Sovereign Wealth Fund "Samruk-Kazyna" JSC

Interim condensed consolidated financial statements (unaudited)

As at June 30, 2013 and for the six months then ended

CONTENTS

Ernst & Young

Ernst & Young Kazakhstan LLP
Esentai Tower
Al-Farabi Ave., 77/7
Almaty, Kazakhstan
Tel: +7 (727) 258 5960
Fax: +7 (727) 258 5961
www.ey.com/kazakhstan

ТОО «Эрнст энд Янг Казахстан»
Казахстан, Алматы
пр. Аль-Фараби, 77/7
Здание «Есентай Тауэр»
Тел.: +7 (727) 258 5960
Факс: +7 (727) 258 5961

Report on review of interim condensed consolidated financial statements

To the Shareholder and Management of Sovereign Wealth Fund "Samruk-Kazyna" JSC

Introduction

We have reviewed the accompanying interim condensed consolidated financial statements of Sovereign Wealth Fund "Samruk-Kazyna" JSC and its subsidiaries (collectively the "Group") comprising the interim consolidated balance sheet as at June 30, 2013 and the related interim consolidated statements of comprehensive income, changes in equity and cash flows for the six-month period then ended and explanatory notes. Management is responsible for the preparation and presentation of these interim condensed consolidated financial statements in accordance with International Financial Reporting Standard IAS 34, *Interim Financial Reporting* (IAS 34). Our responsibility is to express a conclusion on these interim condensed consolidated financial statements based on our review.

Scope of review

We conducted our review in accordance with International Standard on Review Engagements 2410, *Review of Interim Financial Information performed by the Independent Auditor of the Entity*. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing. Consequently, it does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

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Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed consolidated financial statements of Sovereign Wealth Fund "Samruk-Kazyna" JSC and its subsidiaries as at June 30, 2013 and for the six-month period then ended are not prepared, in all material respects, in accordance with IAS 34.

Ernst & Young LLP

Bakhtiyor Eshonkulov
Auditor

Auditor qualification certificate No. 0000099 dated August 27, 2012

Evgeny Zhemaletdinov
General Director
Ernst & Young LLP

State audit license for audit activities on the territory of the Republic of Kazakhstan: series MFU-2 No. 0000003 issued by the Ministry of Finance of the Republic of Kazakhstan on July 15, 2005

September 10, 2013

INTERIM CONSOLIDATED BALANCE SHEET

In millions of Tenge	Notes	June 30, 2013 (unaudited)	December 31, 2012 (audited)
Assets			
Non-current assets			
Property, plant and equipment	6	**6,323,558**	6,067,038
Intangible assets		**340,414**	358,228
Investments in joint ventures and associates	7	**1,641,395**	1,351,044
Loans to customers	8	**1,283,183**	1,386,384
Amounts due from credit institutions		**269,862**	267,751
Other financial assets	9	**172,167**	464,934
Deferred tax asset		**75,266**	77,964
Other non-current assets	10	**514,385**	420,271
		10,620,230	10,393,614
Current assets			
Inventories		**418,409**	408,792
VAT recoverable		**208,444**	193,950
Income tax prepaid		**98,091**	77,948
Trade accounts receivable	11	**292,683**	342,257
Loans to customers	8	**590,778**	665,326
Amounts due from credit institutions		**1,137,844**	1,070,656
Other financial assets	9	**191,438**	267,809
Other current assets	11	**280,058**	297,706
Cash and cash equivalents	12	**1,376,918**	1,465,548
		4,594,663	4,789,992
Assets classified as held for sale	5	**21,331**	51,521
Total assets		**15,236,224**	15,235,127

Explanatory notes on pages 9 through 45 form an integral part of these interim condensed consolidated financial statements.

INTERIM CONSOLIDATED BALANCE SHEET (continued)

In millions of Tenge	Notes	June 30, 2013 (unaudited)	December 31, 2012 (audited)
Equity and liabilities			
Equity attributable to equity holder of the parent			
Share capital	13	**4,418,634**	4,409,314
Revaluation reserve for available-for-sale investments		**29,151**	24,846
Currency translation reserve		**237,497**	219,712
Other capital reserves		**(2,184)**	15,828
Retained earnings		**1,930,014**	1,920,696
		6,613,112	6,590,396
Non-controlling interest	13	**794,070**	801,135
Total equity		**7,407,182**	**7,391,531**
Non-current liabilities			
Borrowings	14	**3,692,538**	3,517,546
Loans from the Government of the Republic of Kazakhstan	15	**194,237**	210,810
Finance lease liabilities		**39,705**	35,313
Provisions		**137,167**	136,312
Deferred income tax liability		**352,948**	333,864
Employee benefit liability		**53,691**	45,940
Amounts due to customers		**72,583**	106,663
Derivatives		**–**	7,450
Other non-current liabilities		**307,062**	296,660
		4,849,931	4,690,558
Current liabilities			
Borrowings	14	**618,278**	679,075
Loans from the Government of the Republic of Kazakhstan	15	**583,311**	559,831
Finance lease liabilities		**8,291**	8,425
Provisions		**121,009**	124,202
Employee benefit liability		**3,960**	4,039
Income taxes payable		**33,863**	48,841
Trade accounts payable		**381,588**	496,798
Amounts due to customers		**667,835**	636,058
Derivatives		**387**	888
Other current liabilities	16	**557,055**	574,564
		2,975,577	3,132,721
Liabilities associated with assets classified as held for sale	5	**3,534**	20,317
Total liabilities		**7,829,042**	7,843,596
Total equity and liabilities		**15,236,224**	15,235,127

Managing Director – Member of the Management Board

Nurlan Rakhmetov

Chief Accountant

Almaz Abdrakhmanova

Explanatory notes on pages 9 through 45 form an integral part of these interim condensed consolidated financial statements.

INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

In millions of Tenge	Note	For the six months ended June 30, 2013 (unaudited)	For the six months ended June 30, 2012 (unaudited)*
Revenue	17	**2,334,673**	2,301,886
Government grants		**14,507**	13,815
		2,349,180	2,315,701
Cost of sales	18	**(1,640,385)**	(1,674,365)
Gross profit		**708,795**	641,336
General and administrative expenses	19	**(198,544)**	(171,402)
Transportation and selling expenses	20	**(152,819)**	(188,344)
Bargain purchase gain on acquisition		**1,203**	–
Loss on disposal of property, plant and equipment, net		**(1,926)**	(877)
Impairment loss	21	**(143,510)**	(1,098)
Other operating income		**41,018**	52,135
Other operating expenses	22	**(25,576)**	(646,847)
Operating profit/(loss)		**228,641**	(315,097)
Finance costs	23	**(112,043)**	(92,797)
Finance income		**35,646**	29,825
Share of income in joint ventures and associates	24	**279,857**	284,406
Net foreign exchange loss, net		**(12,151)**	(17,748)
Profit/(loss) before income tax		**419,950**	(111,411)
Income tax expenses		**(107,864)**	(117,813)
Profit/(loss) for the period from continuing operations		**312,086**	(229,224)
(Loss)/profit from discontinued operations, net of tax	5	**(5,141)**	200,297
Profit/(loss) for the period		**306,945**	(28,927)

Explanatory notes on pages 9 through 45 form an integral part of these interim condensed consolidated financial statements.

INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (continued)

		For the six months ended	
In millions of Tenge	Note	**June 30, 2013 (unaudited)**	June 30, 2012 (unaudited)*
Other comprehensive income, net of tax			
Other comprehensive income to be reclassified to profit or loss in subsequent periods:			
Foreign currency translation		**17,876**	12,454
Unrealized gain/(loss) from revaluation of available-for-sale financial assets		**2,552**	(22,942)
Net realized (loss)/gain on available-for-sale financial assets		**(244)**	133
Reclassifications from other comprehensive income to other losses on impairment of available-for-sale assets		**–**	220
Net other comprehensive income/(loss) to be reclassified to profit or loss in subsequent periods:		**20,184**	(10,135)
Items not to be reclassified to profit or loss in subsequent periods:			
Actuarial losses on defined benefit plans, net of tax		**(291)**	–
Loss from operations with hedge instruments		**(254)**	–
Net other comprehensive loss not to be reclassified to profit or loss in subsequent periods:		**(545)**	–
Other comprehensive income/(loss), net of tax		**19,639**	(10,135)
Total comprehensive income/(loss) for the period, net of tax		**326,584**	(39,062)
Profit/(loss) for the period attributable to:			
Equity holder		**286,112**	(60,050)
Non-controlling interest		**20,833**	31,123
		306,945	(28,927)
Total comprehensive income/(loss) for the period, net of tax attributable to:			
Equity holder		**305,863**	(71,553)
Non-controlling interest		**20,721**	32,491
		326,584	(39,062)
Earnings/(loss) per share:			
Basic and diluted share in profit/(loss) for the period attributable to the equity holder (Tenge)	13	**82.18**	(17.25)
Earnings/(loss) per share for continuing operations:			
Basic and diluted share in profit /(loss) from continuing operations attributable for the equity holder (Tenge)	13	**83.64**	(45.30)

* *Certain amounts shown above do not correspond to the interim condensed consolidated financial statements as at June 30, 2012 and reflect adjustments made as detailed in Note 5.*

Managing Director – Member of the Management Board ______ *Nurlan Rakhmetov*

Chief Accountant ______ *Almaz Abdrakhmanova*

Explanatory notes on pages 9 through 45 form an integral part of these interim condensed consolidated financial statements.

INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to equity holder							
In millions of Tenge	Share capital	Revaluation reserve for available-for-sale investments	Currency translation reserve	Other capital reserves	Retained earnings	Total	Non-controlling interest	Total
At December 31, 2011 (audited)	**4,050,383**	**(106,997)**	**186,145**	**17,656**	**823,433**	**4,970,620**	**758,983**	**5,729,603**
Total comprehensive loss for the period*	–	(22,953)	11,880	(430)	(60,050)	(71,553)	32,491	**(39,062)**
Issue of share capital	346,333	–	–	–	–	346,333	–	**346,333**
Dividends	–	–	–	–	(168,190)	(168,190)	(149,955)	**(318,145)**
Other transactions with the Shareholder	–	–	–	–	1,630	1,630	–	**1,630**
Recognition of share based payments	–	–	–	110	–	110	694	**804**
Change in ownership interests of subsidiaries – acquisitions of non-controlling interest	–	–	–	–	(1,155)	(1,155)	887	**(268)**
Buy back of subsidiary shares from the market by subsidiary	–	–	–	–	2,432	2,432	(20,711)	**(18,279)**
Other distributions to the Shareholder	–	–	–	–	(5,032)	(5,032)	–	**(5,032)**
Additions to other capital reserves	–	–	–	1	(1)	–	–	**–**
At June 30, 2012 (unaudited)	**4,396,716**	**(129,950)**	**198,025**	**17,337**	**593,067**	**5,075,195**	**622,389**	**5,697,584**

**Certain amounts shown above do not correspond to the interim condensed consolidated financial statements as at June 30, 2012 and reflect adjustments made as detailed in Note 5.*

INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (continued)

		Attributable to equity holder							
In millions of Tenge	Note	Share capital	Revaluation reserve for available-for-sale investments	Currency translation reserve	Other capital reserves	Retained earnings	Total	Non-controlling interest	Total
At December 31, 2012 (audited)		**4,409,314**	**24,846**	**219,712**	**15,828**	**1,920,696**	**6,590,396**	**801,135**	**7,391,531**
Total comprehensive income for the period		–	2,308	17,876	(433)	286,112	305,863	20,721	**326,584**
Issue of share capital	13.1	9,320	–	–	–	–	9,320	–	**9,320**
Discount on bonds purchased by the National Bank of the Republic of Kazakhstan	13.2	–	–	–	–	249,828	249,828	–	**249,828**
Dividends	13.3	–	–	–	–	–	–	(46,366)	**(46,366)**
Other transactions with the Shareholder	13.4	–	1,997	(92)	(17,617)	(540,795)	(556,507)	–	**(556,507)**
Recognition of share based payments		–	–	–	32	46	78	(34)	**44**
Acquisition of subsidiaries		–	–	–	–	–	–	12,287	**12,287**
Change in ownership interests of subsidiaries – acquisition by non-controlling shareholders	13.5	–	–	–	–	13,408	13,408	6,943	**20,351**
Change in ownership interests of subsidiaries – acquisitions of non-controlling interest		–	–	1	2	(970)	(967)	(497)	**(1,464)**
Buy back of subsidiary shares from the market by subsidiary		–	–	–	–	(124)	(124)	(119)	**(243)**
Other distributions to the Shareholder	13.6	–	–	–	–	1,817	1,817	–	**1,817**
Additions to other capital reserves		–	–	–	4	(4)	–	–	**–**
At June 30, 2013 (unaudited)		**4,418,634**	**29,151**	**237,497**	**(2,184)**	**1,930,014**	**6,613,112**	**794,070**	**7,407,182**

Managing Director – Member of the Management Board

Nurlan Rakhmetov

Chief Accountant

Almaz Abdrakhmanova

Explanatory notes on pages 9 through 45 form an integral part of these interim condensed consolidated financial statements.

INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS

In millions of Tenge	Note	For the six months ended June 30, 2013 (unaudited)	June 30, 2012 (unaudited)*
Cash flows from operating activities			
Profit/(loss) before income tax from continuing operations		**419,950**	(111,411)
(Loss)/profit before income tax from discontinued operations		**(4,453)**	201,540
Adjustments for:			
Depreciation, depletion and amortization	18, 19, 20	**173,814**	150,458
Share of income in joint ventures and associates	7, 24	**(279,857)**	(284,406)
Finance costs	23	**112,043**	92,797
Finance income		**(35,646)**	(29,825)
Impairment loss	21	**143,510**	1,098
Losses from change in the value of recoverable bonds	22	**–**	628,572
Gain on disposal of discontinued operations		**–**	(200,034)
Gain on purchase of own debt securities issued by BTA bank		**–**	(10,458)
Bargain purchase gain on acquisition		**(1,203)**	–
Provision charges		**12,875**	5,780
Allowance for doubtful debts on trade accounts receivable and other current assets	19	**2,167**	3,320
Loss / (profit) on revaluation of financial assets designated at fair value through profit and loss		**4,166**	(3,140)
Loss on disposal of property, plant and equipment and other assets, net		**1,926**	877
Unrealized foreign exchange (gain)/loss		**(483)**	6,622
Other non-cash operating activities		**9,659**	5,121
Operating cash flows before working capital changes		**558,468**	456,911
Changes in other non-current assets		**(33,112)**	(13,698)
Changes in loans to customers		**(94,226)**	(110,167)
Changes in amounts due from credit institutions		**(17,700)**	10,115
Changes in financial assets		**16,441**	22,618
Changes in inventories		**(32,936)**	(52,160)
Changes in VAT recoverable		**(14,456)**	(11,264)
Changes in trade accounts receivable		**43,441**	(48,711)
Changes in other current assets		**27,589**	(10,137)
Changes in borrowings and loans from the Government		**37,910**	166,086
Changes in trade accounts payable		**(78,894)**	(45,806)
Changes in amounts due to the customers		**(87,054)**	(37,169)
Changes in derivatives		**797**	(3,786)
Changes in other liabilities		**(35,551)**	4,240
		290,717	327,072
Income taxes paid		**(139,129)**	(97,914)
Interest paid		**(55,070)**	(68,503)
Interest received		**17,655**	16,121
Net cash flows from operating activities		**114,173**	176,776

INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS (continued)

		For the six months ended	
In millions of Tenge	Note	**June 30, 2013 (unaudited)**	June 30, 2012 (unaudited)*
Cash flows from investing activities			
Placement of bank deposits, net		**(176,346)**	(223,172)
Acquisition of joint ventures and associates		**(252,832)**	(10,725)
Acquisition of subsidiaries, net of cash acquired		**(22,409)**	–
Purchase of property, plant and equipment		**(422,143)**	(415,349)
Purchase of intangible assets		**(5,136)**	(3,028)
Proceeds from sale of other financial assets, net		**21,925**	62,707
Proceeds from sale of property, plant and equipment		**4,243**	5,193
Advances paid for non-current assets	10	**(88,062)**	(62,723)
Dividends received from joint ventures and associates	7	**172,626**	312,431
Cash of disposed subsidiaries	5	**(171,417)**	–
Proceeds from sale of associate and assets held for sale		**–**	225,739
Proceeds from sale of subsidiaries		**4,528**	7,557
Net cash flows used in investing activities		**(935,023)**	(101,370)
Cash flows from financing activities			
Proceeds from borrowings		**1,035,060**	425,574
Repayment of borrowings		**(322,875)**	(235,400)
Repayment of finance lease liabilities		**(4,635)**	(4,122)
Buy back of subsidiary shares from the market by the subsidiary		**(243)**	(18,279)
Dividends paid to the Shareholder		**–**	(159,113)
Transactions with the Shareholder		**(7,922)**	(28,478)
Dividends paid to non-controlling interest		**(882)**	(112,505)
Contributions to share capital by non-controlling interest		**25,879**	–
Acquisitions of non-controlling interests		**(1,293)**	(286)
Contributions to the share capital	13	**9,320**	11,000
Net cash flows from / (used) in financing activities		**732,409**	(121,609)
Effects of exchange rate changes on cash and cash equivalents		**(189)**	3,128
Net change in cash and cash equivalents		**(88,630)**	(43,075)
Cash and cash equivalents, at the beginning of the period	12	**1,465,548**	1,646,615
Cash and cash equivalents, at the end of the period	12	**1,376,918**	1,603,540

Information on non-cash transactions is disclosed in Note 26.

* *Certain amounts shown above do not correspond to the interim condensed consolidated financial statements as at June 30, 2012 and reflect adjustments made as detailed in Note 5.*

Managing Director – Member of the Management Board

Nurlan Rakhmetov

Chief Accountant

Almaz Abdrakhmanova

Explanatory notes on pages 9 through 45 form an integral part of these interim condensed consolidated financial statements.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL INFORMATION

Corporate information

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

The overall objective of the Government during this reorganisation is to increase management's efficiency and to optimise organisational structure of the Fund's subsidiaries for them to achieve successfully their strategic objectives as set out in the respective Government programs and development plans.

The Fund is a holding company combining state-owned enterprises listed in *Note 25* (the "Group"). Prior to February 1, 2012, the Fund's activities were governed by the Law of the Republic of Kazakhstan "On National Welfare Fund" No. 134-4 dated February 13, 2009. They were aimed at providing assistance in achieving stable development of the country economy, modernization and diversification of the economy, and improvement of efficiency of the Fund's companies. According to the Law of the Republic of Kazakhstan enacted on February 1, 2012 "On Sovereign Wealth Fund" No. 550-4, the Fund's activities are focused on improving the sovereign wealth of the Republic of Kazakhstan by increasing long-term value of the Fund's group companies and by effective management of the Fund's group assets.

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

- Oil and gas segment includes operations related to oil and gas exploration and production, oil and gas transportation and refining and trading of crude oil and refined products.
- Transportation segment includes operations related to railway and air transportation of cargo and passengers.
- Telecommunication segment includes operation of fixed line communication, including local, long-distance intercity and international telecommunication services (including CIS and non-CIS countries); and also rent of lines, data transfer services and wireless communication services.
- Energy segment includes operations related to electricity production and distribution, the oversight function over the input of electricity into the energy system and consumption of imported electricity, the function of centralized operation and dispatch of facilities in the Unified Electricity System of Kazakhstan.
- Mining and industrial segment includes operations related to exploration, mining, processing and sales of mineral resources, military industry enterprises and civil engineering, projects for the development of chemical industry and geological exploration.
- Financial and innovation institutions segment includes operations related to development and stimulation of investment and innovation activities in all segments of the economy of Republic of Kazakhstan. Further, this segment includes commercial banks acquired by the Fund during 2009.
- Corporate center and projects segment includes Fund's investing and financing activities, including provision of loans to related and third parties.

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

These interim condensed consolidated financial statements were authorized for issue on September 10, 2013, by the Managing Director – Member of the Management Board and Chief Accountant of the Fund.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

1. GENERAL INFORMATION (continued)

The plan of stabilization of economy and financial system

In order to maintain stability of the country's economic and financial system during the global economic crisis the Government, by its Resolution No. 1085 dated November 25, 2008, approved a Joint action plan of the Government, the National Bank and the Agency on Regulation and Supervision of Financial Market and Financial Organizations of the Republic of Kazakhstan on stabilization of the economy and financial system for 2009-2010 (the "Stabilization Plan"). The Stabilization Plan provided for certain measures aimed at the following:

- Stabilization of financial sector;
- Stabilization of real estate market;
- Small and medium business support;
- Development of agricultural sector;
- Implementation of innovation, industrial and infrastructure projects.

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

Under the financial sector stabilization measures of the Stabilization Plan the Fund in 2009 acquired a controlling interest in "BTA Bank" JSC and "Alliance Bank" JSC and acquired a significant stake in Halyk Bank of Kazakhstan JSC and Kazkommertsbank JSC. These measures were aimed to provide additional liquidity to the banks and ensure their solvency. In 2012 and 2011 the Fund sold all common shares and part of preferred shares of Halyk Bank of Kazakhstan JSC.

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

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

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

The ability of BTA Bank to continue as a going concern largely depends on successful realization of a new business model in accordance with the conditions of the second restructuring of its debts completed in December 2012.

In accordance with the minutes of the meeting No. 01-7.1 dated January 23, 2013 "On the results of the social-economic development of the Republic of Kazakhstan in 2012 and targets for the execution of the Strategy "Kazakhstan-2050" held with participation of the President of the Republic of Kazakhstan, the Government was instructed to execute transfer of the development institutions and financial organisations (Development Bank of Kazakhstan JSC, Kazyna Capital Management JSC, Export-Credit Insurance Corporation "KazExportGarant" JSC, Entrepreneurship Development Fund "Damu" JSC, Investment Fund of Kazakhstan JSC) to the control of the newly established agency, 100% shares of which to be controlled by the Government, and transfer of SK Pharmacy LLP to the control of the Ministry of Healthcare of the Republic of Kazakhstan.

In April 2013 the Fund's share in development institutions and financial organizations were transferred in trust management with the right of full control to the related Ministries of the Republic of Kazakhstan. In May 2013 after creation of National Holding "Baiterek" JSC the shares were transferred in trust management with the right of full control to National Holding "Baiterek" JSC *(Note 5)*.

In April 2013 the Fund's share in SK-Pharmacy LLP was transferred in trust management to the Ministry of Healthcare of the Republic of Kazakhstan *(Note 5)*.

In accordance with Resolution of the Government of the Republic of Kazakhstan No. 206 dated March 4, 2013 the Fund was allowed to become a participant in Pension Fund "Halyk Bank" JSC, Pension Fund "Grantum" and Pension Fund "Ular Umit" in exchange for part of the Fund's share in Kazkommertsbank JSC and BTA Bank JSC.

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

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

2. BASIS OF PREPARATION

These interim condensed consolidated financial statements during the six months ended June 30, 2013 have been prepared in accordance with International Accounting Standard 34 *Interim Financial Statements* (IAS 34). These interim condensed consolidated financial statements do not include all information and disclosures required in preparation of the annual consolidated financial statements, and should be read in conjunction with the annual financial statements of the Group for the year ended December 31, 2012.

Foreign currency translation

Functional and presentation currency

Items included in the interim condensed consolidated financial statements during the six months ended June 30, 2013 of each of the Group's entities, included in interim condensed consolidated financial statements, 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 Kazakhstan Tenge ("Tenge"), which is the Group's presentation currency.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the date 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 or 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 date of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined.

Group entities

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

- assets and liabilities for each statement of financial position 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 date 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 (further - "KASE") are used as official currency exchange rates in the Republic of Kazakhstan.

The following table presents currency exchange rates to Tenge:

	June 30, 2013	December 31, 2012
USD	**151.65**	150.79
Euro	**197.90**	199.22
CHF	**160.41**	165.09
RUR	**4.63**	4.96
JPY	**1.53**	1.75

The currency exchange rate of KASE as at September 10, 2013: 153.37 Tenge to 1 US Dollar.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

2. BASIS OF PREPARATION (continued)

New standards, interpretations and amendments adopted by the Group

The accounting policies applied 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, 2012, except for adoption of new standards and interpretations as of January 1, 2013, noted below:

IAS 1 Presentation of Items of Other Comprehensive Income (amendments)

The amendments to IAS 1 introduce a grouping of items presented in other comprehensive income. Items that could be reclassified (or recycled) to profit or loss at a future point in time (e.g., net gain on hedge of net investment, exchange differences on translation of foreign operations, net movement on cash flow hedges and net loss or gain on available-for-sale financial assets) now have to be presented separately from items that will never be reclassified (e.g., actuarial gains and losses on defined benefit plans and revaluation of land and buildings). The amendment affects presentation only and had no material impact on the Group's consolidated financial position or performance.

IAS 1 Clarification of the Requirement for Comparative Information (amendment)

The amendment to IAS 1 clarifies the difference between voluntary additional comparative information and the minimum required comparative information. An entity must include comparative information in the related notes to the financial statements when it voluntarily provides comparative information beyond the minimum required comparative period. The additional voluntarily comparative information does not need to be presented in a complete set of financial statements.

An opening statement of financial position (known as the "third balance sheet") must be presented when an entity applies an accounting policy retrospectively, makes retrospective restatements, or reclassifies items in its financial statements, provided any of those changes has a material effect on the statement of financial position at the beginning of the preceding period. The amendment clarifies that a third balance sheet does not have to be accompanied by comparative information in the related notes. Under IAS 34, the minimum items required for interim condensed financial statements do not include a third balance sheet.

IAS 32 Tax Effects of Distributions to Holders of Equity Instruments (amendment)

The amendment to IAS 32 *Financial Instruments: Presentation* clarifies that income taxes arising from distributions to equity holders are accounted for in accordance with IAS 12 *Income Taxes*. The amendment removes existing income tax requirements from IAS 32 and requires entities to apply the requirements in IAS 12 to any income tax arising from distributions to equity holders. The amendment did not have an impact on the interim condensed consolidated financial statements of the Group, as there are no tax consequences attached to cash or non-cash distribution.

IAS 34 Interim Financial Reporting and Segment Information for Total Assets and Liabilities (amendments)

The amendment clarifies the requirements in IAS 34 relating to segment information for total assets and liabilities for each reportable segment to enhance consistency with the requirements in IFRS 8 *Operating Segments*. Total assets and liabilities for a reportable segment need to be disclosed only when the amounts are regularly provided to the chief operating decision maker and there has been a material change in the total amount disclosed in the entity's previous annual consolidated financial statements for that reportable segment. The amendment did not have a material impact on the interim condensed consolidated financial statements of the Group.

IAS 19 Employee Benefits (revised 2011) (IAS 19R)

IAS 19R includes a number of amendments to the accounting for defined benefit plans, including actuarial gains and losses that are now recognized in other comprehensive income and permanently excluded from profit and loss; expected returns on plan assets are no longer recognized in profit or loss, instead, there is a requirement to recognize interest on the net defined benefit liability (asset) in profit or loss, calculated using the discount rate used to measure the defined benefit obligation, and; unvested past service costs are now recognized in profit or loss at the earlier of when the amendment occurs or when the related restructuring or termination costs are recognized. Other amendments include new disclosures, such as, quantitative sensitivity disclosures. The amendment did not have a material impact on the interim condensed consolidated financial statements of the Group.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

2. BASIS OF PREPARATION (continued)

New standards, interpretations and amendments adopted by the Group (continued)

IFRS 7 Financial Instruments: Disclosures: Offsetting Financial Assets and Financial Liabilities (amendments)

The amendment requires an entity to disclose information about rights to set-off financial instruments and related arrangements (e.g., collateral agreements). The disclosures would provide users with information that is useful in

evaluating the effect of netting arrangements on an entity's financial position. The new disclosures are required for all recognized financial instruments that are set off in accordance with IAS 32. The disclosures also apply to recognized financial instruments that are subject to an enforceable master netting arrangement or similar agreement, irrespective of whether the financial instruments are set off in accordance with IAS 32. As the Group is not setting off financial instruments in accordance with IAS 32 and does not have relevant offsetting arrangements, the amendment does not have an impact on the Group.

