

“Sovereign Wealth Fund “Samruk-Kazyna” JSC

Interim condensed consolidated financial statements (unaudited)

As at September 30, 2016 and for the three and nine months then ended

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Report on review of interim condensed consolidated financial statements

Interim condensed consolidated financial statements

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INTERIM CONSOLIDATED BALANCE SHEET

| <i>In millions of tenge</i> | Note | September 30, 2016 (unaudited) | December 31, 2015 (audited)* |
|--|------|--------------------------------------|------------------------------------|
| Assets | | | |
| Non-current assets | | | |
| Property, plant and equipment | 6 | 10,729,491 | 10,327,720 |
| Exploration and evaluation assets | 7 | 437,886 | 424,509 |
| Intangible assets | | 228,386 | 216,480 |
| Investment property | | 9,585 | 12,493 |
| Investments in joint ventures and associates | 8 | 2,700,676 | 2,547,103 |
| Loans to customers | | 600,703 | 601,673 |
| Amounts due from credit institutions | 9 | 679,712 | 666,231 |
| Deferred tax assets | | 100,903 | 116,443 |
| Other non-current financial assets | | 178,808 | 178,941 |
| Other non-current assets | 10 | 555,539 | 607,916 |
| | | 16,221,689 | 15,699,509 |
| Current assets | | | |
| Inventories | | 329,668 | 318,344 |
| VAT receivable | | 202,723 | 196,805 |
| Income tax prepaid | | 88,991 | 79,947 |
| Trade accounts receivable | 11 | 271,178 | 283,248 |
| Loans to customers | | 117,656 | 121,241 |
| Amounts due from credit institutions | 9 | 2,004,757 | 1,492,619 |
| Other current financial assets | | 13,419 | 15,000 |
| Other current assets | 11 | 405,761 | 287,050 |
| Cash and cash equivalents | 12 | 1,485,862 | 1,206,557 |
| | | 4,920,015 | 4,000,811 |
| Assets classified as held for sale | 5 | 1,188,129 | 1,189,364 |
| Total assets | | 22,329,833 | 20,889,684 |

The accounting policies and explanatory notes on pages 9 through 39 form an integral part of these interim condensed consolidated financial statements.

INTERIM CONSOLIDATED BALANCE SHEET (continued)

| <i>In millions of tenge</i> | Note | September 30, 2016 (unaudited) | December 31, 2015 (audited)* |
|--|------|--------------------------------------|------------------------------------|
| Equity and liabilities | | | |
| Equity attributable to equity holder of the Parent | | | |
| Share capital | 13.1 | 4,977,135 | 4,916,269 |
| Currency translation reserve | | 1,001,109 | 1,025,930 |
| Revaluation reserve for available-for-sale investments | | 29,370 | 32,817 |
| Hedging reserve | | (57,943) | (59,171) |
| Other capital reserves | | (15,349) | (13,922) |
| Retained earnings | | 3,224,693 | 2,971,941 |
| | | 9,159,015 | 8,873,864 |
| Non-controlling interest | | 1,632,325 | 1,527,508 |
| Total equity | | 10,791,340 | 10,401,372 |
| Non-current liabilities | | | |
| Borrowings | 14 | 5,369,135 | 5,375,804 |
| Loans from the Government of the Republic of Kazakhstan | 15 | 935,784 | 859,715 |
| Deferred tax liability | | 575,885 | 527,014 |
| Provisions | | 257,482 | 271,553 |
| Finance lease liabilities | | 120,188 | 134,833 |
| Employee benefit liability | | 75,765 | 72,439 |
| Other non-current liabilities | 16 | 1,489,696 | 839,819 |
| | | 8,823,935 | 8,081,177 |
| Current liabilities | | | |
| Borrowings | 14 | 550,895 | 716,907 |
| Loans from the Government of the Republic of Kazakhstan | 15 | 15,896 | 6,722 |
| Provisions | | 222,794 | 220,920 |
| Finance lease liabilities | | 18,301 | 19,364 |
| Employee benefit liability | | 5,961 | 6,384 |
| Income taxes payable | | 12,968 | 9,490 |
| Trade and other payables | | 484,369 | 506,213 |
| Other current liabilities | 17 | 816,147 | 355,968 |
| | | 2,127,331 | 1,841,968 |
| Liabilities associated with assets classified as held for sale | 5 | 587,227 | 565,167 |
| Total liabilities | | 11,538,493 | 10,488,312 |
| Total equity and liabilities | | 22,329,833 | 20,889,684 |

* Certain amounts shown here do not correspond to 2015 consolidated financial statements and reflect reclassification made details of which are disclosed in Note 2.

Acting as the Managing Director for Finance and Operations


Yernar Zhanadil

Chief accountant




Almaz Abdurakhmanova

The accounting policies and explanatory notes on pages 9 through 39 form an integral part of these interim condensed consolidated financial statements.

INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

| <i>In millions of tenge</i> | Note | For the three months ended September 30 | | For the nine months ended September 30 | |
|---|------|--|----------------------|---|----------------------|
| | | 2016 (unaudited) | 2015* (unaudited) | 2016 (unaudited) | 2015* (unaudited) |
| Continuing operations | | | | | |
| Revenue | 18 | 1,057,503 | 791,986 | 2,760,446 | 2,158,748 |
| Government grants | | 2,601 | 4,804 | 21,025 | 19,576 |
| | | 1,060,104 | 796,790 | 2,781,471 | 2,178,324 |
| Cost of sales | 19 | (858,762) | (656,294) | (2,297,115) | (1,868,994) |
| Gross profit | | 201,342 | 140,496 | 484,356 | 309,330 |
| General and administrative expenses | 20 | (77,282) | (87,655) | (242,328) | (246,774) |
| Transportation and selling expenses | 21 | (54,312) | (49,489) | (158,296) | (149,570) |
| (Impairment loss) /reversal of impairment, net | 22 | 5,901 | (3,613) | (23,085) | (22,865) |
| Gain on disposal of subsidiaries | | 2,202 | 282 | 44,321 | 2,242 |
| Operating profit/(loss) | | 77,851 | 21 | 104,968 | (107,637) |
| Finance costs | 23 | (97,466) | (75,287) | (292,210) | (215,309) |
| Finance income | 24 | 115,368 | 39,488 | 215,873 | 114,400 |
| Other non-operating loss | | (5,760) | (10,094) | (21,078) | (22,681) |
| Other non-operating income | | 8,820 | 12,182 | 32,262 | 33,148 |
| Share in profit/(loss) of joint ventures and associates, net | 25 | 56,650 | (25,335) | 219,918 | 102,004 |
| Net foreign exchange (loss)/gain | | (11,777) | 319,147 | (16,397) | 331,583 |
| Profit/(loss) before income tax | | 143,686 | 260,122 | 243,336 | 235,508 |
| Income tax expenses | | (70,005) | (56,076) | (177,991) | (136,596) |
| Net profit for the period from continuing operations | | 73,681 | 204,046 | 65,345 | 98,912 |
| Discontinued operations | | | | | |
| Profit from discontinued operations, net of income tax | 5 | 95,576 | 77,459 | 332,291 | 296,803 |
| Net profit for the period | | 169,257 | 281,505 | 397,636 | 395,715 |
| Net profit for the period attributable to: | | | | | |
| Equity holder of the Parent | | 125,343 | 224,257 | 292,195 | 322,148 |
| Non-controlling interest | | 43,914 | 57,248 | 105,441 | 73,567 |
| | | 169,257 | 281,505 | 397,636 | 395,715 |

*The accounting policies and explanatory notes on pages 9 through 39 form
an integral part of these interim condensed consolidated financial statements.*

INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (continued)

| <i>In millions of tenge</i> | Note | For the three months ended September 30 | | For the nine months ended September 30 | |
|---|------|--|----------------------|---|----------------------|
| | | 2016 (unaudited) | 2015* (unaudited) | 2016 (unaudited) | 2015* (unaudited) |
| Other comprehensive income | | | | | |
| <i>Other comprehensive income to be reclassified to profit or loss in subsequent periods:</i> | | | | | |
| Exchange differences on translation of foreign operations | | (22,988) | 372,303 | (26,806) | 390,745 |
| Unrealized loss from revaluation of available-for-sale investments | | (504) | (3,243) | (3,090) | (14,724) |
| Gain/(loss) on transactions with hedge instruments | | 2,095 | (46,588) | 3,375 | (46,586) |
| Net realized (loss)/gain on available-for-sale investments | | 213 | - | (357) | - |
| Tax effect on transactions with hedge instrument | | (328) | 4,320 | (725) | 4,320 |
| Other comprehensive (loss)/income to be reclassified to profit or loss in subsequent periods | | (21,512) | 326,792 | (27,603) | 333,755 |
| <i>Other comprehensive income not to be reclassified to profit or loss in subsequent periods:</i> | | | | | |
| Share of the OCI items of associates and joint ventures | | 62 | - | (881) | - |
| Actuarial (loss)/gain on defined benefit plans | | 160 | 10 | (1,031) | 572 |
| Tax effect on transactions of OCI components | | (26) | 2 | 238 | (2) |
| Other comprehensive (loss)/profit not to be reclassified to profit or loss in subsequent periods | | 196 | 12 | (1,674) | 570 |
| Other comprehensive (loss)/income for the period | | (21,316) | 326,804 | (29,277) | 334,325 |
| Total comprehensive income for the period | | 147,941 | 608,309 | 368,359 | 730,040 |
| Total comprehensive income for the period, attributable to: | | | | | |
| Equity holder of the Parent | | 105,410 | 435,397 | 264,023 | 539,804 |
| Non-controlling interest | | 42,531 | 172,912 | 104,336 | 190,236 |
| | | 147,941 | 608,309 | 368,359 | 730,040 |

* Certain amounts given in this column are not consistent with the amounts in the interim condensed consolidated financial statements for the nine months ended September 30, 2015, since they reflect restatements of KMG International N.V. (subsidiary of NC KMG JSC) recorded within discontinued operations. Details are disclosed in Note 5.

Acting as the Managing Director for Finance and Operations



Yernar Zhanadil

Chief accountant




Almaz Abdrakhmanova

The accounting policies and explanatory notes on pages 9 through 39 form an integral part of these interim condensed consolidated financial statements.

INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (continued)

| <i>In millions of tenge</i> | Attributable to the equity holder of the Parent | | | | | | | Total | Non-controlling interest | Total |
|---|---|---------------|--|------------------------------|-----------------|------------------------|-------------------|-----------|--------------------------|-------|
| | Note | Share capital | Revaluation reserve for available-for-sale investments | Currency translation reserve | Hedging reserve | Other capital reserves | Retained earnings | | | |
| Balance as at December 31, 2014 (audited) | | 4,620,562 | 51,290 | 486,162 | - | (14,689) | 2,224,315 | 764,438 | 8,132,078 | |
| Total comprehensive income for the period | | - | (14,724) | 265,679 | (33,801) | - | 322,650 | 190,236 | 730,040 | |
| Issue of shares | | 245,501 | - | - | - | - | - | - | 245,501 | |
| Discount on loans from the Government | | - | - | - | - | - | 8,432 | 8,432 | 8,432 | |
| Dividends | | - | - | - | - | - | - | (21,307) | (21,307) | |
| Other transactions with the Shareholder | | - | - | - | - | - | (1,251) | (1,251) | (1,251) | |
| Other distributions to the Shareholder | | - | - | - | - | - | (20,948) | (20,948) | (20,948) | |
| Disposal of subsidiaries | | - | - | - | - | (8) | 125 | 117 | (13,870) | |
| Change in ownership interests of subsidiaries – acquisition by non-controlling interest | | - | - | (44,693) | - | (210) | 332,753 | 287,850 | 750,000 | |
| Other equity movements | | - | - | (122) | - | (40) | 563 | 401 | 388 | |
| Balance as at September 30, 2015 (unaudited) | | 4,866,063 | 36,566 | 707,026 | (33,801) | (14,947) | 2,866,639 | 1,381,634 | 9,809,180 | |

The accounting policies and explanatory notes on pages 9 through 39 form an integral part of these interim condensed consolidated financial statements.

INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (continued)

| In millions of tenge | Note | Attributable to the equity holder of the Parent | | | | | | | Total | |
|---|------|---|--|------------------------------|-----------------|------------------------|-------------------|-----------|-----------|--------------------------|
| | | Share capital | Revaluation reserve for available-for-sale investments | Currency translation reserve | Hedging reserve | Other capital reserves | Retained earnings | Total | | Non-controlling interest |
| Balance as at December 31, 2015 (audited) | | 4,916,269 | 32,817 | 1,025,930 | (59,171) | (13,922) | 2,971,941 | 8,873,864 | 1,527,508 | 10,401,372 |
| Total comprehensive income for the period | | - | (3,447) | (24,821) | 1,228 | - | 291,063 | 264,023 | 104,336 | 368,359 |
| Issue of share capital | 13.1 | 60,866 | - | - | - | - | - | 60,866 | - | 60,866 |
| Discount on loans from the Government | 13.2 | - | - | - | - | - | 4,007 | 4,007 | - | 4,007 |
| Dividends | 13.3 | - | - | - | - | - | - | - | (14,852) | (14,852) |
| Other distributions to the Shareholder | 13.4 | - | - | - | - | - | (38,732) | (38,732) | - | (38,732) |
| Change in ownership interests of subsidiaries – acquisition by non-controlling interest | 13.5 | - | - | - | - | - | (2,425) | (2,425) | 11,425 | 9,000 |
| Change in ownership interests of subsidiaries – acquisition of non-controlling interest | | - | - | - | - | - | (301) | (301) | 65 | (236) |
| Execution of share-based payments | | - | - | - | - | (3,250) | - | (3,250) | 3,250 | - |
| Other equity movements | | - | - | - | - | 1,823 | (860) | 963 | 593 | 1,556 |
| Balance as at September 30, 2016 (unaudited) | | 4,977,135 | 29,370 | 1,001,109 | (57,943) | (15,349) | 3,224,693 | 9,159,015 | 1,632,325 | 10,791,340 |



E. M. Zhanadil
Yernar Zhanadil

Almaz Abdalikhmanova
Almaz Abdalikhmanova

Chief accountant

The accounting policies and explanatory notes on pages 9 through 39 form an integral part of these interim condensed consolidated financial statements.

INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS

| <i>In millions of tenge</i> | Note | For the nine months ended September 30, 2016 (unaudited) | For the nine months ended September 30, 2015* (unaudited) |
|--|-------|--|---|
| Cash flows from operating activities | 5 | | |
| Profit before income tax from continuing operations | | 243,336 | 235,508 |
| Profit before income tax from discontinued operations | | 330,762 | 296,025 |
| Adjustments for items of continuing operations | | | |
| Depreciation, depletion and amortization | | 306,076 | 271,052 |
| Share in profit of joint ventures and associates, net | 8, 25 | (219,918) | (102,004) |
| Finance costs | 23 | 292,210 | 215,309 |
| Finance income | 24 | (215,873) | (114,400) |
| Impairment loss | 22 | 23,085 | 22,865 |
| Long-term employee benefits | | 6,726 | 10,526 |
| Provision charges | | 10,432 | 67,522 |
| Derivatives | | - | 4,639 |
| Loss on disposal of property, plant and equipment and other long term assets, net | | 519 | 5,185 |
| Gain on disposal of subsidiaries | | (44,321) | (2,242) |
| Gain on disposal of associates and joint ventures | | (7,202) | - |
| Allowance for doubtful debts | 20 | 4,691 | 13,205 |
| Unrealized foreign exchange loss/(gain), net | | 16,397 | (223,565) |
| Other transactions | | 11,503 | 8,354 |
| Significant items of disposal group classified as held for sale, shown as discontinued operations | | | |
| Depreciation, depletion and amortization | | - | 27,512 |
| Impairment loss | 5 | 37,946 | - |
| Cash flows from operating activities before working capital changes | | 796,369 | 735,491 |
| Changes in loans to customers | | 13,779 | 422,266 |
| Changes in amounts due from credit institutions | | 2,117 | 20,246 |
| Changes in other financial assets | | 5,712 | (14,599) |
| Changes in inventories | | (17,853) | (1,404) |
| Changes in VAT receivable | | (13,703) | 56,410 |
| Changes in trade accounts receivable | | 16,905 | (25,735) |
| Changes in other assets | | (146,289) | (81,463) |
| Changes in borrowings and loans from the Government of the Republic of Kazakhstan | | 122,955 | (338,126) |
| Changes in trade and other accounts payable | | 19,806 | (42,273) |
| Changes in amounts due to customers | | 4,424 | 2,740 |
| Change in prepayment on oil supply agreements | | 1,012,020 | - |
| Changes in other liabilities | | 111,546 | (13,303) |
| Cash generated by operating activities | | 1,927,788 | 720,250 |
| Income taxes paid | | (117,255) | (125,483) |
| Interest paid | | (253,717) | (160,236) |
| Interest received | | 101,593 | 118,447 |
| Net cash flows received from operating activities | | 1,658,409 | 552,978 |

*The accounting policies and explanatory notes on pages 9 through 39 form
an integral part of these interim condensed consolidated financial statements.*

INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS (continued)

| <i>In millions of tenge</i> | Note | For the nine months ended September 30, 2016 (unaudited) | For the nine months ended September 30, 2015* (unaudited) |
|--|-----------|--|---|
| Cash flows from investing activities | | | |
| (Placement)/withdrawal of bank deposits, net | | (554,054) | 2,233 |
| Acquisition of joint ventures and associates | | (3,377) | (13,138) |
| Purchase of property, plant and equipment | | (749,715) | (696,268) |
| Purchase of intangible assets | | (17,621) | (3,717) |
| Dividends received from joint ventures and associates | | 145,232 | 172,520 |
| Provision of loans | | (51,437) | (59,032) |
| Repayment of loans given | | 35,673 | 30,825 |
| Share capital reduction by joint ventures | | 12,495 | - |
| Other | | 20,241 | (14,864) |
| Net cash flows used in investing activities | | (1,162,563) | (581,441) |
| Cash flows from financing activities | | | |
| Proceeds from borrowings | | 687,529 | 594,391 |
| Repayment of borrowings | | (906,376) | (1,758,259) |
| Repayment of finance lease liabilities | | (14,628) | (13,724) |
| Contributions to the share capital | 13.1 | 56,400 | 118,910 |
| Distributions to the Shareholder | | (41,813) | (49,060) |
| Dividends paid to non-controlling interest of subsidiaries | | (17,946) | (17,527) |
| Acquisitions by non-controlling interest | 13.5 | 9,000 | 750,000 |
| Acquisition of non-controlling interest | | (236) | - |
| Net cash flows used in received from financing activities | | (228,070) | (375,269) |
| Net increase/(decrease) in cash and cash equivalents | | 267,776 | (403,732) |
| Effects of exchange rate changes on cash and cash equivalents | | (16,860) | 105,142 |
| Cash and cash equivalents, at the beginning of the period | | 1,262,210** | 1,234,305 |
| Cash and cash equivalents, at the end of the period | 12 | 1,513,126** | 935,715 |

* Certain amounts given in this column are not consistent with the amounts in the interim condensed consolidated financial statements for the nine months ended September 30, 2015, since they reflect restatements of KMG International N.V. (subsidiary of NC KMG JSC) recorded within discontinued operations. Details are disclosed in Note 5.

**

| | 30.09.2016 | 31.12.2015 |
|--|------------|------------|
| Cash and cash equivalents, at the end of the period | 1,513,126 | 1,262,210 |
| including: | | |
| disclosed as Cash and cash equivalents in the balance sheet | 1,485,862 | 1,206,557 |
| disclosed as part of Assets held for sale in the balance sheet | 27,264 | 55,653 |

Acting as the Managing Director for Finance and Operations

Yernar Zhanadil

Yernar Zhanadil

Chief accountant



Almaz Abdрахmanova

Almaz Abdрахmanova

The accounting policies and explanatory notes on pages 9 through 39 form an integral part of these interim condensed consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the nine months ended September 30, 2016

1. GENERAL INFORMATION

Corporate information

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

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

The Fund is a holding company combining state-owned enterprises listed in *Note 27* (the “Group”). Prior to February 22, 2012, the Fund’s activities were governed by the Law of the Republic of Kazakhstan “On National Welfare Fund” No. 134-4 dated February 13, 2009 and were aimed to assist in provision of stable development of the state economy, modernization and diversification of economy, and improvement of the Group companies’ efficiency. According to the Law of the Republic of Kazakhstan enacted on February 1, 2012 “*On Sovereign Wealth Fund*” No. 550-IV, the Fund’s activity is focused on improving sovereign wealth of the Republic of Kazakhstan by increasing the long-term value of the Group companies and by effective management of the Group assets.

For management purposes, the Group is organized into operating segments based on provided types of products and services (*Note 31*). The following classification, since these interim condensed consolidated financial statements changed as compared to the annual consolidated financial statements for 2015 is presented in eight operating segments:

- Oil and gas segment includes operations related to exploration and production of oil and gas, transportation of oil and gas and refining and trading of crude oil and refined products;
- Transportation segment includes operations related to railway and air transportation of cargo and passengers;
- Telecommunication segment includes operation of fixed line communication, including local, long-distance intercity and international telecommunication services (including CIS and non-CIS countries); and also renting out of lines, data transfer services and wireless communication services;
- Energy segment includes operations related to production and distribution of electricity, the function of oversight over the input of electricity into the energy system and consumption of imported electricity, the function of centralized operation and dispatch of facilities in the Unified Energy System of Kazakhstan;
- Mining segment includes exploration, mining, processing, sales of mineral resources and geological exploration;
- Industrial segment includes military industry enterprises and civil engineering, projects for the development of chemical industry;
- Corporate center segment covers Fund’s investing and financing activities, including provision of loans to related and third parties;
- Other segment includes operations related to assisting the Government in increasing housing availability by investing into residential development and other operations.

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

These interim condensed consolidated financial statements were authorised for issue by acting as the Managing Director for Finance and Operations and Chief accountant of the Fund on November 28, 2016.

Privatization plan

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

2. BASIS OF PREPARATION

These interim condensed consolidated financial statements for the nine months ended September 30, 2016 were prepared in accordance with International Accounting Standard No. 34 *Interim Financial Statements* (IAS 34). These interim condensed consolidated financial statements do not include all the information and disclosures required in the annual consolidated financial statements, and should be read in conjunction with the Group’s annual consolidated financial statements for the year ended December 31, 2015.

Foreign currency translation

Functional and presentation currency

Items included in the financial statements of each of the Group’s entities included in these interim condensed consolidated financial statements for the nine months ended September 30, 2016 are measured using the currency of the primary economic environment in which the entities operate (“the functional currency”). The interim condensed consolidated financial statements are presented in tenge (“tenge”), which is the Group’s presentation currency.

Transactions and balances

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

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

Group entities

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

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

Exchange rates

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

The following table presents foreign currency exchange rate to tenge:

| | September 30, 2016 | December 31, 2015 |
|----------------------------|-----------------------|----------------------|
| United States dollar (USD) | 335.46 | 340.01 |
| Euro (EUR) | 374.81 | 371.46 |
| Russian ruble (RUR) | 5.29 | 4.61 |
| Swiss franc (CHF) | 344.95 | 343.48 |

The currency exchange rate of KASE as at November 28, 2016 was 340.24 tenge to 1 US dollar.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

2. BASIS OF PREPARATION (continued)

Adoption of new and revised standards

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group’s annual consolidated financial statements for the year ended December 31, 2015, except for the adoption of new standards and interpretations effective as of January 1, 2016. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

New standards and amendments apply for the first time on January 1, 2016, do not have a material impact on the annual consolidated financial statements of the Group or the interim condensed consolidated financial statements of the Group:

- IFRS 14 *Regulatory Deferral Accounts*;
- Amendments to IFRS 11 *Joint Arrangements: Accounting for Acquisitions of Interests*;
- Amendments to IAS 16 and IAS 38 *Clarification of Acceptable Methods of Depreciation and Amortisation*;
- Amendments to IAS 16 and IAS 41 *Agriculture: Bearer Plants*;
- Amendments to IAS 27 *Equity Method in Separate Financial Statements*;
- Amendments to IFRS 10 and IAS 28 *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*;
- Annual improvements cycle – 2012-2014:
 - IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*;
 - IFRS 7 *Financial Instruments: Disclosures*;
 - IAS 19 *Employees Benefits*;
 - IAS 34 *Interim Financial Reporting*;
- Amendments to IAS 1 *Disclosure Initiative*;
- *Investment Entities* (amendments to IFRS 10, IFRS 12 and IAS 28) *Applying the Consolidation Exception*.

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

In these interim condensed consolidated financial statements exploration and evaluation assets and investment property are presented separately from property, plant and equipment (PPE) and intangible assets. The Group changed the presentation of its financial statements as new presentation provides information that is more relevant to users of the financial statements.

Effect on consolidated balance sheet as at December 31, 2015

| <i>In millions of tenge</i> | As previously | Reclassifications | As reclassified |
|-----------------------------------|----------------------|--------------------------|------------------------|
| Property, plant and equipment | 10,711,508 | (383,788) | 10,327,720 |
| Intangible assets | 269,694 | (53,214) | 216,480 |
| Exploration and evaluation assets | - | 424,509 | 424,509 |
| Investment property | - | 12,493 | 12,493 |

Effect on consolidated balance sheet as at December 31, 2014

| <i>In millions of tenge</i> | As previously | Reclassifications | As reclassified |
|-----------------------------------|----------------------|--------------------------|------------------------|
| Property, plant and equipment | 8,405,084 | (252,146) | 8,152,938 |
| Intangible assets | 334,289 | (58,391) | 275,898 |
| Exploration and evaluation assets | - | 299,598 | 299,598 |
| Investment property | - | 10,939 | 10,939 |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

3. SEASONALITY OF OPERATIONS

The Group’s operating expenses are subject to seasonal fluctuations, with higher expenses for various materials, production services, maintenance and other services usually expected later in 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. CRITICAL ACCOUNTING ESTIMATES, AND JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

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

In preparing these interim condensed consolidated financial statements, the significant judgments made by management in applying the Group’s accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended December 31, 2015.

