

“Sovereign Wealth Fund “Samruk-Kazyna” JSC

Interim condensed
consolidated financial statements (unaudited)

As at 31 March 2017 and for the three months then ended

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INTERIM CONSOLIDATED BALANCE SHEET

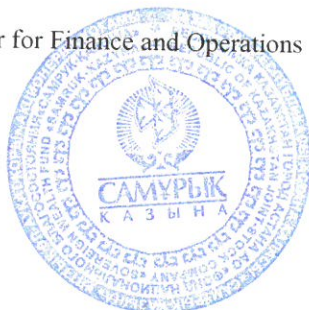
<i>In millions of tenge</i>	Note	31 March 2017 (unaudited)	31 December 2016 (audited)
Assets			
Non-current assets			
Property, plant and equipment	6	10,039,348	10,160,089
Intangible assets		880,921	922,465
Exploration and evaluation assets		415,358	427,368
Investment property		8,626	9,083
Investments in joint ventures and associates	7	2,724,383	2,767,678
Loans given		537,274	560,952
Amounts due from credit institutions	8	685,272	684,442
Deferred tax assets		125,197	145,150
Other non-current financial assets		161,812	166,236
Other non-current assets		520,001	511,324
		16,098,192	16,354,787
Current assets			
Inventories		301,739	319,698
VAT receivable		179,765	177,212
Income tax prepaid		108,877	95,942
Trade accounts receivable		388,782	438,486
Loans given		138,699	140,345
Amounts due from credit institutions	8	1,933,276	1,669,459
Other current financial assets		26,527	27,316
Other current assets		432,281	399,666
Cash and cash equivalents	9	1,173,088	1,554,035
		4,683,034	4,822,159
Assets classified as held for sale	5	1,240,616	1,283,914
Total assets		22,021,842	22,460,860

The accounting policies and explanatory notes on pages 8 through 31 form an integral part of these interim condensed consolidated financial statements.

INTERIM CONSOLIDATED BALANCE SHEET (continued)

<i>In millions of tenge</i>	Note	31 March 2017 (unaudited)	31 December 2016 (audited)
Equity and liabilities			
Equity attributable to equity holder of the Parent			
Share capital	10.1	5,058,924	5,058,658
Revaluation reserve for available-for-sale investments		29,587	31,032
Currency translation reserve		919,052	1,008,696
Hedging reserve		(46,306)	(52,712)
Other capital reserves		(16,600)	(16,522)
Retained earnings		3,338,855	3,321,930
		9,283,512	9,351,082
Non-controlling interest		1,659,548	1,640,592
Total equity		10,943,060	10,991,674
Non-current liabilities			
Borrowings	11	4,669,186	4,930,158
Loans from the Government of the Republic of Kazakhstan		926,220	912,180
Finance lease liabilities		105,985	116,078
Provisions		166,996	161,936
Deferred tax liability		597,385	583,245
Employee benefit liability		67,896	66,887
Other non-current liabilities	12	1,333,596	1,476,788
		7,867,264	8,247,272
Current liabilities			
Borrowings	11	851,429	820,570
Loans from the Government of the Republic of Kazakhstan		14,901	6,231
Finance lease liabilities		16,395	18,332
Provisions		180,700	193,499
Employee benefit liability		6,037	6,172
Income taxes payable		10,141	4,220
Trade and other payables		421,358	587,217
Other current liabilities	13	1,040,755	892,977
		2,541,716	2,529,218
Liabilities associated with assets classified as held for sale	5	669,802	692,696
Total liabilities		11,078,782	11,469,186
Total equity and liabilities		22,021,842	22,460,860

Acting as Managing Director for Finance and Operations



Chief accountant

Yernar Zhanadil

Yernar Zhanadil

Almaz Abdrakhmanova

Almaz Abdrakhmanova

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INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