IFRS 10 Consolidated Financial Statements and IAS 27 Separate Financial Statements

IFRS 10 establishes a single control model that applies to all entities including special purpose entities. IFRS 10 replaces the parts of previously existing IAS 27 *Consolidated and Separate Financial Statements* that dealt with consolidated financial statements and SIC-12 *Consolidation – Special Purpose Entities*. IFRS 10 changes the definition of control such that an investor controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. To meet the definition of control in IFRS 10, all three criteria must be met, including: (a) an investor has power over an investee; (b) the investor has exposure, or rights, to variable returns from its involvement with the investee; and (c) the investor has the ability to use its power over the investee to affect the amount of the investor's returns. IFRS 10 had no material impact on the consolidation of investments held by the Group.

IFRS 11 Joint Arrangements and IAS 28 Investment in Associates and Joint Ventures

IFRS 11 replaces IAS 31 *Interests in Joint Ventures* and SIC-13 *Jointly-controlled Entities – Non-monetary Contributions by Venturers*. IFRS 11 removes the option to account for jointly controlled entities using proportionate consolidation. Instead, jointly controlled entities that meet the definition of a joint venture under IFRS 11 must be accounted for using the equity method. IFRS 11 is effective for annual periods beginning on or after January 1, 2013. The standard did not have a material impact on the interim condensed consolidated financial statements of the Group.

IFRS 12 Disclosure of Interests in Other Entities

IFRS 12 sets out the requirements for disclosures relating to an entity's interests in subsidiaries, joint arrangements, associates and structured entities. None of these disclosure requirements are applicable for interim condensed consolidated financial statements, except for significant events and transactions in the interim period that must be disclosed. Accordingly, the Group has not made such disclosures.

IFRS 13 Fair Value Measurement

IFRS 13 establishes a single source of guidance under IFRS for all fair value measurements. IFRS 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under IFRS when fair value is required or permitted. The application of IFRS 13 has not materially impacted the fair value measurements carried out by the Group.

IFRS 13 also requires specific disclosures on fair values, some of which replace existing disclosure requirements in other standards, including IFRS 7 *Financial Instruments: Disclosures*. Some of these disclosures are specifically required for financial instruments by IAS 34.16A(j), thereby affecting the interim condensed financial statements period. The Group provides these disclosures in the notes to the interim condensed consolidated financial statements.

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

This interpretation applies to waste removal (stripping) costs incurred in surface mining activity, during the production phase of the mine. The interpretation addresses the accounting for the benefit arising from the stripping activity. The new interpretation did not have a material impact on the interim condensed consolidated financial statements of the Group.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

2. BASIS OF PREPARATION (continued)

New standards, interpretations and amendments adopted by the Group (continued)

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

In addition to the above-mentioned amendments and new standards, IFRS 1 *First-time Adoption of International Financial Reporting Standards* was amended with effect for reporting periods starting on or after January 1, 2013. The Group is not a first-time adopter of IFRS, therefore, this amendment is not relevant to the Group.

The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

3. SEASONALITY OF OPERATIONS

The Group's operating expenses are subject to seasonal fluctuations, with higher expenses for various professional 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. ACQUISITIONS

Acquisition of interest in "Kazzinc" LLP

On February 1, 2013 the Fund acquired 29.8221% of the charter capital of "Kazzinc" LLP through acquisition of 100% of ownership interest in the charter capital of "Logic Business" LLP, "Logic Invest Capital" LLP and Investment House "Dana" LLP, each of which owns 9.9407% ownership interest in "Kazzinc" LLP for the total amount of 248,838 million Tenge (value of each company is 82,946 million Tenge). The Fund plans to transfer this ownership interest in "Kazzinc" LLP into the share capital of "Tau-Ken Samruk" JSC. The consideration for the acquisition was paid by using proceeds received from the placement of the Fund's bonds in the amount of 255,000 million Tenge purchased by the National Bank of the Republic of Kazakhstan (*Note 15*). The maturity of the bonds is 50 years; the coupon interest is 0.01% per annum.

The interest in Kazzinc LLP is accounted for using the equity method in the interim condensed consolidated financial statements of the Group. Acquisition of Kazzinc LLP was recorded in the interim condensed consolidated financial statements using the purchase method.

Amounts of shares in fair value of identifiable assets and liabilities as at the acquisition date were presented as follows:

In millions of Tenge	
Non-current assets	206,890
Current assets	44,237
Total assets	**251,127**
Non-current liabilities	27,307
Current liabilities	23.360
Total liabilities	**50,667**
Net assets	**200,460**
Fair value of the consideration	248,838
Goodwill	**48,378**

The consolidated net profit of the Group during the six months ended June 30, 2013 includes a share of income attributable to 29,8221% interest in net profit of Kazzinc LLP from acquisition date till June 30, 2013 in the amount of 3,208 million Tenge.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

5. DISCONTINUED OPERATIONS, NON-CURRENT ASSETS CLASSIFIED AS HELD FOR SALE AND LOSS OF CONTROL OVER SUBSIDIARY

Discontinued operations

Transfer to the Shareholder of development institutions, financial organizations and SK-Pharmacy LLP

In accordance with a minutes of meeting with participation of the President of the Republic of Kazakhstan dated January 23, 2013 No. 01-7.1 "On results of social and economic development of Republic of Kazakhstan in 2012 and aims on realization of "Kazakhstan-2050" Strategy" the Government was instructed to establish "National development agency" JSC, with 100% ownership by the Government. The Government was also instructed to transfer to the new Agency the Fund's share in development institutions and financial organizations, including the transfer of SK-Pharmacy LLP to the Ministry of Healthcare of the Republic of Kazakhstan.

In April 2013, in accordance with the trust management agreements with the right of full control, the Fund transferred its shares in certain subsidiaries to the Shareholder, represented by the following government institutions: Ministry of Regional Development of the Republic of Kazakhstan – Entrepreneurship Development Fund "Damu" JSC, Ministry of Industry and New Technologies of the Republic of Kazakhstan – Development Bank of Kazakhstan JSC, Kazyna Capital Management JSC, Export-Credit Insurance Corporation "KazExportGarant" JSC, Investment Fund of Kazakhstan JSC, and Ministry of Healthcare of the Republic of Kazakhstan – SK Pharmacy LLP. In May 2013, these trust management agreements with the government institutions were cancelled and new agreements were concluded.

In May 2013, in accordance with the trust management agreements with the right of full control, the Fund transferred its shares in the development institutions and financial organisations to National Managing Holding "Baiterek" JSC. This National Holding was established in accordance with the Resolution of the Government dated May 25, 2013.

Due to loss of control over these subsidiaries in April 2013 the Fund disposed development institutions and financial organizations, SK-Pharmacy LLP and recognized their disposal as distribution to the Shareholder (*Note 13*).

Development institutions and financial organizations

Results of operations of the development institutions and financial organizations are presented as follows:

(In millions of Tenge)	**From January 1, 2013 till the date of disposal (unaudited)**	For the six months ended June 30, 2012 (unaudited)*
Revenue	**12,078**	24,472
Cost of sales	**(14,254)**	(17,932)
Gross (loss)/profit	**(2,176)**	6,540
General and administrative expenses	**(1,813)**	(3,432)
Reversal/(loss) from impairment	**893**	(2,108)
Other operating income	**1,840**	2,318
Other operating loss	**(810)**	(2,466)
(Loss)/profit from operations	**(2,066)**	852
Foreign exchange gain/(loss), net	**181**	(1,308)
Loss before tax from discontinued operations	**(1,885)**	(456)
Income tax expenses	**(352)**	(1,242)
Loss for the period from discontinued activities	**(2,237)**	(1,698)

* *As at June 30, 2013 the Group made restatement of the interim consolidated statements of comprehensive income and cash flows during the six months ended June 30, 2012 due to recognition of development Institutions and financial organizations as discontinued operations.*

Accordingly, the comparative interim consolidated statement of comprehensive income and the comparative interim consolidated statement of cash flows for the six months ended June 30, 2012 have been restated as required by IAS 1.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

5. DISCONTINUED OPERATIONS, NON-CURRENT ASSETS CLASSIFIED AS HELD FOR SALE AND LOSS OF CONTROL OVER SUBSIDIARY (continued)

Discontinued operations (continued)

Transfer to the Shareholder of development institutions, financial organizations and SK-Pharmacy LLP (continued)

Development institutions and financial organizations (continued)

The major classes of assets and liabilities of the development institutions and financial organizations as at the date of disposal are as follows:

(In millions of Tenge)	**Assets and liabilities as at the date of disposal (unaudited)**
Assets	
Loans to customers	408,552
Other financial assets	469,612
Amounts due from credit institutions	230,911
Income tax prepaid	7,108
Other non-current assets	14,731
Other current assets	19,746
Cash and cash equivalents	140,079
Total assets	**1,290,739**
Liabilities	
Borrowings	784,244
Loans from the Government of the Republic of Kazakhstan	27,695
Derivative financial instruments	7,575
Amounts due to customers	6,384
Other non-current liabilities	22,424
Other current liabilities	9,493
Total liabilities	**857,815**
Net assets	**432,924**

Net cash flows of the development institutions and financial organizations are presented as follows:

(In millions of Tenge)	**From January 1, 2013 till the date of disposal (unaudited)**	For the six months ended June 30, 2012 (unaudited)
Operating	**(134,777)**	(8,022)
Investing	**(2,242)**	(14,572)
Financing	**63,078**	–
Net cash outflows	**(73,941)**	(22,594)

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

5. DISCONTINUED OPERATIONS, NON-CURRENT ASSETS CLASSIFIED AS HELD FOR SALE AND LOSS OF CONTROL OVER SUBSIDIARY (continued)

Discontinued operations (continued)

Transfer to the Shareholder of development institutions, financial organizations and SK-Pharmacy LLP (continued)

SK-Pharmacy LLP

SK Pharmacy LLP does not meet the definition of discontinued operations and was classified as disposal group.

The major classes of assets and liabilities of SK-Pharmacy LLP as at the date of disposal are as follows:

In millions of Tenge	**Assets and liabilities as at the date of disposal (unaudited)**
Assets	
Inventories	23,628
Amounts due from credit institutions	3,315
Other assets	5,247
Cash and cash equivalents	25,242
Total assets	**57,432**
Liabilities	
Accounts payable	39,611
Other current liabilities	9,678
Total liabilities	**49,289**
Net assets	**8,143**

Profit for the period from January 1, 2013 till the date of disposal from activities of SK-Pharmacy LLP amounted to 1,080 million Tenge (during the six months ended June 30, 2012: 1,712 million Tenge).

Net cash flows of SK-Pharmacy LLP are presented as follows:

In millions of Tenge	**From January 1, 2013 till the date of disposal (unaudited)**	For the six months ended June 30, 2012 (unaudited)
Operating	**19,670**	7,337
Investing	**(9)**	(1)
Net cash inflows	**19,661**	7,336

"Aysir Turizm ve Inshaat A.S"

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

The disposal of Aysir should be completed in 2013 and, as at June 30, 2013, final sale negotiations were in progress. At December 31, 2012 Aysir was classified as a disposal group classified as held for sale and as a discontinued operation.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

5. DISCONTINUED OPERATIONS, NON-CURRENT ASSETS CLASSIFIED AS HELD FOR SALE AND LOSS OF CONTROL OVER SUBSIDIARY (continued)

Discontinued operations (continued)

"Aysir Turizm ve Inshaat A.S" (continued)

The results of Aysir for the six months ended June 30, 2013 and 2012 are presented below:

In millions of Tenge	**For the six months ended June 30, 2013 (unaudited)**	For the six months ended June 30, 2012 (unaudited)
Revenue	**861**	774
Cost of sales	**(871)**	(940)
Gross loss	**(10)**	(166)
General and administrative expenses	**(85)**	(199)
Other operating income	**5**	6
Operating loss	**(90)**	(359)
Net foreign exchange (loss)/gain	**(55)**	130
Finance income	**1**	4
Finance costs	**(21)**	(47)
Loss before income tax for the period from discontinued operations	**(165)**	(272)
Income tax expense	**–**	–
Loss after income tax for the period from discontinued operations	**(165)**	(272)

The major classes of assets and liabilities of Aysir classified as held for sale as follows:

In millions of Tenge	**June 30, 2013 (unaudited)**	December 31, 2012 (audited)
Assets		
Property, plant and equipment	**6,356**	6,738
Other assets	**960**	467
Cash and cash equivalents	**44**	540
Assets classified as held for sale	**7,360**	7,745
Liabilities		
Borrowings	**703**	1,405
Other non-current liabilities	**1,456**	1,414
Trade accounts payable	**405**	262
Other current liabilities	**360**	2
Liabilities directly associated with the assets classified as held for sale	**2,924**	3,083
Net assets directly associated with the disposal group	**4,436**	4,662

The net cash flows incurred by Aysir are as follows:

In millions of Tenge	**For the six months ended June 30, 2013 (unaudited)**	For the six months ended June 30, 2012 (unaudited)
Operating	**343**	234
Investing	**(59)**	(100)
Financing	**(355)**	(375)
Net cash outflow	**(71)**	(241)

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

5. DISCONTINUED OPERATIONS, NON-CURRENT ASSETS CLASSIFIED AS HELD FOR SALE AND LOSS OF CONTROL OVER SUBSIDIARY (continued)

Discontinued operations (continued)

Locomotive Kurastyru Zauyty JSC

During 2012 the management of the Group committed to a plan to sell a 50% interest in the subsidiary, Locomotive Kurastyru Zauyty JSC. In May 2013 the transaction was completed through the sale of 26% of the Group's interest and simultaneous issue of 24% of shares of Locomotive Kurastyru Zauyty JSC. As a result of the sale, the Group lost its full control over JSC Locomotive Kurastyru Zauyty. The Group recognized its remaining 50% interest in Locomotive Kurastyru Zauyty JSC as investment in joint-venture.

