“Sovereign Wealth Fund “Samruk-Kazyna” JSC

Interim condensed consolidated financial statements (unaudited)

As at September 30, 2017 and for the three and nine months then ended

CONTENTS

INTERIM CONSOLIDATED BALANCE SHEET

In millions of tenge	Note	September 30, 2017 (unaudited)	December 31, 2016 (audited)
Assets			
Non-current assets			
Property, plant and equipment	7	**10,636,147**	10,160,089
Intangible assets	8	**897,061**	922,465
Exploration and evaluation assets		**446,955**	427,368
Investment property		**8,792**	9,083
Investments in joint ventures and associates	9	**3,021,508**	2,767,678
Loans given		**702,406**	560,952
Amounts due from credit institutions	10	**503,777**	684,442
Deferred tax assets		**141,570**	145,150
Other non-current financial assets		**154,769**	166,236
Other non-current assets	11	**627,369**	511,324
		17,140,354	16,354,787
Current assets			
Inventories	12	**380,873**	319,698
VAT receivable		**160,151**	177,212
Income tax prepaid		**43,988**	95,942
Trade accounts receivable		**392,107**	438,486
Loans given		**145,295**	140,345
Amounts due from credit institutions	10	**2,377,428**	1,669,459
Other current financial assets		**21,827**	27,316
Other current assets		**308,468**	399,666
Cash and cash equivalents	13	**2,011,162**	1,554,035
		5,841,299	4,822,159
Assets classified as held for sale	6	**1,322,955**	1,283,914
Total assets		**24,304,608**	22,460,860

INTERIM CONSOLIDATED BALANCE SHEET (continued)

In millions of tenge	Note	September 30, 2017 (unaudited)	December 31, 2016 (audited)
Equity and liabilities			
Equity attributable to equity holder of the Parent			
Share capital	14.1	**5,116,624**	5,058,658
Additional paid-in capital	14.2	**13,179**	–
Currency translation reserve		**968,905**	1,008,696
Revaluation reserve for available-for-sale investments		**26,115**	31,032
Hedging reserve		**(58,874)**	(52,712)
Other capital reserves		**(16,640)**	(16,522)
Retained earnings		**3,689,392**	3,321,930
		9,747,701	9,351,082
Non-controlling interest		**1,795,644**	1,640,592
Total equity		**11,543,345**	10,991,674
Non-current liabilities			
Borrowings	15	**5,920,733**	4,930,158
Loans from the Government of the Republic of Kazakhstan	16	**777,514**	912,180
Finance lease liabilities		**106,853**	116,078
Provisions		**183,504**	161,936
Deferred tax liability		**628,832**	583,245
Employee benefit liability		**71,257**	66,887
Other non-current liabilities	17	**1,435,888**	1,476,788
		9,124,581	8,247,272
Current liabilities			
Borrowings	15	**1,372,514**	820,570
Loans from the Government of the Republic of Kazakhstan	16	**12,876**	6,231
Finance lease liabilities		**16,822**	18,332
Provisions		**117,555**	193,499
Employee benefit liability		**6,074**	6,172
Income taxes payable		**29,762**	4,220
Trade and other payables		**509,360**	587,217
Other current liabilities	18	**869,396**	892,977
		2,934,359	2,529,218
Liabilities associated with assets classified as held for sale	6	**702,323**	692,696
Total liabilities		**12,761,263**	11,469,186
Total equity and liabilities		**24,304,608**	22,460,860

Acting as Managing Director for Finance and Operations

Yernar Zhanadil

Chief accountant

Almaz Abdrakhmanova

The accounting policies and explanatory notes on pages 8 through 43 form an integral part of these interim condensed consolidated financial statements

INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

		For the three months ended September 30		For the nine months ended September 30	
In millions of tenge	**Note**	**2017 (unaudited)**	2016 (unaudited)	**2017 (unaudited)**	2016 (unaudited)
Continuing operations					
Revenue	19	1,221,174	1,057,503	**3,669,254**	**2,760,446**
Government grants		33,660	2,601	**42,718**	**21,025**
		1,254,834	1,060,104	**3,711,972**	**2,781,471**
Cost of sales	20	**(1,165,264)**	(858,762)	**(3,209,984)**	(2,297,115)
Gross profit		**89,570**	201,342	**501,988**	484,356
General and administrative expenses	21	**(90,380)**	(77,282)	**(261,761)**	(242,328)
Transportation and selling expenses	22	**(77,283)**	(54,312)	**(225,137)**	(158,296)
(Impairment loss)/reversal of impaiment, net	23	**(21,658)**	5,901	**(46,383)**	(23,085)
Gain on disposal of subsidiaries		**–**	2,202	**1,684**	44,321
Operating (loss)/profit		**(99,751)**	77,851	**(29,609)**	104,968
Finance costs	24	**(120,803)**	(97,466)	**(342,002)**	(292,210)
Finance income	25	**48,403**	115,368	**144,421**	215,873
Other non-operating loss		**(1,010)**	(5,760)	**(21,536)**	(21,078)
Other non-operating income		**10,309**	8,820	**36,834**	32,262
Share in profit of joint ventures and associates, net	26	**131,738**	56,650	**370,820**	219,918
Net foreign exchange gain /(loss)		**87,980**	(11,777)	**80,901**	(16,397)
Profit before income tax		**56,866**	143,686	**239,829**	243,336
Income tax expenses		**(58,878)**	(70,005)	**(195,991)**	(177,991)
Net profit/(loss) for the period from continuing operations		**(2,012)**	73,681	**43,838**	65,345
Discontinued operations					
Profit from discontinued operations, net of income tax	6	**254,512**	95,576	**503,574**	332,291
Net profit for the period		**252,500**	169,257	**547,412**	397,636
Net profit for the period attributable to:					
Equity holder of the Parent		**184,386**	125,343	**428,587**	292,195
Non-controlling interest		**68,114**	43,914	**118,825**	105,441
		252,500	169,257	**547,412**	397,636

INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (continued)

In millions of tenge	Note	For the three months ended September 30 2017 (unaudited)	2016 (unaudited)	For the nine months ended September 30 2017 (unaudited)	2016 (unaudited)
Other comprehensive income, net of tax					
Other comprehensive income to be reclassified to profit or loss in subsequent periods					
Exchange differences on translation of foreign operations		**113,953**	(22,988)	**(4,270)**	(26,806)
Unrealized (loss)/gain from revaluation of available-for-sale investments		**150**	(504)	**(12,000)**	(3,090)
(Loss)/gain on transactions with hedge instruments		**(7,476)**	2,095	**(5,572)**	3,375
Net realized gain/(loss) on available-for-sale investments		**68**	213	**7,082**	(357)
Share of the OCI items of associates and joint ventures	9	**2,352**	–	**1,759**	–
Tax effect on transactions with hedge instruments		**628**	(328)	**(199)**	(725)
Other comprehensive loss/(gain) to be reclassified to profit or loss in subsequent periods		**109,675**	(21,512)	**(13,200)**	(27,603)
Other comprehensive income not to be reclassified to profit or loss in subsequent periods					
Share of the OCI items of associates and joint ventures	9	**67**	62	**(103)**	(881)
Actuarial (loss)/gain on defined benefit plans		**836**	160	**(959)**	(1,031)
Tax effect on transactions of OCI components		**(142)**	(26)	**42**	238
Other comprehensive (loss)/gain not to be reclassified to profit or loss in subsequent periods		**761**	196	**(1,020)**	(1,674)
Other comprehensive (loss)/gain for the period, net of tax		**110,436**	(21,316)	**(14,220)**	(29,277)
Total comprehensive income for the period, net of tax		**362,936**	147,941	**533,192**	368,359
Total comprehensive income for the period, net of tax, attributable to:					
Equity holder of the Parent		**271,950**	105,410	**396,694**	264,023
Non-controlling interest		**90,986**	42,531	**136,498**	104,336
		362,936	147,941	**533,192**	368,359

Acting as Managing Director for Finance and Operations

Yernar Zhanadil

Chief accountant

Almaz Abdrakhmanova

The accounting policies and explanatory notes on pages 8 through 43 form an integral part of these interim condensed consolidated financial statements

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	Hedging reserve	Other capital reserves	Retained earnings	Total	Non-controlling interest	Total
Balance as at December 31, 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		–	(3,447)	(24,821)	1,228	–	291,063	264,023	104,336	368,359
Issue of share capital		60,866	–	–	–	–	–	60,866	–	60,866
Discount on loans from the Government		–	–	–	–	–	4,007	4,007	–	4,007
Dividends		–	–	–	–	–	–	–	(14,852)	(14,852)
Other distributions to the Shareholder		–	–	–	–	–	(38,732)	(38,732)	–	(38,732)
Change in ownership interests of subsidiaries – disposal of non-controlling interest		–	–	–	–	–	(2,425)	(2,425)	11,425	9,000
Change in ownership interests of subsidiaries – acquisition of non-controlling interest		–	–	–	–	–	(301)	(301)	65	(236)
Execution of share-based payments		–	–	–	–	(3,250)	–	(3,250)	3,250	–
Other equity movements		–	–	–	–	1,823	(860)	963	593	1,556
Balance as at September 30, 2016 (unaudited)		4,977,135	29,370	1,001,109	(57,943)	(15,349)	3,224,693	9,159,015	1,632,325	10,791,340

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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	Additional paid-in 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 December 31, 2016 (audited)		**5,058,658**	**–**	**31,032**	**1,008,696**	**(52,712)**	**(16,522)**	**3,321,930**	**9,351,082**	**1,640,592**	**10,991,674**
Total comprehensive income for the period		–	–	(4,917)	(40,892)	(6,162)	–	448,665	396,694	136,498	533,192
Issue of shares	14.1	57,966	–	–	–	–	–	–	57,966	–	57,966
Other contributions of the Shareholder	14.2	–	13,179	–	–	–	–	–	13,179	–	13,179
Dividends	14.3	–	–	–	–	–	–	–	–	(20,944)	(20,944)
Other distributions to the Shareholder	14.4	–	–	–	–	–	–	(83,043)	(83,043)	–	(83,043)
Disposal of subsidiaries		–	–	–	(108)	–	–		(108)	(9)	(117)
Acquisition of subsidiaries	5	–	–	–	–	–	–	1,706	1,706	25,973	27,679
Change in ownership interests of subsidiaries – disposal of non-controlling interest	14.5	–	–	–	–	–	–	7,547	7,547	16,517	24,064
Change in ownership interests of subsidiaries – acquisition of non-controlling interest	14.6	–	–	–	1,209	–	–	1,547	2,756	(3,082)	(326)
Other equity movements		–	–	–	–	–	(118)	40	(78)	99	21
Balance as at September 30, 2017 (unaudited)		**5,116,624**	**13,179**	**26,115**	**968,905**	**(58,874)**	**(16,640)**	**3,698,392**	**9,747,701**	**1,795,644**	**11,543,345**

Acting as Managing Director for Finance and Operations

Yernar Zhanadil

Chief accountant

Almaz Abdrakhmanova

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INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS

In millions of tenge	Note	**For the nine months ended September 30, 2017 (unaudited)**	For the nine months ended September 30, 2016 (unaudited)
Cash flows from operating activities			
Receipts from customers		**5,976,760**	5,692,260
Payments to suppliers		**(3,580,432)**	(2,639,056)
Payments to employees		**(599,949)**	(558,367)
Other taxes and payments		**(791,670)**	(707,876)
Operations with financial instruments		**46,012**	200,073
Other payments		**(55,883)**	(59,246)
Income taxes paid		**(93,221)**	(117,255)
Interest paid		**(225,669)**	(253,717)
Interest received		**122,660**	101,593
Net cash flows received from operating activities		**798,608**	1,658,409
Cash flows from investing activities			
Placement of bank deposits, net		**(640,464)**	(554,054)
Sale/(acquisition) of joint ventures and associates, net		**15,650**	(3,377)
Cash and cash equivalents of acquired subsidiaries	5	**424**	–
Purchase of property, plant and equipment		**(645,134)**	(749,715)
Purchase of intangible assets		**(14,437)**	(17,621)
Dividends received from joint ventures and associates	9	**150,177**	145,232
Provision of loans		**(175,287)**	(51,437)
Other receipts		**48,009**	68,409
Net cash flows used in investing activities		**(1,261,062)**	(1,162.563)
Cash flows from financing activities			
Proceeds from borrowings		**1,797,851**	687,529
Repayment of borrowings		**(735,862)**	(906,376)
Repayment of finance lease liabilities		**(13,883)**	(14,628)
Contributions to the share capital	14.1	**57,700**	56,400
Distributions to the Shareholder		**(46,670)**	(41,813)
Dividends paid to non-controlling interest of subsidiaries		**(19,974)**	(17,946)
Sale of non-controlling interest		**23,096**	9,000
Repayment of payables for acquisition of additional share in undivided interest in the North-Caspian Project		**(177,079)**	–
Other payments		**(4,606)**	(236)
Net cash flows received from / (used in) financing activities		**880,573**	(228,070)
Net increase in cash and cash equivalents		**418,119**	267,776
Effects of exchange rate changes on cash and cash equivalents		**58,496**	(16,860)
Changes in cash and cash equivalents disclosed as part of assets held for sale		**(17,967)**	28,389
Reclassification of cash equivalents to other assets because of impairment		**(1,521)**	
Cash and cash equivalents at the beginning of the period		**1,554,035**	1,206,557
Cash and cash equivalents at the end of the period	13	**2,011,162**	1,485,862

Acting as Managing Director for Finance and Operations

Yernar Zhanadil

Chief accountant

Almaz Abdrakhmanova

The accounting policies and explanatory notes on pages 8 through 43 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 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").

