



«SOVEREIGN WEALTH FUND «SAMRUK-KAZYNA» JSC»

«SAMRUK-KAZYNA»

CONSOLIDATED FINANCIAL STATEMENTS

Year ended December 31, 2012
with Independent Auditors' Report

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«SOVEREIGN WEALTH FUND «SAMRUK-KAZYNA» JSC»

«SAMRUK-KAZYNA»

CONSOLIDATED FINANCIAL STATEMENTS

Year ended December 31, 2012
with Independent Auditors' Report

INDEPENDENT AUDITORS’ REPORT

To the Shareholder of “Sovereign Wealth Fund “Samruk-Kazyna” JSC

We have audited the accompanying consolidated financial statements of “Sovereign Wealth Fund “Samruk-Kazyna” JSC and its subsidiaries, which comprise the consolidated balance sheet as at 31 December 2011, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management’s responsibility for the consolidated financial statements

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

Auditors’ responsibility

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

Elshad Aliyev
Audit Partner

Alexandr Nazarkulov
Auditor

*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*

30 April 2013

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

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of “Sovereign Wealth Fund “Samruk-Kazyna” JSC and its subsidiaries as at 31 December 2011, and their financial performance and their cash flows for the year then ended in accordance with International Financial Reporting Standards.

General Director Ernst & Young LLP
Evgeny Zhemaletdinov

CONSOLIDATED BALANCE SHEET

As at December, 31

<i>In millions of Tenge</i>	Note	2012	2011
ASSETS			
Non-current assets			
Property, plant and equipment	7	6,067,038	5,028,649
Intangible assets	8	358,228	306,989
Investments in joint ventures and associates	9	1,351,044	1,294,982
Loans to customers	10	1,386,384	1,080,910
Amounts due from credit institutions	11	267,751	347,672
Deferred tax asset	37	77,964	56,813
Other non-current financial assets	12	464,934	494,882
Other non-current assets	13	420,271	292,337
		10,393,614	8,903,234
Current assets			
Inventories	14	408,792	375,457
VAT recoverable		193,950	97,916
Income tax prepaid		77,948	70,534
Trade accounts receivable	15	342,257	276,129
Loans to customers	10	665,326	667,523
Amounts due from credit institutions	11	1,070,656	700,529
Other current financial assets	12	267,809	330,110
Other current assets	15	297,706	275,211
Cash and cash equivalents	16	1,465,548	1,646,615
		4,789,992	4,440,024
Assets classified as held for sale	6	51,521	70,147
TOTAL ASSETS		15,235,127	13,413,405

The accounting policies and explanatory notes on pages 14 through 106 form an integral part of these consolidated financial statements.

<i>In millions of Tenge</i>	Note	2012	2011
EQUITY AND LIABILITIES			
Equity attributable to equity holder of the parent			
Share capital	17	4,409,314	4,050,383
Revaluation reserve for available-for-sale investments	12	24,846	(106,997)
Currency translation reserve		219,712	186,145
Other capital reserves		15,828	17,656
Retained earnings		1,920,696	823,433
		6,590,396	4,970,620
Non-controlling interest		801,135	758,983
Total equity		7,391,531	5,729,603
Non-current liabilities			
Borrowings	18	3,517,546	3,646,036
Loans from the Government of the Republic of Kazakhstan	19	210,810	430,747
Finance lease liabilities	21	35,313	14,307
Provisions	22	136,312	70,564
Deferred tax liability	37	333,864	299,666
Employee benefit liability	23	45,940	37,908
Amounts due to the customers	24	106,663	186,375
Derivatives		7,450	7,346
Other non-current liabilities	20	296,660	426,703
		4,690,558	5,119,652
Current liabilities			
Borrowings	18	679,075	550,740
Loans from the Government of the Republic of Kazakhstan	19	559,831	438,968
Finance lease liabilities	21	8,425	8,451
Provisions	22	124,202	151,608
Employee benefit liability	23	4,039	3,631
Income taxes payable		48,841	2,985
Trade and other payables		496,798	442,640
Amounts due to the customers	24	636,058	550,269
Derivatives		888	6,579
Other current liabilities	25	574,564	408,149
		3,132,721	2,564,020
Liabilities associated with assets classified as held for sale	6	20,317	130
Total liabilities		7,843,596	7,683,802
TOTAL EQUITY AND LIABILITIES		15,235,127	13,413,405

Managing Director – Member of the Management Board

Chief Accountant

Nurlan Rakhmetov

Almaz Abdrakhmanova

The accounting policies and explanatory notes on pages 14 through 106 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the years ended December, 31

<i>In millions of Tenge</i>	Note	2012	2011
Revenue	26	4,911,022	4,400,355
Government grants	27	27,857	24,406
		4,938,879	4,424,761
Cost of sales	28	(3,568,739)	(3,191,850)
Gross profit		1,370,140	1,232,911
General and administrative expenses	29	(420,607)	(437,682)
Transportation and selling expenses	30	(377,183)	(367,178)
Bargain purchase gain on acquisition		22	1,468
Loss on disposal of property, plant and equipment, net		(2,307)	(1,073)
Impairment loss	31	(236,711)	(232,035)
Other operating income	32	1,168,444	85,107
Other operating expenses	33	(660,572)	(54,759)
Operating profit		841,226	226,759
Finance costs	34	(207,916)	(193,600)
Finance income	35	55,409	66,825
Share in income of associates and joint ventures	36	538,835	611,177
Net foreign exchange loss		(43,752)	(22,567)
		1,183,802	688,594
Profit before income tax		1,183,802	688,594
Income tax expenses	37	(250,724)	(367,161)
Profit for the year from continuing operations		933,078	321,433
Profit from discontinued operations	6	202,359	29,196
Profit for the year		1,135,437	350,629

The accounting policies and explanatory notes on pages 14 through 106 form an integral part of these consolidated financial statements.

<i>In millions of Tenge</i>	Note	2012	2011
Other comprehensive income, net of tax:			
Foreign currency translation		35,301	14,322
Unrealized loss from revaluation on available-for-sale assets		(17,565)	(134,686)
Net realized (loss) / gain on financial assets available-for-sale		(618)	1,466
Reclassifications from other comprehensive income to other losses on impairment of available-for-sale assets	12	146,848	-
Other comprehensive income		350	326
Total comprehensive income for the year, net of tax		1,299,753	232,057
Profit for the year attributable to:			
Equity holder of the parent		1,065,117	330,035
Non-controlling interest		70,320	20,594
		1,135,437	350,629
Total comprehensive income for the year, net of tax, attributable to:			
Equity holder of the parent		1,230,615	208,626
Non-controlling interest		69,138	23,431
		1,299,753	232,057
Earnings per share:			
Basic and diluted share in profit for the year attributable to the equity holder of the parent, Tenge		305.97	94.85
Earnings per share for continuing operations:			
Basic and diluted share in profit from continuing operations attributable for the equity holder of the parent, Tenge		277.43	91.30

Managing Director – Member of the Management Board

Chief Accountant

Nurlan Rakhmetov

Almaz Abdrakhmanova

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CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the years ended December, 31

	Note	Share capital	Revaluation reserve for investments available-for-sale	Attributable to equity holder of the parent						Non-controlling interest	Total
				Currency translation reserve	Other capital reserves	Retained Earnings	Total	Non-controlling interest	Total		
<i>In millions of Tenge</i>											
Balance as at December 31, 2010		3,891,909	29,682	172,613	21,022	537,822	4,653,048	769,366	5,422,414		
Total comprehensive income for the year		–	(135,310)	13,553	348	330,035	208,626	23,431	232,057		
Issue of share capital	17.1	158,474	–	–	–	–	158,474	–	158,474		
Discount on loans from the Government and on bonds purchased by the National Bank of RK	17.2	–	–	–	–	21,793	21,793	–	21,793		
Dividends paid	17.3	–	–	–	–	(7,056)	(7,056)	(26,709)	(33,765)		
Other transactions with the Shareholder		–	(1,369)	(21)	(505)	(18,797)	(20,692)	–	(20,692)		
Recognition of share based payments		–	–	–	250	–	250	291	541		
Change in ownership interests of subsidiaries – acquisition by non-controlling shareholders	17.4	–	–	–	–	5,937	5,937	15,116	21,053		
Forfeiture of options in subsidiaries		–	–	–	(24)	–	(24)	–	(24)		
Change in ownership interests of subsidiaries – acquisition of non-controlling interest	17.5	–	–	–	–	(4,848)	(4,848)	(8,313)	(13,161)		
Acquisition of subsidiaries	5	–	–	–	–	–	–	1,035	1,035		
Buy back of shares of a subsidiary from the market performed by a subsidiary	17.6	–	–	–	–	(854)	(854)	(14,892)	(15,746)		
Other distributions to the Shareholder	17.7	–	–	–	–	(42,527)	(42,527)	–	(42,527)		
Adjustment for hyperinflation		–	–	–	–	(1,507)	(1,507)	(342)	(1,849)		
Decrease in other capital reserves		–	–	–	(3,435)	3,435	–	–	–		
Balance as at December 31, 2011		4,050,383	(106,997)	186,145	17,656	823,433	4,970,620	758,983	5,729,603		

The accounting policies and explanatory notes on pages 14 through 106 form an integral part of these consolidated financial statements.

	Note	Attributable to equity holder of the parent							
		Share capital	Revaluation reserve for investments available-for-sale	Currency translation reserve	Other capital reserves	Retained Earnings	Total	Non-controlling interest	Total
<i>In millions of Tenge</i>									
Balance as at December 31, 2011		4,050,383	(106,997)	186,145	17,656	823,433	4,970,620	758,983	5,729,603
Total comprehensive income for the year		–	131,662	33,994	(158)	1,065,117	1,230,615	69,138	1,299,753
Issue of share capital	17.1	358,931	–	–	–	(4,149)	354,782	–	354,782
Discount on loans from the Government and on bonds purchased by the National Bank of RK	17.2	–	–	–	–	89,617	89,617	–	89,617
Income from changing of terms of the bonds purchased by the National Bank of RK	17.2	–	–	–	–	304,650	304,650	–	304,650
Dividends paid	17.3	–	–	–	–	(168,190)	(168,190)	(150,297)	(318,487)
Other transactions with the Shareholder		–	–	–	–	1,620	1,620	–	1,620
Recognition of share based payments		–	–	–	214	(603)	(389)	1,441	1,052
Change in ownership interests of subsidiaries – acquisition by non-controlling shareholders	17.4	–	–	–	–	(2,002)	(2,002)	30,543	28,541
Change in ownership interests of subsidiaries – acquisition of non-controlling interest	17.5	–	181	(427)	(1,884)	(129,235)	(131,365)	135,572	4,207
Buy back of shares of a subsidiary from the market performed by a subsidiary	17.6	–	–	–	–	4,328	4,328	(44,245)	(39,917)
Other distributions to the Shareholder	17.7	–	–	–	–	(63,890)	(63,890)	–	(63,890)
Balance as at December 31, 2012		4,409,314	24,846	219,712	15,828	1,920,696	6,590,396	801,135	7,391,531

Managing Director – Member of the Management Board

Chief Accountant

Nurlan Rakhmetov

Almaz Abdрахmanova

The accounting policies and explanatory notes on pages 14 through 106 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the years ended December, 31

<i>In millions of Tenge</i>	Note	2012	2011
Cash flows from operating activities:			
Profit before income tax		1,183,802	688,594
Profit from discontinued operations before income tax		202,607	29,916
Adjustments for:			
Depreciation, depletion and amortization	28, 29, 30, 33	325,677	288,707
Share of income in associates and joint ventures	36	(538,835)	(611,177)
Gain on disposal of discontinued operations	6	(201,996)	–
Finance costs	34	207,916	193,600
Finance income	35	(55,409)	(66,825)
Impairment loss	31	236,711	232,035
Restructuring gain of BTA Bank	32	(1,068,482)	–
Expenses on recognition of recovery obligations by BTA Bank	33	628,572	–
Gain on purchase of own debt securities issued by BTA Bank		(10,458)	–
Long-term employee benefits	23	12,958	13,442
Bargain purchase gain on acquisition		(22)	(1,468)
Provision charges	22	(11,869)	17,174
Derivatives		(11,450)	(40,119)
Loss on disposal of property, plant and equipment, net		2,307	1,073
Gain on disposal of subsidiaries		(4,823)	(2,619)
Allowance for doubtful debts on trade accounts receivable and other current assets	29	10,176	5,025
(Gain) / loss on revaluation of financial assets designated at fair value through profit and loss		(2,314)	7,440
Realized loss on revaluation of available-for-sale assets		(618)	1,466
Amortization of fair value adjustments of acquisitions		4,642	21,467
Unrealized foreign exchange loss		18,807	12,506
Other transactions		2,375	8,353
Cash flows from operating activities before working capital changes		930,274	798,590
Changes in other non-current assets		(62,622)	(34,529)
Changes in loans to customers		(360,443)	(203,703)
Changes in amounts due from credit institutions		(48,107)	(8,512)
Changes in other financial assets		28,579	54,917
Changes in derivatives		(8,484)	(49,463)
Changes in inventories		(40,321)	(20,650)
Changes in VAT recoverable		(53,750)	(24,407)
Changes in trade accounts receivable		(69,364)	(22,015)
Changes in other current assets		(35,213)	35,858
Changes in borrowings and loans from the Government of the Republic of Kazakhstan		429,638	163,051
Changes in trade and other accounts payable		(37,899)	(50,267)

The accounting policies and explanatory notes on pages 14 through 106 form an integral part of these consolidated financial statements.

<i>In millions of Tenge</i>	Note	2012	2011
Changes in amounts due to the customers		2,964	178,967
Changes in other liabilities		16,908	24,357
Cash generated from operating activities		692,160	842,194
Income taxes paid		(202,234)	(231,578)
Interest paid		(146,160)	(142,886)
Interest received		12,671	45,883
Net cash flows from operating activities		356,437	513,613
Cash flows from investing activities:			
Placement of bank deposits, net		(228,152)	309,968
Acquisition of associates and joint ventures		(28,558)	(110,280)
Acquisition of subsidiaries, net of cash acquired		(6)	(80,330)
Cash of subsidiaries being reclassified to disposal group		–	(5,432)
Purchase of property, plant and equipment		(952,675)	(930,468)
Purchase of intangible assets		(63,727)	(24,893)
Sale / (purchase) of other financial assets		43,814	(69,163)
Proceeds from sale of property, plant and equipment		10,363	35,013
Advances paid for non-current assets	13	(107,107)	(33,428)
Dividends received from joint ventures and associates	6, 9	590,940	460,224
Proceeds from sale of associates	6	225,739	711
Proceeds from sale of subsidiaries		13,042	–
Stock options exercised		(603)	–
Net cash flows used in investing activities		(496,930)	(448,078)
Cash flows from financing activities:			
Proceeds from borrowings		919,369	390,038
Repayment of borrowings		(627,614)	(484,283)
Repayment of finance lease liabilities		(11,386)	(8,160)
Redemption of shares of subsidiaries		(39,917)	(15,746)
Transactions with the Shareholder		(24,043)	(63,869)
Dividends paid to non-controlling shareholders of subsidiaries		(149,704)	(26,709)
Contributions to share capital by non-controlling shareholders		31,611	15,117
Dividends paid to the Shareholder		(159,113)	(9,077)
Acquisition of non-controlling interest	5	–	(6,697)
Contributions to share capital	17.1	12,000	147,552
Net cash flows used in financing activities		(48,797)	(61,834)
Effects of exchange rate changes on cash and cash equivalents		8,223	3,454
Net (decrease)/increase in cash and cash equivalents		(181,067)	7,155
Cash and cash equivalents at the beginning of the year		1,646,615	1,639,460
Cash and cash equivalents at the end of the year	16	1,465,548	1,646,615

Managing Director – Member of the Management Board

Nurlan Rakhmetov

Chief Accountant

Almaz Abdrakhmanova

The accounting policies and explanatory notes on pages 14 through 106 form an integral part of these consolidated financial statements.

1. GENERAL INFORMATION

CORPORATE INFORMATION

Sovereign Wealth Fund “Samruk-Kazyna” JSC (the “Fund” or “Samruk-Kazyna”) was established on November 3, 2008 in accordance with the Decree of the President of the Republic of Kazakhstan dated October 13, 2008 and the Decree of the Government of the Republic of Kazakhstan dated October 17, 2008. The formation was enacted by the merger of Sustainable Development Fund “Kazyna” JSC (“Kazyna”) and Kazakhstan Holding Company for State Assets Management “Samruk” JSC (“Samruk”) and the additional transfer of ownership in certain entities owned by the Government of the Republic of Kazakhstan (the “State” or the “Government”) to the Fund. The Government, represented by the State Assets and Privatization Committee of the Ministry of Finance of the Republic of Kazakhstan is the sole shareholder of the Fund (the “Shareholder”).

The Government’s overall objective of the reorganization is to increase management’s efficiency and to optimise organisational structures in these entities in order to successfully achieve their strategic objectives set in the respective Government programs.

The Fund is a holding company combining state-owned enterprises listed in *Note 38* (the “Group”). Prior to February 1, 2012, the Fund’s activities were governed by the Law of the Republic of Kazakhstan “On Sovereign Wealth Fund” No. 134-4 dated February 13, 2009 and were aimed at assistance in providing stable development of the state economy, modernization and diversification of economy, and improvement of the Group companies’ efficiency. According to the Law of the Republic of Kazakhstan enacted on February 1, 2012 “On Sovereign Wealth Fund” No. 550-IV, the Fund’s activity is focused on improving sovereign wealth of the Republic of Kazakhstan by increasing the long-term value of the Group companies and by effective management of the Group’s assets.

For management purposes, the Group is organized into organizational business units based on their products and services, and has seven reportable operating segments (*Note 43*):

- Oil and Gas segment includes operations related to exploration and production of oil and gas, transportation of oil and gas and refining and trading of crude oil and refined products.
- Transportation segment includes operations related to railway and air transportation of cargo and passengers.
- Telecommunication segment includes operation of fixed line communication, including local, long-distance intercity and international telecommunication services (including CIS and non-CIS countries); and also rent of lines, data transfer services and wireless communication services.
- Energy segment includes operations related to production and distribution of electricity, the function of oversight over the

input of electricity into the energy system and consumption of imported electricity, the function of centralized operation and dispatch of facilities in the Unified Electricity System of Kazakhstan.

- Mining and industrial segment is engaged in exploration, mining, processing and sales of mineral resources, military industry enterprises and civil machine industry, projects for the development of chemical industry and geological exploration.
- Financial and Innovation Institutions segment includes operations related to development and stimulation of investment and innovation activities in all segments of the economy of Republic of Kazakhstan. Further, this segment includes commercial banks acquired by the Fund during 2009.
- Segment of Corporate center and projects includes Fund’s investing and financing activities, including provision of loans to related and third parties.

The address of the Fund’s registered office is Astana, Kunayev str. 8, the Republic of Kazakhstan.

These consolidated financial statements were authorised for issue on April 30, 2013, by the Managing Director – Member of the Management Board and Chief Accountant of the Fund.

PLAN OF STABILIZATION OF ECONOMIC AND FINANCIAL SYSTEMS

In order to maintain stability of economic and financial system of the country during the world economic crisis, the Government by Decree No. 1085 dated November 25, 2008 approved a Joint Action Plan of the Government, the National Bank, the Agency on the Regulation and Supervision of Financial Market and Financial Organizations of Republic of Kazakhstan on stabilization of the economy and financial system for 2009-2010 (“Stabilization Plan”). The Stabilization Plan provides certain measures aimed at the following:

- Stabilization of financial sector
- Resolution of real estate market issues
- Small and medium business support
- Development of agricultural sector
- Implementation of innovative, industrial and infrastructural projects

The Fund is the principal operator for the Government in implementation of the Stabilization Plan.

Under the financial sector stabilization measures of the Stabilization Plan the Fund in 2009 acquired a controlling interest in BTA Bank and Alliance Bank and acquired a significant stake

in Halyk Bank of Kazakhstan JSC and Kazkommertsbank JSC. These measures were aimed to provide additional liquidity to the banks and ensure their solvency. In 2012 and 2011 the Fund sold common shares and part of preferred shares of Halyk Bank of Kazakhstan JSC (*Note 12*).

In 2010, under BTA Bank’s JSC (“BTA Bank”) debt restructuring plan approved in March 2010, the Fund acquired newly issued shares of Temirbank JSC (“Temirbank”), a subsidiary of BTA Bank.

The Fund is not planning to keep its interest in BTA Bank, Alliance Bank, Temirbank, Halyk Bank of Kazakhstan JSC and Kazkommertsbank JSC in a long-term perspective.

In 2010, Alliance Bank, BTA Bank and Temirbank completed the process of restructuring their debts. The ability of Alliance Bank and Temirbank to continue as going concern entities largely depends on successful realization of new business models in accordance with restructuring conditions.

The ability of BTA Bank to continue as a going concern entity largely depends on successful realization of new business models in accordance with the conditions of the second restructuring of its debts completed in December 2012 (*Notes 32,33*).

As of December 31, 2012, the combined net assets of BTA Bank, Temirbank, and Alliance Bank included in these consolidated financial statements amounted to 111,533 million Tenge (2011: net liabilities 494,522 million Tenge).

In accordance with a minutes of meeting with participation of the President of the Republic of Kazakhstan dated January 23, 2013 No. 01-7.1 “On results of social and economic development

of Republic of Kazakhstan in 2012 and aims on realization of “Kazakhstan-2050” Strategy” the Government was assigned to create “National development agency” JSC, with 100% ownership by the Government, and the transfer to it the Fund’s share in development institutions and financial institutions (Development Bank of Kazakhstan JSC, Kazyna Capital Management JSC, Export-Credit Insurance Corporation KazExportGarant JSC, “Entrepreneurship development Fund “Damu” JSC, Investment Fund of Kazakhstan JSC), including the transfer of SK-Pharmacy LLP to the Ministry of Health of the Republic of Kazakhstan.

In accordance with Decree of the Government of the Republic of Kazakhstan No. 206 dated March 4, 2013 the Fund is allowed to become a participant in Pension Fund “Halyk Bank” JSC, Pension Fund “Grantum” and Pension Fund “Ular Umit” in exchange of part of Fund’s share in Kazkommertsbank JSC and BTA Bank JSC.

For the purpose of sale of Fund’s share in BTA Bank JSC, Alliance Bank JSC and Temirbank JSC before December 31, 2013, in case the shareholders of banks refuse their privileged right of purchase of shares, the Fund is recommended to:

- take measures on disposal of shares of Alliance Bank JSC and Temirbank JSC to sole strategic investor;
- propose to Halyk Bank JSC to acquire remaining shares of BTA Bank JSC.

At the current moment, the procedures for a preparation and agreement of documents related to the approval of regulatory legal acts on creation of “National development agency” JSC, transfer of SK-Pharmacy LLP and disposal of shares of banks’ shares are under process.

2. BASIS OF PREPARATION

These consolidated financial statements have been prepared on a historical cost basis, except as described in the accounting policies and the notes to these consolidated financial statements.

These consolidated financial statements are presented in Kazakhstan Tenge (“Tenge” and “KZT”) and all monetary amounts are rounded to the nearest million Tenge except where otherwise indicated.

STATEMENT OF COMPLIANCE

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by International Accounting Standard Board (“IASB”).

The preparation of consolidated financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in *Note 4*.

FOREIGN CURRENCY TRANSLATION

Functional and presentation currency

Items included in these consolidated financial statements of each of the Group’s entities are measured using the currency of primary economic environment in which the entity operates (“the functional currency”). The consolidated financial statements are presented in Tenge, which is the Group’s presentation currency.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the

transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at the reporting date exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in profit and loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined.

Group entities

Gains, losses and financial position of all of the Group’s subsidiaries, joint ventures and associates (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- Assets and liabilities for each balance sheet presented are translated at the closing rate at that reporting date;
- Income and expenses for each statement of comprehensive income are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates; in which case income and expenses are translated at the rate on the dates of the transactions), and
- All resulting exchange differences are recognized as a separate component of other comprehensive income.

Exchange rates

Weighted average currency exchange rates established by the Kazakhstan Stock Exchange (“KASE”) are used as official currency exchange rates in the Republic of Kazakhstan.

The following table presents currency exchange rates to Tenge as at December 31:

	2012	2011
USD	150.79	148.40
EUR	199.22	191.72
CHF	165.09	157.65
RUR	4.96	4.61
JPY	1.75	1.91

The currency exchange rate of KASE as at April 30, 2013 is 151.23 Tenge to 1 US Dollar.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

Accounting policies applied in the preparation of these consolidated financial statements are consistent with those applied in the preparation of the annual consolidated financial statements for the year ended December 31, 2011, except for the following new and amended IFRS and IFRIC interpretations effective as of January 1, 2012:

- IAS 12 *Income Taxes (amendment) – Deferred Taxes: recovery of underlying assets*
- IFRS 1 *First-Time adoption of International Financial Reporting Standards (amendment) – Severe hyperinflation and removal of fixed dates for first-time adopters*
- IFRS 7 *Financial Instruments: Disclosures - Enhanced Derecognition Disclosure Requirements*

The adoption of the standards or interpretations is described below:

IAS 12 Income Taxes – Deferred Taxes: recovery of underlying assets

The amendment clarifies the determination of deferred tax on investment property measured at fair value and introduces a rebuttable presumption that deferred tax on investment property measured using the fair value model in IAS 40 should be determined on the basis that its carrying amount will be recovered through sale. It includes the requirement that deferred tax on non-depreciable assets that are measured using the revaluation model in IAS 16 should always be measured on a sale basis. The amendment is effective for annual periods beginning on or after January 1, 2012 and has been no effect on the Group's financial position, performance or its disclosures.

IAS 1 First-Time adoption of International Financial Reporting Standards (amendment) – Severe Hyperinflation and Removal of Fixed dates For First-Time Adopters

The IASB provided guidance on how an entity should resume presenting IFRS financial statement when its currency ceases to be subject to hyperinflation. The amendment is effective for annual periods beginning on or after July 1, 2011. The amendment had no effect on the Group's financial position, performance or its disclosures.

IFRS 7 Financial Instruments: Disclosures - Enhanced Derecognition Disclosure Requirements

The amendment requires additional disclosure about financial assets that have been transferred but not derecognized to enable the user of the Group's financial statements to understand the relationship with those assets that have not been derecognized and their associated liabilities. In addition, the amendment requires disclosures about the entity's continuing involvement in

derecognized assets to enable the users to evaluate the nature of, and risks associated with, such involvement. The amendment is effective for annual periods beginning on or after July 1, 2011. The Group does not have any assets with these characteristics so there has been no effect on the presentation of its consolidated financial statements.

STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE

Standards and interpretations issued but not yet effective up to the date of issuance of the Group's consolidated financial statements are listed below. The Group intends to adopt these standards when they become effective.

IAS 1 Presentation of Items of Other Comprehensive Income – Amendments to IAS 1

The amendments to IAS 1 change the grouping of items presented in other comprehensive income (OCI). Items that could be reclassified to profit or loss at a future point in time (for example, net gain on hedge of net investment, exchange differences on translation of foreign operations, net movement on cash flow hedges and net loss or gain on available-for-sale financial assets) would be presented separately from items that will never be reclassified (for example, actuarial gains and losses on defined benefit plans and revaluation of land and buildings). The amendment affects presentation only and has no impact on the Group's financial position or performance. The amendment becomes effective for annual periods beginning on or after July 1, 2012, and will therefore be applied in the Group's first annual consolidated report after becoming effective.

IAS 19 Employee Benefits (Revised)

The IASB has issued numerous amendments to IAS 19. These range from fundamental changes such as removing the corridor mechanism and the concept of expected returns on plan assets to simple clarifications and re-wording. The amendment becomes effective for annual periods beginning on or after January 1, 2013. These amendments are not expected to impact the Group's financial position or performance.

IAS 28 Investments in Associates and Joint Ventures (as revised in 2011)

As a consequence of the new IFRS 11 *Joint Arrangements*, and IFRS 12 *Disclosure of Interests in Other Entities*, IAS 28 *Investments in Associates*, has been renamed IAS 28 *Investments in Associates and Joint Ventures*, and describes the application of the equity method to investments in joint ventures in addition to associates. The revised standard becomes effective for annual periods beginning on or after

January 1, 2013 and is not expected to impact the Group's financial position or performance.

IAS 32 Offsetting Financial Assets and Financial Liabilities – Amendments to IAS 32

These amendments clarify the meaning of “currently has a legally enforceable right to set-off”. The amendments also clarify the application of the IAS 32 offsetting criteria to settlement systems (such as central clearing house systems) which apply gross settlement mechanisms that are not simultaneous. These amendments are not expected to impact the Group's financial position or performance and become effective for annual periods beginning on or after January 1, 2014.

IFRS 1 Government Loans – Amendments to IFRS 1

These amendments require first-time adopters to apply the requirements of IAS 20 *Accounting for Government Grants and Disclosure of Government Assistance*, prospectively to government loans existing at the date of transition to IFRS. Entities may choose to apply the requirements of IFRS 9 (or IAS 39, as applicable) and IAS 20 to government loans retrospectively if the information needed to do so had been obtained at the time of initially accounting for that loan. The exception would give first-time adopters relief from retrospective measurement of government loans with a below-market rate of interest. The amendment is effective for annual periods on or after January 1, 2013. The amendment has no impact on the Group.

IFRS 7 Disclosures — Offsetting Financial Assets and Financial Liabilities — Amendments to IFRS 7

These amendments require an entity to disclose information about rights to set-off and related arrangements (e.g., collateral agreements). The disclosures would provide users with information that is useful in valuating the effect of netting arrangements on an entity's financial position. The new disclosures are required for all recognized financial instruments that are set off in accordance with IAS 32 *Financial Instruments: Presentation*. The disclosures also apply to recognized financial instruments that are subject to an enforceable master netting arrangement or similar agreement, irrespective of whether they are set off in accordance with IAS 32. These amendments will not impact the Group's financial position or performance and become effective for annual periods beginning on or after January 1, 2013.

IFRS 9 Financial Instruments: Classification and Measurement

IFRS 9, as issued, reflects the first phase of the IASB's work on the replacement of IAS 39 and applies to classification and measurement of financial assets and financial liabilities as defined in IAS 39. The standard was initially effective for annual periods beginning on or after January 1, 2013, but Amendments to IFRS 9 *Mandatory Effective Date of IFRS 9 and Transition Disclosures*, issued in

December 2011, moved the mandatory effective date to January 1, 2015. In subsequent phases, the IASB will address hedge accounting and impairment of financial assets.

IFRS 10 Consolidated Financial Statements, IAS 27 Separate Financial Statements

IFRS 10 replaces the portion of IAS 27 *Consolidated and Separate Financial Statements* that addresses the accounting for consolidated financial statements. It also addresses the issues raised in SIC-12 *Consolidation – Special Purpose Entities*. IFRS 10 establishes a single control model that applies to all entities including special purpose entities. The changes introduced by IFRS 10 will require management to exercise significant judgment to determine which entities are controlled and therefore are required to be consolidated by a parent, compared with the requirements that were in IAS 27. This standard becomes effective for annual periods beginning on or after January 1, 2013.

IFRS 11 Joint Arrangements

IFRS 11 replaces IAS 31 *Interests in Joint Ventures* and SIC-13 *Jointly-controlled Entities – Non-monetary Contributions by Venturers*. IFRS 11 removes the option to account for jointly controlled entities (JCEs) using proportionate consolidation. Instead, JCEs that meet the definition of a joint venture must be accounted for using the equity method. The Group's accounting policy establishes equity method of accounting for interest in joint ventures. IFRS 11 will not have an impact on the Group.

IFRS 12 Disclosure of Involvement with Other Entities

IFRS 12 includes all of the disclosures that were previously there in IAS 27 related to consolidated financial statements, as well as all of the disclosures that were previously included in IAS 31 and IAS 28. These disclosures relate to an entity's interests in subsidiaries, joint arrangements, associates and structured entities. A number of new disclosures are also required, but has no impact on the Group's financial position or performance. This standard becomes effective for annual periods beginning on or after January 1, 2013.