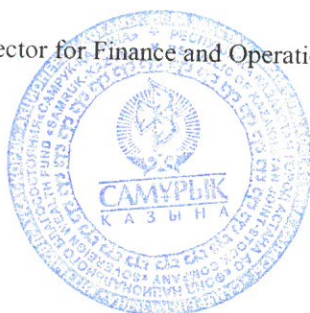
<i>In millions of tenge</i>	Note	For the three months ended 31 March 2017 (unaudited)	For the three months ended 31 March 2016 (unaudited)
Continuing operations			
Revenue	14	1,158,420	721,585
Government grants		3,928	6,374
		1,162,348	727,959
Cost of sales	15	(989,972)	(672,486)
Gross profit		172,376	55,473
General and administrative expenses	16	(82,396)	(78,893)
Transportation and selling expenses		(74,662)	(51,493)
Reversal of impairment / (impairment loss)	17	9,340	(10,232)
Gain on disposal of subsidiaries		1,496	44,961
Operating profit/(loss)		26,154	(40,184)
Finance costs		(106,876)	(97,368)
Finance income		43,367	48,965
Other non-operating loss		(5,459)	(2,768)
Other non-operating income		6,827	13,213
Share in profit of joint ventures and associates, net	18	124,694	66,976
Net foreign exchange (loss)/gain	19	(64,767)	5,245
Profit/(loss) before income tax		23,940	(5,921)
Income tax expenses		(61,668)	(48,970)
Net loss for the period from continuing operations		(37,728)	(54,891)
Discontinued operations			
Profit from discontinued operations, net of income tax	5	101,691	158,533
Net profit for the period		63,963	103,642
Net profit for the period attributable to:			
Equity holder of the Parent		49,318	66,760
Non-controlling interest		14,645	36,882
		63,963	103,642

The accounting policies and explanatory notes on pages 8 through 31 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 31 March 2017 (unaudited)	For the three months ended 31 March 2016 (unaudited)
Other comprehensive income, net of tax			
<i>Other comprehensive income to be reclassified to profit or loss in subsequent periods</i>			
Exchange differences on translation of foreign operations		(92,758)	35,307
Unrealized loss from revaluation of available-for-sale investments		(1,825)	(3,257)
Gain/(loss) on transactions with hedge instruments		9,488	(3,970)
Net realized gain/(loss) on available-for-sale investments		380	(564)
Share of the OCI items of associates and joint ventures		(22,352)	-
Tax effect on transactions with hedge instrument		(1,041)	25
Other comprehensive (loss)/income to be reclassified to profit or loss in subsequent periods		(108,108)	27,541
<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		20,526	(57)
Actuarial gain on defined benefit plans		33	15
Tax effect on comprehensive income components		2	-
Other comprehensive income/(loss) not to be reclassified to profit or loss in subsequent periods		20,561	(42)
Other comprehensive (loss)/income for the period, net of tax		(87,547)	27,499
Total comprehensive (loss)/income for the period, net of tax		(23,584)	131,141
Total comprehensive (loss)/income for the period, net of tax, attributable to:			
Equity holder of the Parent		(14,788)	86,222
Non-controlling interest		(8,796)	44,919
		(23,584)	131,141

Acting as Managing Director for Finance and Operations



Chief accountant

Yernar Zhanadil
Yernar Zhanadil

Almaz Abdurakhmanova
Almaz Abdurakhmanova

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INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

<i>In millions of tenge</i>	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	Non-controlling interest	
Balance as at 31 December 2015 (audited)		4,916,269	32,817	1,025,930	(59,171)	(13,922)	2,971,941	1,527,508	10,401,372
Total comprehensive income for the period		-	(3,820)	27,222	(3,896)	-	66,716	44,919	131,141
Issue of shares		36,400	-	-	-	-	-	-	36,400
Other distributions to the Shareholder		-	-	-	-	-	(1,844)	-	(1,844)
Execution of share-based payments		-	-	-	-	(1,310)	-	1,310	-
Change in ownership interests of subsidiaries – acquisition of non-controlling interest		-	-	-	-	-	-	-	-
Other equity movements		-	-	-	-	-	(632)	397	(235)
Balance as at 31 March 2016 (unaudited)		4,952,669	28,997	1,053,152	(63,067)	(15,208)	3,036,248	1,574,219	10,567,010

