“Sovereign Wealth Fund “Samruk-Kazyna” JSC

Interim condensed
consolidated financial statements (unaudited)

As at March 31, 2019 and for the three months then ended

CONTENTS

Interim condensed consolidated financial statements (unaudited)

INTERIM CONSOLIDATED BALANCE SHEET

In millions of tenge	Note	March 31, 2019 (unaudited)	December 31, 2018 (audited)
Assets			
Non-current assets			
Property, plant and equipment	6	**12,787,540**	12,669,551
Intangible assets	7	**1,587,141**	1,611,163
Exploration and evaluation assets		**430,846**	431,848
Investment property		**42,105**	42,388
Investments in joint ventures and associates	8	**3,769,617**	3,664,897
Loans issued and finance lease receivables		**414,115**	431,276
Amounts due from credit institutions	9	**166,543**	176,360
Deferred tax assets		**111,148**	131,192
Other non-current financial assets		**298,672**	291,374
Other non-current assets	10	**675,160**	627,917
		20,282,887	20,077,966
Current assets			
Inventories		**584,462**	611,094
VAT receivable		**143,919**	151,750
Income tax prepaid		**93,487**	68,857
Trade accounts receivable	11	**910,891**	747,873
Loans issued and finance lease receivables		**189,536**	201,656
Amounts due from credit institutions	9	**1,107,964**	623,612
Other current financial assets		**56,980**	57,257
Other current assets	11	**532,561**	417,362
Cash and cash equivalents	12	**1,564,504**	2,487,533
		5,184,304	5,366,994
Assets classified as held for sale	5	**139,384**	200,396
Total assets		**25,606,575**	25,645,356

The explanatory notes on pages 8 through 39 form an integral part of these interim condensed consolidated financial statements (unaudited).

INTERIM CONSOLIDATED BALANCE SHEET (continued)

In millions of tenge	Note	March 31, 2019 (unaudited)	December 31, 2018 (audited)
Equity and liabilities			
Equity attributable to equity holder of the Parent			
Share capital	13.1	**5,148,766**	5,133,766
Additional paid-in capital		**17,303**	17,303
Currency translation reserve	13.5	**1,299,991**	1,333,529
Revaluation reserve of investments at fair value through other comprehensive income		**29,078**	28,806
Hedging reserve		**(45,313)**	(67,163)
Other capital reserves		**(16,807)**	(16,807)
Retained earnings		**5,316,376**	5,078,098
		11,749,394	11,507,532
Non-controlling interest		**1,387,207**	1,364,353
Total equity		**13,136,601**	12,871,885
Non-current liabilities			
Borrowings	14	**5,932,488**	6,035,456
Loans from the Government of the Republic of Kazakhstan		**640,799**	630,433
Lease liabilities	16	**323,793**	130,640
Provisions		**282,986**	269,123
Deferred tax liabilities		**921,195**	915,415
Employee benefit liabilities		**95,870**	94,243
Prepayment on oil supply agreements	15	**919,309**	1,153,761
Other non-current liabilities		**118,030**	118,675
		9,234,470	9,347,746
Current liabilities			
Borrowings	14	**690,082**	817,319
Loans from the Government of the Republic of Kazakhstan		**19,426**	22,973
Lease liabilities	16	**73,210**	25,853
Provisions		**129,173**	151,793
Employee benefit liabilities		**7,289**	7,267
Income taxes payable		**16,368**	18,699
Trade and other payables		**942,894**	995,322
Prepayment on oil supply agreements	15	**512,567**	527,402
Other current liabilities	17	**754,569**	764,021
		3,145,578	3,330,649
Liabilities associated with assets classified as held for sale	5	**89,926**	95,076
Total liabilities		**12,469,974**	12,773,471
Total equity and liabilities		**25,606,575**	25,645,356

Managing Director for Economy and Finance –
member of the Management Board

Beibit Karymsakov

Chief accountant

Almaz Abdrakhmanova

The explanatory notes on pages 8 through 39 form an integral part of these interim condensed consolidated financial statements (unaudited).

INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

In millions of tenge	Note	**For the three months ended March 31, 2019 (unaudited)**	For the three months ended March 31, 2018 (unaudited) (restated*)
Continuing operations			
Revenue	18	**2,533,063**	2,118,669
Government grants		**16,402**	5,020
		2,549,465	2,123,689
Cost of sales	19	**(1,967,121)**	(1,641,582)
Gross profit		**582,344**	482,107
General and administrative expenses	20	**(101,866)**	(92,102)
Transportation and selling expenses	21	**(204,556)**	(161,144)
Impairment loss, net	22	**(9,167)**	(9,198)
Gain on disposal of subsidiaries	5	**17,487**	7,754
Gain on business combination	4	**324**	313,517
Operating profit		**284,566**	540,934
Finance income	23	**36,899**	42,063
Finance costs	24	**(140,817)**	(124,926)
Other non-operating loss		**(9,018)**	(10,090)
Other non-operating income		**8,533**	12,581
Share in profit of joint ventures and associates, net	25	**240,785**	179,540
Net foreign exchange loss, net		**(12,314)**	(73,909)
Profit before income tax		**408,634**	566,193
Income tax expenses		**(78,814)**	(63,169)
Net profit for the year from continuing operations		**329,820**	503,024
Discontinued operations			
Loss from discontinued operations, net of income tax	5	**–**	(712)
Net profit for the period		**329,820**	502,312
Net profit for the period attributable to:			
Equity holder of the Parent		**290,663**	475,521
Non-controlling interest		**39,157**	26,791
		329,820	502,312

INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (continued)

In millions of tenge	Note	For the three months ended March 31, 2019 (unaudited)	For the three months ended March 31, 2018 (unaudited) (restated*)
Other comprehensive income			
Other comprehensive income to be reclassified to profit or loss in subsequent periods			
Exchange differences on translation of foreign operations	13.5	**(38,397)**	(103,415)
Unrealized (loss)/gain from revaluation investments at fair value through other comprehensive income		**(19)**	11
Share of the other comprehensive income/(loss) of associates and joint ventures		**664**	(242)
Gain on transactions with hedge instruments		**22,157**	3,039
Net realized gain on investments at fair value through other comprehensive income		**7**	136
Other comprehensive loss to be reclassified to profit or loss in subsequent periods		**(15,588)**	(100,471)
Other comprehensive income not to be reclassified to profit or loss in subsequent periods			
Share of the other comprehensive income of associates and joint ventures		**207**	149
Actuarial loss on defined benefit plans		**(535)**	–
Tax effect on comprehensive loss components		**29**	–
Other comprehensive (loss)/income not to be reclassified to profit or loss in subsequent periods		**(299)**	149
Other comprehensive loss for the period, net of tax		**(15,887)**	(100,322)
Total comprehensive income for the period, net of tax		**313,933**	401,990
Total comprehensive income for the period, attributable to:			
Equity holder of the Parent		**278,965**	388,295
Non-controlling interest		**34,968**	13,695
		313,933	401,990

* *Certain amounts shown here do not correspond to consolidated financial statements for the three months ended March 31, 2018 and reflect restatement made, details of which are disclosed in Note 2.*

Managing Director for Economy and Finance –
member of the Management Board

Beibit Karymsakov

Chief accountant

Almaz Abdrakhmanova

INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

		Attributable to the equity holder of the Parent									
In millions of tenge	Note	Share capital	Additional paid-in capital	Revaluation reserve of investments at fair value through other comprehen-sive income	Currency translation reserve	Hedging reserve	Other capital reserves	Retained earnings	Total	Non-controlling interest	Total
Balance as at December 31, 2017 (restated)		5,133,476	13,189	26,177	919,146	(54,666)	(16,742)	3,982,070	10,002,650	1,821,720	11,824,370
Effect of adoption of new IFRS		–	–	2,835	–	–	–	(51,042)	(48,207)	(4,191)	(52,398)
Balance as at January 1, 2018		5,133,476	13,189	29,012	919,146	(54,666)	(16,742)	3,931,028	9,954,443	1,817,529	11,771,972
Total comprehensive income for the period		–	–	147	(69,360)	2,514	–	454,994	388,295	13,695	401,990
Other contributions of the Shareholder		–	3,979	–	–	–	–	–	3,979	–	3,979
Other distributions to the Shareholder		–	–	–	–	–	–	(6,616)	(6,616)	–	(6,616)
Acquisition of subsidiaries		–	–	–	–	–	–	–	–	76,762	76,762
Change in ownership interests of subsidiaries – acquisition of non-controlling interest		–	–	–	–	–	–	72,576	72,576	(690,885)	(618,309)
Other equity movements				25	–			(84)	(59)	3	(56)
Balance as at March 31, 2018 (unaudited)		5,133,476	17,168	29,184	849,786	(52,152)	(16,742)	4,451,898	10,412,618	1,217,104	11,629,722

* *Certain amounts shown here do not correspond to consolidated financial statements for the three months ended March 31, 2018 and reflect restatement made, details of which are disclosed in Note 2.*

The explanatory notes on pages 8 through 39 form an integral part of these interim condensed consolidated financial statements (unaudited).

INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (continued)

		Attributable to the equity holder of the Parent									
In millions of tenge	Note	Share capital	Additional paid-in capital	Revaluation reserve of investments at fair value through other comprehensive income	Currency translation reserve	Hedging reserve	Other capital reserves	Retained earnings	Total	Non-controlling interest	Total
Balance as at December 31, 2018 (audited)		5,133,766	17,303	28,806	1,333,529	(67,163)	(16,807)	5,078,098	11,507,532	1,364,353	12,871,885
Effect of adoption of new IFRS	2	–	–	–	–	–	–	(10,382)	(10,382)	(5,850)	(16,232)
Balance as at January 1, 2019		5,133,766	17,303	28,806	1,333,529	(67,163)	(16,807)	5,067,716	11,497,150	1,358,503	12,855,653
Total comprehensive income for the period		–	–	**(18)**	**(33,538)**	**21,850**	-	**290,671**	**278,965**	**34,968**	**313,933**
Issue of shares	13.1	**15,000**	–	–	–	–	–	–	**15,000**	–	**15,000**
Other transactions with the Shareholder	13.2	–	–	–	–	–	–	**(2,501)**	**(2,501)**	–	**(2,501)**
Other distributions to the Shareholder	13.3	–	–	–	–	–	–	**(37,848)**	**(37,848)**	–	**(37,848)**
Acquisition of subsidiaries	4	–	–	–	–	–	–	–	–	**12,116**	**12,116**
Dividends	13.4	–	–	–	–	–	–	–	–	**(15,308)**	**(15,308)**
Change in ownership interests of subsidiaries – acquisition of non-controlling interest		–	–	–	–	–	–	**(1,357)**	**(1,357)**	**(161)**	**(1,518)**
Other equity movements		–	–	**290**	–	–	–	**(305)**	**(15)**	**(2,911)**	**(2,926)**
Balance as at March 31, 2019 (unaudited)		**5,148,766**	**17,303**	**29,078**	**1,299,991**	**(45,313)**	**(16,807)**	**5,316,376**	**11,749,394**	**1,387,207**	**13,136,601**

Managing Director for Economy and Finance –
member of the Management Board   Beibit Karymsakov

Chief accountant   Almaz Abdrakhmanova

САМҰРЫҚ ҚАЗЫНА

The accounting policies and explanatory notes on pages 8 through 39 form an integral part of these interim condensed consolidated financial statements.

INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS

In millions of tenge	Note	**For the three months ended March 31, 2019 (unaudited)**	For the three months ended March 31, 2018 (unaudited)
Cash flows from operating activities			
Receipts from customers		**2,393,400**	2,267,760
Payments to suppliers		**(1,550,451)**	(1,376,464)
Payments to employees		**(227,931)**	(227,100)
Other taxes and payments		**(394,319)**	(315,225)
Operations with financial instruments (the Fund and Kazpost)		**(3,822)**	5,893
Other (payments)/receipts, net		**(63,919)**	(15,071)
Return of VAT from the budget		**18,172**	15,176
Income taxes paid		**(74,661)**	(47,869)
Interest paid		**(66,710)**	(71,656)
Interest received		**42,459**	46,613
Net cash flows received from operating activities		**72,218**	282,057
Cash flows from investing activities			
Acquisition of property, plant and equipment, exploration and evaluation assets		**(247,084)**	(220,881)
Dividends received from joint ventures and associates	8	**7,396**	90,289
(Placement)/redemption of bank deposits, net		**(489,662)**	418,530
Loans issued		**(2,434)**	(3,580)
Proceeds from sale of subsidiaries, net of cash of disposed subsidiaries	4	**56,760**	–
Proceeds of receivables from sale of BTA		**4,000**	–
Acqusition of intangible assets		**(2,204)**	(4,768)
Acquisition/(sale) of joint ventures and associates		**–**	(3,235)
Net cash acquired with the subsidiary	5	**5,563**	2,921
Repayment of loans issued		**10,510**	24,718
Purchase of debt instruments		**(28,359)**	–
Other receipts, net		**3,583**	4,171
Net cash flows (used)/received in investing activities		**(681,931)**	308,165
Cash flows from financing activities			
Acquisition of non-controlling interest		**(1,477)**	(618,309)
Proceeds from borrowings		**255,832**	101,578
Repayment of borrowings		**(450,446)**	(154,203)
Repayment of lease liabilities		**(17,650)**	(4,328)
Distributions to the Shareholder		**(79,859)**	(18,710)
Contribution to share capital	13.1	**15,000**	–
Dividends paid to non-controlling interest of subsidiaries		**(9,279)**	(123)
Other payments		**(3,087)**	–
Net cash flows used in financing activities		**(290,966)**	(694,095)
Net decrease in cash and cash equivalents		**(900,679)**	(103,873)
Effects of exchange rate changes on cash and cash equivalents		**(28,830)**	(59,254)
Changes in cash and cash equivalents disclosed as part of assets classified as held for sale		**6,470**	44,969
Change in allowance for expected credit losses		**10**	(3,092)
Cash and cash equivalents at the beginning of the year		**2,487,533**	2,190,107
Cash and cash equivalents at the end of the period	12	**1,564,504**	2,068,857

Managing Director for Economy and Finance –
member of the Management Board

Beibit Karymsakov

Chief accountant

Almaz Abdrakhmanova

The accounting policies and explanatory notes on pages 8 through 39 form an integral part of these interim condensed consolidated financial statements.

NOTES TO THE INTERIM CONDENSED 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 Resolution 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 to the Fund of interests in certain entities owned by the Government of the Republic of Kazakhstan (the "State" or the "Government"). The Government, represented by the State property and privatization committee of the Ministry of finance of the Republic of Kazakhstan, is the sole shareholder of the Fund (the "Shareholder" or the "Parent").

During this process the Government's overall objective was to increase management efficiency and to optimise organisational structures for them to successfully achieve their strategic objectives as set in the respective Government programs and development plans.

The Fund is a holding company combining state-owned enterprises listed in *Note 26* (the "Group"). Prior to February 1, 2012, the Fund's activities were governed by the Law of the Republic of Kazakhstan *On National Welfare Fund* No. 134-4 dated February 13, 2009 and were aimed to assist in provision of 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. 550-4, 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 assets.

For management purposes, the Group is organized into organizational business units based on their products and services, and has 8 (eight) reportable operating segments as follows *(Note 30)*:

- 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, gas and refined products;
- Transportation segment includes operations related to railway and air transportation of cargo and passengers;
- Communication segment includes operation of fixed line communication, including local, long-distance intercity and international telecommunication services (including CIS and non-CIS countries); and also renting out 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 Energy System of Kazakhstan;
- Mining segment includes exploration, mining, processing, sales of mineral resources and geological exploration;
- Industrial segment includes industry enterprises and projects of chemical industry;
- Corporate center segment covers Fund's investing and financing activities, including provision of loans to related and third parties;
- Other segment includes operations related to assisting the Government in increasing housing availability by investing into residential development and other operations.

The address of the Fund's registered office is 17/10 E10 str., Nur-Sultan, the Republic of Kazakhstan.

These interim condensed consolidated financial statements were authorised for issue by the Managing Director for Economy and Finance and Chief accountant of the Fund on May 31, 2019.

Privatization plan

On April 30, 2014 the Government approved the initial Privatization Plan for 2014-2016. On December 30, 2015 the Government approved the new 2016-2020 Complex Privatization Plan (replacing previous 2014-2016 Privatization Plan) ("Privatization Plan") and the list of all state owned assets to be privatized, including certain Fund subsidiaries.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

2. BASIS OF PREPARATION

These interim condensed consolidated financial statements for the three months ended March, 31 2019 were prepared in accordance with International Accounting Standard No. 34 Interim Financial Statements (IAS 34). These interim condensed consolidated financial statements do not include all the information and disclosures required in the annual consolidated financial statements, and should be read in conjunction with the Group's annual consolidated financial statements for the year ended December, 31 2018.

These interim condensed consolidated financial statements are presented in Kazakhstan tenge ("tenge") and all monetary amounts are rounded to the nearest million tenge except where otherwise indicated.

Restatements affecting comparative information

The Group made reclassification of cost of sales and transportation and selling expenses since the Group believes that this reclassification is more relevant to users of this interim condensed consolidated financial statements.

The Group adjusted other income, that arose due to the difference between income from business combinations under the fair value of the assets less income from business combinations under the carrying value of the investments in associates and joint ventures JV Inkai LLP, JV Akbastau JSC and Karatau LLP at the acquisition date.

As at December 31, 2018, the Group ceased to classify KMG International N.V. (KMGI) as discontinued operation as the participants did not complete procedures provided by sale and purchase agreement (the SPA) to sell a 51% interest in KMGI by the long stop date and the transaction was automatically terminated. As such KMGI no longer meet the criteria of IFRS 5. The assets and liabilities of KMGI were transferred from discontinued operations to continuing operations.

In July 2018 the Group transferred its 100% share in Kazakhstan Engineering JSC to the Shareholder. The Group recognized disposal of net assets of Kazakhstan Engineering JSC as other distributions to the Shareholder.

The effect of adjustments on the interim consolidated statement of comprehensive income for the three months ended March 31, 2018 is presented below:

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

2. BASIS OF PREPARATION (continued)

Restatement affecting comparative information (continued)

	For the three months ended March, 31 2018					
		Restatement				
In millions of tenge	Before restatement	KMGI	Kazakhstan Engineering JSC	NC KMG Group reclassification	NAC KAP	After restatement
Revenue	1,441,519	680,651	(3,500)	–	(1)	2,118,669
Government grants	5,020	–	–	–	–	5,020
	1,446,539	**680,651**	**(3,500)**	–	**(1)**	**2,123,689**
Cost of sales	(1,311,863)	(382,710)	3,268	52,860	(3,137)	(1,641,582)
Gross profit	**134,676**	**297,941**	**(232)**	**52,860**	**(3,138)**	**482,107**
General and administrative expenses	(82,816)	(10,203)	917	–	–	(92,102)
Transportation and selling expenses	(93,477)	(15,027)	220	(52,860)	–	(161,144)
Impairment loss, net	(7,511)	(1,685)	(2)	–	–	(9,198)
(Loss)/gain on disposal of subsidiaries	7,754	–	–	–	–	7,754
Gain on business combination	22,343	–	–	–	291,174	313,517
Operating (loss)/profit	**(19,031)**	**271,026**	**903**	**–**	**288,036**	**540,934**
Finance income	41,894	338	(169)	–	–	42,063
Finance costs	(122,527)	(3,066)	667	–	–	(124,926)
Other non-operating loss	(8,625)	(101)	100	–	(1,464)	(10,090)
Other non-operating income	11,096	2,175	(690)	–	–	12,581
Share in profit of joint ventures and associates, net	179,640	–	(100)	–	–	179,540
Net foreign exchange (loss)	(73,908)	43	(44)	–	–	(73,909)
Profit before income tax	**8,539**	**270,415**	**667**	**–**	**286,572**	**566.193**
Income tax expenses	(63,978)	131	45		633	(63,169)
(Loss)/profit for the year from continuing operations	**(55,439)**	**270,546**	**712**	**–**	**287,205**	**503,024**
Discontinued operations						
Profit from discontinued operations, net of income tax	270,421	(270,421)	(712)	–	–	(712)
Net profit for the period	**214,982**	**125**	**–**	**–**	**287,205**	**502,312**