IFRS 13 Fair Value Measurement

IFRS 13 establishes a single source of guidance under IFRS for all fair value measurements. IFRS 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under IFRS when fair value is required or permitted. The Group is currently assessing the impact that this standard will have on the financial position and performance, but based on the preliminary analyses, no material impact is expected. This standard becomes effective for annual periods beginning on or after January 1, 2013.

IFRIC 20 Stripping Costs in the Production Phase of a Surface Mine

This interpretation applies to waste removal (stripping) costs incurred in surface mining activity, during the production phase of the mine. The interpretation addresses the accounting for the benefit arising from the stripping activity. The interpretation is effective for annual periods beginning on or after January 1, 2013. The new interpretation will not have an impact on the Group's consolidated financial statements.

ANNUAL IMPROVEMENTS MAY 2012

These improvements will not have an impact on the Group, but include:

IFRS 1 First-time Adoption of International Financial Reporting Standards

This improvement clarifies that an entity that stopped applying IFRS in the past and chooses, or is required, to apply IFRS, has the option to re-apply IFRS 1. If IFRS 1 is not re-applied, an entity must retrospectively restate its financial statements as if it had never stopped applying IFRS.

IAS 1 Presentation of Financial Statements

This improvement clarifies the difference between voluntary additional comparative information and the minimum required comparative information. Generally, the minimum required comparative information is the previous period.

IAS 16 Property Plant and Equipment

This improvement clarifies that major spare parts and servicing equipment that meet the definition of property, plant and equipment are not inventory.

IAS 32 Financial Instruments, Presentation

This improvement clarifies that income taxes arising from distributions to equity holders are accounted for in accordance with IAS 12 Income Taxes.

IAS 34 Interim Financial Reporting

The amendment aligns the disclosure requirements for total segment assets with total segment liabilities in interim financial statements. This clarification also ensures that interim disclosures are aligned with annual disclosures.

These improvements are effective for annual periods beginning on or after January 1, 2013.

RECLASSIFICATIONS

The Group made certain reclassifications in the consolidated balance sheet as of December 31, 2011. The Group reclassified 295 billion Tenge from the non-current portion of amounts due to customers to current portion.

CONSOLIDATION

The consolidated financial statements comprise the financial statements of the Fund and its controlled subsidiaries (*Note 38*).

Subsidiaries

Subsidiaries are the entities controlled by the Group. Control exists when the Group has the power, directly or indirectly, to govern the financial and operating policies of an entity, thus obtaining profit from its activities. Except for acquisition in transactions between entities under common control, subsidiaries are consolidated from the date when control is obtained by the Group and are de-consolidated from the date when control ceases. At the acquisition of the subsidiary, acquisition cost is distributed between assets and liabilities based on their fair value as at the date of acquisition. Financial statements of the subsidiaries are prepared for the same reporting period as those of the Fund, using consistent accounting policies. All intra-group balances and transactions, including unrealized gains resulting from intra-group transactions are eliminated in full. Unrealized losses are eliminated in the same manner as unrealized gains, except that they are eliminated to the extent that there is no evidence of impairment.

Non-controlling interests represent a portion of equity in subsidiaries, which is not owned by the Group, and is recorded separately in equity in the consolidated balance sheet separately from parent share capital. Losses within a subsidiary are attributed to the non-controlling interest even if that results in a deficit balance.

Investment in joint ventures and associates

The Group has interests in joint ventures which are jointly controlled entities, whereby the venturers have a contractual arrangement that establishes joint control over the economic activities of the entities. Also, the Group has interests in associates, in which it exercises significant influence over the economic activities of the entities. The Group's investment in its joint ventures and associates are accounted for using the equity method.

Under the equity method, investment in joint venture/associate is carried in the consolidated balance sheet at cost plus post acquisition changes in the Group's share of net assets of the joint venture/associate. Goodwill relating to a joint venture/associate is included in the carrying amount of the investment and is neither amortised nor individually tested for impairment.

The consolidated statement of comprehensive income reflects the share of the results of operations of the joint venture/associate. Where there has been a change in net assets recognized directly in the equity of the joint venture/associate, the Group recognises its share of any changes and discloses this, when applicable, in the consolidated statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and joint venture/associate are eliminated to the extent of the Group's interest in the joint venture/associate.

The share of profit of joint ventures/associates is shown on the face of the consolidated statement of comprehensive income. This is the profit attributable to equity holders of the joint venture/associate and therefore is profit after tax and minority interests in the subsidiaries of the joint ventures/associates.

Financial statements of the joint venture/associate are prepared for the same reporting period as those of the parent company. Where necessary, adjustments are made to bring the accounting policies in line with those of the Group.

After application of the equity method, the Group determines whether it is necessary to recognise an additional impairment loss on the Group's investment in its joint ventures/associates. The Group determines at each reporting date whether there is any objective evidence that the investment in the joint venture / associate is impaired. If this is the case the Group calculates the amount of impairment as the difference between the recoverable amount of investment in the joint venture/associate and its carrying value and recognises the amount in the consolidated statement of comprehensive income.

Upon loss of significant influence over the joint venture/associate, the Group measures and recognises any retaining investment at its fair value. Any difference between the carrying amount of the joint venture/associate upon loss of significant influence and the fair value of the retaining investment and proceeds from disposal are recognized in profit or loss.

Business combinations

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as an aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any non-controlling interest in the acquiree. For each business combination, the acquirer measures the non-controlling interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition costs incurred are expensed and included in administrative expenses.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date.

This includes an analysis of the need of separation of embedded derivatives in host contracts by the acquiree. If the business combination is achieved in stages, equity interest previously held by the Group in the acquiree is remeasured to fair value at the acquisition date through profit or loss.

Any contingent consideration to be transferred by the acquirer will be recognized at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability will be recognized in accordance with IAS 39 either in profit or loss or as a change to other comprehensive income. If the contingent consideration is classified as equity, it should not be remeasured until it is finally settled within equity.

Goodwill is initially measured at cost being the excess of an aggregate of the consideration transferred and the amount recognized for non-controlling interest over the net identifiable assets acquired and liabilities assumed by the Group. If this consideration is lower than the fair value of net assets of the subsidiary acquired, the difference is recognized in profit or loss.

After initial recognition, the goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date of an entity by the Group, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill forms part of a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the operations disposed off is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

Acquisition of subsidiaries from parties under common control

Purchases of subsidiaries from parties under common control (entities under the Government's control) are accounted for using the pooling of interest method.

The assets and liabilities of the subsidiary transferred under common control are recorded in these consolidated financial statements at the carrying amounts of the transferring entity (the Predecessor) at the date of the transfer. Related goodwill, if any, inherent in the Predecessor's original acquisition is also recorded in these consolidated financial statements. Any difference between the total book value of net assets, including the Predecessor's goodwill, and the consideration paid is accounted for in these consolidated financial statements as an adjustment to equity.

These consolidated financial statements are presented as if the subsidiary had been acquired by the Group on the date it was originally acquired by the Predecessor.

Change in ownership interests in subsidiaries

In transactions where part of the interest in existing subsidiary is either sold or acquired, but control is retained, the differences between the carrying values of net assets attributable to interests in subsidiaries acquired or disposed and the consideration given or received for such increases or decreases are charged or credited to retained earnings.

ASSETS CLASSIFIED AS HELD FOR SALE AND DISCONTINUED OPERATIONS

Assets and disposal groups classified as held for sale are measured at the lower of carrying amount and fair value less costs to sell. Assets and disposal groups are classified as held for sale if their carrying amounts will be recovered through a sale transaction rather than through the continuing use. This condition is regarded as met only when the sale is highly probable and the asset or disposal group is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

In the consolidated statement of comprehensive income of the reporting period, and of the comparable period of the previous year, incomes and expenses from discontinued operations are reported separately from normal income and expenses, even when the Group retains a non-controlling interest in the subsidiary after sale. The resulting profit or loss (net of tax) is reported separately in the consolidated statement of comprehensive income.

Property, plant and equipment once classified as held for sale are not depreciated.

MINERAL RESOURCES EXPLORATION AND DEVELOPMENT ASSETS (OIL AND GAS AND MINING ASSETS)

Expenditures for acquisition of subsurface use rights

Expenditures for acquisition of subsurface use rights (exploration and production) comprise signature bonuses, historical costs, obligatory expenditures for ecological and social programs and are capitalized within intangible assets as subsurface use rights at the stage of exploration and evaluation.

Expenditures for acquisition of subsurface use rights are accounted for on a field-by-field basis. Each field is tested for impairment on an annual basis. If no future activity is planned, the remaining balance of

the license costs is written off. Upon determination of economically recoverable reserves ('proved reserves' or 'commercial reserves'), amortization ceases. Starting from the commercial production in fields subsurface use rights (remaining costs) shall be transferred to the property, plant and equipment and shall be amortized using unit-of-production method on actual production based on the total amount of proved reserves.

Exploration and evaluation expenditures (construction in progress)

Exploration and evaluation expenditures include geological and geophysical costs; costs directly related to test wells; overburden operations; administrative and other expenses on evaluation, which could be related to a certain field. These costs include employee remuneration, materials and fuel used, rig costs and payments made to contractors. Except for geological and geophysical costs, exploration and evaluation expenditures are capitalized within property, plant and equipment as construction-in-progress, accounted for contracts for subsoil and are not amortized. If mineral resources are not found, this could be an indication of impairment. All capitalized costs are subject to technical, commercial and management review at least once a year to confirm the continued intent to develop or otherwise extract value from the discovery.

When this is no longer the case, the costs are written off. If mineral resources are determined and development is sanctioned, relevant costs are then transferred to oil and gas or mining assets subclasses.

Development and production expenditures (oil and gas or mining assets)

Development and production expenditures comprise previously capitalized (and reclassified in the beginning of production) expenditures for acquisition of subsurface use rights and exploration and evaluation costs; drilling of producing wells regardless of the drilling results; construction of testing grounds; development of ground technological constructions required for production, collection and preparation of mineral resources at fields; other costs incurred in the process of organization of commercial production at fields; capitalized discounted costs for wells conservation and site restoration. Development and production expenditures are capitalized within property, plant and equipment (oil and gas and mining assets), and are accounted for by fields.

Depreciation of oil and gas and mining assets (within property, plant and equipment and intangible assets)

Oil and gas and mining assets are depreciated using a unit-of-production method based on actual production from the beginning of commercial production at fields. Certain oil and gas property (surface structures and equipment) with useful lives significantly differing from those of the fields are depreciated on a straight-line basis over their useful lives. The cost of acquisition of subsurface

use rights including discounted decommissioning costs are depreciated over total proved reserves. The other field development costs are amortized over proved developed reserves.

PROPERTY, PLANT AND EQUIPMENT (OTHER THAN OIL AND GAS AND MINING ASSETS)

Pipelines and refinery assets	4-100 years
Buildings and premises	5-100 years
Railway tracks and infrastructure	10-80 years
Mining assets	40 years
Machinery, equipment and vehicles	2-50 years
Other	3-40 years

When items of property, plant and equipment are subject to major inspection, the cost is recognized in the carrying amount of property, plant and equipment as a replacement if the recognition criteria set out in IAS 16 are satisfied.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of an asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the reporting period the asset is derecognised.

Residual values, useful lives and methods of depreciation are reviewed, and adjusted if appropriate, at each financial year end.

INTANGIBLE ASSETS

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment

Licenses	2-20 years
Software	2-10 years
Subsurface use rights	18-45 years
Other	2-20 years

Indefinite-lived intangible assets are not amortized, but tested for impairment annually or whenever there are indications of impairment and, if necessary, written down to the recoverable amount.

On initial recognition, property, plant and equipment is measured at cost. Subsequently, property, plant and equipment are stated at cost less accumulated depreciation, depletion and impairment. The cost of self-constructed assets includes the cost of materials, direct labour and an appropriate proportion of production overheads. Property, plant and equipment, other than oil and gas assets, principally comprise the following classes of assets, which are depreciated on a straight-line basis over the expected useful lives:

loss. Internally generated intangible assets, excluding capitalised development costs, are not capitalised and expenditure is charged against profits in the year in which the expenditure is incurred. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year-end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the intangible asset is accounted for by changing the amortisation period or method, as appropriate, and treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognized in the consolidated statement of comprehensive income in the expense category consistent with the function of the intangible asset.

Intangible assets with the finite useful life principally comprise the following classes of assets which are depreciated on a straight-line basis over the expected useful lives:

IMPAIRMENT OF NON-FINANCIAL ASSETS

The Group assesses assets or groups of assets for impairment whenever events or changes in circumstances indicate that the carrying value of an asset may not be recoverable. Individual assets

are grouped for impairment assessment purposes at the lowest level at which there are identifiable cash flows that are largely independent of the cash flows of other groups of assets. If any such indication of impairment exists or when annual impairment testing for an asset group is required, the Group makes an estimate of its recoverable amount.

An asset group's recoverable amount is higher of its fair value less costs to sell and its value in use. Where the carrying amount of an asset group exceeds its recoverable amount, the asset group is considered impaired and a provision is made to reduce the asset to its recoverable amount. In assessing value in use, the estimated future cash flows are adjusted for the risks specific to the asset group and are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money. An assessment is made at each reporting date as to whether there is any indication that previously recognized impairment provisions may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognized impairment provision is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment provision was recognized. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment provision been recognized for the asset in prior years. Such reversal is recognized in profits and losses.

After such a reversal, the depreciation charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

The following process is applied in assessing impairment of goodwill:

The Group assesses whether there are any indicators that goodwill is impaired at each reporting date. Goodwill is tested for impairment, annually and when circumstances indicate that the carrying value may be impaired.

Impairment is determined for goodwill by assessing the recoverable amount of the cash-generating units, to which the goodwill relates. Where the recoverable amount of the cash-generating units is less than their carrying amount an impairment loss is recognized. Impairment losses relating to goodwill cannot be reversed in future periods.

FINANCIAL ASSETS

The Group's investments are classified as either financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, and available-for-sale investments, as appropriate. When investments are recognized initially, they are measured at fair value plus, in the case of investments not at fair

value through profit or loss, directly attributable transaction costs. The Group determines the classification of its financial assets at the time of initial recognition. All purchases and sales of investments are recognized on the settlement date, which is the date that the investment is delivered to or by the Group.

Non-derivative financial assets with fixed or determinable payments and fixed maturity are classified as held-to-maturity when the Group has the positive intention and ability to hold to maturity.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are carried at amortised cost using the effective interest method. Gains and losses are recognized in income when the loans and receivables are derecognised or impaired, as well as through the amortisation process.

Securities are classified as financial assets at fair value through profit or loss if they are acquired for the purpose of selling in the near term. Derivatives are also classified as financial assets at fair value through profit or loss unless they are designated as effective hedging instruments. Income and expenses on financial assets at fair value through profit or loss are recognised in the consolidated statement of comprehensive income.

Financial assets can be classified as at fair value through profit or loss upon initial recognition if it increases the importance of the information provided, since such classification eliminates or significantly reduces inconsistency of evaluation or recognition, which otherwise would arise from revaluation of assets or liabilities or from recognition of profits or losses on them on a different basis.

Available-for-sale investments are those non-derivative financial assets that are designated as available-for-sale or are not classified in any of the three preceding categories.

After initial recognition available-for-sale investments are measured at fair value with gains or losses being recognized as a separate component of equity until the investment is derecognized or until the investment is determined to be impaired, at which time the cumulative gain or loss previously reported in equity is included in profits and losses. Reversals of impairment losses in respect of equity instruments are not recognized in profits and losses. Impairment losses in respect of debt instruments are reversed through profit or loss if the increase in fair value of the instrument can be objectively related to an event occurring after the impairment loss was recognized.

The fair value of investments that are actively traded in organised financial markets is determined by reference to quoted market bid prices at the close of business on the balance sheet date. For investments where there is no active market, fair value is determined using valuation techniques. Such techniques include using recent arm's length market transactions; reference to the

current market value of another instrument, which is substantially the same; discounted cash flow analysis.

IMPAIRMENT OF FINANCIAL ASSETS

The Group assesses at each balance sheet date whether a financial asset or group of financial assets is impaired.

Assets carried at amortized cost

If there is objective evidence that an impairment loss on assets carried at amortized cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). The carrying amount of the asset is reduced through use of an allowance account. The amount of the loss shall be recognized in profits and losses.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed. Any subsequent reversal of an impairment loss is recognized in profits and losses to the extent that the carrying value of the asset does not exceed its amortized cost at the reversal date.

In relation to trade receivables, a provision for impairment is made when there is objective evidence (such as the probability of insolvency or significant financial difficulties of the debtor) that the Group will not be able to collect all of the amounts due under the original terms of the invoice. The carrying amount of the receivable is reduced through use of an allowance account. Impaired debts are derecognized when they are assessed as uncollectible.

Available-for-sale financial investments

If there is objective evidence that the cost may not be recovered, an available-for-sale equity security is considered to be impaired. Objective evidence that the cost may not be recovered, in addition to qualitative impairment criteria, includes a significant or prolonged decline in the fair value below cost.

If an available-for-sale equity security is impaired, any further declines in the fair value at subsequent reporting dates are recognized as impairments. Therefore, at each reporting period, for an equity security that was determined to be impaired, additional impairments are recognized for the difference between the fair value and the original cost basis, less any previously recognized impairment.

DERIVATIVE FINANCIAL INSTRUMENTS

In the course of its ordinary activity the Group operates with different derivative financial instruments, including futures, forwards, swaps and options at currency and capital markers, crude oil forward and swap contracts to hedge its risks associated with commodity prices fluctuations. Such derivative financial instruments are held primarily for trading purposes, are initially recognized according to recognition policies of financial instruments and are subsequently measured at fair value. Fair value is determined based on registered market quotations and pricing models, that take into account spot price and strike price of the respective instruments and other factors. Derivative financial instruments are accounted for as an asset (unrealised gain), when fair value is positive and as liability (unrealised loss), when fair value is negative. Gains and losses from operations with these instruments are recognized in the consolidated statement of comprehensive income.

INVENTORIES

Inventories are valued at cost or net realisable value, whichever is lower. Costs comprise charges incurred in bringing inventory to its present location and condition. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and estimated costs necessary to make the sale. The same cost formula is used for all inventories having a similar nature and use. Inventories of Oil and Gas and Energy operating segments are valued on a first-in first-out ("FIFO") basis. All other inventories are valued on the weighted-average cost basis.

CASH AND CASH EQUIVALENTS

Cash and cash equivalents are defined as cash on hand, demand deposits, short-term and highly liquid investments with original maturity of not more than three months readily convertible to known amounts of cash and subject to insignificant risk of change in value.

LOANS AND BORROWINGS

Borrowings are recognized initially at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortized cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognized in the consolidated statement of comprehensive income over the period of the borrowings using the effective interest method. Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

Issued financial instruments or their components are classified as borrowings, where the substance of the contractual arrangement results in the Group having an obligation either to deliver cash or another financial asset, or to satisfy the obligation other than by the

exchange of a fixed amount of cash or another financial asset for a fixed number of own equity instruments. Such instruments include amounts due to the Government, amounts due to credit institutions, which are initially recognized at fair value of amounts obtained less costs directly attributable to the transaction. Subsequently obtained amounts are recognized at amortized cost.

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalized as part of the cost of that asset. Other borrowing costs are recognized as an expense when incurred.

CONVERTIBLE DEBT INSTRUMENTS

The component of the convertible debt instrument that exhibits characteristics of a liability is recognized as a liability in the balance sheet, net of transaction costs. The fair value of the liability component is determined using a market rate for an equivalent non convertible bond; and this amount is classified as a financial liability measured at amortized cost until it is extinguished on conversion or redemption.

OPTIONS ON REMAINING MINORITY INTEREST ARISING ON BUSINESS COMBINATION

If, as a part of a business combination, the Group becomes a party to a put-option on remaining non-controlling share in the acquired business, the Group assesses whether being a party to such option gives it access to benefits and risks associated with ownership of such non-controlling share.

When it is determined that the put-option on the remaining shares gives access to benefits and risks of share ownership, the business combination is accounted for on the basis that the underlying shares subject to the put option have been acquired. Fair value of the liability to the minority shareholders under the put option is recognized as a part of the cost of the business combination. Any difference between that cost, and the share of the net assets that would otherwise have been regarded as being attributable to the non-controlling interest, is reflected within goodwill. Any dividends subsequently declared and paid to such non-controlling shareholders prior to the exercise of the option are charged directly to profits and losses.

The financial liability is subsequently measured in accordance with the requirements of IAS 39. Changes in the fair value of a financial liability as well as any finance charges are recorded directly in consolidated statement of comprehensive income.

OPTIONS ON PURCHASED INTEREST ARISING ON ACQUISITION OF INVESTMENTS

If, while acquiring investments, the Fund issues a call option to a third party on acquired interest in the business, the Fund assesses whether being a party to such option gives a third party access to benefits and risks associated with ownership of such interest.

If a call-option does not provide a third party with access to benefit and risk of ownership of an interest, a call option is not accounted for the purposes of determination of Fund's significant influence.

Fair value of the liability for the Fund under the option is recognized as a part of acquired investments. The financial liability is subsequently measured in accordance with the requirements of IAS 39 "Financial instruments: Recognition and Measurement". Changes in the fair value of a financial liability as well as any income or loss related to the realization of these options are recorded directly in consolidated statement of comprehensive income.

DERECOGNITION OF FINANCIAL ASSETS AND LIABILITIES

Financial assets

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognized in the balance sheet when:

- the rights to receive cash flows from the asset have expired;
- the Group retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a 'pass through' arrangement; or
- the Group has transferred its rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Financial liabilities

A financial liability is derecognized in the balance sheet when the obligation under the liability is discharged or cancelled or expires.

OFFSETTING OF FINANCIAL INSTRUMENTS

Financial assets and financial liabilities are offset and the net amount reported in the consolidated balance sheet if, and only if:

- There is a currently enforceable legal right to offset the recognized amounts;
- There is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

FAIR VALUE OF FINANCIAL INSTRUMENTS

The fair value of financial instruments that are traded in active markets at each reporting date is determined by reference to quoted market prices or dealer price quotations (bid price for long positions and ask price for short positions), without any deduction for transaction costs.

For financial instruments not traded in an active market, the fair value is determined using appropriate valuation techniques. Such techniques may include:

- Using recent arm's length market transactions;
- Reference to the current fair value of another instrument that is substantially the same;
- A discounted cash flow analysis or other valuation models.

An analysis of fair values of financial instruments and further details as to how they are measured are provided in *Note 41*.

LEASES

Operating leases

Leases where the lessor retains substantially all the risks and benefits of ownership of the asset are classified as operating leases. Operating lease payments are recognized as an expense in the consolidated statement of comprehensive income on a straight-line basis over the lease term.

Finance leases

The Group recognises finance leases as assets and liabilities in the consolidated balance sheet at amounts equal at the commencement of the lease term to the fair value of the leased property or, if lower, at the present value of the minimum lease payments. In calculating the present value of minimum lease payments the discount factor used is the interest rate implicit in the lease, when it is practicable to determine it; otherwise, the Group's incremental borrowing rate is used. Initial direct costs incurred are included as part of the asset.

Lease payments are apportioned between the finance charge and the reduction of the outstanding liability. The finance charge is allocated to reporting periods during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

A finance lease gives rise to depreciation expense for the asset as well as a finance expense for each accounting period. The depreciation policy for leased assets is consistent with that for depreciable assets that are owned.

PROVISIONS

Asset retirement obligation (decommissioning)

Provision for decommissioning is recognized in full, on a discounted cash flow basis, when the Group has an obligation to dismantle and remove a facility or an item of plant and to restore the site on which it is located, and when a reasonable estimate of that provision can be made.

The amount recognized is the present value of the estimated future expenditure determined in accordance with local conditions and requirements. A corresponding item of property, plant and equipment of an amount equivalent to the provision is also created. This asset is subsequently depreciated as part of the capital costs of the production and transportation facilities on a unit-of-production basis.

Changes in the measurement of an existing decommissioning provision that result from changes in the estimated timing or amount of the outflow of resources embodying economic benefits required to settle the obligation, or change in the discount rate, is accounted for so that:

- (a) changes in the provision are added to, or deducted from, the cost of the related asset in the current period;
- (b) the amount deducted from the cost of the asset shall not exceed its carrying amount. If a decrease in the provision exceeds the carrying amount of the asset, the excess is recognized immediately in the statement of comprehensive income; and
- (c) if the adjustment results in an addition to the cost of an asset, the Group considers whether this is an indication that the new carrying amount of the asset may not be fully recoverable. If it is such an indication, the Group tests the asset for impairment by estimating its recoverable amount, and accounts for any impairment loss, in accordance with IAS 36.

Allowance for bank letters of credit and guarantees

In the ordinary course of business, the Group gives financial guarantees, consisting of letters of credit, guarantees and acceptances. Financial guarantees are initially recognized in the financial statements at fair value, in 'Other liabilities', being the premium received. Subsequent to initial recognition, the Group's liability under each guarantee contract is measured at the higher of the amortised premium and the best estimate of expenditure

required to settle any financial obligation arising as a result of the guarantee.

Any increase in the liability relating to financial guarantees arrangements is taken to the statement of comprehensive income. The premium received is recognized in the profits and losses on a straight-line basis over the life of the guarantee.

Other provisions

Provisions are recognized in the financial statements when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Group expects a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain.

If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as a finance cost.

EMPLOYEE BENEFITS

Defined contribution plan

The Group withholds 10% from the salary of its employees as the employees' contribution to their designated pension funds. Under the legislation, employees are responsible for their retirement benefits and the Group has no present or future obligation to further compensate its employees upon their retirement.

Social tax

The Group pays social tax according to the current statutory requirements of the Republic of Kazakhstan. Social tax is expensed as incurred.

Defined benefit plan

In accordance with the Labour Union Agreements and other benefit rules the Group provides certain benefits to its employees upon their retirement (“Defined Benefit Plan”).

The Group recognises actuarial gains and losses arising from the reassessment of the employee benefit liability in the period they are identified in profits and losses and recognises benefit costs and obligations based on estimates determined in accordance with IAS 19 “Employee benefits”.

The obligation and cost of benefits under the Defined Benefit Plan are determined using the projected unit credit method. This method considers each year of service as giving rise to an additional unit of benefit entitlement and measures each unit separately to build up the final obligation. The cost of providing benefits is charged to profit and loss, so as to attribute the total benefit cost over the service lives of employees in accordance with the benefit formula of the defined benefit plan. This obligation is measured at the present value of estimated future cash flows using a discount rate that is similar to the interest on government bonds where the currency and terms of these bonds are consistent with the currency and estimated terms of the defined benefit plan obligation.

The defined benefit plan is unfunded.

EQUITY

Share capital

Ordinary shares are classified as equity. External costs directly attributable to the issue of new shares, other than on a business combination, are shown as a deduction from the proceeds in equity. Any excess of the fair value of consideration received over the par value of shares issued is recognized an increase in the retained earnings.

Non-controlling interest

Non-controlling interests are presented in the consolidated balance sheet within equity, separately from the equity attributable to the equity holders of the Fund. Losses of subsidiaries are attributed to the non-controlling interests even if this results in a deficit balance.

Dividends

Dividends are recognized as a liability and deducted from equity at the reporting date only if they are declared before or on the balance sheet date. Dividends are disclosed in the financial statements when they are proposed before the balance sheet date or proposed or declared after the balance sheet date but before the consolidated financial statements are authorised for issue.

Share based payments

Employees of the Group receive remuneration in the form of share-based payment transactions, whereby employees render services as consideration for equity instruments of a subsidiary in which they are employed (‘equity-settled transactions’).

The cost of equity-settled transactions with employees is measured by reference to the fair value of the instruments on the date that

they are granted. The fair value is determined using an appropriate pricing model.

The cost of equity-settled transactions is recognized, together with a corresponding increase in other equity reserves, over a period in which the performance and/or service conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award ("the vesting date"). The cumulative expense recognized for such transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The statement of comprehensive income charge or credit for a period represents the movement in cumulative expense recognized as at the beginning and end of that period.

No expense is recognized for awards on equity instruments that do not ultimately vest.

Where the terms of an equity-settled award are modified, the minimum expense recognized is the expense as if the terms had not been modified. An additional expense is recognized for any modification, which increases the total fair value of the share-based payment arrangement, or is otherwise beneficial to the employee as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognized for the award is recognized immediately. However, if a new award is substituted for the cancelled award, and designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

TRADE AND OTHER PAYABLES

Liabilities for trade and other accounts payable are carried at cost which is the fair value of the consideration to be paid in the future for goods and services received, whether or not billed to the Group.

REVENUE RECOGNITION

Revenue is recognized when it is probable that the economic benefits will flow to the Group and the amount of revenue can be reliably measured.

Sale of goods

Revenue from the sale of crude oil, refined products, gas, uranium products and other goods is recognized when delivery has taken place and risks and rewards of ownership of the goods have passed to the customer.

Rendering of services

Revenue from rendering of services is recognized when the services have been performed.

In respect of services related to transportation, revenue is recognized with reference to the stage of completion of the transportation at the consolidated balance sheet date provided that the stage of completion of transportation and the amount of revenue can be measured reliably. Prepayments received from customers relating to transportation services that have not been initiated are recognized as "advances received from customers" when received. Advances received from customers approximating the estimated future revenues relating to initiated deliveries are transferred to deferred income under the "Other current liabilities" item in the consolidated balance sheet. Deferred income is credited to revenue, as the service is provided.

Sales of air transportation tickets that result in award credits for customers, under the customer loyalty program, are accounted for as multiple element of revenue transactions at the fair value allocated between the services provided and the award credits granted. The consideration allocated to the award credits is measured by reference to their fair value – the amount for which the award credits could be sold separately. Such consideration is not recognized as revenue at the time of the initial sale transaction – but is deferred and recognized as revenue when the award credits are redeemed and the Group's obligations have been fulfilled.

Establishment of tariffs

A number of subsidiaries of the Group are subjects to regulation by the Agency for Regulation of Natural Monopolies of the Republic of Kazakhstan ("ARNM"). This agency is responsible for approval of the methodology for tariff calculation and tariff rates, under which the subsidiaries derive a significant part of their revenues.

GOVERNMENT GRANTS

Due to the fact that the Government of the Republic of Kazakhstan is a the sole shareholder of the Fund, the Group analyses all transactions with the Government to assess in which transactions the Government acts primarily in its capacity of a Shareholder. If it is determined that in a specific transaction the Government acts in capacity of a Shareholder any gains or losses incurred by the Group as a result of such transaction are reflected directly in equity as either a contribution or withdrawal of a capital by a Shareholder.

If it is determined that in a specific transaction the Government does not act in capacity of the Shareholder such transactions are accounted for using provisions of IAS 20 "Accounting for Government Grants and Disclosure of Government Assistance". In such circumstances, government grants are recognized at their fair value where there is reasonable assurance that the grant will be

received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognized as income over the period necessary to match the grant on a systematic basis to the costs that it is intended to compensate. Where the grant relates to an asset, the fair value is credited to a deferred income account and is released to the statement of comprehensive income over the expected useful life of the relevant asset by equal annual instalments. Grants related to income are presented separately in the consolidated statement of comprehensive income within revenues from operating activities.

EXPENSE RECOGNITION

Expenses are recognized as incurred and are reported in the consolidated financial statements in the period to which they relate on the accrual basis.

INCOME TAX

Income tax for the year comprises current and deferred tax. Income tax is recognized in the profits and losses, except to the extent that it relates to items charged or credited to other comprehensive income or equity, in which case it is recognized in other comprehensive income. Current tax expense is the expected tax payable on the taxable income for the year and any adjustment to tax payable in respect of previous years.