The accounting policies and explanatory notes on pages 8 through 31 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	Non-controlling interest	
Balance as at 31 December 2016 (audited)		5,058,658	31,032	1,008,696	(52,712)	(16,522)	3,321,930	1,640,592	10,991,674
Total comprehensive income for the period		-	(1,445)	(89,644)	6,406	-	69,895	(8,796)	(23,584)
Issue of shares	10.1	266	-	-	-	-	-	-	266
Acquisition of subsidiary	5	-	-	-	-	-	-	-	-
Other distributions to the Shareholder	10.3	-	-	-	-	-	-	27,679	27,679
Other equity movements		-	-	-	-	-	(52,975)	-	(52,975)
Balance as at 31 March 2017 (unaudited)		5,058,924	29,587	919,052	(46,306)	(16,600)	3,338,855	1,659,548	10,943,060

Acting as Managing Director for Finance and Operations



Yernar Zhanadil

Yernar Zhanadil

Chief accountant

Almaz Abdrahmanova

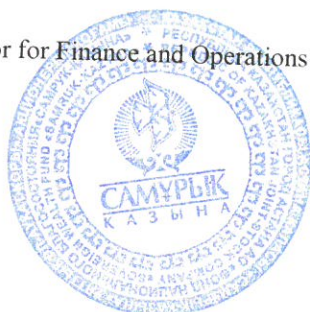
Almaz Abdrahmanova

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INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS

<i>In millions of tenge</i>	Note	For the three months ended 31 March 2017 (unaudited)	For the three months ended 31 March 2016 (unaudited)
Cash flows from operating activities			
Receipts from customers		1,846,954	1,288,937
Payments to suppliers		(1,141,005)	(654,358)
Payments to employees		(187,887)	(173,635)
Other taxes and payments		(211,454)	(227,807)
Operations with financial instruments (the Fund and Kazpost)		21,298	21,846
Other payments		(37,239)	(7,369)
Income taxes paid		(39,576)	(54,580)
Interest paid		(46,388)	(58,352)
Interest received		34,962	29,541
Net cash flows received from operating activities		239,665	164,223
Cash flows from investing activities			
Placement of bank deposits, net		(371,118)	(38,205)
Sale/(acquisition) of joint ventures and associates, net		3,086	8,894
Purchase of property, plant and equipment		(207,671)	(239,699)
Purchase of intangible assets		(1,254)	(6,610)
Dividends received from joint ventures and associates		46,312	11,162
Provision of loans		(18,912)	(6,425)
Cash and cash equivalents of acquired subsidiaries		1,394	-
Other receipts		9,773	8,295
Net cash flows used in investing activities		(538,390)	(262,588)
Cash flows from financing activities			
Proceeds from borrowings		84,013	164,091
Repayment of borrowings		(125,870)	(330,129)
Repayment of finance lease liabilities		(4,606)	(4,734)
Contributions to the share capital		-	36,400
Distributions to the Shareholder		(5,058)	(2,326)
Dividends paid to non-controlling interest of subsidiaries		(74)	(3,184)
Acquisition of non-controlling interest		-	(202)
Net cash flows used in financing activities		(51,595)	(140,084)
Net decrease in cash and cash equivalents		(350,320)	(238,449)
Effects of exchange rate changes on cash and cash equivalents		(42,203)	18,446
Cash of subsidiaries reclassified to assets classified as held for sale		11,576	8,910
Cash and cash equivalents, at the beginning of the year		1,554,035	1,206,557
Cash and cash equivalents, at the end of the period	9	1,173,088	995,464

Acting as Managing Director for Finance and Operations



(Signature)

Yernar Zhanadil

Chief accountant

(Signature)
Almaz Abdurakhmanova

The accounting policies and explanatory notes on pages 8 through 31 form an integral part of these interim condensed consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL INFORMATION

Corporate information

“Sovereign Wealth Fund “Samruk-Kazyna” JSC (the “Fund” or “Samruk-Kazyna”) was established on 3 November 2008 in accordance with the Decree of the President of the Republic of Kazakhstan dated 13 October 2008 and the Resolution of the Government of the Republic of Kazakhstan dated 17 October 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 20* (the “Group”). Prior to 1 February 2012, the Fund’s activities were governed by the Law of the Republic of Kazakhstan *On National Welfare Fund* No. 134-4 dated 13 February 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 1 February 2012 *On Sovereign Wealth Fund* No. 550-4, the Fund’s activity is focused on improving sovereign wealth of the Republic of Kazakhstan by increasing the long-term value of the Group companies and by effective management of the Group assets.