Loss from discontinued operation is presented as follows:

In millions of Tenge	**From January 1, 2013 till the date of disposal (unaudited)**	For the six months ended June 30, 2012 (unaudited)
Loss from discontinued operations for the period	**(463)**	(637)
Loss on disposal of assets related to discontinued operations	**(2,276)**	–
Loss from discontinued operations	**(2,739)**	(637)

Results of operations of Locomotive Kurastyru Zauyty JSC are presented as follows:

In millions of Tenge	**From January 1, 2013 till the date of disposal (unaudited)**	For the six months ended June 30, 2012 (unaudited)
Revenue	**34**	78
Cost of sales	**(10)**	–
Gross profit	**24**	78
General and administrative expenses	**(272)**	(383)
Other operating income	**–**	76
Operating loss	**(248)**	(229)
Foreign exchange loss, net	**(54)**	(137)
Finance income	**2**	2
Finance costs	**(163)**	(273)
Loss before tax from discontinued operations	**(463)**	(637)
Income tax expenses	**–**	–
Loss for the period from discontinued operations	**(463)**	(637)

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

5. DISCONTINUED OPERATIONS, NON-CURRENT ASSETS CLASSIFIED AS HELD FOR SALE AND LOSS OF CONTROL OVER SUBSIDIARY (continued)

Discontinued operations (continued)

Locomotive Kurastyru Zauyty JSC (continued)

The major classes of assets and liabilities of Locomotive Kurastyru Zauyty JSC as at the date of disposal are as follows:

In millions of Tenge	**Assets and liabilities as at the date of disposal (unaudited)**
Assets	
Property, plant and equipment	14,941
Intangible assets	538
Other non-current assets	596
Inventory	22,628
Other current assets	2,139
Cash and cash equivalents	440
Total assets	**41,282**
Liabilities	
Borrowings	10,605
Trade accounts payable	12,441
Other non-current liabilities	920
Other current liabilities	1,441
Total liabilities	**25,407**
Net assets	**15,875**

Net cash flows of Locomotive Kurastyru Zauyty JSC are presented as follows:

In millions of Tenge	**From January 1, 2013 till the date of disposal (unaudited)**	For the six months ended June 30, 2012 (unaudited)
Operating	**2,634**	(1,248)
Investing	**(475)**	(548)
Financing	**(1,739)**	(369)
Net cash inflows/(outflows)	**420**	(2,165)

Loss from disposal of discontinued operations is presented as follows:

In millions of Tenge	**For the six months ended June 30, 2013 (unaudited)**
Consideration received	**4,528**
Disposed net assets	**(15,875)**
Fair value of the remaining interest	**9,071**
Loss on disposal of discontinued operation	**(2,276)**

Net cash inflows from disposal of the subsidiary are presented as follows:

In millions of Tenge	**For the six months ended June 30, 2013 (unaudited)**
Consideration received	**4,528**
Less cash and cash equivalents	**(440)**
	4,088

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

5. DISCONTINUED OPERATIONS, NON-CURRENT ASSETS CLASSIFIED AS HELD FOR SALE AND LOSS OF CONTROL OVER SUBSIDIARY (continued)

Loss of control over subsidiary

Doszhan Temir Zholy JSC

Due to the fact that Investment Fund of Kazakhstan JSC owns 48.94% interest in Doszhan Temir Zholy JSC, disposal of Investment Fund of Kazakhstan JSC resulted in a loss of control by the Group over Doszhan Temir Zholy JSC. The Group disposed Doszhan Temir Zholy JSC and recognized its disposal as distribution to the Shareholder in interim consolidated statement of changes in equity. As at the date of loss of control over Doszhan Temir Zholy JSC the Group recognized the remaining 46.02% interest in Doszhan Temir Zholy JSC as investments in associates at its fair value equal to nil.

The major classes of assets and liabilities of Doszhan Temir Zholy JSC as at the date of disposal are as follows:

In millions of Tenge	**Assets and liabilities as of the date of disposal (unaudited)**
Assets	
Intangible assets	**23,968**
Property, plant and equipment	**3,621**
Other assets	**815**
Cash and cash equivalents	**6,096**
Total assets	**34,500**
Liabilities	
Borrowings	**30,401**
Other current liabilities	**584**
Total liabilities	**30,985**
Net assets	**3,515**

Loss from January 1, 2013 to the date of disposal from operations of Doszhan Temir Zholy JSC amounted to 1,189 million Tenge (for the six months ended June 30, 2012: 2,646 million Tenge).

Net cash flows of Doszhan Temir Zholy JSC are presented as follows:

In millions of Tenge	**From January 1, 2013 till the date of disposal (unaudited)**	For the six months ended June 30, 2012 (unaudited)
Operating	**(639)**	(606)
Investing	**(14)**	(103)
Financing	**–**	(173)
Net cash outflows	**(653)**	(882)

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

6. PROPERTY, PLANT AND EQUIPMENT

In millions of Tenge	Oil and gas assets	Exploration and evaluation assets	Pipelines and refineries	Buildings and premises	Railway tracks and infra-structure	Machinery, equipment and vehicles	Mining assets	Other	Capiatl construction in progress	Total
Net book value at January 1, 2013 (audited)	**1,935,855**	**126,406**	**753,804**	**521,782**	**575,173**	**1,615,853**	**36,962**	**57,794**	**443,409**	**6,067,038**
ɔreign currency translation	8,091	211	1,953	288	–	290	–	13	82	**10,928**
Additions	67,810	15,972	773	11,211	44	72,871	7,107	4,198	280,427	**460,413**
Acquisitions through business combinations	–	–	–	17,000	–	7,421	–	2,124	136	**26,681**
Disposals	(6,673)	(3,114)	(643)	(7,708)	(8)	(8,621)	–	(2,884)	(1,519)	**(31,170)**
Discontinued operations	–	–	–	(172)	–	(506)	–	(631)	(3,178)	**(4,487)**
Depreciation charge	(26,831)	–	(26,843)	(13,497)	(10,380)	(80,381)	(5,575)	(7,062)	–	**(170,569)**
Depreciation on disposals	6,692	–	500	2,487	3	6,245	–	2,073	–	**18,000**
Impairment provision, net of reversal	(49,223)	–	67	(1,797)	(428)	(2,544)	–	(433)	(4,174)	**(58,532)**
Transfers from/(to) inventories, net	–	–	(23)	(162)	(718)	1,284	–	139	6,675	**7,195**
Transfer to assets classified as held for sale	(19)	(200)	(94)	(865)	–	(58)	–	(65)	–	**(1,301)**
Transfer from/(to) intangible assets, net	(70)	–	–	–	–	169	–	1	(738)	**(638)**
Other transfers and reclassifications	35,352	–	13,689	18,821	7,664	56,133	8	4,034	(135,701)	–
Net book value at June 30, 2013 (unaudited)	**1,970,984**	**139,275**	**743,183**	**547,388**	**571,350**	**1,668,156**	**38,502**	**59,301**	**585,419**	**6,323,558**
Historical cost	2,372,752	145,578	1,004,476	716,014	670,616	2,535,882	75,800	137,617	600,255	**8,258,990**
Accumulated depreciation and impairment	(401,768)	(6,303)	(261,293)	(168,626)	(99,266)	(867,726)	(37,298)	(78,316)	(14,836)	**(1,935,432)**
Net book value at June 30, 2013 (unaudited)	**1,970,984**	**139,275**	**743,183**	**547,388**	**571,350**	**1,668,156**	**38,502**	**59,301**	**585,419**	**6,323,558**
Historical cost	2,262,918	135,923	988,248	682,234	664,533	2,402,618	68,685	130,305	461,314	**7,796,778**
Accumulated depreciation and impairment	(327,063)	(9,517)	(234,444)	(160,452)	(89,360)	(786,765)	(31,723)	(72,511)	(17,905)	**(1,729,740)**
Net book value at December 31, 2012 (audited)	**1,935,855**	**126,406**	**753,804**	**521,782**	**575,173**	**1,615,853**	**36,962**	**57,794**	**443,409**	**6,067,038**

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

6. PROPERTY, PLANT AND EQUIPMENT (continued)

Movement in exploration and evaluation assets is presented as follows:

In millions of Tenge	Oil and gas assets	Mining assets	Total
Net book value at January 1, 2013 (audited)	**123,939**	**2,467**	**126,406**
Foreign currency translation	211	–	**211**
Additions	15,149	823	**15,972**
Disposals	(3,114)	–	**(3,114)**
Transfer to assets classified as held for sale	–	(200)	**(200)**
Net book value at June 30, 2013 (unaudited)	**136,185**	**3,090**	**139,275**
Historical cost	142,488	3,090	**145,578**
Accumulated impairment	(6,303)	–	**(6,303)**
Net book value at June 30, 2013 (unaudited)	**136,185**	**3,090**	**139,275**

As at June 30, 2013, certain items of property, plant and equipment with net book value of 1,388,497 million Tenge (December 31, 2012: 1,087,516 million Tenge) were pledged as collateral for some of the Group's borrowings.

As at June 30, 2013, carrying amount of property, plant and equipment acquired under finance lease agreements, included in property, plant and equipment was 68,201 million Tenge (December 31, 2012: 65,638 million Tenge).

As at June 30, 2013, cost of fully amortised property, plant and equipment of the Group was 447,752 million Tenge (December 31, 2012: 483,458 million Tenge).

During the six months ended June 30, 2013, the Group capitalized borrowing costs in the amount of 3,799 million Tenge (during the six months ended June 30, 2012: 2,844 million Tenge).

During the six months ended June 30, 2013, the Group recorded net impairment of 58,532 million Tenge which is mainly attributable to property, plant and equipment of Exploration Production KazMunayGas JCS in the amount of 56,275 million Tenge due to the increase in export customs duty from April 12, 2013 - from 40 US Dollars per ton to 60 US Dollars per ton. The main assumptions used for the formal assessment at 2012 year end remain unchanged. The results of the assessment are sensitive to estimates related to production and pricing. If production profile was assumed to be 5% higher or lower of that used in the assessment, this would have the effect of reducing impairment by more than 50 billion Tenge or increasing impairment by than 50 billion Tenge, respectively. If Brent crude oil price were assumed to be 5% higher or lower of those used in the assessment, this would have the effect of reducing impairment by more than 40 billion Tenge or increasing impairment by more than 40 billion Tenge, respectively.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

7. INVESTMENTS IN JOINT VENTURES AND ASSOCIATES

Investments in joint ventures and associates comprised the following:

	June 30, 2013 (unaudited)		December 31, 2012 (audited)	
In millions of Tenge	**Carrying amount**	**Ownership %**	Carrying amount	Ownership %
Joint ventures				
Tengizchevroil LLP	**289,887**	**20.00%**	264,699	20.00%
Mangistau Investments B.V.	**185,602**	**50.00%**	176,949	50.00%
Ekibastuzskaya GRES-1 LLP	**144,307**	**50.00%**	136,845	50.00%
Kazakhoil-Aktobe LLP	**78,158**	**50.00%**	72,085	50.00%
KazRosGas JSC	**74,215**	**50.00%**	63,424	50.00%
Beineu-Shymkent Pipeline LLP	**72,004**	**50.00%**	72,453	50.00%
JV KazGerMunay LLP	**68,326**	**50.00%**	55,316	50.00%
Ekibastuzskaya GRES-2 LLP	**34,417**	**50.00%**	29,646	50.00%
Forum Muider BV	**28,221**	**50.00%**	29,837	50.00%
Ural Group Limited BVI	**21,035**	**50.00%**	19,066	50.00%
Kazakhstan-China Pipeline LLP	**18,104**	**50.00%**	12,012	50.00%
Kazakhstan Petrochemical Industries Inc LLP	**17,353**	**51.00%**	17,444	51.00%
Valsera Holdings B.V.	**15,716**	**50.00%**	18,511	50.00%
Kazakhturkmunay LLP	**12,906**	**51.00%**	11,278	51.00%
Asian Gas Pipeline LLP	**12,465**	**50.00%**	1,025	50.00%
Locomotive Kurastyru Zauyty JSC	**9,431**	**50.00%**	–	–
Karatau LLP	**4,055**	**50.00%**	9,998	50.00%
Other	**53,266**		53,320	
Less: accumulated impairment	**(4,493)**		(4,493)	
Joint ventures total	**1,134,975**		1,039,415	
Associates				
Kazzinc LLP *(Note 4)*	**253,046**	**29.82%**	–	–
PetroKazakhstan Inc.	**96,922**	**33.00%**	80,909	33.00%
Sekerbank T.A.S.	**96,604**	**33.72%**	93,094	33.88%
JV KATCO LLP	**39,052**	**49.00%**	38,262	49.00%
BTA Bank (Ukraine)	**29,846**	**49.99%**	30,063	49.99%
AMT Bank (Russia)	**19,053**	**22.26%**	19,053	22.26%
Caspian Pipeline Consortium LLP	**17,649**	**20.75%**	17,275	20.75%
JV Inkai LLP	**14,041**	**40.00%**	12,171	40.00%
JV Betpakdala LLP	**10,552**	**30.00%**	15,263	30.00%
Other	**56,283**		62,368	
Less: impairment	**(126,628)**		(56,829)	
Associates total	**506,420**		311,629	
	1,641,395		1,351,044	

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

In millions of Tenge	**For six months ended June 30, 2013 (unaudited)**
Balance as at January 1, 2013 (audited)	1,351,044
Share of income of joint ventures and associates	279,857
Dividends received	(172,626)
Change in dividends receivable	(7,366)
Acquisitions	261,949
Impairment	(70,475)
Disposal	(7,180)
Foreign currency translation	6,192
Balance as at June 30, 2013 (unaudited)	**1,641,395**

During the six months ended June 30, 2013, the Group recognized an impairment loss of the investment in its associate, Kazzinc LLP, in the amount of 59,599 million Tenge. The recoverable amount of this investment was determined based on the value in use by discounting the future net cash flows.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

8. LOANS TO CUSTOMERS

Loans to customers comprised the following:

In millions of Tenge	**June 30, 2013 (unaudited)**	December 31, 2012 (audited)
Loans to large entities	**1,753,181**	2,049,953
Loans to individuals	**746,445**	718,670
Loans to small and medium business	**300,410**	292,957
Net investments in finance lease	**37,334**	56,888
Other loans	**4,834**	5,235
Total loans	**2,842,204**	3,123,703
Less: impairment allowance	**(968,243)**	(1,071,993)
Loans to customers, net	**1,873,961**	2,051,710
Less: current portion	**(590,778)**	(665,326)
Non-current portion	**1,283,183**	1,386,384

Movements in impairment allowance for loans to customers during the six months ended June 30, 2013 were as follows:

In millions of Tenge	
Allowance at January 1, 2013 (audited)	1,071,993
Written-off	2,271
Charged, net	23,431
Foreign currency translation	6,350
Changes in accounting estimates	44
Discontinued operations	(135,846)
Allowance at June 30, 2013 (unaudited)	**968,243**

Loans to large entities

On January 24, 2013, the Fund provided loans to Kazakhmys Finance PLC in the amount of 200 million US Dollars (equivalent to 30,330 million Tenge at exchange rate as at June 30, 2013) with maturity period of 12 years. The annual interest rate on the loan is based on prime-rate six-months LIBOR plus a 4.80% margin. These loans were provided for the development of Zhomart copper field. The loans were financed by proceeds from the credit facility of State China Development Bank (*Note 14*).

