“Sovereign Wealth Fund “Samruk-Kazyna” JSC

Interim condensed
consolidated financial statements (unaudited)

As at 31 March 2016 and for the three months then ended

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INTERIM CONSOLIDATED BALANCE SHEET

In millions of tenge	Note	31 March 2016 (unaudited)	31 December 2015 (audited)
Assets			
Non-current assets			
Property, plant and equipment	5	**10,528,005**	10,327,720
Intangible assets		**214,589**	216,480
Exploration and evaluation assets	6	**429,911**	424,509
Investment property		**9,204**	12,493
Investments in joint ventures and associates	7	**2,652,334**	2,547,103
Loans to customers		**592,856**	601,673
Amounts due from credit institutions	8	**666,144**	666,231
Deferred tax assets		**112,592**	116,443
Other non-current financial assets		**178,474**	178,941
Other non-current assets		**639,347**	607,916
		16,023,456	15,699,509
Current assets			
Inventories		**322,279**	318,344
VAT receivable		**188,364**	196,805
Income tax prepaid		**106,770**	79,947
Trade accounts receivable	9	**235,825**	283,248
Loans to customers		**141,322**	121,241
Amounts due from credit institutions	8	**1,534,549**	1,492,619
Other current financial assets		**14,423**	15,000
Other current assets	9	**376,109**	287,050
Cash and cash equivalents	10	**995,464**	1,206,557
		3,915,105	4,000,811
Assets classified as held for sale	4	**1,212,191**	1,189,364
Total assets		**21,150,752**	20,889,684

The accounting policies and explanatory notes on pages 9 through 33 form an integral part of these consolidated financial statements.

INTERIM CONSOLIDATED BALANCE SHEET (continued)

In millions of tenge	Note	31 March 2016 (unaudited)	31 December 2015 (audited)
Equity and liabilities			
Equity attributable to equity holder of the Parent			
Share capital	11.1	**4,952,669**	4,916,269
Revaluation reserve for available-for-sale investments		**28,997**	32,817
Currency translation reserve		**1,053,152**	1,025,930
Hedging reserve		**(63,067)**	(59,171)
Other capital reserves		**(15,208)**	(13,922)
Retained earnings		**3,036,248**	2,971,941
		8,992,791	8,873,864
Non-controlling interest		**1,574,219**	1,527,508
Total equity		**10,567,010**	10,401,372
Non-current liabilities			
Borrowings	12	**5,407,588**	5,375,804
Loans from the Government of the Republic of Kazakhstan		**866,450**	859,715
Finance lease liabilities		**131,840**	134,833
Provisions		**282,784**	271,553
Deferred tax liability		**537,137**	527,014
Employee benefit liability		**73,284**	72,439
Other non-current liabilities		**859,179**	839,819
		8,158,262	8,081,177
Current liabilities			
Borrowings	12	**743,154**	716,907
Loans from the Government of the Republic of Kazakhstan		**15,407**	6,722
Finance lease liabilities		**19,273**	19,364
Provisions		**223,559**	220,920
Employee benefit liability		**6,150**	6,384
Income taxes payable		**11,025**	9,490
Trade and other payables		**459,077**	506,213
Other current liabilities		**377,896**	355,968
		1,855,541	1,841,968
Liabilities associated with assets classified as held for sale	4	**569,939**	565,167
Total liabilities		**10,583,742**	10,488,312
Total equity and liabilities		**21,150,752**	20,889,684

Managing Director for Finance and Operations –
Member of the Management Board

Yelena Bakhmutova

Chief accountant

Almaz Abdrakhmanova

The accounting policies and explanatory notes on pages 9 through 33 form an integral part of these consolidated financial statements.

INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

In millions of tenge	Note	For the three months ended 31 March 2016 (unaudited)	For the three months ended 31 March 2015* (unaudited)
Continuing operations			
Revenue	13	**721,585**	634,508
Government grants		**6,374**	7,824
		727,959	642,332
Cost of sales	14	**(672,486)**	(588,680)
Gross profit		**55,473**	53,652
General and administrative expenses	15	**(78,893)**	(77,275)
Transportation and selling expenses		**(51,493)**	(58,449)
Impairment loss	17	**(10,232)**	2,432
Gain/(loss) on disposal of subsidiaries		**44,961**	(95)
Operating loss		**(40,184)**	(79,735)
Finance costs		**(97,368)**	(80,866)
Finance income		**48,965**	33,784
Other non-operating loss		**(2,768)**	(4,810)
Other non-operating income		**13,213**	13,751
Share in profit of joint ventures and associates, net	16	**66,976**	66,564
Net foreign exchange gain		**5,245**	15,720
Profit/(loss) before income tax		**(5,921)**	(35,592)
Income tax expenses		**(48,970)**	(40,442)
Net loss for the period from continuing operations		**(54,891)**	(76,034)
Discontinued operations			
Profit from discontinued operations, net of income tax	4	**158,533**	114,892
Net profit for the period		**103,642**	38,858
Net profit for the period attributable to:			
Equity holder of the Parent		**66,760**	30,985
Non-controlling interest		**36,382**	7,873
		103,642	38,858

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INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (continued)

In millions of tenge	Note	For the three months ended 31 March 2016 (unaudited)	For the three months ended 31 March 2015* (unaudited)
Other comprehensive income, net of tax			
Other comprehensive income to be reclassified to profit or loss in subsequent periods, net of tax:			
Exchange differences on translation of foreign operations		**35,307**	14,812
Unrealized loss from revaluation of available-for-sale investments		**(3,257)**	(13,539)
Loss on transactions with hedge instruments		**(3,970)**	–
Tax effect on transactions with hedge instrument		**25**	–
Net realized (loss)/gain on available-for-sale investments		**(564)**	213
Other comprehensive income to be reclassified to profit or loss in subsequent periods		**27,541**	**1,486**
Other comprehensive income not to be reclassified to profit or loss in subsequent periods, net of tax:			
Share of the OCI items of associates and joint ventures not to be reclassified to profit or loss in subsequent periods		**(57)**	–
Actuarial gain on defined benefit plans		**15**	–
Other comprehensive loss not to be reclassified to profit or loss in subsequent periods		**(42)**	–
Other comprehensive income for the period, net of tax		**27,499**	1,486
Total comprehensive income for the period, net of tax		**131,141**	40,344
Total comprehensive income for the period, net of tax, attributable to:			
Equity holder of the Parent		**86,222**	31,931
Non-controlling interest		**44,919**	8,413
		131,141	40,344

* *Certain amounts given in this column are not consistent with the amounts in the interim condensed consolidated financial statements for the three months ended 31 March 2015, since they reflect restatements of KMG International N.V. (subsidiary of NC KMG JSC) recorded within discontinued operations. Details are disclosed in Note 4.*

Managing Director for Finance and Operations –
Member of the Management Board

Yelena Bakhmutova

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	Revaluation reserve for available-for-sale investments	Currency translation reserve	Other capital reserves	Retained earnings	Total	Non-controlling interest	Total
Balance as at 31 December 2014 (audited)		4,620,562	51,290	486,162	(14,689)	2,224,315	7,367,640	764,438	8,132,078
Total comprehensive income for the period		–	(13,326)	14,272	–	30,985	31,931	8,413	40,344
Issue of share capital		36,191	–	–	–	–	36,191	–	36,191
Other distributions to the Shareholder		–	–	–	–	(960)	(960)	–	(960)
Disposal of subsidiaries		–	–	–	–	–	–	(287)	(287)
Other equity movements		–	–	(29)	(18)	519	472	(344)	128
Balance as at 31 March 2015 (unaudited)		4,656,753	37,964	500,405	(14,707)	2,254,859	7,435,274	772,220	8,207,494

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INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (continued)