For management purposes, the Group is organized into organizational business units based on their products and services, and has 8 (eight) reportable operating segments as follows (*Note 24*):

- 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 the Managing Director for Finance and Operations – Member of the Management Board and Chief accountant of the Fund on 30 May 2017.

Privatization plan

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

2. BASIS OF PREPARATION

These interim condensed consolidated financial statements for the three months ended 31 March 2017 were prepared in accordance with International Accounting Standard No. 34 *Interim Financial Statements* (IAS 34). These interim condensed consolidated financial statements do not include all the information and disclosures required in the annual consolidated financial statements, and should be read in conjunction with the Group’s annual consolidated financial statements for the year ended 31 December 2016.

Foreign currency translation

Functional and presentation currency

Items included in the financial statements of each of the Group’s entities included in these interim condensed consolidated financial statements for the three months ended 31 March 2017 are measured using the currency of the primary economic environment in which the entities operate (“the functional currency”). The interim condensed consolidated financial statements are presented in tenge (“tenge”), which is the Group’s presentation currency.

Transactions and balances

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

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

Group entities

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

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

Exchange rates

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

The following table presents foreign currency exchange rate to tenge:

	31 March 2017	31 December 2016
United States dollar (USD)	313.73	333.29
Euro (EUR)	334.94	352.42
Russian ruble (RUR)	5.57	5.43
Swiss franc (CHF)	313.39	328.14

As at 30 May 2017 currency exchange rate of KASE is 311.23 tenge to 1 US dollar.

Adoption of new and revised standards

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group’s annual consolidated financial statements for the year ended 31 December 2016, except for the adoption of new standards and interpretations effective as of 1 January 2017. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

2. BASIS OF PREPARATION (continue)

Adoption of new and revised standards (continued)

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

- Amendments to IAS 7 *Statement of Cash Flows: Disclosure Initiative*.
- Amendments to IAS 12 *Income Taxes: Recognition of Deferred Tax Assets for Unrecognised Losses*.
- Amendments to IFRS 10 and IAS 28 *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*.
- Amendments to IFRS 2 *Classification and Measurement of Share-based Payment Transactions*.
- Amendments to IFRIC 22 *Foreign Currency Transactions and Advance Consideration*.

Annual improvements cycle – 2014-2016

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

3. SEASONALITY OF OPERATIONS

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

4. ACQUISITION

In accordance with the contract of trust management of property dated 4 January 2017, concluded between LLP United Chemical Company (a subsidiary of the Fund) and ALMEX Firm LLP, the Group acquired control over the remaining 49% of shares in LLP Kazakhstan Petrochemical Industries Inc. (KPI) without remuneration transfer. As a result of this transaction, the Group acquired control over 100% of the interest in KPI.

Purchased assets and assumed liabilities

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

<i>In millions of tenge</i>	At the acquisition date
Assets	
Property, plant and equipment	28,634
Intangible assets	44
Other non-current assets	9,622
Receivables	4,954
Amounts due from credit institutions	10,816
Other current assets	1,398
Cash and cash equivalents	1,394
Total assets	56,862
Liabilities	
Trade and other current liabilities	313
Total liabilities	313
Net assets	56,549
Fair value of equity interest	56,549
Less: non-controlling interests	(27,679)
Share in net assets previously held by the Group	28,870
Net cash flow on acquisition	1,394

The Group recorded net cash acquired with the subsidiary in the amount of 1,394 million tenge as cash flow from investing activities in the consolidated cash flow statement.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

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

Discontinued operations in 2017

KMG International N.V.