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

9. FINANCIAL ASSETS

Financial assets comprised the following:

In millions of Tenge	June 30, 2013 (unaudited)	December 31, 2012 (audited)
Note receivable from joint venture participant	**19,632**	18,222
Note receivable from associate participant	**21,472**	20,722
Available for sale financial assets, including	**170,914**	484,542
Equity securities	**100,295**	219,582
Treasury bills of the Ministry of Finance of the Republic of Kazakhstan	**32,981**	68,316
Bonds of Kazakhstan financial organizations	**18,490**	135,413
Corporate bonds	**14,843**	32,177
Bonds of international financial organizations	**946**	13,001
Other debt securities	**3,367**	24,056
Less: Impairment allowance	**(8)**	(8,003)
including financial assets subject to repurchase agreement	***13,424***	*9,976*
Held to maturity financial assets, including	**29,789**	51,302
Bonds of Kazakhstan financial organizations	**22,840**	42,596
Treasury bills of the Ministry of Finance of the Republic of Kazakhstan	**6,949**	8,182
Corporate bonds	**–**	524
Financial assets at fair value through profit and loss, including	**13,977**	37,256
Treasury bills of the Ministry of Finance of the Republic of Kazakhstan	**10,298**	19,111
Bonds of Kazakhstan financial organizations	**2,692**	3,266
Corporate bonds	**952**	126
Unquoted investments in venture capital organizations	**-**	12,917
Unquoted equity instruments investments	**-**	1,799
Other debt securities	**35**	37
Trading securities, including	**60,006**	70,421
Bonds of Kazakhstan financial organizations	**21,569**	20,997
Treasury bills of the Ministry of Finance of the Republic of Kazakhstan	**11,160**	13,444
Corporate bonds	**5,327**	9,422
Other debt securities	**1,057**	890
Other equity securities	**20,893**	25,668
Derivative financial instruments, including	**47,815**	50,278
Options	**45,991**	47,638
Currency swaps	**1,824**	2,113
Other	**–**	527
Total financial assets	**363,605**	732,743
Less: current portion	**(191,438)**	(267,809)
Non-current portion	**172,167**	464,934

As at June 30, 2013 the interest rates for available-for-sale financial assets, held to maturity financial assets and trading securities were in the ranges from 4.48% to 13.0%; from 0.93% to 15.0% and from 2.49% to 11.0%, respectively (at December 31, 2012: from 2.3% to 17.4%; from 0.93% to 15% and from 3.6% to 13.0%, respectively).

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

As at June 6, 2013 the Fund transferred all common shares of Kazakhmys PLC held by the Fund (58,876,793 shares) to the state ownership, by their transfer to the State Property and Privatization Committee of the Ministry of Finance of the Republic of Kazakhstan. Fair value of these financial assets amounted to 44,069 million Tenge as at the date of transfer *(Note 13)*.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

10. OTHER NON-CURRENT ASSETS

Other non-current assets comprised the following:

In millions of Tenge	**June 30, 2013 (unaudited)**	December 31, 2012 (audited)
Advances paid for non-current assets	**356,086**	291,659
Long-term VAT recoverable	**47,022**	47,616
Prepaid expenses	**24,703**	24,536
Assets for sale to the Government	**14,239**	14,239
Long-term inventory	**10,548**	13,201
Restricted cash	**10,219**	9,056
Other	**71,867**	40,637
Less: impairment allowance	**(20,299)**	(20,673)
	514,385	420,271

11. TRADE ACCOUNTS RECEIVABLE AND OTHER CURRENT ASSETS

Trade accounts receivable comprised the following:

In millions of Tenge	**June 30, 2013 (unaudited)**	December 31, 2012 (audited)
Trade accounts receivable	**325,319**	371,070
Less: allowance for doubtful debts	**(32,636)**	(28,813)
	292,683	342,257

Other current assets comprised the following:

In millions of Tenge	**June 30, 2013 (unaudited)**	December 31, 2012 (audited)
Advances paid and deferred expenses	**94,443**	102,403
Asset for transfer to the Shareholder	**60,366**	76,720
Dividends receivable	**59,754**	34,635
Other taxes prepaid	**13,813**	23,301
Restricted cash	**8,579**	15,955
Amounts due from employees	**4,858**	5,001
Other accounts receivable	**48,122**	48,427
Other	**27,248**	27,213
Less: impairment allowance	**(37,125)**	(35,949)
	280,058	297,706

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

In millions of Tenge	
Reserve at January 1, 2013 (audited)	**64,762**
Foreign currency translation	**(97)**
Charged, net	**2,167**
Written-off	**4,335**
Discontinued operations	**(1,406)**
At June 30, 2013 (unaudited)	**69,761**

As at June 30, 2013 and December 31, 2012 trade accounts receivable and other current assets were not interest bearing.

As at June 30, 2013 the Group has pledged trade accounts receivable of approximately 59,240 million Tenge as collateral to secure borrowings and payables of the Group (at December 31, 2012: 91,460 million Tenge).

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

12. CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprised the following:

In millions of Tenge	June 30, 2013 (unaudited)	December 31, 2012 (audited)
Bank deposits – Tenge	**221,725**	240,462
Bank deposits – US Dollars	**391,489**	123,752
Bank deposits – other currency	**12,440**	9,393
Current accounts with banks – Tenge	**411,898**	609,529
Current accounts with banks – US Dollars	**249,792**	382,164
Current accounts with banks – other currency	**24,429**	24,326
Cash on hand	**52,856**	61,474
Reverse repurchase agreements with contractual maturity of less than three months	**10,240**	14,051
Cash in transit	**2,049**	397
	1,376,918	1,465,548

Short-term bank deposits are placed for varying periods of between one day and three months, depending on the immediate cash requirements of the Group. As at June 30, 2013 the weighted average interest rate for time deposits with banks and current accounts was 0.88% and 0.73%, respectively (December 31, 2012: 1.82% and 0.52%).

Total cash balances on bank accounts of the Group include funds allocated from the State budget and the National Fund for the Government programs. As at June 30, 2013, these cash balances were accumulated on the accounts with the National Bank and amounted to 177 billion Tenge (December 31, 2012: 395 billion Tenge), including:

- 112 billion Tenge – National Fund's amounts, received under the Stabilization Plan and other State programs (December 31, 2012: 247 billion Tenge);
- 2 billion Tenge – amounts from the State budget received to provide financing to projects implemented by the Fund (December 31, 2012: 6 billion Tenge);
- 63 billion Tenge – the Fund's remaining cash balance required for operating and investing activities (December 31, 2012: 142 billion Tenge).

As of June 30, 2013 cash in the amount of 2,069 million Tenge represents collateral under loan agreements and is restricted (December 31, 2012: nil).

13. EQUITY

Share capital

	Number of shares authorized and issued	Par value, in Tenge	Share capital, in millions of Tenge
As at December 31, 2011 (audited)	**3,480,637,455**		**4,050,383**
Contributions in cash	110,000	1,000;100,000	11,000
Contributions of property	311,538	100,000;93,549; 90,092;80,000;5,704	31,153
Contribution of share in other state owned entities	341,164	1,000,000;100,000; 282,174; 46,000	304,180
As at June 30, 2012 (unaudited)	**3,481,400,157**		**4,396,716**
As at December 31, 2012 (audited)	**3,481,526,139**		**4,409,314**
Contributions in cash	9,320	901,000; 1,000,000	9,320
As at June 30, 2013 (unaudited)	**3,481,535,459**		**4,418,634**

As at June 30, 2013 and December 31, 2012 all shares were fully paid.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

13. EQUITY (continued)

13.1 Issue of shares

During the six months ended June 30, 2013 in accordance with the Law of the Republic of Kazakhstan on the Republican budget for 2013-2015 dated November 23, 2012 the Shareholder contributed 9,320 million Tenge in cash to the Fund's share capital. This amount was intended to finance projects of the Fund's subsidiaries.

13.2 Discount on bonds purchased by the National Bank of the Republic of Kazakhstan

In January 2013 the Fund placed coupon bonds at below market rates which were purchased by National Bank of the Republic of Kazakhstan (*Note 15*). Discount at initial recognition of these liabilities in the amount of 249,828 million Tenge was recognized as one-off gain in the interim consolidated statement of changes in equity.

13.3 Dividends

Dividends attributable to non-controlling interest

During the six months ended June 30, 2013, the Group declared dividends of 43,567 million Tenge to the holders of non-controlling interest in Exploration Production KazMunayGas JSC and KazTransOil JSC.

Dividends declared to other holders of non-controlling interest amounted to 2,799 million Tenge during the six months ended June 30, 2013.

13.4 Other transactions with the Shareholder

In accordance with the trust management agreements with the right of full over the development institutions and financial organizations, SK-Pharmacy LLP and Doszhan Temir Zholy JSC concluded in April 2013 *(Note 5)* the Fund lost control over development institutions, financial organizations, SK-Pharmacy LLP and Doszhan Temir Zholy JSC. The Fund recognized their disposal and recorded the transaction as distribution to the Shareholder in the amount of 444,582 million Tenge in interim consolidated statement of changes in equity.

On June 6, 2013 the Fund transferred common shares of Kazakhmys PLC (58,876,793 shares) to the state ownership, by their transfer to the State Property and Privatization Committee of the Ministry of Finance of the Republic of Kazakhstan. The Fund derecognized its investments in Kazakhmys PLC that were previously classified as available for sale financial assets in the amount of 44,069 million Tenge and reclassified accumulated revaluation reserve for available for sale financial assets in the amount of 67,856 million Tenge. The transaction was recognized as other distribution to the Shareholder in the amount of 111,925 million Tenge in the interim consolidated statement of changes in equity.

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

NAC Kazatomprom JSC

In 2008 NAC Kazatomprom JSC (hereinafter "Kazatomprom") entered into a provisional agreement with Beijing Sino-Kaz Uranium Resources Investment Company Limited (hereinafter "Sino-Kaz Company") to sell 49% of Kazatomprom's interest in Semizbai-U LLP. According to this agreement, in 2008 Kazatomprom received cash proceeds of 234,346 thousand US dollars (equivalent of 28,297 million Tenge) and Sino-Kaz Company became entitled to receive at least a minimum level of annual dividends from Semizbai-U LLP for the period from 2010 to 2033. The payment of these dividends was guaranteed by Kazatomprom. This financial obligation was measured at its fair value at its initial recognition.

In August 2012 Kazatomprom and Sino-Kaz Company signed the Amicable Agreement extinguishing Sino-Kaz Company's entitlement to minimum annual dividends for the period from 2010 until 2033, together with the associated guarantee by Kazatomprom. In accordance with the Amicable Agreement, Sino-Kaz Company was confirmed as a holder of 49% ownership interest in Semizbay, and Kazatomprom was obliged to make a cash payment equal to the difference between the original contractual obligation and the current fair value of Semizbay as determined by an independent third party.

In May 2013, all conditions of this Amicable Agreement were satisfied, including receipt of the required approval from the Government of the Republic of Kazakhstan confirming the transfer of 49% ownership interest in Semizbay-U LLP to Sino-Kaz Company. On June 7, 2013 Kazatomprom paid to Sino-Kaz Company an amount of 132,000 thousand US dollars.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

13. EQUITY (continued)

13.5 Change in ownership interests of subsidiaries – acquisition by non-controlling interest (continued)

NAC Kazatomprom JSC (continued)

The effect of this Amicable Agreement was recognized in these interim condensed consolidated financial statements as follows:

- a gain of 6,352 million Tenge was recorded following the extinguishment of the financial liability of Kazatomprom to Sino-Kaz Company. This gain represented the difference between the carrying value of the Group's financial liability of 46,676 million Tenge and the fair value of the consideration paid in the amount of 19,973 million Tenge by the Group being the cash payment made and the fair value agreed between the parties of a 49% interest in Semizbai-U LLP determined by an independent appraisal as at July 1, 2012 in the amount of 20,351 million Tenge;
- following disposal of its ownership interest in Semizbay-U LLP, the Group retains a 51% ownership interest and continued to exercise control over Semizbay-U LLP at June 30, 2013. The ownership interest held by Sino-Kaz Company represents a non-controlling interest which amounted to 6,943 million Tenge as at June 30, 2013. The difference of 13,408 million Tenge between the adjusted non-controlling interest and the fair value of consideration paid was recognised directly in the Group's retained earnings.

13.6 Distributions to the Shareholder

Construction of facilities

In 2012, the Group recognized a distribution to the Shareholder in the amount of 13,537 million Tenge related to the Group's obligations on the transfer of the North-Caspian environmental base for oil spill response to the Ministry of Emergency of the Republic of Kazakhstan.

On June 27, 2013 the Interdepartmental Commission for the development of oil, gas and energy industries decided to retain the North-Caspian environmental base for oil spill response with the Group. Based on this decision, during the six months ended June 30, 2013 the Group reversed distribution to the Shareholder in the amount of 13,537 million Tenge recognized in 2012.

During the six months ended June 30, 2013, the Group increased provision with respect to future construction costs related to the History Museum by 3,810 million Tenge and recognized respective distribution to the Shareholder.