Excess profit tax (EPT) is treated as an income tax and forms part of income tax expense. In accordance with the subsoil agreements, the Group accrues and pays EPT, at specified rates of after tax profit which has been adjusted for specific deductions in accordance with the applicable subsoil agreements, when certain internal rates of return are exceeded.

The internal rate of return is calculated based on the cash flows from each subsoil agreement, adjusted for the national inflation rate. Deferred tax is calculated with respect to both corporate income tax (CIT) and EPT. Deferred EPT is calculated on temporary differences for assets allocated to contracts for subsoil use at the expected rate of EPT to be paid under the contract.

Deferred tax is provided using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for:

- the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither accounting profit nor taxable profit or loss; and

- investments in subsidiaries where the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not be reversed in the foreseeable future.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled based on the tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date.

A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

VALUE ADDED TAX (VAT)

Tax authorities permit the settlement of sales and purchases VAT on a net basis. VAT recoverable represents VAT on domestic purchases net of VAT on domestic sales. Export sales are zero rated.

RELATED PARTIES

Related parties include the Group's Shareholder, key management personnel, associates and enterprises in which a substantial interest in the voting power is owned, directly or indirectly, by the Group's shareholders or key management personnel.

CONTINGENT LIABILITIES AND CONTINGENT ASSETS

Contingent liabilities are not recognised in the consolidated financial statements. They are disclosed in the notes to the consolidated financial statements (*Note 42*) unless the possibility of an outflow of resources embodying economic benefits is remote.

Contingent assets are not recognized in the consolidated financial statements. Where an inflow of economic benefits is probable, they are disclosed in the notes.

SUBSEQUENT EVENTS

Post-year-end events that provide evidence of conditions that existed at the balance sheet date (adjusting events) are reflected in the consolidated financial statements. Post-year-end events that are not adjusting events are disclosed in the notes when material.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of the consolidated financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities and contingent assets and liabilities at the date of the consolidated financial statements and reported amounts of assets, liabilities, revenues, expenses and contingent assets and liabilities during the reporting period. Actual outcomes could differ from these estimates.

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

OIL AND GAS RESERVES

Oil and gas reserves are a material factor in the Group's computation of depreciation, depletion and amortization ("DD&A"). The Group estimates its reserves of oil and gas in accordance with the methodology of the Society of Petroleum Engineers (SPE). In estimating its reserves under SPE methodology, the Group uses long-term planning prices, which are also used by management for investment decisions regarding development of fields. Using planning prices for estimating proved reserves removes the impact of the volatility inherent in using year end spot prices. Management believes that long-term planning price assumptions are more consistent with the long-term nature of the upstream business and provide the most appropriate basis for estimating oil and gas reserves.

All reserve estimates involve some degree of uncertainty. The uncertainty depends chiefly on the amount of reliable geological and engineering data available at the time of the estimate and the interpretation of this data.

The relative degree of uncertainty can be conveyed by placing reserves into one of two principal classifications, either proved or unproved. Proved reserves are more certain to be recovered than unproved reserves and may be further sub-classified as developed and undeveloped to denote progressively increasing uncertainty in their recoverability. Estimates are reviewed and revised annually. Revisions occur due to the evaluation or re-evaluation of already available geological, reservoir or production data; availability of new data; or changes to underlying price assumptions. Reserve estimates may also be revised due to improved recovery projects, changes in production capacity or changes in development strategy. Proved developed reserves are used to calculate the unit of production rates for DD&A. The Group has included in proved reserves only

those quantities that are expected to be produced during the initial license period. This is due to uncertainties surrounding the outcome of such renewal procedures, since the renewal is ultimately at the discretion of the Government. An increase in the Group's license periods and corresponding increase in reported reserves would generally lead to lower DD&A expense and could materially affect earnings. A reduction in proved developed reserves will increase DD&A expense (assuming constant production), reduce income and could also result in an immediate write-down of the property's book value. Given the relatively small number of producing fields, it is possible that any change in reserve estimates year on year could significantly affect prospective charges for DD&A.

URANIUM RESERVES

Uranium reserves are a primary component of the Group's projected cash flow estimates that are used to assess the recoverable values of assets and to determine depreciation and amortization expense. In estimating the amount of uranium reserves, the Group obtains reports from geological experts who estimate the reserves based on the quantification methodology set out by the Kazakhstan State Commission on Mineral Reserves (SCR) to interpret geological and exploration data and determine explored reserves (proven reserves) and estimated reserves (probable reserves). The estimation of reserves is based on expert knowledge and estimation. The quantification of reserves involves a degree of uncertainty. The uncertainty is primarily related to completeness of reliable geological and technical information. In addition, the presence of reserves does not mean that all reserves will be able to be extracted on an economically effective basis. Uranium reserves are analyzed and revised on an annual basis. The quantity of reserves can be subject to revision as a result of changes in production capacities and changes in development strategy. It is possible that any change in reserve estimates year on year could significantly affect prospective charges for DD&A.

IMPAIRMENT OF NON-FINANCIAL ASSETS

An impairment exists when the carrying value of an asset or cash generating unit exceeds its recoverable amount, which is the higher of its fair value less costs to sell and its value in use. The fair value less costs to sell calculation is based on available data from binding sales transactions in arm's length transactions of similar assets or observable market prices less incremental costs for disposing of the asset. The value in use calculation is based on a discounted cash flow model. The cash flows are based on the budget for the next five years and do not include restructuring activities that the

Group is not yet committed to or significant future investments that will enhance the asset’s performance of the CGU being tested. The recoverable amount is most sensitive to the discount rate used for the discounted cash flow model as well as the expected future cash-inflows and the growth rate used for extrapolation purposes. The key assumptions used to determine the recoverable amount for the different CGUs, including a sensitivity analysis, are further explained in *Note 7 and 8*.

The Group assesses each asset or cash generating unit (CGU) every reporting period to determine whether any indication of impairment exists. Where an indicator of impairment exists, a formal estimate of the recoverable amount is made, which is considered to be the higher of the fair value less costs to sell and value in use. These assessments require the use of estimates and assumptions such as long-term oil prices (considering current and historical prices, price trends and related factors), discount rates, operating costs, future capital requirements, decommissioning costs, exploration potential, reserves and operating performance (which includes production and sales volumes).

These estimates and assumptions are subject to risk and uncertainty. Therefore, there is a possibility that changes in circumstances will impact these projections, which may impact the recoverable amount of assets and/or CGUs. Fair value is determined as the amount that would be obtained from the sale of the asset in an arm’s length transaction between knowledgeable and willing parties. Fair value for oil and gas assets is generally determined as the present value of estimated future cash flows arising from the continued use of the assets, which includes estimates such as the cost of future expansion plans and eventual disposal, using assumptions that an independent market participant may take into account. Cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

Exploration and evaluation assets are tested for impairment at the moment of transfer to tangible and intangible processing assets or in the presence of impairment indicators.

In 2012 the Group recognized an impairment of property, plant and equipment for 85,709 million Tenge (2011: 33,908 million Tenge) in the consolidated statement of comprehensive income, which is mostly related to the impairment of assets of JSC ‘OzenMunaiGaz’ (*Note 7*).

Management of the Group has carried out a formal assessment of the recoverable amount of JSC “OzenMunaiGas”, subsidiary of National Company “KazMunayGas” JSC (NC KMG) due to the presence of impairment indicators. The main indicators were the level of production being materially lower than planned in the last two years and the increasing levels of operational and capital expenditure. The result of this assessment indicated that the carrying value of JSC “OzenMunaiGas” assets exceeded the estimated recoverable

amount by 75 billion Tenge, resulting in impairment charge during 2012 (*Note 7*). The estimated recoverable amount was based on management’s estimate of its fair value, which was derived using discounted cash flow approach. The results of the assessment were most sensitive to assumptions related to production and pricing.

The assumed production profile was based on an assessment performed by an accredited third party reserve engineer that envisages growth of more than 20% in production within four years. If the production profile had been assumed to be 5% higher or lower than the assumed production profile used in the assessment, this would have had the effect of reducing impairment by more than 55 billion Tenge or increasing impairment by more than 55 billion Tenge, respectively. If production had been assumed to have remained fixed at the 2012 level, the impairment would have been over 200 billion Tenge.

Brent crude oil price assumptions were based on market expectations together with the expectations of an independent industry analysis and research organization, adjusted for the average realized historical discount on quoted price. If Brent crude oil prices had been assumed to be 5% higher or lower than the price assumptions used in the assessment, this would have had the effect of reducing impairment by more than 40 billion Tenge or increasing impairment by more than 40 billion Tenge, respectively (*Note 44*).

The projection of cash flows was limited by the date of license expiry in 2021. Expenditure cash flows up to 2017 were obtained from the approved budget and business plan. Most of the projections beyond that period were inflated using Kazakhstan inflation estimates, except for capital expenditure projections, which represent management’s best available estimate as at the date of impairment assessment. For the purposes of the assessment it was assumed that management would not be able to significantly reduce operational or capital expenditure in the final years before license expiry in order to make cost savings. An exchange rate of 150.45 KZT/USD, which is the official exchange rate as at the date of impairment assessment, was used to convert US Dollar denominated sales. All the derived cash flows were discounted using after tax weighted average cost of capital (“WACC”) of 13.09%.

Management believes that the resulting impairment charge on JSC “OzenMunaiGas” assets could be reversed in future periods if actual production over the next years exceeds expectations used in this impairment assessment or if there are indicators of sustainable increases in market prices for crude oil.

Moreover, due to the suspension of exploration and evaluation activities on certain fields the Group recognized impairment of some of its exploration and evaluation assets in the amount of 434 million Tenge in 2012 (2011: 20,859 million Tenge) (*Note 7 and 8*). The Group also derecognized the loan of 7,812 million Tenge relating to the financing of the exploration and evaluation activities at one of its fields. In accordance with the financing

arrangement, in the event of no commercial discovery the Group is released from its obligation to reimburse its share in the project financing.

THE IMPAIRMENT OF FINANCIAL ASSETS, AVAILABLE FOR SALE

If there is objective evidence that the historical value of the equity securities, available for sale, may not be recovered, these equity securities are considered as impaired. In 2012, the Group recognised the impairment of financial assets, available for sale, in the amount of 146,848 million Tenge (2011: nil) (*Note 12*).

ASSET RETIREMENT OBLIGATIONS

Under the terms of certain contracts, legislation and regulations the Group has legal obligations to dismantle and remove tangible assets and restore the land at each production site. Specifically, the Group's obligations relate to the ongoing closure of all non-productive wells and final closure activities such as removal of pipes, buildings and recultivation of the contract territories. Since the license terms cannot be extended at the discretion of the Group, the settlement date of the final closure obligations has been assumed to be the end of each license period.

If the asset retirement obligations were to be settled at the end of the economic life of the properties, the recorded obligation could increase significantly due to the inclusion of all abandonment and closure costs. The extent of the Group's obligations to finance the abandonment of wells and for final closure costs depends on the terms of the respective contracts and current legislation. Where neither contracts nor legislation include an unambiguous obligation to undertake or finance such final abandonment and closure costs at the end of the license term, no liability has been recognized. There is some uncertainty and significant judgment involved in making such a determination. Management's assessment of the presence or absence of such obligations could change with shifts in policies and practices of the Government or in the local industry practice.

The Group calculates asset retirement obligations separately for each contract. The amount of the obligation is the present value of the estimated expenditures expected to be required to settle the

obligation adjusted for expected inflation and discounted using average long-term risk-free interest rates for emerging market sovereign debt adjusted for risks specific to the Kazakhstan market. The Group reviews site restoration provisions at each balance sheet date, and adjusts them to reflect the current best estimate in accordance with IFRIC 1 *Changes in Existing Decommissioning, Restoration, and Similar Liabilities*.

Estimating the future closure costs involved significant estimates and judgments by management. Most of these obligations are many years in the future and, in addition to ambiguities in the legal requirements, the Group's estimate can be affected by changes in asset removal technologies, costs and industry practice. Uncertainties related to the final closure costs are mitigated by the effects of discounting the expected cash flows. The Group estimates future well abandonment cost using current year prices and the average long-term inflation rate.

The long-term inflation and discount rates used to determine the liabilities across the Group companies at December 31, 2012 were in the ranges from 1.9% to 5% and from 4.94% to 7.9% respectively (2011: from 1.96% to 5.0% and from 6.6% to 7.9%). Movements in the provision for asset retirement obligations are disclosed in *Note 22*.

Oil and gas major pipelines

According to the Law of the Republic of Kazakhstan on "major pipelines" which came into force on July 4, 2012, the Group has a legal obligation to decommission its oil pipelines at the end of their operating life and to restore the land to its original condition. This will happen when the crude oil reserves of entities, using the pipeline of the Group, are fully depleted.

Asset retirement obligation is estimated based on the value of the work to decommission and rehabilitate calculated by the Group in accordance with the technical regulations of the Republic of Kazakhstan (pipeline decommission expense is equal to 2,891 thousand Tenge per km). The allowance was determined at the end of the reporting period using the projected inflation rate for the expected period of fulfillment of obligations (17 years), and the discount rate at the end of the reporting period which is presented below:

	2012
Discount rate as of December 31	6.01 %
Inflation rate as of December 31	5.60 %

The discount rate is based on the risk-free government bonds of the Republic of Kazakhstan.

As of December 31, 2012 the carrying amount of the asset retirement obligation was 15,531 million Tenge (2011: nil).

Assessing the cost of rehabilitation of the environment is subject to potential changes in environmental requirements and interpretations of the law. Furthermore, uncertainties in the estimates of these costs include potential changes in alternative liquidation methods,

recovery of damaged land, levels of discount, inflation rates and periods of obligation.

With respect to Intergas Central Asia JSC (“ICA”), a subsidiary of the Group, Management of the Group believes that the Law is not applicable to the entity, since the entity is not owner of the pipelines, but operates the assets under the Agreement between ICA and the Government on operation of mainline gas distribution network of the Republic of Kazakhstan, and does not have right to liquidate gas pipelines.

ENVIRONMENTAL REMEDIATION

The Group also makes estimates and judgments in establishing provisions for environmental remediation obligations. Environmental expenditures are capitalized or expensed depending upon their future economic benefit. Expenditures that relate to an existing condition caused by past operations and do not have a future economic benefit are expensed.

Liabilities are determined based on current information about costs and expected remedial plans and are recorded on an undiscounted basis if the timing of the procedures has not been agreed with the relevant authorities. The Group’s environmental remediation provision represents management’s best estimate based on an independent assessment of the anticipated expenditure necessary for the Group to remain in compliance with the current regulatory regime in Kazakhstan and Europe. The Group has classified this obligation as non-current except for the portion of costs included in annual budget of 2013.

For environmental remediation provisions, actual costs can differ from estimates because of the changes in laws and regulations, public expectations, discovery and analysis of site conditions and changes in clean-up technology. Further uncertainties related to environmental remediation obligations are disclosed in *Note 42*. Changes in the provision for environmental remediation obligations are disclosed in *Note 22*.

RESERVE ON CONSTRUCTION OF SOCIAL ASSETS

As of December 31, 2012, other provisions include provisions for obligations for construction of the following projects: Kazakhstan History Museum (NC KMG), Teleradio complex, Multifunctional ice palace (NC KTZh), Students’ Palace (NAC KAP) in Astana and reconstruction of “World Expo-Center” in Moscow for the total amount of 114,407 million Tenge (2011: 109,064 million Tenge). Upon the completion of the construction and reconstruction the assets will be transferred to the Government free of charge, so the Group determined that it has a constructive obligation of which the amount of future probable cash outflows is reliably measured. The total estimated costs were recognized in the equity as distribution

to the Shareholder. (*Note 17.7*). Increase in the provisions in the amount of 35,960 million Tenge is mainly attributable to additional Government’s assignments on construction of Multifunctional ice palace in Astana (25,147 million Tenge), as well as to the changes in initial valuation of provisions for construction of other projects. Changes to the initial estimate of the cost for the construction could have a significant impact on the amount of provision. The Group assessed the effect of the time value of money as not material.

USEFUL LIVES OF ITEMS OF PROPERTY, PLANT AND EQUIPMENT

The Group assesses remaining useful lives of items of property, plant and equipment at least at each financial year-end. If expectations differ from previous estimates, the changes are accounted for as a change in an accounting estimate in accordance with IAS 8 “*Accounting Policies, Changes in Accounting Estimates and Errors*”.

DEFERRED TAX ASSETS

Deferred tax assets are recognized for all allowances and unused tax losses to the extent that it is probable that taxable temporary differences and business nature of such expenses will be proved. Significant management judgment is required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and level of future taxable profits together with future tax planning strategies. The amount of recognized deferred tax assets as at December 31, 2012 was 77,964 million Tenge (2011: 56,813 million Tenge). Further details are contained in *Note 37*.

TAXATION

Uncertainties exist with respect to the interpretation of complex tax regulations, changes in tax laws, and the amount and timing of future taxable income. Given the wide range of the Group’s international business relationships and the long-term nature and complexity of existing contractual agreements, differences arising between the actual results and the assumptions made, or future changes to such assumptions, could necessitate future adjustments to tax income and expense already recorded. The Group establishes provisions, based on reasonable estimates, for possible consequences of audits by the tax authorities of the respective countries in which it operates.

The amount of such provisions is based on various factors, such as experience of previous tax audits and differing interpretations of tax regulations by the taxable entity and the responsible tax authority. Such differences of interpretation may arise on a wide variety of issues depending on the conditions prevailing in the respective Group company’s domicile.

In assessing tax risks, management considers to be probable obligations the known areas of non-compliance with tax

legislation, which the Group would not appeal or does not believe it could successfully appeal, if additional taxes are charged. Such determinations inherently involve significant judgment and are subject to change as a result of changes in tax laws and regulations, amendments to the taxation terms of the Group's subsoil agreements, the determination of expected outcomes from pending tax proceedings and current outcome of ongoing compliance audits by tax authorities. The provision for taxes disclosed in *Note 22* relates mainly to the Group's application of Kazakhstan transfer pricing legislation to export sales of crude oil from 2002 to 2006. Further uncertainties related to taxation are disclosed in *Note 42*.

FAIR VALUE OF FINANCIAL INSTRUMENTS

Where the fair value of financial assets and financial liabilities recorded in the consolidated balance sheet cannot be derived from active markets, they are determined using valuation techniques including the discounted cash flows model. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgment is required in establishing fair values. The judgments include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions about these factors could affect the fair value of financial instruments reported in consolidated financial statements. Further details are contained in *Note 41*.

EMPLOYEE BENEFIT LIABILITY

The Group uses actuarial valuation method for measurement of the present value of defined employee benefit liability and related current service cost (*Note 23*). This involves use of demographic assumptions about the future characteristics of current and former employees who are eligible for benefits (mortality, both during and after employment, rates of employee turnover, etc.) as well as financial assumptions (discount rate, future annual material assistance, future annual minimum salary, future average railway ticket price). Further details on judgements are contained in *Note 23*.

IMPAIRMENT LOSSES ON LOANS TO CUSTOMERS AND CREDIT INSTITUTIONS

The Group reviews its individually significant loans to customers and credit institutions at each reporting date to assess whether an impairment loss should be recorded in the consolidated statement of comprehensive income. In particular, judgement by management is required in estimation of the amount and timing of future cash flows when determining the impairment loss. In estimating these cash flows, the Group makes judgement about the borrower's financial situation and the net realizable value of collateral. These estimates are based on assumptions about a number of factors and actual results may differ, resulting in future changes to the allowance.

Loans that have been assessed individually and found not to be impaired and all individually insignificant loans are then assessed collectively, in groups of assets with similar risk characteristics, to determine whether provision should be made due to incurred loss events for which there is objective evidence but whose effects are not yet evident.

The collective assessment takes account of data from loan portfolio (such as credit quality, levels of arrears, credit utilisation, loan to collateral ratios etc), concentrations of risks and economic data (including levels of unemployment, real estate prices indices, country risks and the performance of different individual groups). The impairment loss on loans to customers and credit institutions is disclosed in more detail in *Note 10* and *Note 11*.

ALLOWANCES ON DOUBTFUL ACCOUNTS RECEIVABLE

The Group makes allowances for doubtful accounts receivable. Significant judgment is used to estimate doubtful accounts. In estimating doubtful accounts historical and anticipated customer performance are considered. Changes in the economy, industry, or specific customer conditions may require adjustments to the allowance for doubtful accounts recorded in the consolidated financial statements. At December 31, 2012, allowances for doubtful accounts have been created in the amount of 85,435 million Tenge (2011: 74,923 million Tenge) (*Notes 13 and 15*).

5. ACQUISITIONS

ACQUISITIONS OF 2012

Acquisition of share in Karachaganak Project Consortium

On June 28, 2012 the Government, as represented by the Ministry of Oil and Gas and the State Assets and Privatization Committee of the Ministry of Finance, and the participants of the Karachaganak Project (further, the “Consortium” or “KPO”) signed an agreement, in accordance to which the Government acquired a 10% participating interest in KPO. The fair value of the 10% interest acquired was assessed as 2 billion US dollars (approximating 300 billion Tenge), of which 150 billion Tenge was paid by the Government in cash and the remaining portion through settlement of taxes.

The Government established a new entity Final Production Sharing Agreement Interest Managing Company LLP (“FPSAIMC”) and contributed the newly acquired 10% interest in the project into FPSAIMC capital. Then, in accordance with the Government Resolution No. 570 dated May 3, 2012, on June 28, 2012 the Fund received the Government’s 100% share in FPSAIMC with a fair value of 300,070 million Tenge as at the date of transaction. In exchange the Fund issued 300,071 common shares for the total amount of 300,070 million Tenge.

<i>In millions of Tenge</i>	Fair values as at the acquisition date
Property, plant and equipment	293,506
Intangible assets	1,131
Trade accounts receivable	10,918
Inventory	4,299
	309,854
Provisions	7,500
Trade accounts payable	2,284
	9,784
Net assets	300,070

Acquisition of share in East Kazakhstan Regional Energy Company JSC

In 2012 the Government contributed to the Fund 100% share in East Kazakhstan Regional Energy Company JSC (further – EK REC). In exchange the Fund issued shares in the amount of 7,723 million Tenge. EK REC provides electric power transmission.

Due to the fact that contribution of the shares was considered as business combination under common control this transaction was accounted for using pooling of interest method in the consolidated financial statements. The difference between carrying amounts of net assets and amount of issued share capital in the amount of

On June 29, 2012 the Fund transferred FPSAIMC to NC KMG for consideration of 150,035 million Tenge of NC KMG share capital and cash consideration of 150,035 million Tenge, which was financed by a loan in the total amount of 1 billion US Dollars (Note 18). In accordance with the agreement, the interest rate is LIBOR plus 3% times 1.25 per annum, and the principal is payable in equal monthly installments from cash inflows from the project within next 3 years. Under the loan agreement NC KMG has undertaken to provide collateral in the form of 5% share in the Project to the Consortium. The loan is guaranteed by the Fund.

On June 28, 2012 the Fund paid dividends in amount of 159,113 million Tenge (Note 17.3). Proceeds of this were used by the Government to finance the acquisition of the above-mentioned interest in KPO.

In accordance with the Joint Operations Agreement (“JOA”) amended on June 28, 2012, the Group acquired all rewards and benefits, costs and expenses resulting from Karachaganak operations in proportion to its acquired participating interest. Share in Karachaganak as of the date of acquisition, was represented as follows:

4,149 million Tenge was recorded as decrease of retained earnings in consolidated statement of changes in equity (Note 17.1).

ACQUISITIONS OF 2011

Acquisition of share in Ural Group Limited BVI (“UGL”)

KazMunaiGas Exploration Production JSC (KMG EP) acquired from Exploration Venture Ltd. 50% of the common shares of UGL for cash consideration of 164,497 thousand US Dollars (23,907 million Tenge) gross of withholding tax. Of the total consideration 46,687 thousand US Dollars (or 6,784 million Tenge) was attributed to the loans receivable from a joint venture, which was initially recognized

at fair value and subsequently measured at amortized cost using effective interest method.

Investments in UGL are recognized as an investment in a joint venture in the consolidated financial statements of the Group.

The Group's share of UGL assets and liabilities at the acquisition date at fair value was as follows:

<i>In millions of Tenge</i>	Fair values at the acquisition date
Non-current assets	28,536
Current assets	104
Cash and cash equivalents	232
Total assets	28,872
Non-current liabilities	11,464
Current liabilities	285
Total liabilities	11,749
Net assets	17,123

The fair value of non-current assets includes the exploration license of UOG of 17,460 million Tenge.

Acquisition of AktauNefteService LLP and Karpovskiy Severnyi JSC

On June 10, 2011, NC KMG acquired 100% interest in AktauNefteService LLP ("ANS") for cash of 334 million US Dollars (or 48,590 million Tenge at the transaction date exchange rate). Main activity of ANS, which has five subsidiaries, is the provision of services (drilling, repairs, transportation and other) to the crude oil production companies in the Western Kazakhstan region. ANS's major client is MangistauMunaiGas JSC, a 50% joint venture of NC KMG.

On December 23, 2011, KMG EP acquired a 100% interest in Karpovskiy Severnyi JSC ("KS JSC"). KS JSC is an oil and gas

company, which has a license for the exploration of the Karpovskiy Severnyi gas condensate field located in the Western Kazakhstan region. The interest in KS JSC was acquired for cash consideration of 8,486 million Tenge. The exploration license, upon fulfillment of certain conditions prior to the end of 2011, was extended to December 2014 from December 2012.

The fair value of non-current assets includes exploration license of KS JSC of 6,899 million Tenge and other exploration and evaluation assets of 3,151 million Tenge.

The fair values of identifiable assets, liabilities and contingencies of ANS and KS JSC as at the acquisition date were as follows:

<i>In millions of Tenge</i>	AktauNefteService LLP	Karpovskiy Severnyi JSC
Property, plant and equipment and intangible assets	33,456	-
Other non-current assets	-	10,100
Inventories	9,988	-
Trade accounts receivable and other current assets	8,847	6
Cash and cash equivalents	1,660	-
Total assets	53,951	10,106
Other non-current liabilities	7,002	296
Deferred tax liability	3,813	1,321
Loans and other current liabilities	6,468	3
Total liabilities	17,283	1,620
Net assets	36,668	8,486
Goodwill arising on acquisition (<i>Note 8</i>)	11,922	-
Cash consideration	48,590	8,486

Cash paid	(48.590)	(8.486)
Net cash acquired with the subsidiary	1.660	-
Net cash outflow	46.930	8.486

If the acquisitions took place as at January 1, 2011, the revenue and net profit of the Group for 2011 would have not changed significantly.

The goodwill of 11,922 million Tenge is included in “Oil&Gas segment” (Note 8).

Acquisition of Kvarz LLP and MK KazSilicon LLP and DP Ortalyk LLP

In November 2011, National Atomic Company “Kazatomprom” JSC (“NAC KAP”) acquired 100% interest in Kvarz LLP and MK KazSilicon LLP. Kvarz LLP has a subsoil use contract for mining of vein quartz at Sarykulscoe field, which is located in Almaty region of Kazakhstan. The principal business activities of Kvarz LLP include mining and processing of vein quartz and processing of mineral raw materials. Principal business activities of MK KazSilicon LLP include production and realization of metallurgical and polycrystalline silicon and recycling of silicon production waste. As the vein quartz, mined and processed by Kvarz LLP, is subsequently processed by MK KazSilicon LLP for production of silicon metal, the companies

operate as a single generating unit. These entities were acquired for cash of 4,751 million Tenge.

In December 2011, NAC KAP acquired 100% ownership interest in DP Ortalyk LLP. The principal business activities of DP Ortalyk LLP include the provision of services on mining, processing of chemical concentrate of uranium and services on mining preparation works at the Central Mynkuduk mine, which is located in South-Kazakhstan region of Kazakhstan. The mineral rights for exploration and mining of uranium deposits at the Central site of Mynkuduk mine were acquired by NAC KAP in 2010. DP Ortalyk LLP was acquired for cash of 21,125 million Tenge.

If the acquisitions took place as at January 1, 2011, the revenue and net profit of the Group for 2011 would have not changed significantly.

The fair value of identifiable assets, liabilities and contingencies of these entities as at the acquisition date was as follows:

<i>In millions of Tenge</i>	Kvarz LLP and MK KazSilicon LLP	DP Ortalyk LLP
Property, plant and equipment and intangible assets	7,660	7,410
Other non-current assets	-	864
Inventories	539	1,367
Other current assets	218	1,305
Cash and cash equivalents	5	1,348
Total assets	8,422	12,294
Other non-current liabilities	30	-
Deferred tax liability	1,432	350
Loans and other current liabilities	2,795	929
Total liabilities	4,257	1,279
Net assets	4,165	11,015
Goodwill arising on acquisition (Note 8)	586	10,110
Cash consideration	4,751	21,125
Cash paid	(4,751)	(21,125)
Net cash acquired with the subsidiary	5	1,348
Net cash outflow	4,746	19,777

The goodwill of 10,696 million Tenge comprises the value of expected synergies arising from the acquisition as the acquired companies own processing facilities in mining industry. The

goodwill is included in “Mining and industrial segment (Uranium production)”.

Other acquisitions

In 2011, National Company “Kazakhstan Temir Zholy” JSC (“NC KTZh”) acquired 50.82% and 100% shares of Vostokmashzavod JSC and Almaty VKM Service LLP, respectively, for the total cash of 511 million Tenge. As a result of these acquisitions the Group recognized bargain purchase gain of 949 million Tenge, recorded in profit and loss, goodwill of 322 million Tenge and increase in non-controlling interest of 1,035 million Tenge.

On October 3, 2011, BTA Bank acquired a 100% interest in “BTA Bank JSC subsidiary “Alemcard” LLP for cash of 150 thousand Tenge. As a result of this acquisition the Group recognized bargain purchase gain of 519 million Tenge which was recorded in profit and loss.

In 2011 the Fund acquired 100% shares of National Geological Company “Kazgeologiya” in exchange for its own shares with the value of 76 million Tenge. The net assets of acquired entity comprised cash of 76 million Tenge.

Acquisition of non-controlling interest in subsidiary of the Fund

As discussed in *Note 17.5* in 2011, the Fund acquired 39% shares of National Company Kazakhstan Engineering JSC in exchange of its own shares with the value of 6,388 million Tenge. As a result of change in ownership the difference of 680 million Tenge between the carrying values of the net assets attributable to the acquired interests in the subsidiary of 5,708 million Tenge and the consideration paid of 6,388 million Tenge was recorded in the retained earnings in 2011.

Acquisition of non-controlling interest in subsidiary of NC KMG

In November 2011, NC KMG increased its ownership in Rompetrol Georgia by 1%, increasing it to 99%. As a result of the change in ownership the difference of 1,858 million Tenge between the carrying values of the net liabilities attributable to the acquired interests in the subsidiary of 1,778 million Tenge and the consideration paid of 80 million Tenge was recorded in the retained earnings in 2011.

6. DISCONTINUED OPERATIONS, ASSETS CLASSIFIED AS HELD FOR SALE AND LOSS OF CONTROL OVER SUBSIDIARY

DISCONTINUED OPERATIONS 2012

GSM Kazakhstan

As at December 31, 2011, the Group had a 49% interest in GSM Kazakhstan LLP Kazakhtelecom JSC ("GSM Kazakhstan"), which is engaged in the provision of mobile telecommunication services in the GSM standard in Kazakhstan.

On December 21, 2011, Kazakhtelecom concluded an agreement to sell its 49% ownership in GSM Kazakhstan to Sonera Holdings B.V., a subsidiary of Swedish mobile operator Telia Sonera AB.

On February 1, 2012, the Group completed the sale of 49% ownership in GSM Kazakhstan for the consideration of 1,519 million of US dollars (equivalent to 225,739 million Tenge). As a result, the gain from disposal comprised of 200,033 million Tenge. The cash flows generated by the sale of investment in associate during 2012 have been considered in the cash flow statement as part of investing activities.