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

2. BASIS OF PREPARATION (continued)

Restatement affecting comparative information (continued)

	For the three months ended March, 31 2018					
		Restatement				
In millions of tenge	Before restatement	KMGI	Kazakhstan Engineering JSC	NC KMG Group reclassification	NAC KAP	After restatement
Net profit for the period attributable to:						
Equity holder of the Parent	188,191	125	–	–	287,205	475,521
Non-controlling interest	26,791	–	–		–	26,791
	214,982	**125**	–	–	**287,205**	**502,312**
Other comprehensive income to be reclassified to profit or loss in subsequent periods						
Exchange differences on translation of foreign operations	(82,241)	–	–	–	(21,174)	(103,415)
Other comprehensive (loss) to be reclassified to profit or loss in subsequent periods	**(79,297)**	–	–	–	**(21,174)**	**(100,471)**
Other comprehensive (loss) for the period, net of tax	**(79,148)**	–	–	–	**(21,174)**	**(100,322)**
Total comprehensive income for the period, net of tax	**135,834**	**125**	–	–	**266,031**	**401,990**
Total comprehensive income for the period, attributable to:						
Equity holder of the Parent	122,139	125	–	–	266,031	388,295
Non-controlling interest	13,695	–	–	–	–	13,695

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

2. BASIS OF PREPARATION (continued)

Foreign currency translation

Functional and presentation currency

Items included in the financial statements of each of the Group's entities included in these interim condensed consolidated financial statements for the three months ended March 31, 2019 are measured using the currency of the primary economic environment in which the entities operate ("the functional currency"). The interim condensed consolidated financial statements are presented in tenge ("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:

	March 31, 2019	December 31, 2018	Weighted average for the three months ended March 31, 2019	Weighted average for the three months ended March 31, 2018	May 31, 2019
United States dollar ("USD")	**380.04**	384.20	**378.13**	323.15	**382.56**
Euro ("EUR")	**425.95**	439.37	**429.71**	396.97	**426.48**
Russian ruble ("RUR")	**5.87**	5.52	**5.72**	5.69	**5.84**

New and amended standards and interpretations

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended December 31, 2018, except for the adoption of new standards and interpretations effective as of January 1, 2019. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

2. BASIS OF PREPARATION (continued)

New and amended standards and interpretations (continued)

IFRIC Interpretation 23 Uncertainty over Income Tax Treatment

Amendments to IFRS 9: Prepayment Features with Negative Compensation

Amendments to IAS 19: Plan Amendment, Curtailment or Settlement

Amendments to IAS 28: Long-term interests in associates and joint ventures

Annual Improvements 2015-2017 Cycle:

- *IFRS 3 Business Combinations;*
- *IFRS 11 Joint Arrangements;*
- *IAS 12 Income Taxes*
- *IAS 23 Borrowing Costs*

All of these amendments had no impact on the interim consolidated financial statements of the Group.

IFRS 16 Leases

The Group applies, for the first time, IFRS 16 "Lease". As required by IAS 34, the nature and effect of these changes are disclosed below.

IFRS 16 supersedes IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases-Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for most leases under a single on-balance sheet model.

Lessor accounting under IFRS 16 is substantially unchanged from IAS 17. Lessors will continue to classify leases as either operating or finance leases using similar principles as in IAS 17. Therefore, IFRS 16 did not have an impact for leases where the Group is the lessor.

The Group adopted IFRS 16 using the modified retrospective method of adoption with the date of initial application of January 1, 2019. Under this method, the standard is applied retrospectively with the cumulative effect of initially applying the standard recognised at the date of initial application. The Group elected to use the transition practical expedient allowing the standard to be applied only to contracts that were previously identified as leases applying IAS 17 and IFRIC 4 at the date of initial application. The Group also elected to use the recognition exemptions for lease contracts that, at the commencement date, have a lease term of 12 months or less and do not contain a purchase option ('short-term leases'), and lease contracts for which the underlying asset is of low value ('low-value assets').

The effect of adoption IFRS 16 on interim condensed consolidated balance sheet is as follows:

In millions of tenge	**As at January 1, 2019**
Assets	
Property, plant and equipment	155,426
Deferred tax assets	132
Other non-current assets	(2,364)
VAT receivable	15
Assets classified as held for sale	208
Total assets	**153,417**
Equity	
Retained earnings	(10,382)
Non-controlling interest	(5,850)
	(16,232)
Liabilities	
Lease liabilities	171,662
Deferred tax liabilities	(2,221)
Liabilities associated with assets classified as held for sale	208
Total equity and liabilities	**153,417**

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

2. BASIS OF PREPARATION (continued)

New and amended standards and interpretations (continued)

IFRS 16 Leases (continued)

Nature of the effect of adoption of IFRS 16

The Group has lease contracts for various items of buildings and premises, plant, machinery, vehicles and other equipment. Before the adoption of IFRS 16, the Group classified each of its leases (as lessee) at the inception date as either a finance lease or an operating lease. A lease was classified as a finance lease if it transferred substantially all of the risks and rewards incidental to ownership of the leased asset to the Group; otherwise it was classified as an operating lease. Finance leases were capitalised at the commencement of the lease at the inception date fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments were apportioned between interest (recognised as finance costs) and reduction of the lease liability. In an operating lease, the leased property was not capitalised and the lease payments were recognised as rent expense in profit or loss on a straight-line basis over the lease term. Any prepaid rent and accrued rent were recognised under advances received, trade accounts payable and other payables, respectively.

Upon adoption of IFRS 16, the Group applied a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The standard provides specific transition requirements and practical expedients, which has been applied by the Group.

- *Leases previously classified as finance leases*

The Group did not change the initial carrying amounts of recognised assets and liabilities at the date of initial application for leases previously classified as finance leases (i.e., the right-of-use assets and lease liabilities equal the lease assets and liabilities recognised under IAS 17). The requirements of IFRS 16 was applied to these leases from January 1, 2019.

- *Leases previously accounted for as operating leases*

The Group recognised right-of-use assets and lease liabilities for those leases previously classified as operating leases, except for short-term leases and leases of low-value assets. The right-of-use assets for most leases were recognised based on the carrying amount as if the standard had always been applied, apart from the use of incremental borrowing rate at the date of initial application. In some leases, the right-of-use assets were recognised based on the amount equal to the lease liabilities, adjusted for any related advances received and accrued lease payments previously recognised. Lease liabilities were recognised based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at the date of initial application.

The Group also applied all available practical expedients.

Impact of IFRS 16 adoption on interim condensed consolidated statement of cash flows

While in accordance with IAS 17, operating lease payments were presented as part of cash flows from operating activities, in accordance with IFRS 16, lease payments were split into interest payments and principal repayment. In accordance with the requirements of IFRS 16, the Group submitted repayment of principal in cash flows from financial activities. In accordance with the Group's accounting policy, interest paid is classified as part of the cash flows from operating activities. Payments on short-term leases, leases of low value assets and variable rental payments not included in the valuation of the lease liability are presented as part of operating activities.

Summary of new accounting policies

Set out below are the new accounting policies of the Group upon adoption of IFRS 16, which have been applied from the date of initial application:

- Right-of-use assets

The Group recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease

liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term. Right-of-use assets are subject to impairment.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

2. BASIS OF PREPARATION (continued)

New and amended standards and interpretations (continued)

IFRS 16 Leases (continued)

Summary of new accounting policies (continued)

- Lease liabilities

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognised as expense in the period on which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

- Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to its short-term leases of property, plant and equipment (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of assets that are considered of low value. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

- Significant judgement in determining the lease term of contracts with renewal options

The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

The Group applies judgement in evaluating whether it is reasonably certain to exercise the option to renew. That is, it considers all relevant factors that create an economic incentive for it to exercise the renewal. After the commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise (or not to exercise) the option to renew (e.g., a change in business strategy).

3. SEASONALITY OF OPERATIONS

The Group's operating expenses are subject to seasonal fluctuations, with higher expenses for various materials, production services, maintenance and other services usually expected in the second half of the year rather than in the first six months. These fluctuations are mainly due to requirements to conduct formal public tenders during the first six months with goods and services being purchased in the second six months of the year.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

4. BUSINESS COMBINATIONS

Khorasan-U LLP

In December 2018, the Group completed the acquisition of 16.02% in the share capital of JV Khorasan-U LLP from Energy Asia Holdings (BVI) Limited. As a result of the transaction, the Group's ownership share in JV Khorasan-U LLP increased from 33.98% to 50%.

At the end of February 2019, the founders of JV Khorasan-U LLP approved changes in the constituent documents of the company, according to which the Group obtained a majority of votes in the supervisory board. As a result, starting from this date, the Group obtained control over JV Khorasan-U LLP. The Group applied book value to account for acquired assets and liabilities since the valuation report was not completed at the end of the reporting period.

Provisional amounts of identified assets, liabilities and contingent liabilities of JV Khorasan-U LLP as at the date of acquisition comprised the following:

In millions of tenge	**At acquisition date**
Assets	
Non-current assets	
Property, plant and equipment	19,710
Intangible assets	588
Other non-current assets	4,291
Current assets	
Inventories	6,018
VAT receivables	1,736
Trade accounts receivable	10,038
Other current assets	62
Cash and cash equivalents	5,563
Total assets	**48,006**
Liabilities	
Non-current liabilities	
Deferred tax liabilities	29
Provisions	1,240
Current liabilities	
Borrowings	17,441
Trade and other payables	4,527
Income tax payable	411
Provisions	118
Other current liabilities	8
Total liabilities	**23,774**
Identifiable net assets	**24,232**
Non-controlling interest	(12,116)
Share in net assets previously held by the Group	(11,792)
Gain on business combination	**324**

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

5. DISCONTINUED OPERATIONS AND ASSETS CLASSIFIED AS HELD FOR SALE

Discontinued operations

As at December 31, 2018, the Group ceased to classify KMG International N.V. (KMGI) as discontinued operation as the participants did not complete procedures provided by sale and purchase agreement (the SPA) to sell a 51% interest in KMGI by the long stop date and the transaction was automatically terminated. As such KMGI no longer meet the criteria of IFRS 5. The assets and liabilities of KMGI were transferred from discontinued operations to continuing operations (*Note 2*).