		Attributable to the equity holder of the Parent								
In millions of tenge	Note	Share capital	Revaluation reserve for available-for-sale investments	Currency translation reserve	Hedging reserve	Other capital reserves	Retained earnings	Total	Non-controlling interest	Total
Balance as at 31 December 2015 (audited)		**4,916,269**	**32,817**	**1,025,930**	**(59,171)**	**(13,922)**	**2,971,941**	**8,873,864**	**1,527,508**	**10,401,372**
Total comprehensive income for the period		–	(3,820)	27,222	(3,896)	–	66,716	86,222	44,919	131,141
Issue of share capital	11.1	36,400	–	–	–	–	–	36,400	–	36,400
Other distributions to the Shareholder		–	–	–	–	–	(1,844)	(1,844)	–	(1,844)
Execution of share-based payments		–	–	–	–	(1,310)	–	(1,310)	1,310	–
Change in ownership interests of subsidiaries – acquisition of non-controlling interest		–	–	–	–	–	(632)	(632)	397	(235)
Other equity movements		–	–	–	–	24	67	91	85	176
Balance as at 31 March 2016 (unaudited)		**4,952,669**	**28,997**	**1,053,152**	**(63,067)**	**(15,208)**	**3,036,248**	**8,992,791**	**1,574,219**	**10,567,010**

Managing Director for Finance and Operations –
Member of the Management Board

Yelena Bakhmutova

Chief accountant

Almaz Abdrakhmanova

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INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS

In millions of tenge	Note	For the three months ended 31 March 2016 (unaudited)	For the three months ended 31 March 2015* (unaudited)
Cash flows from operating activities			
Loss before income tax from continuing operations		**(5.921)**	(35.592)
Profit before income tax from discontinued operations	4	**156.571**	114.568
Adjustments for items of continuing operations			
Depreciation, depletion and amortization		**101.763**	98.060
Share in profit of joint ventures and associates, net	16	**(66.976)**	(66.564)
Finance costs		**97.368**	80.866
Finance income		**(48.965)**	(33.784)
Impairment loss/(recovery)	17	**10.232**	(2.432)
Long-term employee benefits		**1.636**	6.287
Provision charges		**355**	6.156
Derivatives		**–**	3.587
Loss on disposal of property, plant and equipment and other long term assets, net		**430**	993
Gain on disposal of subsidiaries	4	**(44.961)**	–
Gain on disposal of associates and joint ventures		**(7.101)**	–
Allowance for doubtful debts		**1.540**	2.397
Unrealized foreign exchange gain, net		**(5.245)**	(15.375)
Other transactions		**8.467**	4.074
Cash flows from operating activities before working capital changes		**199.193**	163.241
Changes in loans to customers		**6.225**	395.418
Changes in amounts due from credit institutions		**11.646**	13.757
Changes in other financial assets		**(1.953)**	3.318
Changes in inventories		**(5.843)**	3.814
Changes in VAT receivable		**2.168**	27.663
Changes in trade accounts receivable		**53.233**	20.737
Changes in other assets		**(18.914)**	(228)
Changes in borrowings and loans from the Government of the Republic of Kazakhstan		**44.687**	(396.163)
Changes in trade and other accounts payable		**(58.969)**	(4.735)
Changes in amounts due to customers		**2.388**	1.747
Changes in other liabilities		**13.753**	(54.069)
Cash generated by operating activities		**247.614**	174.500
Income taxes paid		**(54.580)**	(50.371)
Interest paid		**(58.352)**	(42.598)
Interest received		**29.541**	22.393
Net cash flows received from operating activities		**164.223**	103.924

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INTERIM CONSOLIDATED STATEMENT OF CASH FLOW (continued)

In millions of tenge	Note	For the three months ended 31 March 2016 (unaudited)	For the three months ended 31 March 2015* (unaudited)
Cash flows from investing activities			
(Placement)/withdrawal of bank deposits, net		**(38.205)**	78.782
Sale/(acquisition) of joint ventures and associates		**8.894**	(388)
Purchase of property, plant and equipment		**(239.699)**	(195.441)
Purchase of intangible assets		**(6.610)**	(862)
Dividends received from joint ventures and associates		**11.162**	9.730
Provision of loans		**(6.425)**	(17.467)
Advances given for long-term assets		**–**	(30.115)
Decrease in restricted cash		**7.055**	
Repayment of loans given		**10.150**	761
Net cash flows used in investing activities		**(253.678)**	(155.000)
Cash flows from financing activities			
Proceeds from borrowings		**164.091**	181.464
Repayment of borrowings		**(330.129)**	(560.227)
Repayment of finance lease liabilities		**(4.734)**	(3.954)
Contributions to the share capital	11.1	**36.400**	36.191
Distributions to the Shareholder		**(2.326)**	(11.666)
Dividends paid to non-controlling interest of subsidiaries		**(3.184)**	(11)
Acquisition of non-controlling interest		**(202)**	–
Net cash flows (used in) / received from financing activities		**(140.084)**	(358.203)
Net (decrease)/increase in cash and cash equivalents		**(229.539)**	(409.279)
Effects of exchange rate changes on cash and cash equivalents		**18.446**	16.260
Cash and cash equivalents, at the beginning of the year	10	**1.206.557**	1.234.305
Cash and cash equivalents, at the end of the year	10	**995.464**	841.286

* *Certain amounts given in this column are not consistent with the amounts in the interim condensed consolidated financial statements for the three months ended 31 March 2015, since they reflect restatements of KMG International N.V. (subsidiary of NC KMG JSC) recorded within discontinued operations. Details are disclosed in Note 4.*

Non-cash transactions

For the three months ended March 31, 2016 the Group utilized hedging of net investments in certain subsidiaries classified as foreign operations against selected borrowings denominated in US Dollar. Effect of hedging was equal to 59,510 million tenge which was reclassified from profits and losses to other comprehensive income, under exchange differences on translation of foreign operations (for the three months ended March 31, 2015: 41.651 million tenge).

Managing Director for Finance and Operations –
Member of the Management Board

Yelena Bakhmutova

Chief accountant

Almaz Abdrakhmanova

The accounting policies and explanatory notes on pages 9 through 33 form an integral part of these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL INFORMATION

Corporate information

JSC "Sovereign Wealth Fund "Samruk-Kazyna" (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 in these entities for them to successfully achieve their strategic objectives as set in the respective Government programs and development plans of these entities.

The Fund is a holding company combining state-owned enterprises listed in *Note 18* (the "Group"). Prior to February 22, 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-IV, the Fund's activity is focused on improving sovereign wealth of the Republic of Kazakhstan by increasing the long-term value of the Group companies and by effective management of the Group assets.

For management purposes, the Group is organized into organizational business units based on their products and services, and has seven reportable operating segments *(Note 22)*. The following classification, since these interim condensed consolidated financial statements changed as compared to the annual consolidated financial statements for 2015 is presented in eight operating segments:

- oil and gas segment includes operations related to exploration and production of oil and gas, transportation of oil and gas and refining and trading of crude oil and refined products;
- transportation segment includes operations related to railway and air transportation of cargo and passengers;
- telecommunication segment includes operation of fixed line communication, including local, long-distance intercity and international telecommunication services (including CIS and non-CIS countries); and also 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 and sales of mineral resources;
- industrial segment includes military industry enterprises and civil engineering, projects for the development of chemical industry and geological exploration;
- 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 Astana, Esil Region, Kunayev str., 8, Blcok B the Republic of Kazakhstan.

These consolidated financial statements were authorised for issue by the Managing Director for Finance and Operations – Member of the Management Board and Chief accountant of the Fund on May 30, 2016.

Privatization plan

On April 30, 2014 the Government approved initial Privatization Plan for 2014-2016. On December 30, 2015 the Government approved 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.

2. BASIS OF PREPARATION

These interim condensed consolidated financial statements for the three months ended 31 March 2016 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 31 December 2015.

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 31 March 2016 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 foreign currency exchange rate to tenge:

	31 March 2016	31 December 2015
United States dollar (USD)	**343.62**	340.01
Euro (EUR)	**390.52**	371.46
Russian ruble (RUR)	**5.1**	4.61
Swiss franc (CHF)	**356.97**	343.48

As at May 30, 2016 currency exchange rate of KASE is 336.73 tenge to 1 US dollar.