Sponsorships under the Shareholder's request

During the six months ended June 30, 2013 in accordance with the Resolution of the Government, the Group provided sponsorship in the amount 7,910 million Tenge for financing social, cultural and sporting activities that were recognized as other distributions to the Shareholder.

13.7 Earnings/(loss) per share

In millions of Tenge	**June 30, 2013 (unaudited)**	June 30, 2012 (unaudited)
Profit/(loss) attributable to equity holder from continuing operations	**291,212**	(157,692)
Net (loss)/gain attributable to equity holder from discontinued operations	**(5,100)**	97,643
Net profit/(loss) attributable to equity holder for basic earnings	**286,112**	(60,049)
Weighted average number of common shares for basic and diluted earnings/(loss) per share	**3,481,528,940**	3,480,815,285

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

13. EQUITY (continued)

13.8 Book value of shares

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

In millions of Tenge	**June 30, 2013 (unaudited)**	December 31, 2012 (audited)
Total assets	**15,236,224**	15,235,127
Intangible assets	**(340,414)**	(358,228)
Total liabilities	**(7,829,042)**	(7,843,596)
Net assets for common shares	**7,066,768**	7,033,303
Number of common shares	**3,481,535,459**	3,481,526,139
Book value per share, Tenge	**2,030**	2,020

14. BORROWINGS

Borrowings, including accrued interest, comprised the following:

In millions of Tenge	**June 30, 2013 (unaudited)**	December 31, 2012 (audited)
Fixed interest rate borrowings	**2,896,934**	3,046,187
Weighted-average interest rate	**7.50%**	7.14%
Variable interest rate borrowings	**1,413,882**	1,150,434
Weighted-average interest rate	**4.82%**	4.53%
	4,310,816	4,196,621
Less: amounts due within twelve months	**(618,278)**	(679,075)
Amounts due after twelve months	**3,692,538**	3,517,546

In millions of Tenge	**June 30, 2013 (unaudited)**	December 31, 2012 (audited)
US dollar-denominated borrowings	**3,621,948**	3,652,451
Tenge-denominated borrowings	**596,682**	439,585
Other currency-denominated borrowings	**92,186**	104,585
	4,310,816	4,196,621

Credit facility of State China Development Bank

Under the credit facility with State China Development Bank, during the six months ended June 30, 2013, the Fund received loans of 200 million US Dollars (equivalent to 30,330 million Tenge at the exchange rate on June 30, 2013). The purpose of the loans was to provide financing to Kazakhmys Finance PLC (*Note 8*).

Issuance of Eurobonds

On April 30, 2013 NC KMG issued bonds on the London Stock Exchange in the amount of 3 billion US Dollars (equivalent of 453,720 million Tenge at exchange rate at the issue date) within the current program of global medium-term notes issuance up to 10.5 billion US Dollars on the following terms:

- 2 billion US Dollars with the interest rate 5.75% maturing in 2043 and an offering price 99.293% from nominal amount;
- 1 billion US Dollars with the interest rate 4.4% maturing in 2023 and an offering price 99.6% from nominal amount.

The coupon on bonds issued in 2013 will be paid on semiannual basis starting from October 30, 2013.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

14. BORROWINGS (continued)

Other loans

On November 26, 2012 the Group's subsidiary, JSC Locomotive signed a loan agreement for 425 million US Dollars (equivalent to 64,064 million Tenge at the exchange rate on the date of agreement) with Export-Import Bank of the United States of America for the acquisition of 196 locomotives. The interest rate on the loan is Commercial Interest Reference Rate (in US Dollars). In accordance with the terms of agreement, the funds shall be transferred by nine tranches, three of which were received in January 2013 in the total amount of 360 million US Dollars (equivalent to 54,639 million Tenge at the exchange rate on the date of receipt) with a bank commission withheld in the amount of 37 million US Dollars (equivalent to 5,675 million Tenge at the exchange rate on the date of receipt)..

15. 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	**June 30, 2013 (unaudited)**	December 31, 2012 (audited)
Loans from the Government	**777,548**	770,641
Less: amounts due within twelve months	**(583,311)**	(559,831)
Amounts due after twelve months	**194,237**	210,810

Increase in the loans from the Government during the six months ended June 30, 2013 is mainly represented by additional borrowings by the Fund from the National Bank of the Republic of Kazakhstan ("NRRK").

In January 2013 the Fund placed 255,000,000 coupon bonds, with nominal amount of 1,000 Tenge per bond for the total amount of 255,000 million Tenge with maturity of 50 years and coupon interest of 0.01% per annum. All bonds were purchased by NBRK. These bonds were initially recognized at their fair value, calculated using market interest rates applicable to the Fund as at the date of the bonds' placement and subsequently carried at amortised cost. The difference between nominal amount of the bonds and their fair value in the amount of 249,828 million Tenge was recognized in the interim consolidated statement of changes in equity.

On June 30, 2013 the effective interest rates on loans ranged from 0.08% to 7.04% per annum (2012: from 0.32% to 6.21% per year).

16. OTHER CURRENT LIABILITIES

Other current liabilities comprised the following:

In millions of Tenge	**June 30, 2013 (unaudited)**	December 31, 2012 (audited)
Other taxes payable	**126,028**	135,780
Advances received and deferred income	**117,452**	111,221
Payable for the acquisition of additional interest in North Caspian Project	**116,037**	113,183
Due to employees	**72,420**	75,651
Dividends payable	**43,496**	3,761
Other estimated liability	**17,101**	63,592
Other	**64,521**	71,376
	557,055	574,564

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

17. REVENUE

Revenue comprised the following:

In millions of Tenge	**For the six months ended June 30, 2013 (unaudited)**	For the six months ended June 30, 2012 (unaudited)
Sales of refined products	**817,142**	982,095
Sales of crude oil	**377,052**	278,135
Railway cargo transportation	**347,605**	333,038
Oil and gas transportation	**128,435**	112,093
Interest revenue	**107,092**	101,624
Sales of gas products	**102,172**	97,924
Telecommunication services	**87,951**	82,752
Sales of uranium products	**80,978**	74,069
Electricity complex	**75,891**	54,114
Air transportation services	**65,576**	57,366
Electricity transmission services	**34,755**	26,681
Railway passenger transportation	**34,515**	29,385
Sale of medicine	**24,547**	43,724
Postal services	**12,635**	10,939
Other revenue	**161,028**	138,801
Less: sales taxes and commercial discounts	**(122,701)**	(120,854)
	2,334,673	2,301,886

18. COST OF SALES

Cost of sales comprised the following:

In millions of Tenge	**For the six months ended June 30, 2013 (unaudited)**	For the six months ended June 30, 2012 (unaudited)
Materials and supplies	**908,743**	987,666
Personnel costs	**260,501**	237,827
Depreciation, depletion and amortization	**153,414**	130,539
Interest expense	**71,891**	105,600
Production services	**52,261**	45,791
Mineral extraction tax	**43,830**	44,869
Repair and maintenance	**33,333**	30,676
Rent	**17,665**	17,132
Other	**98,747**	74,265
	1,640,385	1,674,365

19. GENERAL AND ADMINISTRATIVE EXPENSES

General and administrative expenses comprised the following:

In millions of Tenge	**For the six months ended June 30, 2013 (unaudited)**	For the six months ended June 30, 2012 (unaudited)
Personnel costs	**74,881**	77,271
Taxes other than income tax	**34,093**	21,988
Charitable donations	**20,099**	12,031
Depreciation and amortization	**14,090**	12,988
Consulting services	**10,996**	12,842
Rent	**5,253**	4,905
Fines and penalties	**3,951**	(2,066)
Provision for doubtful debts	**2,167**	3,320
Other	**33,014**	28,123
	198,544	171,402

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

20. TRANSPORTATION AND SELLING EXPENSES

Transportation and selling expenses comprised the following:

In millions of Tenge	**For the six months ended June 30, 2013 (unaudited)**	For the six months ended June 30, 2012 (unaudited)
Rent tax	**76,506**	82,921
Transportation	**25,417**	58,270
Export customs duty	**23,663**	20,134
Personnel costs	**8,915**	7,674
Depreciation and amortization	**5,867**	6,931
Commission fees to agents and advertising	**4,141**	4,624
Other	**8,310**	7,790
	152,819	188,344

21. IMPAIRMENT LOSS

Impairment loss comprised the following:

In millions of Tenge	**For the six months ended June 30, 2013 (unaudited)**	For the six months ended June 30, 2012 (unaudited)
Impairment/(reversal) of investments in joint ventures and associates	**70,475**	(2,705)
Impairment of property, plant and equipment and intangible assets	**58,543**	3,813
Impairment/(reversal) of loans to customers	**23,431**	(2,679)
Reversal of impairment of amounts due from credit institutions	**(9,599)**	(296)
Impairment of goodwill	**–**	586
(Reversal)/impairment of other financial assets	**(163)**	271
Other impairment	**823**	2,108
	143,510	1,098

22. OTHER OPERATING EXPENSES

During the six months ended June 30, 2012 other operating expenses mainly represent loss on recognition of recovery units at nominal amount of BTA Bank in the amount of 628,572 million Tenge.

As at April 23, 2012 BTA Bank announced the suspension of all payments in respect of recovery units, nominal amount of which totalled to 5,221,494,216 US Dollars (equivalent to 772,207 million Tenge). As at April 28, 2012 BTA Bank received notice of early redemption of the recovery units from BNY Mellon Corporate Trustee Services Limited, as trustee for the recovery units holders. As a result, for the six months ended June 30, 2012 BTA Bank recognized expenses on recognition of recovery units at reference value in the amount of 628,572 million Tenge in the interim consolidated statement of comprehensive income.

23. FINANCE COSTS

In millions of Tenge	**For the six months ended June 30, 2013 (unaudited)**	For the six months ended June 30, 2012 (unaudited)
Interest on loans and debt securities issued	**96,265**	81,263
Unwinding of discount on provisions and other payables	**2,340**	4,084
Interest on finance lease obligations	**1,914**	1,396
Other	**11,524**	6,054
	112,043	92,797

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

24. SHARE OF INCOME IN JOINT VENTURES AND ASSOCIATES

Share of income in joint ventures and associates comprised the following:

In millions of Tenge	**For the six months ended June 30, 2013 (unaudited)**	For the six months ended June 30, 2012 (unaudited)
Tengizchevroil LLP	**149,479**	141,347
Mangistau Investments B.V.	**27,021**	33,532
JV KazGerMunay LLP	**20,038**	21,349
PetroKazakhstan Inc.	**15,037**	22,438
Asian Gas Pipeline LLP	**11,440**	–
KazRosGas JSC	**10,354**	21,110
Ekibastuzskaya GRES-1 LLP	**7,462**	10,790
JV Katko LLP	**6,740**	2,068
Kazakhoil-Aktobe LLP	**6,073**	6,864
Other	**26,213**	24,908
	279,857	284,406

25. CONSOLIDATION

The following subsidiaries have been included in these interim condensed consolidated financial statements:

	June 30, 2013 (unaudited)	December 31, 2012 (audited)
National Company "KazMunayGas" JSC ("NC KMG") and subsidiaries	**100.00%**	100.00%
National Company "Kazakhstan Temir Zholy" JSC ("NC KTZh") and subsidiaries	**100.00%**	100.00%
National Atomic Company "Kazatomprom" JSC ("NAC KAP") and subsidiaries	**100.00%**	100.00%
Kazakhtelecom JSC ("KTC") and subsidiaries	**51.00%**	51.00%
Samruk-Energy JSC ("Samruk-Energy") and subsidiaries	**100.00%**	100.00%
Kazakhstan Electricity Grid Operating Company JSC ("KEGOC") and subsidiaries	**100.00%**	100.00%
Air Astana JSC ("Air Astana")	**51.00%**	51.00%
BTA Bank JSC ("BTA Bank") and subsidiaries	**97.26%**	97.28%
Alliance Bank JSC ("Alliance Bank") and subsidiaries	**67.00%**	67.00%
Kazpost JSC	**100.00%**	100.00%
National Company "Kazakhstan Engineering "JSC ("Kazakhstan Engineering") and subsidiaries	**100.00%**	100.00%
Real Estate Fund "Samruk-Kazyna" JSC	**100.00%**	100.00%
Samruk-Kazyna Contract LLP	**100.00%**	100.00%
National Mining Company "Tau-Ken Samruk" and subsidiaries	**100.00%**	100.00%
Kazakh Research Power Engineering Institute named after Chokin JSC	**50%+1**	50%+1
United Chemical Company LLP ("UCC") and subsidiaries	**100.00%**	100.00%
Samruk-Kazyna Invest LLP	**100.00%**	100.00%
KOREM JSC	**100.00%**	100.00%
International Airport Aktobe JSC	**100.00%**	100.00%
International airport Atyrau JSC	**100.00%**	100.00%
Airport Pavlodar JSC	**100.00%**	100.00%
Karagandagiproshaht and K LLP	**90.00%**	90.00%
Temirbank JSC	**79.88%**	79.90%
KGF SLP	**100.00%**	100.00%
KGF IM	**100.00%**	100.00%
KGF Management	**100.00%**	100.00%
National Exploration Company "Kazgeology" JSC	**100.00%**	100.00%
Samruk-Kazyna Finance LLP	**100.00%**	100.00%
Logic Business LLP	**100.00%**	–
Logic Invest Capital LLP	**100.00%**	–
Investment House Dana LLP	**100.00%**	–
Development Bank of Kazakhstan JSC ("DBK") and subsidiaries	–	100.00%
Entrepreneurship Development Fund "Damu" JSC ("Damu")	–	100.00%
Kazyna Capital Management JSC ("KCM") and subsidiaries	–	100.00%
Doszhan Temir Zholy JSC	–	94.96%
Investment Fund of Kazakhstan JSC	–	100.00%
State Corporation for Insurance of Export Credit and Investments "KazExportGarant" JSC	–	100.00%
SK Pharmacy LLP	–	100.00%

26. SIGNIFICANT NON-CASH TRANSACTIONS

Non-cash transactions during the six months ended June 30, 2013, including the following, have been excluded from the interim consolidated statement of cash flows:

1. Loss of control over development institutes, financial organizations, SK-Pharmacy LLP and Doszhan Temyr Zholy JSC (*Note 5, 13.4*);
2. Transfer of 58,876,793 common shares of Kazakhmys PLC to the state ownership by their transfer to the State Property and Privatization Committee of the Republic of Kazakhstan (*Note 9, 13.4*);
3. Discount on bonds at below market rates purchased by the NBRK, in the amount of 249,828 million Tenge (*Note 13.2*);
4. Increase of provision for future construction costs related to the History Museum and reversal of obligations on the transfer of the North-Caspian environmental base for oil spill response to the Ministry of Emergency of the Republic of Kazakhstan (*Note 13.6*);
5. Purchase of property by the off-set of advances paid in the amount of 23,635 million Tenge;
6. Transfer of Pupil's Palace to municipal ownership of Astana city in the amount of 22,801 million Tenge.