The movements in the investment in an associate balance were as follows:

<i>In millions of Tenge</i>	2012	2011
As at January 1	58,389	53,785
Share of profit of an associate	1,963	33,024
Dividends declared	(34,723)	(28,420)
Discontinued operations	(25,629)	-
As at December 31	-	58,389

The movements in dividends receivable were as follows:

<i>In millions of Tenge</i>	2012	2011
As at January 1	-	-
Dividends declared	34,723	28,420
Cash received	(34,723)	(28,420)
As at December 31	-	-

Profit from discontinued operation comprised of the following during the year ended December 31:

<i>In millions of Tenge</i>	2012	2011
Share of profit of an associate	1,963	33,024
Profit before tax for the period from a discontinued operation	1,963	33,024
Gain on disposal	200,033	-
Profit after tax for the period from a discontinued operation	201,996	33,024

Gain on disposal of the investment comprised the following:

<i>In millions of Tenge</i>	2012
Consideration received from Sonera Holdings B.V.	225,739
Net assets associated with disposal group as of the date of disposal	(25,629)
Forex gain	(77)
Gain on disposal	200,033

Locomotive Kurastyru Zauyty JSC

During 2012 the Group decided to sell 50% in the subsidiary, Locomotive Kurastyru Zauyty JSC. At December 31, 2012 Locomotive Kurastyru Zauyty JSC was classified as a discontinued operation.

On July 5, 2012 the Group entered into an Agreement with Transmasholding CJSC to sell its 50% interest in Locomotive Kurastyru Zauyty JSC.

The results of Locomotive Kurastyru Zauyty JSC for the years ended December 31, 2012 and 2011 are presented below:

<i>In millions of Tenge</i>	2012	2011
Revenue	2,978	9
Cost of sales	(2,414)	-
Gross profit	564	9
General and administrative expenses	(632)	(664)
Other operating income	61	36
Operating loss	(7)	(619)
Finance income	6	7
Finance costs	(514)	(492)
Net foreign exchange loss	(234)	(99)
Loss before income tax from discontinued operation	(749)	(1,203)
Income tax expenses	(360)	(739)
Loss for the period from discontinued operation	(1,109)	(1,942)

The net cash flows incurred by Locomotive Kurastyru Zauyty JSC are as follows:

<i>In millions of Tenge</i>	2012	2011
Operating	1,045	3,574
Investing	(1,266)	(963)
Financing	(2,099)	(862)
Net cash (outflow) / inflow	(2,320)	1,749

The major classes of assets and liabilities of Locomotive Kurastyru Zauyty JSC, classified as held for sale as at December 31 are as follows:

<i>In millions of Tenge</i>	2012
Assets	
Property, plant and equipment	15,298
Intangible assets	580
Other non-current assets	2,982

Inventories	18,751
Trade accounts receivable	12
Other current assets	77
Cash and cash equivalents	20
Assets classified as held for sale	37,720
Liabilities	
Borrowings	12,397
Employee benefit liabilities	23
Deferred income tax liabilities	697
Trade accounts payable	1,578
Other non-current liabilities	101
Other current liabilities	1,878
Liabilities directly associated with the assets classified as held for sale	16,674
Net assets directly associated with the disposal group	21,046

“Aysir Turizm ve Inshaat A.S”

In 2012, the Group decided to sell its 75% interest in “Aysir Turizm ve Inshaat AS” (“Aysir”).

The disposal of Aysir is due to be completed in 2013 and, as at December 31, 2012, final negotiations for the sale were in progress.

At December 31, 2012 Aysir was classified as a disposal group classified as held for sale and as a discontinued operation.

The results of Aysir for the years ended December 31, 2012 and 2011 are presented below:

<i>In millions of Tenge</i>	2012	2011
Revenue	2,608	2,562
Cost of sales	(2,713)	(2,372)
Gross (loss) / profit	(105)	190
General and administrative expenses	(151)	(237)
Other operating income	172	12
Other operating expenses	-	(1)
Operating loss	(84)	(36)
Net foreign exchange gain / (loss)	768	(1,227)
Finance income	9	16
Finance costs	(81)	(123)
Profit / (loss) before income tax for the period from discontinued operation	612	(1,370)
Income tax benefit	17	17
Profit / (loss) after income tax for the period from discontinued operation	629	(1,353)

The major classes of assets and liabilities of Aysir, classified as held for sale as at December 31 are as follows:

<i>In millions of Tenge</i>	2012
ASSETS	
Property, plant and equipment	5,585

Intangible assets		3,560
Inventories		74
Trade accounts receivable		122
VAT recoverable		144
Other current assets		95
Cash and cash equivalents		540
Assets classified as held for sale		10,120
Liabilities		
Borrowings		1,405
Deferred income tax liabilities		541
Trade accounts payable		262
Other non-current liabilities		1,414
Other current liabilities		21
Liabilities directly associated with the assets classified as held for sale		3,643
Net assets directly associated with the disposal group		6,477

The net cash flows incurred by Aysir are as follows:

<i>In millions of Tenge</i>	2012	2011
Operating	459	413
Investing	(109)	(126)
Financing	(384)	44
Net cash (outflow) / inflow	(34)	331

DISCONTINUED OPERATIONS 2011

“Zhilstroisberbank” JSC and “Kazakhstan Fund of Guarantee of mortgage loans” JSC

On April 11, 2011, the Fund and the State Property and Privatization Committee of the Ministry of Finance of the Republic of Kazakhstan signed an Exchange Agreement (the “Exchange Agreement”) for the transfer of the Fund’s 100% shares of Zhilstroisberbank JSC (“ZhSSB”) and Kazakhstan Fund of Guarantee of mortgage loans

JSC (“KFGML”) in exchange for various railway and other fixed assets.

Upon the completion of this exchange transaction on April 12, 2011, the Fund recognized a loss of 25,827 million Tenge directly in equity being the difference between the book value of net assets of the disposed entities and the fair value of the assets received. The table shown below shows the main categories of assets and liabilities of disposed entities as of disposal date:

<i>In millions of Tenge</i>	Assets and liabilities as of transfer date
Property, plant and equipment and intangible assets	1,759
Loans to customers	67,222
Finance assets	34,763
Amounts due from credit institutions	4,269
Other non-current assets	181
Other current assets	1,504
Cash and cash equivalents	5,432
Total assets	115,130
Borrowings	12,000
Loans from the Government of the Republic of Kazakhstan	23,580
Amounts due to customers	47,041
Other non-current liabilities	554
Other current liabilities	1,258
Total liabilities	84,433
Net assets	30,697

Net loss attributable to the operations of ZhSSB and KFGML for the period from January 1, 2011 till the date of exchange amounted to 533 million Tenge.

Net cash flows of ZhSSB and KFGML:

<i>In millions of Tenge</i>	From January 1, 2011 till the date of exchange
From operating activity	1,483
From investing activity	(8,847)
From finance activity	3,201
Net cash outflow	(4,163)

ASSETS CLASSIFIED AS HELD FOR SALE

Net assets of Balkhashskaya TES

On September 4, 2009 the Group signed sale and a purchase agreement with Korea Electric Power Corporation (“KEPCo”) and Samsung C&T Corporation (“Samsung C&T Co”), under which the Group committed to sell 75% minus one share of Balkhashskaya TES JSC (Balkhashskaya TES). The Group’s management has concluded that the sale of share would result in loss of control over Balkhashskaya TES. During 2010 and 2011 the sale of said share was not finalised as certain conditions were not met. These conditions are beyond the Group’s control; however, the Group’s management believes that these conditions did not affect the asset readiness for immediate sale in their current condition. Balkhashskaya TES’s assets and liabilities were classified as assets held for sale in the Group’s consolidated balance sheet as at December 31, 2011.

Sale of abovementioned share of Balkhashskaya TES took place in April 2012 for total cash consideration of 7.557 million Tenge.

<i>In millions of Tenge</i>	Net assets at the date of disposal
Cash and cash equivalents	1,884
Current assets	100
Non-current assets	8,360
	10,344
Current liabilities	111
Non-current liabilities	3,821
	3,932
Net assets	6,412

Consideration received from Karpinvest for 49% share in KS EP Investments amounted to 36,455,170 US Dollars (5,485 million Tenge). The resulting gain on disposal of investment amounted to 4,782 million Tenge. As a result of this transaction the KMG EP has derecognized the assets and liabilities of the former subsidiary, when control was lost. Its remaining 51% interest in KS EP

The consideration received was equal to the disposed share of net assets.

LOSS OF CONTROL OVER SUBSIDIARY

On November 16, 2012 KMG EP concluded the sale of 49% of its 100% subsidiary KS EP Investments BV (“KS EP Investments”) to Karpinvest Oil and Gas Ltd. (“Karpinvest”), a subsidiary of MOL Hungarian Oil and Gas Plc. KS EP Investments owns a 100% interest in LLP Karpovskiy Severniy (“KS LLP”), which is a subsoil use right holder under the Contract for Exploration of Oil, Gas and Condensate at Karpovskiy Severniy contract area in western Kazakhstan. Under the terms of a shareholders agreement, joint control has been established over the operations of KS EP Investments and no single shareholder is in a position to control the activity unilaterally, making it a jointly controlled entity for both shareholders.

At the date of loss of control net assets of KS EP Investments were as follows:

Investments was recorded at its fair value of 5,709 million Tenge, and accounted for under the equity method.

KMG EP’s retained interest in KS LLP’s assets and liabilities allocated based on their fair values as at November 15, 2012 and the carrying values of assets and liabilities are included into investment as at December 31, 2012 are as follows:

<i>In millions of Tenge</i>	Fair values as at November 15, 2012	Assets and liabilities as at December 31, 2012
Cash and cash equivalents	961	82
Current assets	51	373
Non-current assets	7,313	7,583
	8,325	8,038
Current liabilities	58	553
Non-current liabilities	2,558	2,586
	2,616	3,139
Net assets	5,709	4,899

The operating activities of KS LLP are dependent upon continued financing in the form of shareholder loans to enable KS LLP to meet its current obligations and to continue its activities. As a result KMG EP has provided an additional loan to KS EP Investments in

the amount of 11,828 thousand US Dollars (1,763 million Tenge) during 2012. The fair value of the loan with 6.5% interest rate is determined by discounting future cash flows for the loans using a discount rate of 15%.

7. PROPERTY, PLANT AND EQUIPMENT

<i>In millions of Tenge</i>	Oil and gas assets	Exploration and evaluation assets	Pipelines and refinery assets	Buildings and premises	Railway tracks and infrastructure	Machinery, equipment and vehicles	Mining assets	Other	Construction in progress	Total
Net book value at January 1, 2011	1,336,641	140,456	659,919	429,048	389,629	1,007,076	23,181	58,226	309,506	4,353,682
Foreign currency translation	14,407	610	1,860	(561)	-	203	-	85	111	16,715
Additions	154,631	21,328	10,398	18,184	30	114,173	14,244	11,187	631,744	975,919
Acquisitions through business combinations (Note 5)	998	-	-	22,569	-	24,709	-	1,800	3,672	53,748
Disposals	(19,569)	(5,308)	(2,093)	(7,978)	(353)	(18,271)	-	(4,926)	(7,246)	(65,744)
Discontinued operations (Note 6)	-	-	-	(1,049)	-	(45)	-	(427)	(22)	(1,543)
Depreciation charge	(35,099)	-	(48,993)	(24,981)	(15,415)	(129,363)	(6,456)	(14,594)	-	(274,901)
Depreciation on disposals	8,595	-	1,273	2,220	87	13,467	-	3,177	-	28,819
Impairment provision, net of reversal	(9,948)	(15,155)	(2,873)	(10,323)	(769)	(4,524)	-	(171)	(5,300)	(49,063)
Transfer to assets classified as held for sale (Note 6)	-	-	-	(235)	-	(337)	-	-	(8,975)	(9,547)
Transfers from/(to) inventories, net	-	(1,156)	-	(370)	(5,527)	12,821	-	483	3,488	9,739
Transfer from/(to) intangible assets, net	-	-	-	-	-	426	-	(5)	(9,596)	(9,175)
Other transfers and reclassifications	73,738	(5,173)	34,081	47,975	128,450	224,432	4,116	4,704	(512,323)	-
Net book value at December 31, 2011	1,524,394	135,602	653,572	474,499	496,132	1,244,767	35,085	59,539	405,059	5,028,649

<i>In millions of Tenge</i>	Oil and gas assets	Exploration and evaluation assets	Pipelines and refinery assets	Buildings and premises	Railway tracks and infrastructure	Machinery, equipment and vehicles	Mining assets	Other	Construction in progress	Total
Net book value at January 1, 2012	1,524,394	135,602	653,572	474,499	496,132	1,244,767	35,085	59,539	405,059	5,028,649
Foreign currency translation	40,839	-	4,892	1,649	-	740	-	56	(737)	47,439
Additions	121,826	1,464	59,891	10,089	219	350,226	10,674	9,379	594,729	1,158,497
Acquisition of share in KPO (Note 5)	293,400	-	-	-	-	55	-	51	-	293,506
Disposals	(12,084)	-	(2,311)	(7,805)	(2,059)	(16,464)	(22)	(4,732)	(14,897)	(60,374)
Discontinued operations (Note 6)	-	-	-	(14,244)	-	(5,551)	-	(256)	(832)	(20,883)
Depreciation charge	(48,809)	-	(49,325)	(27,241)	(19,706)	(144,167)	(9,943)	(15,639)	-	(314,830)
Depreciation on disposals	6,155	-	1,543	3,572	1,915	13,783	22	3,741	-	30,731
Impairment provision, net of reversal	(68,525)	(434)	187	(4,489)	(62)	(4,972)	-	(675)	(7,173)	(86,143)
Loss of control of subsidiaries	-	(7,098)	-	-	-	(7)	-	-	-	(7,105)
Transfer to assets classified as held for sale (Note 6)	(81)	-	(288)	(2,079)	(533)	(861)	-	(281)	(5,357)	(9,480)
Transfers from/(to) inventories, net	-	-	-	(257)	(5,252)	21,450	-	664	(2,311)	14,294
Transfer from/(to) intangible assets, net	(770)	-	-	-	-	(65)	-	(61)	(6,367)	(7,263)
Other transfers and reclassifications	79,510	(3,128)	85,643	88,088	104,519	156,919	1,146	6,008	(518,705)	-
Net book value at December 31, 2012	1,935,855	126,406	753,804	521,782	575,173	1,615,853	36,962	57,794	443,409	6,067,038
Historical cost	2,262,918	135,923	988,248	682,234	664,533	2,402,618	68,685	130,305	461,314	7,796,778
Accumulated depreciation and impairment	(327,063)	(9,517)	(234,444)	(160,452)	(89,360)	(786,765)	(31,723)	(72,511)	(17,905)	(1,729,740)
Net book value at December 31, 2012	1,935,855	126,406	753,804	521,782	575,173	1,615,853	36,962	57,794	443,409	6,067,038
Historical cost	1,739,895	151,701	838,972	606,125	572,582	1,892,703	56,886	128,756	418,149	6,405,769
Accumulated depreciation and impairment	(215,501)	(16,099)	(185,400)	(131,626)	(76,450)	(647,936)	(21,801)	(69,217)	(13,090)	(1,377,120)
Net book value at December 31, 2011	1,524,394	135,602	653,572	474,499	496,132	1,244,767	35,085	59,539	405,059	5,028,649

Movement of exploration and evaluation assets is presented as follows:

<i>In millions of Tenge</i>	Oil and gas assets	Mining assets	Total
Net book value at January 1, 2011	134,852	5,604	140,456
Foreign currency translation	610	-	610
Additions	19,888	1,440	21,328
Disposals	(5,308)	-	(5,308)
Impairment provision, net of reversal	(15,155)	-	(15,155)
Transfers to inventories	-	(1,156)	(1,156)
Other transfers and reclassifications	(1,408)	(3,765)	(5,173)
Net book value at December 31, 2011	133,479	2,123	135,602
Additions	328	1,136	1,464
Impairment provision, net of reversal	-	(434)	(434)
Loss of control in subsidiaries	(7,098)	-	(7,098)
Other transfers and reclassifications	(2,770)	(358)	(3,128)
Net book value at December 31, 2012	123,939	2,467	126,406
Historical cost	133,009	2,914	135,923
Accumulated impairment	(9,070)	(447)	(9,517)
Net book value at December 31, 2012	123,939	2,467	126,406
Historical cost	149,565	2,136	151,701
Accumulated impairment	(16,086)	(13)	(16,099)
Net book value at December 31, 2011	133,479	2,123	135,602

As at December 31, 2012 property, plant and equipment with net book value of 1,087,516 million Tenge (2011: 1,015,904 million Tenge) were pledged as collateral for some of the Group's borrowings.

As at December 31, 2012 the carrying amount of property, plant and equipment acquired under finance lease agreements was 65,638 million Tenge (2011: 33,993 million Tenge).

At December 31, 2012 the cost of fully amortised property, plant and equipment of the Group was 483,458 million Tenge (2011: 411,490 million Tenge).

In 2012, the Group capitalized borrowing costs at an average capitalization rate of 6% in the amount of 4,162 million Tenge (2011: rate of 5.65% in the amount 8,814 million Tenge).

Impairment of property, plant and equipment

In 2012, the Group recorded net impairment of 86,143 million Tenge, which is mainly attributable to impairment of property, plant and equipment of KMG EP for the total amount of 76,344 million Tenge (Note 4), KazMunayGaz – refining and marketing JSC for the

total amount of 1,258 million Tenge and Naukograd LLP for the total amount of 2,326 million Tenge.

In 2011 the Group recognized net impairment of 49,063 million Tenge which is mainly attributable to impairment of exploration and evaluation assets of KazMunayTeniz JSC for the total amount of 13,098 million Tenge, and property, plant and equipment of KazTransOil JSC, The Rompetrol Group (Rompetrol) and KMG-Service LLP for the total amount of 13,470 million Tenge, 10,576 million Tenge and 5,220 million Tenge, respectively.

In 2011, KazTransOil JSC recognized an impairment loss of 13,470 million Tenge relating to the assets of Batumi Oil Terminal and Batumi Sea Port. The recoverable amount of the CGUs of these assets was determined based on a value in use calculation using cash flow projections from financial budgets approved by senior management covering a ten-year period. Cash flows beyond the ten-year timeframe are extrapolated by applying a flat growth rate of 1.77%. The Group used WACC of 16.19% to discount cash flows.

In 2011, Rompetrol recognized an impairment loss of 10,576 million Tenge relating to the construction in progress and warehouses due to the suspension of construction plans and absence of market for

sale of such assets. Management assessed that the assets are not recoverable through normal operating activity or sale.

In 2011, KazMunayTeniz JSC recognized impairment of exploration and evaluation assets relating to Kurmangazy, Tyub-Karagan and

other fields in the amounts of 13,021 million Tenge, 7,436 million Tenge and 402 million Tenge, respectively, which was reduced by the amount of derecognized loan of 7,761 million Tenge relating to financing of exploration and evaluation activities at Tyub-Karagan field.

8. INTANGIBLE ASSETS

<i>In millions of Tenge</i>	Licenses	Software	Goodwill	Marketing related intangible assets	Sub-surface use rights	Other	Total
Net book value at December 31, 2010	34,392	26,321	129,491	26,833	17,896	30,239	265,172
Foreign currency translation	(13)	267	(812)	197	-	(221)	(582)
Change in accounting estimate	-	-	-	-	(44)	-	(44)
Additions	1,817	10,653	-	-	7,429	5,261	25,160
Acquisitions through business combinations <i>(Note 5)</i>	84	25	22,940	-	16,568	27	39,644
Disposals	(103)	(1,050)	(1,944)	(2)	(339)	(516)	(3,954)
Discontinued operations <i>(Note 6)</i>	(82)	(134)	-	-	-	(1,203)	(1,419)
Amortization charge	(4,790)	(8,572)	-	(19)	(72)	(3,347)	(16,800)
Accumulated amortization on disposals	87	855	-	-	-	257	1,199
Impairment provision	(1,939)	-	(2,371)	-	(5,704)	(548)	(10,562)
Transfers to property, plant and equipment	-	(1,992)	-	-	-	-	(1,992)
Transfers from property, plant and equipment	3,698	6,665	-	-	-	804	11,167
Other transfers	2	167	(6)	(3)	-	(160)	-
Net book value at December 31, 2011	33,153	33,205	147,298	27,006	35,734	30,593	306,989
Foreign currency translation	150	59	(35)	430	(136)	137	605
Change in accounting estimate	-	41	-	-	-	1	42
Additions	5,805	10,418	-	-	45,290	3,396	64,909
Acquisitions through business combinations <i>(Note 5)</i>	-	6	101	-	-	1,169	1,276
Disposals	(257)	(920)	(586)	-	(337)	(596)	(2,696)
Discontinued operations <i>(Note 6)</i>	(33)	(203)	-	-	-	(3,904)	(4,140)
Loss of control in subsidiaries	-	-	-	-	(1,093)	-	(1,093)
Amortization charge	(4,098)	(9,562)	-	(1)	(92)	(2,615)	(16,368)
Accumulated amortization on disposals	250	807	-	-	1	239	1,297
Impairment provision	-	(13)	-	-	-	-	(13)
Transfers from/(to) inventories, net	10	145	-	-	-	2	157
Transfers to property, plant and equipment	(7)	(1,339)	-	-	-	-	(1,346)
Transfers from property, plant and equipment	288	4,592	-	-	-	3,729	8,609
Other transfers	2,867	2,701	-	-	19	(5,587)	-
Net book value at December 31, 2012	38,128	39,937	146,778	27,435	79,386	26,564	358,228

Historical cost	63,095	84,296	177,500	28,018	91,814	41,895	486,618
Accumulated amortization and impairment	(24,967)	(44,359)	(30,722)	(583)	(12,428)	(15,331)	(128,390)
Net book value at December 31, 2012	38,128	39,937	146,778	27,435	79,386	26,564	358,228
Historical cost	54,214	68,200	177,683	27,565	41,643	43,241	412,546
Accumulated amortization and impairment	(21,061)	(34,995)	(30,385)	(559)	(5,909)	(12,648)	(105,557)
Net book value at December 31, 2011	33,153	33,205	147,298	27,006	35,734	30,593	306,989

As at December 31, 2012, the subsurface use rights comprise the net book value of oil and gas and mining exploration and evaluation assets in the amount of 69,811 million Tenge and 9,575 million Tenge, respectively (2011: 26,832 million Tenge and 8,902 million Tenge, respectively).

IMPAIRMENT TESTING OF GOODWILL

Carrying amount of goodwill as at December 31 is allocated to each of the group of cash-generating units as follows:

Cash-generating unit groups	2012	2011
Refining	121,654	121,690
Other	13,372	13,372
<i>Total oil and gas</i>	135,026	135,062
<i>Total mining (Uranium production)</i>	10,110	10,696
Corporate business	523	421
Retail business	331	331
<i>Total financial institutions and innovation institutions</i>	854	752
<i>Total other</i>	788	788
Total goodwill	146,778	147,298

Goodwill impairment losses recognized in 2011 in the consolidated statement of comprehensive income were mainly attributable to impairment in oil and gas segment in the amount of 2,371 million Tenge (2012: nil).

Refining group of CGU includes Rompetrol Group N.V., Downstream Romania, Dyneff and Refinery Company RT LLP (Refinery Company).

Key assumptions used in calculation of goodwill recoverable amount

The recoverable amount of goodwill has been determined based on value-in-use, as per the accounting policies described in Note 3, using budgets approved by senior management covering a five-year period.

The Group uses the following rates and periods for calculation of goodwill recoverable amounts for the oil and gas segment:

	2012	2011
Discount rate	6.6%-11.8%	6.7%-12.8%
Anticipated growth rate	1.5%-3.67%	1.5%-3.3%
Period, years	5	5

Key assumptions used in calculation of recoverable amount for oil segments are as follows:

- Gross profit;
- Operating profit;
- Planned EBITDA;
- Discount rate;
- Anticipated growth rates used to extrapolate cash flows during the planning period;
- Capital expenditures for 2013 – 2017.

Gross profit

Gross profit is based on average values achieved in the two years preceding the start of the budget period. These values are increased over the budget period for anticipated efficiency improvements.

Operating profit

Operating profit – operating profit margin on the basis of net revenues was applied to the relevant cash generating units.

Planned EBITDA

Planned EBITDA – is planned EBITDA, defined on the basis of past experience, which is adjusted for the fact that the proceeds from the sale of petroleum products will increase due to the introduction of modernized production facilities in 2016 and 2017.

Discount rates

Discount rates reflect the current market assessment of the risks specific to each cash-generating unit. The discount rate was estimated based on calculation of a weighted average cost of capital. This rate was further adjusted to reflect the market assessment of any risk specific to a cash generating unit for which future estimates of cash-flows have not been adjusted.

Anticipated growth rates

Growth rates are based on published industry data.

Capital expenditures

Capital expenditures represent expenditures required to maintain the existing conditions of the assets, no modernization or restructuring of the assets were considered.

Sensitivity to changes in assumptions

With respect to the assessment of the recoverable amount for cash generating units, management believes that no reasonably possible change in any of the above key assumptions would cause the carrying value of the unit to materially exceed its recoverable amount, except for Refining group cash generating units.

Results of the assessment of the recoverable amount of goodwill allocated to Refinery Company are sensitive to changes in key assumptions, including assumptions related to the change in the discount rate (WACC), as well as the value of the planned EBITDA in the terminal period.

Increase in the discount rate by 1% from 11.8% to 12.8% would result in excess of carrying amount of cash-generating unit over its recoverable amount by 21,708 million Tenge.

Lowering planned, in the terminal period, EBITDA values by 3% from 14.8% to 11.8% would result in the excess of the carrying amount of cash-generating unit over its recoverable amount by 107,810 million Tenge.

9. INVESTMENTS IN JOINT VENTURES AND ASSOCIATES

Investments in joint ventures and associates comprised the following as at December 31:

<i>In millions of Tenge</i>	2012	2011
Joint ventures:		
TengizChevroil LLP	264,699	236,733
Mangistau Investments B.V.	176,949	112,314
Ekibastuzskaya GRES-1 LLP (“GRES-1”)	136,845	121,037
Beineu-Shymkent Pipeline LLP	72,453	70,348
Kazakhoil-Aktobe LLP	72,085	60,766
KazRosGas JSC	63,424	164,438
JV KazGerMunay LLP	55,316	83,828
Forum Muider BV	29,837	31,681
Ekibastuzskaya GRES-2 LLP (“GRES-2”)	29,646	23,766
Ural Group Limited BVI (“UGL”)	19,066	17,703
Valsera Holdings B.V.	18,511	17,654
Kazakhstan Petrochemical Industries Inc LLP	17,444	4,860
Kazakhstan-China Pipeline JSC	12,012	3,432
Karatau LLP	9,998	11,294
Other	65,623	43,023
Less: Impairment	(4,493)	(6,394)
	1,039,415	996,483
<i>In millions of Tenge</i>	2012	2011
Associates:		
Shekerbank T.A.S.	93,094	82,824
PetroKazakhstan Inc. (“PKI”)	80,909	99,671
JV KATCO LLP	38,262	45,327
BTA Bank (Ukraine)	30,063	31,496
AMT Bank (Russia)	19,053	19,053
Caspian Pipeline Consortium LLP	17,275	16,811
JV Betpakdala LLP	15,263	15,093
JV Inkai LLP	12,171	9,615
Other	62,368	50,000
Less: Impairment	(56,829)	(71,391)
	311,629	298,499
	1,351,044	1,294,982

Ownership in joint ventures and associates as at December 31 is as follows:

	% in share capital	
	2012	2011
Joint ventures:		
TengizChevroil LLP	20.00%	20.00%
Mangistau Investments B.V.	50.00%	50.00%
Ekibastuzskaya GRES-1 LLP (“GRES-1”)	50.00%	50.00%
Beineu-Shymkent Pipeline LLP	50.00%	50.00%
Kazakhoil-Aktobe LLP	50.00%	50.00%
KazRosGas JSC	50.00%	50.00%
JV KazGerMunay LLP	50.00%	50.00%
Forum Muider BV	50.00%	50.00%
Ekibastuzskaya GRES-2 LLP (“GRES-2”)	50.00%	50.00%
Ural Group Limited BVI (“UGL”)	50.00%	50.00%
Valseira Holdings B.V.	50.00%	50.00%
Kazakhstan Petrochemical Industries Inc LLP	51.00%	51.00%
Kazakhstan-China Pipeline JSC	50.00%	50.00%
Karatau LLP	50.00%	50.00%
Akbastau JSC	50.00%	50.00%
LLP Tulpar-Talgo	99.99%	50.00%
Associates:		
Shekerbank T.A.S.	33.88%	33.98%
PetroKazakhstan Inc. (“PKI”)	33.00%	33.00%
JV KATCO LLP	49.00%	49.00%
BTA Bank (Ukraine)	49.99%	49.99%
AMT Bank (Russia)	22.26%	22.26%
Caspian Pipeline Consortium LLP	20.75%	20.75%
JV Betpakdala LLP	30.00%	30.00%
JV Inkai LLP	40.00%	40.00%

The 33% interest in PetroKazakhstan Inc. (“PKI”) was pledged as collateral for a loan, which was obtained for its acquisition. However, the pledged shares may not be exercised within the first 7 years of the financing from the acquisition date (July 4, 2006).

As at December 31, 2012, the Group recognized capital distribution of PKI as a dividends receivable with corresponding decrease in investment for the amount of 34,821 million Tenge (2011: 29,383 million Tenge).

On January 18, 2011, in accordance with the agreement between the Republic of Kazakhstan and Government of the People’s Republic of China on the cooperation in construction and operation of gas

pipeline Kazakhstan-China, a new joint venture Beineu-Shymkent Pipeline LLP was established. The Group has 50% interest in this new joint venture. The Group contributed cash of 70,842 million Tenge in 2011.

In 2011, the Group acquired 50% of the common shares of UGL (*Note 5*) for 17,123 million Tenge.

Changes in investments in joint ventures and associates are as follows:

<i>In millions of Tenge</i>	2012	2011
Balance as at January 1	1,294,982	1,096,077
Share in income of associates and joint ventures	538,835	611,177
Dividends received	(556,217)	(457,327)
Change in dividends receivable	10	(9,984)
Acquisitions	46,171	100,891
Foreign currency translation	7,677	6,940
Disposals	(30)	(711)
Transfers to assets classified as held for sale (Note 6)	(256)	(25,366)
Other comprehensive gain/(loss)	3,420	(2,741)
Transfer to financial assets	(11)	–
Recovery / (impairment)	16,463	(23,974)
Balance as at December 31	1,351,044	1,294,982

In 2012 the Group recognized income from the recovery of the impairment loss of investments in Shekerbank (Turkey) in the amount of 14,660 million Tenge (2011: impairment loss 21,641 million Tenge) as a result of valuation of the investment's recoverable amount based on fair value less costs to sell. Fair value

of investments in Shekerbank was determined based on published quotations on active market.

The following tables illustrate the summarized financial information of the Group's investment in joint ventures and associates at December 31 (Group's proportional share):

<i>In millions of Tenge</i>	2012	2011
Total assets and liabilities of joint ventures and associates at December 31		
Current assets	768,663	690,318
Non-current assets	2,447,872	1,857,357
Total assets	3,216,535	2,547,675
Current liabilities	(696,496)	(353,313)
Non-current liabilities	(1,196,112)	(900,556)
Total liabilities	(1,892,608)	(1,253,869)
Net assets	1,323,927	1,293,806

<i>In millions of Tenge</i>	2012	2011
Total revenue and net profit in joint ventures and associates for the year		
Revenue	1,847,770	1,913,974
Net profit	538,835	611,177
Exchange differences on translation recognized directly in other comprehensive income	7,677	6,940
Other comprehensive income / (loss)	3,420	(2,741)

As at December 31, 2012 the Group's share in unrecognized accumulated losses of joint ventures and associates amounted to 32,570 million Tenge (2011: 68,889 million Tenge).