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

Discontinued operations in 2016

KMG International N.V.

In December 2015, the Group decided to sell its 51% interest in KMG International N.V. (“KMG I”) The disposal of KMG I is due to be completed in 2016 and, as at September 30, 2016, negotiations for the sale were in progress. The Group estimated fair value of the 51% share in KMG I at 680,000 thousand US dollars (equivalent of 228,113 million tenge).

The results of KMG I are presented below:

| | For the three months ended | | For the nine months ended | |
|---|----------------------------|---------------|---------------------------|----------------|
| | September 30 | | September 30 | |
| | 2016 | 2015 | 2016 | 2015 |
| <i>In millions of tenge</i> | (unaudited) | (unaudited) | (unaudited) | (unaudited) |
| Revenue | 422,113 | 370,332 | 1,234,846 | 1,242,691 |
| Cost of sales | (292,779) | (270,353) | (792,063) | (888,428) |
| Gross profit | 129,334 | 99,979 | 442,783 | 354,263 |
| General and administrative expenses | (7,684) | (7,851) | (21,149) | (16,471) |
| Transportation and selling expenses | (13,094) | (12,819) | (37,894) | (34,246) |
| Impairment of property, plant and equipment and intangible assets other than goodwill | - | - | - | 2 |
| Impairment loss recognized on the re-measurement to fair value less costs to sell | (10,463) | - | (37,946) | - |
| Other operating income | 127 | - | 748 | - |
| Other operating losses | (696) | (97) | (8,800) | (321) |
| Operating profit | 97,524 | 79,212 | 337,742 | 303,227 |
| Foreign exchange (loss)/gain, net | (304) | 1,130 | (1,107) | 896 |
| Finance income | 1,271 | 351 | 3,047 | 796 |
| Finance costs | (3,718) | (3,534) | (10,388) | (9,073) |
| Share in profit of associates, net | 416 | 132 | 1,468 | 179 |
| Profit before income tax for the period from discontinued operations | 95,189 | 77,291 | 330,762 | 296,025 |
| Income tax benefit | 387 | 168 | 1,529 | 778 |
| Profit after income tax for the period from discontinued operations | 95,576 | 77,459 | 332,291 | 296,803 |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

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

Discontinued operations in 2016 (continued)

KMG International N.V. (continued)

IFRS requires eliminating revenue generated by entities consolidated into the Group and presented as continuing operations with entities classified as discontinued operations. Accordingly, Group’s profit and loss does not reflect results of continuing and discontinued operations, as if they were presented as separate entities due to significant volumes of crude oil sales from the Group to KMG I. Net loss of KMG I before intercompany eliminations for the nine months ended September 30, 2016 and 2015 were equal to 10,671 million tenge and 6,478 million tenge, respectively (for the three months ended September 30, 2016 and 2015, net loss amounted to 4,478 million tenge and 2,344 million tenge, respectively).

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

| <i>In millions of tenge</i> | September 30, 2016 (unaudited) | December 31, 2015 (audited) |
|--|---|--|
| Assets | | |
| Property, plant and equipment | 604,628 | 632,565 |
| Intangible assets | 72,851 | 78,832 |
| Investment in associate | 13,252 | 11,497 |
| Deferred tax asset | 33,603 | 39,489 |
| Inventories | 139,508 | 86,795 |
| Trade accounts receivable | 166,139 | 90,336 |
| Other non-current assets | 3,936 | 3,932 |
| Other current assets | 43,416 | 62,551 |
| Cash and cash equivalents | 18,395 | 34,492 |
| Assets classified as held for sale | 1,095,728 | 1,040,489 |
| Liabilities | | |
| Borrowings | 249,948 | 230,088 |
| Deferred tax liabilities | 74,781 | 78,194 |
| Provisions | 46,563 | 53,394 |
| Trade accounts payable | 110,980 | 40,767 |
| Other taxes payable | 15,464 | 18,352 |
| Other non-current liabilities | 3,977 | 556 |
| Other current liabilities | 70,916 | 75,994 |
| Liabilities directly associated with the assets classified as held for sale | 572,629 | 497,345 |
| Net assets directly associated with the disposal group | 523,099 | 543,144 |

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

| <i>In millions of tenge</i> | 2016 | 2015 |
|-----------------------------|----------------|----------------|
| Operating | 375,483 | 343,188 |
| Investing | (26,053) | (7,690) |
| Financing | 23,496 | 428 |
| Net cash inflows | 372,926 | 335,926 |

Net inflows/(outflows) of KMG I before intercompany eliminations for the nine month ended September 30, 2016 and 2015 amounted to (16,088) million tenge and 1,412 million tenge, respectively.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

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

Disposals

Altel JSC

On February 29, 2016 Kazakhtelecom JSC and Tele2 Sverige AB finalised the deal on creation of a new mobile company Khan Tengri Holding B.V. on the basis of Altel JSC (subsidiary of Kazakhtelecom JSC) and Mobile Telecom Service LLP.

As a result of this transaction Kazakhtelecom JSC, in exchange for its 100% share in Altel JSC, received 51% shares of Khan Tengri Holding B.V. (including 49,48% voting shares). Kazakhtelecom JSC accounts for its share in Khan Tengri Holding B.V. as an investment in associate.

Under the terms of the deal Kazakhtelecom JSC provided a financial guarantee to Mobile Telecom Service LLP in respect of the credit line from Kazkommertsbank JSC with a credit limit of 14,000 million tenge and a financial guarantee to Altel JSC in respect of the credit line from the Development Bank of Kazakhstan JSC with the credit limit of 10,009 million tenge.

Also, according to the terms of the deal, Kazakhtelecom JSC and Mobile Telecom Service LLP, agreed to postpone repayment of debt by Mobile Telecom Service LLP until 2031. Accounts receivable from Mobile Telecom Service LLP were discounted using the discount rate of 10%.

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

| <i>In millions of tenge</i> | At disposal date |
|-------------------------------|-------------------------|
| Assets | |
| Property, plant and equipment | 28,049 |
| Intangible assets | 8,083 |
| Inventories | 2,067 |
| Trade accounts receivable | 3,889 |
| Cash and cash equivalents | 1,683 |
| Other assets | 3,365 |
| Total assets | 47,136 |
| Liabilities | |
| Accounts payable | 10,424 |
| Other liabilities | 5,757 |
| Total liabilities | 16,181 |
| Net assets | 30,955 |

Gain on disposal of Altel JSC is presented as follows:

| <i>In millions of tenge</i> | At disposal date |
|--|-------------------------|
| Discount on long-term accounts receivable from Khan Tengri Holding B.V. | (7,282) |
| Financial guarantee to Khan Tengri Holding B.V. | (884) |
| Investment in Khan Tengri Holding B.V. (an associate arising on disposal of the subsidiary – provisional fair value) | 80,700 |
| Disposed net assets | (30,955) |
| Gain on disposal | 41,579 |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

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

Summary information

Assets classified as held for sale comprised the following:

| <i>In millions of tenge</i> | Segment | September 30, 2016 (unaudited) | September 30, 2015 (audited) |
|---|-------------------|---|---|
| KMG I | Oil and gas | 1,095,728 | 1,040,489 |
| Euro-Asia Air JSC | Oil and gas | 25,434 | 25,421 |
| Kazakh-British Technical University JSC | Oil and gas | 17,444 | – |
| Tulpar-Talgo LLP | Transportation | 12,214 | 18,075 |
| Altel JSC | Telecommunication | – | 48,477 |
| Aysir Turizm Ve Insaat A.S. | Oil and gas | – | 14,389 |
| Other | | 37,309 | 42,513 |
| | | 1,188,129 | 1,189,364 |

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

| <i>In millions of tenge</i> | Segment | September 30, 2016 (unaudited) | September 30, 2015 (audited) |
|---|-------------------|---|---|
| KMG I | Oil and gas | 572,629 | 497,345 |
| Euro-Asia Air JSC | Oil and gas | 9,780 | 11,462 |
| Tulpar-Talgo LLP | Transportation | 3,304 | 4,344 |
| Kazakh-British Technical University JSC | Oil and gas | 1,425 | – |
| Altel JSC | Telecommunication | – | 48,487 |
| Aysir Turizm Ve Insaat A.S. | Oil and gas | – | 3,414 |
| Other | | 89 | 115 |
| | | 587,227 | 565,167 |

Due to changes in disposal plans Aysir Turizm Ve Insaat A.S. ceased to be classified as held for sale as of 30 September 2016.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

6. PROPERTY, PLANT AND EQUIPMENT

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

| <i>In millions of tenge</i> | Oil and gas assets | Pipelines and refinery assets | Buildings and premises | Railway tracks and infra- structure | Machinery, equipment and vehicles | Mining assets | Other | Construction in progress | Total |
|---|-----------------------|-------------------------------------|------------------------------|--|---|------------------|---------------|-----------------------------|-------------------|
| Net book value at December 31, 2015 (restated)* | 4,437,273 | 853,816 | 685,159 | 904,076 | 2,459,653 | 40,848 | 61,325 | 885,570 | 10,327,720 |
| Foreign currency translation | (58,723) | - | (404) | 103 | (354) | - | (53) | 54 | (59,377) |
| Changes in estimates | 4,031 | (8,970) | (65) | - | - | (245) | - | - | (5,249) |
| Additions | 228,437 | 554 | 11,461 | 68 | 33,088 | 10,582 | 3,169 | 519,479 | 806,838 |
| Disposals | (4,860) | (1,045) | (5,291) | (752) | (17,945) | - | (2,751) | (5,755) | (38,399) |
| Depreciation charge | (46,477) | (36,770) | (38,764) | (18,644) | (145,653) | (7,735) | (8,525) | - | (302,568) |
| Depreciation and impairment on disposals | 4,433 | 962 | 2,448 | 356 | 15,754 | - | 2,480 | 70 | 26,503 |
| Impairment, net of reversal of impairment | 4 | (709) | (1,097) | (20) | (2,323) | (141) | (582) | (13,827) | (18,695) |
| Discontinued operations / transfer to assets classified as held for sale | 12 | (17) | 4,745 | - | (701) | - | (391) | (1,322) | 2,326 |
| Transfers from/(to) intangible assets | 4 | - | - | - | (642) | - | - | (2,452) | (3,090) |
| Transfers from/(to) exploration and evaluation assets, investment property | (4,207) | - | (3,708) | - | - | 176 | - | (478) | (8,217) |
| Transfer from/(to) inventories, net | - | 562 | (37) | (59) | 414 | 500 | 61 | 258 | 1,699 |
| Other transfers and reclassifications | 6,609 | 54,026 | 77,959 | 8,635 | 96,405 | (2) | 12,609 | (256,241) | - |
| Net book value at September 30, 2016 | 4,566,536 | 862,409 | 732,406 | 893,763 | 2,437,696 | 43,983 | 67,342 | 1,125,356 | 10,729,491 |
| Historical cost | 5,468,237 | 1,143,186 | 1,018,684 | 1,056,880 | 3,776,853 | 76,431 | 135,295 | 1,207,127 | 13,882,693 |
| Accumulated depreciation and impairment | (901,701) | (280,777) | (286,278) | (163,117) | (1,339,157) | (32,448) | (67,953) | (81,771) | (3,153,202) |
| Net book value at September 30, 2016 | 4,566,536 | 862,409 | 732,406 | 893,763 | 2,437,696 | 43,983 | 67,342 | 1,125,356 | 10,729,491 |
| Historical cost | 5,300,428 | 1,098,396 | 929,473 | 1,048,884 | 3,668,092 | 65,420 | 127,285 | 956,128 | 13,194,106 |
| Accumulated depreciation and impairment | (863,155) | (244,580) | (244,314) | (144,808) | (1,208,439) | (24,572) | (65,960) | (70,558) | (2,866,386) |
| Net book value at December 31, 2015 (restated)* | 4,437,273 | 853,816 | 685,159 | 904,076 | 2,459,653 | 40,848 | 61,325 | 885,570 | 10,327,720 |

* Certain amounts given in this table are not consistent with the amounts in the consolidated financial statements for the year ended December 31, 2015, since exploration and evaluation assets and investment property represented separately in the balance sheet. Details are disclosed in Note 2.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

6. PROPERTY, PLANT AND EQUIPMENT (continued)

As at September 30, 2016 property, plant and equipment with net book value of 2,373,632 million tenge was pledged as collateral for some of the Group’s borrowings (December 31, 2015: 2,387,644 million tenge).

As at September 30, 2016 the carrying amount of property, plant and equipment acquired under finance lease agreements was equal to 84,560 million tenge (December 31, 2015: 119,652 million tenge).