27. RELATED PARTIES TRANSACTIONS

The following table provides the total amount of transactions, which have been entered into with related parties during the six months ended June 30, 2013 and 2012 and the related balances as at June 30, 2013, and December 31, 2012, respectively:

In millions of Tenge		Associates	Joint ventures in which the Group is a venturer	Other state-controlled entities	Other related parties
Due from related parties	**June 30, 2013**	**5,340**	**23,769**	**3,895**	**584**
	December 31, 2012	60,684	16,352	5,054	199
Due to related parties	**June 30, 2013**	**13,560**	**35,068**	**1,791**	**102**
	December 31, 2012	22,924	52,693	1,710	101
Sale of goods and services	**June 30, 2013**	**26,477**	**94,981**	**39,803**	**952**
	June 30, 2012	34,518	93,535	49,555	880
Purchase of goods and services	**June 30, 2013**	**23,951**	**133,566**	**5,605**	**10**
	June 30, 2012	7,584	128,122	8,450	3
Current accounts and deposits (liability)	**June 30, 2013**	**25**	**1,289**	**30,748**	**216**
	December 31, 2012	290	19	13,209	624
Current accounts and deposits (asset)	**June 30, 2013**	**6,447**	**–**	**186,139**	**–**
	December 31, 2012	4,296	–	517,482	–
Loans provided	**June 30, 2013**	**15,748**	**45,077**	**142,585**	**5,841**
	December 31, 2012	7,698	51,275	19,835	27,159
Loans received	**June 30, 2013**	**37**	**7**	**1,186,225**	**–**
	December 31, 2012	48	–	779,774	–
Other assets	**June 30, 2013**	**26**	**60,779**	**59,050**	**1**
	December 31, 2012	739	33,157	143,356	980
Other liabilities	**June 30, 2013**	**191**	**220**	**26,980**	**7**
	December 31, 2012	411	371	20,903	2
Interest received	**June 30, 2013**	**892**	**2,698**	**6,133**	**4,072**
	June 30, 2012	923	–	3,229	253
Interest accrued	**June 30, 2013**	**144**	**2,467**	**26,537**	**3**
	June 30, 2012	1	–	32,234	183

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

27. RELATED PARTY TRANSACTIONS (continued)

As at June 30, 2013, some of the Group's borrowings of 46,001 million Tenge were guaranteed by the Government of the Republic of Kazakhstan (December 31, 2012: 69,907 million Tenge).

Total compensation to key management personnel included in personnel costs in the accompanying interim consolidated statement of comprehensive income was 5,828 million Tenge during the six months ended June 30, 2013 (during the six months ended June 30, 2012: 4,448 million Tenge). Compensation to key management personnel mainly consists of contractual salary and performance bonus based on operating results.

28. FAIR VALUES OF FINANCIAL INSTRUMENTS

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

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

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

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

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

In millions of Tenge	Level 1	Level 2	Level 3	June 30, 2013 (unaudited)
Financial instruments category				
Available-for-sale financial assets	**89,518**	**14,340**	**–**	**103,858**
Financial assets at fair value through profit and loss	**2,506**	**10,651**	**820**	**13,977**
Trading securities	**60,006**	**–**	**–**	**60,006**
Derivative financial assets	**–**	**47,815**	**–**	**47,815**
Derivative financial liabilities	**285**	**101**	**–**	**386**

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

Reconciliation of the beginning balance and ending balance based on the Level 3 hierarchy of the fair value as at June 30, 2013 is presented as follows:

In millions of Tenge	Available-for-sale financial assets	Financial assets at fair value through profit/loss	Trading securities	Derivative financial assets	Total financial assets
As at January 1, 2013	**6,441**	**14,715**	**–**	**32**	**21,188**
Total profit/(loss) recognized in profit and loss	72	–	–	–	**72**
Total profit/(loss) recognized in the other comprehensive income	244	–	–	–	**244**
Acquisition	–	2,254	–	8	**2,262**
Sale	–	(611)	–	–	**(611)**
Repayment	(207)	–	–	–	**(207)**
Discontinued operations	(6,550)	(16,358)		(40)	**(22,948)**
Others		820	–		**820**
As at June 30, 2013	**–**	**820**	**–**	**–**	**820**

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

28. FAIR VALUES OF FINANCIAL INSTRUMENTS (continued)

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

	Carrying value		Fair value	
In millions of Tenge	June 30, 2013 (unaudited)	December 31, 2012 (audited)	June 30, 2013 (unaudited)	December 31, 2012 (audited)
Financial assets				
Loans to customers, net	**1,873,961**	2,051,710	**1,910,431**	2,111,794
Amounts due from credit institutions	**1,407,706**	1,338,407	**1,407,400**	1,337,612
Other financial assets	**363,605**	732,743	**363,537**	732,601
Trade accounts receivable, net	**292,683**	342,257	**292,683**	342,257
Cash and cash equivalents	**1,376,918**	1,465,548	**1,376,918**	1,465,999
Financial liabilities				
Borrowings	**4,310,816**	4,196,621	**4,408,057**	4,443,049
Loans from the Government of the Republic of Kazakhstan	**777,548**	770,641	**733,036**	718,656
Finance lease liabilities	**47,996**	43,738	**47,996**	43,866
Amounts due to the customers	**740,418**	742,721	**763,219**	759,131
Trade and other accounts payables	**381,588**	496,798	**381,588**	496,798
Other current and non-current liabilities	**438,667**	428,159	**448,364**	428,159

29. COMMITMENTS AND CONTINGENCIES

As at June 30, 2013 there were no significant changes in commitments and contingencies of the Group, disclosed in the annual consolidated financial statements as at December 31, 2012, except for the following:

Legal proceedings

BTA Bank

Claims in Turkey

In accordance with the decision of the Commercial Court of Istanbul dated February 7, 2012 at the request of Türkiye Vakiflar Bankasi TAO a provisional seizure was imposed on 101,726,214 shares of Şekerbank TAŞ owned by the Fund's subsidiary, BTA Securities, together with the prohibition to transfer these shares to third parties. The issue regarding removal of seizure of shares belonging to BTA Securities was considered during court session on May 13, 2013. Based on the results of the court session, the court compelled Turkiye Vakiflar Bankasi T.A.O. to execute a number of proceedings associated with payment of the government duty within 10 days. As a result, the plaintiff provided a guarantee letter of Türkiye İş Bankası dated May 17, 2013 in the amount of 24,000,000 US Dollars for safekeeping of the court. The next hearing will take place on September 11, 2013. As of the issue date of these interim condensed consolidated financial statements an unfavourable outcome of the legal case is not expected.

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

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

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

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

29. COMMITMENTS AND CONTINGENCIES (continued)

Legal proceedings (continued)

BTA Bank (continued)

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

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

During end of May and beginning of June, the Romanian Parliament passed the law to approve the Memorandum of Understanding signed on February 15, 2013 by the Office of State Ownership and Privatization in Industry ("OPSPI"), representing the Romanian State and The Rompetrol Group. The Constitutional Court rejected the challenge of unconstitutional matter submitted by a numbers of MPs (the decision has been issued within the Official Gazette dated July 31, 2013). Therefore the law has been submitted to the President for promulgation. The President exercised his constitutional right and asked the Parliament to review again the law. Further technical interpretations are expected to be clarified in the next period. As a result, Management of the KMG believes that the matter will be resolved on the basis as outlined in the Memorandum of Understanding.

Litigations related to Rompetrol

As at June 30, 2013 TRG was engaged in litigations against the Competition Council of the European Union and SC Bioromoil SRL in the amount of 7.6 billion Tenge and 4.7 billion Tenge, respectively. On February 12, 2013 a court hearing was held, where SC Bioromoil SRL was did not provide substantive evidence to support its position. On February 14, 2013, the London Court of International Arbitration (LCIA) granted a 2-week period for further evidence presentation regarding the origin of the biodiesel. On July 7, 2013 LCIA issued a partial award which held that the TRG is liable in principal to Bioromoil for the amount of Bioromoil's liability to the tax authorities; however, no order was made to TRG to pay to Bioromoil. In accordance with representation of TRG lawyers, Management of KMG believes that it has a strong ground to win these litigations and assessed the risks relating to these issues as possible. Thus, no provision has been recognized in these interim condensed consolidated financial statements for this matter.

Environment liabilities

Ozenmunaigas environmental audit

On January 25, 2013 JSC "Ozenmunaigas", KMG EP subsidiary, received a notification from the Environmental Protection Department of Mangystau Region to pay 59,345 million Tenge in the fines for environmental damage to the state budget. Total amount was determined as a result of an audit that covered the period from August 27, 2011 to November 12, 2012. JSC "Ozenmunaigas" disagreed with this notification and on February 26, 2013 filed an appeal to the Specialized Interregional Economic Court of Mangystau Region stating that the act was illegal and that calculations were not reliable. On March 7, 2013 the Environmental Protection Department of Mangystau Region filed a claim with the same Court for the forced payment of the fines.

On May 22, 2013 the Court satisfied the appeal of JSC "Ozenmunaigas" in full. The Court ruled the inspection carried out by the Environmental Protection Department of Mangystau Region to be invalid, and the act, instructions on corrective actions and calculations illegal. The Court rejected the claim of the Environmental Protection Department of Mangystau Region for the forced payment of the fines. On June 6, 2013 the Environmental Protection Department of Mangystau Region filed an appeal to the Judicial Panel of Appeals on Civil and Administrative Cases of Mangystau Regional Court. This appeal was rejected by the Judicial Panel of Appeals on July 9, 2013. The Group expects that the Environmental Protection Department of Mangystau Region will file further appeals to courts of higher authority.

Management believes that JSC "Ozenmunaigas" has a strong position on this issue, as the audit was carried out with gross violations of the laws of the Republic of Kazakhstan in relation to procedure for the audit process, and the Environmental Protection Department of Mangystau Region has no reliable evidence confirming the damage to the environment, as required by the civil procedure and Environmental Code of the Republic of Kazakhstan.

KMG EP believes that it will continue to successfully appeal the results of the audit and the request for payment for damages to the environment. Therefore, no provision has been accrued for this matter as at June 30, 2013 in the interim condensed consolidated financial statements of the Group.

29. COMMITMENTS AND CONTINGENCIES (continued)

Commitments under petroleum licenses and contracts

As at June 30, 2013 the Group had following commitments on fulfillment of minimal work programs with respect to the requirements of its petroleum licenses and related subsoil use contracts with the Government (in millions of Tenge):

Year	Capital expenditures	Operational expenditures
2013	204,646	46,502
2014	167,467	40,071
2015	16,245	37,326
2016	13,657	39,106
2017-2024	41,670	281,513
Total	**443,685**	**444,518**

Other contractual commitments

As at June 30, 2013 the capital commitments of the Group under the contracts on acquisition of plant, property and equipment amounted to 80,340 million Tenge (December 31, 2012: 36,426 million Tenge).

Capital commitments

Samruk-Energy

In accordance with the Agreements on Investment Obligations with the Ministry of Industry and New Technologies of the Republic of Kazakhstan, the Group entities involved in the electricity generation have investment obligations as at June 30, 2013 in the amount of 7,833 million Tenge.

As at June 30, 2013 Samruk Energy's share in the capital expenditure commitments of Forum Muider, Ekibastuzkaya GRES-1 and Ekibastuzskaya GRES-2, joint ventures of the Group *(Note 7)*, were equal to 112,541 million Tenge (December 31, 2012: 57,501 million Tenge).

KEGOC

To ensure the stable and reliable performance of the national electricity grid, KEGOC developed a capital investment plan. As at June 30, 2013, the Group's outstanding contractual commitments within the frameworks of this plan was equal to 83,205 million Tenge (December 31, 2012: 31,678 million Tenge).

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

As at June 30, 2013 Real Estate Fund had contractual commitments amounting to 23,733 million Tenge under agreements with construction companies (December 31, 2012: 16,013 million Tenge).

Cost recovery audit (KMG Kashagan)

Under the base principles of the North Caspian Production Sharing Agreement («NCPSA»), the state transferred to the NCPSA participants (the "Contractors") exclusive rights to conduct activity involving a subsoil area, but did not transfer rights to such subsoil area into either ownership or lease. Therefore, all extracted and processed hydrocarbons (i.e. production) are the property of the state. The work is carried out on a compensation basis, with the state paying the Contractors not in cash, but with a portion of the oil production, thus allowing the Contractors to recover their costs and earn profits. This is so-called production sharing, i.e. the sharing of the results of the work carried out by the investor.

Under the NCPSA not all the costs incurred by the Contractors may be recovered. All expenditures shall be approved by the Management Committee («ManCom») for recovery.

NC KMG considers that all recoverable expenditures of the NCPSA Operator are appropriately classified in accordance with the NCPSA and that those identified as recoverable expenditures are eligible for recovery as at June 30, 2013.

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

29. COMMITMENTS AND CONTINGENCIES (continued)

Cost recovery audit (KMG Kashagan) (continued)

As a result of cost recovery audits performed for the period from 2001 to 2008 expenditures in the amount of 7,975 million US Dollars (1,209,409 million Tenge as at June 30, 2013) were disallowed from cost recovery. NC KMG share in the expenditures was 1,340 million US Dollars (203,211 million Tenge as at June 30, 2013). As a result of the work performed by the Contractors to resolve the comments, on November 28, 2011 the Competent Authority (PSA LLP) and the Contractors signed the resolution, according to which the disallowed for recovery costs were reduced to 2,959 million US Dollars (448,732 million Tenge as at June 30, 2013) with NC KMG share amounting to 497 million US Dollars (75,370 million Tenge as at June 30, 2013).