The Fund is a holding company combining state-owned enterprises listed in *Note 27* (the "Group"). 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 8 (eight) reportable operating segments as follows *(Note 31)*:

- 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;
- Communications 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, wireless communication services and postal 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 military industry enterprises and civil engineering, projects for the development of the 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 Astana, Esil Region, Kunayev str., 8, Block B the Republic of Kazakhstan.

These interim condensed consolidated financial statements were authorised for issue by the Acting as Managing Director for Finance and Operations and Chief accountant of the Fund on November 28, 2017.

Privatization plan

On December 30, 2015 the Government approved the 2016-2020 Complex 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 nine months ended September 30, 2017 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, 2016.

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 nine months ended September 30, 2017 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, 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 their 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:

	September 30, 2017	December 31, 2016
United States dollar (USD)	**341.19**	333.29
Euro (EUR)	**402.64**	352.42
Russian ruble (RUR)	**5.90**	5.43
Swiss franc (CHF)	**351.42**	328.14

As at November 28, 2017, currency exchange rate of KASE is 331.5 to 1 US dollar.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

2. BASIS OF PREPARATION (continued)

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, 2016, except for the adoption of new standards and interpretations effective as of January 1, 2017. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

New standards and amendments apply for the first time on January 1, 2017, do not have a material impact on the interim condensed consolidated financial statements of the Group:

- Amendments to IAS 7 *Statement of Cash Flows: Disclosure Initiative.*
- Amendments to IAS 12 *Income Taxes: Recognition of Deferred Tax Assets for Unrecognised Losses.*

Annual improvements cycle – 2014-2016

- Amendments to IFRS 12 *Disclosure of Interests in Other Entities: Clarification of the Scope of Disclosure Requirements in IFRS 12.*

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. SIGNIFICANT ACCOUNTING ESTIMATES, AND JUDGEMENTS

The preparation of interim condensed consolidated financial statements required management to make judgments, estimates and assumptions that affect the application of accounting policies and reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing these interim condensed consolidated financial statements, the significant judgments made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended December 31, 2016.

EGRES-1

Based on the analysis as of June 30, 2017, the Group's management concluded that a decrease in the weighted average tariff level is impairment indicator of property, plant and equipment.

The Group attracted independent experts for impairment test, which was conducted in accordance with IAS 36 *Impairment of Assets.*

The independent expert estimated the recoverable amount of property, plant and equipment and intangible assets of EGRES-1 based on the estimated future cash inflows and outflows from the use of assets, discount rates and other factors.

The recoverable amount was determined based on value in use. In these calculations, cash flow projections were used based on updated financial budgets approved by management for a 10-year period from 2017 to 2026.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

4. SIGNIFICANT ACCOUNTING ESTIMATES, AND JUDGEMENTS (continued)

EGRES-1 (continued)

The following table sets out the key assumptions, where impairment calculations were updated as at June 30, 2017:

	30 June 2017	31 December 2016
Forecasted tariffs	Changes in forecasted tariffs are indicated below	
Forecasted volumes		
Kazakhstan	The forecast volumes of consumption and sales in Kazakhstan did not change significantly	
Export *	**41,345 thousands MW/h in 2017-2026**	8,700 thousands MW/h in 2017-2025
Power	**258,596 MW**	220,734 MW
The growth rates of post-forecast period	**2.8%**	4.0%
Discount rate	**11%**	12%

* *The increase in the forecast volumes for exports is due to the resumption of exports to the Russian Federation.*

Forecasted tariffs

	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026
Weighted average tariff for electricity (tenge per 1 kW/h)										
As of 30 June 2017	6.4	7.0	7.0	7.2	7.4	7.8	8.1	8.5	9.0	9.4
As of 31 December 2016	7.6	7.9	7.4	7.5	7.5	7.9	8.3	8.7	9.7	–

As a result of the test, the recoverable amount of property, plant and equipment and intangible assets as at June 30, 2017 amounted to 601,932 million tenge, compared to carrying value amounting to 522,111 million tenge. Accordingly, management did not reveal any impairment of property, plant and equipment and intangible assets. The valuation techniques used to calculate the value of use are consistent with the methods applied a December 31, 2016.

As of September 30, 2017, the results of this analysis remain valid.

If the weighted average cost of capital increases by 1%, the total carrying value of revalued property, plant and equipment will decrease by 65 million tenge.

Investments in EGRES-2

Based on the results of the assessment, the Group's management concluded that the revision of the forecast sales volumes and the decrease of the weighted average tariff rate are indicators of impairment of investments in EGRES-2 and decided to update the estimation of the recoverable amount of property, plant and equipment and intangible assets of EGRES-2 as of June 30, 2017. EGRES-2 is a significant investment of the Group and is most sensitive to macroeconomic changes. EGRES-2 is a national heat power plant that produces electricity. Accordingly, the Group's management decided to conduct an impairment test for this asset.

The Group attracted independent experts to conduct the impairment test, which was conducted in accordance with IAS 36 *Impairment of Assets.*

The independent expert estimated the recoverable amount of property, plant and equipment and intangible assets of EGRES-2, based on the estimated future cash inflows and outflows from the use of assets, discount rates and other factors.

The recoverable amount was determined based on values-in-use method. Cash flow projections were used based on updated financial budgets approved by management for an 8-year period from 2017 to 2025.

As a result of the impairment test, the carrying value of the EGRES-2 property, plant and equipment was reduced by 15,464 million tenge. Accordingly, the Group recognised an impairment loss on the investment in EGRES-2 in the amount of 7,732 million tenge in the interim condensed consolidated financial statements.

4. SIGNIFICANT ACCOUNTING ESTIMATES, AND JUDGEMENTS (continued)

Investments in EGRES-2 (continued)

The major events that led to impairment loss recognition during the six months ended June 30, 2017 are the following:

- Decrease in the level of the weighted average tariff due to the increase in the share of electricity sales through centralised trading at low tariffs;
- Changes in the volume of production and sales of electricity due to the revision of forecasts for electricity consumption.

As of September 30, 2017, the results of this analysis remain valid.

Key assumptions used over recoverability of property, plant and equipment and intangible assets are presented below:

Tariffs for electricity

Projected weighted average tariffs for future periods are as follows: 6.9-8.7 tenge per 1 kWh for the period of 2017-2024, 28.75 tenge per 1 kWh for 2025. Tariff forecast was based on management's expectations in connection with the resumption of a project on construction of the power unit No. 3 in 2020. Expected increase in tariffs in 2025 is due to the expected commissioning of the power unit No. 3, and changes in the tariff structure, which is due to introduction of capacity power market in the Republic of Kazakhstan. According to the Law *On Electric Power Industry* of the Republic of Kazakhstan the EGRES-2 is able to obtain an individual tariff for the electricity.

In case of decrease of the tariffs on electricity by 10%, recoverable amount of property, plant and equipment of EGRES-2 will be less than its carrying value by 50,095 million tenge. Therefore, the recoverable amount of the Group's investment in EGRES-2 will be less by 25,047 million tenge.

Production and sales volumes of electricity

For the calculation of the recoverable amount the estimated volumes of electricity production/sales from unit No. 3 and the related investment necessary to complete the construction were taken into account. Management expects that the production and sales volumes during the forecast period prior to putting into operation power-generating unit No. 3 will be stable and range of between 5,010-6,184 million kWh during 2018-2025.

The 10% decrease in the allowable limits will result in decrease of EGRES-2 property, plant and equipment by 21,180 million tenge and accordingly, the Group's investment in EGRES-2 by 10,590 million tenge.

The discount rate

The rate of 12.94% was estimated considering the reflection of the current market risk assessment inherent to EGRES-2, and is estimated based on the weighted average cost of capital for the industry. An increase in the discount rate by 1% will lead to decrease of EGRES-2 property, plant and equipment by 12,131 million tenge, and accordingly increase in impairment the Group's investment in EGRES-2 by 6,066 million tenge.

Exchange rates

As of June 30, 2017, the exchange rate for 1 US dollar was 322.27 tenge. The weakening of the tenge against the US dollar by 30% will lead to an increase in the cost of equipment of power-generating unit No. 3 and, accordingly, to decrease the carrying value of EGRES-2 property, plant and equipment by 44,888 million tenge, and accordingly decrease the Group's investment in EGRES-2 by 22,444 million tenge.

Investments in Balkhash Thermal Power Plant JSC

The project "Construction of the Balkhash Thermal Power Plant" (hereinafter – "the Project") was implemented under the framework of the intergovernmental agreement signed between the Government of the Republic of Kazakhstan and the Government of the Republic of Korea. The agreement, signed in 2011, includes economic cooperation in the field of financing, design, construction, operation and maintenance of the power plant.

The shareholders of Balkhash Thermal Power Plant JSC (hereinafter – "BTPP") are Samsung C&T Corporation (hereinafter – "Samsung C&T") and Samruk-Energy JSC (subsidiary of the Fund), holding 50% + 1 shares and 50% – 1 share, respectively, as of September 30, 2017. The entity was established in 2008 as a joint stock company. In June 2012, BTPP and Samsung Engineering Co. Ltd signed a contract to design, supply and construct Balkhash thermal power plant with power capacity of 1320 MW (Engineering, Procurement, Construction – "EPC contract"). Samsung Engineering Co. Ltd and Samsung C&T Corporation are parties of the joint venture for the EPC.

4. SIGNIFICANT ACCOUNTING ESTIMATES, AND JUDGEMENTS (continued)

Investments in Balkhash Thermal Power Plant (continued)

BTPP and KEGOC JSC (subsidiary of the Fund) concluded long-term contract dated June 19, 2014 for the purchase of services for the maintenance of available capacity of newly commissioned power-generating units (hereinafter – "Capacity Purchase Agreement or CPA"). The tariffs in the contract are expressed in US dollars.

On February 14, 2012 the Group and Samsung C&T signed the "Option Agreement regarding the shares of the Balkhash Thermal Power Plant". In accordance with this agreement, Samsung C&T has the option to require the Samruk Energy JSC to acquire Samsung C&T's shares of BTPP, if the relevant conditions of the option agreement relating to the ratification of the Intergovernmental Agreement, the adoption of laws that give the opportunity to enter into the capacity purchase agreement, and the timely conclusion of the capacity purchase agreement with the conditions sufficient to attract project financing are not fulfilled.

Until August 2016 the Samruk-Energy JSC and Samsung C&T have repeatedly extended this option to sell the shares.

In order to raise debt financing for the Project potential lenders require protecting the rights and interests of investors in accordance with international practice for project financing.

In the absence of a final version of the Project support package, on August 31, 2016 Samsung C&T notified Samruk-Energy JSC of its intention to exercise the option to sell the shares in accordance with the Option Agreement.

Due to the lack of financing for BTTP on August 31, 2016 Samsung Engineering Co. Ltd also notified BTPP about the termination of the EPC contract.

In accordance with the requirements of the Option Agreement, the option price is equal to the aggregate amount paid by Samsung C&T Corporation to acquire option shares, the aggregate of any capital amounts invested and amount equal to the amount of any loans advances by Samsung C&T Corporation, net of any dividends and other payments received by Samsung C&T Corporation for its shares. As at June 30, 2017 the book value of the share capital of Samsung C&T in BTPP was 32,085 million tenge, while the amount of Samsung C&T's contributions was 192 million US dollars.