Adoption of new and revised standards

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 2015, except for the adoption of new standards and interpretations effective as of January 1 2016. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

2. BASIS OF PREPARATION (CONTINUE)

New standards and amendments apply for the first time in 2016, do not have a material impact on the annual consolidated financial statements of the Group or the interim condensed consolidated financial statements of the Group:

- IFRS 14 *Regulatory Deferral Accounts.*
- Amendments to IFRS 11 *Joint Arrangements: Accounting for Acquisitions of Interests.*
- Amendments to IAS 16 and IAS 38 *Clarification of Acceptable Methods of Depreciation and Amortisation.*
- Amendments to IAS 16 and IAS 41 *Agriculture: Bearer Plants.*
- Amendments to IAS 27 *Equity Method in Separate Financial Statements.*
- Amendments to IFRS 10 and IAS 28 *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture.*

Separate presentation of exploration and evaluation assets and investment property in the balance sheet

In these interim condensed consolidated financial statements for the three months ended 31 March 2016 exploration and evaluation assets and investment property are represented separately from property, plant and equipment (PPE) and intangible assets:

In millions of tenge	
Effect on consolidated balance sheet as at December 31, 2015	
Change in property, plant and equipment	**(383,788)**
Change intangible assets	**(53,214)**
Exploration and evaluation assets	**424,509**
Investment property	**12,493**

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.

4. DISCONTINUED OPERATIONS, DISPOSALS AND ASSETS CLASSIFIED AS HELD FOR SALE

Discontinued operations in 2016

KMG International N.V.

In December 2015 the Group decided to sell its 51% interest in KMG International N.V. ("KMGI") under the Complex privatisation plan for 2016-2020. This entity represents a separate geographical unit of operation and is classified as discontinued operations.

4. DISCONTINUED OPERATIONS, DISPOSALS AND ASSETS CLASSIFIED AS HELD FOR SALE (CONTINUED)

The results of operations of KMGI for the three months ended March 31:

In millions of tenge	2016	2015
Revenue	391,351	341,897
Cost of sales	(199,481)	(211,791)
Gross profit	191,870	130,106
General and administrative expenses	(14,623)	(1,887)
Transportation and selling expenses	(12,009)	(10,854)
Impairment of property, plant and equipment and intangible assets, other than goodwill	(5,941)	–
Other operating income	124	11
Other operating losses	(330)	(188)
Operating profit	159,091	117,188
Net foreign exchange loss, net	(375)	(345)
Finance income	784	181
Finance costs	(3,301)	(2,456)
Share in profit of joint ventures and associates, net	369	–
Profit before income tax for the year from discontinued operations	156,568	114,568
Income tax benefit	1,965	324
Net profit after income tax for the year from discontinued operations	158,533	114,892

IFRS requires to eliminate income generated by entities consolidated into the Group and presented as continuing operations with entities classified as discontinued operations. Accordingly, Group's profit and loss does not reflect results of continuing and discontinued operations, as if they were presented as separate entities due to significant volumes of crude oil sales from the Group to KMGI. Net loss of KMGI before intercompany eliminations for the three months ended 31 March 2016 and 2015 was equal to 9,437 million tenge and 7,045 million tenge, respectively.

The major classes of assets and liabilities of KMGI, classified as held for sale, are as follows:

In millions of tenge	31 March 2016 (unaudited)	31 December 2015 (audited)
Assets		
Property, plant and equipment	637,653	632,565
Intangible assets	79,884	78,832
Investment in associate	11,994	11,497
Deferred tax asset	41,404	39,489
Other non-current assets	3,765	3,932
Inventories	107,839	86,795
Trade accounts receivable	159,187	90,336
Other current assets	52,741	62,551
Cash and cash equivalents	35,452	34,492
Assets classified as held for sale	1,129,919	1,040,489
Liabilities		
Borrowings	222,239	230,088
Deferred tax liabilities	78,302	78,194
Provisions	54,545	53,394
Other non-current liabilities	4,100	556
Trade accounts payable	96,755	40,767
Other taxes payable	17,986	18,352
Other current liabilities	78,430	75,994
Liabilities directly associated with the assets classified as held for sale	552,357	497,345
Net assets directly associated with the disposal group	577,562	543,144

4. DISCONTINUED OPERATIONS, DISPOSALS AND ASSETS CLASSIFIED AS HELD FOR SALE (CONTINUED)

For the three months ended March 31 the net cash flows incurred by KMGI are as follows:

In millions of tenge	2016	2015
Operating	29,557	1,164
Investing	(17,179)	(2,085)
Financing	(11,820)	(2,897)
Net cash outflows	558	(3,818)

Disposals

Altel JSC

On 29 February 2016 Kazakhtelecom JSC and Tele2 finalised the deal on creation of a joint venture – Khan Tengri Holding B.V. – in the mobile segment based on Altel JSC (subsidiary of Kazakhtelecom JSC) and Mobile Telecom Service LLP.

Kazakhtelecom JSC received 51% shares of Khan Tengri Holding B. V. (including 49,48% voting shares). Kazakhtelecom JSC accounts for its share in Khan Tengri Holding B. V. as an investment in associate.

As of the disposal date the net assets of Altel JSC were as follows:

In millions of tenge	At disposal date
Assets	
Property, plant and equipment	27,444
Inventories	2,067
Trade accounts receivable	4,872
Cash and cash equivalents	1,683
Other assets	10,793
Total assets	46,859
Liabilities	
Accounts payable	10,544
Deferred tax liabilities	215
Other liabilities	5,637
Total liabilities	16,396
Net assets	30,463

Gain on disposal of Altel JSC is presented as follows:

In millions of tenge	At disposal date
Discounting of long-term accounts receivable from Khan Tengri Holding B.V.	(1,354)
Financial guarantee to Khan Tengri Holding B.V.	(9,570)
Investment in Khan Tengri Holding B.V. (an associate arising at disposal of the subsidiary)	86,138
Disposed net assets	(30,463)
Gain on disposal	44,751

Summary information

Assets classified as held for sale comprised the following:

In millions of tenge	Segment	31 March 2016 (unaudited)	31 December 2015 (audited)
KMGI	Oil and gas	1,129,919	1,040,489
Euro-Asia Air JSC	Oil and gas	25,041	25,421
Tulpar-Talgo LLP	Transportation	16,691	18,075
Aysir Turizm Ve Insaat A.S.	Oil and gas	14,550	14,389
Altel JSC	Telecommunication	–	48,477
Other		25,990	42,513
		1,212,191	1,189,364

4. DISCONTINUED OPERATIONS, DISPOSALS AND ASSETS CLASSIFIED AS HELD FOR SALE (CONTINUED)

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

In millions of tenge	Segment	31 March 2016 (unaudited)	31 December 2015 (audited)
KMGI	Oil and gas	**552,357**	497,345
Euro-Asia Air JSC	Oil and gas	**10,031**	11,462
Tulpar-Talgo LLP	Transportation	**3,568**	4,344
Aysir Turizm Ve Insaat A.S.	Oil and gas	**3,833**	3,414
Altel JSC	Telecommunication	**–**	48,487
Other		**150**	115
		569,939	565,167

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

5. PROPERTY, PLANT AND EQUIPMENT

Movements in property, plant and equipment are presented as follows:

In millions of tenge	Oil and gas assets	Pipelines and refinery assets	Buildings and premises	Railway tracks and infrastructure	Machinery, equipment and vehicles	Mining assets	Other	Construction in progress	Total
Net book value at January 1, 2015 (restated)*	2,330,978	1,003,112	699,195	630,972	2,412,150	32,845	65,141	978,543	8,152,936
Foreign currency translation	37,175	6,187	263	6	619	–	72	169	44,491
Additions	31,273	304	2,971	15	14,878	1,903	697	107,620	159,661
Disposals	(666)	(108)	(416)	(1,199)	(5,798)	–	(620)	(134)	(8,941)
Depreciation charge	(9,492)	(16,961)	(9,734)	(6,014)	(48,236)	(2,262)	(3,063)	–	(95,762)
Depreciation and impairment on disposals	441	75	977	–	4,118	–	563	62	6,236
Impairment, net of reversal of impairment	184	–	(433)	19	384	–	(8)	(1,149)	(1,003)
Discontinued operations / transfer to assets classified as held for sale	(2)	(14)	(288)	–	(446)	–	(422)	(871)	(2,043)
Transfers from/(to) intangible assets	(11)	–	–	–	–	–	–	(2,558)	(2,569)
Transfers from/(to) exploration and evaluation assets, investment property	149	–	(63)	–	–	–	–	(6)	80
Transfer from/(to) inventories, net	–	16	2	(47)	788	59	1,388	3,446	5,652
Other transfers and reclassifications	17,406	8,595	4,855	1,234	24,126	–	1,687	(57,903)	–
Net book value at March 31, 2015 (restated)*	2,407,435	1,001,206	697,329	624,986	2,402,583	32,545	65,435	1,027,219	8,258,738
Historical cost	3,158,118	1,415,098	924,880	754,626	3,497,132	49,786	123,960	1,064,433	10,988,033
Accumulated depreciation and impairment	(750,683)	(413,892)	(227,551)	(129,640)	(1,094,549)	(17,241)	(58,525)	(37,214)	(2,729,295)
Net book value at March 31, 2015 (restated)*	2,407,435	1,001,206	697,329	624,986	2,402,583	32,545	65,435	1,027,219	8,258,738