In July 2018 the Group transferred its 100% share in Kazakhstan Engineering JSC to the Shareholder. The Group recognized disposal of net assets of Kazakhstan Engineering JSC as other distributions to the Shareholder (*Note 2*).

The net cash flows of Kazakhstan Engineering JSC are as follows:

In millions of tenge	For the three months ended March 31, 2018 (unaudited)
Operating	**28,114**
Investing	**(879)**
Financing	**(32)**
Net cash inflows	**27,203**

Assets classified as held for sale

KMG Retail LLP

On February 8, 2019 the Company completed the sale of 100% interest in KMG Retail LLP, which was classified as a disposal group held for sale, for 60,512 million tenge.

At the date of loss of control net assets of KMG Retail LLP were as follows:

In millions of tenge	**Net assets at the date of disposal (unaudited)**
Property, plant and equipment	34,266
Intangible assets	42
Cash and cash equivalents	2,288
Other non-current assets	6,556
Other current assets	138
	43,290
Current liabilities	259
	259
Net assets	**43,031**

The resulting gain on disposal of KMG Retail LLP amounted to 17,481 million tenge.

Kazakhstan-British University JSC (KBTU)

In January 2019, a sale agreement on 100% shares in KBTU between KMG and the Public Foundation "Nursultan Nazarbayev Education Fund" came into force. According to the terms of the agreement, the transfer of stake and payment of 11,370 million tenge for them are made in three tranches within two years. On February 6, 2019 KMG received a payment for the first 30% stake of 3,339 million tenge. KMG believes that it has lost control over KBTU due to transfer of 30% stake and the signing of the trust agreement for the remaining 70% stake.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

5. DISCONTINUED OPERATIONS AND ASSETS CLASSIFIED AS HELD FOR SALE (continued)

Assets classified as held for sale (continued)

Kazakhstan-British University JSC (continued)

At the date of loss of control net assets of KBTU were as follows:

In millions of tenge	Net assets at the date of disposal
Property, plant and equipment	6,367
Intangible assets	1,964
Amounts due from credit institutions	2,091
Cash and cash equivalents	4,732
Other current assets	1,097
	16,251
Current liabilities	5,030
	5,030
Net assets	**11,221**

The resulting gain on disposal of KBTU net of loss of 143 million tenge incurred by KBTU for the period from January 1, 2019 till the date of sale amounted to 6 million tenge.

Assets classified as held for sale comprised the following:

In millions of tenge	Segment	March 31, 2019 (unaudited)	December 31, 2018 (audited)
Transtelecom JSC	Transportation	**100,504**	96,283
KMG Retail LLP	Oil and gas	**–**	43,632
Kazakh-British Technical University JSC	Oil and gas	**–**	15,704
Other		**38,880**	44,777
		139,384	200,396

Liabilities associated with assets classified as held for sale comprised the following:

In millions of tenge	Segment	March 31, 2019 (unaudited)	December 31, 2018 (audited)
Transtelecom JSC	Transportation	**81,269**	81,992
KMG Retail LLP	Oil and gas	**–**	375
Kazakh-British Technical University JSC	Oil and gas	**–**	4,659
Other		**8,657**	8,050
		89,926	95,076

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

6. PROPERTY, PLANT AND EQUIPMENT

In millions of tenge	Oil and gas assets	Pipelines and refinery assets	Buildings and premises	Railway tracks and infra-structure	Machinery, equipment and vehicles	Mining assets	Other	Construc-tion in progress	Total
Net book value at January 1, 2019 (audited)	4,290,879	2,339,017	992,802	1,098,920	2,872,034	136,320	83,302	856,277	12,669,551
Effect of adoption of IFRS 16 (*Note 2*)	257	5,559	37,670	–	108,696	–	3,244	–	155,426
Foreign currency translation	(41,794)	(6,673)	(714)	47	(1,418)	–	(91)	(10,585)	(61,228)
Changes in estimates	2,727	–	75	–	–	–	–	–	2,802
Additions	13,760	200	589	–	8,219	5,334	1,065	93,446	122,613
Additions through lease agreements	52,104	–	5,747	–	24,769	–	4,438	–	87,058
Acquisition through business combinations (*Note 4*)	–	–	46	–	17	19,525	–	122	19,710
Disposals	(1,823)	(484)	(3,902)	(86)	(6,222)	–	(1,751)	(69)	(14,337)
Depreciation charge	(67,043)	(36,868)	(14,547)	(8,968)	(71,915)	(6,297)	(4,003)	–	(209,641)
Depreciation and impairment on disposals	940	475	1,984	37	5,870	–	1,323	–	10,629
Impairment, net of reversal of impairment	–	–	3	36	79	–	9	9	136
Discontinued operations/transfer from/(to) assets classified as held for sale	–	(18)	21	–	351	89	2	–	445
Transfers from/(to) intangible assets	(2)	–	–	–	(3)	–	(8)	(479)	(492)
Transfers from/(to) exploration and evaluation assets, investment property	3,020	–	83	–	(32)	829	(77)	1,127	4,950
Transfer from/(to) inventories, net	5	(15)	49	(1,710)	1,066	97	74	352	(82)
Other transfers and reclassifications	56,473	1,638	36,176	25,679	129,077	–	1,814	(250,857)	–
Net book value at March 31, 2019 (unaudited)	4,309,503	2,302,831	1,056,082	1,113,955	3,070,588	155,897	89,341	689,343	12,787,540
Historical cost	5,703,863	3,360,632	1,512,721	1,345,713	4,940,365	244,005	199,648	841,873	18,148,820
Accumulated depreciation and impairment	(1,394,360)	(1,057,801)	(456,639)	(231,758)	(1,869,777)	(88,108)	(110,307)	(152,530)	(5,361,280)
Net book value at March 31, 2019 (unaudited)	4,309,503	2,302,831	1,056,082	1,113,955	3,070,588	155,897	89,341	689,343	12,787,540

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

6. PROPERTY, PLANT AND EQUIPMENT (continued)

In millions of tenge	Oil and gas assets	Pipelines and refinery assets	Buildings and premises	Railway tracks and infra-structure	Machinery, equipment and vehicles	Mining assets	Other	Construc-tion in progress	Total
including:									
Historical cost of right-of-use assets under lease agreements	*52,636*	*5,499*	*43,596*	–	*156,013*	–	*7,657*	–	*265,401*
Accumulated depreciation and impairment of right-of-use assets under lease agreements	*(1,722)*	*(465)*	*(2,511)*	–	*(8,864)*	–	*(762)*	–	*(14,324)*
Net book value at March 31, 2019 (unaudited)	*50,914*	*5,034*	*41,085*	–	*147,149*	–	*6,895*	–	*251,077*
Historical cost	5,625,233	3,367,096	1,442,130	1,321,816	4,681,150	201,047	191,902	1,009,374	17,839,748
Accumulated depreciation and impairment	(1,334,354)	(1,028,079)	(449,328)	(222,896)	(1,809,116)	(64,727)	(108,600)	(153,097)	(5,170,197)
Net book value at December 31, 2018 (audited)	4,290,879	2,339,017	992,802	1,098,920	2,872,034	136,320	83,302	856,277	12,669,551

As at March 31, 2019 property, plant and equipment with net book value of 1,137,900 million tenge was pledged as collateral for some of the Group's borrowings (December 31, 2018: 1,260,296 million tenge).

As at March 31, 2019 the cost of fully amortised property, plant and equipment of the Group was equal to 862,806 million tenge (December 31, 2018: 826,144 million tenge).

For the three months ended March 31, 2019 the Group accrued depreciation expenses for the right-of-use assets under lease agreements in the amount of 10,908 million tenge.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

7. INTANGIBLE ASSETS

In millions of tenge	Licenses	Subsur-face use rights	Goodwill	Marketing related intangible assets	Software	Other	Total
Net book value at January 1, 2019 (audited)	625,667	614,095	221,127	33,364	45,528	71,382	1,611,163
Foreign currency translation	**(5,627)**	**(2,172)**	**(109)**	**1,908**	**(51)**	**(163)**	**(6,214)**
Additions	**950**	**5**	–	–	**1,380**	**270**	**2,605**
Acquisition through business combinations *(Note 4)*	–	**588**	–	–	–	–	**588**
Additions through lease agreements	**775**	–	–	–	–	–	**775**
Disposals	**(384)**	–	–	–	**(1,136)**	**(234)**	**(1,754)**
Amortization charge	**(11,158)**	**(5,933)**	–	–	**(3,985)**	**(1,061)**	**(22,137)**
Accumulated amortization on disposals	**373**	–	–	–	**350**	–	**723**
(Impairment)/reversal of impairment, net	–	–	–	–	**(4)**	–	**(4)**
Discontinued operations / transfer from/(to) assets classified as held for sale	–	**2**	–	–	–	–	**2**
Transfers from/(to) property, plant and equipment, net	**65**	**2**	–	–	**533**	**(108)**	**492**
Transfers from/(to) exploration and evaluation assets, investment property	–	**904**	–	–	–	–	**904**
Transfer from/(to) inventories, net	–	–	–	–	**(2)**	–	**(2)**
Other transfers	**(79)**	–	–	–	**307**	**(228)**	–
Net book value at March 31, 2019 (unaudited)	**610,582**	**607,491**	**221,018**	**35,272**	**42,920**	**69,858**	**1,587,141**
Historical cost	**691,385**	**641,566**	**296,621**	**57,535**	**144,229**	**119,027**	**1,950,363**
Accumulated amortization and impairment	**(80,803)**	**(34,075)**	**(75,603)**	**(22,263)**	**(101,309)**	**(49,169)**	**(363,222)**
Net book value at March 31, 2019 (unaudited)	**610,582**	**607,491**	**221,018**	**35,272**	**42,920**	**69,858**	**1,587,141**
Including:							
Historical cost of right-of-use assets under lease agreements	*1,350*	–	–	–	*2,278*	–	*3,628*
Accumulated depreciation and impairment of right-of-use assets under lease agreements	*(34)*	–	–	–	*(471)*	–	*(505)*
Net book value at March 31, 2019 (unaudited)	*1,316*	–	–	–	*1,807*	–	*3,123*
Historical cost	695,592	642,348	296,730	58,164	143,393	119,906	1,956,133
Accumulated amortization and impairment	(69,925)	(28,253)	(75,603)	(24,800)	(97,865)	(48,524)	(344,970)
Net book value at December 31, 2018 (audited)	625,667	614,095	221,127	33,364	45,528	71,382	1,611,163