After receiving notification from Samsung C&T, Samruk Energy JSC and the Government of Kazakhstan has adopted a number of measures in respect of this matter from October 2016 until now.

Taking into account the strategic importance of the project to ensure power system reliability in Southern Kazakhstan, the Government of Kazakhstan approved the continuation of negotiations with Samsung C&T.

In particular, the Government of Kazakhstan and the state authorities of Kazakhstan held a number of meetings to discuss the further implementation of the Project with the participation of Samsung C&T. The parties agreed that a Letter of Support from the Government with conditions satisfactory for project financing will be arranged in due course.

On February 28, 2017 as a result of negotiations to continue the project Samsung Engineering Co. Ltd and Samsung C&T withdrew their notice of termination of the EPC contract.

However, since the Letter of Support from the Kazakhstani side was not arranged within the expected timeframe, on April 29, 2017 Samsung Engineering Co. Ltd notified the BTPP that the withdrawal of EPC contract termination notice dated February 28, 2017 was no longer effective. Currently, all constructions works are suspended.

Untill now, Government of the Republic of Kazakhstan has not completed negotiations on the project and has not expressed any formal intention to abandon the project.

The Group's management takes into account the following factors that support of construction continuation and further joint activity with Samsung C&T on the basis of the following factors:

- According to the current forecast of energy consumption, the Southern region will experience a shortage of electricity in the future;
- The project of construction of the Balkhash Thermal Power Plant is the subject of an intergovernmental agreement between the Republic of Kazakhstan and Republic of Korea;
- The Government of the Republic of Kazakhstan set the future tariffs for the service to maintain the availability of capacity of power-generating units in US dollars for the period from 2018 to 2039 years to support the project.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

4. SIGNIFICANT ACCOUNTING ESTIMATES, AND JUDGEMENTS (continued)

Investments in Balkhash Thermal Power Plant (continued)

Therefore, the Group's management expects that the Government of the Republic of Kazakhstan and Samsung C&T Corporation will develop and accept mutually acceptable conditions aimed at the continuation of the project implementation, in accordance with which the Provisions of CPA including tariffs, denominated in US dollars, will provide sufficient cash flows to recover the investment and the probability of an outflow resources related to the option is remote.

Based on the above, management believes that as at the date of approval of these interim condensed consolidated financial statements it is not necessary to reflect any impairment of the Group's investment in BTPP nor to record any additional obligations related to the project, including the option exercised by Samsung C&T. At the same time management notes that at the date of signing the interim condensed consolidated financial statements uncertainty exists in respect of the continuation or timing of the completion of the project and it is impossible to assess its impact on the Group and on the interim condensed consolidated financial statements.

Investments in Toshiba Nuclear Energy Holdings (US) Inc and Toshiba Nuclear Energy Holdings (UK) Ltd

In October 2007, NAC Kazatomprom JSC (hereinafter – "NAC KAP") acquired a 10% interest in Toshiba Nuclear Energy Holdings US, Inc. (hereinafter – "TNEH-US") and Toshiba Nuclear Energy Holdings UK Ltd (hereinafter – "TNEH-UK") for 540,000 thousand US dollars (TNEH-US: 400,000 thousand US dollars and; TNEH-UK: 140,000 thousand US dollars) (equivalent of 66,005 million tenge at the date of aquisition).

Simultaneously with the acquisition of the interest in TNEH-US and TNEH-UK, the NAC KAP Group entered into a Put Option agreement (hereinafter – the "Put Option") with Toshiba Corporation, the parent company of TNEH-US and TNEH-UK. At the end of 2012 the NAC KAP Group and Toshiba Corporation signed an agreement that extended the Group's right to exercise the Put Option from October 1, 2017 until February 28, 2018. The Put Option gives the NAC KAP Group a right to sell its shares in TNEH-US and TNEH-UK to Toshiba Corporation for 100% of the original price paid, which equals USD 540,000 thousand for the first 67% of shares, and for 90% of the original price paid for the remaining 33% of shares, resulting in the price of the Put Option of 522,180 thousand USD.

Simultaneously with the acquisition of the interest in TNEH-US and TNEH-UK, the NAC KAP Group entered into a call option agreement (hereinafter – the "Call Option"). The Call Option provides Toshiba Corporation with the right to demand from the NAC KAP Group the sale of its TNEH-UK and TNEH-US shares if the Committee on Foreign Investment of the United States (CFIUS), a US government entity, decides that the NC KAP Group is no longer a strategic partner. In such case, the fair value of the NAC KAP Group's shares will be determined by an independent international appraiser. The Call Option was not exercised by Toshiba Corporation as at September 30, 2017.

As in previous years, management could not reliably estimate the fair value of the NAC KAP Group's investment in shares of TNEH-US and TNEH-UK. The investment is carried at cost. The investees have not published recent financial information about their operations, their shares are not quoted and recent trade prices are not publicly accessible.

On March 29, 2017, subsidiary of TNEH-US and TNEH-UK – Westinghouse Electric Company LLP and number of its affiliated subsidiaries (Westinghouse Group) filed for Chapter 11 Bankruptcy in Southern District Court of New York city to restructure itself as a result of problems at the nuclear power plants it is building in the states of Georgia and South Carolina. The Group's rights in relation to the put option remain unaffected as Toshiba Corporation confirmed to the Group in writing that the Put Option agreement dated October 1, 2007 with amendments dated December 14, 2013 on the interest in TNEH-US and TNEH-UK is a full responsibility of the Toshiba Corporation and the restructuring of Westinghouse Electric Company LLP does not affect the Group's rights on execution of the Put Option. In accordance with the terms of the Put Option agreement, the Toshiba Corporation will meet its obligation in relation to an acquisition of those interests at fixed price equal to initial purchase price if the Group executes its Put Option accordingly. In accordance with the decision of the Board of Directors of NAC Kazatomprom (NC KAP) dated October 2, 2017 No. 07/17, NAC KAP Group sent notification of intent to exercise the put option to Toshiba Corporation on October 2, 2017, according to which NAC KAP Group notified Toshiba Corporation of its intention to sell 400 ordinary shares of class "C" in the authorized capital of TNEH US in the amount of 386,800 thousand of US dollars and 140 ordinary shares of class "C" in the authorized capital of TNEH UK for the amount of 135,380 thousand of US dollars.

On October 3, 2017, Toshiba Corporation published a press release on the official website of the corporation informing that NAC KAP Group exercised its right to exercise the option-put and exit from the shareholders of holding companies TNEH US and TNEH UK, by selling 540 shares in the authorized capitals of the above-mentioned Toshiba companies Corporation at a price of 522,180 thousand of US dollars. The transaction is expected to close at the end of December 2017.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

4. SIGNIFICANT ACCOUNTING ESTIMATES, AND JUDGEMENTS (continued)

Cash and bank deposits in Delta Bank JSC

In February 2017, the rating agency Standard & Poor's downgraded long-term and short-term credit ratings of Delta Bank JSC from "CC/C" to "D/D" ("default") and senior unsecured bond ratings from "CC" to "D".

On May 22, 2017, the National Bank of the Republic of Kazakhstan suspended the license of Delta Bank JSC to accept deposits from individuals and legal entities and the opening of bank accounts of individuals and legal entities of Delta Bank JSC.

On November 2, 2017 in acoordance with the Resolution of the National Bank of the Republic of Kazakhstan #194 a decision to revoke the license of Delta Bank JSC to conduct banking and other transactions and activities on the securities market was made.

Based on the Group management's assessment of the recoverability of the funds placed with Delta Bank JSC, as at September 30, 2017 the Group reclassified balances in Delta Bank JSC to other assets and during the nine months ended September 30, 2017 accrued impairment loss in the amount of 34,413 million tenge *(Note 23)*.

5. ACQUISITIONS

United Chemical Company LLP

As at September 30, 2017 and December 31, 2016 United Chemical Company LLP (a subsidiary of the Fund) and ALMEX Firm LLP legally owned Kazakhstan Petrochemical Industries Inc. LLP (KPI) by 51% and 49% respectively. Before the acquisition of control over KPI in February 2017 the Group accounted KPI as investment in joint venture using equity method.

In accordance with the contract of trust management of property dated January 4, 2017, concluded between United Chemical Company and ALMEX Firm LLP, the Group acquired control over KPI for no additional consideration. As a result of this transaction, the Group acquired control, with no change in ownership share.

Purchased assets and assumed liabilities

The provisional fair values of KPI identifiable assets and liabilities as at the date of acquisition were as follows:

In millions of tenge	At the acquisition date
Assets	
Property, plant and equipment	28,634
Intangible assets	44
Other non-current assets	9,622
Receivables	240
Amounts due from credit institutions	16,681
Other current assets	1,398
Cash and cash equivalents	243
Total assets	**56,862**
Liabilities	
Trade and other current liabilities	313
Total liabilities	**313**
Net assets	**56,549**
Less: non-controlling interests	(27,679)
Provisional fair value of 51% share in net assets	28,870
Net cash flow on acquisition	**243**

The Group recorded net cash acquired with the subsidiary in the amount of 243 million tenge as cash flow from investing activities in the interim consolidated cash flow statement.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

5. ACQUISITIONS (continued)

Purchased assets and assumed liabilities (continued)

NC KMG

On June 15, 2017 KMG EP (subsidiary of NC KMG) acquired a 49% interest in KS EP Investments BV ("KS EP") from MOL Hungarian Oil and Gas Plc. (hereinafter – "MOL") for 1 US dollar, giving KMG EP a 100% interest in KS EP.

KS EP is a subsoil use right holder under the Contract for Exploration of Oil, Gas and Condensate at Karpovskiy Severniy contract area in the Western Kazakhstan region. The exploration license expired on June 30, 2017 and currently is under an extension process with the Ministry of Oil and Gas of Kazakhstan.

The following table summarises the consideration paid for KS EP and the amounts of the assets acquired and liabilities assumed at the acquisition date:

In millions of tenge	**At the acquisition date**
Assets	
Bank deposits	119
Cash and cash equivalents	181
Toptal assets	**300**
Liabilities	
Trade accounts payable	2,568
Other current liabilities	1,404
Total liabilities	**3,972**
Net liabilities	**3,672**
Less:	
Share in net assets owned by Group	–
Consideration paid	–
Total consideration transferred	**–**
Loss on acquisition	(3,672)
Other comprehensive income reclassified to profit and loss	424
Net loss on acquisition	**(3,248)**
Net cash flow on acquisition	**181**

In prior years KS EP received a series of loans from the KMG EP and MOL under the loan agreement expired on June 30, 2017 and bearing a 6.7% interest rate. Undiscounted outstanding balance of loan including interest accrued comprised 106,880 thousands US dollars (equivalent of 33,950 million tenge) at acquisition date.

Considering that the KMG EP fully impaired its 51% share in loan receivable from KS EP and acquired the right for 49% of loan receivable from KS EP for 0.5 US dollar, the fair value of 100% receivable from KS EP is zero at the acquisition date. Accordingly, KMG EP has recorded a loss on acquisition of a subsidiary of 3,248 million tenge.

Loss incurred by KS EP for the period from 15 June 2017 till 30 September 2017 included in these accounts was 2,620 million tenge.

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

Discontinued operations in 2017

KMG International N.V.

In December 2015 the Group decided to sell its 51% interest in KMG International N.V. (hereinafter – "KMGI") under the Complex privatisation plan for 2016-2020. Sale of KMGI is planned to be finalised in 2017. This entity represents a separate major line of business and is classified as a discontinued operation.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

6. DISCONTINUED OPERATIONS, DISPOSALS AND ASSETS CLASSIFIED AS HELD FOR SALE (continued)

Discontinued operations in 2017 (continued)

KMG International N.V. (continued)

The results of KMGI are presented below:

	For the nine months ended September 30	
In millions of tenge	**2017 (unaudited)**	2016 (unaudited)
Revenue	**1,504,805**	1,234,846
Cost of sales	**(886,971)**	(792,063)
Gross profit	**617,834**	442,783
General and administrative expenses	**(22,084)**	(21,149)
Transportation and selling expenses	**(35,888)**	(37,894)
Impairment loss recognized on the remeasurement to fair value less costs to sell	**(51,661)**	(37,946)
Other operating income	**2,035**	748
Other operating losses	**(43)**	(8,800)
Operating profit	**510,193**	337,742
Foreign exchange loss, net	**(110)**	(1,107)
Finance income	**522**	3,047
Finance costs	**(8,231)**	(10,388)
Share in profit of associates, net	**279**	1,468
Profit before income tax for the period from discontinued operations	**502,653**	330,762
Income tax benefit	**921**	1,529
Profit after income tax for the period from discontinued operations	**503,574**	332,291

IFRS requires eliminating revenue 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 income/(loss) of KMG I before intercompany eliminations for the nine months ended September 30, 2017 and 2016 were equal to 13,008 million tenge and (10,671) million tenge, respectively.