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

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

<i>In millions of tenge</i>	2017	2016
Revenue	472,373	391,351
Cost of sales	(337,154)	(199,481)
Gross profit	135,219	191,870
General and administrative expenses	(7,167)	(14,623)
Transportation and selling expenses	(10,648)	(12,009)
Revaluation adjustment less costs to sell	(13,702)	(5,941)
Other operating income	–	124
Other operating losses	(82)	(330)
Operating profit	103,620	159,091
Net foreign exchange loss, net	(233)	(375)
Finance income	152	784
Finance costs	(2,555)	(3,301)
Share in profit of joint ventures and associates, net	221	369
Profit before income tax for the period from discontinued operations	101,205	156,568
Income tax benefit	486	1,965
Net profit after income tax for the period from discontinued operations	101,691	158,533

IFRS requires to eliminate income generated by entities consolidated into the Group and presented as continuing operations with entities classified as discontinued operations. Accordingly, Group’s profit and loss does not reflect results of continuing and discontinued operations, as if they were presented as separate entities due to significant volumes of crude oil sales from the Group to KMGI. Net loss of KMGI before intercompany eliminations for the three months ended 31 March 2017 and 2016 was equal to 2,710 million tenge and 9,759 million tenge, respectively.

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

<i>In millions of tenge</i>	31 March 2017 (unaudited)	31 December 2016 (audited)
Assets		
Property, plant and equipment	544,917	585,546
Intangible assets	66,295	73,933
Investment in associate	12,112	12,644
Deferred tax asset	32,518	34,545
Other non-current assets	2,958	2,949
Inventories	104,049	115,235
Trade accounts receivable	180,549	128,944
Other current assets	29,398	36,149
Cash and cash equivalents	23,484	25,004
Assets classified as held for sale	996,280	1,014,949
Liabilities		
Borrowings	201,407	201,869
Deferred tax liabilities	67,901	72,935
Provisions	42,982	46,903
Other non-current liabilities	4,332	3,944
Trade accounts payable	140,098	142,278
Other taxes payable	19,698	19,114
Other current liabilities	62,252	63,183
Liabilities directly associated with the assets classified as held for sale	538,670	550,226
Net assets directly associated with the disposal group	457,610	464,723

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**5. DISCONTINUED OPERATIONS, DISPOSALS AND ASSETS CLASSIFIED AS HELD FOR SALE (continued)****Discontinued operations in 2017 (continued)***KMG International N.V. (continued)*

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

<i>In millions of tenge</i>	2017	2016
Operating	126,215	182,784
Investing	(8,718)	(17,179)
Financing	11,412	(11,820)
Net cash outflows	128,909	153,785

Net (outflows)/inflows of KMGI before intercompany eliminations for the three months ended 31 March 2017 and 2016 amounted to (54) million tenge and 559 million tenge, respectively.

Summary information

Assets classified as held for sale comprised the following:

<i>In millions of tenge</i>	Segment	31 March 2017 (unaudited)	31 December 2016 (audited)
KMGI	Oil and gas	996,280	1,014,949
Transtelecom JSC	Transportation	82,086	89,286
Mangistau electricity distribution network company JSC	Energy	31,667	31,831
Euro-Asia Air JSC	Oil and gas	19,968	20,715
Kazakh-British Technical University JSC	Oil and gas	18,484	18,014
East Kazakhstan regional energy company JSC	Energy	16,723	16,490
Tulpar-Talgo LLP	Transportation	11,889	15,451
Aktobe HES JSC	Energy	10,845	10,786
Other		52,674	66,392
		1,240,616	1,283,914

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

<i>In millions of tenge</i>	Segment	31 March 2017 (unaudited)	31 December 2016 (audited)
KMGI	Oil and gas	538,670	550,226
Transtelecom JSC	Transportation	75,437	75,800
Mangistau electricity distribution network company JSC	Energy	17,697	19,267
Tulpar-Talgo LLP	Transportation	16,017	19,306
Euro-Asia Air JSC	Oil and gas	8,208	8,930
East Kazakhstan regional energy company JSC	Energy	4,667	5,702
Kazakh-British Technical University JSC	Oil and gas	2,490	1,964
Aktobe HES JSC	Energy	1,964	2,213
Other		4,652	9,288
		669,802	692,696