As at September 30, 2016 the cost of fully amortized property, plant and equipment of the Group was equal to 384,839 million tenge (December 31, 2015: 470,727 million tenge).

For the nine months ended September 30, 2016 the Group capitalized borrowing costs at an average interest rate of 4.9% in the amount of 26,568 million tenge (for the nine months ended September 30, 2015: at an average interest rate of 5.7% in the amount of 16,153 million tenge).

7. EXPLORATION AND EVALUATION ASSETS

Movements in exploration and evaluation assets are presented as follows:

| <i>In millions of tenge</i> | Tangible | Intangible | Total |
|---|-----------------|-------------------|----------------|
| Net book value at January 1, 2016 | 371,295 | 53,214 | 424,509 |
| Foreign currency translation | (2,934) | (220) | (3,154) |
| Changes in estimates | (94) | – | (94) |
| Additions | 15,348 | 2,778 | 18,126 |
| Disposals | (359) | (4,493) | (4,852) |
| Transfer from/(to) inventories, net | (680) | (2) | (682) |
| Transfer from/(to) property, plant and equipment, net | 4,788 | (755) | 4,033 |
| Net book value at September 30, 2016 | 387,364 | 50,522 | 437,886 |
| At cost | 397,312 | 61,440 | 458,752 |
| Accumulated impairment | (9,948) | (10,918) | (20,866) |
| Net book value at September 30, 2016 | 387,364 | 50,522 | 437,886 |
| At cost | 382,991 | 67,084 | 450,075 |
| Accumulated impairment | (11,696) | (13,870) | (25,566) |
| Net book value at December 31, 2015 | 371,295 | 53,214 | 424,509 |

In these interim condensed consolidated financial statements for the nine months ended September 30, 2016 exploration and evaluation assets are represented separately in the balance sheet. Details are disclosed in *Note 2*.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

8. INVESTMENTS IN JOINT VENTURES AND ASSOCIATES

Investments in joint ventures and associates comprised the following:

| <i>In millions of tenge</i> | Main activity | Place of business | September 30, 2016 | | December 31, 2015 | |
|--|---|-----------------------|--------------------------------|----------------------|------------------------------|----------------------|
| | | | Carrying amount (unaudited) | Percentage ownership | Carrying amount (audited) | Percentage ownership |
| Joint ventures | | | | | | |
| Tengizchevroil LLP | Oil and gas exploration and production | Kazakhstan | 1,096,477 | 20.00% | 1,028,085 | 20.00% |
| Mangistau Investments B.V. | Oil and gas exploration and production | Kazakhstan | 239,441 | 50.00% | 206,542 | 50.00% |
| JV KazGerMunay LLP | Oil and gas exploration and production | Kazakhstan | 86,126 | 50.00% | 82,410 | 50.00% |
| KazRosGas LLP | Processing and sale of natural gas and refined gas | Kazakhstan | 76,094 | 50.00% | 97,407 | 50.00% |
| Ural Group Limited BVI | Oil and gas exploration and production | Kazakhstan | 70,366 | 50.00% | 70,701 | 50.00% |
| KazakhOil-Aktobe LLP | Oil and gas exploration and production | Kazakhstan | 48,621 | 50.00% | 57,774 | 50.00% |
| Ekibastuzskaya GRES-2 JSC (“EGRES-2”) | Electricity production | Kazakhstan | 32,489 | 50.00% | 29,523 | 50.00% |
| Kazakhstan Petrochemical Industries Inc. LLP (“KPI LLP”) | Construction of first integrated chemical complex | Kazakhstan | 31,350 | 51.00% | 35,840 | 51.00% |
| Other | | | 183,268 | | 166,220 | |
| Total joint ventures | | | 1,864,232 | | 1,774,502 | |
| Associates | | | | | | |
| KazZinc LLP | Mining and processing of metal ores, production of refined metals | Kazakhstan | 419,380 | 29.82% | 410,904 | 29.82% |
| PetroKazakhstan Inc. (“PKI”) | Exploration, production and processing of oil and gas | Kazakhstan | 154,348 | 33.00% | 163,617 | 33.00% |
| Khan Tengri Holding B.V. | Telecommunication | Kazakhstan | 71,702 | 51.00% | - | - |
| Caspian Pipeline Consortium JSC | Transportation of crude oil | Kazakhstan/ Russia | 49,469 | 20.75% | 45,624 | 20.75% |
| JV KATCO LLP | Exploration, production and processing of uranium | Kazakhstan | 36,541 | 49.00% | 48,781 | 49.00% |
| JV INKAI LLP | Exploration, production and export of uranium | Kazakhstan | 34,077 | 40.00% | 40,511 | 40.00% |
| Other | | | 70,927 | | 63,164 | |
| Total associates | | | 836,444 | | 772,601 | |
| | | | 2,700,676 | | 2,547,103 | |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

8. INVESTMENTS IN JOINT VENTURES AND ASSOCIATES (continued)

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

| <i>In millions of tenge</i> | 2016 |
|---|------------------|
| Balance as at January 1, 2016 (audited) | 2,547,103 |
| Share in profit of joint ventures and associates, net (Note 25) | 219,918 |
| Dividends received | (144,876) |
| Change in dividends receivable | 12,374 |
| Acquisitions | 93,409 |
| Disposals | (14,491) |
| Foreign currency translation | (24,733) |
| Share in OCI of joint ventures and associates | 646 |
| Contributions to share capital without changing the share ownership | 6,962 |
| Discount on loans given | 4,364 |
| Balance as at September 30, 2016 (unaudited) | 2,700,676 |

9. AMOUNTS DUE FROM CREDIT INSTITUTIONS

Amounts due from credit institutions comprised the following:

| <i>In millions of tenge</i> | September 30, 2016 (unaudited) | December 31, 2015 (audited) |
|--|--------------------------------------|-----------------------------------|
| Bank deposits | 2,343,573 | 1,811,401 |
| Loans to credit institutions | 340,896 | 347,449 |
| Amounts due from credit institutions, net | 2,684,469 | 2,158,850 |
| Less: current portion | (2,004,757) | (1,492,619) |
| Non-current portion | 679,712 | 666,231 |

| <i>In millions of tenge</i> | September 30, 2016 (unaudited) | December 31, 2015 (audited) |
|-----------------------------------|--------------------------------------|-----------------------------------|
| 10 largest local banks | 1,739,374 | 1,247,512 |
| International credit institutions | 585,547 | 640,235 |
| Other local credit institutions | 359,548 | 271,103 |
| | 2,684,469 | 2,158,850 |

| <i>In millions of tenge</i> | September 30, 2016 (unaudited) | December 31, 2015 (audited) |
|---|--------------------------------------|-----------------------------------|
| Amounts due from credit institutions, denominated in US dollars | 1,709,993 | 1,227,138 |
| Amounts due from credit institutions, denominated in tenge | 967,748 | 924,781 |
| Amounts due from credit institutions, denominated in other currencies | 6,728 | 6,931 |
| | 2,684,469 | 2,158,850 |

As at September 30, 2016 the weighted average interest rate on amounts due from credit institutions was 4.70% (as at December 31, 2015: 5.55%).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

10. OTHER NON-CURRENT ASSETS

Other non-current assets comprised the following:

| <i>In millions of tenge</i> | September 30, 2016 (unaudited) | December 31, 2015 (audited) |
|--|--------------------------------------|-----------------------------------|
| Advances paid for non-current assets | 284,457 | 268,915 |
| Long-term VAT receivable | 154,977 | 136,902 |
| Restricted cash | 58,848 | 66,843 |
| Assets for transfer to the Shareholder | 45,651 | 41,268 |
| Long-term receivables | 25,997 | 94,721 |
| Prepaid expenses | 14,257 | 18,258 |
| Assets for sale to the Shareholder | - | 12,977 |
| Long-term inventories | 15,197 | 45,258 |
| Other | 36,134 | 47,160 |
| Less: impairment provision | (79,979) | (124,386) |
| | 555,539 | 607,916 |

As at September 30, 2016 advances paid for non-current assets are mainly represented by advances paid for construction and purchase of property, plant and equipment.

As at December 31, 2015 long-term receivables of the Group also contained receivable for the 97.26% of shares of BTA Bank in the amount of 68,506 million tenge with maturity until June 30, 2017. This receivable including amortization of discount for the nine months ended September 30, 2016 was reclassified to other current assets and amounted to 74,610 million tenge as at September 30, 2016 (*Note 11*).

11. TRADE ACCOUNTS RECEIVABLE AND OTHER CURRENT ASSETS

Trade accounts receivable comprised the following:

| <i>In millions of tenge</i> | September 30, 2016 (unaudited) | December 31, 2015 (audited) |
|------------------------------------|--------------------------------------|-----------------------------------|
| Trade accounts receivable | 298,201 | 310,367 |
| Less: allowance for doubtful debts | (27,023) | (27,119) |
| | 271,178 | 283,248 |

Other current assets comprised the following:

| <i>In millions of tenge</i> | September 30, 2016 (unaudited) | December 31, 2015 (audited) |
|--|--------------------------------------|-----------------------------------|
| Advances paid and deferred expenses | 124,267 | 64,840 |
| Other accounts receivable (<i>Note 10</i>) | 109,094 | 40,011 |
| Assets for distribution to the Shareholder | 85,152 | 86,755 |
| Other prepaid taxes | 34,928 | 38,974 |
| Restricted cash | 18,774 | 31,259 |
| Dividends receivable | 11,448 | 22,911 |
| Amounts due from employees | 5,312 | 5,063 |
| Other | 45,563 | 23,357 |
| Less: impairment allowance | (28,777) | (26,120) |
| | 405,761 | 287,050 |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

12. CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprised the following:

| <i>In millions of tenge</i> | September 30, 2016 (unaudited) | December 31, 2015 (audited) |
|--|--------------------------------------|-----------------------------------|
| Bank deposits – US dollars | 499,938 | 519,162 |
| Bank deposits – tenge | 320,729 | 166,241 |
| Bank deposits – other currency | 82 | 3,747 |
| Current accounts with banks – tenge | 303,626 | 248,431 |
| Current accounts with banks – US dollars | 312,507 | 231,677 |
| Current accounts with banks – other currency | 15,394 | 29,750 |
| Cash on hand | 5,358 | 3,464 |
| Cash in transit | 14,119 | 3,985 |
| Reverse repurchase agreements with other banks with contractual maturity of three months or less | 14,109 | 100 |
| | 1,485,862 | 1,206,557 |

Short-term bank deposits are placed for varying periods of between 1 (one) day and 3 (three) months, depending on immediate cash needs of the Group. As at September 30, 2016 the weighted average interest rates for short-term bank deposits and current accounts were 4.59% and 1.98%, respectively (December 31, 2015: 5.68% and 1.28%, respectively).

13. EQUITY

13.1 Share capital

| Payment for shares | Number of shares authorized and issued | Par value per share, in tenge | Share capital in millions of tenge |
|--------------------------|---|----------------------------------|---------------------------------------|
| As at December 31, 2015 | 3,481,667,508 | | 4,916,269 |
| Cash contributions | 2,000 | 20,000,000; 36,400,000 | 56,400 |
| Property contributions | 250 | 17,862,160 | 4,466 |
| As at September 30, 2016 | 3,481,669,758 | | 4,977,135 |

As at September 30, 2016 and December 31, 2015 all shares of the Fund were fully paid.

Cash contributions

During the nine months ended September 30, 2016 the Shareholder made a cash contribution of 56,400 million tenge to the Fund’s share capital. This amount was intended to finance projects of NC Kazakhstan Temir Zholy JSC and United Chemical Company LLP.

Property contributions

In May 2016 the State property and privatization committee made in-kind contribution to the Fund’s share capital in the form of design estimate documentation of gas-turbine station, which has been developed for implementation of strategic investment project “Construction of the infrastructure of the first integrated gas chemical complex in Atyrau region” in the amount of 4,466 million tenge. This property is subject to subsequent transfer to the charter capital of subsidiary United Chemical Company LLP.

13.2 Discount on loans from the Government

In July 2016 the Fund received below-market loan from the Ministry of Finance of the Republic of Kazakhstan in the amount of 5,500 million tenge. Discount at initial recognition of this loan in the amount of 4,007 million tenge was recognized as one-off gain in the consolidated statement of changes in equity.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

13. EQUITY (continued)

13.3 Dividends

Dividends attributable to non-controlling interest

During the nine months ended September 30, 2016 the Group’s subsidiaries declared dividends in the amount of 5,116 million tenge, 1,715 million tenge and 1,523 million tenge to the holders of non-controlling interest in Kaztransoil JSC, Kazakhtelecom JSC and Air Astana JSC, respectively.

During the nine months ended September 30, 2016 the Group declared dividends in the amount of 5,975 million tenge to the National Bank of the Republic of Kazakhstan as the holder of non-controlling interest in NC KMG.

During the nine months ended September 30, 2016 dividends declared to other non-controlling interest amounted to 523 million tenge.