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

In millions of tenge	**September 30, 2017 (unaudited)**	December 31, 2016 (audited)
Assets		
Property, plant and equipment	**568,394**	585,546
Intangible assets	**71,161**	73,933
Investments in associates	**13,519**	12,644
Deferred tax asset	**34,870**	34,545
Other non-current assets	**3,403**	2,949
Inventories	**147,512**	115,235
Trade accounts receivable	**145,948**	128,944
Other current assets	**34,132**	36,149
Cash and cash equivalents	**38,286**	25,004
Assets classified as held for sale	**1,057,225**	1,014,949
Liabilities		
Borrowings	**177,880**	201,869
Deferred tax liabilities	**72,131**	72,935
Provisions	**44,170**	46,903
Other non-current liabilities	**4,726**	3,944
Trade accounts payable	**176,777**	142,278
Other taxes payable	**24,322**	19,114
Other current liabilities	**57,767**	63,183
Liabilities directly associated with the assets classified as held for sale	**557,773**	550,226
Net assets directly associated with the disposal group	**499,452**	464,723

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

6. DISCONTINUED OPERATIONS, DISPOSALS AND ASSETS CLASSIFIED AS HELD FOR SALE (continued)

Discontinued operations in 2017 (continued)

KMG International N.V. (continued)

For the nine months ended September 30 the net cash flows of KMGI are as follows:

In millions of tenge	**2017**	2016
Operating	**580,552**	375,483
Investing	**(24,613)**	(26,053)
Financing	**(28,766)**	23,496
Net cash inflows	**527,173**	372,926

Net inflows/(outflows) of KMGI before intercompany eliminations for the nine month ended September 30, 2017 and 2016 amounted to 12,024 million tenge and (16,088) million tenge, respectively.

Summary information

Assets classified as held for sale comprised the following:

In millions of tenge	**Segment**	**September 30, 2017 (unaudited)**	December 31, 2016 (audited)
KMGI	Oil and gas	**1,057,225**	1,014,949
Transtelecom JSC	Transportation	**92,837**	89,286
Mangistau electricity distribution network company JSC	Energy	**33,152**	31,831
Tulpar-Talgo LLP	Transportation	**25,572**	15,451
Kazakh-British Technical University JSC	Oil and gas	**18,170**	18,014
East Kazakhstan regional energy company JSC	Energy	**17,553**	16,490
Euro-Asia Air JSC	Oil and gas	**16,799**	20,715
Aktobe HES JSC	Energy	**10,613**	10,786
Other		**51,034**	66,392
		1,322,955	1,283,914

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

In millions of tenge	**Segment**	**September 30, 2017 (unaudited)**	December 31, 2016 (audited)
KMGI	Oil and gas	**557,773**	550,226
Transtelecom JSC	Transportation	**71,830**	75,800
Tulpar-Talgo LLP	Transportation	**36,025**	19,306
Mangistau electricity distribution network company JSC	Energy	**19,376**	19,267
Euro-Asia Air JSC	Oil and gas	**5,331**	8,930
East Kazakhstan regional energy company JSC	Energy	**4,299**	5,702
Aktobe HES JSC	Energy	**2,082**	2,213
Kazakh-British University	Oil and gas	**2,873**	1,964
Other		**2,734**	9,288
		702,323	692,696

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

7. 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 infra-structure	Machinery, equipment and vehicles	Mining assets	Other	Construc-tion in progress	Total
Net book value at January 1, 2017	3,811,699	958,918	764,449	959,909	2,510,992	46,836	67,067	1,040,219	10,160,089
Foreign currency translation	81,433	–	774	70	1,462	–	(15)	(490)	83,234
Changes in estimates	2,818	(1,462)	(13)	–	43	30	1	–	1,417
Additions	32,832	13,691	947	44	26,281	11,376	3,046	663,104	751,321
Acquisition through business combinations *(Note 5)*	–	–	2,442	–	–	–	29	26,163	28,634
Disposals	(7,213)	(2,366)	(1,975)	(100)	(11,795)	–	(2,184)	(780)	(26,413)
Depreciation charge	(111,497)	(41,879)	(33,342)	(24,308)	(147,410)	(7,568)	(6,896)	–	(372,900)
Depreciation and impairment on disposals	6,735	2,205	1,444	88	10,146	–	1,861	560	23,039
Impairment, net of reversal of impairment	(9)	(1)	(1,189)	–	(2,408)	(1,028)	(129)	(43,636)	(48,400)
Discontinued operations / transfer to assets classified as held for sale	(15)	(97)	(23)	–	(108)	–	–	–	(243)
Transfers from/(to) intangible assets	24,390	–	–	–	44	–	–	(4,244)	20,190
Transfers from/(to) exploration and evaluation assets, investment property	8,881	–	(48)	–	–	–	–	–	8,833
Transfer from/(to) inventories, net	(2)	4,168	5	(794)	1,369	522	1,415	663	7,346
Other transfers and reclassifications	48,191	16,348	199,114	25,440	118,514	–	2,581	(410,188)	–
Net book value at September 30, 2017	3,898,243	949,525	932,585	960,349	2,507,130	50,168	66,776	1,271,371	10,636,147
Historical cost	4,940,204	1,280,197	1,245,950	1,150,392	3,972,142	95,329	143,701	1,425,434	14,253,349
Accumulated depreciation and impairment	(1,041,961)	(330,672)	(313,365)	(190,043)	(1,465,012)	(45,161)	(76,925)	(154,063)	(3,617,202)
Net book value at September 30, 2017	3,898,243	949,525	932,585	960,349	2,507,130	50,168	66,776	1,271,371	10,636,147

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

7. PROPERTY, PLANT AND EQUIPMENT (continued)

As at September 30, 2017 property, plant and equipment with net book value of 1,390,759 million tenge was pledged as collateral for some of the Group's borrowings (December 31, 2016: 1,921,660 million tenge).

As at September 30, 2017 the carrying amount of property, plant and equipment acquired under finance lease agreements was equal to 102,609 million tenge (December 31, 2016: 104,987 million tenge).

As at September 30, 2017 the cost of fully amortized property, plant and equipment of the Group was equal to 501,101 million tenge (December 31, 2016: 468,140 million tenge).

For the nine months ended September 30, 2017 the Group capitalized borrowing costs at an average interest rate of 3.2% in the amount of 26,627 million tenge (for the nine months ended September 30, 2016: at an average interest rate of 2.9% in the amount of 26,568 million tenge).

8. INTANGIBLE ASSETS

In millions of tenge	Licenses	Software	Goodwill	Subsur-face use rights	Other	Total
Net book value at January 1, 2017	493,980	45,859	97,876	265,379	19,371	922,465
Foreign currency translation	**10,906**	**(75)**	–	**3,445**	**544**	**14,820**
Additions	**1,198**	**4,068**	–	**90**	**611**	**5,967**
Disposals	**(1,682)**	**(2,335)**	–	–	**(129)**	**(4,146)**
Amortization charge	**(12,546)**	**(7,725)**	–	**(4,059)**	**(1,350)**	**(25,680)**
Transfer from/(to) assets classified as held for sale	–	–	–	–	**12**	**12**
Accumulated amortization on disposals	**1,675**	**1,776**	–	–	**103**	**3,554**
(Impairment) / reversal of impairment, net	–	**10**	–	–	**(16)**	**(6)**
Transfers from/(to) inventories, net	**266**	**(1)**	–	–	–	**265**
Transfers from/(to) property, plant and equipment,net	**615**	**3,308**	–	**(24,461)**	**348**	**(20,190)**
Other transfers	**151**	**(339)**	–	–	**188**	–
Net book value at September 30, 2017	**494,563**	**44,546**	**97,876**	**240,394**	**19,682**	**897,061**
Historical cost	**520,371**	**114,819**	**139,764**	**252,643**	**30,959**	**1,058,556**
Accumulated amortization and impairment	**(25,808)**	**(70,273)**	**(41,888)**	**(12,249)**	**(11,277)**	**(161,495)**
Net book value at September 30, 2017	**494,563**	**44,546**	**97,876**	**240,394**	**19,682**	**897,061**

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

9. INVESTMENTS IN JOINT VENTURES AND ASSOCIATES

Investments in joint ventures and associates comprised the following:

In millions of tenge	Main activity	Place of business	September 30, 2017 (unaudited) Carrying amount	September 30, 2017 (unaudited) Percentage ownership	December 31, 2016 (audited) Carrying amount	December 31, 2016 (audited) Percentage ownership
Joint ventures						
Tengizchevroil LLP	Oil and gas exploration and production	Kazakhstan	**1,400,610**	**20.00%**	1,154,183	20.00%
Mangistau Investments B.V.	Oil and gas exploration and production	Kazakhstan	**229,200**	**50.00%**	191,813	50.00%
KazRosGas LLP	Processing and sale of natural gas and refined gas	Kazakhstan	**76,485**	**50.00%**	79,658	50.00%
Ural Group Limited BVI	Oil and gas exploration and production	Kazakhstan	**74,054**	**50.00%**	72,898	50.00%
JV KazGerMunay LLP	Oil and gas exploration and production	Kazakhstan	**45,341**	**50.00%**	71,110	50.00%
Kazakhoil-Aktobe LLP	Oil and gas exploration and production	Kazakhstan	**35,929**	**50.00%**	39,504	50.00%
Forum Muider B.V.	Production and sale of coal	Kazakhstan	**30,702**	**50.00%**	26,525	50.00%
Valsera Holdings B.V.	Oil and gas exploration and production	Kazakhstan	**30,185**	**50.00%**	27,045	50.00%
Ekibastuzskaya GRES-2 JSC ("EGRES-2")	Electricity production	Kazakhstan	**21,088**	**50.00%**	31,811	50.00%
Other		Kazakhstan	**121,010**		140,557	
Total joint ventures			**2,064,604**		1,835,104	
Associates						
Kazzinc LLP	Mining and processing of metal ores, production of refined metals	Kazakhstan	**440,681**	**29.82%**	434,889	29.82%
Caspian Pipeline Consortium	Transportation of crude oil	Kazakhstan/ Russia	**176,448**	**20.75%**	137,035	20.75%
PetroKazakhstan Inc. ("PKI")	Oil and gas exploration and production	Kazakhstan	**142,129**	**33.00%**	144,252	33.00%
Khan Tengri Holding B.V.	Telecommunications	Kazakhstan	**64,417**	**51.00%**	67,161	51.00%
JV INKAI LLP	Production, processing and export of uranium	Kazakhstan	**39,783**	**40.00%**	37,686	40.00%
JV KATCO LLP	Exploration, production and processing of uranium	Kazakhstan	**34,247**	**49.00%**	39,843	49.00%
Other			**59,199**		71,708	
Total associates			**956,904**		932,574	
			3,021,508		2,767,678	

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

9. INVESTMENTS IN JOINT VENTURES AND ASSOCIATES (continued)

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

In millions of tenge	2017
Balance as at January 1, 2017 (audited)	2,767,678
Share in profit of joint ventures and associates, net *(Note 26)*	370,820
Dividends received	(150,177)
Change in dividends receivable	(12,442)
Acquisitions	215
Disposals	(30,314)
Foreign currency translation	53,825
Other comprehensive income, other than foreign currency translation	1,656
Discount on loans given	3,956
Contributions to share capital without changing the share ownership	9,436
Reversal of impairment loss, net *(Note 23)*	6,855
Balance as at September 30, 2017 (unaudited)	3,021,508

10. AMOUNTS DUE FROM CREDIT INSTITUTIONS

Amounts due from credit institutions comprised the following:

In millions of tenge	September 30, 2017 (unaudited)	December 31, 2016 (audited)
Bank deposits	2,686,293	2,025,127
Loans to credit institutions	197,311	344,072
Less: impairment allowance	(2,399)	(15,298)
Amounts due from credit institutions, net	2,881,205	2,353,901
Less: current portion	(2,377,428)	(1,669,459)
Non-current portion	503,777	684,442

In millions of tenge	September 30, 2017 (unaudited)	December 31, 2016 (audited)
10 largest local banks	1,122,383	1,248,025
International credit institutions	1,613,840	760,954
Other local credit institutions	144,982	344,922
	2,881,205	2,353,901

In millions of tenge	September 30, 2017 (unaudited)	December 31, 2016 (audited)
Ratings from AAA (Aaa) to AA-(Aa3)	84,901	180,158
Rating from A+(A1) to A-(A3)	1,526,480	578,498
Rating from BBB+(Baa1) to BBB(Baa2)	–	2,299
Rating from BBB-(Baa3) to BB-(Ba3)	352,555	414,291
Rating from B+(B1) to B-(B3)	839,434	627,898
Rating from CCC+(Caa1) to CC(Ca)	7,344	382,502
Rating from C(C) to D(D)	39,876	–
No rating	30,615	168,255
	2,881,205	2,353,901

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

10. AMOUNTS DUE FROM CREDIT INSTITUTIONS (continued)

As at September 30, 2017 amounts in credit institutions with rating "C(C) to D(D)" are represented by deposits in RBK Bank JSC. On August 23, 2017 the Standard & Poor's short-term and long-term RBK Bank JSC credit rating was downgraded from "B/B-" to "C/CCC+", then to "D/D" on November 13.