** Certain amounts given in this table are not consistent with the amounts in the interim condensed consolidated financial statements for the three months ended 31 March 2015, since exploration and evaluation assets and investment property represented setarately in the balance sheet. Details are disclosed in Note 2.*

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

5. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

In millions of tenge	Oil and gas assets	Pipelines and refinery assets	Buildings and premises	Railway tracks and infrastruc-ture	Machinery, equipment and vehicles	Mining assets	Other	Construction in progress	Total
Net book value at January 1, 2016 (restated)*	4,437,273	853,816	685,159	904,076	2,459,653	40,848	61,325	885,570	10,327,720
Foreign currency translation	43,354	–	162	73	753	–	10	3	44,355
Change accounting estimate	8,832	(3,382)	(49)	–	–	(120)	–	–	5,281
Additions	66,587	14	850	31	9,018	3,167	646	181,952	262,265
Disposals	(1,724)	(329)	(891)	(95)	(4,862)	-	(398)	(31)	(8,330)
Depreciation charge	(17,792)	(12,076)	(11,957)	(5,904)	(49,428)	(2,523)	(2,544)	–	(102,224)
Depreciation and impairment on disposals	1,579	275	488	87	4,589	–	313	–	7,331
Impairment, net of reversal of impairment	–	(80)	5	(25)	–	–	–	(2,938)	(3,038)
Discontinued operations / transfer to assets classified as held for sale	–	(1)	(193)	–	(545)	–	(147)	6	(880)
Transfers from/(to) intangible assets	1	–	–	–	–	–	–	(481)	(480)
Transfers from/(to) exploration and evaluation assets, investment property	–	–	(3,325)	–	–	–	–	(478)	(3,803)
Transfer from/(to) inventories, net	–	(2)	(24)	(9)	149	22	64	(392)	(192)
Other transfers and reclassifications	7,621	21,126	5,284	942	12,638	563	602	(48,776)	–
Net book value at March 31, 2016	4,545,731	859,361	675,509	899,176	2,431,965	41,957	59,871	1,014,435	10,528,005
Historical cost	5,426,521	1,115,700	931,045	1,049,905	3,688,194	69,052	125,577	1,086,031	13,492,025
Accumulated depreciation and impairment	(880,790)	(256,339)	(255,536)	(150,729)	(1,256,229)	(27,095)	(65,706)	(71,596)	(2,964,020)
Net book value at March 31, 2016	4,545,731	859,361	675,509	899,176	2,431,965	41,957	59,871	1,014,435	10,528,005
Historical cost	5,300,428	1,098,396	929,473	1,048,884	3,668,092	65,420	127,285	956,128	13,194,106
Accumulated depreciation and impairment	(863,155)	(244,580)	(244,314)	(144,808)	(1,208,439)	(24,572)	(65,960)	(70,558)	(2,866,386)
Net book value at December 31, 2015 (restated)*	4,437,273	853,816	685,159	904,076	2,459,653	40,848	61,325	885,570	10,327,720

* *In these interim condensed consolidated financial statements for the three months ended 31 March 2016 exploration and evaluation assets and investment property are represented separately in the balance sheet. Details are disclosed in Note 2.*

5. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

As at March 31, 2016 property, plant and equipment with net book value of 2,395,840 million tenge was pledged as collateral for some of the Group's borrowings (as at December 31, 2015: 2,387,644 million tenge).

As at March 31, 2016 the carrying amount of property, plant and equipment acquired under finance lease agreements was equal to 116,731 million tenge (as at December 31, 2015: 119,652 million tenge).

As at March 31, 2016 the cost of fully amortised property, plant and equipment of the Group was equal to 473,989 million tenge (as at December 31, 2015: 470,727 million tenge).

For the three months ended March 31, 2016 the Group capitalized borrowing costs at an average interest rate of 0.5% in the amount of 8,210 million tenge (for the three months ended March 31, 2015: at the rate of 3% in the amount of 4,951 million tenge).

6. EXPLORATION AND EVALUATION ASSETS

Movements in exploration and evaluation assets are presented as follows:

In millions of tenge	Tangible	Intangible	Total
Net book value at January 1, 2015*	241,207	58,391	299,598
Foreign currency translation	2,158	42	2,200
Additions	9,671	439	10,110
Transfer from/(to) inventories, net	343	(2)	341
Other transfers and reclassifications	(150)	–	(150)
Net book value at March 31, 2015	253,229	58,870	312,099
At cost	259,220	71,875	331,095
Accumulated impairment	(5,991)	(13,005)	(18,996)
Net book value at March 31, 2015	253,229	58,870	312,099
Net book value at January 1, 2016	**371,295**	**53,214**	**424,509**
Foreign currency translation	**2,300**	**227**	**2,527**
Additions	**2,253**	**1,444**	**3,697**
Disposals	**–**	**(5)**	**(5)**
Impairment, net of reversal of impairment	**(527)**	**–**	**(527)**
Transfer from/(to) inventories, net	**(289)**	**(1)**	**(290)**
Other transfers and reclassifications	**1,342**	**(1,342)**	**–**
Net book value at March 31, 2016	**376,374**	**53,537**	**429,911**
At cost	**388,353**	**67,408**	**455,761**
Accumulated impairment	**(11,979)**	**(13,871)**	**(25,850)**
Net book value at March 31, 2016	**376,374**	**53,537**	**429,911**
At cost	382,991	67,084	450,075
Accumulated impairment	(11,696)	(13,870)	(25,566)
Net book value at December 31, 2015	371,295	53,214	424,509

** In these interim condensed consolidated financial statements for the three months ended 31 March 2016 exploration and evaluation assets are represented separately in the balance sheet. Details are disclosed in Note 2.*

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

7. 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, 2016 (unaudited) Carrying amount	March 31, 2016 (unaudited) Percentage ownership	December 31, 2015 (audited) Carrying amount	December 31, 2015 (audited) Percentage ownership
Joint ventures						
Tengizchevroil LLP	Oil and gas exploration and production	Kazakhstan	**1,081,406**	**20.00%**	1,028,085	20.00%
Mangistau Investments B.V.	Oil and gas exploration and production	Kazakhstan	**213,306**	**50.00%**	206,542	50.00%
KazRosGas LLP	Processing and sale of natural gas and refined gas	Kazakhstan	**101,443**	**50.00%**	97,407	50.00%
JV KazGerMunay LLP	Oil and gas exploration and production	Kazakhstan	**83,946**	**50.00%**	82,410	50.00%
Ural Group Limited BVI	Oil and gas exploration and production	Kazakhstan	**71,285**	**50.00%**	70,701	50.00%
Kazakhoil-Aktobe LLP	Oil and gas exploration and production	Kazakhstan	**56,525**	**50.00%**	57,774	50.00%
Kazakhstan Petrochemical Industries Inc. LLP ("KPI LLP")	Construction of first integrated chemical complex	Kazakhstan	**31,708**	**51.00%**	35,840	51.00%
KLPE LLP	Construction of first integrated chemical complex	Kazakhstan	**29,648**	**50.00%**	29,516	50.00%
Ekibastuzskaya GRES-2 JSC ("EGRES-2")	Electricity production	Kazakhstan	**28,956**	**50.00%**	29,523	50.00%
Forum Muider B. V.	Electricity production	Kazakhstan	**26,995**	**50.00%**	25,525	50.00%
Other			**117,370**		111,179	
Total joint ventures			**1,842,588**		1,774,502	
Associates						
Kazzinc LLP	Mining and processing of metal ores, production of refined metals	Kazakhstan	**402,969**	**29.82%**	410,904	29.82%
PetroKazakhstan Inc. ("PKI")	Exploration, production and processing of oil and gas	Kazakhstan	**165,702**	**33.00%**	163,617	33.00%
Khan Tengri Holding B.V. *(Note 4)*	Telecommunication	Kazakhstan	**84,968**	**51.00%**	–	–
Caspian Pipeline Consortium JSC	Transportation of crude oil	Kazakhstan/ Russia	**47,350**	**20.75%**	45,624	20.75%
JV INKAI LLP	Exploration, production and processing of uranium	Kazakhstan	**31,640**	**40.00%**	40,511	40.00%
JV KATCO LLP	Exploration, production and processing of uranium	Kazakhstan	**23,719**	**49.00%**	48,781	49.00%
Other			**53,398**		63,164	
Total associates			**809,746**		772,601	
			2,652,334		2,547,103	

