institutions and the documentation of Eurobonds issuance. We evaluated management's calculations on the covenant ratios and the sensitivity analysis on covenant ratio forecast throughout 2019.

We assessed the information disclosed in Note 25 to the consolidated financial statements.

Our audit procedures in respect of recoverability of deferred income tax assets included assessment, with involvement of our tax specialists, of the forecasts of future taxable profit developed by the management of the Group based on budgets and management's assessment of business perspectives. We evaluated the significant assumptions made in the forecasts and compared them to externally available data and actual data on the Group's business activity.

We assessed the information on deferred income tax assets disclosed in Note 28 to the consolidated financial statements.



Allowance for impairment of amounts due from credit institutions

The assessment of allowance for impairment of amounts due from credit institutions is a key area of judgement for management. The identification of impairment and the determination of the recoverable amount are an inherently uncertain process involving various assumptions and factors including the financial condition of the credit institutions and expected future cash flows.

The use of different modelling techniques and assumptions could produce significantly different estimates of impairment allowance. Due to the significance of amounts due from credit institutions, representing 21% of total assets, and the related assumptions used by the management, estimation of impairment allowance on amounts due from credit institutions is considered as one of the key audit matters.

We assessed the assumptions underlying the impairment identification including credit ratings and liquidity position of credit institutions and existence of any violations of local solvency requirements.

With regards to impairment identification of credit institutions we assessed management's expectations on collection of future cash flows based on our professional judgement and available information in the market.

We analyzed information on impairment allowance on amounts due from credit institutions, provided in Note 8 to the consolidated financial statements.

Other information included in the Group's 2018 Annual report

Other information consists of the information included in the Annual report, other than the consolidated financial statements and our auditor's report thereon. Management is responsible for the other information. The Annual report is expected to be made available to us after the date of this auditor's report.

Our opinion on the consolidated financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above when it becomes available to us and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

Responsibilities of management and the Audit Committee of the Board of Directors for the consolidated financial statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRSs, 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.



In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The Internal Audit and Risk Committee of the Board of Directors ("the Audit Committee of the Board of Directors") preliminarily approves the consolidated financial statements, makes recommendations to the Board of Directors on the fundamentals, components and principles of the risk management structure and internal control system.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- Obtain an understanding of internal control relevant to the audit 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 Group's internal control;
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management;
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern;
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation;



- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee of the Board of Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee of the Board of Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Audit Committee of the Board of Directors, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The partner in charge of the audit resulting in this independent auditor's report is Paul Cohn.

Ernst & Young LLP

Paul Cohn
Audit Partner

Olga Khregay
Auditor

Auditor's qualification certificate
No. МФ-0000286 dated 25 September
2015

050060, Republic of Kazakhstan, Almaty
Al-Farabi Ave., 77/7, Esentai Tower

17 May 2019



Gulmira Turmagambetova
General Director
Ernst & Young LLP

State Audit License for audit activities on
the territory of the Republic of Kazakhstan;
series МФЮ-2, No. 0000003 issued by
the Ministry of Finance of the Republic of
Kazakhstan on 15 July 2005



Jan Feb Mar Apr May Jun Jul Aug Sep Oct Nov Dec

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+

Innovation
Branding
Solution
Marketing
Analysis
Ideas
Success
Management

Innovation
Branding
Solution
Marketing
Analysis
Ideas
Success
Management

Jan Feb Mar Apr May Jun Jul Aug Sep Oct Nov Dec

SOCIAL
RESPONSIBILITY

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	2018	2017
Assets			
Cash and cash equivalents	7	737.831.740	255.353.848
Amounts due from credit institutions	8	144.266.883	256.316.596
Loans to customers	9	401.410.589	292.132.717
Finance lease receivables	10	197.815.484	193.143.852
Investment securities	11	25.889.440	68.264.697
Investments in associates and joint ventures	12	6.319.388	6.047.437
Accounts receivable	13	13.425.690	33.614.838
Advances paid	14	14,178,105	6.634.268
Inventories	15	6.419.914	24.447.966
Minimum stock of grain	16	20.626.894	20.684.273
Assets held for finance lease	17	11.115.913	5.957.215
Assets held for sale	18	19.711.382	914.235
VAT and other taxes recoverable	19	7.841.853	5.249.073
Current corporate income tax assets	28	1.558.494	12.054.639
Deferred corporate income tax assets	28	4.345.976	2.080.553
Investrment property		951.074	386.730
Property and equipment	20	8.329.754	9.096.963
Goodwill		41.300	41.300
Intangible assets	21	1.692.484	1.262.474
Other assets		3.465.710	4.444.438
Total assets		1.627.238.067	1.198.128.112
Liabilities			
Amounts due to the Government of the Republic of Kazakhstan	22	99.054.547	67.648.798
Amounts due to credit institutions	23	40.940.776	48.753.900
Debt securities issued in tenge	24	798.547.821	232.147.922
Eurobonds issued	25	443.731.370	559.652.694
Trade accounts payable	26	6.911.053	4.989.594
Advances received	27	7.061.682	6.639.129
Current corporate income tax liabilities	28	78.834	37.492
Deferred corporate income tax liabilities	28	23.254.910	8.092.552