As at September 30, 2017 amounts in credit institutions with no rating are represented by loans issued to Zhilstroysberbank Kazakhstan JSC (as at December 31, 2016: BTA Bank JSC and Zhilstroysberbank Kazakhstan JSC).

Loans to BTA Bank JSC

On July 3, 2017, BTA Bank JSC made a full early repayment of the loan in the amount of 239,771 million tenge, and the unamortized portion of the discount of 101,454 million tenge was recognized through interest income as a revenue.

In millions of tenge	**September 30, 2017 (unaudited)**	December 31, 2016 (audited)
Amounts due from credit institutions, denominated in US dollars	**2,076,967**	1,477,951
Amounts due from credit institutions, denominated in tenge	**801,410**	873,430
Amounts due from credit institutions, denominated in other currencies	**2,828**	2,520
	2,881,205	2,353,901

As at September 30, 2017 the weighted average interest rate on amounts due from credit institutions was 3.11% (as at December 31, 2016: 4.58%).

11. OTHER NON-CURRENT ASSETS

Other non-current assets comprised the following:

In millions of tenge	**September 30, 2017 (unaudited)**	December 31, 2016 (audited)
Advances paid for non-current assets	**299,729**	277,302
Long-term VAT receivable	**150,230**	148,338
Restricted cash	**109,268**	57,760
Long-term receivables	**62,736**	27,882
Long-term inventories	**22,027**	16,202
Prepaid expenses	**6,509**	10,601
Other	**34,878**	29,823
Less: impairment provision	**(58,008)**	(56,584)
	627,369	511,324

The Fund extended the payment period for receivables from Mr. Rakishev that he owes for BTA Bank JSC shares in the amount of 30,000 million tenge until December 31, 2018. Those receivables were reclassified from current to non-current receivables.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

12. INVENTORIES

Inventories comprised the following:

In millions of tenge	**September 30, 2017 (unaudited)**	December 31, 2016 (audited)
Uranium products	**127,239**	83,623
Production materials and supplies	**37,362**	38,657
Goods for resale	**29,617**	21,220
Gas processed products	**29,409**	20,580
Oil and gas industry materials and supplies	**28,742**	27,464
Work in progress	**28,636**	36,310
Crude oil	**23,534**	9,723
Fuel	**15,824**	17,775
Railway industry materials and supplies	**14,706**	11,103
Oil refined products for sale	**11,011**	12,881
Aircraft spare parts	**7,898**	7,206
Telecommunication equipment spare parts	**3,642**	3,075
Electric transmission equipment spare parts	**2,288**	1,882
Uranium industry materials and supplies	**1,465**	2,170
Other materials and supplies	**40,213**	40,813
Less: provision for obsolete and slow moving inventories	**(20,713)**	(14,784)
	380,873	319,698

13. CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprised the following:

In millions of tenge	**September 30, 2017 (unaudited)**	December 31, 2016 (audited)
Bank deposits – US dollars	**555,140**	532,598
Bank deposits – tenge	**510,039**	364,073
Bank deposits – other currency	**545**	334
Current accounts with banks – US dollars	**497,877**	335,631
Current accounts with banks – tenge	**399,286**	283,505
Current accounts with banks – other currency	**26,167**	11,184
Reverse repurchase agreements with other banks with contractual maturity of three months or less	**11,635**	6,964
Cash on hand	**5,401**	4,789
Cash in transit	**5,072**	14,957
	2,011,162	1,554,035

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 September 30, 2017 the weighted average interest rates for short-term bank deposits and current accounts were 3.34% and 1.62%, respectively (December 31, 2016: 3.32% and 1.81%, respectively).

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

14. EQUITY

14.1 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 (audited)	3,481,667,508		4,916,269
Cash contributions		20,000,000	
	2,000	36,400,000	56,400
Property contributions	250	17,862,160	4,466
As at 30 September 2016 (unaudited)	3,481,669,758		4,977,135
As at 31 December 2016 (audited)	3,481,670,758		5,058,658
Cash contributions	**577**	**100,000,000**	**57,700**
Property contributions	**265,983**	**1,000**	**266**
As at 30 September 2017 (unaudited)	**3,481,937,318**		**5,116,624**

As at September 30, 2017 3,481,937,318 shares of the Fund were fully paid.

Cash contributions

During the nine months ended September 30, 2017 the Shareholder made a cash contribution of 57,700 million tenge to the Fund's share capital. These amounts are aimed to finance projects implemented by the subsidiaries of the NC Kazakhstan Temir Zholy JSC and United Chemical Company LLP.

Property contributions

As of March 18, 2017 the State property and privatization committee made property contribution to the Fund's share capital of 266 million tenge. This property has been subject to subsequent transfer to the charter capital of subsidiary NAC Kazatomprom JSC.

14.2 Additional paid-in capital

During the nine months ended September 30, 2017 the Group increased additional paid in capital of 13,179 million tenge, which represents the fair value of gas pipelines contributed by the Government on trust management terms serves as a short-term mechanism until the legal title for the pipelines transfers to the Group.

14.3 Dividends

Dividends attributable to non-controlling interest

During the nine months ended September 30, 2017 the Group subsidiaries declared dividends of 7,309 million tenge, 5,961 million tenge and 2,112 million tenge to the holders of non-controlling interest in KMG EP JSC, Kaztransoil JSC and Kazakhtelecom JSC, respectively.

During the nine months ended September 30, 2017 NC KMG declared dividends of 4,547 million tenge to the National Bank of the Republic of Kazakhstan as the holder of non-controlling interest.

During the nine months ended September 30, 2017 dividends declared to other non-controlling interest amounted to 1,015 million tenge.

14.4 Other distributions to the Shareholder

Social projects financing

During the nine months ended September 30, 2017 in accordance with the order of the Shareholder, the Fund recognized obligations to finance various social projects for the period of 2017 to 2021 for the total amount of 53,729 million tenge. As at September 30, 2017, unpaid liabilities amounted to 19,452 million tenge.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

14. EQUITY (continued)

14.4 Other distributions to the Shareholder (continued)

Construction and transfer of fixed assets

During the nine months ended September 30, 2017, the Group recognized distributions of 5,733 million tenge, which represented the amount of VAT arising as a result of the free of charge transfer of the Ice Palace to the Astana Akimat (transfer of the Ice Palace was recorded as a decrease of current assets of 47,778 million tenge and a decrease of current reserves in the amount of 53,511 million tenge).

Construction of the Palace of Combats in Astana

For the nine months ended September 30, 2017, the Group recognized the obligation to finance the construction project of the Combat Palace in Astana of 19,820 million tenge.

Restoration work of the trade and exhibition center in the city of Moscow

For the nine months ended September 30, 2017, the Group recognized the obligation to finance the restoration work on the reconstruction of the trade and exhibition center in Moscow in the amount of 1,216 million tenge.

Other distributions

During the nine months ended September, 2017 the Group incurred costs of running of PSA LLP, which acts as the Government Body for the Production Sharing Agreements in oil and gas area, of 2,545 million tenge as Other distributions to the Shareholder.

14.5 Change in ownership interests of subsidiaries – disposal of non-controlling interest

In July 2017, the Group completed transaction on sale of 49% interest in the subsidiary organization of KTZE-Khorgos Gateway LLP. As a result of this transaction, the Group received cash in the amount of 24,064 million tenge, non-controlling interest increased by 16,517 million tenge, and a difference of 7,547 million tenge was recognized in equity as attributable to Equity holder of the Parent.

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

NC KMG

In February 2017 the Fund acquired an interest of 0.0881% in NC KMG through property contribution of 12,969 million tenge. As a result of the transaction the non-controlling interest in NC KMG decreased by 4,768 million tenge.

14.7 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.

Certain borrowings of the Group denominated in US dollars were designated as hedge instrument for the net investment in subsidiaries which conduct foreign operations. During the nine months ended September 30, 2017 unrealized foreign currency loss of 174,470 million tenge resulting from translation of these borrowings were offset against currency translation reserve recognized in other comprehensive income.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

14. EQUITY (continued)

14.7 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	**September 30, 2017 (unaudited)**	December 31, 2016 (audited)
Total assets	**24,304,608**	22,460,860
Less: intangible assets	**(897,061)**	(922,465)
Less: total liabilities	**(12,761,263)**	(11,469,186)
Net assets for common shares	**10,646,284**	10,069,209
Number of common shares	**3,481,937,318**	3,481,670,758
Book value per common share, tenge	**3,058**	2,892

14.8 Earnings per share

In tenge	**For the nine months ended September 30, 2017 (unaudited)**	For the nine months ended September 30, 2016 (unaudited)
Weighted average number of common shares for basic and diluted earnings per share	**3,481,885,149**	**3,481,668,596**
Basic and diluted share in net profit for the period per share	**157.22**	**114.21**
Basic and diluted share in net profit/(loss) from continuing operations per share	**12.59**	**18.77**

15. BORROWINGS

Borrowings, including interest payable, comprised the following:

In millions of tenge	**September 30, 2017 (unaudited)**	December 31, 2016 (audited)
Fixed interest rate borrowings	**5,246,123**	3,776,764
Floating interest rate borrowings	**2,047,124**	1,973,964
	7,293,247	5,750,728
Less: amounts due for settlement within 12 months	**(1,372,514)**	(820,570)
Amounts due for settlement after 12 months	**5,920,733**	4,930,158

In millions of tenge	**September 30, 2017 (unaudited)**	December 31, 2016 (audited)
US dollar-denominated borrowings	**5,776,290**	4,587,544
Tenge-denominated borrowings	**1,195,411**	935,849
Other currency-denominated borrowings	**321,546**	227,335
	7,293,247	5,750,728

Under the terms of 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 September 30, 2017 the total amount of borrowings with some covenant conditions not being met and for which agreement letter for non-application of covenants in the reporting period has been received is 90,024 million tenge.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

15. BORROWINGS (continued)

During the nine months ended September 30, 2017 carrying amount of borrowings increased by 202,505 million tenge as a result of changes in exchange rates.

During the nine months ended September 30, 2017 NC KMG and its subsidiary Kazmunaigaz Finance Sub B.V. placed Eurobonds in the amount of 2.75 billions US dollars (equivalent to 854,315 million tenge as at the placement date).

During the nine months ended September 30, 2017 KazTransGas JSC, subsidiary of NC KMG placed Eurobonds in the amount of 748,493 thousand US dollars (equivalent to 254,248 million tenge as at the placement date).

During the nine months ended September 30, 2017 NC KTZh placed bonds on the Moscow Stock Exchange for the amount of 83,100 million tenge.

During the nine months ended September 30, 2017 Samruk-Energy JSC received 40,000 million tenge from Halyk bank JSC and placed bonds on the Kazakhstan Stock Exchange for the amount of 48,000 million tenge.

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

In millions of tenge	**September 30, 2017 (unaudited)**	December 31, 2016 (audited)
NC KMG and its subsidiaries	**4,362,853**	3,072,540
NC KTZh and its subsidiaries	**1,230,504**	1,086,719
The Fund	**898,986**	854,533
Samruk-Energy and its subsidiaries	**415,771**	329,179
KEGOC and its subsidiaries	**182,197**	175,099
NAC KAP and its subsidiaries	**106,431**	127,765
Other subsidiaries of the Fund	**96,505**	104,893
Total borrowings	**7,293,247**	5,750,728

16. LOANS FROM THE GOVERNMENT OF THE REPUBLIC OF KAZAKHSTAN

Loans from the Government of the Republic of Kazakhstan comprised the following:

In millions of tenge	**September 30, 2017 (unaudited)**	December 31, 2016 (audited)
Bonds acquired by the National Bank of the Republic of Kazakhstan using the assets of the National Fund	**728,185**	796,275
Loans from the Government of the Republic of Kazakhstan	**62,205**	60,036
Bonds acquired by the National Bank of the Republic of Kazakhstan	**–**	62,100
	790,390	918,411
Less: amounts due for settlement within 12 months	**(12,876)**	(6,231)
Amounts due for settlement after 12 months	**777,514**	912,180

During the nine months ended September 30, 2017 the Fund made an early redemption of bonds for the carrying amount of 239,771 million tenge. The unamortised portion of discounts corresponding to the bonds was amortised in the amount of 79,499 million tenge through interest expenses within cost of sales.