10. LOANS TO CUSTOMERS

As at December 31, loans to customers comprised of the following:

<i>In millions of Tenge</i>	2012	2011
Loans to large entities	2,049,953	2,018,017
Loans to individuals	718,670	640,839
Loans to small and medium business	292,957	282,042
Net investments in finance lease	56,888	53,040
Other loans	5,235	17,085
Total loans	3,123,703	3,011,023
Less: Impairment allowance	(1,071,993)	(1,262,590)
Loans to customers, net	2,051,710	1,748,433
Less: current portion	(665,326)	(667,523)
Non-current portion	1,386,384	1,080,910

Movements in the loan impairment allowance were as follows for the years ended December 31:

<i>In millions of Tenge</i>	2012	2011
Allowance at January 1	1,262,590	1,175,076
Charged, net	15,895	148,371
Written-off	(231,746)	(78,196)
Foreign currency translation	25,254	19,220
Discontinued operations	–	(1,881)
Allowance at December 31	1,071,993	1,262,590

The following table provides information on the credit quality of the loan portfolio at December 31:

<i>In millions of Tenge</i>	2012	2011
Loans for which no impairment has been identified:		
Standard loans	1,467,523	1,190,910
Less:impairment allowance	(51,004)	(69,605)
Standard loans, net of impairment allowance	1,416,519	1,121,305
Impaired loans:		
Individually impaired	1,441,378	1,638,280
Less:impairment allowance	(987,461)	(1,187,207)
Individually impaired loans, net of impairment allowance	453,917	451,073
Overdue loans:		
– less than 90 days	34,010	11,910
– over 90 days, but less than 1 year	56,208	70,934
– over 1 year	124,584	98,989
Less:impairment allowance	(33,528)	(5,778)
Overdue loans, net of impairment allowance	181,274	176,055
Total impaired loans	635,191	627,128
Total loans	2,051,710	1,748,433

The components of net investments in finance lease as at December 31 are as follows:

<i>In millions of Tenge</i>	2012	2011
Within one year	37,551	32,414
Later than one year, but not later than five years	23,662	22,440
After five years	14,164	15,208
Minimum lease payments	75,377	70,062
Less unearned finance income	(18,489)	(17,022)
Less impairment allowance	(16,104)	(2,637)
Net investment in finance leases	40,784	50,403

Kazakhmys Finance PLC

In 2012 the Group provided tranches to Kazakhmys Finance PLC in the amount of 1,200 million US Dollars (equivalent to 180,888 million Tenge at exchange rate as at December 31, 2012) with maturity periods of 15 years (2011: 600 million US Dollars

equivalent to 89,040 million Tenge at exchange rate as at December 31, 2011). The annual interest rate on the loan equals to six-months LIBOR plus a 4.80% margin. The loan was provided for the development of Bozshakol and Akbastau/Kosmurun copper fields. The loan was financed by proceeds of the loan facility of State China Development Bank (*Note 18*).

11. AMOUNTS DUE FROM CREDIT INSTITUTIONS

Amounts due from credit institutions comprised the following at December 31:

<i>In millions of Tenge</i>	2012	2011
Bank deposits	1,091,378	791,225
Amounts due from credit institutions	311,162	319,765
Less: impairment allowance	(64,133)	(62,789)
Amounts due from credit institutions, net	1,338,407	1,048,201
Less: current portion	(1,070,656)	(700,529)
Non-current portion	267,751	347,672

<i>In millions of Tenge</i>	2012	2011
10 largest local banks	907,867	806,766
Other local credit institutions	91,338	39,776
International credit institutions	339,202	201,659
	1,338,407	1,048,201

<i>In millions of Tenge</i>	2012	2011
Ratings from AAA (Aaa) to AA-(Aa3)	35,684	67,725
Rating from A+(A1) to A-(A3)	137,860	79,330
Rating from BBB+(Baa1) to BBB(Baa2)	125,928	91,557
Rating from BBB-(Baa3) to BB-(Ba3)	300,932	303,988
Rating from B+(B1) to B-(B3)	585,111	445,673
Rating is not defined	152,892	59,928
	1,338,407	1,048,201

<i>In millions of Tenge</i>	2012	2011
Amounts due from credit institutions, denominated in Tenge	789,306	619,650
Amounts due from credit institutions, denominated in US Dollars	543,015	417,535
Amounts due from credit institutions, denominated in other currencies	6,086	11,016
	1,338,407	1,048,201

As at December 31, 2012 the weighted average interest rate for amounts due from credit institutions was 4.86 % (2011: 5.53%).

The movements in allowance for impairment of amounts due from credit institutions were as follows:

<i>In millions of Tenge</i>	2012	2011
Allowance at January 1	62,789	64,125
(Recovered)/charged, net	(1,947)	599
Foreign currency translation	3,096	(1,504)
Written-off	195	(431)
Allowance at December 31	64,133	62,789

As at December 31, 2012 amounts due from credit institutions include cash of 4,982 million Tenge pledged as collateral for certain Group’s borrowings (2011: 43,346 million Tenge) (*Note 18*).

12. OTHER FINANCIAL ASSETS

Financial assets comprised the following at December 31:

<i>In millions of Tenge</i>	2012	2011
Note receivable from joint venture participant	18,222	19,499
Note receivable from associate participant	20,722	19,221
Available for sale financial assets	484,542	517,112
Equity securities	219,582	260,569
Bonds of Kazakhstan financial agencies	135,413	132,516
Treasury bills of the Ministry of Finance of the Republic of Kazakhstan	68,316	79,592
Corporate bonds	32,177	39,999
Bonds of international financial organizations	13,001	7,442
Other debt securities	24,056	5,017
Less: Impairment allowance	(8,003)	(8,023)
<i>including financial assets subject to repurchase agreement</i>	9,976	15,597
Held to maturity financial assets	51,302	124,044
Bonds of Kazakhstan financial agencies	42,596	111,828
Treasury bills of the Ministry of Finance of the Republic of Kazakhstan	8,182	10,778
Corporate bonds	524	1,044
Other debt securities	-	528
Less: Impairment allowance	-	(134)
Financial assets at fair value through profit and loss	37,256	38,816
Treasury bills of the Ministry of Finance of the Republic of Kazakhstan	19,111	18,257
Bonds of Kazakhstan financial agencies	12,917	7,026
Unquoted investments in venture capital organizations	3,266	8,673

Unquoted equity share investments	1,799	3,215
Corporate bonds	126	1,200
Other equity securities	37	-
Other debt securities	-	445
Trading securities	70,421	70,476
Bonds of Kazakhstan financial agencies	20,997	24,731
Treasury bills of the Ministry of Finance of the Republic of Kazakhstan	13,444	14,771
Corporate bonds	9,422	9,373
Other equity securities	25,668	20,946
Other debt securities	890	655
Derivative financial instruments	50,278	35,824
Options	47,638	33,581
Currency swaps	2,113	1,653
Other	527	590
Total financial assets	732,743	824,992
Less: current portion	(267,809)	(330,110)
Non-current portion	464,934	494,882

As at December 31, 2012 the interest rates for available-for-sale financial assets, held to maturity financial assets and trading securities were in the ranges from 2.3% to 17.4%, from 0.93%

to 15% and from 3.6% to 11%, respectively (2011: from 0.5% to 13%, from 0.93% to 15% and from 3.6% to 13%).

Other financial assets by currency, except for derivatives:

<i>In millions of Tenge</i>	2012	2011
Financial assets denominated in Tenge	442,444	612,897
Financial assets denominated in US Dollars	231,523	171,300
Financial assets denominated in other currency	8,498	4,971
	682,465	789,168

The changes in allowance for impairment of other financial assets are as follows:

<i>In millions of Tenge</i>	2012	2011
Allowance at January 1	8,157	8,149
Charged, net	666	2,948
Written-off	(680)	(3,105)
Discontinued operations	-	(693)
Foreign currency translation	(140)	858
Allowance at December 31	8,003	8,157

Equity securities (available for sale financial assets) – shares of "Toshiba Nuclear Energy Holdings (US) Inc." and "Toshiba Nuclear Energy Holdings UK Ltd"

In 2007, NAC KAP purchased 400 Class A ordinary shares of Toshiba Nuclear Energy Holdings US, Inc. ("TNEH-US") for 400,000 thousand US Dollars from Toshiba Nuclear Energy Investments US Inc. In addition, NAC KAP purchased 140 Class A ordinary shares of Toshiba Nuclear Energy Holdings UK, Ltd ("TNEH-UK") for 140,000 thousand US Dollars from and Toshiba Nuclear Energy Investments UK Ltd. Through the purchase of 400 Class A ordinary shares of TNEH-US and 140 Class A ordinary shares of TNEH-UK NAC KAP acquired a 10% interest in these entities. TNEH-US and TNEH-UK, own 100% interest in Westinghouse Group ("Westinghouse").

In connection and simultaneously with the acquisition of interest in TNEH-US and TNEH-UK, NAC KAP entered into a put option agreement (the "Put Option"). The Put Option provides NAC KAP with an option to sell its shares to Toshiba Corporation for 100% of the original purchase price of 540,000 thousand US Dollars for the first 67% of shares and 90% of the original purchase price for the remaining 33% of shares resulting in a total estimated exercise price of 522,180 thousand US Dollars, if certification is not received from Westinghouse of fuel assembly production by Ulba Metallurgical Plant (a subsidiary of NAC KAP). In addition to the Put Option agreement at the end of 2012 the Company and "Toshiba" Corporation signed an agreement under which the Company can use the Put Option until February 28, 2018. The Put Option was not exercised by NAC KAP at December 31, 2012.

In connection and simultaneously with the acquisition of interest in TNEH-US and TNEH-UK, NAC KAP entered into a call option agreement (the "Call Option"). The Call Option provides Toshiba Corporation with the right to demand from NAC KAP the sale of its TNEH-US and TNEH-UK shares if the Committee on Foreign Investment in the United States decides that NAC KAP is no longer a strategic partner. In such case, the fair value of NAC KAP's shares will be determined by an independent international appraiser. The Call Option was not exercised by Toshiba Corporation at December 31, 2012.

The Group has classified this investment as available for sale as this best reflects the intention of the Group and ability to hold the investment for the long term. Investments in TNEH-US and TNEH-UK are carried at cost because these investments are equity in a private company for which fair value cannot be reliably measured.

As of December 31, 2012 carrying value of investments was 66,005 million Tenge (2011: 66,005 million of Tenge).

Equity securities (available for sale financial assets) – shares of Kazakhmys PLC

Fair value of equity securities of Kazakhmys PLC as at December 31, 2012 was determined based on published quotations on active market and amounted to 111,925 million Tenge (2011: 124,876 million Tenge).

As of December 31, 2012 there is objective evidence that the historical value of the equity securities of Kazakhmys PLC available for sale, may not be recovered, due to the significant and prolonged decrease of their cost below the initial cost. In this regard, the Group reclassified unrealized loss on equity securities Kazakhmys PLC from the other comprehensive income to impairment losses in the amount of 86,103 million Tenge. The impairment losses were recognized in the amount of the difference between the fair value and the historical value of the equity securities of Kazakhmys PLC.

Equity securities (available for sale financial assets) – shares of Kazkommertsbank JSC

As of December 31, 2012 the fair value of shares of Kazkommertsbank amounted to 24,828 million Tenge (2011: 36,306 million Tenge).

As of December 31, 2012 there is objective evidence that the historical value of the equity securities of Kazkommertsbank available for sale, may not be recovered, due to the significant and prolonged decrease of their cost below the initial cost. In this regard, the Group reclassified unrealized loss on equity securities of Kazkommertsbank from the other comprehensive income to impairment losses in the amount of 60,745 million Tenge. The impairment losses were recognized in the amount of the difference between the fair value and the historical value of the equity securities of Kazkommertsbank.

Sale of equity securities (available for sale financial assets) – shares of Halyk Bank of Kazakhstan JSC

On May 28, 2012, Holding Group "ALMEX" JSC and Halyk Bank Kazakhstan JSC signed an agreement to assign rights for an option on preferred shares of Halyk Bank Kazakhstan JSC.

In accordance with this agreement on June 29, 2012 and July 5, 2012 Halyk Bank Kazakhstan JSC partially exercised its rights and acquired 150,000,000 and 40,000,000 of its preferred shares with a price of 179.94 Tenge and 180.21 Tenge per share. Total realizable value of treasury shares amounted to 34,199 million Tenge.

After selling Halyk Bank Kazakhstan JSC preferred shares with a fair value of 27,057 million Tenge and 7,215 million Tenge respectively at the date of disposal, the Fund ceased recognition of the relevant option obligation on the purchase of these preferred shares, the fair value of which on the disposal date amounted to 2,770 million Tenge and 739 million Tenge respectively.

The unrealized gain of 1,394 million Tenge on the revaluation of available-for-sale investments on preferred shares of Halyk Bank Kazakhstan JSC was reclassified from revaluation reserve for investments available for sale to loss for the period. The resulting net gain on disposal of financial assets was recorded in the

consolidated statement of comprehensive income in the amount of 4,830 million Tenge.

As of December 31, 2012 the fair value of shares of Halyk Bank amounted to 1,028 million Tenge (2011: 30,149 million Tenge).

13. OTHER NON-CURRENT ASSETS

Other non-current assets comprised the following at December 31:

<i>In millions of Tenge</i>	2012	2011
Advances paid for non-current assets	291,659	184,242
Long-term VAT recoverable	47,616	71,760
Prepaid expenses	24,536	7,118
Assets for sale to the Government	14,239	9,011
Long-term inventory	13,201	11,160
Restricted cash	9,056	7,699
Other	40,637	17,221
Less: Impairment allowance	(20,673)	(15,874)
	420,271	292,337

Movements in impairment allowance for VAT recoverable are as follows:

<i>In millions of Tenge</i>	2012	2011
At January 1	15,874	26,326
Foreign currency translation	310	-
Charged/(recovered)	3,663	(9,940)
Written off	95	(512)
Transfers to assets classified as held for sale	731	-
Allowance at December 31	20,673	15,874

As at December 31, 2012, advances paid for non-current assets are mainly represented by advances paid for construction and purchase of property, plant and equipment.

14. INVENTORIES

Inventories comprised the following at December 31:

<i>In millions of Tenge</i>	2012	2011
Refined products for sale	64,654	69,242
Owned bid security	61,736	38,115
Crude oil	50,717	42,221
Work in process	41,085	44,299
Goods for resale	34,447	17,081
Uranium products	29,860	30,244
Production materials and supplies	28,954	29,762
Oil and gas industry materials and supplies	17,896	21,209
Fuel	15,651	18,663
Railway materials and supplies	14,523	14,149
Gas refinery products	12,865	18,516
Electric transmission equipment spare parts	3,238	3,364
Telecommunication equipment spare parts	2,837	2,962
Uranium materials and supplies	1,488	1,318
Other materials and supplies	49,468	40,047
Less: write-down to net realizable value	(20,627)	(15,735)
	408,792	375,457

15. TRADE ACCOUNTS RECEIVABLE AND OTHER CURRENT ASSETS

Trade accounts receivable comprised the following at December 31:

<i>In millions of Tenge</i>	2012	2011
Trade accounts receivable	371,070	296,887
Less: allowance for doubtful debts	(28,813)	(20,758)
	342,257	276,129

Other current assets comprised the following at December 31:

<i>In millions of Tenge</i>	2012	2011
Advances paid and deferred expenses	102,403	109,634
Asset to the advantage of the Shareholder	76,720	74,805
Dividends receivable (Note 9)	34,635	34,645
Prepayment to the Shareholder on dividends	-	9,077
Other taxes prepayment	23,301	8,258

Restricted cash	15,955	651
Amounts due from employees	5,001	2,509
Other accounts receivable	48,427	45,508
Other	27,213	28,415
Less: impairment allowance	(35,949)	(38,291)
	297,706	275,211

At December 31, 2012 the Group's receivables amounting to 91,460 million Tenge were pledged under loan agreements (2011: 26,926 million Tenge).

Changes in the allowance for impairment of trade accounts receivable and other current assets were as follows:

<i>In millions of Tenge</i>	2012	2011
Reserve at January 1	59,049	52,256
Change in accounting estimate	(1,771)	(10)
Charge for the year, net	10,072	7,579
Foreign currency translation	693	(228)
Write-off	(2,512)	(39)
Transfers to assets classified as held for sale (Note 6)	(763)	(217)
Loss of control over subsidiary	(6)	(292)
Allowance at December 31	64,762	59,049

As at December 31, 2012 and 2011 trade accounts receivable and other current assets were not interest bearing.

As at December 31 the ageing analysis of trade receivables, is as follows:

<i>In millions of Tenge</i>	Total	Neither past due nor impaired	Past due but not impaired				
			<30 days	30 – 60 days	60 – 90 days	90 – 120 days	>120 days
2012	342,257	297,013	19,528	15,999	3,109	1,586	5,022
2011	276,129	165,935	69,140	28,226	2,303	1,502	9,023

16. CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprised the following at December 31:

<i>In millions of Tenge</i>	2012	2011
Bank deposits – Tenge	240,462	173,636
Bank deposits – US Dollars	123,752	254,521
Bank deposits – other currency	9,393	11,834
Current accounts with banks – Tenge	609,529	845,206
Current accounts with banks – US Dollars	382,164	268,722
Current accounts with banks – other currency	24,326	22,598
Cash on hand	61,474	63,802

Reverse repurchase agreements with other banks with contractual maturity of three months or less	14,051	5,915
Cash in transit	397	381
	1,465,548	1,646,615

As at December 31, 2012 the Group's cash and cash equivalents are not restricted in use. (2011: 3,881 million Tenge).

Short-term deposits are placed for varying periods of between one day and three months, depending on the immediate cash requirements of the Group. As of December 31, 2012 the weighted average interest rate for time deposits with banks and current accounts was 1.91% and 0.52%, respectively (2011: 1.47% and 0.39%).

Total amount of Group's cash balances on bank accounts include funds received from the State budget and National Fund

for Government programs. As at December 31, 2012 these cash balances were accumulated on the accounts with the National Bank and amounted to 395 billion Tenge (2011: 435 billion Tenge), including:

- 247 billion Tenge (2011: 279 billion Tenge) – resources of National Fund, received under Stabilization Plan;
- 6 billion Tenge (2011: 9 billion Tenge) – funds from the State budget received to provide financing of projects implemented by the Fund;
- 142 billion Tenge (2011: 147 billion Tenge) – the Fund's cash balance required for operating and investing activities.

17. EQUITY

17.1 Share capital

During 2012 and 2011 the Fund issued shares, which were contributed as follows:

Payment for shares	Number of shares authorized and issued	Par value, in Tenge	Share capital, in Millions of Tenge
As at December 31, 2010	3,479,076,667		3,891,909
Contributions in cash	1,451,337	1,000,000; 100,000; 1,000	147,552
Contributions of property	44,813	100,000; 10,000; 1,945; 1,000	4,458
Contributions of state-owned shares	64,638	100,000; 34,647; 1,353	6,464
As at December 31, 2011	3,480,637,455		4,050,383
Contributions in cash	120,000	100,000	12,000
Contributions of property	350,282	100,000; 93,549; 90,092; 80,000; 72,800; 23,156	35,028
Contributions of state-owned shares	418,402	1,000,000; 282,174; 100,000; 46,000; 40,600	311,903
As at December 31, 2012	3,481,526,139		4,409,314

As at December 31, 2012 3,481,526,139 shares (2011: 3,480,637,455 shares) were fully paid.

On April 19, 2012 state-owned shares of Arkagas JSC in the amount of 4,110 million Tenge were transferred to the Fund.

On June 28, 2012 state-owned 100% shares of FPSAIMC were transferred to the Fund as contribution to share capital at fair value

as at the acquisition date in the amount of 300,070 million Tenge (Note 5).

On December 20, 2012 the Government of RK contributed to the Fund 100% share in EK REC with the fair value of as of the date of transfer of 7,723 million Tenge. Assets and liabilities of EK REC were accounted for at carrying amounts in their financial statements. The difference between carrying amounts of net assets and amount of issued share capital in the amount of 4,149 million Tenge was

recorded as decrease of retained earnings in consolidated statement of changes in equity (*Note 5*).

In 2012 shares issued by the Fund were paid by the transfer of property in the amount of 35,028 million Tenge.

17.2 Discount on loans from the Government and on bonds purchased by the National Bank of RK

During 2012, the Fund received loans from the Government, bearing lower-than-market interest rates. Bonds discount at initial recognition in the amount of 89,617 million Tenge was recognized in the consolidated statement of changes in equity (2011: 21,793 million Tenge).

In 2012 amendments to the terms of the bonds placed with the Fund and bought by National Bank of RK were registered. In accordance with these changes, the term of the bonds payable were prolonged to 2062 and the interest rates were reduced to 0.01%. The amendments resulted in a substantial modification of the terms of the existing financial liability, and respectively, the extinguishment of the original financial liability and the recognition of a new financial liability in accordance with IAS 39. The difference of 304,650 million Tenge, between the fair value of the new liability and the carrying value of the liability, was recognized in the consolidated statement of changes in equity.

17.3 Dividends

Dividends attributable to equity holder of the parent

On January 19, 2012 the Government decree No. 139 approved the order of distribution of the Fund's net income for 2010 of 2 Tenge 61 Tyin per share amounting to 9,077 million Tenge (2011: 7,056 million Tenge). In accordance with the order of distribution this amount was netted against Prepayment to the Shareholder on dividends (*Note 15*).

In accordance with the Decree No.850 of the Government of the Republic of Kazakhstan dated June 26, 2012, on June 28, 2012 the Fund paid dividends to the Shareholder of 45 Tenge 71 Tyin per share amounting to 159,113 million Tenge for 2011.

Dividends attributable to non-controlling interest

According to the decision of the General Shareholders Meeting held on May 8, 2012, Kazakhtelecom JSC declared additional dividends on preferred shares in the amount of 7,868 million Tenge and dividends on ordinary shares in the amount of 217,235 million Tenge (2011: 45 million Tenge and 2,877 million Tenge, respectively). The share of non-controlling interest in the dividends declared amounted to 114,312 million Tenge (2011: 2,922 million Tenge).

In 2012, the Group paid dividends of 34,322 million Tenge to the holders of non-controlling interest in KMG EP (2011: 22,167 million Tenge).

In 2012 dividends paid to other non-controlling interest of 1,663 million Tenge (2011: 1,620 million Tenge).

17.4 Change in ownership interests of subsidiaries – capital contribution by non-controlling interest

2012

Kaztransoil JSC

As part of People's IPO program, KTO sold on the Kazakhstan Stock Exchange on December 25, 2012 common shares of 38,463,559 at 725 Tenge per share for 27,886 million Tenge, and incurred consulting costs related to the issuance of shares in the amount of 566 million Tenge. The carrying value of minority interest recognized as a result of the transaction totaled 29,178 million Tenge. The difference between proceeds from issuance of shares and increase in minority interest in the amount of 1,858 million Tenge was charged to retained earnings.

Other changes in ownership of subsidiaries

During 2012 other changes in ownership interests of subsidiaries as a result of contributions by non-controlling interest decreased retained earnings by 144 million Tenge and non-controlling interest by 1,365 million Tenge.

2011

Alliance Bank JSC

On August 25, 2011, the shareholders of Alliance bank approved a reduction in the minimum guaranteed dividend of preferred shares from 2,680 Tenge per share to 100 Tenge per share.

Accordingly, the liability component was remeasured at the discounted net present value of the revised minimum guaranteed dividends of 100 Tenge per share at the effective interest rate of the instrument. The change in the liability component amounting to 19,461 million Tenge is recorded as an increase in non-controlling interest.

National Atomic Company Kazatomprom JSC

According to the terms of the sale agreement of 49% share in Semizbai-U LLP (*Note 25*) combined instrument that contained equity component and debt component was initially recognized. In connection with revision of strategic plan of Semizbai-U LLP caused by the decrease of market price of uranium products the

instrument was revalued at the net present value and resulted in equity component equal to zero. Change of the equity component resulted in increase of retained earnings by 5,833 million Tenge and corresponding decrease in non-controlling interest.

Other changes in ownership of subsidiaries

During 2011 other changes in ownership interests of subsidiaries as a result of contributions by non-controlling interest increased retained earnings by 104 million Tenge and non-controlling interest by 1,488 million Tenge.

17.5 Change in ownership interests of subsidiaries – acquisition of non-controlling interest

2012

BTA Bank

As part of debt restructuring plan of BTA Bank approved in December 2012 (Note 32) the Fund acquired newly issued ordinary shares of BTA Bank and increased its shares from 81.48% to 97.28%. As a result of this transaction the Fund recognized a decrease in retained earnings of 123,902 million Tenge and an increase of the non-controlling interest of 126,033 million Tenge in the consolidated financial statements.

Other changes in ownership of subsidiaries

During 2012 other changes in ownership interests of subsidiaries were as a result of acquisition of non-controlling interest increased non-controlling interest by 9,539 million Tenge.

2011

BTA Bank

In April 2011, BTA Bank acquired additional shares of JSC Accumulative Pension Fund Ular-Umit ("Ular-Umit") and JSC Pension Asset Management Company Zhetysu ("Zhetysu"), increasing its stake in these institutions from 75.00% to 100.00%.

As a result of the above-mentioned acquisitions:

- Non-controlling interest decreased by 3,506 million Tenge; and
- 3,079 million Tenge relating to the difference between the carrying values of the net assets attributable to acquired interests in these subsidiaries and the consideration paid was allocated to retained earnings.

On April 29, 2011, the Committee for the Control and Supervision of Financial Market and Financial Institutions of the National Bank of Kazakhstan (the "Committee") adopted a resolution to grant

a permission for voluntary reorganization of Ular-Umit and JSC APF BTA Kazakhstan, a subsidiary company of BTA Bank ("BTA Kazakhstan"), by merging BTA Kazakhstan to Ular-Umit. Ular-Umit on the basis of the act of transfer and acceptance took over the property, rights and obligations of BTA Kazakhstan. The process of pension funds merging was performed through a placement of shares to existing shareholders in proportion to the ratio of sale price of BTA Kazakhstan shares to an issue price of Ular-Umit shares. The share exchange procedure was initiated in May and completed in September 2011. As a result, the share of BTA Bank in the share capital of Ular Umit decreased from 100.00% to 92.38%.

NC KMG

In November 2011, NC KMG increased its ownership in Rompetrol Georgia by 1%, increasing it to 99%. As a result of the change in ownership the difference of 1,858 million Tenge between the carrying values of the net assets attributable to the acquired interests in the subsidiary of 1,778 million Tenge and the consideration paid of 80 million Tenge was recorded in the retained earnings in 2011.

National Company Kazakhstan Engineering JSC

In accordance with the Regulation of the Government of the Republic of Kazakhstan No.1356 dated November 19, 2011 state-owned shares of National Company Kazakhstan Engineering JSC were transferred to the Fund which resulted in an increase of the Fund's ownership share from 61% to 100%. As a result of the change in ownership the difference of 680 million Tenge between the carrying values of the net assets attributable to the acquired interests in the subsidiary of 5,708 million Tenge and the consideration paid of 6,388 million Tenge was recorded in the retained earnings in 2011.

17.6 Acquisition of treasury shares by subsidiary

KMG EP

In 2012, KMG EP, in accordance with the share repurchase program, increased its treasury stock by 2,205,813 preferred shares repurchased for 36,203 million Tenge (2011: 938,479 preferred shares repurchased for 15,746 million Tenge). The carrying value of the acquired non-controlling interest was 42,512 million Tenge as of December 31, 2012 (2011: 14,892 million Tenge). The difference of 6,309 million Tenge between the amount paid and the carrying value of acquired non-controlling interest was recognized in retained earnings in 2012 (2011: 854 million Tenge).

17.7 Other distributions to the Shareholder

Construction and transfer of facilities

During the year, ended December 31, 2012, other distributions to the Shareholder represent an obligation, under a Government decree, in relation to the construction of the following objects in Astana city: Kazakhstan History Museum, Building for a teleradio-complex, Ice Palace and reconstruction of the World Expo-Center (the Expo-Center”) in Moscow. The Group has recognized a constructive obligation of which the amount of future probable cash outflows is reliably measured (Note 4). During 2012, the Group made a provision of 2,451 million Tenge (2011: 3,959 million Tenge) for the reconstruction of the Expo-Center and increased provision for construction of the facilities in Astana by 33,509 million Tenge (2011: 33,568 million Tenge) which were recognized in equity as distribution to the Shareholder.

Additionally, in 2012, the Group recognized distribution to the shareholder in the amount of 13,537 million Tenge related to the Group’s obligations on the transfer of the North-Caspian ecological base for oil spill response to the Ministry of Emergency Situations of the Republic of Kazakhstan.

Sponsorships under the Shareholder’s request

During the year ended December 31, 2012 in accordance with the Resolution of the Government, the Group provided sponsorship totaling to 14,393 million Tenge (2011: 5,000 million Tenge) for financing social, cultural and sporting activities that were recognized as other distributions to the Shareholder.

17.8 Currency translation reserves

The currency translation reserve is used to record exchange differences arising from the translation of financial statements of the subsidiaries, whose functional currency is not Tenge and whose financial statements are included in the consolidated financial

statements in accordance with the accounting policy disclosed in Note 3.

17.9 Other capital reserves

Other capital reserves include the effect of cash flow hedge accounting to record any fair value gains or losses on the designated derivative financial instruments in a hedging reserve within equity. These gains or losses are subsequently recycled to the profit and loss as transactions are settled.

Other capital reserves also include remuneration of employees for the services rendered in the form of share-based payments with equity instruments of a subsidiary in which they are employed. The cost of equity-settled remunerations is recognized, together with a corresponding increase in other capital reserves, over the period in which performance and/or service conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award.

17.10 Earnings per share

Basic earnings per share amounts are calculated by dividing net profit for the year attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the year.

Diluted earnings per share amounts are calculated by dividing net profit attributable to ordinary equity holders of the parent (after adjusting for interest on convertible preferred shares) by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on conversion of all dilutive potential ordinary shares into ordinary shares.

The following table reflects the income and share data used in the basic and diluted earnings per share computations:

<i>In millions of Tenge</i>	2012	2011
Net profit from continuing operations attributable to ordinary equity holders of the parent	965,776	317,681
Net profit from a discontinued operation attributable to ordinary equity holders of the parent	99,341	12,354
Net profit attributable to ordinary equity holders of the parent for basic earnings calculation	1,065,117	330,035
Weighted average number of ordinary shares for basic and diluted earnings per share	3,481,160,098	3,479,495,342

17.11 Book value of shares

In accordance with the decision of the Exchange Board of the Kazakhstan Stock Exchange JSC ("KASE") dated October 4, 2010

financial statements shall disclose book value per share (ordinary and preferred) as of the reporting date, calculated in accordance with the KASE rules.

<i>In millions of Tenge</i>	2012	2011
Total assets	15,235,127	13,413,405
Intangible assets	(358,228)	(306,989)
Total liabilities	(7,843,596)	(7,683,802)
Net assets for ordinary shares	7,033,303	5,422,614
Number of ordinary shares as of December 31	3,481,526,139	3,480,637,455
Book value per ordinary share, Tenge	2,020	1,558

18. BORROWINGS

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

<i>In millions of Tenge</i>	2012	2011
Fixed interest rate borrowings	3,046,187	3,156,776
Weighted average interest rate	7.14%	8.19%
Variable interest rate borrowings	1,150,434	1,040,000
Weighted average interest rate	4.53%	4.56%
	4,196,621	4,196,776
Less: amounts due for settlement within 12 months	(679,075)	(550,740)
Amounts due for settlement after 12 months	3,517,546	3,646,036

<i>In millions of Tenge</i>	2012	2011
US Dollar-denominated borrowings	3,652,451	3,582,382
Tenge-denominated borrowings	439,585	469,198
Other currency-denominated borrowings	104,585	145,196
	4,196,621	4,196,776

Under the terms and conditions of certain borrowing agreements, respective subsidiaries of the Group are obliged to comply with certain covenants. At December 31, 2012 and 2011, Group management believes that the Group's subsidiaries complied with all the covenants.