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

8. INVESTMENTS IN JOINT VENTURES AND ASSOCIATES

Investments in joint ventures and associates comprised the following:

In millions of tenge	Main activity	Place of business	March 31, 2019 (unaudited) Carrying amount	March 31, 2019 (unaudited) Percentage ownership	December 31, 2018 (audited) Carrying amount	December 31, 2018 (audited) Percentage ownership
Joint ventures						
Tengizchevroil LLP	Oil and gas exploration and production	Kazakhstan	**2,055,491**	**20.00%**	1,970,533	20.00%
Mangistau Investments B.V.	Oil and gas exploration and production	Kazakhstan	**162,052**	**50.00%**	138,549	50.00%
Ural Group Limited BVI	Oil and gas exploration and production	Kazakhstan	**68,360**	**50.00%**	70,874	50.00%
KazRosGas LLP	Processing and sale of natural gas and refined gas	Kazakhstan	**66,062**	**50.00%**	65,116	50.00%
Beineu-Shymkent Pipeline LLP	Construction and operation of the gas pipeline		**57,667**	**50.00%**	34,411	50.00%
JV KazGerMunay LLP	Oil and gas exploration and production	Kazakhstan	**44,850**	**50.00%**	38,349	50.00%
AstanaGas KMG JSC	Gas pipeline construction	Kazakhstan	**43,873**	**50.00%**	43,883	50.00%
Forum Muider B.V.	Coal production	Kazakhstan	**41,455**	**50.00%**	37,008	50.00%
Other			**198,521**		169 928	
Total joint ventures			**2,738,331**		2,568,651	
Associates						
Kazzinc LLP	Mining and processing of metal ores, production of refined metals	Kazakhstan	**414,813**	**29.82%**	483,723	29.82%
Caspian Pipeline Consortium JSC	Transportation of crude oil	Kazakhstan/ Russia	**304,063**	**20.75%**	289,586	20.75%
PetroKazakhstan Inc. ("PKI")	Exploration, production and processing of oil and gas	Kazakhstan	**118,403**	**33.00%**	116,577	33.00%
Khan Tengri Holding B.V.	Telecommunication	Kazakhstan	**79,124**	**51.00%**	76,071	51.00%
JV KATCO LLP	Exploration, production, processing and export of uranium	Kazakhstan	**52,859**	**49.00%**	49,704	49.00%
Other			**62,024**		80,585	
Total associates			**1,031,286**		1,096,246	
			3,769,617		3,664,897	

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

8. INVESTMENTS IN JOINT VENTURES AND ASSOCIATES (continued)

The following table summarizes the movements in equity investments in joint ventures and associates:

In millions of tenge	
Balance as at January, 1 (audited)	3,664,897
Share in profit of joint ventures and associates, net *(Note 25)*	**240,785**
Dividends received	**(7,396)**
Change in dividends receivable	**(86,163)**
Adjustment of unrealized income	**(1,169)**
Disposals *(Note 4)*	**(11,792)**
Foreign currency translation	**(30,557)**
Other comprehensive income, other than foreign currency translation	**870**
Discount on loans issued	**153**
Other changes in equity of joint ventures and associates	**(11)**
Balance as at March, 31 (unaudited)	**3,769,617**

9. AMOUNTS DUE FROM CREDIT INSTITUTIONS

Amounts due from credit institutions comprised the following:

In millions of tenge	**March 31, 2019 (unaudited)**	December 31, 2018 (audited)
Bank deposits	**1,144,948**	655,787
Loans to credit institutions	**137,690**	150,785
Less: allowance for expected credit losses	**(8,131)**	(6,600)
Amounts due from credit institutions, net	**1,274,507**	799,972
Less: current portion	**(1,107,964)**	(623,612)
Non-current portion	**166,543**	176,360

In millions of tenge	**March 31, 2019 (unaudited)**	December 31, 2018 (audited)
Rating from A+(A1) to A-(A3)	**941,340**	444,431
Rating from BBB-(Baa3) to BB-(Ba3	**165,448**	179,397
Rating from B+(B1) to B-(B3)	**144,688**	144,291
No rating	**23,031**	31,853
	1,274,507	799,972

In millions of tenge	**March 31, 2019 (unaudited)**	December 31, 2019 (audited)
Amounts due from credit institutions, denominated in US dollars	**1,035,021**	541,913
Amounts due from credit institutions, denominated in tenge	**239,295**	255,151
Amounts due from credit institutions, denominated in other currencies	**191**	2,908
	1,274,507	799,972

In millions of tenge	**March 31, 2019 (unaudited)**	December 31, 2018 (audited)
International credit institutions	**940,579**	443,662
10 largest local banks	**281,709**	303,746
Other local credit institutions	**52,219**	52,564
	1,274,507	799,972

As at March 31, 2019 the weighted average interest rate on amounts due from credit institutions was 3.94% (December 31, 2018: 3.27%).

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

9. AMOUNTS DUE FROM CREDIT INSTITUTIONS (continued)

As at March 31, 2019 amounts due from credit institutions included funds of 12,502 million tenge pledged as collateral for certain Group's borrowings (December 31, 2018: 13,806 million tenge).

10. OTHER NON-CURRENT ASSETS

As at March 31 other non-current assets comprised the following:

In millions of tenge	**March 31, 2019 (unaudited)**	December 31, 2018 (audited)
Advances paid for non-current assets	**294,117**	278,365
Long-term VAT receivable	**206,960**	191,509
Restricted cash	**106,358**	105,747
Long-term receivables	**32,236**	38,171
Prepaid expenses	**21,511**	16,404
Long-term inventories	**16,050**	15,574
Other financial assets	**8,703**	9,279
Other non-financial assets	**55,768**	40,630
Less: allowance for expected credit losses	**(66,543)**	(67,762)
	675,160	627,917

11. TRADE ACCOUNTS RECEIVABLE AND OTHER CURRENT ASSETS

Trade accounts receivable comprised the following:

In millions of tenge	**March 31, 2019 (unaudited)**	December 31, 2018 (audited)
Trade accounts receivable	**969,202**	804,834
Less: allowance for expected credit losses	**(58,311)**	(56,961)
	910,891	747,873

Other current assets comprised the following:

In millions of tenge	**March 31, 2019 (unaudited)**	December 31, 2018 (audited)
Other accounts receivable	**169,293**	150,150
Advances paid and deferred expenses	**158,213**	152,970
Dividends receivable	**112,487**	24,986
Restricted cash	**77,164**	77,270
Other prepaid taxes	**72,580**	70,802
Non-financial assets for distribution to the Shareholder	**13,321**	13,321
Amounts due from employees	**5,164**	5,105
Other	**24,839**	26,369
Less: allowance for expected credit losses	**(100,500)**	(103,611)
	532,561	417,362

At March 31, 2019 the Group's receivables of 137,193 million tenge were pledged under certain Group borrowings (December 31, 2018: 61,325 million tenge).

At March 31, 2019 3,886 million tenge of the Group's receivables were interest bearing (December 31, 2018: 9,814 million tenge). As March 31, 2019 the weighted average interest rate was 10% (December 31, 2018: 11.72%).

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

12. CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprised the following:

In millions of tenge	March 31, 2019 (unaudited)	December 31, 2018 (audited)
Current accounts with banks – US dollars	**723,330**	998,733
Current accounts with banks – tenge	**219,965**	240,404
Current accounts with banks – other currency	**24,241**	21,232
Bank deposits – US dollars	**240,276**	853,482
Bank deposits – tenge	**315,447**	301,234
Bank deposits – other currency	**1,532**	3,779
Cash in transit	**22,816**	12,934
Cash on hand	**10,406**	10,431
Reverse repurchase agreements with other banks with contractual maturity of three months or less	**7,191**	46,011
Less: allowance for expected credit losses	**(700)**	(707)
	1,564,504	2,487,533

Short-term bank deposits are placed for varying periods of between 1 (one) day and 3 (three) months, depending on immediate cash needs of the Group. As at March 31, 2019 the weighted average interest rates for short-term bank deposits and current accounts were 5.35% and 0.8%, respectively (December 31, 2018: 4.0% and 0.6%, respectively).

13. EQUITY

13.1 Share capital

Payment for shares	**Number of shares authorized and issued**	**Par value per share, in tenge**	**Share capital in millions of tenge**
As of December 31, 2018 (audited)	3,481,939,318		5,133,766
Cash contributions	**1,500**	**10,000,000**	**15,000**
As of March 31, 2019 (unaudited)	**3,481,940,818**		**5,148,766**

As at March 31, 2019 3,481,940,818 shares of the Fund were fully paid.

Cash contributions

On February 20, 2019 the Shareholder made a cash contribution of 15,000 million tenge to the Fund's share capital. These amounts are aimed to finance projects implemented by the subsidiary of United Chemical Company LLP.

13.2 Other transactions with the Shareholder

As part of the contract of sale of bonds of Baiterek National Managing Holding JSC, on January 17, 2019 the next tranche was issued in the amount of 5,751 million tenge. The maturity of bonds is up to 2026 with a coupon rate of 0.15%. The difference between the nominal value and the fair value of 2,501 million tenge was recognized as Shareholder Transactions in the consolidated statement of changes in equity.

13.3 Other distributions to the Shareholder

Financing of social projects

During the three months ended March 31, 2019, in accordance with the Shareholder's resolutions, the Fund recognized liabilities for financing of various social projects for total amount of 11,340 million tenge. These liabilities was recognized as other distributions to the Shareholder in the consolidated statement of changes in equity.

Financing construction of social facilities

During the three months ended March 31, 2019 the Group recognized liabilities for future financing of the construction of social facilities in the city of Turkestan under the social economic development of Turkestan region of 26,498 million tenge. This financing was recognized as other distributions to the Shareholder in the consolidated statement of changes in equity.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

13. EQUITY (continued)

13.4 Dividends

Dividends attributable to non-controlling interest

During the three months ended March 31, 2019, the Group declared dividends of 1,533 million tenge and 13,775 million tenge to the holders of non-controlling interest in Appak LLP and Baiken-U LLP, repectively.