13.4 Other distributions to the Shareholder

Social projects financing

During the nine months ended September 30, 2016 in accordance with the order of the Shareholder, the Fund financed various social projects for the total amount of 34,052 million tenge. Also, the Group financed the expenditures related to running an International Exhibition Astana EXPO-2017 in the amount of 2,145 million tenge.

Construction and transfer of fixed assets

During the nine months ended September 30, 2016 the Group decreased obligation on construction of multifunctional Ice palace in Astana by 870 million tenge, recognized a provision for construction of kindergartens in Astana for the amount of 468 million tenge and increased a provision for reconstruction of the Exhibition center in Moscow by the amount of 101 million tenge.

Other distributions

During the nine months ended September 30, 2016 the Group recognized the results of operations of PSA LLP, which acts as the Government Body for the Production Sharing Agreements in oil and gas area, in the total amount of 2,836 million tenge as Other distributions to the Shareholder.

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

Disposal of 49% shares of Transtelecom JSC

In June 2016 the Group sold 49% of shares of Transtelecom JSC to a third party and received a consideration in the amount of 9,000 million tenge. As a result, the Group recognised non-controlling interest in Transtelecom JSC in the amount of 11,425 million tenge, the difference of 2,425 million tenge was recognized in the Group’s retained earnings.

13.6 Book value per share

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

| <i>In millions of tenge</i> | September 30, 2016 (unaudited) | December 31, 2015 (audited) |
|---|---|--------------------------------|
| Total assets | 22,329,833 | 20,889,684 |
| Less: intangible assets | (278,908) | (269,694) |
| Less: total liabilities | (11,538,493) | (10,488,312) |
| Net assets for common shares | 10,512,432 | 10,131,678 |
| Number of common shares | 3,481,669,758 | 3,481,667,508 |
| Book value per common share, tenge | 3,019 | 2,910 |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

13. EQUITY (continued)

13.6 Book value per share (continued)

Earnings per share

| <i>In tenge</i> | For the nine months ended September 30, 2016 (unaudited) | For the nine months ended September 30, 2015 (unaudited) |
|---|--|--|
| Weighted average number of common shares for basic and diluted earnings per share | 3,481,668,596 | 3,481,647,660 |
| Basic and diluted share in net profit for the period | 114.21 | 113.66 |
| Basic and diluted share loss from continuing operations | 18.77 | 28.41 |

Continuing operations of the Group include elimination of sales of crude oil to KMG I that is classified as discontinued operation. Accordingly, the Group's profit and loss does not reflect results of operations of Group and KMG I as if they were separate entities (Note 5).

14. BORROWINGS

Borrowings, including interest payable, comprised the following:

| <i>In millions of tenge</i> | September 30, 2016 (unaudited) | December 31, 2015 (audited) |
|---|--------------------------------------|-----------------------------------|
| Fixed interest rate borrowings | 3,962,415 | 4,097,890 |
| Weighted average interest rate | 7.14% | 7.08% |
| Variable interest rate borrowings | 1,957,615 | 1,994,821 |
| Weighted average interest rate | 4.48% | 3.52% |
| | 5,920,030 | 6,092,711 |
| Less: amounts due for settlement within 12 months | (550,895) | (716,907) |
| Amounts due for settlement after 12 months | 5,369,135 | 5,375,804 |

| <i>In millions of tenge</i> | September 30, 2016 (unaudited) | December 31, 2015 (audited) |
|--|--------------------------------------|-----------------------------------|
| US dollar-denominated borrowings | 4,690,516 | 5,012,062 |
| Tenge-denominated borrowings | 960,497 | 812,584 |
| Borrowings denominated in other currencies | 269,017 | 268,065 |
| | 5,920,030 | 6,092,711 |

Covenants

The Group reviews compliance with all the Group loan covenants at each reporting date. As at September 30, 2016 the Group's noncompliance with covenants were not noted.

Bonds repayment and issuance

During the nine months ending September 30, 2016 NC KTZh redeemed Eurobonds issued at the Singapore Stock Exchange in the amount of 350 million US dollars (equivalent to 114,681 million tenge at the exchange rate as of the date of repayment).

During the nine months ending September 30, 2016 Intergas Central Asia JSC, subsidiary of NC KMG, redeemed bonds issued at the London Stock Exchange in the amount of 153 million US dollars (equivalent to 52,100 million tenge at the exchange rate as of the date of repayment).

During the nine months ending NC KTZh issued bonds at the Kazakhstan Stock Exchange in the amount of 50,000 million tenge for the period of 10 years for partial refinancing of Eurobonds.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

14. BORROWINGS (continued)

Bonds repayment and issuance (continued)

During the nine months ending September 30, 2016 NC KMG redeemed Eurobonds in the amount of 185 million US dollars (equivalent to 61,965 million tenge at the exchange rate as of the date of redemption).

During the nine months ending September 30, 2016 NC KMG partially redeemed bonds, which were acquired by the Development Bank of Kazakhstan, in the amount of 51,216 million tenge.

During the nine months ending September 30, 2016 the Group issued bonds at the Kazakhstan Stock Exchange to finance power lines construction projects in the amount of 47,500 million tenge.

Other loans

During the nine months ending 30 September, 2016 NC KMG repaid the loan to the ING Bank in the amount of 400 million US dollars (equivalent to 138,136 million tenge at the exchange rate as of the date of repayment).

On August 31, 2016 NC KMG acquired from KC Kazakh B.V. 27% interest in the project Zhambyl ("Project"). The loan given by KC Kazakh B.V. for financing of NC KMG 's share in the Project was forgiven. As a result of the transaction the Group recognized an income in the amount of 63,964 million tenge (*Note 19*).

During the nine months ending September 30, 2016 Intergas Central Asia JSC, subsidiary of NC KMG, received 90 million US dollars (equivalent to 30,540 million tenge at the exchange rate as at the date of receipt) under the General Agreement with Citibank N. A. Nassau, Bahamas Branch and 140 million US dollars (equivalent to 48,143 million tenge at the exchange rate as of the date of receipt) – from the European Bank of Reconstruction and Development.

During the nine months ending September 30, 2016 NC KTZh received 100 million US dollars (equivalent to 32,766 million tenge at the exchange rate as of the date of receipt) from the European Bank of Reconstruction and Development for the purpose of partial redemption of Eurobonds.

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

| <i>In millions of tenge</i> | September 30, 2016 (unaudited) | December 31, 2015 (audited) |
|------------------------------------|--------------------------------------|-----------------------------------|
| NC KMG and its subsidiaries | 3,038,049 | 3,221,341 |
| NC KTZh and its subsidiaries | 1,172,696 | 1,203,388 |
| The Fund | 858,928 | 858,040 |
| Samruk-Energy and its subsidiaries | 346,871 | 353,466 |
| KEGOC and its subsidiaries | 205,057 | 171,231 |
| NAC KAP and its subsidiaries | 137,783 | 172,621 |
| Other subsidiaries of the Fund | 160,646 | 112,624 |
| Total borrowings | 5,920,030 | 6,092,711 |

15. LOANS FROM THE GOVERNMENT OF THE REPUBLIC OF KAZAKHSTAN

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

| <i>In millions of tenge</i> | September 30, 2016 (unaudited) | December 31, 2015 (audited) |
|---|--------------------------------------|-----------------------------------|
| Bonds acquired by the National Bank of the Republic of Kazakhstan using the assets of the National Fund of the Republic of Kazakhstan | 806,825 | 727,882 |
| Loans from the Government of the Republic of Kazakhstan | 82,256 | 77,249 |
| Bonds acquired by the National Bank of the Republic of Kazakhstan | 62,599 | 61,306 |
| | 951,680 | 866,437 |
| Less: amounts due for settlement within 12 months | (15,896) | (6,722) |
| Amounts due for settlement after 12 months | 935,784 | 859,715 |

During the nine months ended September 30, 2016 the Fund issued 0.1% 10-year bonds for the total amount of 97,000 million tenge to finance low interest rate loans to be given to construction companies under “Nurly Zhol” State infrastructure development program. These bonds were acquired by the National Bank of the Republic of Kazakhstan using the assets of the National Fund of the Republic of Kazakhstan. The discount of 52,319 million tenge arising at the inception of the bonds was recognized within other liabilities.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

16. OTHER NON-CURRENT LIABILITIES

Other non-current liabilities comprised the following:

| <i>In millions of tenge</i> | September 30, 2016 (unaudited) | December 31, 2015 (audited) |
|---|--------------------------------------|-----------------------------------|
| Prepayment on oil supply agreements | 827,246 | - |
| Payables for acquisition of additional interest in indivisible stake of the North-Caspian project | 519,514 | 766,014 |
| Advances received and deferred income | 38,514 | 21,821 |
| Government grants liabilities (<i>Note 15</i>) | 38,241 | - |
| Long-term payables and other liabilities | 66,181 | 51,984 |
| | 1,489,696 | 839,819 |

Oil supply agreement

During the nine months ended September 30, 2016 the NC KMG group entered into long-term crude oil and liquefied petroleum gas (“LPG”) supply agreement. The total minimum delivery volume approximates 30 million tons of crude oil and 1 million tons of LPG in the period from the date of the contract to March 2020 from Tengizchevroil LLP (“Tengizchevroil”), Mangistaumunaigaz JSC and Karazhanbasmunai JSC oil production.

The delivery of oil under this agreement commenced from April 2016. The NC KMG group considers this agreement to be regular way agreement to deliver non-financial items in accordance with the Group’s expected sale requirements.

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

Additionally, as a part of this transaction, the NC KMG group received prepayment of 3,000 million US dollars (equivalent of 1,012,020 million tenge at the date of transaction), which is to be discharged by oil supply from Tengizchevroil (joint venture of the Group) starting from April 2017.

The outstanding balance of prepayment is subject to interest at LIBOR + 1.85% per annum and presented separately within other liabilities.

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

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

As at September 30, 2016 the amortized cost of this payable was equal to 779,274 million tenge (as at December 31, 2015: 766,014 million tenge). The amount is payable in three equal annual installments after commercial oil production at Kashagan field starts.

Management of KMG Kashagan expects that commercial oil production will be achieved before September 30, 2017, thus, one third of the principal amount and capitalized interest as at September 30, 2016 were classified as current liabilities.

At September 30, 2016 the carrying amount of the financial liabilities approximates their fair value.

Government grant liability

During the nine months ending 30 September, 2016 the Group recognized a government grant liability in accordance with the Nurlı Zhol state program (*Note 15*). Since the recognition the liability has been decreased for the amount of income on government grant in the amount of 4 093 million tenge. Government grant income is calculated by applying the percentage of loans issued to the total amount of the discount.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

17. OTHER CURRENT LIABILITIES

Other current liabilities comprised the following:

| <i>In millions of tenge</i> | September 30, 2016 (unaudited) | December 31, 2015 (audited) |
|---|--------------------------------------|-----------------------------------|
| Payables for acquisition of additional interest in indivisible stake of the North-Caspian project (Note 16) | 259,760 | – |
| Prepayment on oil supply agreements (Note 16) | 167,730 | – |
| Advances received and deferred income | 141,774 | 119,419 |
| Due to employees | 76,030 | 78,787 |
| Other taxes payable | 74,729 | 66,851 |
| Amounts due to customers | 25,489 | 21,069 |
| Government grants liabilities (Note 15, 16) | 9,985 | – |
| Other estimated liabilities | 4,761 | 5,738 |
| Dividends payable | 4,000 | 7,225 |
| Other | 51,889 | 56,879 |
| | 816,147 | 355,968 |

18. REVENUE

Revenue comprised the following:

| <i>In millions of tenge</i> | For the three months ended September, 30 | | For the nine months ended September, 30 | |
|---|---|---------------------|--|---------------------|
| | 2016 (unaudited) | 2015 (unaudited) | 2016 (unaudited) | 2015 (unaudited) |
| Railway cargo transportation | 178,120 | 160,022 | 499,118 | 448,808 |
| Sales of crude oil | 218,726 | 40,769 | 398,250 | 128,287 |
| Oil and gas transportation | 73,493 | 65,858 | 231,069 | 206,223 |
| Sales of uranium products | 78,623 | 83,677 | 221,509 | 183,099 |
| Sales of oil refined products | 86,119 | 63,946 | 207,498 | 154,538 |
| Sales of electricity | 51,304 | 44,685 | 162,813 | 144,203 |
| Air transportation | 64,815 | 45,350 | 158,493 | 116,352 |
| Sales of gas products | 38,869 | 54,982 | 155,478 | 154,089 |
| Telecommunication services | 51,970 | 54,722 | 146,451 | 159,164 |
| Refined gold | 43,736 | 14,335 | 111,682 | 36,276 |
| Electricity transmission services | 28,271 | 21,492 | 84,666 | 64,580 |
| Oil refining fees | 22,972 | 17,193 | 67,608 | 51,337 |
| Railway passenger transportation | 24,728 | 21,350 | 61,375 | 55,603 |
| Interest revenue | 7,701 | 8,912 | 34,476 | 34,892 |
| Postal services | 8,771 | 8,066 | 25,676 | 22,497 |
| Other revenue | 85,318 | 90,180 | 210,277 | 209,747 |
| Less: Quality bank for crude oil | (5,762) | (3,353) | (15,180) | (10,579) |
| Less: Indirect taxes and commercial discounts | (271) | (200) | (813) | (368) |
| | 1,057,503 | 791,986 | 2,760,446 | 2,158,748 |