17. OTHER NON-CURRENT LIABILITIES

Other non-current liabilities comprised the following:

In millions of tenge	**September 30, 2017 (unaudited)**	December 31, 2016 (audited)
Prepayment on oil supply agreements	**1,045,985**	1,068,819
Payables for acquisition of additional interest in indivisible stake of the North-Caspian project	**296,958**	250,523
Government grants liabilities	**-**	47,413
Deferred income	**23,502**	22,587
Obligations to the Shareholder on the financing of social projects *(Note 14.4)*	**8,562**	–
Long-term payables and other liabilities	**60,881**	87,446
	1,435,888	1,476,788

17. OTHER NON-CURRENT LIABILITIES (continued)

Prepayment on oil supply agreements

NC KMG

In 2016 the NC KMG Group entered into a long-term crude oil and liquefied petroleum gas ("LPG") supply agreement, which stipulates receipt of prepayments. 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 March 2020.

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

The NC KMG Group considers this agreement to be a regular way agreement to deliver non-financial items in accordance with the Group's expected sale requirements.

For the nine months ended September 30, 2017 the NC KMG Group had settled prepayments of 500,000 thousand US dollars.

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

KMG Kashagan B.V.

During 2016, 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 January 2017 till December 2021, KMG Kashagan B.V. will supply the minimum volume of oil of 7 million tons from the Kashagan field. As part of the agreement, KMG Kashagan B.V. received prepayment of 990 million US dollars (equivalent to 331,829 million tenge at the exchange rate as of the date of receipt) less transaction costs, which will be discharged by supply of crude oil produced at Kashagan field from January 2019.

The Agreement stipulates price determination on the basis of current market quotation and prepayment is discharged by physical supply of crude oil. According to the terms of the agreement, supply of oil commenced from January 2017. The Group considers the agreement as a contract, which was signed for the purpose of delivery of non-financial items in compliance with the the Group expectations and sale requirements.

Based on agreements related to increase of the sum of the advance transaction agreement signed on 4 August 2017, on 10 August 2017 a sum of additional Advance was received in the amount of 600 million USD (after commissions, the actual amount was 593 million USD).

Interest at rate of LIBOR plus 2.05% is annually accrued on outstanding balance of this prepayment.

Payables for acquisition of additional interest in undividable stake of the North-Caspian project

On October 31, 2008 all participants of the North-Caspian project (the "NCP" or the "Project) signed an agreement according to which all project participants except for KMG Kashagan agreed to partially sell their interest in the project on proportional basis in order to increase the interest of KMG Kashagan in NCP from 8.33% to 16.81% retrospectively from January 1, 2008. The acquisition cost consisted of fixed amount of 1.78 billion US dollars plus annual interest at LIBOR + 3%, which is annually capitalised within the principal amount. Additional 8.48% interest acquired was used as collateral for this liability.

The obligation is payable in three equal annual installments after commercial oil production at Kashagan field starts. On 10 August 2017, a repayment of the second tranche was made in the amount of 804 million USD. Last tranche in the amount of 860 million USD is due to be repaid by KazMunayGas Kashagan before 1 November 2018.

Government grant liabilities

During the nine-month period ended 30 September 2017, based on changes in terms related to a Government-issued loan and the fact that the loan discount was recognized as a government grant liability in 2016, the Fund recognized government grant revenues in the amount of 17,237 million tenge and re-classified non-current government grant liabilities as current liabilities.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

18. OTHER CURRENT LIABILITIES

Other current liabilities comprised the following:

In millions of tenge	**September 30, 2017 (unaudited)**	December 31, 2016 (audited)
Prepayment on oil supply agreements *(Note 17)*	**341,190**	249,968
Payables for acquisition of additional interest in indivisible stake of the North-Caspian project *(Note 17)*	**-**	271,597
Advances received and deferred income	**222,487**	123,938
Other taxes payable	**89,295**	61,614
Due to employees	**83,241**	93,139
Amounts due to customers	**27,473**	24,027
Government grants liabilities *(Note 17)*	**26,618**	–
Obligations to the Shareholder on the financing of social projects *(Note 14.4)*	**10,890**	–
Dividends payable	**4,107**	3,965
Other estimated liabilities	**2,337**	2,252
Other	**61,758**	62,477
	869,396	892,977

19. REVENUE

Revenue comprised the following:

	For the three months ended September 30		**For the nine months ended September 30**	
In millions of tenge	**2017 (unaudited)**	2016 (unaudited)	**2017 (unaudited)**	2016 (unaudited)
Sales of crude oil	**315,565**	218,726	**924,694**	398,250
Railway cargo transportation	**199,541**	178,120	**549,726**	499,118
Oil and gas transportation	**87,380**	73,493	**244,595**	231,069
Sales of gas products	**63,960**	38,869	**218,342**	155,478
Sales of oil refined products	**72,064**	86,119	**211,171**	207,498
Air transportation	**81,914**	64,815	**191,574**	158,493
Sales of uranium products	**36,198**	78,623	**189,525**	221,509
Electricity complex	**59,922**	51,304	**188,042**	162,813
Telecommunication services	**50,050**	51,970	**149,272**	146,451
Interest revenue	**10,552**	7,701	**142,618**	34,476
Sales of refined gold	**45,840**	43,736	**139,936**	111,682
Oil processing fees	**28,681**	22,972	**96,567**	67,608
Electricity transmission services	**30,662**	28,271	**91,589**	84,666
Railway passenger transportation	**25,603**	24,728	**63,814**	61,375
Postal services	**9,701**	8,771	**28,192**	25,676
Other revenue	**107,263**	85,318	**256,439**	210,277
Less: quality bank for crude oil	**(3,623)**	(5,762)	**(16,644)**	(15,180)
Less: indirect taxes and commercial discounts	**(99)**	(271)	**(198)**	(813)
	1,221,174	1,057,503	**3,669,254**	2,760,446

The Group revenue does not include crude oil sale of KMGI, classified as discontinued operations *(Note 6)*.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

20. COST OF SALES

Cost of sales comprised the following:

In millions of tenge	For the three months ended September 30		For the nine months ended September 30	
	2017 (unaudited)	2016 (unaudited)	**2017 (unaudited)**	2016 (unaudited)
Materials and supplies	**507,996**	330,064	**1,309,476**	758,391
Personnel costs, including social tax and contributions	**189,025**	176,282	**549,810**	512,395
Depreciation, depletion and amortization	**128,019**	98,348	**362,234**	289,035
Fuel and energy	**68,973**	48,920	**195,374**	153,881
Interest expense	**30,562**	32,459	**160,027**	88,349
Production services received	**49,877**	40,639	**126,972**	112,409
Repair and maintenance	**41,690**	33,539	**103,897**	87,182
Mineral extraction tax	**26,944**	9,206	**75,988**	47,356
Transportation expenses	**13,748**	8,160	**57,287**	35,292
Rent	**16,850**	18,358	**46,562**	46,155
Taxes other than social tax and withdrawals	**15,745**	12,998	**44,103**	36,050
Other	**75,835**	49,789	**178,254**	130,620
	1,165,264	858,762	**3,209,984**	2,297,115

21. GENERAL AND ADMINISTRATIVE EXPENSES

General and administrative expenses comprised the following:

In millions of tenge	For the three months ended September 30		For the nine months ended September 30	
	2017 (unaudited)	2016 (unaudited)	**2017 (unaudited)**	2016 (unaudited)
Personnel costs, including social tax and contributions	**39,353**	36,264	**116,453**	106,643
Taxes other than social taxes and withdrawals	**13,186**	6,662	**29,311**	22,989
Depreciation and amortization	**6,210**	3,968	**17,288**	11,616
Sponsorship and charitable donations	**347**	437	**15,685**	16,029
Consulting services	**5,152**	6,802	**14,654**	20,214
Allowance for doubtful debts	**3,116**	1,434	**6,592**	4,691
Rent	**2,293**	2,287	**6,488**	7,225
Business trips	**1,901**	1,699	**5,091**	4,532
Repair and maintenance	**2,345**	1,853	**4,079**	4,114
Fines and penalties	**(2,970)**	(1,523)	**(4,434)**	1,875
Other	**19,447**	17,399	**50,554**	42,400
	90,380	77,282	**261,761**	242,328

22. TRANSPORTATION AND SELLING EXPENSES

In millions of tenge	For the three months ended September 30		For the nine months ended September 30	
	2017 (unaudited)	2016 (unaudited)	**2017 (unaudited)**	2016 (unaudited)
Custom duties	**24,146**	23,129	**75,912**	**62,773**
Transportation	**23,149**	18,299	**68,900**	**53,960**
Rent tax	**22,069**	4,064	**53,726**	**13,882**
Commission fees to agents and advertising	**2,998**	1,466	**6,766**	**4,489**
Personnel costs, including social tax and contributions	**2,151**	2,711	**7,009**	**7,497**
Depreciation and amortization	**450**	1,656	**2,811**	**4,951**
Other	**2,320**	2,987	**10,013**	**10,755**
	77,283	54,312	**225,137**	**158,296**

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

23. IMPAIRMENT LOSS

Impairment loss comprised the following for the period ended September 30:

In millions of tenge	For the three months ended September 30 2017 (unaudited)	2016 (unaudited)	For the nine months ended September 30 2017 (unaudited)	2016 (unaudited)
Impairment of cash and bank deposits placed in Deltabank JSC *(Note 4)*	**15,411**	–	**34,413**	–
Impairment of loans given	**278**	(243)	**13,443**	149
Impairment of financial assets	**–**	–	**12,828**	–
Impairment of property, plant and equipment, intangible assets and exploration and evaluation assets	**4,559**	5,299	**8,158**	15,904
Impairment / (reversal of impairment) of inventories	**(3,946)**	6,781	**7,188**	11,807
Impairment of cash and bank deposits placed in Kazinvestbank JSC	**451**	–	**3,385**	–
Impairment of amounts in credit institutions	**1,568**	–	**1,568**	–
Reversal of impairment of shares in Shekerbank TAS	**(5,932)**	(732)	**(6,179)**	(1,293)
(Reversal of impairment) / impairment of investments in joint ventures and associates *(Note 9)*	**7,800**	(552)	**(6,854)**	9
(Reversal of impairment) / impairment of VAT receivable	**696**	(19,969)	**(24,998)**	(12,762)
Other	**773**	3,515	**3,431**	9,271
	21,658	(5,901)	**46,383**	23,085

On June 15, 2017 the Fund concluded the share purchase agreement with Halyk Bank of Kazakhstan JSC on sale of 85,517,241 ordinary shares of of Kazkommertsbank JSC (further – "KKB") for the amount of 1 tenge, which comprised 10.72% of KKB's outstanding shares. On July 5,2017 the deal was completed.

The total effect of the realized impairment loss on assets classified as held for sale was 6,659 million tenge which was reclassified from the revaluation reserve for available-for-sale investments to the loss in the interim consolidated statement of comprehensive income.

Also, as a result of the reclassification of KKB's shares into assets held for sale and taking into account the requirements of IFRS for the accounting of the asset at the lowest cost, the Fund recognized an impairment loss on assets classified as held for sale in the amount of 6,169 million tenge.