VAT and other taxes payable		6.572.272	5.353.112
Other liabilities		8.029.523	8.828.028
Total liabilities		1.434.182.788	942.143.221
Equity			
Share capital	29	500.802.214	417.922.214
Additional paid-in capital	29	153.749.539	140.205.586
Consolidation reserve	29	(10.974.734)	(10.974.734)
Foreign currency translation reserve		208.490	101.648
Fair value reserve		142.150	112.891
Reserve funds	29	24.887.157	22.094.033
Reserve for notional distribution	29	(76.641.005)	(53.363.848)
Accumulated losses		(399.119.364)	(260.113.731)
Total equity attributable to the Shareholder of the Company		193.054.447	255.984.059
Non-controlling interests		832	832
Total equity		193.055.279	255.984.891
Total equity and liabilities		1.627.238.067	1.198.128.112
Book value per common share (in tenge)	29	382,03	609,40

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

	Notes	2018	2017
Revenue from contracts with customers	31	47.704.277	18.121.696
Себестоимость реализации	32	(36.924.763)	(15.046.013)
Gross profit		10.779.514	3.075.683
Interest revenue calculated using effective interest rate	33	78.025.917	88.530.691
Interest income from finance lease receivables		20.774.660	19.661.095
Interest expenses	34	(67.728.689)	(57.653.649)
Net interest income		31.071.888	50.538.137
Credit loss expense	35	(90.709.300)	(122.141.976)
Net interest income after credit loss expense		(59.637.412)	(71.603.839)
Net losses from transactions with derivative financial assets	36	-	(767.540)
Net losses from foreign currencies		(13.859.982)	(28.449.520)
Share in profit/ (loss) of associates and joint ventures	12	40.708	(145.789)
Other income	37	14.669.822	6.463.280
Loss on repurchase of Eurobonds issued	25	(5.705.129)	-
Personnel expenses	38	(5.579.212)	(5.282.031)
Other operating expenses	38	(6.873.431)	(6.312.556)
Selling expenses	39	(12.231.170)	(7.385.127)
Net losses on modification of terms of financial assets measured at amortized cost		(1.774.365)	(1.329.450)
Other impairment and provisions	40	(4.726.711)	(167.401)
Other expenses		(448.297)	-
Non-interest expenses		(36.487.767)	(43.376.134)
Loss before corporate income tax expense		(85.345.665)	(111.904.290)
Corporate income tax expense	28	(32.570.246)	(14.113.829)
Loss for the year		(117.915.911)	(126.018.119)
Attributable to:			
- Shareholder of the Company		(117.915.911)	(126.020.149)
- non -controlling interests		-	2.030
		(117.915.911)	(126.018.119)
Basic and diluted loss per share (in tenge)	29	(264,85)	(322,68)

CONSOLIDATED STATEMENT OF COMPREHENSIV E INCOME

	Notes	2018	2017
Loss for the year		(117.915.911)	(126.018.119)
Other comprehensive income to be reclassified to profit or loss in subsequent periods			
Foreign currency translation differences	12	106.842	(234.002)
Other-comprehensive income not to be reclassified to profit or loss in subsequent periods			
Gains 011 equity instruments at fair value through other comprehensive income		29.259	63.847
Other comprehensive income/(loss) for the year		136.101	(170.155)
Total comprehensive loss for the year		(117.779.810)	(126.188.274)
Attributable to:			
- Shareholder of the Company		(117.779.810)	(126.190.304)
- non-controlling interests		-	2.030
		(117.779.810)	(126.188.274)

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Attributable to the Shareholder of the Company