7. INVESTMENTS IN JOINT VENTURES AND ASSOCIATES (CONTINUED)

Movements in investments in joint ventures and associates are presented as follows:

In millions of tenge	
Balance as at 1 January 2016 (audited)	**2,547,103**
Share in profit of joint ventures and associates, net *(Note 16)*	**66,976**
Dividends received	**(14,390)**
Change in dividends receivable	**(60,218)**
Acquisitions and additional contributions	**87,343**
Disposals	**(850)**
Foreign currency translation	**20,100**
Other comprehensive income, other then foreign currency translation	**3,601**
Discount on loans given	**3,669**
Balance as at 31 March 2016 (unaudited)	**2,652,334**

8. AMOUNTS DUE FROM CREDIT INSTITUTIONS

Amounts due from credit institutions comprised the following:

In millions of tenge	**31 March 2016 (unaudited)**	31 December 2015 (audited)
Bank deposits	**1,860,754**	1,811,401
Loans to credit institutions	**339,939**	347,449
Amounts due from credit institutions, net	**2,200,693**	2,158,850
Less: current portion	**(1,534,549)**	(1,492,619)
Non-current portion	**666,144**	666,231

In millions of tenge	**31 March 2016 (unaudited)**	31 December 2015 (audited)
10 largest local banks	**1,364,499**	1,247,512
International credit institutions	**592,578**	640,235
Other local credit institutions	**243,616**	271,103
	2,200,693	2,158,850

In millions of tenge	**31 March 2016 (unaudited)**	31 December 2015 (audited)
Amounts due from credit institutions, denominated in US dollars	**1,284,061**	1,227,138
Amounts due from credit institutions, denominated in tenge	**907,969**	924,781
Amounts due from credit institutions, denominated in other currencies	**8,663**	6,931
	2,200,693	2,158,850

As at 31 March 2016 the weighted average interest rate on amounts due from credit institutions was 4.42% (as at 31 December 2015: 5.55%).

9. TRADE ACCOUNTS RECEIVABLE AND OTHER CURRENT ASSETS

Trade accounts receivable comprised the following:

In millions of tenge	31 March 2015 (unaudited)	31 December 2015 (audited)
Trade accounts receivable	**263,538**	**310,367**
Less: allowance for doubtful debts	**(27,713)**	**(27,119)**
	235,825	**283,248**

Other current assets comprised the following:

In millions of tenge	31 March 2015 (unaudited)	31 December 2015 (audited)
Dividends receivable	**86,713**	22,911
Assets for distribution to the Shareholder	**85,125**	86,755
Advances paid and deferred expenses	**81,230**	64,840
Other accounts receivable	**55,287**	40,011
Other prepaid taxes	**33,845**	38,974
Restricted cash	**28,693**	31,259
Amounts due from employees	**4,954**	5,063
Other	**26,623**	23,396
Less: impairment allowance	**(26,361)**	(26,120)
	376,109	287,050

At March 31, 2016 the Group's receivables in the amount of 22 million tenge were pledged under certain Group borrowings (as at 31 December 2015: 29 million tenge).

10. CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprised the following:

In millions of tenge	31 March 2016 (unaudited)	31 December 2015 (audited)
Bank deposits – US dollars	**340,334**	519,162
Bank deposits – tenge	**188,280**	166,241
Bank deposits – other currency	**3,281**	3,747
Current accounts with banks – tenge	**267,336**	248,431
Current accounts with banks – US dollars	**166,822**	231,677
Current accounts with banks – other currency	**16,119**	29,750
Cash on hand	**4,802**	3,464
Cash in transit	**5,365**	3,985
Reverse repurchase agreements with other banks with contractual maturity of three months or less	3,125	100
	995,464	1,206,557

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, 2016 the weighted average interest rates for short-term bank deposits and current accounts were 6.49% and 2.08%, respectively (as at 31 December 2015: 5.68% and 1.28%, respectively).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

11. EQUITY

11.1 Share capital

Payment for shares	Number of shares authorized and issued	Par value per share, In tenge	Share capital in millions of tenge
As at 31 December 2015	**3,481,667,508**		**4,916,269**
Cash contributions	1,000	36,400,000	36,400
As at 31 March 2016	**3,481,668,508**		**4,952,669**

As at March 31,2016 and December 31, 2015 all shares of the Fund were fully paid.

11.2 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	**31 March 2016 (unaudited)**	31 December 2015 (audited)
Total assets	**21,150,752**	20,889,684
Less: intangible assets	**(268,126)**	(269,694)
Less: total liabilities	**(10,583,742)**	(10,488,312)
Net assets for common shares	**10,298,884**	10,131,678
Number of common shares	**3,481,668,508**	3,481,667,508
Book value per common share, tenge	**2,958**	2,910

Earnings per share

In tenge	**For the three months ended March 31, 2016 (unaudited)**	For the three months ended March 31, 2015 (unaudited)
Weighted average number of common shares for basic and diluted earnings per share	**3,481,668,473**	3,481,623,734
Basic and diluted share in net profit for the period	**29.77**	11.16
Basic and diluted share in net profit/(loss) from continuing operations	**(15.77)**	(21.84)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

12. BORROWINGS

Borrowings, including interest payable, comprised the following:

In millions of tenge	**31 March 2016 (unaudited)**	31 December 2015 (audited)
Fixed interest rate borrowings	**4,152,332**	4,097,890
Weighted average interest rate	**6.63%**	7.08%
Variable interest rate borrowings	**1,998,410**	1,994,821
Weighted average interest rate	**3.81%**	3.52%
	6,150,742	6,092,711
Less: amounts due for settlement within 12 months	**(743,154)**	(716,907)
Amounts due for settlement after 12 months	**5,407,588**	5,375,804

In millions of tenge	**31 March 2016 (unaudited)**	31 December 2015 (audited)
US dollar-denominated borrowings	**5,035,918**	5,012,062
Tenge-denominated borrowings	**828,686**	812,584
Other currency-denominated borrowings	**286,138**	268,065
	6,150,742	6,092,711

Changes in exchange rates and hedge instrument

During the 3 months ending 31 March 2016 carrying amount of borrowings increased by 69,294 million tenge as a result of change in exchange rate of tenge to US dollar.

Bonds repayment and issuance

During the 3 months ending 31 March 2016 Intergas Central Asia JSC, subsidiary of NC KMG, redeemed bonds issued at the London Stock Exchange in the amount of 149 million US dollars (equivalent to 50,743 million tenge at the exchange rate as of the date of repayment).

During the 3 months ending 31 March 2016 NC KMG partially redeemed bonds, which were acquired by the Development Bank of Kazakhstan, in the amount of 27,356 million tenge.

Other loans

During the 3 months ending 31 March 2016 Intergas Central Asia JSC, subsidiary of NC KMG, received 140 million US dollars (equivalent to 48,136 million tenge at the exchange rate as at the date of receipt) under the General Agreement with Citibank and N. A. Nassau, Bahamas Branch.

During the 3 months ending 31 March 2016 Locomotive JSC, subsidiary of NC KTZh, received 38 million euro (equivalent to 14,953 million tenge at the exchange rate as at the date of receipt) under the General Agreement to finance acquisition of 200 freight and 95 passenger electric locomotives with HSBC Kazakhstan JSC along with HSBC Bank Plc. and HSBC France with the support on the part Coface export credit agency.