Revenue of the group does not include sales of crude oil of KMG I that is classified as discontinued operation (Note 5).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

19. COST OF SALES

Cost of sales comprised the following:

| <i>In millions of tenge</i> | For the three months ended September, 30 | | For the nine months ended September, 30 | |
|---|---|---------------------|--|---------------------|
| | 2016 (unaudited) | 2015 (unaudited) | 2016 (unaudited) | 2015 (unaudited) |
| Materials and supplies | 330,064 | 160,842 | 758,391 | 471,933 |
| Personnel costs, including social tax and contributions | 176,282 | 157,149 | 512,395 | 478,695 |
| Depreciation, depletion and amortization | 98,348 | 82,458 | 289,035 | 249,589 |
| Fuel and energy | 48,920 | 46,319 | 153,881 | 143,286 |
| Production services received | 40,639 | 47,229 | 112,409 | 105,263 |
| Interest expense | 32,459 | 16,145 | 88,349 | 59,843 |
| Repair and maintenance | 33,539 | 30,187 | 87,182 | 66,792 |
| Mineral extraction tax | 9,206 | 29,890 | 47,356 | 59,333 |
| Rent | 18,358 | 10,947 | 46,155 | 24,892 |
| Taxes | 12,998 | 10,915 | 36,050 | 30,832 |
| Other | 57,949 | 64,213 | 165,912 | 178,536 |
| | 858,762 | 656,294 | 2,297,115 | 1,868,994 |

20. GENERAL AND ADMINISTRATIVE EXPENSES

General and administrative expenses comprised the following:

| <i>In millions of tenge</i> | For the three months ended September, 30 | | For the nine months ended September, 30 | |
|--|---|---------------------|--|---------------------|
| | 2016 (unaudited) | 2015 (unaudited) | 2016 (unaudited) | 2015 (unaudited) |
| Personnel costs, including social tax and contributions | 36,264 | 33,416 | 106,643 | 101,312 |
| Taxes other than income tax | 6,662 | 5,303 | 22,989 | 18,762 |
| Consulting services | 6,802 | 5,323 | 20,214 | 12,302 |
| Sponsorship and charitable donations | 437 | 785 | 16,029 | 12,305 |
| Depreciation and amortization | 3,968 | 6,323 | 11,616 | 15,471 |
| Rent | 2,287 | 1,717 | 7,225 | 5,280 |
| Allowance for doubtful debts | 1,434 | 3,378 | 4,691 | 13,205 |
| Business trips | 1,699 | 1,337 | 4,532 | 3,767 |
| Repair and maintenance | 1,853 | 1,143 | 4,114 | 2,553 |
| Fines and penalties | (1,523) | 17,885 | 1,875 | 26,672 |
| Reversal of provision for impairment of other current assets | - | (1,866) | - | (779) |
| Other | 17,399 | 12,911 | 42,400 | 35,924 |
| | 77,282 | 87,655 | 242,328 | 246,774 |

21. TRANSPORTATION AND SELLING EXPENSES

| <i>In millions of tenge</i> | For the three months ended September, 30 | | For the nine months ended September, 30 | |
|---|---|---------------------|--|---------------------|
| | 2016 (unaudited) | 2015 (unaudited) | 2016 (unaudited) | 2015 (unaudited) |
| Custom duties | 23,129 | 14,679 | 62,773 | 54,498 |
| Transportation | 18,299 | 8,834 | 53,960 | 28,216 |
| Rent tax | 4,064 | 9,877 | 13,882 | 32,659 |
| Personnel costs, including social tax and contributions | 2,711 | 2,546 | 7,497 | 7,609 |
| Depreciation and amortization | 1,656 | 1,833 | 4,951 | 5,247 |
| Commission fees to agents and advertising | 1,466 | 2,944 | 4,489 | 8,028 |
| Other | 2,987 | 8,776 | 10,744 | 13,313 |
| | 54,312 | 49,489 | 158,296 | 149,570 |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

22. IMPAIRMENT LOSS

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

| | For the three months ended September, 30 | | For the nine months ended September, 30 | |
|--|---|---------------------|--|---------------------|
| | 2016 (unaudited) | 2015 (unaudited) | 2016 (unaudited) | 2015 (unaudited) |
| <i>In millions of tenge</i> | | | | |
| Impairment of property, plant and equipment, intangible assets and exploration and evaluation assets | 5,299 | 1,465 | 15,904 | 6,374 |
| Impairment of non-current inventories | 6,781 | 998 | 11,807 | 683 |
| Impairment of assets held for sale | 569 | - | 4,097 | - |
| Impairment / (reversal of impairment) of loans to customers | (243) | 11,118 | 149 | 9,241 |
| (Reversal of impairment) / Impairment of shares in Shekerbank TAS | (732) | (10,641) | (1,293) | 4,819 |
| (Reversal of impairment) / Impairment of VAT receivable | (19,969) | 200 | (12,762) | 600 |
| Other | 2,394 | 473 | 5,183 | 1,148 |
| | (5,901) | 3,613 | 23,085 | 22,865 |

23. FINANCE COSTS

| | For the three months ended September, 30 | | For the nine months ended September, 30 | |
|--|---|---------------------|--|---------------------|
| | 2016 (unaudited) | 2015 (unaudited) | 2016 (unaudited) | 2015 (unaudited) |
| <i>In millions of tenge</i> | | | | |
| Interest on loans and debt securities issued | 71,557 | 64,236 | 217,372 | 172,054 |
| Interest on payable for the acquisition of additional interest in North Caspian Project | 9,008 | 4,296 | 27,033 | 11,550 |
| Unwinding of discount on provisions and other payables | 3,187 | 3,422 | 10,992 | 7,601 |
| Interest on finance lease liabilities | 1,743 | 1,446 | 5,227 | 4,500 |
| Other | 11,971 | 1,887 | 31,586 | 19,604 |
| | 97,466 | 75,287 | 292,210 | 215,309 |

24. FINANCE INCOME

| | For the three months ended September, 30 | | For the nine months ended September, 30 | |
|--|---|---------------------|--|---------------------|
| | 2016 (unaudited) | 2015 (unaudited) | 2016 (unaudited) | 2015 (unaudited) |
| <i>In millions of tenge</i> | | | | |
| Interest income on amounts due from credit institutions and cash and cash equivalents | 31,719 | 23,420 | 96,533 | 68,943 |
| Write-off of liabilities (Note 14) | 63,964 | - | 63,964 | - |
| Income from loans and financial assets | 3,385 | 11,519 | 14,549 | 20,055 |
| Unwinding of discount on long-term receivables | 3,219 | 2,690 | 9,690 | 7,838 |
| Guarantee income | 336 | 546 | 3,116 | 3,801 |
| Other | 12,745 | 1,313 | 28,021 | 13,763 |
| | 115,368 | 39,488 | 215,873 | 114,400 |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

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

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

| <i>In millions of tenge</i> | For the three months ended | | For the nine months ended | |
|------------------------------|----------------------------|-------------|---------------------------|-------------|
| | September, 30 | | September, 30 | |
| | 2016 | 2015 | 2016 | 2015 |
| | (unaudited) | (unaudited) | (unaudited) | (unaudited) |
| Tengizchevroil LLP | (11,183) | 44,088 | 82,676 | 124,499 |
| Mangistau Investments B.V. | 16,556 | 6,494 | 33,812 | 11,916 |
| KazZinc LLP | 13,230 | (7,465) | 28,123 | (7,710) |
| KazRosGas LLP | 9,273 | 12,730 | 14,630 | 29,633 |
| JV KATCO LLP | 6,479 | 6,684 | 13,119 | 13,977 |
| Karatau LLP | 4,137 | 1,943 | 9,788 | 5,618 |
| JV Akbastau JSC | 2,707 | 1,742 | 9,509 | 4,123 |
| COU CJSC | 2,655 | (1,550) | 8,903 | (1,442) |
| Valsera Holdings B.V. | 3,405 | (7,257) | 8,307 | (1,303) |
| Kazakhoil-Aktobe LLP | (150) | 5,796 | (2,418) | 2,497 |
| Beineu-Shymkent Pipeline LLP | (154) | (49,780) | (8,164) | (53,485) |
| Petro Kazakhstan Inc. | (1,814) | (5,573) | (8,723) | (10,147) |
| Khan Tengri Holding B.V. | (3,783) | – | (8,998) | – |
| Other | 15,292 | (33,187) | 39,354 | (16,172) |
| | 56,650 | (25,335) | 219,918 | 102,004 |

26. SIGNIFICANT NON-CASH TRANSACTIONS

The following significant non-cash transactions have been excluded from the interim consolidated statement of cash flows for the nine months ended September 30, 2016:

1. Acquisition of property, plant and equipment financed by bank loans in the amount of 108,465 million tenge.
2. Discount on bonds issued by the Fund to finance Real Estate Fund JSC in accordance with the “Nurly Zhol” State infrastructure development program amounted to 52,319 million tenge (*Note 15*).
3. Borrowings of Altel JSC in the amount of 29,991 million tenge were transferred to Kazakhtelecom JSC.
4. Purchase of property, plant and equipment, which is not paid by the end of the reporting period in the amount of 18,039 million tenge.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

27. CONSOLIDATION

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

| | Ownership percentage | |
|--|---|--|
| | September 30, 2016 (unaudited) | December 31, 2015 (audited) |
| 1 National Company “KazMunayGas” JSC (“NC KMG”) and subsidiaries | 90% – 1 | 90% – 1 |
| 2 KMG Kashagan B.V. | 100.00% | 100.00% |
| 3 National Company “Kazakhstan Temir Zholy” JSC (“NC KTZh”) and subsidiaries | 100.00% | 100.00% |
| 4 National Atomic Company “Kazatomprom” JSC (“NAC KAP”) and subsidiaries | 100.00% | 100.00% |
| 5 Samruk-Energy JSC (“Samruk-Energy”) and subsidiaries | 100.00% | 100.00% |
| 6 Kazakhstan Electricity Grid Operating Company JSC (“KEGOC”) and subsidiaries | 90% + 1 | 90% + 1 |
| 7 Kazpost JSC and subsidiaries | 100.00% | 100.00% |
| 8 Kazakhtelecom JSC (“KTC”) and subsidiaries | 51.00% | 51.00% |
| 9 Air Astana JSC (“Air Astana”) | 51.00% | 51.00% |
| 10 National Company “Kazakhstan Engineering” JSC (“Kazakhstan Engineering”) and subsidiaries | 100.00% | 100.00% |
| 11 Real Estate Fund “Samruk-Kazyna” JSC and subsidiaries | 100.00% | 100.00% |
| 12 National Mining Company “Tau-Ken Samruk” and subsidiaries | 100.00% | 100.00% |
| 13 United Chemical Company LLP and subsidiaries (“UCC”) | 100.00% | 100.00% |
| 14 Samruk-Kazyna Invest LLP | 100.00% | 100.00% |
| 15 Samruk-Kazyna Contract LLP | 100.00% | 100.00% |
| 16 KOREM JSC | 100.00% | 100.00% |
| 17 International Airport Atyrau JSC | 100.00% | 100.00% |
| 18 International Airport Aktobe JSC | 100.00% | 100.00% |
| 19 Airport Pavlodar JSC | 100.00% | 100.00% |
| 20 SK Business Service LLP and subsidiaries | 100.00% | 100.00% |
| 21 Qazaq Air JSC | 100.00% | 100.00% |
| 22 “Kazakh nuclear power plants” JSC | – | 100.00% |
| 23 “Aviation Company “Air Kazakhstan” JSC | 53.55% | 53.55% |

28. RELATED PARTY DISCLOSURES

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

28. RELATED PARTY DISCLOSURES (continued)

The following table provides the total amount of transactions, which have been entered into with related parties during the nine months ended September 30, 2016 and 2015 and the related balances as at June 30, 2016, and December 31, 2015, respectively:

| <i>In millions of tenge</i> | | Associates | Joint ventures where the Group is a venturer | Other state- controlled entities |
|---|---------------------------|------------|---|--|
| Due from related parties | September 30, 2016 | 52,593 | 30,089 | 16,233 |
| | December 31, 2015 | 45,744 | 39,058 | 10,771 |
| Due to related parties | September 30, 2016 | 23,062 | 134,444 | 981 |
| | December 31, 2015 | 43,127 | 91,496 | 1,836 |
| Sale of goods and services | September 30, 2016 | 49,164 | 210,915 | 162,826 |
| | September 30, 2015 | 51,634 | 178,343 | 77,481 |
| Purchase of goods and services | September 30, 2016 | 133,310 | 159,076 | 8,211 |
| | September 30, 2015 | 61,770 | 138,186 | 8,089 |
| Other income/(loss) | September 30, 2016 | (31) | 1,242 | 3,273 |
| | September 30, 2015 | 54,615 | 36,813 | (48,548) |
| Cash and cash equivalents, and amounts due from credit institutions (assets) | September 30, 2016 | - | - | 231,433 |
| | December 31, 2015 | - | - | 222,003 |
| Loans to customers | September 30, 2016 | 185,377 | 278,436 | 184,719 |
| | December 31, 2015 | 217,010 | 237,449 | 193,667 |
| Loans received | September 30, 2016 | - | 202 | 1,739,869 |
| | December 31, 2015 | - | 217 | 1,746,804 |
| Other assets | September 30, 2016 | 28,205 | 17,686 | 13,998 |
| | December 31, 2015 | 10,591 | 48,843 | 14,385 |
| Other liabilities | September 30, 2016 | 3,667 | 15,018 | 74,392 |
| | December 31, 2015 | 2,614 | 13,349 | 26,842 |
| Interest received | September 30, 2016 | 42,960 | 22,522 | 17,348 |
| | September 30, 2015 | 8,700 | 11,368 | 10,194 |
| Interest accrued | September 30, 2016 | 38,337 | 2,834 | 89,118 |
| | September 30, 2015 | 1,745 | 192 | 44,631 |

As at September 30, 2016 some of the Group's borrowings in the amount of 80,397 million tenge were guaranteed by the Government of the Republic of Kazakhstan (as at December 31, 2015: 87,901 million tenge).