	Share capital	Additional paid-in capital	Consolidation reserve	Foreign currency translation reserve	Fair value reserve	Reserve funds	Reserve for notional distribution	Accumulated losses.	Total	Non controlling interests	Total equity
As at 31 December 2016	364,515,731	131,355,626	(10,974,734)	335,650	49,044	10,184,314	(36,745,010)	(78,846,663)	379,873,958	35,770	379,909,728
Loss for the year	–	–	–	–	–	–	–	(126,020,149)	(126,020,149)	2,030	(126,018,119)
Other comprehensive income for the year	–	–	–	(234,002)	63,847	–	–	–	(170,155)	–	(170,155)
Total comprehensive loss for the year	–	–	–	(234,002)	63,847	–	–	(126,020,149)	(126,190,304)	2,030	(126,188,274)
Issue of share capital (Note 29)	53,406,483	–	–	–	–	–	–	–	53,406,483	–	53,406,483
Gain on initial recognition of loans from the Shareholder at fair value (Note 29)	–	8,849,960	–	–	–	–	–	–	8,849,960	–	8,849,960
Reserve for notional distribution for year (Note 29)	–	–	–	–	–	–	(16,618,838)	–	(16,618,838)	–	(16,618,838)
Other transactions with the Shareholder (Note 11, 16)	–	–	–	–	–	–	–	(42,225,072)	(42,225,072)	–	(42,225,072)
Disposal of non-controlling interest	–	–	–	–	–	–	–	–	–	(36,968)	(36,968)
Dividends declared (Note 29)	–	–	–	–	–	–	–	(1,112,128)	(1,112,128)	–	(1,112,128)
Transfer to reserve funds (Note 29)	–	–	–	–	–	11,909,719	–	(11,909,719)	–	–	–
As at 31 December 2017	417,922,214	140,205,586	(10,974,734)	101,648	112,891	22,094,033	(53,363,848)	(260,113,731)	255,984,059	832	255,984,891
Impact of adopting IFRS 9 (Note 3)	–	–	–	–	–	–	–	(18,296,598)	(18,296,598)	–	(18,296,598)
Restated opening balance under IFRS 9	417,922,214	140,205,586	(10,974,734)	101,648	112,891	22,094,033	(53,363,848)	(278,410,329)	237,687,461	832	237,688,293
Loss for the year	–	–	–	–	–	–	–	(117,915,911)	(117,915,911)	–	(117,915,911)
Other comprehensive income for the year	–	–	–	106,842	29,259	–	–	–	136,101	–	136,101
Total comprehensive loss for the year	–	–	–	106,842	29,259	–	–	(117,915,911)	(117,779,810)	–	(117,779,810)
Issue of share capital (Note 29)	82,880,000	–	–	–	–	–	–	–	82,880,000	–	82,880,000
Gain on initial recognition of loans from the Shareholder at fair value (Note 29)	–	13,543,953	–	–	–	–	–	–	13,543,953	–	13,543,953
Reserve for notional distribution for the year (Note 29)	–	–	–	–	–	–	(23,277,157)	–	(23,277,157)	–	(23,277,157)
Transfer to reserve funds (Note 29)	–	–	–	–	–	2,793,124	–	(2,793,124)	–	–	–
As at 31 December 2018	500,802,214	153,749,539	(10,974,734)	208,490	142,150	24,887,157	(76,641,005)	(399,119,364)	193,054,447	832	193,055,279

CONSOLIDATED STATEMENT OF CASH FLOWS

	Notes.	2018	2017
Cash flow from operating activities			
Revenue from contracts with customers		44.272.859	16.218.205
Payments to suppliers		(16.938.177)	(21.906.567)
Interest received		77.522.599	88.071.017
Interest paid		(50.408.714)	(42.166.528)
Net realised gains from derivative financial assets		–	42.121
Realised losses less gains from dealing in foreign currencies		(123.105)	(107.662)
Other income received		2.613.734	5.213.905
Personnel expenses paid		(4.490.347)	(4.527.577)
Other operating expenses paid		(7.629.823)	(8.488.529)
Selling expenses paid		(11.906.704)	(6.601.919)
Cash flows from operating activities before changes in operating assets and liabilities		32.912.322	25.746.466
Net decrease (increase) in operating assets:			
Amounts due from credit institutions		19.914.416	85.943.682
Loans to customers		(118.344.121)	(45.308.191)
Finance lease receivables		(7.576.068)	17.917.904
Accounts receivable		16.539.934	1.584.276
Advances paid		(11.251.373)	(5.469.384)
VAT and other taxes recoverable		(784.700)	(1.232.312)
Other assets		30.271	(429.050)
Net increase/ (decrease) in operating liabilities:			
Trade accounts payable		395.749	2.105.093
Advances received		5.207.072	4.776.376
Other liabilities		(1.685.648)	1.061.722
Net cash flows from operating activities before corporate income tax		(64.642.146)	86.696.582
Corporate income tax paid		(4.419.691)	(6.633.056)
Net cash (used in) / from operating activities		(69.061.837)	80.063.526
Cash flows from investing activities			
Proceeds from sale of property and equipment		664.553	132.866
Purchase of property and equipment		(581.386)	(586.062)
Purchase of intangible assets		(735.597)	(690.714)