13.5 Currency translation reserve

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. During the three months ended March 31, 2019, foreign translation difference amounted to 88,849 million tenge.

Certain borrowings of the Group denominated in US dollars were designated as hedge instrument for the net investment in the foreign operations. As at March 31, 2019, unrealized foreign currency gain of 50,452 million tenge resulting from translation of these borrowings were transferred to currency translation reserve recognized in other comprehensive income.

13.6 Book value per share

In accordance with the decision of the Exchange Board of Kazakhstan Stock Exchange JSC ("KASE") dated October 4, 2010 financial statements shall disclose book value per share (common and preferred) as of the reporting date, calculated in accordance with the KASE rules.

In millions of tenge	**March 31, 2019 (unaudited)**	December 31, 2018 (audited)
Total assets	**25,606,575**	**25,645,356**
Less: intangible assets	**(1,587,141)**	**(1,611,163)**
Less: total liabilities	**(12,469,974)**	**(12,773,471)**
Net assets for common shares	**11,549,460**	**11,260,722**
Number of common shares as at December 31	**3,481,940,818**	3,481,939,318
Book value per common share, tenge	**3,317**	3,234

	For the three months ended March 31, 2019 (unaudited)	For the three months ended March 31, 2018 (restated)
Earnings per share		
Weighted average number of common shares for basic and diluted earnings per share	**3,481,939,975**	3,481,938,318
Basic and diluted share in net profit for the period	**94.72**	144.26
Basic and diluted share in net profit/(loss) from continuing operations	**94.72**	144.46

14. BORROWINGS

Borrowings, including interest payable, comprised the following:

In millions of tenge	**March 31, 2019 (unaudited)**	December 31, 2018 (audited)
Fixed interest rate borrowings	**5,021,050**	5,053,961
Floating interest rate borrowings	**1,601,520**	1,798,814
	6,622,570	6,852,775
Less: amounts due for settlement within 12 months	**(690,082)**	(817,319)
Amounts due for settlement after 12 months	**5,932,488**	6,035,456

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

14. BORROWINGS (continued)

In millions of tenge	**March 31, 2019 (unaudited)**	December 31, 2018 (audited)
US dollar-denominated borrowings	**5,129,082**	5,369,190
Tenge-denominated borrowings	**1,119,486**	1,116,301
Other currency-denominated borrowings	**374,002**	367,284
	6,622,570	6,852,775

Under the terms of some loan agreements, respective subsidiaries of the Group are obliged to comply with certain covenants. The Group reviews compliance with all the Group loan covenants at each reporting date.

As at December 31, 2018, the Group had breached one of the HSBC France financial covenants, as a result, classified long-term portion of the loan of 46,238 million tenge as current liability. On February 28, 2019 the Group received a waiver from HSBC France to reset covenant threshold as at December 31, 2018. As at December 31, 2018 the Group was in compliance with the reset covenant.

Accordingly, this event had not resulted in payment acceleration of HSBC France loan and had not impacted the Group's obligations under its other borrowing arrangements. As a result, during the three months ended March 31, 2019 the Group transferred the previously reclassified principal amount to the long-term portion.

As of March 31, 2019 the Group complied with all financial and non-financial covenants under other loan agreements.

During three months ended March 31, 2019, the Group received loan from Halyk bank JSC of 150 million US dollars (equivalent to 56,195 million tenge) and fully redeemed loan from Halyk bank JSC of 70 million US dollars (equivalent to 25,992 million tenge), including accrued interest.

During three months ended March 31, 2019, the Group received additional loan from BNP Paribas for 94 million US dollars (equivalent to 35,396 million tenge).

During three months ended March 31, 2019, the Group redeemed borrowings from Development bank of Kazakhstan JSC (DBK) in the total amount of 148,490 million tenge, including interest. Additionally, the Group made a partial scheduled repayment of issued bonds held by DBK (Bonds KASE 2009) of 22,284 million tenge, including interest.

During three months ended March 31, 2019, the Group fully repaid borrowings from Citybank of Kazakhstan JSC in the total amount of 80 million US dollars (equivalent to 29,980 million tenge). Additionally, , the Group made a partial repayments of borrowings from Netherland International Uranium B.V. in the amount of 49 million US dollars (equivalent to 18,621 million tenge), The Bank of Tokyo-Mitsubishi UFJ. Ltd in the amount of 28 million US dollars (equivalent to 10,636 million tenge) and Mizuho Bank, Limited in the amount of 14 million US dollars (equivalent to 5,395 million tenge).

During the three months ended March 31, 2019 carrying amount of borrowings decreased by 59,023 million tenge as a result of changes in exchange rates.

The carrying amount of borrowings by the Group subsidiaries is presented below:

In millions of tenge	**March 31, 2019 (unaudited)**	December 31, 2018 (audited)
NC KMG and its subsidiaries	**3,974,234**	4,149,123
NC KTZh and its subsidiaries	**1,269,569**	1,272,129
The Fund	**534,461**	535,712
Samruk-Energy and its subsidiaries	**250,350**	248,069
NAC KAP and its subsidiaries	**154,755**	199,690
KEGOC and its subsidiaries	**161,591**	162,059
Other subsidiaries of the Fund	**277,610**	285,993
Total borrowings	**6,622,570**	6,852,775

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

15. PREPAYMENT ON OIL SUPPLY AGREEMENT

NC KMG

In 2016 the NC KMG entered into long-term crude oil and liquefied petroleum gas ("LPG") supply agreement, which involves the prepayment. The total minimum delivery volume approximates 38 million tons of crude oil and 1 million tons of LPG in the period from the date of the contract to March 2021.

The agreement stipulates pricing calculation with reference to market quotes and prepayments are settled through physical deliveries of crude oil and LPG.

For the three months ended March 31, 2019 the NC KMG has partially settled the prepayments by oil supply in the total amount of 407 million US dollars (equivalent to 153,862 million tenge).

Interest at rate of LIBOR 1m rate plus 1.85% is annually accrued on outstanding balance of prepayment.

KMG Kashagan B.V.

During 2016, the KMG Kashagan B.V. entered into a long-term crude oil supply agreement. In accordance with the terms of the agreement, during the period from 2017 till 2025, KMG Kashagan B.V. will supply the minimum volume of oil of 18 million tons from the Kashagan field.

For the three months ended March 31, 2019 KMG Kashagan B.V. has partially settled the prepayments by oil supply in the total amount of 120 million US dollars (equivalent to 45,605 million tenge).

Interest at LIBOR 1m rate plus 2.05% for the amount received of 1,950 million US dollars and LIBOR 1m rate plus 2.25% for the amount of 250 million US dollars is monthly accrued on balance of this prepayment.

Prepayment on oil supply agreement is recognized as contract liability to customers in accordance with IFRS 15.

16. LEASE LIABILITIES

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

In millions of tenge	**March 31, 2019 (unaudited)**	
	Minimum lease payments	**Present value of minimum lease payments**
Within one year	**85,582**	**73,210**
Two to five years inclusive	**253,191**	**210,096**
After five years	**163,347**	**113,697**
Less: amounts representing finance costs	**(105,117)**	**–**
Present value of minimum lease payments	**397,003**	**397,003**
Less: amounts due for settlement within 12 months	**(85,582)**	**(73,210)**
Amounts due for settlement after 12 months	**311,421**	**323,793**

In millions of tenge	December 31, 2018 (audited)	
	Minimum lease Payments	Present value of minimum lease payments
Within one year	31,666	25,853
Two to five years inclusive	102,955	90,430
After five years	52,591	40,210
Less: amounts representing finance costs	(30,719)	–
Present value of minimum lease payments	156,493	156,493
Less: amounts due for settlement within 12 months	(31,666)	(25,853)
Amounts due for settlement after 12 months	124,827	130,640

As at March 31, 2019 interest calculation was based on effective interest rates ranging from 4.0% to 14.60% (December 31, 2018: from 2.5% to 22.09%).

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

16. LEASE LIABILITIES (continued)

Changes in lease liabilities are as follows:

In millions of tenge	
January 1, 2019 (audited)	156,493
Effect of adoption of IFRS 16 (*Note 2*)	171,662
Interest accrued	6,382
Interest paid	(4,216)
Repayment of principal	(17,739)
Foreign currency translation	(2,585)
Additions of leases	86,308
Other	698
March 31, 2019 (unaudited)	**397,003**

17. OTHER CURRENT LIABILITIES

Other current liabilities comprised the following:

In millions of tenge	**March 31, 2019 (unaudited)**	December 31, 2018 (audited)
Contract liabilities to customers	**184,091**	211,703
Other taxes payable	**150,059**	147,787
Due to employees	**116,891**	111,930
Obligations to the Shareholder on the financing of social projects	**54,751**	50,072
Amounts due to customers	**28,746**	27,688
Non-financial liabilities on joint operations	**22,505**	16,995
Advances received and deferred income	**21,441**	28,117
Dividends payable	**9,833**	4,030
Obligations under quarantee agreements	**6,950**	7,404
Government grant liability	**–**	11,784
Other financial liabilities	**108,428**	93,682
Other non-financial liabilities	**50,874**	52,829
	754,569	764,021

18. REVENUE

In millions of tenge	**For the three months ended March 31, 2019 (unaudited)**	For the three months ended March 31, 2018 (restated)
Sales of crude oil	**931,515**	763,573
Sales of oil refined products	**618,822**	536,494
Sales of gas products	**247,847**	162,584
Railway cargo transportation	**209,735**	204,922
Telecommunication services	**88,023**	50,788
Oil and gas transportation fee	**78,367**	83,429
Sales of refined gold	**70,897**	47,600
Air transportation	**63,246**	56,836
Electricity complex	**62,743**	77,073
Electricity transmission services	**55,581**	37,232
Oil processing fees	**50,808**	42,184
Sales of uranium products	**48,641**	51,167
Railway passenger transportation	**19,774**	18,014
Interest income	**12,027**	11,059
Postal services	**10,721**	10,161
Less: Crude oil Quality Bank	**(1,490)**	(2,927)
Less: indirect taxes and commercial discounts	**(122,742)**	(98,233)
Other revenue	**88,548**	66,713
	2,533,063	2,118,669