Total compensation to key management personnel included in personnel costs in the accompanying interim consolidated statement of comprehensive income was equal to 12,802 million tenge for the nine months ended September 30, 2016 (for the nine months ended September 30, 2015: 11,068 million tenge). Compensation to key management personnel consists primarily of contractual salary and performance bonus based on operating results.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

29. FAIR VALUE OF FINANCIAL INSTRUMENTS

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

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

The carrying (current) amount of the financial instruments of the Group as at September 30, 2016 and December 31, 2015 is a reasonable estimate of their fair value for the following financial instruments:

| <i>In millions of tenge</i> | Level 1 | Level 2 | Level 3 | September 30, 2016 (unaudited) |
|--|---------|---------|---------|--------------------------------------|
| Financial instruments category | | | | |
| Assets | | | | |
| Available-for-sale financial assets | 2,201 | 8,761 | 235 | 11,197 |
| Financial assets at fair value through profit and loss | - | - | 16,483 | 16,483 |
| Derivative financial assets | - | - | 353 | 353 |
| Liabilities | | | | |
| Derivative financial liabilities | - | 14 | - | 14 |

| <i>In millions of tenge</i> | Level 1 | Level 2 | Level 3 | December 31, 2015 (audited) |
|--|---------|---------|---------|-----------------------------------|
| Financial instruments category | | | | |
| Assets | | | | |
| Available-for-sale financial assets | 2,540 | 10,335 | 1,166 | 14,041 |
| Financial assets at fair value through profit and loss | - | - | 10,276 | 10,276 |
| Derivative financial assets | - | - | 383 | 383 |
| Liabilities | | | | |
| Derivative financial liabilities | - | 175 | 61 | 236 |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

29. FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

As at September 30, 2016 and December 31, 2015 the carrying amount of the Group’s financial instruments approximates their fair value except for the following financial instruments:

| <i>In millions of tenge</i> | September 30, 2016 (unaudited) | | | | |
|---|--------------------------------|------------|--|------------------------------------|---|
| | Carrying amount | Fair value | Fair value by level of assessment | | |
| | | | Quotations in an active market (Level 1) | From the observed market (Level 2) | Based on the significant amount of unobserved (Level 3) |
| Financial assets | | | | | |
| Amounts due from credit institutions | 2,684,469 | 2,613,007 | 1,744,956 | 748,483 | 119,568 |
| Financial liabilities | | | | | |
| Borrowings | 5,920,030 | 6,020,622 | 3,620,766 | 2,024,075 | 375,781 |
| Loans from the Government of the Republic of Kazakhstan | 951,680 | 793,581 | – | 793,581 | – |

| <i>In millions of tenge</i> | December 31, 2015 (audited) | | | | |
|---|-----------------------------|------------|--|------------------------------------|---|
| | Carrying amount | Fair value | Fair value by level of assessment | | |
| | | | Quotations in an active market (Level 1) | From the observed market (Level 2) | Based on the significant amount of unobserved (Level 3) |
| Financial assets | | | | | |
| Amounts due from credit institutions | 2,158,850 | 2,138,505 | 1,094,521 | 971,906 | 72,078 |
| Financial liabilities | | | | | |
| Borrowings | 6,092,711 | 5,532,497 | 3,153,781 | 1,994,714 | 384,002 |
| Loans from the Government of the Republic of Kazakhstan | 866,437 | 849,567 | – | 849,567 | – |

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

30. COMMITMENTS AND CONTINGENCIES

In addition to the contingent liabilities and commitments disclosed in the Group annual consolidated financial statements of the Group for the year ended December 31, 2015, the following changes have taken place during the six months ended September 30, 2016:

Cost recovery audits

As of September 30, 2016 the Group’s share in the total disputed amounts of the non-recoverable costs is 227,389 million tenge (as of December 31, 2015: 217,166 million tenge). The Group and its partners under the production sharing agreements are in negotiation with the Government with respect to the recoverability of these costs.

Oil supply commitments

As of September 30, 2016 the Group had commitments under the oil supply agreement in the amount of 26.9 million ton to be delivered till March 2020.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

30. COMMITMENTS AND CONTINGENCIES (continued)

Civil litigation (KMGI)

According to a Decree issued April 22, 2016, prosecutors of Romania with the General Headquarters of the Department for Fight Against Organized Crime and Terrorism (DIICOT) have ordered a reclassification and continued investigation of the case against 26 suspects under charges of organized crime (14 of them were employees of KMG I). In accordance to the same Decree, several civil responsible parties were added to the case, which include KMG I, SC Oilfield Exploration Business Solutions SA and SC Rompetrol Rafinare S.A. (KMG I subsidiaries). The amount of claims of the civil action is RON 1,724,168,825, USD 290,786,616 and EUR 34,941,924 (equivalent of 760 million US dollar or 254,950 million tenge). By Decree issued on May 6, 2016, the DIICOT have applied a prejudgment seizure on KMGI, SC Oilfield Exploration Business Solutions SA and SC Rompetrol Rafinare S.A. movable and immovable assets except for bank accounts, receivables and inventories. Prescribed seizure does not impact the operational activity of the companies. KMG I appealed the seizure orders in domestic courts and international arbitration.

The hearing of Supreme Court was on June 13, 2016. The Supreme Court rejected in full the appeal. The investigation is ongoing and court trial is expected after investigation is finished. The management of the Group believes that until the investigation is complete and full details of the claims are provided, no provision for claims is required. On July 22, 2016 the Company and KMGI submitted to the Romanian authorities the Notice of Investment Dispute based on the Agreement between the Government of Romania and the Government of the Republic of Kazakhstan, the Agreement between the Government of the Kingdom of the Netherlands and the Government of Romania and the Energy Charter Treaty. The submission of the aforementioned Notice represents the first procedural step that might give rise to an arbitration dispute between an investor and the country where the investment was made. If a settlement between the Group and Romanian authorities fail to be reached, the case will be referred to and settled by the International Centre for Settlement of Investment Disputes under World Bank or to the Arbitration Institute of the Stockholm Chamber of Commerce.

KazMunayGas Trading AG (former – Vector Energy AG) litigations with SC Bioromoil SRL (KMGI)

As of September 30, 2016 KazMunayGas Trading AG is engaged in litigations with SC Bioromoil SRL. SC Bioromoil SRL was seeking to recover the costs related to the Romanian customs duties in relation to the sale of biodiesel in 2009 and 2010 and compensation for lost profits. The total amount of claims amounted to 26.9 million US dollar (9,024 million tenge) as of September 30, 2016.

As of September 30, 2016 the Group has recorded provision for this claim in the amount 22 million US dollars (7,380 million tenge) (as of December 31, 2015: nil).

Kazakhstan local market obligation

During nine months ended September 30, 2016, in accordance with its obligations, the Group delivered 3,898,737 tons of crude oil (nine months ended September 30, 2015: 3,369,257 tons), including joint ventures, to the Kazakhstan market.

Commitments under subsoil use contracts

As at September 30, 2016 the Group had the following commitments related to minimal working program in accordance with terms of licenses, production sharing agreements and subsoil use contracts, signed with the Government (in millions of tenge):

| Year | Capital expenditures | Operational expenditures |
|--------------|----------------------|--------------------------|
| 2016 | 64,516 | 44,732 |
| 2017 | 60,350 | 44,276 |
| 2018 | 50,794 | 44,483 |
| 2019 | 39,844 | 44,471 |
| 2020-2026 | 223,507 | 290,965 |
| Total | 439,011 | 468,927 |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

30. COMMITMENTS AND CONTINGENCIES (continued)

Capital commitments

NC KMG

As at September 30, 2016, NC KMG, including joint ventures, had other capital commitments of approximately 929,000 million tenge related to acquisition and construction of property, plant and equipment, (as at December 31, 2015: 954,000 million tenge).

NC KTZh

As at September 30, 2016, the Group had capital commitments for the construction of “Zhezkazgan – Beineu” and “Arkalyk – Shubarkol” railway lines, development of the railway junction of Astana station, including construction of a station complex, construction of multifunctional Ice palace in Astana, construction of a dry port and infrastructure in the special economic zone Khorgos – Eastern Gates, construction of a primary magistral transportation communication line, acquisition of freight and passenger electric locomotives, freight and passenger cars and locomotives for the total of 746,423 million tenge (December 31, 2015: 409,412 million tenge).

KMG Kashagan

As at September 30, 2016, in accordance with the Kashagan Development Plan and Budget, KMG Kashagan had capital commitments on acquisition, construction or development of undivided interest exploration and evaluation assets and oil and gas development assets amounting to 1,243,106 thousand US dollars (417,012 million tenge). As at December 31, 2015 capital commitments were equal to 715,389 thousand US dollars (243,239 million tenge).

Samruk Energy

As at September 30, 2016, Samruk Energy, including associates, had other capital commitments of approximately 535,712 million tenge related to acquisition and construction of property, plant and equipment, (as at December 31, 2015: 447,847 million tenge).

Investment commitments of Samruk Energy

As at September 30, 2016, in accordance with the Agreements on Investment Obligations with the Ministry of Energy of the Republic of Kazakhstan, the Samruk Energy’s group entities involved in the production of electricity have investment obligations of 14,230 million tenge (as at December 31, 2015: 78,289 million tenge).

Commitments on recycle use of anti-crisis funds

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

Taking into account investments made in 2012-2015 and in the nine months ended September 30, 2016, the Fund’s commitments as at September 30, 2016 were equal to 32,658 million tenge (as at December 31, 2015: 69,825 million tenge), including the Fund’s commitments to finance investment projects which were equal to 10,224 million tenge (as at December 31, 2015: 26,589 million tenge) and the Fund’s commitments allocated to finance the “Available housing-2020” program in the amount of 22,434 million tenge (as at December 31, 2015: 43,236 million tenge).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