Proceeds from sale of investment securities at fair value though other comprehensive income		203.026	–
Proceeds from sale of investment securities at amortised cost		858.984.579	526.366.788
Purchase of investments securities at amortised cost		(815.198.756)	(621.379.754)
Proceeds from sale of share of associates and joint ventures		1.791.885	–
Contribution to capital of associates and joint ventures	12	(2.048.756)	(3.432.608)
Proceeds from disposal of a subsidiary		2.729.392	(26.058)
Dividends received		82.210	131.674
Other proceeds		619.248	–
Net cash flow from investing activities		46.510.398	(99.483.868)
Cash flow from financing activities			
Proceeds from issue of shares	29	82.880.000	23.267.000
Proceeds from debt securities issued in tenge		587.250.959	10.000.000
Repayment of debt securities issued in tenge		(33.289.325)	–
Repayment of issued Eurobonds		(174.226.572)	–
Fees and costs paid for modification of terms of Eurobonds issued		(5.812.080)	
Proceeds from amounts due to the Government of the Republic of Kazakhstan		110.399.248	90.532.771
Repayment of amounts due to the Government of the Republic of Kazakhstan		(67.941.378)	(80.664.503)
Proceeds from amounts due to credit institutions		15.477.052	19.408.761
Repayment of amounts due to credit institutions		(24.796.829)	(22.772.585)
Dividends paid	29	–	(1.112.128)
Other proceeds		21.860	–
Net cash from financing activities		489.962.935	38.659.316
Effect of exchange rates changes on cash and cash equivalents		29.047.590	(11.400)
Effect of expected credit losses on cash and cash equivalents	7	(11.771)	–
Reclassification of cash on current accounts		(13.969.423)	(39.203.790)
Net increase in cash and cash equivalents		482.477.892	(19.976.216)
Cash and cash equivalents, beginning of the year	7	255.353.848	275.330.064
Cash and cash equivalents, end of the year	7	737.831.740	255.353.848
Non-cash operations			
Increase in share capital	29	–	30.139.483

7

IN ADDITION

7.1 Glossary

7.2 Contacts



7.1

GLOSSARY

HOLDING, «KAZAGRO» HOLDING» JSC, «KAZAGRO» — «KazAgro» National Management Holding» Joint Stock Company

A	ACC – Agrarian Credit Corporation AIC – agro-industrial complex	J	JSC – Joint Stock Company
C	ББУ – банки второго уровня CC – credit cooperatives	K	KAF – «KazAgroFinance» KAP – «KazAgroProduct» KEDEC – Kazakhstan Electronic Document Exchange Center KPI – key performance indicators
D	DJSC – Daughter Joint Stock Company	L	LEB – local executive bodies LLP – Limited Liability Partnership
E	EDB – Eurasian Development Bank EDFS – Electronic Document Flow System	M	MFO – micro finance organization Mln – million
F	FCC – «Food Contract Corporation» NC» JSC FFSA – «Fund for Financial Support of Agriculture» JSC	N	NC – National Company NCE – National Chamber of Entrepreneurs NMH – National Management Holding

G	GDP – Gross Domestic Product	R	RA RFCA – «Rating Agency of the Regional Financial Center of Almaty» JSC ROA – return on assets ROE – return on equity RK – the Republic of Kazakhstan
S	SCFS – System of consolidated financial statements SCPLA – System for collection and processing of loan applications SME – small and medium enterprises STB – second-tier banks SWE – Single window of an entrepreneur		

7.2

CONTACTS

Address: 010000, Nur-Sultan city,
Talgat Bigeldinov Street, 12

Telephone: 8 7172 70-56-20

Acceptance of correspondence: 8 7172 70-56-26,
8 7172 70-56-20 ext. 1453, 1455

Fax: 8 7172 70-56-89

Public Relations Department:
8 7172 70-56-39

Helpline: 8 7172 70-56-20 (ext. 1901)

e-mail: info@kazagro.kz

web-page: www.kazagro.kz

For technical support:
8/7172/ 70-56-20 (ext.1703)

and at portal@kazagro.kz.

Consideration of appeals of individuals and legal entities is carried out in manner specified by the Law of the Republic of Kazakhstan dated January 12, 2007 «On the procedure for considering appeals of individuals and legal entities»





NUR-SULTAN, 2019