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

In millions of tenge	**31 March 2016 (unaudited)**	31 December 2015 (audited)
NC KMG and its subsidiaries	**3,227,591**	3,221,341
NC KTZh and its subsidiaries	**1,229,384**	1,203,388
The Fund	**867,336**	858,040
Samruk-Energy and its subsidiaries	**346,840**	353,466
KEGOC and its subsidiaries	**170,201**	171,231
NAC KAP and its subsidiaries	**164,261**	172,621
Other subsidiaries of the Fund	**145,129**	112,624
Total borrowings	**6,150,742**	6,092,711

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

13. REVENUE

Revenue comprised the following:

In millions of tenge	For the three months ended March 31, 2016 (unaudited)	For the three months ended March 31, 2015 (unaudited)
Railway cargo transportation	150,368	144,960
Sales of gas products	81,424	55,115
Oil and gas transportation	80,392	72,720
Electricity complex	63,093	68,969
Telecommunication services	47,251	51,010
Sales of uranium products	45,709	30,559
Sales of oil refined products	45,070	36,388
Air transportation	44,268	34,209
Electricity transmission services	29,347	23,226
Refined gold	24,612	11,411
Railway passenger transportation	16,352	16,039
Oil refining fees	15,560	10,024
Interest revenue	10,691	11,445
Postal services	8,257	6,972
Sales of crude oil	3,080	9,729
Other revenue	60,238	56,549
Quality bank for crude oil	(4,018)	(4,771)
Less: indirect taxes and commercial discounts	(109)	(46)
	721,585	634,508

14. COST OF SALES

Cost of sales comprised the following:

In millions of tenge	For the three months ended 31 March 2016 (unaudited)	For the three months ended 31 March 2014 (unaudited)
Personnel costs	168,779	162,180
Materials and supplies	164,562	128,597
Depreciation, depletion and amortization	96,014	82,842
Fuel and energy	54,420	53,758
Production services received	33,308	24,812
Repair and maintenance	25,221	13,367
Interest expense	24,119	24,922
Gold raw materials	23,988	11,270
Mineral extraction tax	16,630	15,117
Rent	15,863	7,904
Cost of oil processing	8,382	7,301
Other	41,200	56,610
	672,486	588,680

15. GENERAL AND ADMINISTRATIVE EXPENSES

General and administrative expenses comprised the following:

In millions of tenge	For the three months ended March 31, 2016 (unaudited)	For the three months ended March 31, 2015 (unaudited)
Personnel costs	**32,261**	32,671
Taxes other than income tax	**8,516**	5,610
Sponsorship and charitable donations	**8,105**	5,664
Consulting services	**4,696**	3,664
Depreciation and amortization	**3,854**	4,355
Rent	**2,188**	1,768
Allowance for doubtful debts	**1,540**	2,397
Business trips	**1,167**	1,029
Fines and penalties	**838**	3,341
Repair and maintenance	**662**	525
Other	**15,066**	16,251
	78,893	77,275

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

Share in profit/(loss) of joint ventures and associates comprised the following:

In millions of tenge	For the three months ended March 31, 2016 (unaudited)	For the three months ended March 31, 2015 (unaudited)
Tengizchevroil LLP	**42,288**	39,161
Mangistau Investments B.V.	**6,764**	(564)
Valsera Holdings B.V.	**5,901**	2,664
KazRosGas LLP	**2,983**	2,541
JV Akbastau JSC	**2,195**	948
Karatau LLP	**2,167**	857
COU CJSC	**1,907**	(558)
Forum Muider B. V.	**1,780**	1,554
JV Kazgermunay JSC	**766**	9,732
Ural Group Limited BVI	**(290)**	13,705
Kazakhoil-Aktobe JSC	**(1,248)**	(1,533)
Khan Tengri Holding B.V.	**(1,307)**	–
Petro Kazakhstan Inc.	**(2,493)**	(2,342)
Beineu-Shymkent Pipeline LLP	**(2,663)**	(3,027)
Other	**8,226**	3,426
	66,976	66,564

17. IMPAIRMENT LOSS

Impairment loss comprised the following:

In millions of tenge	For the three months ended March 31, 2016 (unaudited)	For the three months ended March 31, 2015 (unaudited)
Impairment / (reversal of impairment) of inventories	**6,018**	(3,325)
Impairment of property, plant and equipment and intangible assets	**3,423**	202
Other	**791**	691
	10,232	(2,432)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

18. CONSOLIDATION

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

		Ownership percentage	
		31 March 2016 (unaudited)	31 December 2015 (audited)
1	National Company "KazMunayGas" JSC ("NC KMG") and subsidiaries	**90% - 1**	100.00%
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	**100.00%**	100.00%
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	National Company "Kazakhstan Engineering" JSC ("Kazakhstan Engineering") and subsidiaries	**100.00%**	100.00%
11	Real Estate Fund "Samruk-Kazyna" JSC	**100.00%**	100.00%
12	National Mining Company "Tau-Ken Samruk" and subsidiaries	**100.00%**	100.00%
13	United Chemical Company LLP and subsidiaries ("UCC")	**100.00%**	100.00%
14	Samruk-Kazyna Invest LLP	**100.00%**	100.00%
15	Samruk-Kazyna Contract LLP	**100.00%**	100.00%
16	KOREM JSC	**100.00%**	100.00%
17	International Airport Atyrau JSC	**100.00%**	100.00%
18	International Airport Aktobe JSC	**100.00%**	100.00%
19	Airport Pavlodar JSC	**100.00%**	100.00%
20	SK Finance LLP	**100.00%**	100.00%
21	Qazaq Air JSC	**100.00%**	100.00%
22	"Kazakh nuclear power plants" JSC	**100.00%**	100.00%
23	"Aviation Company "Air Kazakhstan" JSC	**53.55%**	53.55%

19. 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.

19. RELATED PARTY DISCLOSURES (CONTINUED)

The following table provides the total amount of transactions, which have been entered into with related parties during the three months ended March 31, 2016 and 2015 and the related balances as at March 31, 2016, and December 31, 2015, respectively:

In millions of tenge		Associates	Joint ventures where the Group is a venturer	Other state – controlled entities
Due from related parties	**31 March 2016**	**47,199**	**31,797**	**9,191**
	31 December 2015	45,744	39,058	10,771
Due to related parties	**31 March 2016**	**14,375**	**127,389**	**1,030**
	31 December 2015	43,127	91,496	1,836
Sale of goods and services	**31 March 2016**	**7,054**	**64,005**	**39,136**
	31 March 2015	13,205	58,257	25,359
Purchase of goods and services	**31 March 2016**	**16,850**	**64,623**	**2,932**
	31 March 2015	19,900	61,057	4,675
Other income/(loss)	**31 March 2016**	**848**	**10,540**	**(4,542)**
	31 March 2015	61	2,113	(2,046)
Cash and cash equivalents, and amounts due from	**31 March 2016**	**–**	**–**	**215,554**
credit institutions (assets)	31 December 2015	–	–	222,003
Loans to customers	**31 March 2016**	**224,524**	**253,284**	**192,447**
	31 December 2015	217,010	237,449	193,667
Loans received	**31 March 2016**	**-**	**77**	**1,786,353**
	31 December 2015	–	217	1,746,804
Other assets	**31 March 2016**	**25,944**	**43,604**	**9,842**
	31 December 2015	10,591	48,843	14,385
Other liabilities	**31 March 2016**	**2,436**	**3,984**	**57,091**
	31 December 2015	**2,614**	**13,349**	**26,842**
Interest received	**31 March 2015**	**4,126**	**5,991**	**5,267**
	31 March 2014	478	2,512	1,681
Interest accrued	**31 March 2015**	**27**	**-**	**24,095**
	31 March 2014	25	-	16,553

As at March 31, 2016 some of the Group's borrowings in the amount of 88,253 million tenge were guaranteed by the Government of the Republic of Kazakhstan (as at December 31, 2015: 87,901 million tenge).

Total compensation to key management personnel included in personnel costs in the accompanying interim consolidated statement of comprehensive income was equal to 3,671 million tenge for the three months ended 31 March 2016 (for the three months ended 31 March 2015: 2,812 million tenge). Compensation to key management personnel consists primary of contractual salary and performance bonus based on operating results.