24. FINANCE COSTS

In millions of tenge	For the three months ended September 30 2017 (unaudited)	2016 (unaudited)	For the nine months ended September 30 2017 (unaudited)	2016 (unaudited)
Interest on loans and debt securities issued	**96,266**	71,557	**257,692**	217,372
Interest on oil supply agreement	**6,980**	7,059	**19,963**	11,063
Interest on payable for the acquisition of additional interest in North Caspian Project	**4,289**	9,008	**16,049**	27,033
Unwinding of discount on provisions and other payables	**6,146**	3,187	**14,711**	10,992
Interest on finance lease liabilities	**1,105**	1,743	**3,299**	5,227
Other	**6,017**	4,912	**30,288**	20,523
	120,803	97,466	**342,002**	292,210

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

25. FINANCE INCOME

	For the three months ended September 30		For the nine months ended September 30	
In millions of tenge	**2017 (unaudited)**	2016 (unaudited)	**2017 (unaudited)**	2016 (unaudited)
Interest income on amounts due from credit institutions and cash and cash equivalents	**31,476**	31,719	**88,598**	96,533
Write-off of obligations	**–**	63,964	**–**	63,964
Income from loans and financial assets	**11,486**	3,385	**31,853**	14,549
Unwinding of discount on long-term receivables	**855**	3,219	**10,141**	9,690
Guarantee income	**705**	336	**4,321**	3,116
Other	**3,881**	12,745	**9,508**	28,021
	48,403	115,368	**144,421**	215,873

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

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

	For the three months ended September 30		For the nine months ended September 30	
In millions of tenge	**2017 (unaudited)**	2016 (unaudited)	**2017 (unaudited)**	2016 (unaudited)
Tengizchevroil LLP	**67,232**	(11,183)	**207,286**	82,676
Kazzinc LLP	**13,989**	13,230	**43,789**	28,123
Mangistau Investments B.V.	**15,886**	16,556	**37,490**	33,812
Caspian Pipeline Consortium	**10,069**	2,708	**34,165**	4,422
JV Kazgermunai LLP	**2,583**	1,676	**14,486**	4,686
KazRosGas LLP	**13,088**	9,273	**14,181**	14,630
Forum Muider B.V.	**5,251**	880	**10,330**	3,276
Karatau LLP	**2,734**	4,137	**7,362**	9,788
JV Akbastau JSC	**1,509**	2,707	**6,606**	9,509
JV KATCO LLP	**469**	6,479	**5,238**	13,119
Petro Kazakhstan Inc. ("PKI")	**1,525**	(1,814)	**4,871**	(8,723)
Khan Tengri Holding B.V.	**326**	(3,783)	**(2,744)**	(8,998)
Kazakhoil-Aktobe LLP	**(868)**	(150)	**(3,575)**	(2,418)
Ekibastuzskaya GRES-2 JSC ("EGRES-2")	**(4,058)**	(217)	**(10,723)**	1,467
Beineu-Shymkent Pipeline LLP	**(22)**	(154)	**(17,545)**	(8,164)
Other	**2,025**	16,305	**19,603**	42,713
	131,738	56,650	**370,820**	219,918

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

27. CONSOLIDATION

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

		Ownership percentage	
		September 30, 2017 (unaudited)	December 31, 2016 (audited)
1	National Company "KazMunayGas" JSC ("NC KMG") and subsidiaries	**90.09%**	90% – 1
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 and subsidiaries	**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 Business Service LLP	**100.00%**	100.00%
21	Qazaq Air JSC	**100.00%**	100.00%
22	"Aviation Company "Air Kazakhstan" JSC	**53.55%**	53.55%

28. 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.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

28. RELATED PARTY DISCLOSURES (continued)

The following table provides the total amount of transactions, which have been entered into with related parties during the nine months ended September 30, 2017 and 2016 and the related balances as at September 30, 2017, and December 31, 2016, respectively:

In millions of tenge		Associates	Joint ventures where the Group is a venturer	Other state-controlled entities
Due from related parties	**September 30, 2017**	**52,474**	**49,826**	**17,695**
	December 31, 2016	40,896	116,231	11,340
Due to related parties	**September 30, 2017**	**28,413**	**130,602**	**1,272**
	December 31, 2016	38,829	155,585	9,265
Sale of goods and services	**September 30, 2017**	**43,460**	**231,095**	**65,356**
	September 30, 2016	49,164	210,915	162,826
Purchase of goods and services	**September 30, 2017**	**107,258**	**714,962**	**23,862**
	September 30, 2016	133,310	159,076	8,811
Other income/(loss)	**September 30, 2017**	**3,900**	**12,843**	**(4,850)**
	September 30, 2016	(31)	1,242	3,273
Cash and cash equivalents, and amounts due from credit institutions (assets)	**September 30, 2017**	**-**	**-**	**351,012**
	December 31, 2016	-	34	241,929
Loans given	**September 30, 2017**	**164,120**	**386,839**	**189,538**
	December 31, 2016	182,394	246,388	187,227
Loans received	**September 30, 2017**	**-**	**490**	**1,510,475**
	December 31, 2016	-	755	1,706,153
Other assets	**September 30, 2017**	**18,204**	**70,325**	**3,285**
	December 31, 2016	14,187	82,520	8,890
Other liabilities	**September 30, 2017**	**7,788**	**18,137**	**85,012**
	December 31, 2016	7,032	15,470	51,939
Interest received	**September 30, 2017**	**9,288**	**18,105**	**14,957**
	September 30, 2016	42,960	22,522	17,348
Interest accrued	**September 30, 2017**	**81**	**600**	**162,138**
	September 30, 2016	38,337	2,834	89,118

As at September 30, 2017 some of the Group's borrowings in the amount of 71,256 million tenge were guaranteed by the Government of the Republic of Kazakhstan (as at December 31, 2016: 76,155 million tenge).

Total compensation to key management personnel included in personnel costs in the accompanying interim consolidated statement of comprehensive income was equal to 4,160 million tenge for the nine months ended September 30, 2017 (for the nine months ended September 30, 2016: 3,688 million tenge). Compensation to key management personnel consists primarily of contractual salary and performance bonus based on operating results.

Due from related parties

As at September 30, 2017 increase in due from joint ventures mainly due to providing additional loan to the Beineu-Shymkent Pipelines LLP in the amount of 135,557 million tenge.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

29. FAIR VALUE OF FINANCIAL INSTRUMENTS

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

- Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities.
- Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly.
- Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

The carrying (current) amount of the financial instruments of the Group as at September 30, 2017 and December 31, 2016 is a reasonable estimate of their fair value for the following financial instruments:

In millions of tenge	**Level 1**	**Level 2**	**Level 3**	**September 30, 2017 (unadited)**
Financial instruments category				
Assets				
Available-for-sale financial assets	**3,572**	**12,111**	**234**	**15,917**
Financial assets at fair value through profit and loss	**–**	**–**	**21,373**	**21,373**
Derivative financial assets	**–**	**–**	**352**	**352**

In millions of tenge	Level 1	Level 2	Level 3	December 31, 2016 (audited)
Financial instruments category				
Assets				
Available-for-sale financial assets	27,708	8,818	235	36,761
Financial assets at fair value through profit and loss	–	–	17,371	17,371
Derivative financial liabilities	–	–	352	352

As at September 30, 2017 and December 31, 2016 the carrying amount of the Group's financial instruments approximates their fair value except for the following financial instruments:

	September 30, 2017				
			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	**2,881,205**	**2,865,702**	**2,204,170**	**541,723**	**119,809**
Financial liabilities					
Borrowings	**7,293,247**	**7,311,430**	**4,675,228**	**2,174,124**	**462,078**
Loans from the Government of the Republic of Kazakhstan	**790,390**	**622,536**	**–**	**622,536**	**–**
Guarantee obligations	**48,194**	**38,306**	**–**	**38,306**	**–**

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

29. FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

	December 31, 2016				
			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	2,353,901	2,349,159	1,504,777	710,127	134,255
Financial liabilities					
Borrowings	5,750,728	5,837,893	3,411,579	2,074,569	351,745
Loans from the Government of the Republic of Kazakhstan	918,411	729,061	–	729,061	–
Guarantee obligations	37,624	47,498	–	47,498	–

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

30. 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, 2016, the following changes have taken place during the nine months ended September 30, 2017:

Legal proceedings (NC KMG)

KMG D&S (subsidiary of the Group) is involved in arbitration proceedings with Consortium of companies Ersai Caspian Contractor LLP and Caspian Offshore and Marine Construction LLP (hereinafter – "Consortium") according to purchase contract on construction of jack-up floating drilling rig, which is handled by the London Court of International Arbitration.

As at September 30, 2017 Consortium increased the amount of claim for 50,613 thousand US dollars (equivalent to 15,954 million tenge).

There is uncertainty about the result of judicial proceedings. As of September 30, 2017 the Group had not recognized the provision for given claim.

Cost recovery audits

As at September 30, 2017 the Group's share of the total disputed amounts of the non-recoverable costs was 476,880 million tenge (as of December 31, 2016: 395,269 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 nine months ended September 30, 2017, in accordance with its obligations, the Group, including joint ventures, delivered 2,203,641 tons of crude oil to the Kazakhstan market (nine months ended September 30, 2016: 3,898,737 tons).

Oil supply commitments

As at September 30, 2017 the Group had commitments (including joint ventures) under the oil supply agreements in the total amount of 29.4 million tons (as at December 31, 2016: 28.1 million tons).

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

30. COMMITMENTS AND CONTINGENCIES (continued)

Capital commitments

NC KTZh

As at September 30, 2017, the group of NC KTZh had capital commitments for the construction of "Zhezkazgan – Beineu" and "Arkalyk – Shubarkol" railway lines, purchase of long rails, development of the railway junction of Astana station, including construction of a station complex, as well as liabilities on project Construction of ferry facilities in sea port Kuryk, development of freight-and-passenger ferries, and acquisition of freight and passenger electric locomotives, freight and passenger diesel locomotives totaling 939,160 million tenge (December 31, 2016: 1,136,590 million tenge).

NC KMG

As at September 30, 2017, the group of NC KMG, including joint ventures, had other capital commitments of 787,010 million tenge (as at December 31, 2016: 1,106,632 million tenge), related to acquisition and construction of property, plant and equipment.

As at September 30, 2017, the group of NC KMG had commitments in the total amount of 124,681 million tenge under the investment programs approved by the joint order of Ministry of Energy of RK and Committee on Regulation of Natural Monopolies and Protection of Competition of the Ministry of National Economy of RK and aimed at capital construction/reconstruction/overhaul/diagnostic of production facilities.

Samruk Energy

As at September 30, 2017 capital commitments of the group of Samruk Energy under the contracts on acquisition of plant, property and equipment were equal to 120,980 million tenge (as at December 31, 2016: 125,661 million tenge).

Real Estate Fund

As at September 30, 2017 the group of Real Estate Fund had contractual obligations in the amount of 43,724 million tenge under contracts with construction companies (December 31, 2016: 73,739 million tenge).

United Chemical Company LLP

As at September 30, 2017 the group of UCC had contractual obligations on purchase of property, plant and equipment and construction services under investment projects in the amount of 152,509 million tenge (as at December 31, 2016: 124,243 million tenge).

Kazakhstan Electricity Grid Operating Company JSC (KEGOC)

To ensure the stable and reliable performance of the national electricity grid, the KEGOC developed a capital investment plan. As at September 30, 2017, the KEGOC's outstanding contractual commitments within the frameworks of this plan amount to 27,864 million tenge (December 31, 2016: 60,618 million tenge).