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

19. COST OF SALES

Cost of sales comprised the following:

In millions of tenge	**For the three months ended March 31, 2019 (unaudited)**	For the three months ended March 31, 2018 (restated)
Materials and supplies	**1,154,459**	951,796
Depreciation, depletion and amortization	**214,960**	160,416
Personnel costs, including social taxes and withdrawals	**210,829**	195,600
Fuel and energy	**97,127**	90,343
Production services rendered	**65,938**	46,415
Repair and maintenance	**44,708**	37,264
Mineral extraction tax	**38,171**	34,665
Rent	**26,569**	15,814
Interest expense	**23,859**	28,988
Taxes other than social taxes and withdrawals	**20,420**	18,363
Transportation expenses	**10,636**	8,408
Other	**59,445**	53,510
	1,967,121	1,641,582

20. GENERAL AND ADMINISTRATIVE EXPENSES

General and administrative expenses comprised the following:

In millions of tenge	**For the three months ended March 31, 2019 (unaudited)**	For the three months ended March 31, 2018 (restated)
Personnel costs, including social taxes and withdrawals	**45,465**	43,279
Depreciation and amortization	**10,021**	8,158
Allowance for expected credit losses for trade receivable and other assets	**8,777**	2,561
Taxes other than social taxes and withdrawals	**8,189**	8,682
Consulting services	**6,705**	6,976
Sponsorship and charitable donations	**4,412**	97
Business trips	**1,473**	1,482
Rent	**1,222**	2,486
Utilities expenses and maintenance of buildings	**1,052**	985
Other services by third parties	**951**	1,361
Repair and maintenance	**843**	822
Transportation services	**763**	997
Other	**11,993**	14,216
	101,866	92,102

21. TRANSPORTATION AND SELLING EXPENSES

Transportation and selling expenses comprised the following:

In millions of tenge	**For the three months ended March 31, 2019 (unaudited)**	For the three months ended March 31, 2018 (restated)
Transportation	**114,163**	83,871
Rent tax	**34,171**	29,060
Custom duties	**33,820**	29,514
Personnel costs, including social taxes and withdrawals	**5,140**	4,372
Depreciation and amortization	**3,637**	2,910
Commission fees to agents and advertising	**3,283**	2,481
Other	**10,342**	8,936
	204,556	161,144

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

22. IMPAIRMENT LOSS

Impairment loss comprised the following:

In millions of tenge	**For the three months ended March 31, 2019 (unaudited)**	For the three months ended March 31, 2018 (restated)
Impairment of assets held for sale	**4,611**	5,545
Accrual/ (reversal of) of expected credit losses on amounts in credit institutions	**1,532**	(257)
Impairment of VAT receivable	**1,161**	583
Impairment of property, plant and equipment, exploration and evaluation assets and intangible assets	**161**	816
(Reversal of impairment) / impairment of investments in joint ventures and associates	**–**	(4,084)
Reversal of expected credit losses on loans issued	**(670)**	(192)
(Reversal of)/accrual of expected credit losses on other financial assets	**(436)**	3,292
Other	**2,808**	3,495
	9,167	9,198

23. FINANCE INCOME

Finance income comprised the following:

In millions of tenge	**For the three months ended March 31, 2019 (unaudited)**	For the three months ended March 31, 2018 (restated)
Interest income on amounts due from credit institutions and cash and cash equivalents	**19,784**	24,087
Income from loans and financial assets	**9,654**	11,157
Income from financial guarantees	**734**	536
Unwinding of discount on long-term receivables	**2,057**	1,479
Other	**4,670**	4,804
	36,899	42,063

24. FINANCE COSTS

Finance costs comprised the following:

In millions of tenge	**For the three months ended March 31, 2019 (unaudited)**	For the three months ended March 31, 2018 (restated)
Interest on loans and debt securities issued	**92,564**	89,132
Interest on oil supply agreement	**18,156**	12,792
Interest on lease liabilities	**6,486**	1,456
Amortization of discount on provisions and other payables	**5,059**	3,906
Commission for the early redemption of Eurobonds	**2,316**	–
Discount on assets at rates below market	**449**	1,010
Interest on payable for the acquisition of additional interest in North Caspian Project	**–**	3,334
Other	**15,787**	13,296
	140,817	124,926

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

25. SHARE IN PROFIT OF JOINT VENTURES AND ASSOCIATES, NET

Share in profit/(loss) of joint ventures and associates comprised the following for the years ended December 31:

In millions of tenge	**For the three months ended March 31, 2019 (unaudited)**	For the three months ended March 31, 2018 (restated)
Tengizchevroil LLP	**105,735**	104,756
Asian Gas Pipeline LLP	**30,856**	–
Mangistau Investments B.V.	**23,269**	21,342
Beineu Shymkent Gas Pipeline LLP	**23,256**	16,867
Caspian Pipeline Consortium JSC	**17,520**	11,552
Kazzinc LLP	**9,935**	16,555
JV Kazgermunai LLP	**6,795**	6,959
Forum Muider B.V.	**4,447**	4,198
JV KATCO LLP	**3,155**	(616)
Khan Tengri Holding B.V.	**3,053**	800
TSOU CJSC	**2,164**	547
Ural Group Limited BVI	**(1,806)**	(9,016)
Valsera Holdings B.V.	**(2,839)**	1,315
Other	**15,245**	4,281
	240,785	179,540

26. CONSOLIDATION

Subsidiaries included in the consolidated financial statements are presented as follows:

		Ownership percentage	
		March 31, 2019 (unaudited)	December 31, 2018 (audited)
1	National Company "KazMunayGas" JSC ("NC KMG") and subsidiaries	**90.43%**	90.09%
2	KMG Kashagan B.V.	**100.00%**	100.00%
3	National Company "Kazakhstan Temir Zholy" JSC ("NC KTZh") and subsidiaries	**100.00%**	100.00%
4	National Atomic Company "Kazatomprom" JSC ("NAC KAP") and subsidiaries	**85.00%**	85.00%
5	Samruk-Energy JSC ("Samruk-Energy") and subsidiaries	**100.00%**	100.00%
6	Kazakhstan Electricity Grid Operating Company JSC ("KEGOC") and subsidiaries	**90% + 1**	90% + 1
7	Kazpost JSC and subsidiaries	**100.00%**	100.00%
8	Kazakhtelecom JSC ("KTC") and subsidiaries	**51.00%**	51.00%
9	Air Astana JSC ("Air Astana")	**51.00%**	51.00%
10	"Samruk-Kazyna Construction" JSC and subsidiaries	**100.00%**	100.00%
11	National Mining Company "Tau-Ken Samruk" and subsidiaries	**100.00%**	100.00%
12	United Chemical Company LLP ("UCC") and subsidiaries	**100.00%**	100.00%
13	Samruk-Kazyna Invest LLP and subsidiaries	**100.00%**	100.00%
14	Samruk-Kazyna Contract LLP	**100.00%**	100.00%
15	KOREM JSC	**100.00%**	100.00%
16	International Airport Atyrau JSC	**100.00%**	100.00%
17	International Airport Aktobe JSC	**100.00%**	100.00%
18	Airport Pavlodar JSC	**100.00%**	100.00%
19	SK Business Service LLP and subsidiaries	**100.00%**	100.00%
20	Qazaq Air JSC and subsidiaries	**100.00%**	100.00%
21	Kazakhstan nuclear electric plants JSC	**100.00%**	100.00%
22	"MAEK-Kazatomprom" LLP	**100.00%**	100.00%

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

27. 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 shows the total amount of transactions that were made with related parties during the three months ended March 31, 2019 and March 31, 2018, and the corresponding balances as of March 31, 2019 and December 31, 2018:

In millions of tenge		Associates	Joint ventures	Other state-controlled entities
Due from related parties	**March 31, 2019**	**23,140**	**92,818**	**13,965**
	December 31, 2018	20,592	36,243	22,794
Due to related parties	**March 31, 2019**	**45,539**	**130,085**	**12,918**
	December 31, 2018	40,171	133,759	11,822
Sale of goods and services	**March 31, 2019**	**18,666**	**89,217**	**86,957**
	March 31, 2018	18,289	74,131	61,361
Purchase of goods and services	**March 31, 2019**	**36,751**	**425,729**	**4,946**
	March 31, 2018	33,936	355,232	664
Other income/(loss)	**March 31, 2019**	**(739)**	**369**	**8,117**
	March 31, 2018	(5,063)	(4,610)	21,171
Cash and cash equivalents, and amounts due from credit institutions (assets)	**March 31, 2019**	**–**	**–**	**137,215**
	December 31, 2018	–	–	178,664
Loans issued	**March 31, 2019**	**119,103**	**401,698**	**5,371**
	December 31, 2018	139,749	400,254	5,203
Borrowings	**March 31, 2019**	**–**	**5**	**1,093,512**
	December 31, 2018	1,521	5	1,276,181
Other assets	**March 31, 2019**	**27,315**	**57,892**	**111,195**
	December 31, 2018	46,305	77,489	113,246
Other liabilities	**March 31, 2019**	**14,213**	**38,086**	**65,169**
	December 31, 2018	14,990	45,231	65,463
Interest received	**March 31, 2019**	**3,142**	**8,836**	**–**
	March 31, 2018	2,267	7,716	789
Interest accrued	**March 31, 2019**	**–**	**143**	**27,016**
	March 31, 2018	–	285	29,280

As at March 31, 2019 some of the Group's borrowings of 66,545 million tenge were guaranteed by the Government of the Republic of Kazakhstan (December 31, 2018: 65,423 million tenge).

Total compensation to key management personnel included in general and administrative expenses in the consolidated statement of comprehensive income was equal to 968 million tenge for the three months ended March 31, 2019 (for the three months ended March 31, 2018: 844 million tenge). Compensation to key management personnel mainly consists of contractual salary and other payments based on achievement of operating results.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

28. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments consist of borrowings, loans from the Government of the Republic of Kazakhstan, finance lease liabilities, amounts due to the customers, derivatives, cash and cash equivalents, loans issued, amounts due from credit institutions, other financials assets, 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 also monitors the liquidity risk arising from all financial instruments.

Fair values of financial instruments and investment proprety

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.