Within the framework of the Settlement Agreement further negotiations with the Competent Authority were concluded and resulted in the downward revision of the costs disallowed for recovery to 230 million US Dollars (34,880 million Tenge as at June 30, 2013) with the NC KMG share amounting to 39 million US Dollars (5,914 million Tenge as at June 30, 2013).

Cost recovery audit for 2009 was completed in 2012. As a result of the audit performed costs in the amount of 875 million US Dollars (132,694 million Tenge as at June 30, 2013) were disallowed for recovery, with NC KMG share amounting to 147 million US Dollars (22,293 million Tenge as at June 30, 2013). As a result of the cost recovery audit for 2010 costs in the amount 1,336 million US Dollars were disallowed for recovery, with NC KMG share amounting to 224 million US Dollars.

Further negotiations are conducted to resolve the issue in favor of the Contractors.

Commitments on repetitive use of anti-crisis funds

In accordance with the minute No. 17-5/И-380 and the minute No. 17-5/11-10 of the State committee on issues related to modernization of the economy in the Republic of Kazakhstan, the Fund is obliged to finance certain investment projects in the total amount of 514,718 million Tenge during 2012-2014. Taking into account investments made in 2012 and during the six months ended June 30, 2013 and also redistribution of the funds between projects, the Fund's commitments for 2013-2014 as at June 30, 2013 are equal to 261,188 million Tenge (December 31, 2012: 415,324 million Tenge), including the following projects:

The Fund Financing of a housing construction program – implementation of the "Available housing" program

In accordance with the Resolution of the Government No. 821 dated June 21, 2012, the Fund and the National Fund are obliged finance housing construction through Real Estate Fund "Samruk-Kazyna" JSC. In accordance with the minutes No. 17-5/11-10 of the State committee on issues related to modernization of the economy in the Republic of Kazakhstan the Fund redistributed 56,615 million Tenge from "Available housing" program to the investment project "Construction of gas pipeline "West-North-Center" (through Kartaly-Tobol-Kokshetau-Astana). As at June 30, 2013 the Fund's commitments dedicated to finance the "Available housing" program with redistribution were equal to 17,200 million Tenge (December 31, 2012: 36,200 million Tenge).

Implementation of the Fund's investment projects

As at June 30 2013, the Fund's commitments to finance other investment projects amounted to 243,988 million Tenge (December 31, 2012: 379,124 million Tenge).

In accordance with the minute No. 17-5/11-10 dated January 30, 2013 of the State committee on issues related to modernization of economy in the Republic of Kazakhstan the Fund is obliged to finance investment project "Construction of gas pipeline "West-North-Center" (through Kartaly-Tobol-Kokshetau-Astana) for the total amount of 60,000 million Tenge using own funds of the Fund and/or of NC KMG, including 20,000 million Tenge which are planned for allocation by NC KMG.

In addition, these funds and funds redistributed from the "Available housing" program are planned to be compensated from the Republican budget in 2014 by increasing the share capital of the Fund in the amount of 122,707 million Tenge.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

30. SEGMENT REPORTING

The following represents information about profit and loss, and assets and liabilities of the Group's operating segments as at June 30, 2013 and for the six months then ended:

In millions of Tenge	Oil and gas	Mining	Transportation	Telecommunication	Energy	Financial and innovation institutions	Corporate center and projects	Elimination	Total
Revenues from sales to external customers	1,399,195	120,517	456,425	99,885	96,292	114,583	47,776	-	**2,334,673**
Revenues from sales to other segments	18,896	13,104	7,574	2,524	8,783	32,006	84,095	(166,982)	**-**
Total revenue	1,418,091	133,621	463,999	102,409	105,075	146,589	131,871	(166,982)	2,334,673
Gross profit	**427,946**	**29,137**	**142,255**	**30,001**	**27,630**	**60,438**	**64,206**	**(72,818)**	**708,795**
General and administrative expenses	(78,515)	(14,177)	(39,465)	(11,679)	(8,382)	(34,184)	(15,875)	3,733	**(198,544)**
Transportation and selling expenses	(146,133)	(2,555)	(2,652)	(2,086)	(123)	-	(522)	1,252	**(152,819)**
Finance income	17,281	2,755	2,566	2,911	2,703	1,849	19,880	(14,299)	**35,646**
Finance costs	(87,235)	(4,437)	(19,435)	(5,139)	(5,238)	(526)	(721)	10,688	**(112,043)**
Share of income in joint ventures and associates	245,672	18,372	172	-	14,498	1,143	-	-	**279,857**
Net foreign exchange (loss) / gain, net	(8,627)	(628)	(2,001)	(92)	(420)	(741)	378	(20)	**(12,151)**
Net loss for the period from discontinued operations	(164)	-	(2,737)	-	50	(2,290)	-	-	**(5,141)**
Income tax expense	(79,192)	(5,349)	(18,538)	(3,903)	(4,411)	6,450	(2,921)	-	**(107,864)**
Profit/(loss) for the period	**242,071**	**(30,430)**	**61,971**	**10,795**	**27,743**	**9,177**	**(8,928)**	**(5,454)**	**306,945**
Other segment information at June 30, 2013									
Total assets of the segment	7,506,440	956,461	2,357,980	471,270	844,239	2,691,376	5,449,357	(5,040,899)	**15,236,224**
Total liabilities of the segment	3,720,053	253,557	1,131,767	174,717	334,092	2,247,383	1,602,723	(1,635,250)	**7,829,042**
Investments in associates and joint ventures	991,379	315,056	26,647	-	243,622	101,196	-	(36,505)	**1,641,395**

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

30. SEGMENT REPORTING (continued)

The following represents information about profit and loss, and assets and liabilities of the Group's operating segments as at June 30, 2012 and for the six months then ended:

In millions of Tenge	Oil and gas	Mining	Transporta-tion	Telecommu-nication	Energy	Financial and innovation institutions	Corporate center and projects	Elimination	Total
Revenues from sales to external customers	1,432,794	104,677	427,865	93,210	66,234	109,378	67,728	–	**2,301,886**
Revenues from sales to other segments	14,395	10,387	7,196	2,300	6,078	36,715	178,970	(256,041)	–
Total revenue	1,447,189	115,064	435,061	95,510	72,312	146,093	246,698	(256,041)	**2,301,886**
Gross profit	**420,917**	**23,187**	**134,508**	**31,281**	**14,719**	**19,678**	**155,374**	**(158,328)**	**641,336**
General and administrative expenses	(59,989)	(11,873)	(39,037)	(11,628)	(7,213)	(37,404)	(7,752)	3,494	**(171,402)**
Transportation and selling expenses	(180,960)	(1,753)	(3,334)	(2,002)	(157)	–	(1,099)	961	**(188,344)**
Finance income	17,692	2,155	1,461	2,369	1,591	1,752	35,970	(33,165)	**29,825**
Finance costs	(78,202)	(6,631)	(13,865)	(4,842)	(3,313)	(270)	–	14,326	**(92,797)**
Share of income in joint ventures and associates	252,072	11,918	132	–	16,029	4,255	–	–	**284,406**
Losses from change in the value of recovery units	–	–	–	–	–	(628,572)	–	–	**(628,572)**
Net foreign exchange (loss)/gain, net	(7,452)	(1,306)	(2,245)	(735)	(13)	(7,416)	1,093	326	**(17,748)**
Net profit for the period from discontinued operations	–	–	–	201,996	–	(1,699)	–	–	**200,297**
Income tax expense	(85,394)	(2,663)	(18,347)	(3,159)	(2,899)	(1,013)	(4,338)	–	**(117,813)**
Profit/(loss) for the period	**277,788**	**11,361**	**62,244**	**214,003**	**20,943**	**(625,151)**	**168,103**	**(158,218)**	**(28,927)**
Other segment information at December 31, 2012									
Total assets of the segment	6,881,891	765,076	2,192,972	465,384	827,000	4,024,405	5,290,564	(5,212,165)	**15,235,127**
Total liabilities of the segment	3,265,866	310,479	1,105,356	179,357	339,583	3,147,174	1,628,499	(2,132,718)	**7,843,596**
Investments in associates and joint ventures	894,097	132,421	15,479	–	232,908	112,644	–	(36,505)	**1,351,044**

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

31. SUBSEQUENT EVENTS

Loans issued and received

NC KMG

On July 24, 2013 KazMunaiGas Refining and Marketing JSC and Pavlodar Oil Chemical Plant LLP entered in a credit line agreement in the amount of 100 million US Dollars with Natixis for one year. The purpose of the loan is to finance working capital. Interest rate is Libor (1month/2months/3months) + 2.15% annually. Borrowers pledged cash and cash equivalents of TH KazMunaiGas NV in the amount of 18 million US Dollars under the loan agreement.

Major part of cash received from the bonds issued by NC KMG in the amount of 3 billion US Dollars in 2013 *(Note 14)*, was used by the Group for the repayment of bonds and loans, issued and received previously:

- the repayment of 1.4 billion US Dollars Eurobonds issued in 2008;
- a partial redemption of bonds payable to Development Bank of Kazakhstan (quantity of 8 million bonds) in the amount of 8,114 million Tenge.

Changes in the Group structure

Fund

Transfer of legal title of shares in subsidiaries

In July 2013, for the purpose of Resolution of the Government of the Republic of Kazakhstan No. 516 dated May 25, 2013 "On measures for execution of the decree of the President of the Republic of Kazakhstan No 571 dated May22, 2013 "On certain measures for optimization of the managing system over the development institutions, financial organization and development of the national economy" Fund and the State Property and Privatization Committee of the Ministry of Finance of the Republic of Kazakhstan signed the exchange agreement whereby the legal title on share interest and share of participation in subsidiaries (Entrepreneurship Development Fund "Damu" JSC, Kazyna Capital Management JSC, Export-Credit Insurance Corporation "KazExportGarant" JSC, Investment Fund of Kazakhstan JSC, Development Bank of Kazakhstan JSC, SK Pharmacy LLP and National Geological Company "Kazgeology" JSC) were transferred to the state ownership in exchange for the state property in accordance with the list attached to the Government Resolution. As discussed in *Note 5* effective control over these subsidiaries was transferred initially to certain government organizations and then to National Managing Holding "Baiterek" JSC under the trust management agreements.

In August 2013, under the stated above exchange agreement Fund completed the transfer to the state ownership the share interest and share of participation in subsidiaries (Entrepreneurship Development Fund "Damu" JSC, Kazyna Capital Management JSC, Export-Credit Insurance Corporation "KazExportGarant" JSC, Investment Fund of Kazakhstan JSC, SK Pharmacy LLP and National Geological Company "Kazgeology" JSC).

Contributions to share capital

On July 18, 2013 in accordance with the Resolution of the Government No. 1539 dated December 4, 2012 the Fund received payment for the additionally placed 100% shares of "National Company "Aktau International Sea Commercial Port" JSC.

On August 2013 in accordance with the Resolution of the Government No. 939 "On certain matters on the state property" dated September 14, 2010 the Shareholder made contribution to share capital of the Fund for the amount of 8,352 million Tenge.

NC KMG

The North Caspian Production Sharing Agreement

In accordance with the Second Supplemental Agreement to the NCPSA requirements, on November 26, 2012 ConocoPhillips North Caspian Ltd. notified the NCPSA Contractors on its intention to dispose its interest in the NCPSA of 8.40% to ONGC Videsh Limited. The Republic of Kazakhstan as represented by the Company exercised its pre-emptive right under the NCPSA to acquire this interest with further transfer to KMG Kashagan B.V. In its turn, KMG Kashagan B.V. intends to sell its existing interest of 8.33% to CNPC Kazakhstan B.V.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

31. SUBSEQUENT EVENTS (continued)

Changes in the Group structure (continued)

On July 11, 2013 a purchase-sale agreement for 8.40% interest in the NCPSA between NC KMG (as buyer) and ConocoPhillips North Caspian Ltd. (as seller) was signed. At the same date a purchase-sale agreement for 8.40% interest in the NCPSA between NC KMG (as seller) and KMG Kashagan B. V. (as buyer) was signed. The purchase price of these transactions depends on the date of closure. If the transactions are closed by the end of September 2013, the estimated purchase price approximates 5.4 billion US Dollars.

NAC Kazatomprom

On August 23, 2013 the Group's subsidiary NAC Kazatomprom acquired common shares of "Center on UraniumEnrichment" CJSC for the amount of 2,592 million of russian rubles (equivalent to 11,974 million Tenge at exchange rate as at the acquisition date). The following acquisition does not affect the share in ownership.

Operations

Mineral extraction tax (KMG EP)

On July 2, 2013 the Tax Committee of Yessil district of Astana city provided a notification to KMG EP of 8,785 million Tenge for discrepancies identified between data reported in KMG EP MET tax returns and data provided by the Ministry of Oil and Gas of Republic of Kazakhstan for the period from 2009 to 2012. These discrepancies were caused by the fact that 2012 MET tax returns included amounts for the period when KMG EP was a party to the subsoil use contracts (when KMG EP carried out its activities on the license area through its production branches), whereas the information provided by the Ministry of Oil and Gas of Republic of Kazakhstan included production volumes of KMG EP and its subsidiaries JSC "Ozenmunaigas" and JSC "Embamunaigas" combined.

According to the tax authorities, KMG EP should have included in 2012 calculations of the MET rate the production volumes of JSC "Ozenmunaigas" and JSC "Embamunaigas" as well, even though transfer of subsoil use contracts took place during 2012. However, based on norms stipulated in the Kazakhstan tax legislation KMG EP believes that the obligation to pay MET should be calculated based upon only the period when it was a party to subsoil use contracts itself.

KMG EP disagrees with the above notification and plans to appeal it with respective government authorities. As management believes that it is more likely than not that KMG EP will be successful in its appeal, no provisions in relation to this matter have been made in the interim condensed consolidated financial statements as at June 30, 2013.

Other events

On September 4, 2013 the Group acquired an aircraft A320 under a finance lease agreement from Airbus company.