KTC

The group of KTC generally enters into contracts for the completion of construction projects and purchase of telecommunication equipment. As at September 30, 2017, the group of KTC had contractual obligations in the total amount of 6,695 million tenge (December 31, 2016: 11,108 million tenge) mainly related to purchase of telecommunication equipment and construction of telecommunication network.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

31. SEGMENT REPORTING

The following table represents information about profit and loss, assets and liabilities of operating segments of the Group as at September 30, 2017 and for the nine months then ended:

In millions of tenge	Oil and gas	Mining	Trans-portation	Com-munications	Energy	Industrial	Corporate center	Other	Elimination	Total
For the nine months ended September 30, 2017										
Revenues from sales to external customers	1,789,304	401,849	859,937	178,286	259,173	37,022	133,546	10,137	–	3,669,254
Revenues from sales to other segments	53,524	13,193	7,768	3,390	43,115	5,843	164,428	2,476	(293,737)	–
Total revenue	1,842,828	415,042	867,705	181,676	302,288	42,865	297,974	12,613	(293,737)	3,669,254
Gross profit	116,925	53,641	164,310	63,588	112,305	3,570	132,292	8,894	(153,537)	501,988
General and administrative expenses	(89,944)	(21,351)	(78,078)	(18,039)	(21,984)	(7,139)	(27,495)	(2,038)	4,307	(261,761)
Transportation and selling expenses	(213,235)	(3,770)	(6,601)	(1,834)	(10,681)	(875)	–	–	11,859	(225,137)
Finance income	91,157	7,543	6,206	5,178	4,851	1,778	49,883	3,101	(25,276)	144,421
Finance costs	(228,276)	(6,922)	(79,320)	(4,411)	(22,845)	(6,825)	(21,973)	(1,181)	29,751	(342,002)
Share in profits of joint ventures and associates	297,602	77,831	132	(2,744)	(1,726)	(279)	–	4	–	370,820
Foreign exchange gain/(loss), net	82,407	(970)	(26,070)	1,382	(8,781)	826	32,101	(12)	18	80,901
Income tax expenses	(145,184)	(16,214)	(2,406)	(10,045)	(12,930)	69	(7,874)	(1,407)	–	(195,991)
Net profit/(loss) for the period from continuing operations	(66,712)	82,349	(25,905)	35,507	41,677	(9,752)	113,977	4,241	(131,544)	43,838
Net profit for the period from discontinued operations	503,574	–	–	–	–	–	–	–	–	503,574
Total net profit/(loss) for the period	436,862	82,349	(25,905)	35,507	41,677	(9,752)	113,977	4,241	(131,544)	547,412
Other segment information										
Total assets of the segment	15,707,241	1,437,707	3,330,089	581,832	1,593,519	358,312	9,320,120	261,128	(8,285,340)	24,304,608
Total liabilities of the segment	(7,711,548)	(310,913)	(2,112,259)	(167,690)	(848,739)	(134,650)	(2,048,110)	(174,393)	747,039	(12,761,263)
Investments in joint ventures and associates	2,240,497	606,476	25,299	64,417	110,673	6,429	–	57	(32,340)	3,021,508

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

The following table represents information about profit and loss of operating segments of the Group for the nine months ended September 30, 2016 and assets and liabilities as at December 31, 2016:

In millions of tenge	Oil and gas	Mining	Trans-portation	Com-munications	Energy	Industrial	Corporate center	Other	Elimination	Total
For the nine months ended September 30, 2016										
Revenues from sales to external customers	1,140,757	403,829	744,797	176,899	221,510	29,625	33,941	9,088	–	2,760,446
Revenues from sales to other segments	43,287	13,896	10,972	2,904	31,480	5,620	87,783	1,993	(197,935)	–
Total revenue	7,184,044	417,725	755,769	179,803	252,990	35,245	121,724	11,081	197,935	2,760,446
Gross profit	147,803	99,139	146,001	61,713	79,921	4,277	27,783	3,363	(85,644)	484,356
General and administrative expenses	(86,135)	(23,101)	(64,168)	(18,809)	(19,478)	(5,878)	(27,563)	(1,983)	4,787	(242,328)
Transportation and selling expenses	(145,991)	(5,229)	(5,261)	(1,795)	(2,420)	(677)	–	–	3,077	(158,296)
Finance income	143,837	7,348	7,295	5,102	7,426	3,499	80,852	5,736	(45,222)	215,873
Finance costs	(197,457)	(8,164)	(68,905)	(5,479)	(19,045)	(4,407)	(6,506)	(1,413)	19,166	(292,210)
Share in profits of joint ventures and associates	134,348	88,176	3,259	(9,000)	4,266	(1,140)	–	9	–	219,918
Foreign exchange gain/(loss), net	16,028	3,063	5,739	(302)	2,247	310	4,393	(18)	(47,857)	(16,397)
Income tax expenses	(114,100)	(15,939)	(13,657)	(10,304)	(12,763)	(466)	(9,357)	(1,405)	–	(177,991)
Net profit/(loss) for the period from continuing operations	(106,251)	123,395	23,528	65,876	42,369	(4,660)	72,344	3,304	(154,560)	65,345
Net profit for the period from discontinued operations	332,291	–	–	–	–	–	–	–	–	332,291
Total net profit/(loss) for the period	226,040	123,395	23,528	65,876	42,369	(4,660)	72,344	3,304	(154,560)	397,636
Other segment information										
Total assets of the segment	14,131,230	1,395,264	3,254,303	545,512	1,482,227	309,795	7,539,497	244,898	(6,441,866)	22,460,860
Total liabilities of the segment	6,534,000	279,047	2,061,124	170,711	756,234	121,716	2,081,221	165,946	(700,813)	11,469,186
Investments in joint ventures and associates	1,947,125	608,918	23,078	67,161	118,552	39,296	–	53	(36,505)	2,767,678

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

31. SEGMENT REPORTING (continued)

The following table represents information about profit and loss of operating segments of the Group for the three months ended September 30, 2017 and September 30, 2016:

In millions of tenge	Oil and gas	Mining	Trans-portation	Commu-nications	Energy	Industrial	Corporate center	Other	Elimination	Total
For the three months ended September 30, 2017										
Revenues from sales to external customers	605,739	105,887	334,675	60,195	83,978	19,928	7,306	3,466	–	1,221,174
Revenues from sales to other segments	15,277	4,540	2,280	1,163	13,766	2,255	33,010	1,041	(73,332)	-
Total revenue	621,016	110,427	336,955	61,358	97,744	22,183	40,316	4,507	(73,332)	1,221,174
Gross profit	(54,902)	12,629	79,773	25,414	33,521	2,961	7,857	3,474	(21,157)	89,570
General and administrative expenses	(31,096)	(7,121)	(32,420)	(6,077)	(7,419)	(2,219)	(5,122)	(699)	1,793	(90,380)
Transportation and selling expenses	(73,113)	(974)	(2,764)	(664)	(3,304)	(383)	–	–	3,919	(77,283)
Finance income	33,339	3,344	2,229	1,833	1,685	505	12,532	802	(7,866)	48,403
Finance costs	(83,504)	(2,154)	(25,516)	(1,494)	(8,493)	(2,180)	(7,092)	(376)	10,006	(120,803)
Share in profits of joint ventures and associates	108,620	22,724	(456)	326	708	(188)	–	4	–	131,738
Foreign exchange gain/(loss), net	63,649	341	(51,874)	2,866	(13,724)	2,696	83,974	11	41	87,980
Income tax expenses	(52,923)	(2,083)	6,950	(4,868)	(2,400)	(223)	(2,780)	(551)	–	(58,878)
Net (loss)/profit for the period from continuing operations	(85,373)	18,851	(13,553)	18,179	7,001	605	58,334	1,446	(7,502)	(2,012)
Net profit for the period from discontinued operations	254,512	–	–	–	–	–	–	–	–	254,512
Total net profit/(loss) for the period	169,139	18,851	(13,553)	18,179	7,001	605	58,334	1,446	(7,502)	252,500
For the three months ended September 30, 2016										
Revenues from sales to external customers	467,416	146,243	277,444	65,638	71,026	17,123	10,076	2,537	–	1,057,503
Revenues from sales to other segments	13,226	4,472	3,606	1,059	10,621	2,188	59,567	863	(95,602)	–
Total revenue	480,642	150,715	281,050	66,697	81,647	19,311	69,643	3,400	(95,602)	1,057,503
Gross profit	81,966	26,537	70,074	18,879	24,073	1,904	35,295	(648)	(56,738)	201,342
General and administrative expenses	(28,489)	(7,979)	(21,711)	(5,233)	(6,660)	(1,894)	(4,333)	(649)	(334)	(77,282)
Transportation and selling expenses	(51,147)	(911)	(1,905)	(415)	(639)	(237)	–	–	942	(54,312)
Finance income	92,835	3,191	2,410	1,638	2,436	1,187	26,315	1,959	(16,603)	115,368
Finance costs	(66,207)	(2,924)	(23,187)	(1,698)	(5,813)	(1,804)	(1,240)	(465)	5,872	(97,466)
Share in profits of joint ventures and associates	22,183	36,538	1,268	(3,785)	681	(235)	–	–	–	56,650
Foreign exchange gain/(loss), net	42,569	1,128	14,725	(460)	5,448	51	7,563	(10)	(82,791)	(11,777)
Income tax expenses	(46,463)	(2,317)	(11,451)	(2,163)	(3,679)	(78)	(3,318)	(536)	–	(70,005)
Net (loss)/profit for the period from continuing operations	61,219	46,571	33,569	7,595	16,375	(1,326)	62,454	(346)	(152,430)	73,681
Net profit for the period from discontinued operations	95,576	–	–	–	–	–	–	–	–	95,576
Total net profit/(loss) for the period	156,795	46,571	33,569	7,595	16,375	(1,326)	62,454	(346)	(152,430)	169,257

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

32. SUBSEQUENT EVENTS

Borrowings

In the period between October 1, and November 20, 2017, NC KMG made repayment of interest on Eurobonds in the amount of 180,983 thousand US dollars (equivalent to 61,118 million tenge as at the payment date).

On October 16 and 17, 2017 Samruk-Energy made partial and full repayment of debt under revolving credit facility issued by SB Sberbank JSC in the amount of 7,557 million tenge. The available limit of revolving credit facility taking into account repayment is 12 billion tenge.

On October 18, 2017 the Fund purchased bonds of the National Managing Holding Baiterek JSC in the amount of 21,100 million tenge using National Fund's funds with maturity on March 29, 2026 and interest rate of 0.15%. Proceeds from the bond issue will be used to provide a loan to the Holding's subsidiary, Baiterek Development JSC, for the purchase of debt securities of municipalities of cities of Almaty and Astana, that are issued for purposes of funding household construction.

On October 26, 2017 NC KTZh made a partial early repayment of short-term loans issued by Halyk Bank JSC in the amount of 8,500 million tenge.

On October 26, 2017 NC KTZh made an early repayment of a long-term loan issued by Halyk Bank JSC under the credit agreement dated April 26 , 2016 in the amount of 50,000 thousand US dollars (16,647 million tenge).

On October 30, 2017 Pavlodar Oil Chemistry Refinery LLP, a subsidiary of NC KMG, received a loan from Development Bank of Kazakhstan JSC in the amount of 49,000 thousand US dollars (equivalent to 16,386 million tenge as of the payment date) with a remuneration rate of 6M LIBOR +4%.

On November 13, 2017 NC KMG redeemed discount bonds placed on Kazakhstan Stock Exchange (KASE) in the total amount of 100,000 million tenge.

On November 24, 2017 KPI LLP, a subsidiary of UCC, received a loan from the CDB (China) to pay an advance payment to CHINA NATIONAL CHEMICAL ENGINEERING CO LTD under EPC contract No. CNCEC-IPCI-0000-PM-POC-0001 dated December 13, 2015 for the construction of an integrated gas chemical complex-First phase in Atyrau region in the amount of 409 million US dollars (equivalent to 134,970 million tenge). The loan agreement between KPI LLP and CDB was concluded on September 3, 2016 for the amount of 2 billion US dollars, a rate of 5.8% per annum for a period of 20 years.

To refinance part of the Eurobonds issued by NC KTZh in 2014 in the amount of 700,000 thousand US dollars, in November 2017 NC KTZh placed Eurobonds in the amount of 780,000 thousand US dollars on the Irish Stock Exchange (ISE) and KASE for a period of up to the year 2027 with a coupon rate of 4.85% per annum. Coupon payment - 2 times a year. Eurobonds are guaranteed by subsidiaries of Kaztemirtrans JSC and KTZH-Cargo transportation JSC. On November 20, 2017, the NC KTZh received cash in payment of Eurobonds in the amount of 783,065 thousand US dollars (260,142 million tenge).

Changes in Group structure

On October 1, 2017 the term of Altay agreement concluded on July 23, 1997 between the Republic of Kazakhstan and AES Corporation relating to Ust-Kamenogorsk HPS and Shulbin HPS concession assets (subsidiaries of Samruk-Energy) has expired. Accordingly, on October 2-3, 2017 100% of shares of two concession assets AES Ust-Kamenogorsk HPS LLP and AES Shulbin HPS LLP were returned to the Republic of Kazakhstan by receipt of these assets by State property and privatization committee of the Ministry of finance of the Republic of Kazakhstan. Currently, the ownership rights of shares in these companies are transferred to the Ministry of energy of the Republic of Kazakhstan.

On October 18, 2017 Samruk-Energy registered a transfer of shares of Mangistau Electricity Distribution Company JSC in the amount of 790,234 shares to the ownership of Kazakhstan Communal Systems LLP; and in the amount of 790,233 shares to the ownership of KBI Energy LLP based on a Purchase Agreement #KP 107 dated September 20, 2017. The total sale amount of shares of Mangistau Electricity Distribution Company JSC equaled 8,642 million tenge.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

32. SUBSEQUENT EVENTS (continued)

Changes in Group structure (continued)

On November 8, 2017, in accordance with Privatization Plan 2016-2020 ratified by the Government of Kazakhstan, NC KMG sold 100% of shares of Euro-Asia Air JSC to Sky Logistics Service LLP. The sale amount equaled 11,850 million tenge.