Credit facility of State China Development Bank

Within credit line with State China Development Bank in 2012 the Group received loans of 1,200 million US Dollars (equivalent to 179,305 million Tenge at the exchange rate as at the date of receipt). The purpose of the loans is granting loans to Kazakhmys Finance PLC for the development of copper deposits Bozshakol and Akbastau/Kosmurun.

Eurobonds issue

On July 10, 2012 and November 8, 2012, the Kazakhstan temir Zholy Finance B.V. subsidiary of NC KTZh issued Eurobonds totalling 800 million US Dollars and 300 million US Dollars, respectively (equivalent to 120,632 million Tenge and 45,237 million Tenge respectively). Such Eurobonds are guaranteed by NC KTZh and its subsidiaries: Kaztemirtrans JSC and Lokomotiv JSC. Interest is payable semi annually on January 10 and July 10, and the Eurobonds mature on July 10, 2042.

The Eurobonds contain covenants that place certain limitations on changes in the business and the disposal of property, and limitations on mergers and consolidations with other legal entities. In the case

of payment default as defined by the Eurobond indenture, investors are entitled to require repayment of the Eurobonds.

Loan related to Karachaganak and other projects

In June 2012 for the purpose of acquisition of 5% share in Karachaganak through 50% in FPSAIMC (Note 5), the Group concluded a loan agreement between NC KMG, Agip Karachaganak B.V., BG Karachaganak Limited, Chevron International Petroleum Company, Lukoil Overseas Karachaganak B.V (further – Consortium) and FPSAIMC for the total the amount of 1 billion US Dollars with the interest rate of 1.25 times (Libor+3%) per annum. The principal is repaid in equal monthly installments from cash inflows from the project maturing within 3 years. Under this agreement the Group has undertaken to provide the collateral in the form of 5% share in the Project to the Consortium. As of December 31, 2012 the loan payable to the Consortium amounted to 130,194 million Tenge.

During 2012, within the framework of the credit line agreement with fixed interest rate concluded between KazMunayGaz – Refining and Marketing JSC (“KMG RM”) subsidiary of NC KMG and Halyk Bank JSC in 2011, KMG RM's subsidiary, Eurasia Munai Impex LLP, received 493 million US Dollars (equivalent to 73,511 million Tenge) of loan proceeds. As for December 31, 2012 the liability with respect to principal amount was fully repaid (2011: 170 million US Dollars or 25,228 million Tenge).

In 2012 Pavlodar Oil Chemistry JSC (“PNHZ”), subsidiary of KMG RM, received 40,462 million Tenge of loan proceeds under the

credit line agreement with Halyk Bank JSC. As at December 31, 2012, KMG RM's liability with respect to principal and interest accrued were 32,100 million Tenge (2011: nil).

During 2012, Rompetrol, subsidiary of NC KMG entered into a loan agreement with four banks (JP Morgan, Citibank, Unicredit and RBS) for the total amount of 250 million US Dollars (equivalent to 37,278 million Tenge). As at December 31, 2012, liability with respect to principal and interest accrued amounted to 38,040 million Tenge (2011: nil).

Process of restructuring of its financial liabilities of BTA Bank

On December 24, 2012 the Bank successfully completed the process of restructuring of its financial liabilities. The relevant decision was taken on December 28, 2012 by the Specialized Financial court of Almaty.

Completion of all procedures under the Restructuring plan resulted in the restoration of the Bank's equity and regulatory capital as at December 31, 2012. As a result, at that date, the Group maintains a capital adequacy ratio of 1 level at not less than 10.0% calculated in accordance with the recommendations of the Basel Committee on Banking Supervision, also the Bank complies with capital adequacy ratios established by the Committee on Control and Supervision of Financial Organizations of National Bank of RK for the second tier banks.

Within the framework of restructuring, certain financial debt of the Bank subject to restructuring was cancelled. In return, the Bank paid to creditors in cash the amount of 1,618 million US Dollars, which is equivalent to 243,978 million Tenge, issued new financial liabilities, signed the Second and Third Supplemental Deed of Amendment and Restatement to Revolving Committed Trade Finance Facility and converted deposits placed by the Fund into common shares (*Note 17.5*).

19. LOANS FROM THE GOVERNMENT OF THE REPUBLIC OF KAZAKHSTAN

Loans from the Government of the Republic of Kazakhstan comprised the following at December 31:

<i>In millions of Tenge</i>	2012	2011
Loans from the Government of the Republic of Kazakhstan	770,641	869,715
Less: amounts due for settlement within 12 months	(559,831)	(438,968)
Amounts due for settlement after 12 months	210,810	430,747

2012

As of December 31, 2012 the loans from the Government of the Republic of Kazakhstan comprised a loan obtained by BTA Bank and Alliance Bank, under repurchase agreements under the pledge of debt securities of the Fund, from National Bank of RK in the amount of 603,940 million Tenge (2011: 430,928 million Tenge). As of December 31, 2012 the amortized cost of these debt securities was 553,744 million Tenge (2011: 424,638 million Tenge).

In 2012 the Fund placed 73,000,000 and 70,196,000 coupon bonds with nominal value of 1,000 Tenge per bond for the total amount of 73,000 million Tenge and 70,196 million Tenge respectively. The maturity of bonds are 50 years and 12 years, coupon interest at the amount of 0.01% and 4% shall be paid semi-annually. All bonds were purchased by the National Bank of RK. When initially recognized, these loans were measured at fair value using appropriate market interest rates effective for the Fund as of the date of bonds issue and subsequently are carried at amortized cost. The

difference between nominal cost of loans and their fair value at the amount of 82,646 million Tenge was recognized in the consolidated statement of changes in equity (*Note 17.2*). Funds received from sale of bonds were used for the loan provided for BTA Bank (*Note 32*) as part of restructuring liabilities of BTA Bank JSC.

In 2012 amendments to the terms of the bonds placed with the Fund and bought by National Bank of RK were registered. In accordance with these changes, the term of the bonds payable were prolonged to 2062 and the interest rates were reduced to 0.01%. The amendments resulted in a substantial modification of the terms of the existing financial liability, and respectively, the extinguishment of the original financial liability and the recognition of a new financial liability in accordance with IAS 39. The difference of 304,650 million Tenge, between the fair value of the new liability and the carrying value of the liability, was recognized in the consolidated statement of changes in equity (*Note 17.2*).

In accordance with the Law of the Republic of Kazakhstan “On Republican budget for 2012-2014” dated November 24, 2011, on August 13, 2012 and November 22, 2012 the Fund obtained loans from the Ministry of Finance of the Republic of Kazakhstan. The total amount of loans is 15,285 million Tenge with nominal interest rates ranging between 0.15% and 0.5%. Loans were granted for the period ranging from 10 to 25 years.

When initially recognized, these loans were measured at fair value equal to 8,314 million Tenge using appropriate market interest rate and subsequently are carried at amortized cost. The difference between nominal cost of loans and their fair value in the amount of 6,971 million Tenge was recognized in the consolidated statement of changes in equity (*Note 17.2*).

2011

In accordance with the Law of the Republic of Kazakhstan “On Republican budget for 2011-2013” dated November 29, 2010, in 2011 the Fund obtained loans from the Ministry of Industry and New Technologies of the Republic of Kazakhstan. The total amount of loans is 46,600 million Tenge with interest rates ranging between 0.1% and 0.5%. Loans were granted for the period ranging from 10 to 25 years.

When initially recognized, these loans were measured at fair value equal to 24,801 million Tenge using appropriate market interest rate and subsequently are carried at amortized cost. The difference between nominal cost of loans and their fair value in the amount of 21,793 million Tenge was recognized in the consolidated statement of changes in equity.

As of December 31, 2012 the effective interest rates for the loans are from 0.32% to 6.21% per annum (2011: from 0.33% to 7.34%).

20. OTHER NON-CURRENT LIABILITIES

As of the reporting date other non-current liabilities included the following:

Payables for acquisition of participation in a project

On October 31, 2008 all participants of NCP signed an agreement according to which all project participants except for KMG Kashagan B.V. agreed to partially sell their interest in the project on proportional basis in order to increase the interest of KMG Kashagan B.V. in NCP from 8.33% to 16.81% retrospectively from January 1,

2008. The acquisition cost consisted of fixed amount of 1.78 billion US Dollars (263 billion Tenge) plus annual interest at LIBOR + 3%, which annually is capitalised with the principal amount. The given debt obligation is pledged by the additional 8.48% interest acquired. As at December 31, 2012 the amortized cost of this payable was 339,550 million Tenge, from which 113,183 million Tenge was included in other current liabilities (2011: 320,927 million Tenge). As at December 31, 2012, the carrying value of pledged assets (property, plant and equipment and exploration and evaluation assets) was 694,500 million Tenge (2011: 622,925 million Tenge).

21. FINANCE LEASE LIABILITIES

The Group has finance leases for various items of property, plant and equipment, mainly aircraft, telecommunication equipment and rolling stock.

In 2012 the JSC Air Astana acquired four aircraft under fixed interest finance lease agreements. The lease term for each aircraft is twelve years. The JSC Air Astana has the option to purchase each aircraft for a nominal amount at the end of the lease. Loans provided by financial institutions to the lessor in respect of the three new Airbus are guaranteed by European Export Credit Agencies. The JSC Air Astana obligations under finance leases are secured by the lessors'

title to the leased assets, which have a carrying value of 27,397 million Tenge (2011: nil).

As at December 31, 2012 calculation of interest amounts was based on effective interest rates ranging from 3.02% to 17.28% (2011: from 5% to 17.28%).

Future minimum lease payments under finance leases together with the present value of the net minimum lease payments comprised the following at December 31:

<i>In millions of Tenge</i>	2012	
	Minimum lease payments	Present value of minimum lease payments
Within one year	11,848	8,426
Two to five years inclusive	26,789	20,000
After five years	17,234	15,312
Less: amounts representing finance charges	(12,133)	-
Present value of minimum lease payments	43,738	43,738
Less: amounts due for settlement within 12 months		(8,425)
Amounts due for settlement after 12 months		35,313
<i>In millions of Tenge</i>	2011	
	Minimum lease payments	Present value of minimum lease payments
Within one year	10,871	8,451
Two to five years inclusive	16,122	12,067
After five years	2,954	2,240
Less: amounts representing finance charges	(7,189)	-
Present value of minimum lease payments	22,758	22,758
Less: amounts due for settlement within 12 months		(8,451)
Amounts due for settlement after 12 months		14,307

22. PROVISIONS

Provisions comprised the following at December 31:

<i>In millions of Tenge</i>	Asset retirement obligations	Provision for environmental liability	Provision for taxes	Provision for bank letters of credit and guarantees	Other	Total
Provision at December 31, 2010	33,981	29,569	24,933	540	92,938	181,961
Foreign currency translation	59	(71)	218	16	18	240
Change in estimate	(2,509)	152	-	126	2,809	578
Unwinding of discount	2,357	62	-	-	1,115	3,534
Provision for the year	3,026	565	15,315	5,844	40,322	65,072
Additions through business combinations (Note 5)	-	-	-	-	580	580
Discontinued operation	-	-	-	(301)	-	(301)
Use of provision	(863)	(1,284)	(5,812)	(58)	(8,014)	(16,031)
Reversal of unused amounts	(9)	(555)	(11,718)	(31)	(1,148)	(13,461)
Provision at December 31, 2011	36,042	28,438	22,936	6,136	128,620	222,172
Foreign currency translation	784	257	3	35	(441)	640
Change in estimate	6,171	(1,330)	-	677	(161)	5,357
Unwinding of discount	2,590	79	-	-	57	2,726
Provision for the year	17,161	8,145	2,975	115	56,187	84,583
Additions through business combinations (Note 5)	7,500	-	-	-	-	7,500
Use of provision	(665)	(483)	(69)	-	(35,978)	(37,195)
Reversal of unused amounts	-	(298)	(17,096)	(3,852)	(4,021)	(25,267)
Provision at December 31, 2012	69,583	34,808	8,749	3,111	144,263	260,514

Current portion and long-term portion are segregated as follows:

<i>In millions of Tenge</i>	Asset retirement obligations	Provision for environmental liability	Provision for taxes	Provision for bank letters of credit and guarantees	Other	Total
Current portion	748	1,967	22,344	3,699	122,850	151,608
Long-term portion	35,294	26,471	592	2,437	5,770	70,564
Provision at December 31, 2011	36,042	28,438	22,936	6,136	128,620	222,172
Current portion	1,216	3,489	8,749	804	109,944	124,202
Long-term portion	68,367	31,319	-	2,307	34,319	136,312
Provision at December 31, 2012	69,583	34,808	8,749	3,111	144,263	260,514

During 2012 KTO, subsidiary of NC KMG recognized provision on asset retirement obligation in the amount of 15,084 million Tenge. In 2012 unwinding of discount amounted to 447 million Tenge. As of December 31, 2012 the carrying value of the asset retirement obligation was equal to 15,531 million Tenge (2011: nil). Additional description of these provisions, including critical estimates and judgments, is included in *Note 4*.

PROVISIONS ON CONSTRUCTION OF SOCIAL OBJECTS IN OTHER PROVISIONS

As of December 31, 2012, other provisions include provisions of subsidiaries for construction of social objects under the Government's assignments. NC KMG made provisions for construction of the History Museum in the amount of 6,350 million Tenge (2011: 19,787 million Tenge), and for reconstruction of the Expo-Center in the amount of 6,191 million Tenge (2011: 3,799 million Tenge).

In 2010 the NC KTZh entered into an irrevocable commitment to construct a building for a teleradio complex in the amount of 27,130 million Tenge, and in 2011, the NC KTZh entered into a similar commitment with respect to fitting out the complex in the amount of 28,125 million Tenge. In 2011 NC KTZh also acquired the land on which the teleradio complex was built in the amount of 489 million Tenge. In July 2012 the teleradio complex (excluding the fit out thereof) together with the land on which it was located was transferred to the Shareholder. This resulted in a reduction of Assets held for the benefit of the Shareholder and the related provision of 30,688 million Tenge.

Also in 2012 NC KTZh entered into an irrevocable commitment with the Government to construct a multifunctional ice palace in Astana. The value of that commitment was estimated by management to be the value of the related construction contract, amounting to 25,147 million Tenge. The commitment amount has been recognized as a other provision above, and is considered non-current due to the expectation that the commitment will be fulfilled upon completion of construction planned for August 2014.

23. EMPLOYEE BENEFIT LIABILITY

STATE CONTRIBUTION SCHEME

The Group pays social tax according to the current statutory requirements in the Republic of Kazakhstan. Social tax and payroll are expensed as incurred.

The Group also withholds and contributes up to 10% from salaries of its employees as the employee contribution to their cumulative pension funds. These amounts are expensed in the period they are incurred.

DEFINED BENEFIT PLAN

Employee benefit liabilities under this plan are payable in accordance with labour union agreements concluded between certain subsidiaries of the Group (National Company KazMunayGas JSC, National Company Kazakhstan Temir Zholy JSC, Kazakhtelecom JSC and Samruk-Energy JSC) and employees of those subsidiaries.

The total liability for the Group's Defined Benefit Plan comprised the following as at December 31:

<i>In millions of Tenge</i>	2012	2011
Present value of defined benefit obligation	49,979	41,539
Liability falling due within one year	(4,039)	(3,631)
Liability falling due after one year	45,940	37,908

A reconciliation of the present value of the defined benefit plan liability with specified payments is as follows for the years ended December 31:

<i>In millions of Tenge</i>	2012	2011
Total liability at the beginning of the year	41,539	32,233
Current service cost	3,390	2,296
Past service cost	1,324	2,145
Interest cost	3,316	2,880
Benefits paid during the year	(4,504)	(4,136)

Unrecorded past service cost	645	80
Actuarial loss recognized during the year	4,283	6,041
Discontinued operations	(14)	-
Total liability at the end of the year	49,979	41,539

Actuarial loss recognized for the years ended December 31, 2012 and 2011 results primarily from changes in assumptions relating to future salary increases and actual annual salary increase, as well as from demographic changes.

Current service cost, interest cost, past service cost, unrecorded past service cost and actuarial loss in the aggregate amount of 12,958 million Tenge were recorded in the consolidated statement

of comprehensive income within personnel costs in 2012 (2011: 13,442 million Tenge).

Estimates of the Group's liabilities were made on the basis of published statistical data regarding mortality and actual Group's data concerning number, age, gender and years of employee service. Other principal assumptions at the balance sheet date, calculated as weighed average for all plans, were as follows:

	2012	2011
Discount rate	7.21 %	7.93 %
The expected rate of future annual material assistance increases	7.71 %	9.21 %
The expected rate of future annual minimum salary increases	5.52 %	6.35 %
The expected rate of future annual railway ticket price increases	3.08 %	2.53 %

The Defined Benefit Plans are unfunded.

24. AMOUNTS DUE TO CUSTOMERS

<i>In millions of Tenge</i>	2012	2011
Time deposits:	533,946	515,066
Legal entities	82,337	91,683
Individuals	442,539	410,304
Government organizations	9,070	13,079
Current accounts:	196,271	205,535
Legal entities	105,442	125,895
Individuals	78,290	66,346
Government organizations	12,539	13,294
Guarantees and other deposits with restrictive covenants:	12,504	16,043
Legal entities	6,699	10,331
Individuals	5,466	5,595
Government organizations	339	117
Amounts due to customers	742,721	736,644
Less: current portion	(636,058)	(550,269)
Non-current portion	106,663	186,375

25. OTHER CURRENT LIABILITIES

Other current liabilities comprised the following as at December 31:

<i>In millions of Tenge</i>	2012	2011
Other taxes payable	135,780	121,471
Payable for the acquisition of additional interest in North Caspian Project	113,183	-
Advances received and deferred income	111,221	160,225
Due to employees	75,651	69,041
Other estimated liabilities	63,592	12,511
Other	75,137	44,901
	574,564	408,149

Other estimated liabilities

Other estimated liabilities were mainly represented by dues to Beijing Sino-Kaz Uranium Resources Investment Company Limited (“Sino-Kaz Company”).

In 2008, the NAC KAP entered into an Agreement (the “Agreement”) to dispose 49% of its interest in “Semizbay-U” LLP (“Semizbay”) to “Sino-Kaz Company”.

The Agreement entitled Sino-Kaz Company to a minimum distribution of annual net income of Semizbay in the period 2010

until 2033. The payments of these distributions are guaranteed by NAC KAP. This liability of a minimum distribution of annual net income was measured at fair value at inception.

In August 2012 the NAC KAP and Sino-Kaz Company signed an amicable agreement extinguishing Sino-Kaz Company’s entitlement to a minimum distribution of annual net income of Semizbay in the period 2010 until 2033, coupled with the associated guarantee by the NAC KAP, in return for either: Option A – Sino-Kaz Company will retain its 49% ownership interest in Semizbay, and the NAC KAP will make a cash payment equal to the difference between the original contractual obligation and the current fair value of Semizbay

as determined by an independent third party, or Option B - Sino-Kaz Company will relinquish its 49% ownership interest in Semizbay and the NAC KAP will make a cash payment to Sino-Kaz Company computed using a pre-established formula based upon the original contractual obligation amount adjusted for interest accrued and dividends paid.

The NAC KAP had submitted documents to the Government seeking consent to exercise Option A as set forth in the Amicable Agreement. The NAC KAP's Management is waiting for the Government's consent which is expected in April 2013. If Government consent is not received till May 2013, then the two parties must exercise Option B.

The amount accrued in other financial liabilities in the consolidated balance sheet approximates the NAC KAP maximum obligation under the Amicable Agreement. As at December 31, 2012 the entire obligation was classified as current as the liability will be settled within twelve months from the reporting period end date. As at December 31, 2012 amortised cost of this liability amounted to 46,676 million Tenge (2011: 4,282 million Tenge).

As at December 31, 2012 and 2011 other current liabilities were not interest bearing.

26. REVENUE

Revenue comprised the following for the years ended December 31:

<i>In millions of Tenge</i>	2012	2011
Sales of refined products	1,968,721	1,848,428
Railway cargo transportation	685,252	599,435
Sales of crude oil	597,598	470,620
Interest revenue	258,509	267,951
Sales of uranium products	253,635	263,813
Oil and gas transportation	220,677	222,720
Sales of gas products	188,601	192,154
Telecommunication services	167,340	164,564
Air transportation	128,046	111,009
Electricity complex	125,372	95,111
Sale of medicine	73,102	48,289
Railway passenger transportation	64,337	54,308
Electric energy transmission services	63,730	58,463
Postal services	22,380	19,328
Other revenue	335,550	276,272
Less: sales taxes and commercial discounts	(241,828)	(292,110)
	4,911,022	4,400,355

Other revenue

Other revenue comprises primarily revenue from commissions, revenue from the sale of inventories and rendering of other

supplementary services to third parties provided together with main services.

27. GOVERNMENT GRANTS

According to Resolution of the Government of the Republic of Kazakhstan No. 1188, dated November 11, 2004 "On the approval of subsidies for carrier losses connected with the provision of passenger transportation", beginning from January 1, 2005, NC KTZh started receiving government grants as a compensations of carriers' losses for socially important destinations. There are no unfulfilled conditions or contingences attached to these grants. The amount of subsidy for the year ended December 31, 2012 was 22,148 million Tenge (2011: 18,454 million Tenge).

According to the Resolution of the Government of the Republic of Kazakhstan No. 1039, dated October 7, 2004 "On the approval of subsidies for telecommunication operators losses connected with the provision of universal telecommunication services in rural areas", beginning from 4th quarter of 2004, Kazakhtelecom JSC started receiving government grants as compensation of operators'

losses for socially important destinations. There are no unfulfilled conditions or contingencies attached to these grants. The amount of subsidy for the year ended December 31, 2012 was equal to 5,309 million Tenge (2011: 5,575 million Tenge).

In accordance with Resolution of the Government of the Republic of Kazakhstan No. 915 dated August 17, 2002, the Government provides subsidies to companies rendering air passenger services on unprofitable routes from Astana to other cities in Kazakhstan. The subsidy is based on the excess of flight costs over revenue earned. The amount of subsidy for the year ended December 31, 2012 was 353 million Tenge (2011: 377 million Tenge).

Other government grants and subsidies for the year ended December 31, 2012, amounted to 47 million Tenge (2011: nil).

28. COST OF SALES

Cost of sales comprised the following for the years ended December 31:

<i>In millions of Tenge</i>	2012	2011
Materials and supplies	2,045,029	1,786,569
Personnel costs	523,917	437,999
Depreciation, depletion and amortization	283,658	247,398
Interest expense	231,181	264,994
Production services rendered	117,177	97,432
Mineral extraction tax	85,381	89,104
Repair and maintenance	75,382	91,137
Rent	34,822	31,506
Other	172,192	145,711
	3,568,739	3,191,850

29. GENERAL AND ADMINISTRATIVE EXPENSES

General and administrative expenses comprised the following for the years ended December 31:

<i>In millions of Tenge</i>	2012	2011
Personnel costs	171,317	162,375
Taxes other than income tax	49,858	42,527
Consulting services	43,285	46,744
Depreciation and amortization	27,788	28,901
Sponsorship and charitable donations	25,911	59,216
Allowance for doubtful debts	10,176	5,025
Fines and penalties	9,344	13,595
Other	82,928	79,299
	420,607	437,682

30. TRANSPORTATION AND SELLING EXPENSES

Transportation and selling expenses comprised the following for the years ended December 31:

<i>In millions of Tenge</i>	2012	2011
Rent tax	161,461	149,793
Transportation	113,655	104,907
Custom duties	43,690	51,665
Personnel costs	16,965	18,900
Depreciation and amortization	12,895	11,688
Commission fees to agents and advertising	10,511	11,174
Other	18,006	19,051
	377,183	367,178

31. IMPAIRMENT LOSS

Impairment loss comprised the following for the years ended December 31:

<i>In millions of Tenge</i>	2012	2011
Impairment of financial assets (Note 12)	147,514	2,910
Impairment of property, plant and equipment and intangible assets (Note 7,8)	86,156	57,254
Impairment of loans to customers (Note 10)	15,895	146,974
Impairment of goodwill (Note 8)	-	2,371
(Reversal)/Impairment of amounts due from credit institutions (Note 11)	(1,947)	599
(Reversal)/Impairment of investments in joint ventures and associates (Note 9)	(16,463)	23,974
Other	5,556	(2,047)
	236,711	232,035

32. OTHER OPERATING INCOME

Other operating income for the year ended December 31, 2012 mainly includes income from restructuring of financial liabilities of BTA bank in the amount of 1,068,482 million Tenge.

On December 24, 2012 Bank has successfully completed restructuring process of financial liabilities.

Within the framework of restructuring, certain financial debt of the Bank subject to restructuring was cancelled. In return, the Bank paid to creditors in cash the amount of 1,618 million US Dollars, which is equivalent to 243,487 million Tenge, issued new financial liabilities (Note (b)), signed the Second and Third Supplemental

Deed of Amendment and Restatement to Revolving Committed Trade Finance Facility (Note (b)), converted deposits placed by the Fund into common shares (Note (a)).

RESTRUCTURING GAIN

The difference between the carrying value of restructured liabilities, excluding liabilities converted into the Bank's capital under the restructuring plan, and the fair value of new financial instruments and cash payment, was recognized as a gain from restructuring on December 24, 2012, the date of restructuring, as follows:

Liabilities included to the Restructuring plan	1,594,380
Liabilities converted into equity (a)	(179,748)
Liabilities included to the Restructuring plan, less converted liabilities	1,414,632
Fair value of new financial liabilities issued under the Restructuring plan	(102,663)
Cash payment to creditors in accordance with the Restructuring plan	(243,487)
Restructuring gain	1,068,482

a) Liabilities converted into equity

In accordance with the Restructuring plan deposits placed by the Parent in the amount of 176,376 million Tenge were converted into common shares of the Bank.

The Bank's liabilities on outstanding subordinated bonds were also converted into common shares at a discount of 97.5%. As a result, the share capital was increased by 3,372 million Tenge.

b) New financial liabilities issued within the Restructuring plan

Below is the nominal value and fair value of new financial liabilities issued within the Restructuring plan as at December 24, 2012:

	Nominal amount	Fair value
US Dollar New bonds,	112,868	63,914
RCTFF	44,808	38,749
Total	157,676	102,663

Debt securities issued

New debt securities issued were allocated among creditors whose claims were restructured within the restructuring plan.

Terms of issue - 10-year US Dollar debt securities, coupon rate – 5.5% p.a. Coupon is paid semi-annually. Bonds are redeemed at maturity.

Revolving Committed Trade Finance Facility

Agreement on Revolving Committed Trade Finance Facility, signed upon completion of 2010 restructuring was amended and

supplemented within the current restructuring process, by means of concluding Second and Third Supplemental Deed of Amendment and Restatement. These amendments provide extension of 348.2 million US Dollar, which equals to 52,322 million Tenge facility period up to December 31, 2015, the availability period – up to December 31, 2014.

Amended and supplemented Agreement will allow the Bank to reduce the price parameters under trade finance transactions and expand its trade finance product line by including pre-import cash financing and financing of trade transactions between residents of the RK.

33. OTHER OPERATING EXPENSES

In 2012 other operating expenses mainly represent cost of recognition of recovery units at nominal amount of BTA Bank in the amount of 628,572 million Tenge

As at April 23, 2012 the Bank announced the suspension of all payments in respect of Recovery units, nominal amount of which totals to 5,221,494,216 US Dollars, which equals to 772,207 million Tenge. As at April 28, 2012 the Bank received notice of early redemption of the Recovery units from BNY Mellon Corporate Trustee Services Limited, as trustee for Recovery units holders. As a result, in 2012 the Bank recognized expenses on recognition of recovery units at reference amount in amount of 628,572 million Tenge in the consolidated statement of comprehensive income.

On December 24, 2012 the Bank completed the process of restructuring of its financial liabilities. Within the framework of restructuring, the Bank canceled all its previously issued bonds and in substitution issued new financial liabilities (Note 18, 32).

In accordance with the Trust Deed dated December 21, 2012, the Bank shall maintain a capital adequacy ratio of 1 level not less than 10.0%, calculated in accordance with the recommendations of the Basel Committee on Banking Supervision. As at December 31, 2012 the Bank was in compliance with these restricting financial conditions and capital adequacy ratios established by the Committee for the control and supervision of the financial market and financial organizations of the National Bank of RK for second-tier banks.

34. FINANCE COSTS

Finance costs comprised the following for the years ended December 31:

<i>In millions of Tenge</i>	2012	2011
Interest on loans and debt securities issued	166,698	164,602
Unwinding of discount on provisions and other payables	8,407	7,299

Net loss on derivatives	7,588	6,583
Interest on finance lease obligations	2,906	2,814
Other	22,317	12,302
	207,916	193,600

35. FINANCE INCOME

Finance income comprised the following for the years ended December 31:

<i>In millions of Tenge</i>	2012	2011
Interest income on amounts due from credit institutions and cash and cash equivalents	37,070	47,119
Income from loans and financial assets	5,642	4,688
Dividend income	7,322	6,295
Other	5,375	8,723
	55,409	66,825

36. SHARE IN INCOME OF ASSOCIATES AND JOINT VENTURES

Share in income of associates and joint ventures comprised the following for the years ended December 31:

<i>In millions of Tenge</i>	2012	2011
TengizChevroil LLP	267,829	303,405
Mangistau Investments B.V.	64,636	80,859
KazRosGas JSC	40,891	39,396
JV KazGerMunay LLP	38,358	40,117
PetroKazakhstan Inc.	34,564	48,591
Ekibastuzskaya GRES-1 LLP (“EGRES-1”)	19,798	15,443
Kazakhoil-Aktobe LLP	11,320	15,519
Karatay LLP	10,050	10,648
JV Katco	9,458	19,811
Kazakhstan-China Pipeline JSC	8,576	3,430
JV Betpakdala LLP	6,640	6,665
Shekerbank T.A.S.	6,559	5,713
Other	20,156	21,580
	538,835	611,177

37. INCOME TAX EXPENSES

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

<i>In millions of Tenge</i>	2012	2011
Current Income tax expenses:		
Corporate income tax	154,567	115,957
Withholding tax on dividends and interest income	50,970	57,920
Excess profit tax	31,139	20,830
Deferred income tax expense/ (benefit):		
Corporate income tax	13,620	172,038
Withholding tax on dividends and interest income	4,214	209
Excess profit tax	(3,786)	207
Income tax expenses	250,724	367,161

As of December 31, 2012 and 2011, in the Republic of Kazakhstan income tax loss carry forward is allowed for the ten years period from the origin date of the loss.