31. SEGMENT REPORTING

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

| <i>In millions of tenge</i> | Oil and gas | Mining | Trans- portation | Telecom- munication | Energy | Industrial | Corporate center | Other | Elimination | Total |
|---|------------------|----------------|---------------------|------------------------|----------------|----------------|---------------------|---------------|------------------|------------------|
| For the nine months ended September 30, 2016 | | | | | | | | | | |
| Revenues from sales to external customers | 1,140,757 | 403,829 | 744,797 | 176,899 | 221,510 | 29,625 | 33,941 | 9,088 | - | 2,760,446 |
| Revenues from sales to other segments | 43,287 | 13,896 | 10,972 | 2,904 | 31,480 | 5,620 | 87,783 | 1,993 | (197,935) | - |
| Total revenue | 1,184,044 | 417,725 | 755,769 | 179,803 | 252,990 | 35,245 | 121,724 | 11,081 | (197,935) | 2,760,446 |
| Gross profit | 147,803 | 99,139 | 146,001 | 61,713 | 79,921 | 4,277 | 27,783 | 3,363 | (85,644) | 484,356 |
| General and administrative expenses | (86,135) | (23,101) | (64,168) | (18,809) | (19,478) | (5,878) | (27,563) | (1,983) | 4,787 | (242,328) |
| Transportation and selling expenses | (145,991) | (5,229) | (5,261) | (1,795) | (2,420) | (677) | - | - | 3,077 | (158,296) |
| Finance income | 143,837 | 7,348 | 7,295 | 5,102 | 7,426 | 3,499 | 80,852 | 5,736 | (45,222) | 215,873 |
| Finance costs | (197,457) | (8,164) | (68,905) | (5,479) | (19,045) | (4,407) | (6,506) | (1,413) | 19,166 | (292,210) |
| Share in profits of joint ventures and associates | 134,348 | 88,176 | 3,259 | (9,000) | 4,266 | (1,140) | - | 9 | - | 219,918 |
| Foreign exchange gain/(loss), net | 16,028 | 3,063 | 5,739 | (302) | 2,247 | 310 | 4,393 | (18) | (47,857) | (16,397) |
| Income tax expenses | (114,100) | (15,939) | (13,657) | (10,304) | (12,763) | (456) | (9,357) | (1,405) | - | (177,991) |
| Net (loss)/profit for the period from continuing operations | (106,251) | 123,395 | 23,528 | 65,876 | 42,369 | (4,660) | 72,344 | 3,304 | (154,560) | 66,345 |
| Net profit for the period from discontinued operations* | 332,291 | - | - | - | - | - | - | - | - | 332,291 |
| Total net profit/(loss) for the period | 226,040 | 123,395 | 23,528 | 65,876 | 42,369 | (4,660) | 72,344 | 3,304 | (154,560) | 397,636 |
| Other segment information | | | | | | | | | | |
| Total assets of the segment | 14,047,802 | 1,343,654 | 3,191,984 | 540,606 | 1,493,287 | 391,019 | 7,345,586 | 247,177 | (6,271,281) | 22,329,833 |
| Total liabilities of the segment | 6,642,407 | 258,910 | 2,104,387 | 156,625 | 773,764 | 162,261 | 2,046,103 | 167,942 | (773,806) | 11,538,493 |
| Investments in joint ventures and associates | 1,877,113 | 575,636 | 34,668 | 71,729 | 119,558 | 58,410 | - | 57 | (36,495) | 2,700,676 |

* KMG I was classified as discontinued operation in these interim condensed consolidated financial statements. Results of discontinued operations include elimination of cost of crude oil acquired from KMG (Note 5).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

31. SEGMENT REPORTING (continued)

The following table represents information about profit and loss, assets and liabilities of operating segments of the Group as at December 31, 2015 and profit and loss for the nine months ended September 30, 2015:

| <i>In millions of tenge</i> | Oil and gas | Mining | Trans- portation | Telecom- munication | Energy | Industrial | Corporate center | Other | Elimination | Total |
|--|----------------|----------------|---------------------|------------------------|----------------|---------------|---------------------|--------------|------------------|------------------|
| For the nine months ended September 30, 2015 | | | | | | | | | | |
| Revenues from sales to external customers | 783,232 | 277,376 | 644,239 | 181,680 | 217,796 | 17,067 | 32,614 | 4,744 | - | 2,158,748 |
| Revenues from sales to other segments | 35,921 | 12,230 | 11,396 | 3,051 | 23,570 | 4,996 | 61,222 | 1,673 | (154,059) | - |
| Total revenue | 819,153 | 289,605 | 655,635 | 184,731 | 241,366 | 22,063 | 93,835 | 6,417 | (154,059) | 2,158,748 |
| Gross profit | 24,818 | 58,402 | 108,226 | 57,357 | 91,628 | 3,514 | 28,607 | 3,841 | (67,063) | 309,330 |
| General and administrative expenses | (109,152) | (17,811) | (59,694) | (19,942) | (25,105) | (5,130) | (12,521) | (2,242) | 4,823 | (246,774) |
| Transportation and selling expenses | (132,780) | (2,904) | (4,422) | (4,261) | (8,837) | (571) | - | - | 4,205 | (149,570) |
| Finance income | 49,174 | 10,046 | 4,614 | 3,202 | 4,679 | 2,026 | 43,088 | 3,242 | (5,671) | 114,400 |
| Finance costs | (146,662) | (5,763) | (50,764) | (6,010) | (18,956) | (2,435) | (114) | (1,340) | 16,735 | (215,309) |
| Share in profits of joint ventures and associates | 96,381 | 16,670 | (10,079) | - | (8,135) | 6,168 | - | 999 | - | 102,004 |
| Foreign exchange gain/(loss), net | 294,229 | 4,116 | (28,029) | 392 | 16,341 | (954) | 43,323 | 338 | 1,827 | 331,583 |
| Income tax expenses | (155,094) | (4,342) | 46,157 | (8,038) | (7,078) | 1,867 | (9,429) | (639) | - | (136,596) |
| Net loss for the period from continuing operations | (84,988) | 51,794 | 8,684 | 24,855 | 43,912 | 4,525 | 89,163 | 3,977 | (43,010) | 98,912 |
| Net profit for the period from discontinued operations | 296,803 | - | - | - | - | - | - | - | - | 296,803 |
| Total net profit/(loss) for the period | 211,815 | 51,794 | 8,684 | 24,855 | 43,912 | 4,525 | 89,163 | 3,977 | (43,010) | 395,715 |
| Other segment information | | | | | | | | | | |
| Total assets of the segment | 12,932,833 | 1,319,031 | 3,109,511 | 497,259 | 1,411,125 | 322,311 | 6,929,328 | 204,432 | (5,836,146) | 20,889,684 |
| Total liabilities of the segment | 5,672,714 | 347,732 | 2,100,302 | 184,982 | 749,528 | 118,649 | 1,843,255 | 107,367 | (636,217) | 10,488,312 |
| Investments in joint ventures and associates | 1,798,243 | 575,680 | 33,003 | - | 104,788 | 71,863 | (21,757) | 21,767 | (36,504) | 2,547,103 |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

31. SEGMENT REPORTING (continued)

The following table represents information about profit and loss of operating segments of the Group for the three months ended September 30, 2016 and September 30, 2015:

| <i>In millions of tenge</i> | Oil and gas | Mining | Trans- portation | Telecom- munication | Energy | Industrial | Corporate center | Other | Elimination | Total |
|---|----------------|----------------|---------------------|------------------------|---------------|----------------|---------------------|--------------|------------------|------------------|
| For the three months ended September 30, 2016 | | | | | | | | | | |
| Revenues from sales to external customers | 467,416 | 146,243 | 277,444 | 66,638 | 71,026 | 17,123 | 10,076 | 2,537 | - | 1,057,503 |
| Revenues from sales to other segments | 13,226 | 4,472 | 3,606 | 1,059 | 10,621 | 2,198 | 59,567 | 863 | (95,602) | - |
| Total revenue | 480,642 | 150,715 | 281,050 | 66,697 | 81,647 | 19,311 | 69,643 | 3,400 | (95,602) | 1,057,503 |
| Gross profit | 81,966 | 26,537 | 70,074 | 18,879 | 24,073 | 1,904 | 35,295 | 648 | (56,738) | 201,342 |
| General and administrative expenses | (28,489) | (7,979) | (21,711) | (5,233) | (6,660) | (1,894) | (4,393) | (649) | (334) | (77,282) |
| Transportation and selling expenses | (91,147) | (911) | (1,905) | (415) | (639) | (237) | - | - | 942 | (94,312) |
| Finance income | 92,835 | 3,191 | 2,410 | 1,638 | 2,436 | 1,187 | 28,315 | 1,959 | (16,603) | 115,368 |
| Finance costs | (66,207) | (2,924) | (23,187) | (1,698) | (5,813) | (1,804) | (1,240) | (465) | 5,872 | (97,466) |
| Share in profits of joint ventures and associates | 22,183 | 36,538 | 1,268 | (3,785) | 681 | (235) | - | - | - | 56,650 |
| Foreign exchange gain/(loss), net | 42,569 | 1,128 | 14,725 | (460) | 5,448 | 51 | 7,563 | (10) | (82,791) | (11,777) |
| Income tax expenses | (46,463) | (2,317) | (11,451) | (2,163) | (3,679) | (78) | (3,318) | (536) | 0 | (70,005) |
| Net loss for the period from continuing operations | 61,219 | 46,571 | 33,569 | 7,585 | 18,375 | (1,326) | 62,454 | (346) | (152,430) | 73,681 |
| Net profit for the period from discontinued operations | 95,576 | - | - | - | - | - | - | - | - | 95,576 |
| Total net profit/(loss) for the period | 156,795 | 46,571 | 33,569 | 7,595 | 16,375 | (1,326) | 62,454 | (346) | (152,430) | 169,257 |
| For the three months ended September 30, 2015 | | | | | | | | | | |
| Revenues from sales to external customers | 284,497 | 119,933 | 234,888 | 62,996 | 68,264 | 11,626 | 8,099 | 1,673 | - | 791,986 |
| Revenues from sales to other segments | 10,262 | 3,971 | 3,977 | 923 | 7,325 | 1,136 | 2,665 | 554 | (31,012) | - |
| Total revenue | 294,759 | 123,904 | 238,875 | 63,919 | 75,589 | 12,761 | 10,964 | 2,227 | (31,012) | 791,986 |
| Gross profit | 23,043 | 31,397 | 45,012 | 18,786 | 31,286 | 1,386 | (7,009) | 1,349 | (4,776) | 140,496 |
| General and administrative expenses | (44,609) | (6,427) | (19,460) | (6,289) | (6,380) | (1,597) | (3,495) | (786) | 1,498 | (87,655) |
| Transportation and selling expenses | (39,564) | (1,115) | (1,651) | (1,380) | (7,178) | (164) | - | - | 1,573 | (49,489) |
| Finance income | 14,250 | 7,471 | 1,223 | 1,033 | 1,609 | 814 | 13,686 | 1,128 | (1,728) | 39,488 |
| Finance costs | (51,422) | (1,786) | (17,631) | (1,786) | (6,866) | (994) | - | (437) | 5,635 | (75,287) |
| Share in profits of joint ventures and associates | (10,490) | (446) | (10,348) | - | (11,066) | 5,942 | - | 73 | - | (25,335) |
| Foreign exchange gain/(loss), net | 270,408 | 4,774 | (15,456) | 644 | 16,130 | (1,142) | 41,789 | 323 | 1,675 | 319,147 |
| Income tax expenses | (97,904) | (2,087) | 45,758 | (2,462) | 2,297 | 1,947 | (3,346) | (279) | - | (56,076) |
| Net loss for the period from continuing operations | 54,338 | 29,549 | 27,056 | 9,119 | 16,538 | 6,980 | 52,326 | 1,365 | 6,775 | 204,046 |
| Net profit for the period from discontinued operations | 77,459 | - | - | - | - | - | - | - | - | 77,459 |
| Total net profit/(loss) for the period | 131,797 | 29,549 | 27,056 | 9,119 | 16,538 | 6,980 | 52,326 | 1,365 | 6,775 | 281,505 |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

32. SUBSEQUENT EVENTS

Bonds

On October 6, 2016 KTG Aymak, the subsidiary of KMG NC carried on additional issue of bonds at Kazakhstan Stock Exchange in the amount of 10,654,281 pieces with a maturity October 18, 2025 with the nominal value of KZT 1,000 per share and nominal interest rate of 7.5%, yield of 13%. The amount of sale proceeds of bonds amounted to 7,798 million tenge.

In October and November 2016 NC KMG redeemed accrued interest on Eurobonds for the total amount of 111,605 thousand US dollars (equivalent to 37,421 million tenge at the exchange rate on the payment date).

Borrowings

On October 27, 2016 NC KMG received a loan from a syndicate of banks in the amount of 47,000 thousand US dollars (equivalent to 15,565 million tenge on the day of receipt) with an interest rate of 1M Libor + 2% per annum, with a maturity October 25, 2017 for general corporate purposes.

VAT recoverable

On October 11, 2016 KMG EP, subsidiary of NC KMG, obtained 24.5 billion tenge as a VAT refund from the republican budget. The total amount specified in the application to the tax authorities of the Republic of Kazakhstan for a VAT refund of 57.4 billion tenge. VAT refund associated with excess accumulated over the years 2012-2015, including the establishment of Ozenmunigas JSC and Embamunaigas JSC in 2012. KMG EP intends to continue to work with stakeholders to recover the remaining amount. On November 9, 2016 KMG EP received refund of corporate income tax and excess profit tax as a result of the tax audit for 2006 - 2008 from the tax authorities in the amount of 4,092 million tenge.

Litigation

At the reporting date of Samruk-Kazyna Real Estate Fund has been involved in litigation regarding the ownership of the land acquired by FNSK under an agreement on compensation dated October 27, 2013 from Caspian Development Center LLP which was transferred to the share capital of SK Development LLP. In 2015, the Appeals Board of Mangistau region issued a decree on leaving the court decision enforceability on return of the disputed land to the ownership of the Aktau Akimat. The FNSK is currently undertaking the proceedings under the legislation of Kazakhstan to appeal the judicial acts at minimum cost.

Contributions to the share capital

In October, 2016, the Shareholder made cash contributions to the share capital of the Fund in the amount of 81,523 million tenge.

Approval of the financial statements

The interim consolidated financial statements of the Group for the nine months ended September 30, 2016 were approved and authorized for issue by management on November 28, 2016 and signed by acting Managing director for finance and operations Yernar Zhanadil.