The carrying amount of the following Group's financial instruments is a reasonable estimate of their fair value:

In millions of tenge	**Level 1**	**Level 2**	**Level 3**	**March 31, 2019 (unaudited)**
Financial instruments category				
Assets				
Loans issued at fair value through profit and loss	**–**	**259,862**	**20,409**	**280,271**
Financial assets measured at fair value through OCI	**3,650**	**10,811**	**56**	**14,517**
Financial assets at fair value through profit and loss	**–**	**26,028**	**23,391**	**49,419**
Derivative financial assets	**–**	**1**	**1,234**	**1,235**

In millions of tenge	Level 1	Level 2	Level 3	December 31, 2018 (audited)
Financial instruments category				
Assets				
Loans issued at fair value through profit and loss	–	263,427	23,619	287,046
Financial assets measured at fair value through OCI	3,626	10,851	55	14,532
Financial assets at fair value through profit and loss	–	24,165	23,391	47,556
Derivative financial assets	–	3,129	1,721	4,850

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

37. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Fair values of financial instruments and investment proprety (continued)

	March 31, 2019 (unaudited)				
			Fair value by level of assessment		
In millions of tenge	**Carrying amount**	**Fair value**	**Quotations in an active market (Level 1)**	**From the observed market (Level 2)**	**Based on the significant amount of unobserved (Level 3)**
Financial assets					
Amounts due from credit institutions	**1,274,507**	**1,263,715**	**921,991**	**341,351**	**373**
Investment property	**42,105**	**54,468**	**–**	**24,125**	**30,343**
Financial liabilities					
Borrowings	**6,622,570**	**6,834,278**	**4,494,522**	**2,085,389**	**254,367**
Loans from the Government of the Republic of Kazakhstan	**660,225**	**508,826**	**–**	**508,826**	**–**
Guarantee obligations	**28,207**	**28,207**	**–**	**27,176**	**1,031**

	December 31, 2018 (audited)				
			Fair value by level of assessment		
In millions of tenge	Carrying amount	Fair value	Quotations in an active market (Level 1)	From the observed market (Level 2)	Based on the significant amount of unobserved (Level 3)
Financial assets					
Amounts due from credit institutions	799,972	791,792	496,248	295,033	511
Investment property	42,388	54,981	–	32,360	22,621
Financial liabilities					
Borrowings	6,852,775	6,878,032	4,302,628	2,268,890	306,514
Loans from the Government of the Republic of Kazakhstan	653,406	533,935	–	533,935	–
Guarantee obligations	47,119	41,529	–	40,059	1,470

The fair value of the above financial instruments has been calculated by discounting the expected future cash flows at prevailing interest rates.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

29. COMMITMENTS AND CONTINGENCIES

In addition to the contingent liabilities and commitments disclosed in the Group annual consolidated financial statements of the Group for the year ended December 31, 2018, the following changes have taken place during the three months ended March 31, 2019:

Cost recovery audits

As of March 31, 2019 the Group's share in the total disputed amounts of costs is 734,313 million tenge (December 31, 2018: 765,188 million tenge). The Group and its partners under the production sharing agreements are in negotiation with the Government with respect to the recoverability of these costs.

Kazakhstan local market obligation

During three months ended March 31, 2019, in accordance with its obligations, the Group, including joint ventures, delivered 1,459,691 tons of crude oil (three months ended March 31, 2018: 1,487,355 tons) to the Kazakhstan market.

Oil supply commitments

As of March 31, 2019 the Group had commitments under the oil supply agreement in the amount of 27.2 million ton to be delivered till March 2021 (as at December 31, 2018: 30.1 million ton).

Commitments to extend guarantees, letters of credit and other commitments related to settlement operations

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 15 (fifteen) years.

Contracted 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.

As at December 31 commitments to extend guarantees were as follows:

In millions of tenge	**March 31, 2019 (unaudited)**	December 31, 2018 (audited)
Guarantees	**249,957**	342,158

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 guarantee indicated above does not necessarily represent future cash requirements, as these commitments may expire or terminate without being funded. The Group could also request collateral for credit instruments.

Capital commitments

As at March 31, 2019 the Group, including its joint ventures and associates, had capital commitments of approximately 3,487,859 million tenge related to acquisition and construction of property, plant and equipment (as at December 31, 2018: 3,768,748 million tenge).

30. SEGMENT REPORTING

The following table represents information about profit and loss, assets and liabilities of operating segments of the Group as at March 31, 2019 and for the three months then ended:

In millions of tenge	Oil and gas	Mining	Trans-portation	Com-munication	Energy	Industrial	Corporate center	Other	Elimination	Total
Revenues from sales to external customers	1,861,990	142,168	308,377	99,194	107,773	1,218	9,615	2,728	-	2,533,063
Revenues from sales to other segments	18,018	3,873	1,097	986	17,479	735	8,543	1,453	(52,184)	-
Total revenue	1,880,008	146,041	309,474	100,180	125,252	1,953	18,158	4,181	(52,184)	2,533,063
Gross profit	460,286	18,395	38,163	24,949	36,655	212	(7,147)	2,536	8,295	582,344
General and administrative expenses	(40,867)	(7,741)	(31,955)	(8,909)	(4,550)	(1,059)	(7,380)	(901)	1,496	(101,866)
Transportation and selling expenses	(199,745)	(1,629)	(2,194)	(1,115)	(1,347)	(107)	-	-	1,581	(204,556)
Finance income	30,517	1,999	1,217	2,151	1,598	170	8,393	846	(9,992)	36,899
Finance costs	(96,859)	(3,762)	(28,337)	(8,038)	(9,773)	(1,066)	(5,701)	(1,472)	14,191	(140,817)
Share in profits of joint ventures and associates	213,847	16,794	1,172	3,053	5,944	(17)	(9)	1	-	240,785
Foreign exchange gain/(loss), net	3,224	(396)	5,123	(499)	2,095	1,696	(23,494)	686	(749)	(12,314)
Income tax expenses	(72,447)	(666)	2,994	(2,618)	(4,923)	(23)	(841)	(290)	-	(78,814)
Net profit/(loss) for the year from continuing operations	314,378	23,615	(18,272)	9,168	26,508	(711)	(39,704)	768	14,070	329,820
Net loss for the year from discontinued operations	-	-	-	-	-	-	-	-	-	-
Total net profit/(loss) for the period	314,378	23,615	(18,272)	9,168	26,508	(711)	(39,704)	768	14,070	329,820
Other segment information										
Total assets of the segment	16,403,152	2,052,562	3,530,922	901,703	1,496,112	482,931	7,465,180	297,955	(7,023,942)	25,606,575
Total liabilities of the segment	7,477,962	426,876	2,348,573	439,649	741,868	267,583	1,661,752	198,341	(1,092,630)	12,469,974
Investments in joint ventures and associates	3,018,489	529,810	34,024	79,175	95,253	1,262	43,874	71	(32,341)	3,769,617

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

39. SEGMENT REPORTING (continued)

The following table represents information about profit and loss for the three months ended March 31, 2018 and assets and liabilities of operating segments of the Group as at December 31, 2018:

In millions of tenge	Oil and gas	Mining	Trans-portation	Com-munication	Energy	Industrial	Corporate center	Other	Elimination	Total
Revenues from sales to external customers	1,531,752	119,414	292,279	61,272	101,285	1,186	7,273	4,208	–	2,118,669
Revenues from sales to other segments	23,994	4,503	3,043	1,075	16,700	822	5,837	1,078	(57,052)	–
Total revenue	1,555,746	123,917	295,322	62,347	117,985	2,008	13,110	5,286	(57,052)	2,118,669
Gross profit	375,711	15,863	40,522	21,140	49,563	163	(17,023)	3,172	(7,004)	482,107
General and administrative expenses	(42,341)	(7,121)	(26,551)	(6,969)	(6,410)	(1,112)	(2,264)	(741)	1,407	(92,102)
Transportation and selling expenses	(156,263)	(2,172)	(2,128)	(700)	(4,681)	(102)	–	–	4,902	(161,144)
Finance income	29,935	1,331	2,686	1,357	1,513	240	11,859	600	(7,458)	42,063
Finance costs	(88,424)	(3,060)	(25,096)	(1,191)	(9,965)	(297)	(7,677)	(356)	11,130	(124,926)
Share in profits of joint ventures and associates, net	155,091	18,722	(2,146)	838	7,045	(10)	–	–	–	179,540
Foreign exchange gain/(loss), net	(21,547)	(4,652)	33,377	(3,305)	3,299	4,205	(85,286)	–	–	(73,909)
Income tax expenses	(42,150)	594	(8,576)	(2,661)	(7,798)	(52)	(2,065)	(461)	–	(63,169)
Net profit/(loss) for the year from continuing operations	215,027	332,909	11,918	9,271	30,499	3,295	(104,907)	2,416	2,596	503,024
Net loss for the year from discontinued operations	–	–	–	–	–	(712)	–	–	–	(712)
Total net profit for the period	215,027	332,909	11,918	9,271	30,499	2,583	(104,907)	2,416	2,596	502,312
Other segment information										
Total assets of the segment	16,464,564	2,075,224	3,437,049	875,317	1,456,134	462,137	7,467,849	305,170	(6,898,088)	25,645,356
Total liabilities of the segment	7,786,204	466,763	2,258,520	418,411	731,287	261,837	1,622,831	206,319	(978,701)	12,773,471
Investments in joint ventures and associates	2,841,824	612,444	32,359	76,071	89,309	1,279	43,883	69	(32,341)	3,664,897

31. SUBSEQUENT EVENTS

On April 2019, United Chemical Company LLP signed a gift agreement on the transfer without charge to Republican ownership of 90% of the shares of "Management Company of Special Economic Zone Taraz Chemical Park" JSC in the amount of 27,767,839 ordinary shares.

On May 14, 2019 the Group received a notification from KASE on exclusion of preferred shares of KMG EP (subsidiary of NC KMG) from the official list of KASE.

In accordance with the terms of the Shareholders Agreement relating to Khan Tengri Holding B.V. dated February 29, 2016, concluded between Kazakhtelecom JSC and Tele2 Sverige AB, on May 23, 2019, 49% «Khan Tengri Holding B.V.» shares purchase agreement was signed, according to which the Group will acquire all shares of Khan Tengri Holding B.V., owned by Tele2 Sverige AB.