A reconciliation of income tax expense applicable to profit before income tax at the statutory income tax rate (20% in 2012 and 2011) to income tax expense was as follows for the years ended December 31:

<i>In millions of Tenge</i>	2012	2011
Accounting profit before income tax from continued operations	1,183,802	688,594
Accounting profit before income tax from discontinued operations	202,607	29,196
Income tax expense on accounting profit	277,282	143,558
Profit from discontinued operations	(40,273)	–
Restructuring gain and Expenses on recognition of recovery obligations by BTA Bank	(74,278)	–
Tax effect of items, which are not deductible or assessable for taxation purposes	70,501	66,872
Excess profit tax	31,139	20,830
Withholding tax on dividends	291	1,433
Effect of different corporate income tax rates	13,500	(1,892)
Share in nontaxable profit of joint ventures and associates	(67,137)	(79,787)
Other differences	16,012	6,568
Change in unrecognized deferred tax assets	23,935	209,579
Total corporate income tax expense	250,972	367,161
Less: Income tax benefit attributable to a discontinued operation	(248)	–
Income tax expense from continuing operations	250,724	367,161

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

	2012					2011		
	Corporate Income Tax	Excess Profit Tax	Withholding Tax	Total	Corporate Income Tax	Excess Profit Tax	Withholding Tax	Total
<i>In millions of Tenge</i>								
Deferred tax assets								
Property, plant and equipment	16,780	2,420	-	19,200	2,677	-	-	2,677
Tax loss carryforward	517,870	-	-	517,870	403,077	-	-	403,077
Employee related accruals	7,851	365	-	8,216	6,790	646	-	7,436
Impairment of financial assets	122,048	-	-	122,048	201,583	-	-	201,583
Environmental liability	2,481	-	-	2,481	2,190	-	-	2,190
Other accruals	1,868	3,865	-	5,753	39,843	3,034	-	42,877
Other	31,595	-	-	31,595	12,559	-	-	12,559
Less: unrecognized deferred tax assets	(569,666)	-	-	(569,666)	(545,731)	-	-	(545,731)
Less: deferred tax assets offset with deferred tax liabilities	(58,313)	(1,220)	-	(59,533)	(68,032)	(1,823)	-	(69,855)
Deferred tax assets	72,514	5,450	-	77,964	54,956	1,857	-	56,813
Deferred tax liabilities								
Property, plant and equipment	331,629	3,034	-	334,663	293,173	1,823	-	294,996
Undistributed earnings of joint ventures	-	-	39,724	39,724	-	-	35,510	35,510
Other	19,010	-	-	19,010	37,008	2,007	-	39,015
Less: deferred tax assets offset with deferred tax liabilities	(58,313)	(1,220)	-	(59,533)	(68,032)	(1,823)	-	(69,855)
Deferred tax liabilities	292,326	1,814	39,724	333,864	262,149	2,007	35,510	299,666
Net deferred tax liabilities	219,812	(3,636)	39,724	255,900	207,193	150	35,510	242,853

The movements in the net deferred tax liabilities were as follows for the years ended December 31:

In millions of Tenge	2012					2011		
	Corporate Income Tax	Excess Profit Tax	Withholding Tax	Total	Corporate Income Tax	Excess Profit Tax	Withholding Tax	Total
Balance at January 1	207,193	150	35,510	242,853	27,677	(57)	35,079	62,699
Reporting currency translation	(1,193)	-	-	(1,193)	(82)	-	222	140
Charged to other comprehensive income	1,057	-	-	1,057	(66)	-	-	(66)
Acquisitions of subsidiaries (Note 5)	9	-	-	9	7,626	-	-	7,626
Discontinued operations	(874)	-	-	(874)	-	-	-	-
Charged to profit and loss	13,620	(3,786)	4,214	14,048	172,038	207	209	172,454
Balance at December 31	219,812	(3,636)	39,724	255,900	207,193	150	35,510	242,853

As of December 31, 2012, unrecognized deferred tax assets in the amount of 569,666 million Tenge, mainly, relate to tax loss carry-forward of certain subsidiaries of the Fund (2011: 545,731 million Tenge) that are available for offset against future taxable profits during 10 consecutive years. Deferred tax assets have not been recognised in respect of these losses as they may not be used to offset

taxable profits from other operating segments of the Group and they have arisen in activity that have been loss-making for some time. The Group evaluated and concluded that currently it is not probable that deferred tax assets on existing tax losses will be recovered. Should the Group be able to recognise all unrecognised deferred tax assets, profit would increase by 569,666 million Tenge.

38. CONSOLIDATION

Significant subsidiaries have been included in this consolidated financial statements are presented as follows:

	Ownership percentage	
	2012	2011
National Company “KazMunayGas” JSC (“NC KMG”) and subsidiaries	100.00%	100.00%
National Company “Kazakhstan Temir Zholy” JSC (“NC KTZh”) and subsidiaries	100.00%	100.00%
National Atomic Company “Kazatomprom” JSC (“NAC KAP”) and subsidiaries	100.00%	100.00%
Kazakhtelecom JSC (“KTC”) and subsidiaries	51.00%	51.00%
Samruk-Energy JSC (“Samruk-Energy”) and subsidiaries	100.00%	100.00%
Kazakhstan Electricity Grid Operating Company JSC (“KEGOC”) and subsidiaries	100.00%	100.00%
Air Astana JSC (“Air Astana”)	51.00%	51.00%
BTA Bank JSC (“BTA Bank”) and subsidiaries	97.28%	81.48%
Alliance Bank JSC (“Alliance Bank”) and subsidiaries	67.00%	67.00%
Development Bank of Kazakhstan JSC (“DBK”) and subsidiaries	100.00%	100.00%
Entrepreneurship Development Fund “Damu” JSC (“Damu Fund”)	100.00%	100.00%
Kazyna Capital Management JSC and subsidiaries	100.00%	100.00%
Kazpost JSC	100.00%	100.00%
Doszhan Temir Zholy JSC	94.96%	94.96%
Investment Fund of Kazakhstan JSC	100.00%	100.00%
National Company “Kazakhstan Engineering” JSC (“Kazakhstan Engineering”) and subsidiaries	100.00%	100.00%
Real Estate Fund “Samruk-Kazyna” JSC	100.00%	100.00%
Export-Credit Insurance Corporation “KazExportGarant” JSC (former “State Corporation for Insurance of Export Credit and Investments” JSC)	100.00%	100.00%
International Airport Aktobe JSC	100.00%	100.00%
Samruk-Kazyna Contract LLP	100.00%	100.00%
SK Pharmacy LLP	100.00%	100.00%
National Mining Company “Tau-Ken Samruk” and subsidiaries	100.00%	100.00%
Kazakh Research Power Engineering Institute named after Chokin JSC	50%+1	50%+1
United Chemical Company LLP and Subsidiaries	100.00%	100.00%
Samruk-Kazyna Invest LLP	100.00%	100.00%
KOREM JSC	100.00%	100.00%
International airport Atyrau JSC	100.00%	100.00%
Airport Pavlodar JSC	100.00%	100.00%
Karagandagiproshakt and K LLP	90.00%	90.00%
Temirbank JSC	79.90%	79.90%
KGF SLP	100.00%	100.00%
KGF IM	100.00%	100.00%
KGF Management	100.00%	100.00%
NMC Kazgeology JSC	100.00%	100.00%
SK Finance LLP	100.00%	100.00%
East Kazakhstan Regional Energy Company JSC	100.00%	-

39. SIGNIFICANT NON-CASH TRANSACTIONS

Non-cash transactions including the following, have been excluded from the consolidated statement of cash flows:

During 2012 and 2011 the Group received from the Shareholder shares including interest in Karachaganak Project Consortium, and other property, as the contribution to the share capital or in exchange, according to swap agreements (*Notes 5, 17.1*).

As of December 31, 2012, payables for purchases of property, plant and equipment increased by 95,343 million Tenge (2011: 25,921 million Tenge).

In 2012, the Group received purchases of property, plant and equipment with a value of 35,290 million Tenge (2011: 8,839 million Tenge) under finance lease agreements.

During 2012 the Group received pledged collateral as a repayment of loans provided to customers. Fair value of those collateral amounted to 19,653 million Tenge (2011: 9,802 million Tenge).

During 2012 the Fund received from the Government loans, bearing lower-than-market interest rates (*Notes 17.2, 19*). Discount at initial recognition in the amount of 89,617 million Tenge was recognized in the consolidated statement of changes in equity (2011: 21,793 million Tenge).

In 2012 amendments to the terms of the bonds placed with the Fund and bought by the National Bank of RK were registered. In accordance with these changes, the terms of the bonds payable were prolonged to 2062, and the interest rates were reduced to 0.01%. The amendments resulted in a substantial modification of the terms of the existing financial liability, and respectively, the

extinguishment of the original financial liability and the recognition of a new financial liability in accordance with IAS 39. The difference of 304,650 million Tenge, between the fair value of the new liability and the carrying value of the original liability, was recognized in the consolidated statement of changes in equity (*Notes 17.2 and 19*).

In 2012, the Group increased the provision with respect to costs to be incurred on construction of objects in Astana city and for the reconstruction of the World Expo-Center in Moscow under the Government's assignments and recognized as distribution to the Shareholder. Additionally, the Group recognized distribution to the Shareholder, related to the Group's obligations on the transfer of the North-Caspian ecological base for oil spill response to the Ministry of Emergency Situations of the Republic of Kazakhstan (*Note 17.7*). The total distribution amounted to 49,497 million Tenge (2011: 37,527 million Tenge).

In 2012, the Group's provisions for asset retirement obligations in the amount of 16,727 million Tenge (2011: 697 million Tenge) are capitalized to property, plant and equipment.

In 2012, the Group contributed the property, plant and equipment to the Joint venture's share equity in the amount of 9,385 million Tenge (2011: nil).

In 2012, the Group capitalised borrowing costs of 4,162 million Tenge (2011: 7,626 million Tenge).

In 2012, the Group transferred the balance prepayment of income tax to the VAT recoverable in the amount of 4,000 million Tenge (2011: nil).

40. RELATED PARTY DISCLOSURES

In accordance with IAS 24 "Related Party Disclosures", parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions. In considering each possible related party relationship, attention is directed to the substance of the relationship, not merely the legal form.

Related parties include key management personnel of the Group, enterprises in which a substantial interest in the voting power is owned, directly or indirectly, by the Group's key management personnel and other entities controlled by the Government. Related party transactions were made on terms agreed to between the parties that may not necessarily be at market rates, except for certain regulated services, which are provided based on the tariffs available to related and third parties.

The following table provides the total amount of transactions, which have been entered into with related parties as at December 31:

<i>In millions of Tenge</i>		Associates	Joint ventures where the Group is a venturer	Other state – controlled entities	Other related parties
Due from related parties	2012	60,684	16,352	5,054	199
	2011	9,565	10,576	3,895	72
Due to related parties	2012	22,924	52,693	1,710	101
	2011	29,866	29,622	2,463	912
Sale of goods and services	2012	93,788	330,247	90,928	2,678
	2011	30,006	134,207	76,273	1,379
Purchase of goods and services	2012	42,210	264,232	9,498	19
	2011	77,657	226,160	15,371	24,427
Current accounts and deposits (liability)	2012	290	19	13,209	624
	2011	689	11	23,309	2,126
Current accounts and deposits (assets)	2012	4,296	-	517,482	-
	2011	14,968	-	526,898	537,254
Loans given	2012	7,698	51,275	19,835	27,159
	2011	10,824	6,783	25,265	21,046
Loans received (Note 19)	2012	48	-	779,774	-
	2011	1,225	-	881,252	151,278
Other assets	2012	739	33,157	143,356	980
	2011	32,263	10,420	146,913	12,817
Other liabilities	2012	411	371	20,903	2
	2011	472	41,181	18,024	45
Interest received	2012	2,074	3,182	7,491	1,583
	2011	2,451	114	8,477	15,282
Interest accrued	2012	531	1,412	49,232	4
	2011	189	4	55,912	9,897

Halyk Bank JSC is not considered as a related party from January 6, 2012 as the ultimate controlling party of Halyk Bank JSC resigned from the key management position within the Group. As of December 31, 2012 some of the Group's borrowings of 69,907 million Tenge, were guaranteed by the Government of the Republic of Kazakhstan (2011: 65,969 million Tenge).

Total compensation to key management personnel included in personnel costs in the accompanying consolidated statement of comprehensive income was 11,979 million Tenge for the year ended December 31, 2012 (2011: 8,596 million Tenge). Compensation to

key management personnel mainly consists of contractual salary and performance bonus based on operating results.

As noted above in *Note 27*, the Government provides certain subsidies to the Group's subsidiaries.

41. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments consist of borrowings, cash and deposits as well as accounts receivable and accounts payable. The main risks arising from the Group's financial instruments are interest rate risk, foreign currency risk and credit risk. The Group further monitors the liquidity risk arising from all financial instruments.

INTEREST RATE RISK

Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates. The Group limits interest rate risk by monitoring changes in interest rates in

the currencies in which its cash, investments and borrowings are denominated.

The Group's exposure to interest risk relates primarily to the Group's long-term and short-term debt obligations with floating interest rates (*Note 18*).

The following table demonstrates the sensitivity of the Group's profit before income tax (through the impact on floating rate borrowings) and equity (through the impact on the fair value of investments available for sale) to a reasonably possible change in floating LIBOR interest rates, with all other variables held constant.

<i>In millions of Tenge</i>	Increase / (decrease) in basis points*	Effect on profit and loss	Other effect on equity
2012			
US Dollar	5/-5	(284) / 284	(79) / 105
Tenge	5/-5	(406) / 426	(1,351) / 1,318
2011			
US Dollar	15/-15	(885) / 885	(347) / 395
Tenge	15/-15	251 / (251)	(641) / 644

* 1 basis point = 0.01%

CURRENCY RISK

As a result of significant borrowings, lease liabilities and trade accounts payable, cash and cash equivalents and accounts receivable denominated in the US Dollars, the Group's consolidated

balance sheet can be affected significantly by movement in the US Dollar / Tenge exchange rates.

The following table demonstrates the sensitivity of the Group's profit before income tax to a reasonably possible change in the US Dollar and Euro, with all the variables held constant.

<i>In millions of Tenge</i>	Increase / (decrease) in exchange rate	Effect on profit / loss
2012		
US Dollar	1.57% / (1.57%)	(33,629) / 33,629
Euro	10.77% / (10.77%)	(1,854) / 1,854
2011		
US Dollar	10.72% / (10.72%)	(149,189) / 149,189
Euro	16.63% / (16.63%)	(11,293) / 11,293

CREDIT RISK

Credit risk arising from the inability of a party to meet the terms of the Group’s financial instrument contracts is generally limited to the amounts, if any, by which the counterparty’s obligations exceed the obligations of the Group to that party. It is the Group’s policy to enter into financial instruments with a diversity of creditworthy parties. The maximum exposure to credit risk is represented by carrying value of each financial asset. The Group considers that its maximum exposure is reflected by the amount of loans to customers (*Note 10*), amount due from credit institutions (*Note 11*), trade accounts receivable and other current assets (*Note 15*), other financial assets (*Note 12*), and VAT recoverable, net of allowances for impairment recognized at the reporting date.

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

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

LIQUIDITY RISK

Liquidity risk is the risk that the Group will encounter difficulty in raising funds to meet commitments associated with its financial liabilities. Liquidity risk may result from an inability to sell a financial asset quickly at close to its fair value.

Liquidity requirements are monitored on a regular basis and management ensures that sufficient funds are available to meet any commitments as they arise.

The table shown below summarises the maturity profile of the Group’s financial liabilities at December 31 based on contractual undiscounted payments.

<i>In millions of Tenge</i>	On demand	Due later than 1 month but not later than 3 months	Due later than 3 month but not later than 1 year	Due later than 1 year but not later than 5 years	Due after 5 years	Total
At December 31, 2012						
Loans from the Government	458,887	71	109,107	24,783	1,140,801	1,733,649
Borrowings	187,161	157,597	755,108	1,798,934	3,102,669	6,001,469
Finance lease liabilities	30	2,697	9,019	26,668	17,020	55,434
Due to customers	221,676	105,004	260,089	147,549	77,178	811,496
Trade and other payables	181,502	126,417	186,146	229,200	4,826	728,091
Derivatives	-	12,047	42	42,561	33	54,683
Income tax payable	32,872	5,123	8,703	-	-	46,698
Other current liabilities	103,895	40,068	208,659	24,036	14,879	391,537
	1,186,023	449,024	1,536,873	2,293,731	4,357,406	9,823,057
At December 31, 2011						
Loans from the Government	337,181	581	105,445	18,855	998,701	1,460,763
Borrowings	123,005	166,381	438,856	2,220,396	2,698,003	5,646,641
Finance lease liabilities	8	2,645	8,308	16,051	2,755	29,767
Due to customers	307,169	57,889	226,276	232,725	19,498	843,557
Trade and other payables	152,135	106,927	196,203	763	-	456,028
Derivatives	4,995	179	118	41,901	-	47,193
Income tax payable	98	459	2,428	-	-	2,985
Other current liabilities	29,582	20,990	71,205	393,896	189,220	704,893
	954,173	356,051	1,048,839	2,924,587	3,908,177	9,191,827

CAPITAL MANAGEMENT

The Group manages its capital primarily through capital management of its subsidiaries while conducting its oversight function. Major objective of the capital management is to ensure that subsidiaries of the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance.

The Group manages capital of its subsidiaries by setting various performance indicators tailored to the business need and industry specific matters of each subsidiary. Key performance indicators (“KPI”) used by the Group to manage capital of its subsidiaries

are ratios of: Net Debt to Earnings before Taxes, Depreciation and Amortization, and Interest (“ND/EBITDA”); and Net Debt to Equity (“ND/E”). Net Debt is considered to be equal to all borrowings, debt securities, guarantee and finance lease liabilities of relevant subsidiaries reduced by value of cash and cash equivalents. Equity is considered to be equal to the entire equity of the subsidiary attributable to majority shareholders.

Allowed maximum for the indicator is approved for each subsidiary based on the needs and specifics of its business and varies within following ranges (consolidated KPI’s for the Group have been presented for reference purposes as the Group does not monitor KPI’s on the consolidated level):

KPI	2012	2011
ND/EBITDA	2.44	3.31
ND/E	0.63	0.80
<i>In billions of Tenge</i>		
	2012	2011
Borrowings	4,197	4,197
Loans from the Government	771	870
Payable for the acquisition interest in project	340	321
Finance lease liabilities	44	23
Due to customers	743	737
Derivatives	8	14
Others	47	42
Less: Cash and cash equivalents	(1,466)	(1,647)
Net debt	4,684	4,557
<i>In billions of Tenge</i>		
	2012	2011
Profit before income tax	1,184	689
Interest on loans and debt securities issued	167	165
Interest on finance lease obligations	3	3
Depreciation, depletion and amortization	325	289
Impairment loss	237	232
EBITDA	1,916	1,378
Total equity	7,392	5,730

FAIR VALUES OF FINANCIAL INSTRUMENTS

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities.

Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly.

Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

Set out below is a comparison by category of carrying amounts and fair values of all of the Fund's financial instruments:

<i>In millions of Tenge</i>	Level 1	Level 2	Level 3	December 31, 2012
Financial instruments category				
Available-for-sale financial assets	283,039	128,006	6,441	417,486
Financial assets at fair value through profit and loss	8,548	13,993	14,715	37,256
Trading securities	70,421	-	-	70,421
Derivative financial assets	527	49,719	32	50,278
Derivative financial liabilities	373	7,965	-	8,338

<i>In millions of Tenge</i>	Level 1	Level 2	Level 3	December 31, 2011
Financial instruments category				
Available-for-sale financial assets	294,763	155,293	-	450,056
Financial assets at fair value through profit and loss	-	24,162	14,654	38,816
Trading securities	70,456	20	-	70,476
Derivative financial assets	133	35,691	-	35,824
Derivative financial liabilities	297	13,628	-	13,925

Reconciliation of the beginning balance and ending balance based on the Level 3 hierarchy of the fair value as at December 31, 2012 is presented as follows:

<i>In millions of Tenge</i>	Available-for-sale financial assets	Financial assets at fair value through profit / loss	Trading securities	Derivative Financial Assets	Total financial assets
As at January 1, 2011	19	11,662	-	-	11,681
Total profit /(loss) recognized in profit and loss	-	1,167	-	-	1,167
Total profit / (loss) recognized in the other comprehensive income	-	-	-	-	-
Acquisition	-	4,098	-	-	4,098
Sale	-	(1,226)	-	-	(1,226)
Repayment	-	-	-	-	-
Transfer from Level 1 and Level 2	-	-	-	-	-
Reclassifications to other assets	-	-	-	-	-
Others	(19)	(1,047)	-	-	(1,066)
As at December 31, 2011	-	14,654	-	-	14,654
Total profit / (loss) recognized in profit and loss	674	(1,084)	-	-	(410)
Total profit / (loss) recognized in the other comprehensive income	(637)	-	-	-	(637)
Acquisition	-	6,106	-	32	6,138
Sale	-	(340)	-	-	(340)
Repayment	(613)	-	-	-	(613)

Transfer from Level 1 and Level 2	7,017	-	-	-	7,017
Reclassifications to other assets	-	(462)	-	-	(462)
Others	-	(4,159)	-	-	(4,159)
As at December 31, 2012	6,441	14,715	-	32	21,188

Set out below is a comparison by class of the carrying amounts and fair values of the Group's financial instruments. The table does not contain fair value of non-financial assets and liabilities:

<i>In millions of Tenge</i>	<i>Carrying value</i>		<i>Fair value</i>	
	December 31, 2012	December 31, 2011	December 31, 2012	December 31, 2011
Financial assets				
Loans to customers	2,051,710	1,748,433	2,111,794	1,756,606
Amounts due from credit institutions	1,338,407	1,048,201	1,337,612	1,048,736
Other financial assets	732,743	824,992	732,601	825,773
Trade accounts receivable	342,257	276,129	342,257	276,129
Cash and cash equivalents	1,465,548	1,646,615	1,465,999	1,646,615
Financial liabilities				
Borrowings	4,196,621	4,196,776	4,443,049	3,905,770
Loans from the Government of the Republic of Kazakhstan	770,641	869,715	718,656	966,438
Finance lease liabilities	43,738	22,758	43,866	22,758
Amounts due to the customers	742,721	736,644	759,131	750,940
Trade and other payables	496,798	442,640	496,798	442,640
Other non-current liabilities	296,660	426,703	296,660	426,703

The fair value of interest-bearing borrowings obtained and issued has been calculated by discounting the expected future cash flows at prevailing interest rates.

42. COMMITMENTS AND CONTINGENCIES

LEGAL PROCEEDINGS

BTA Bank

In 2009, the Bank was subject to a raiding action and, as a result, was assessed by the court to pay GBP 30,418,143. As part of enforcement of this decision, shares of CJSC "BTA Bank" (Kyrgyzstan), owned by the Bank were seized, which led to loss of control over CJSC "BTA Bank" (Kyrgyzstan) (*Note 44*).

In order to return the shares ownership, the Bank filed a claim to recognize the sale of shares as invalid, which should lead to re-registration of 71% interest in CJSC "BTA Bank" (Kyrgyzstan) in the Bank's favour.

Rompetrol Rafinare S.A. (subsidiary of NC KMG)

As of December 31, 2009 the NC KMG had an outstanding balance of 3,353 million Tenge of a convertible debt instrument issued by a significant subsidiary of Rompetrol – Rompetrol Rafinare S.A. to the Romanian State. The nominal value of liabilities equaled to 570.3 million Euros. The instrument had seven years maturity and expired on September 30, 2010. Fair value of the debt component at the initial recognition was determined as the discounted future contractual cash payments under the instrument. Under the share ownership as of December 31, 2009 the Group would have lost control over Rompetrol Rafinare S.A., if the entire debt instrument was settled at September 30, 2010 by issuance of new shares to the Romanian State, without any further action by Rompetrol and/ or Rompetrol Rafinare S.A.

During the first half of 2010 in order to increase its interest in Rompetrol Rafinare S.A. the NC KMG made a public offer to all shareholders. In August 2010 Rompetrol Rafinare S.A. increased its share capital by issuance of new shares amounting to RON 329.4 million (equivalent of 78 million Euro at the date of subscription), all of which were subscribed and fully paid for by Rompetrol, further increasing its interest in Rompetrol Rafinare S.A. Of these proceeds from the share issuance, in August, Rompetrol Rafinare S.A. repaid 54 million Euros (equivalent to 10,464 million Tenge) out of the total debt of 570.3 million Euro in relation to the convertible debt instrument to the Romanian State. In September 2010, Rompetrol Rafinare S.A. paid the last coupon, amounting to 17 million Euro (equivalent to 3,315 million Tenge), leading to a nil balance of the liability component of the instrument.

On September 30, 2010 the Extraordinary General Meeting of the shareholders of Rompetrol Rafinare S.A. approved the conversion of the unredeemed convertible debt instrument into shares, the corresponding share capital increase and the exact numbers of shares to be received by the Romanian State for the convertible debt it held, calculated based on the exchange rate in force on such date, together with a share premium calculated as a difference of the exchange rate valid on September 30, 2010 and issuance date on September 30, 2003. This resulted in a non-controlling position of the Romanian State of 44.6959%.

These transactions resulted in a decrease of retained earnings by 113,467 million Tenge and increase of non-controlling interest by 103,003 million Tenge in 2010.

In 2010, the Romanian State, represented by the Ministry of Public Finance of the Romanian State (MFP), initiated a legal action against the decision of Rompetrol Rafinare S.A. to increase the share capital and convert the convertible debt instrument partially in cash and partially by issuance of shares.

Constanta Tribunal dismissed the Romanian State request: (a) for some of the annulment reasons considering that the Romanian State lacks the capacity to stand trial, arguing that same did not have the capacity of shareholder when such acts were adopted, (b) for some of the annulment reasons considering that there were not grounded.

Furthermore, on November 17, 2010 the Ministry of Public Finance of the Romanian State issued a Summons and Forced Execution Title for the amount of RON 2,205,592,436 (for presentation purposes 516.3 million Euro and, at the exchange rate as of December 31, 2010 is 100,797 million Tenge) as a result of the Romanian Authorities disagreement with the decision of the NC KMG to partially settle the instrument by issuance of shares. Rompetrol Rafinare S.A. filed a claim against a forced execution requesting cancellation of the Summons and Forced Execution Title. The hearing of the case had been suspended in June 2012 and can be resumed during one year period, until June 6, 2013.

In addition, on September 10, 2010 the Romanian authorities, represented by MFP and The National Agency for Fiscal Administration (ANAF), issued a decision for a precautionary seizure on all the participations held by Rompetrol Rafinare S.A. in its affiliates as well as on all movable and immovable assets of Rompetrol Rafinare S.A. except for inventories. This measure is still in force and being challenged by the NC KMG. As of the reporting date this seizure has not been enforced as the Romanian authorities did not initiate forced execution procedures. Management believes that the enforcement of the seizure by the authorities would not be practicable.

On February 15, 2013, Rompetrol Rafinare S.A. and the Office of State Ownership and Privatisation in Industry (OPSPI), representing the Romanian State, signed a memorandum of understanding whereby they agreed the amiable settlement of the dispute over the conversion of the convertible debt instrument, including the following key aspects:

- OPSPI will sell and the Rompetrol Rafinare S.A. will acquire shares owned by OPSPI and representing 26.6959% of Rompetrol Rafinare S.A.'s share capital for a cash consideration of 200 million US Dollars;
- Rompetrol will invest in energy project related to its core activities an amount estimated at 1 billion US Dollars over 7 years;
- Ministry of Public Finance will drop all cases against the Rompetrol Refinery S.A. General Meeting of Shareholders decisions related to the conversion and will cancel the forced execution title.

The agreement is subject to proper approvals of each party's governing bodies.

The parties agreed the suspension of the court proceedings, in order to allow the time to implement the memorandum, which was acknowledged by the court on February 18, 2013.

Litigations related to Rompetrol

As of December 31, 2012 Rompetrol was engaged in litigations against Competition Council of the European Union and SC Bioromoil SRL for a total amount of 7.6 billion Tenge and 4.7 billion Tenge, respectively. Per representation obtained from lawyers of Rompetrol, Management of the NC KMG believes that it has a strong basis to win the mentioned litigations and assessed the risks relating to these issues as possible.

ENVIRONMENT LIABILITIES

The enforcement of environmental regulation in Kazakhstan is evolving and subject to ongoing changes. Penalties for violations of Kazakhstan's environmental laws can be severe. Potential liabilities which may arise as a result of stricter enforcement of

existing regulations, civil litigation or changes in legislation cannot be reasonably estimated. Other than those amounts provided for in provisions (*Note 22*) management believes that there are no probable or possible environmental liabilities which could have a material adverse effect on the Group's consolidated balance sheet, consolidated statement of comprehensive income or consolidated statement of cash flows.

COMMODITY PRICE RISK

The Group generates most of its revenue from the sale of commodities, primarily crude oil and oil products. Historically, the prices of these products have been volatile and have fluctuated widely in response to changes in supply and demand, market uncertainty, the performance of the global or regional economies and cyclicalities in industries.

Prices may also be affected by government actions, including the imposition of tariffs and import duties, speculative trades, an increase in capacity or an oversupply of the Group's products in its main markets. These external factors and the volatility of the commodity markets make it difficult to estimate future prices.

A substantial or extended decline in commodity prices would materially or adversely affect the Group's business and the financial results and cash flows of operations. The Group does not hedge significantly its exposure to the risk of fluctuations in the price of its products.

TAXATION

Kazakhstan's tax legislation and regulations are subject to ongoing changes and varying interpretations. Instances of inconsistent opinions between local, regional and national tax authorities are not unusual. The current regime of penalties and interest related to reported and discovered violations of Kazakhstan's tax laws are severe. Penalties are generally 50% of the taxes additionally assessed and interest is assessed at the refinancing rate established by the National Bank of Kazakhstan multiplied by 2.5. As a result, penalties and interest can amount to multiples of any assessed taxes. Fiscal periods remain open to review by tax authorities for five calendar years preceding the year of review. Under certain circumstances reviews may cover longer periods. Because of the uncertainties associated with Kazakhstan's tax system, the ultimate amount of taxes, penalties and interest, if any, may be in excess of the amount expensed to date and accrued at December 31, 2012.

As at December 31, 2012 management believes that its interpretation of the relevant legislation is appropriate and that it is probable that the Group's tax positions will be sustained, except as provided for in these consolidated financial statements (*Notes 4 and 22*).

Provisions against amounts due from BTA Bank JSC

In September 2010, the Tax Committee of Astana initiated integrated tax audit of the Fund's activities for 2009. During the tax audit, tax authorities raised a question on deductibility of Provisions for corporate income tax purpose for 2009. As at the date of these consolidated financial statements, an act relating to the tax audit was not enacted.

The Decree of the Government No. 2275 dated December 30, 2009 approved the Rules of "allocation of assets and contingent liabilities to the category of doubtful and bad by the national management holding, and by legal entities that are mainly engaged in borrowing transactions and repurchase of rights of demand and 100% of voting shares (share of participation) of such entities belong to the national management holding, and they have the right to deduct provision (reserve) expenses against doubtful and bad assets, contingent liabilities, apart from assets and contingent liabilities provided in favour of related parties, or third parties on obligations of related parties (apart from assets and contingent liabilities of credit cooperatives)" ("Rules").

In accordance with the Rules the Fund formed and deducted for corporate income tax purposes provisions on amounts due from BTA Bank JSC in the amount of 846,748 million Tenge ("provisions").

The Fund's management believes that as at December 31, 2012 its interpretation of applicable legislation (including Rules) is appropriate and the Fund's position on deduction of these provisions will be sustained. Accordingly, the Group did not recognize any provisions associated with possible accruals by tax authorities in these consolidated financial statements.

Transfer pricing control

Transfer pricing control in Kazakhstan has a very wide scope and applies to many transactions that directly or indirectly relate to international business regardless of whether the transaction participants are related or not. The transfer pricing legislation requires that all taxes applicable to a transaction should be calculated based on market price determined in accordance with the arm's length principle.

The new law on transfer pricing came into effect in Kazakhstan from January 1, 2009. The new law is not explicit and there is little precedence with some of its provisions. Moreover, the law is not supported by detailed guidance, which is still under development. As a result, application of transfer pricing control to various types of transactions is not clearly regulated.

Because of the uncertainties associated with the Kazakhstan transfer pricing legislation, there is a risk that the tax authorities may take a position that differs from the Group's position, which could result

in additional taxes, fines and interest at December 31, 2012. As at December 31, 2012 management believes that its interpretation of the transfer pricing legislation is appropriate and that it is probable that the Group’s positions with regard to transfer pricing will be sustained.

Tax contingencies of Georgian entities (KTO)

According to the Tax Code of Georgia (TCG), tax administration is authorized to make decision on use of market prices for taxation purposes if transaction takes place between related parties. Although TCG contains certain guidance on the determination of market prices of goods and services, the mechanism is not developed and there is no separate transfer pricing legislation in Georgia. Existence of such ambiguity creates uncertainties as related to the position that tax authorities might take when considering taxation of transactions between related parties.