20. FAIR VALUE OF INANCIAL INSTRUMENTS

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

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

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

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

As at March 31, 2016 and December 31, 2015 the carrying amount of the Group's financial instruments approximates their fair value except for the following financial instruments:

In millions of tenge	**Level 1**	**Level 2**	**Level 3**	**31 March,2016 (unadited)**
Financial instruments category				
Assets				
Available-for-sale financial assets	**26,653**	**9,396**	**1,186**	**37,235**
Financial assets at fair value through profit and loss	–	–	**10,276**	**10,276**
Derivative financial assets	–	–	**363**	**363**
Liabilities				
Derivative financial liabilities	–	**74**	–	**74**

In millions of tenge	Level 1	Level 2	Level 3	31 December, 2015 (audited)
Financial instruments category				
Assets				
Available-for-sale financial assets	29,907	10,335	1,166	41,408
Financial assets at fair value through profit and loss	–	–	10,276	10,276
Derivative financial assets	–	–	383	383
Liabilities				
Derivative financial liabilities	–	175	61	236

	31 March, 2016 (unadited)				
			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	**2,200,693**	**2,187,315**	**1,100,447**	**997,183**	**89,685**
Financial liabilities					
Borrowings	**6,150,742**	**5,422,873**	**3,070,923**	**1,952,075**	**399,875**
Loans from the Government of the Republic of Kazakhstan	**881,857**	**724,102**	–	**724,102**	–

20. FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

	31 December, 2015 (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	2,158,850	2,138,505	1,094,521	971,906	72,078
Financial liabilities					
Borrowings	6,092,711	5,532,497	3,153,781	1,994,714	384,002
Loans from the Government of the Republic of Kazakhstan	866,437	849,567	–	849,567	–

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

21. COMMITMENTS AND CONTINGENCIES

As at 31 March 2016 there were no significant changes in commitments and contingencies disclosed in the annual consolidated financial statements of the Group as at 31 December 2015, except for the following:

Kazakhstan local market obligation

The Government requires oil companies in the Republic of Kazakhstan to supply a portion of the products to meet the Kazakhstan domestic energy requirement on an annual basis, mainly to maintain oil products supply balance on the local market and to support agricultural producers during the spring and autumn sowing and harvest campaigns.

Kazakhstan local market oil prices are significantly lower than export prices and even lower than the normal domestic market prices determined in an arm-length transaction. If the Government does require additional crude oil to be delivered over and above the quantities currently supplied by the NC KMG, such supplies will take precedence over market sales and will generate substantially less revenue than crude oil sold on the export market, which may materially and adversely affect the NC KMG's business, prospects, consolidated financial position and results of operations.

For the three months ended March 31, 2016, in accordance with its obligations, the NC KMG, including its joint ventures, delivered to the Kazakhstan market volume of 1,237,000 tons of crude oil (for the three months eneded March 31, 2015: 993,623 tons).

Commitments under oilfield and mining field licenses and subsurface use contracts

As at March 31, 2016 the Group had following commitments on fulfillment of minimal work programs with respect to the requirements of their oilfield and mining licenses and related subsurface use contracts with the Government (in millions of tenge):

Year	Capital expenditures	Operational expenditures
2016	101,712	51,001
2017	61,947	44,287
2018	49,157	44,488
2019	40,113	44,472
2020-2026	203,893	209,665
Total	**456,822**	**393,913**

21. COMMITMENTS AND CONTINGENCIES (continued)

Capital commitments

NC KMG

As at March 31, 2016, NC KMG, including joint ventures, had other capital commitments of approximately 1,111,000 million tenge related to acquisition and construction of property, plant and equipment, (as at December 31, 2015: 878,000 million tenge).

NC KTZh

As at March 31, 2016, NC KTZh had committed to contracts for construction of Zhezkazgan – Beineu and Arkalyk – Shubarkol railways, development of primary backbone transport communication net, construction of a multifunctional ice palace in Astana, construction of port and infrastructure objects of Khorgos – Vostochnye vorota special economic zone, purchase of cargo and passenger electric locomotives, cargo and passenger carriers and locomotives totaling 487,472 million tenge (as at December 31, 2015: 409,412 million tenge).

Samruk Energy JSC

As at March 31, 2016, capital commitments of Samruk Energy under the contracts on acquisition of plant, property and equipment were equal to 134,518 million tenge (as at December 31, 2015: 128,417 million tenge).

Capital commitments of Samruk Energy joint ventures

As at March 31, 2016, Samruk Energy group's share in capital commitments of joint ventures (Forum Muider), EGRES-2 was equal to 74,731 million tenge (as at December 31, 2015: 49,037 million tenge).

Investment commitments of Samruk Energy

As at March 31, 2016, in accordance with the Agreements on Investment Obligations with the Ministry of Energy of the Republic of Kazakhstan, the Samruk Energy's group entities involved in the production of electricity have investment obligations of 3,554 million tenge (as at December 31, 2015: 78,289 million tenge).

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 years.

As at March 31, 2016 commitments to extend guarantees were 783,615 million tenge (as at December 31, 2015: 807,285 million tenge):

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.

Commitments on recycle use of anti-crisis funds

In accordance with the minutes of the meeting of the State commission on economy modernization issues of the Republic of Kazakhstan No. 17-5/И-380 dated April 5, 2012, No. 17-5/11-10 dated January 30, 2013 and No. 17-5/И-788 dated 7 October 2013 the Fund is obliged to finance certain investment projects in the total amount of 571,852 million tenge.

Taking into account investments made in 2012-2015, the Fund's commitments as at March 31, 2016 were equal to 55,625 million tenge (as at December 31, 2015: 69,825 million tenge), including the Fund's commitments to finance investment projects which were equal to 21,189 million tenge (as at December 31, 2015: 26,589 million tenge) and the Fund's commitments allocated to finance the "Available housing-2020" program in the amount of 34,436 million tenge (as at December 31, 2015: 43,236 million tenge).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

22. SEGMENT REPORTING

The following table represents information about profit and loss, assets and liabilities of operating segments of the Group as at 31 March 2016 and for the three months then ended:

In millions of tenge	Oil and gas	Mining	Trans-portation	Telecom-munication	Energy	Industrial	Corporate center	Other	Elimination	Total
Revenues from sales to external customers	250,707	93,368	219,869	60,434	82,791	2,465	9,265	2,686	–	721,585
Revenues from sales to other segments	17,874	5,098	3,809	864	12,097	1,569	4,505	403	(46,219)	–
Total revenue	268,581	98,466	228,724	62,625	94,889	4,034	13,770	3,089	(46,219)	727,959
Gross profit	(36,562)	26,753	23,685	22,310	32,747	839	(13,090)	1,802	(3,011)	55,473
General and administrative expenses	(27,732)	(5,987)	(20,267)	(7,017)	(6,066)	(1,679)	(10,763)	(666)	1,284	(78,893)
Transportation and selling expenses	(47,220)	(1,709)	(1,552)	(890)	(817)	(230)	–	–	925	(51,493)
Finance income	24,166	2,207	2,583	1,929	2,626	1,030	21,767	1,785	(9,128)	48,965
Finance costs	(66,976)	(2,228)	(22,542)	(1,955)	(6,683)	(1,339)	(476)	(467)	5,298	(97,368)
Share in profits of joint ventures and associates	55,714	10,844	861	(1,307)	1,020	(156)	–	–	–	66,976
Foreign exchange gain/(loss), net	2,844	1,083	(13,705)	265	(5,155)	816	(2,827)	13	21,911	5,245
Income tax expenses	(36,076)	(2,670)	1,392	(3,323)	(4,162)	(96)	(3,636)	(399)	–	(48,970)
Net (loss)/profit for the period from continuing operations	(133,634)	21,924	(23,164)	55,844	14,167	(824)	(8,601)	1,460	17,937	(54,891)
Net profit/(loss) for the period from discontinued operations	159,325	–	–	–	–	–	–	–	(792)	158,533
Total net profit for the period	25,691	21,924	(23,164)	55,844	14,167	(824)	(8,601)	1,460	17,145	103,642
Other segment information										
Total assets of the segment	13,139,286	1,277,655	3,125,357	534,660	1,413,547	362,120	7,080,857	165,733	(5,948,463)	21,150,752
Total liabilities of the segment	5,781,490	279,900	2,111,188	167,213	737,784	151,775	1,892,141	116,186	(653,936)	10,583,741
Investments in joint ventures and associates	1,873,791	518,365	33,411	84,967	106,522	71,726	10	47	(36,505)	2,652,334