The Georgian subsidiaries of the NC KMG have significant transactions with off-shore subsidiaries of the NC KMG as well as amongst each other. These transactions fall within the definition of transactions between related parties and may be challenged by tax authorities of Georgia.

Management of the NC KMG believes that it has sufficient arguments to assert that pricing of transactions between entities of the NC KMG is at arm's length, however due to absent legislative basis for determination of market prices tax authorities might take position different from that of the NC KMG.

Tax audit of KTZh

During 2011 and 2012 the tax authorities conducted tax audits of the KTZh for the period of 2007-2010. As a result of these audits the tax authorities have assessed additional taxes, including fines and penalties of 13,289 million Tenge. KTZh has challenged these assessments and believes the claims were groundless, KTZh intends to appeal the results in a court. KTZh has recognized a tax liability of 757 million Tenge, which represents KTZh’s best estimate of the amount required to settle this liability.

COMMITMENTS UNDER OILFIELD LICENSES AND CONTRACTS

As of December 31, 2012 the Group had following commitments on fulfillment of minimal work programs with respect to the requirements of its oilfield licenses and related subsoil use contracts with the Government (in millions of Tenge):

Year	Capital expenditures	Operational expenditures
2013	198,317	39,038
2014	156,940	31,711
2015	5,827	30,376
2016	2,735	13,131
2017–2024	24,020	198,573
Total	387,839	312,829

LOCAL MARKET OBLIGATIONS

The Kazakhstan Government requires oil producers and oil trading companies to supply a portion of their crude oil and oil products to meet domestic energy requirement on an annual basis, mainly to maintain oil products supply balance on the local market and to support agricultural producers during the spring and autumn sowing campaigns. Local market oil prices are significantly lower than export prices and even lower than the normal domestic market prices determined in an arm-length transaction. If the Government does require additional crude oil to be delivered over and above the quantities currently supplied by the NC KMG, such supplies will take precedence over market sales and will generate substantially less revenue than crude oil sold on the export market, which may materially and adversely affect NC KMG’s business, prospects, financial condition and results of operations.

In 2012, in accordance with its obligations, the Group delivered 2,936,917 tons of oil (2011: 2,811,271 tons) on the domestic market.

OTHER CONTRACTUAL COMMITMENTS

As of December 31, 2012 the capital commitments of the Group under the contracts on acquisition of plant, property and equipment amounted to 36,426 million Tenge (2011: 46,567 million Tenge).

CAPITAL COMMITMENTS

KTZh

As at December 31, 2012, the Group had committed to contracts for the construction of Zhezkazgan – Beineu and Arkalyk – Shubarkol railways, the construction of a multifunctional ice palace in Astana,

the primary backbone transport communication net, and the purchase of cargo and passenger electric locomotives, cargo and passenger wagons and backbone locomotives totaling 747,829 million Tenge (2011: 467,859 million Tenge). This amount includes commitments for purchase of passenger electric locomotives from joint venture JSC Electrovoz Kurastyru Zauyty for the amount of 255,039 million Tenge (2011: 296,299 million Tenge) for supply through December 31, 2020 and also commitments for purchase of passenger wagons from joint venture Tulpar-Talgo LLP for the amount of 41,034 million Tenge (2011: 55,726 million Tenge) for supply through December 31, 2014.

NC KMG

As at December 31, 2012, the NC KMG had other capital commitments of approximately 153 billion Tenge (2011: 214 billion Tenge) related to acquisition and construction of property, plant and equipment.

KEGOC

At December 31, 2012 KEGOC JSC had capital commitments on the projects of construction the electricity transmissions, transmission lines and electricity transmission rehabilitation project in the amount of 31,678 million Tenge (2011: 56,140 million Tenge).

Air-Astana

During 2008-2011 Air-Astana signed an agreement with Airbus and Embraer to purchase six and two narrow-body aircrafts, respectively. Payments commenced in 2008 and the last payment is due in 2013. During 2012 Air Astana entered into fixed interest finance lease agreements on delivery of three of these Airbus aircraft. These leases are denominated in US dollars, with a repayment term of twelve years. Loans provided by financial institutions to the lessor are guaranteed by European Export Credit Agencies. Delivery of the remaining three aircraft is scheduled for 2013.

On Embraer aircrafts Air Astana is committed to pre-delivery payments in accordance with an agreed payment schedule, with first aircraft delivered in November 2012 on a fixed interest US dollar finance lease, with a repayment term of twelve years. Delivery of second aircraft is scheduled for December 2013.

During 2012, the Company finalised an agreement with Boeing to purchase three Boeing-787 and three Boeing-767 aircraft. Delivery of Boeing-767 are expected in 2013-2014; delivery of Boeing-787 in 2017 and 2019. The terms of Air Astana's contracts with the above

suppliers precludes it from disclosing information on the purchase cost of the aircraft.

Kazyna Capital Management JSC

As at December 31, 2012 total investment commitments to investment funds amounted to 60,487 million Tenge (2011: 66,114 million Tenge). Financing under these commitments are to be made upon demand of investment funds over an investment period of between three and five years.

Real Estate Fund "Samruk-Kazyna" JSC ("Real estate Fund")

As at December 31, 2012 the Fund had contractual commitments amounting to 16,013 million Tenge under agreements with construction companies (2011: 2,532 million Tenge).

Intergas Central Asia JSC ("ICA", subsidiary of NC KMG)

Under the terms of the concession agreement, ICA has an obligation to invest 30 million US Dollars (equivalent to 4,522 million Tenge) each year for the improvement and repair of the gas transportation assets transferred and for investments in new gas transportation assets. As of December 31, 2012 ICA had approximately 52,330 million Tenge in contractual commitments related to this investment obligation (2011: 34,102 million Tenge).

Kyrgyz By-Pass (ICA)

ICA is obliged, subject to certain conditions, which include tariff recovery, to design and construct the Kyrgyz By-Pass at a cost, which was estimated in the concession agreement, of approximately 90-100 million US Dollars (13,571 – 15,079 million Tenge). However, the new domestic tariffs which, per the concession agreement, are a precondition for the commencement of construction of the Kyrgyz By-Pass, have not been published as of December 31, 2012.

OPERATING LEASE COMMITMENTS

Operating lease commitments relate mainly to aircraft lease with the lease term from 5 to 10 years. All operating lease contracts contain market review clauses in the event that Air Astana exercises option to renew. Air Astana does not have the option to purchase leased assets at the expiry of lease period.

As at December 31, operating lease commitments were as follows:

<i>In millions of Tenge</i>	2012	2011
Within one year	18,427	20,043
From one to five years	41,136	28,122
Over five years	15,135	12,493
Total	74,698	60,658

Operating lease commitments include fixed rental payments and certain portion of payments for technical support which vary according to flying hours.

The fixed and variable rental payments are denominated and settled in US Dollars. This currency is routinely used in international commerce for aircraft operating leases.

KAZAKHTELECOM LICENSE COMMITMENTS

Under the terms of certain licenses on the provision of wireless telecom services, Kazakhtelecom has certain obligations in terms of coverage area of its network. Kazakhtelecom is obliged to expand the cellular telecommunication coverage to the regions along the major highways and small-sized towns and urban-type communities of the Republic of Kazakhstan. The Group’s management believes that Kazakhtelecom is in compliance with the terms of the licenses.

<i>In millions of Tenge</i>	2012	2011
Contracted amount		
Loan, credit line and finance lease commitments	284,196	342,751
Guarantees	110,879	86,302
Letters of credit and other commitments related to settlement operations	99,274	110,038
Less: Guarantees and deposits with restrictive covenants	(8,411)	(9,559)
Less: Provision for bank letters of credit and guarantees (<i>Note 22</i>)	(3,111)	(6,136)

The Group uses the same credit control and management policies in undertaking off-balance sheet commitments as it does for on-balance operations.

The total outstanding contractual commitments to extend credit indicated above does not necessarily represent future cash requirements, as these commitments may expire or terminate without being funded, as well the Group could request collateral for credit instruments.

TRUST MANAGEMENT

Certain subsidiaries of the Group provide trust management services to individuals, trust companies, pension funds and other organizations, specifically it manages assets or invests received funds into different financial instruments in accordance with customer instructions. The Group receives commission fee for such services. Assets received for trust management are not assets

COMMITMENTS TO EXTEND LOANS, GUARANTEES, LETTERS OF CREDIT AND OTHER COMMITMENTS RELATED TO SETTLEMENT OPERATIONS

At any time the Group has outstanding commitments to extend credit. These commitments take the form of approved loans and credit card limits and overdraft facilities and are cancellable on certain conditions.

The Group provides financial guarantees and letters of credit to guarantee the performance of customers to third parties. These agreements have fixed limits and generally extend for a period of up to five years.

The contractual amounts of commitments are set out in the following table by category. The amounts reflected in the table for commitments assume that amounts are fully advanced. The amounts reflected in the table for letters of credit represent the maximum accounting loss that would be recognized at the reporting date if counterparties failed completely to perform as contracted.

of the Group, accordingly, they are not reflected in its consolidated balance sheet. The Group does not bear credit risk when conducting such investments, since it does not issue guarantees against said investments.

COMPLIANCE WITH COVENANTS

The Group was not in compliance with covenants at December 31, 2012 as disclosed in *Note 44*.

COST RECOVERY AUDIT (KASHAGAN)

Under the base principals of North Caspian Production Sharing Agreement (NCPSA), the Government transferred to the contractors exclusive rights to conduct activity involving a subsoil area, but did not transfer rights to such subsoil area into either ownership or lease. Therefore, all extracted and processed oil (i.e. the produced product) is the property of the state. The work is carried out on

a compensation basis, with the state paying the contractors not in money, but with a portion of the oil production, thus allowing the contractors to recover their costs and earn profits. This is so-called production sharing, i.e., the sharing of the results of the work carried out by the investor.

Under the NCPSA not all the costs incurred by the contractors may be recovered. Certain expenditures need to be approved by Management Committee (“ManCom”) for recovery.

NC KMG considers that all recoverable expenditures are appropriately classified in accordance with the NCPSA and that those identified as recoverable expenditures are eligible for recovery as at December 31, 2012.

However, certain expenditures have not been approved by the ManCom in accordance with Sections 13 and 14 of the NCPSA. These expenditures are deemed to be non-recoverable costs for Kashagan until the ManCom approves them. Negotiations continue with the Authorized body to resolve these issues.

As a result of cost recovery audits performed for the period from 2001 to 2008 expenditures in the amount of 7,975 million US Dollars (1,202,103 million Tenge at December 31, 2012 exchange rate) were disallowed from cost recovery. Kashagan’s share in the expenditures was 1,340 million US Dollars (202,042 million Tenge at December 31, 2012 exchange rate). As a result of the work performed by the contractors to resolve the comments, on November 28, 2011 the Authority body (PSA LLP) and the contractors signed the resolution, according to which the disallowed for recovery costs were reduced to 2,959 million US Dollars (445,984 million Tenge at December 31, 2012 exchange rate) with the Group’s share amounting to 497 million US Dollars (74,955 million Tenge at December 31, 2012 exchange rate).

Within the framework of the Settlement Agreement signed on May 17, 2012 further negotiations with the Authorized body were concluded and resulted in the downward revision of the costs disallowed for recovery to 230 million US Dollars (34,655 million Tenge at December 31, 2012 exchange rate) with the Group’s share amounting to 39 million US Dollars (5,824 million Tenge at December 31, 2012 exchange rate).

Cost recovery audit for the year 2009 was completed in 2012. As a result of the audit performed costs in amount of 875 million US Dollars (131,898 million Tenge at December 31, 2012 exchange rate) were disallowed for recovery, with Group’s share amounting to 147 million US Dollars (22,168 million Tenge at December 31, 2012 exchange rate). Further negotiations are conducted to resolve the issue in favour of the contractors.

BORROWED GAS (KTG)

During 2012 and 2011 KTG, subsidiary of the Group, borrowed gas from PetroChina International Company Limited for provision of Almaty city with gas during winter season. According to the agreement in the case the Group does not return borrowed gas in defined time, the Group will pay for the gas the amount of 340 US Dollars per thousand m³. As of December 31, 2012, potential commitment of the Group equalled to 30,401 million Tenge.

COMMITMENTS UNDER STABILIZATION PLAN

The Fund was assigned as the Government’s principal operator in implementation of the Stabilization Plan approved by the Government in 2008 (*Note 1*).

Settlement of real estate market issues

As at December 31, 2012 commitments for measures on financial sector stabilization and small and medium business support were fulfilled.

Implementation of innovation, industrial and infrastructure projects

As at December 31, 2012 Fund’s commitments to provide financing to innovation, industrial and infrastructure projects amounted to 5,000 million Tenge (2011: 5,000 million Tenge).

COMMITMENTS ON REPETITIVE USE OF ANTI-CRISIS FUNDS

In accordance with the minutes No. 17-5/M-380 dated April 5, 2012 and the minutes No. 17-5/11-10 dated January 30, 2013 of the State committee on issues related to modernization of economy in the Republic of Kazakhstan, the Fund has to finance certain investment projects for the total amount of 514,718 million Tenge during 2012-2014. Accounting disbursements in 2012 and transfers between projects, the commitments of the Fund on disbursements in 2013-2014 amount to 415,324 million Tenge, including the following projects:

Financing of a housing construction program – implementation of the “Available housing” program

In accordance with the Decree No. 821 of the Government dated June 21, 2012, the Fund and the National Fund are to finance housing construction through Real Estate Fund “Samruk-Kazyna” JSC. As of December 31, 2012 the Fund’s commitments to finance the “Available housing-2020” program amounted to 36,200 million Tenge (December 31, 2011: nil).

Other investment projects of the Fund

As of December 31, 2012 the Fund's commitments to finance other investments projects amounted to 379,124 million Tenge (2011: nil).

In accordance with the minutes No. 17-5/11-10 dated January 30, 2013 of the State committee on issues related to modernization of

economy in the Republic of Kazakhstan the Fund has to finance investment project “Constructions of gas pipeline “West-North-Center”(through Kartaly-Tobol-Kokshetau-Astana) for the total amount of 60,000 million Tenge by own funds of the Fund and/or NC KMG.

43. SEGMENT REPORTING

For management purposes, the Group is organized into organizational business units based on their products and services, and has seven reportable operating segments as follows:

Oil and Gas segment includes operations related to exploration and production of oil and gas, transportation of oil and gas and refining and trading of crude oil and refined products.

Mining and industrial segment is engaged in exploration, mining, processing and sales of uranium, beryllium, tantalum and other solid materials, military industry enterprises and civil machine industry, projects for the development of chemical industry and geological exploration.

Transportation segment includes operations related to railway and air transportation of cargo and passengers.

Telecommunication segment includes operation of fixed line communication, including local, long-distance intercity and international telecommunication services (including CIS and non-CIS countries); and also rent of lines, data transfer services and wireless communication services.

Energy segment includes operations related to production and distribution of electricity, function of oversight over the input of electricity into the energy system and consumption of imported electricity, function of centralised operation and dispatch of facilities in the Unified Electricity System of the Republic of Kazakhstan.

Financial and Innovation Institutions segment includes operations related to development and stimulation of investment and innovation activities an all segments of the economy of Republic of Kazakhstan.

The operations of Samruk-Kazyna were included in the segment of Corporate center and projects.

Certain of the above-mentioned operating segments have been formed by aggregation of smaller reportable segments in line with the organizational structure of the Group. Each reportable segment maintains its accounting records in line with IFRS. Financial performance of each segment prepared in line with IFRS is reported to the chief operating decision maker for the purposes of making decisions about allocating resources to the segment and assessing its performance.

The following table represents information about profit and loss, and assets and liabilities of operating segments of the Group for 2012:

<i>In millions of Tenge</i>	Oil and Gas	Mining and industrial	Transportation	Telecom-munication	Energy	Financial and Innovation Institutions	Corporate center and projects	Elimination	Total
Revenues from sales to external customers	2,920,437	350,885	895,956	189,879	168,625	277,545	107,695	-	4,911,022
Revenues from sales to other segments	39,981	23,408	13,739	5,196	15,044	71,760	361,594	(530,722)	-
Total revenue	2,960,418	374,293	909,695	195,075	183,669	349,305	469,289	(530,722)	4,911,022
Gross profit	869,600	86,893	270,413	56,321	37,659	67,032	310,315	(328,093)	1,370,140
General and administrative expenses	(156,108)	(30,654)	(83,958)	(24,441)	(14,112)	(99,237)	(20,168)	8,071	(420,607)
Transportation and selling expenses	(360,697)	(4,432)	(6,200)	(5,406)	(634)	-	(1,945)	2,131	(377,183)
Finance income	29,024	4,407	6,564	4,677	3,313	3,597	63,547	(69,720)	55,409
Finance cost	(169,184)	(13,925)	(32,990)	(12,331)	(7,231)	(752)	(324)	28,821	(207,916)
Share of income in associates and joint ventures	471,086	32,967	(72)	1	29,972	4,881	-	-	538,835
Foreign exchange gain / (loss), net	(18,006)	(2,762)	(3,858)	(869)	(1,980)	(17,830)	1,267	286	(43,752)
Depreciation, depletion and amortization	(163,633)	(19,886)	(78,197)	(39,055)	(16,488)	(6,877)	(342)	137	(324,341)
Impairment of loans issued	1	-	-	-	-	(11,304)	(943)	(3,649)	(15,895)
Impairment of loans issued to banks	-	-	-	-	-	1,947	282,068	(282,068)	1,947
Impairment of other assets	(94,855)	(3,417)	(839)	5,839	286	12,232	(301,135)	159,158	(222,731)
Provision charges	35,890	1,140	28,359	319	2,081	(3,061)	-	-	64,728
Income tax expense	(177,131)	(10,972)	(32,140)	(4,472)	(5,312)	(8,403)	(11,236)	(1,058)	(250,724)
Net profit for the period from continuing operations	412,579	53,432	124,077	21,093	43,629	408,941	338,559	(469,232)	993,078
Net profit for the period from discontinued operations	628	-	(1,109)	201,996	60	-	-	784	202,359
Total net profit for the period	413,207	53,432	122,968	223,089	43,689	408,941	338,559	(466,448)	1,135,437
Other segment information									
Total assets of the segment	6,881,891	765,076	2,192,972	465,384	827,000	4,024,405	5,290,564	(5,212,165)	15,235,127
Total liabilities of the segment	3,265,866	310,479	1,105,356	179,357	339,583	3,147,174	1,628,499	(2,132,718)	7,843,596
Allowances for doubtful accounts receivable	7,489	95	1,528	611	256	(461)	1,751	(1,093)	10,176
Investments in associates and joint ventures	894,097	132,421	15,479	-	232,908	112,644	-	(36,505)	1,351,044
Capital expenditures	551,541	59,293	480,141	68,705	84,547	5,936	3,139	(32,474)	1,220,828

The following table represents information about profit and loss, and assets and liabilities of operating segments of the Group for 2011:

<i>In millions of Tenge</i>	Oil and Gas	Mining and industrial	Transportation	Telecommunication	Energy	Financial and Innovation Institutions	Corporate center and projects	Elimination	Total
Revenues from sales to external customers	2,597,750	335,347	790,766	184,564	129,312	288,065	74,551	-	4,400,355
Revenues from sales to other segments	26,750	18,231	11,743	5,075	11,508	69,814	112,801	(255,922)	-
Total revenue	2,624,500	353,578	802,509	189,639	140,820	357,879	187,352	(255,922)	4,400,355
Gross profit	789,152	92,218	252,791	55,400	32,153	38,819	33,844	(61,466)	1,232,911
General and administrative expenses	(159,835)	(21,691)	(77,344)	(22,018)	(12,854)	(105,684)	(44,108)	5,852	(437,682)
Transportation and selling expenses	(350,701)	(3,779)	(6,771)	(4,638)	(291)	(18)	(1,842)	862	(367,178)
Finance income	45,584	5,689	6,330	3,996	2,538	2,982	63,973	(64,267)	66,825
Finance cost	(171,190)	(12,309)	(22,373)	(9,503)	(7,468)	(1,438)	(176)	30,857	(193,600)
Share of income in associates and joint ventures	534,623	43,983	69	(3)	25,467	7,038	-	-	611,177
Foreign exchange gain / (loss), net	(8,760)	(414)	(1,610)	(107)	1,259	(12,913)	32	(54)	(22,567)
Depreciation, depletion and amortization	(146,708)	(16,328)	(63,643)	(39,931)	(14,437)	(6,623)	(318)	-	(287,988)
Impairment of loans issued	(14)	-	-	-	-	(146,816)	(943)	799	(146,974)
Impairment of loans issued to banks	-	-	-	-	-	(599)	(282,068)	282,068	(599)
Impairment of other assets	(60,593)	(3,320)	9,336	(2,564)	(17)	(26,853)	(307,193)	306,742	(84,462)
Provision charges	11,036	5,572	29,536	21	7,334	5,966	-	-	59,465
Income tax expense	(153,148)	(17,553)	(35,041)	(4,302)	(5,104)	(141,819)	(10,194)	-	(367,161)
Net profit/(loss) for the period from continuing operations	483,901	80,581	131,094	18,096	38,515	(389,428)	(513,881)	472,555	321,433
Net profit/(loss) for the period from discontinued operations	(1,353)	-	(1,942)	33,023	-	-	(532)	-	29,196
Total net profit for the period	482,548	80,581	129,152	51,119	38,515	(389,428)	(514,413)	472,555	350,629
Other segment information									
Total assets of the segment	6,181,018	653,788	1,767,920	461,835	661,982	3,628,629	4,125,542	(4,067,309)	13,413,405
Total liabilities of the segment	3,020,860	277,728	771,842	169,721	247,481	3,667,810	1,592,738	(2,064,378)	7,683,802
Allowances for doubtful accounts receivable	3,636	272	1,161	(281)	(206)	502	-	(59)	5,025
Investments in associates and joint ventures	919,154	105,018	4,940	24	176,741	89,105	-	-	1,294,982
Capital expenditures	465,531	33,919	347,228	46,824	73,631	31,020	27,471	(5,854)	1,019,770

44. SUBSEQUENT EVENTS

BORROWINGS

In relation to a credit facility provided by BNP Paribas (Suisse) SA of 865 million US Dollars (equivalent to 130,433 million Tenge), included in current liabilities, to co-borrowers Vector Energy AG and TH KMG AG, an applicable financial covenant was not complied with as of December 31, 2012. On March 6, 2013 BNP Paribas (Suisse) SA sent a notification to Vector Energy AG / TH KMG AG requesting resolution for compliance with the financial covenant in accordance with agreed terms and conditions by April 6, 2013. Group management has taken actions to resolve this matter by the date of these consolidated financial statements.

On November 26, 2012 the Group's subsidiary Locomotive JSC signed a loan agreement for 425 million US dollars (equivalent to 64,085 million Tenge at the exchange rate on December 31, 2012) with the Export-Import bank of United States of America for the acquisition of 196 locomotives. The interest rate on the loan is Commercial Interest Reference Rate (in US dollars). In accordance with the terms of agreement, the funds are to be transferred by nine tranches, three of which were received in January 2013 of 311 million US dollars (equivalent to 46,896 million Tenge at the December 31, 2012 exchange rate) with a bank commission withheld of 32 million US dollars (equivalent to 4,825 million Tenge at the December 31, 2012 exchange rate).

On January 24, 2013 the Fund issued a loan to Kazakhmys Finance PLC in amount of 200 million US Dollars for the financing of a project on the development of Zhomart copper field, Kazakhstan. The loans were issued using proceeds from the credit line with China Development Bank in January 2013.

In April 2012 Pavlodar Oil Chemistry JSC, subsidiary of NC KMG received a loan of 13,460 million Tenge from Halyk Bank of Kazakhstan JSC for working capital.

In January 2013 the Group made an early repayment of the loan of 500 million US dollars (equivalent to 75,395 million Tenge) from the Export-Import Bank of China. Upon the prepayment, the Group recognized a prepayment fee of 2.5 million US dollars (equivalent to 376 million Tenge) in consolidated statement of comprehensive income.

On February 13, 2013 Eurobonds were issued by Development Bank of Kazakhstan in the amount of 425 million US Dollars (equivalent to 64 billion Tenge) with a coupon rate of 4.125% per annum and maturing in 2022.

On March 5, 2013 the Development Bank of Kazakhstan repaid loans from Credit Suisse International, in the amount of 272 million US dollars (equivalent to 41 billion Tenge). Due to early repayment of the loans the Group paid an additional fee for early

repayment of 21 million US Dollars (equivalent to 3.2 billion Tenge) as commission fee.

CHANGES IN THE STRUCTURE OF THE GROUP (SUBSIDIARIES)

In January 2013, the Group made a decision to merge MK KazSilicon LLP with Quartz LLP.

On March 29, 2013 Kazakhtelecom acquired 100% interest in «Digital TV» LLP for a total consideration of 9,807 million Tenge.

On January 31, 2013 the International Finance Corporation (hereinafter - «IFC») presented to BTA Bank for exercising its put option on the 8,750 shares of SK Leasing JSC, representing 10% equity interest in SK Leasing JSC. Acquisition of 10% stake of SK Leasing JSC by BTA Bank implies an increase in ownership of shares of the BTA Bank in SK Leasing JSC to 55% of the total shares of the leasing company (SK Leasing JSC will become a subsidiary of the Bank), and therefore, such acquisition of shares may be carried out after receipt of the relevant approvals, including those prescribed by the legislation of the Republic of Kazakhstan.

TRANSFER OF DEVELOPMENT INSTITUTIONS, FINANCIAL ORGANISATIONS AND OTHER CHANGES IN INVESTMENTS IN SUBSIDIARIES

In accordance with a minutes of meeting with participation of the President of the Republic of Kazakhstan dated January 23, 2013 No. 01-7.1 "On results of social and economic development of Republic of Kazakhstan in 2012 and aims on realization of "Kazakhstan-2050" Strategy" the Government was assigned to create "National development agency" JSC, with 100% ownership by the Government, and the transfer to it the Fund's share in development institutions and financial institutions (Development Bank of Kazakhstan JSC, Kazyna Capital Management JSC, Export-Credit Insurance Corporation KazExportGarant JSC, "Entrepreneurship development Fund "Damu" JSC, Investment Fund of Kazakhstan JSC), including the transfer of SK-Pharmacy LLP to the Ministry of Health of the Republic of Kazakhstan.

In accordance with Decree of the Government of the Republic of Kazakhstan No. 206 dated March 4, 2013 the Fund is allowed to become a participant in Pension Fund "Halyk Bank" JSC, Pension Fund "Grantum" and Pension Fund "Ular Umit" in exchange of part of Fund's share in Kazkommertsbank JSC and BTA Bank JSC.

For the purpose of sale of Fund’s share in BTA Bank JSC, Alliance Bank JSC and Temirbank JSC before December 31, 2013, in case the shareholders of banks refuse their privileged right of purchase of shares, the Fund is recommended to:

- take measures on disposal of shares of Alliance Bank JSC and Temirbank JSC to sole strategic investor;
- propose to Halyk Bank JSC to acquire remaining shares of BTA Bank JSC.

At the current moment, the procedures for a preparation and agreement of documents related to the approval of regulatory legal acts on creation of “National development agency” JSC, transfer of SK-Pharmacy LLP and disposal of banks’ shares are under process.

In April 2013, the Fund transferred 100% interest in Export-Credit Insurance Corporation KazExportGarant JSC, Kazyna Capital Management JSC, Investment Fund of Kazakhstan JSC, Development Bank of Kazakhstan JSC, “Entrepreneurship development Fund “Damu” JSC and SK-Pharmacy LLP to the Shareholder under the trust management agreements.

ACQUISITION OF SHARE INTEREST IN KAZZINC LLP

On February 1, 2013 the Fund acquired 29.8221% interest in share capital of Kazzinc LLP, through acquisition of 100% share interest in Logic Business LLP, Logic Invest Capital LLP and Investment House “Dana” LLP, each owning 9.9407% in Kazzinc LLP for the total amount of 248,837 million Tenge. Acquisition was funded through placement of coupon bonds for the total amount of 255,000 million Tenge to the National Bank of RK. The maturity period is 50 years and coupon rate is 0.01% per annum.

FINANCIAL POSITION OF BTA BANK

The decision of Bishkek city court concerning the return of 71% interest in the capital of CJSC BTA Bank (Kyrgyzstan) to the Bank came into legal force. On January 15, 2013, Bishkek regional court sent to a registrar «Registrum» LLC copies of judicial acts, according to which the legal title for the above shares shall be re-registered to the name of Kazakhstan BTA Bank.

OPERATING ACTIVITY

In accordance with the order of the Department of the Natural Monopolies Regulation Agency of Mangistau region № 155-NK dated December 29, 2012, the electricity transmission and distribution tariff for businesses (MREK) was changed from 2.97 Tenge/ kWh to 3.10 Tenge/ kWh (excl. VAT).

In accordance with the order of the Department of the Natural Monopolies Regulation Agency of Aktobe region the tariff for

electricity for 2013 for Aktobe TES was set at 6.7 Tenge/ kWh (excl. VAT) and starting from March 1, 2013 the heat energy tariff was approved at 1,010 Tenge/Gcal (excl. VAT), i.e. increased by 20%.

ENVIRONMENTAL AUDIT

On January 25, 2013 OzenMunayGas JSC received a notification from the Mangistau Regional Environmental Department on compensation to the state budget for environmental damage in the amount of 59,611 million Tenge. The amount of the assessment was based on the results of a scheduled inspection for the period from August 27, 2011 until November 12, 2012. OzenMunayGas JSC didn’t agree with notification and filed a claim with the Special Regional Mangistau Economic Court. Management of the Group believes that OzenMunayGas JSC has a strong position in respect of this matter and will successfully appeal the claim. The Group did not record any provision in respect of this matter as of December 31, 2012.

EXPORT CUSTOMS DUTY

On April 2, 2013 the Government of the Republic of Kazakhstan raised export duty on crude oil exports from 40 US Dollars to 60 US Dollars per tone effective from April 12, 2013. As a result, the Group recorded an additional impairment loss in amount of 56 billion Tenge related to property, plant and equipment of JSC ‘OzenMunaiGaz’ (*Note 4*) in the first quarter of 2013.

CHANGES IN THE BANKING REGULATION

During December 2012 - January 2013 the National Bank of RK notified commercial banks of upcoming changes in the banking regulation removing the requirement to assess loan impairment allowance under separate rules for statutory purposes. It was conceived that, effective from January 1, 2013, loss on impairment of loans will be assessed under IFRS requirements for statutory and tax purposes. Previously accumulated differences between statutory and IFRS impairment allowances would form the basis for the opening balance of a newly introduced “dynamic reserve” caption in equity.

These changes have not yet been enacted as at date of issue of these consolidated financial statements.

As at December 31, 2012 the Alliance Bank has a negative accumulated difference between statutory and IFRS impairment allowances that indicates that the difference cannot be used to create a positive reserve account. Drafts of regulations currently available in the public domain do not specify the application of the proposed changes to Alliance Bank’s specific circumstances. Having carried out consultations with the National Bank of RK, management was assured that there will be specific guidance provided to Alliance Bank regarding application of the changes. In the event that its application results in a breach of prudential

requirements, management is assured, based on discussions with the National Bank of RK, that there will be an agreement signed between the National Bank of RK and Alliance Bank setting up special arrangements regarding compliance with prudential requirements.

If such arrangements are made, management expects them to remain in force at least until the Alliance Bank is sold to a non-state owner with which the regulator would expect to agree a comprehensive recapitalisation plan.

OTHER EVENTS

During January and February 2013 two Fokker 50 and an Airbus aircraft were decommissioned upon expiration of the operating lease agreements. In March 2013 the Group received an Embraer 190 aircraft under a finance lease agreement.



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