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

22. SEGMENT REPORTING (continued)

The following table represents information about assets and liabilities of operating segments of the Group as at 31 December 2015 and profit and loss for the three months ended 31 March 2015:

In millions of tenge	Oil and gas	Mining	Trans-portation	Telecom-munication	Energy	Industrial	Corporate center	Other	Elimination	Total
Revenues from sales to external customers	214,731	59,411	203,227	57,877	84,589	2,855	10,723	1,095	–	634,508
Revenues from sales to other segments	15,355	4,394	3,597	926	9,752	1,304	5,737	575	(41,640)	–
Total revenue	230,086	63,805	212,999	60,451	94,341	4,158	16,462	1,670	(41,640)	642,332
Gross profit	(30,319)	9,899	32,042	20,603	37,800	928	(10,238)	1,136	(8,199)	53,652
General and administrative expenses	(37,353)	(6,387)	(18,593)	(6,462)	(6,664)	(1,482)	(989)	(778)	1,433	(77,275)
Transportation and selling expenses	(55,252)	(733)	(1,327)	(1,368)	(956)	(157)	–	–	1,344	(58,449)
Finance income	15,366	1,285	1,382	1,115	1,514	482	12,880	1,004	(1,244)	33,784
Finance costs	(59,576)	(2,286)	(15,573)	(2,332)	(5,381)	(732)	(114)	(431)	5,559	(80,866)
Share in profits of joint ventures and associates	61,855	2,169	244	–	1,898	(38)	–	436	–	66,564
Foreign exchange gain/(loss), net	20,962	(67)	(8,576)	(277)	1,972	333	1,260	12	101	15,720
Income tax expenses	(30,010)	(219)	650	(1,393)	(6,312)	(70)	(2,945)	(143)	–	(40,442)
Net loss for the period from continuing operations	(102,882)	3,154	(8,999)	10,986	24,026	(693)	(1,303)	1,242	(1,565)	(76,034)
Net profit/(loss) for the period from discontinued operations	114,940	–	(276)	–	(1,636)	–	–	–	1,864	114,892
Total net profit for the period	12,058	3,154	(9,275)	10,986	22,390	(693)	(1,303)	1,242	299	38,858
Other segment information										
Total assets of the segment	12,932,833	1,319,030	3,109,511	497,259	1,411,125	322,312	6,957,803	175,957	(5,836,146)	20,889,684
Total liabilities of the segment	5,672,714	347,732	2,100,302	184,982	749,528	118,649	1,843,253	107,369	(636,217)	10,488,312
Investments in joint ventures and associates	1,798,243	575,814	33,003	–	104,655	71,882	(21,757)	21,767	(36,504)	2,547,103

23. SUBSEQUENT EVENTS

Borrowings

During April and May of 2016 NC KMG made coupon payment for the total amount equal to 112 million US dollars to Citibank NA New York on Eurobonds (equivalent to 37,243 million tenge at payment).

In accordance with the credit line agreement concluded during 2015 with Halyk Bank of Kazakhstan JSC for the amount of 20,000 million tenge for replenishment of working capital, NC KTZh in April 2016 spent 5,000 million tenge at the interest rate of 16% per annum and maturity of nine months, without collateral.

Bonds

Within first bonds issuance program of 200,000 million tenge maturing in ten years with redemption on April 25, 2026 the NC KTZh in April 2016 is provided with 50,000 million tenge. Bonds have annual variable coupon payments and interest rate of 16.92% per annum for the period from April 2016 to April 2017. The issue of bonds divided into 50,000 million unsubordinated coupon bonds without collateral.

In May 2016 NC KTZh redeemed Eurobonds in the amount of 350 million US Dollars issued by the subsidiary of the Group KTZh Finance B.V. (equivalent to 116,410 million tenge at the redemption) and guaranteed by subsidiaries of the Group Locomotive JSC and Kaztemirtrans JSC.

Refinancing of debt

On May 12, 2016 Ekibastuzskaya GRES-1 named after Bulat Nurzhanov JSC (EGRES-1), the subsidiary of the Group, and Halyk Bank of Kazakhstan JSC signed an additional agreement for the loan agreement #KS 01-15-06 dated April 8, 2015 for the amount of 35,000 million tenge on a non-revolving basis with maturity not later than April 7, 2021 and interest rate of 16% per annum in tenge. Within the framework of the given additional agreement №2 on previously obtained loan in the amount of 12,000 million tenge the financing period has been extended until April 7, 2021 and on May 16, 2016 a new loan was obtained in the amount of 23,000 million tenge with effective interest rate of 16 % per annum and a maturity of up to April 7, 2021 and short-term loan in the amount of 23,000 million tenge with interest rate of 14 % per annum obtained from the Sberbank JSC in 2015 was fully repaid.

Within the framework of the credit line agreement signed on April 15, 2016 with Halyk Bank of Kazakhstan JSC for the total amount of 100 million US Dollars (equivalent to 33,400 million tenge) NC KTZh spent it for the refinancing of Eurobonds issued by the subsidiary of the Group KTZh Finance B.V. in the amount of 50 million US Dollars (equivalent to 16,700 million tenge) with maturity of 5 years at interest rate of 5.65% per annum without a collateral.

In May 2016 within the previously signed contract on July 24, 2015 with the European Bank of Reconstruction and Development NC KTZh obtained loan to refinance Eurobonds issued by a subsidiary of the Group KTZh Finance B.V. for the amount of 100 million US Dollars (equivalent to 33,260 million tenge) for a period of 8 years at an interest rate LIBOR + 4.5%.

Legal issues

On April 15, 2016 the London Court of International Arbitration issued award to recover the costs related to SC Bioromoil SRL in the amount 22 million US dollars (equivalent to 7,496 million tenge).

According to a Decree issued 22 April 2016, prosecutors of Romania with the General Headquarters of the Department for Fight Against Organized Crime and Terrorism (DIICOT) have ordered a reclassification and continued investigation of the case against 26 suspects under charges of organized crime. By the same Decree, DIICOT added several civil responsible parties to the case, which include KMG I, SC Oilfield Exploration Business Solutions SA and SC Rompetrol Rafinare S.A. (KMG I subsidiaries). By Decree issued on 6 May 2016, prosecutors with the DIICOT have applied a prejudgment seizure on KMGI, SC Oilfield Exploration Business Solutions SA and SC Rompetrol Rafinare S.A. movable and immovable assets (except bank accounts and inventories) aimed at securing part of the damages in total amount of RON 1,724 million, USD 291 million and EUR 35 million (in total equivalent to 760 million US Dollars). The investigation is ongoing and court trial is expected after investigation is finished.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

23. SUBSEQUENT EVENTS (continued)

On April 18, 2016 NAC Kazatomprom received a negative decision of the State Revenue Committee of the Ministry of Finance as a result of the complaint to the notice №2041 on the results of a tax audit on transfer pricing in 2008. On April 20, 2016 Kazatomprom aims the statement to Astana SIEC to invalidate alert №2041 dated July 22, 2015 in the amount of 3,302 million tenge, including corporate income tax in the amount of 2,512 million tenge and 790 million tenge fine.

Changes in Group structure

On April 29, 2016 the Company signed certain transaction documents on the selling 51% interest in KMG I to CEFC Hainan International Holding Co., Ltd (CEFC). The transaction is estimated to be completed by October, 2016 after obtaining necessary clearance from European and other regulatory authorities.

In accordance with Order #3-4/1779-01 of the Republican state institution "Justice administration of Karaganda city of the Karaganda region Department of Justice of the Ministry of Finance" dated May 12, 2016 "On the exclusion from the State Register of Silicium Kazakhstan LLP", Silicium Kazakhstan LLP, the subsidiary of the Group joined the Tau-Ken Temir LLP, another subsidiary of the Group.

Other events

On March 31, 2016 the NC KMG entered into four years crude oil and liquefied petroleum gas ("LPG") supply agreement with Vitol and on April 13, 2016 received an advance of 1,500 million US dollars (equivalent of 501,000 million tenge). The total minimum delivery volume approximates 30 million tons of crude oil and 1 million tons of LPG in the period from the date of the contract to June 2020. The agreement stipulates pricing calculation with reference to market quotes and prepayments are settled through physical deliveries of crude oil and LPG starting from May 2017. The outstanding balance of advances received is subject to interest at 1M Libor+1.85% per annum.