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

6. PROPERTY, PLANT AND EQUIPMENT (continued)

<i>In millions of tenge</i>	Oil and gas assets	Pipelines and refinery assets	Buildings and premises	Railway tracks and infrastructure	Machinery, equipment and vehicles	Mining assets	Other	Construction in progress	Total
Net book value at 1 January 2017	3,811,699	958,918	764,449	959,909	2,510,992	46,836	67,067	1,040,219	10,160,089
Foreign currency translation	(205,603)	-	(1,174)	21	(2,450)	-	(77)	(395)	(209,678)
Changes in estimates	1,914	(438)	-	-	-	33	-	-	1,509
Additions	15,841	64	445	34	19,669	2,943	727	148,998	188,721
Acquisition through business combination	-	-	2,442	-	-	-	29	26,163	28,634
Disposals	(1,527)	(382)	(1,248)	(71)	(2,833)	-	(746)	(308)	(7,115)
Depreciation charge	(36,764)	(13,992)	(10,685)	(8,677)	(47,710)	(2,352)	(2,193)	-	(122,373)
Depreciation and impairment on disposals	1,527	309	678	59	2,409	-	528	222	5,732
Impairment, net of reversal of impairment	-	-	424	94	72	25	27	(638)	4
Discontinued operations/transfer to assets classified as held for sale	-	(40)	(56)	-	(1)	-	-	-	(97)
Transfers from/(to) intangible assets	(5,366)	-	-	-	2	-	-	(1,559)	(6,923)
Transfers from/(to) exploration and evaluation assets, investment property	-	-	118	-	-	-	-	-	118
Transfer from/(to) inventories, net	(28)	493	3	-	513	9	145	(408)	727
Other transfers and reclassifications	665	2,819	21,119	480	49,279	-	735	(75,097)	-
Net book value at 31 March 2017	3,582,358	947,751	776,515	951,849	2,529,942	47,494	66,242	1,137,197	10,039,348
Historical cost	4,531,673	1,252,541	1,065,083	1,126,815	3,894,897	86,386	139,679	1,248,233	13,345,307
Accumulated depreciation and impairment	(949,315)	(304,790)	(288,568)	(174,966)	(1,364,955)	(38,892)	(73,437)	(111,036)	(3,305,959)
Net book value at 31 March 2017	3,582,358	947,751	776,515	951,849	2,529,942	47,494	66,242	1,137,197	10,039,348
Historical cost	4,738,806	1,250,138	1,044,743	1,126,321	3,833,560	83,401	138,847	1,150,865	13,366,681
Accumulated depreciation and impairment	(927,107)	(291,220)	(280,294)	(166,412)	(1,322,568)	(36,565)	(71,780)	(110,646)	(3,206,592)
Net book value at 31 December 2016	3,811,699	958,918	764,449	959,909	2,510,992	46,836	67,067	1,040,219	10,160,089

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

6. PROPERTY, PLANT AND EQUIPMENT (continued)

As at 31 March 2017 property, plant and equipment with net book value of 1,897,214 million tenge was pledged as collateral for some of the Group's borrowings (as at 31 December 2016: 1,921,660 million tenge).

As at 31 March 2017 the carrying amount of property, plant and equipment acquired under finance lease agreements was equal to 103,616 million tenge (as at 31 December 2016: 104,987 million tenge).

As at 31 March 2017 the cost of fully amortised property, plant and equipment of the Group was equal to 478,652 million tenge (as at 31 December 2016: 468,140 million tenge).

For the three months ended 31 March 2017 the Group capitalized borrowing costs at an average interest rate of 0.5% in the amount of 7,611 million tenge (for the three months ended 31 March 2016: at the rate of 0.5% in the amount of 8,210 million tenge).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

7. INVESTMENTS IN JOINT VENTURES AND ASSOCIATES

Investments in joint ventures and associates comprised the following:

<i>In millions of tenge</i>			31 March 2017 (unaudited)		31 December 2016 (audited)	
	Main activity	Place of business	Carrying amount	Percentage ownership	Carrying amount	Percentage ownership
Joint ventures						
Tengizchevroil LLP	Oil and gas exploration and production	Kazakhstan	1,148,893	20.00%	1,154,183	20.00%
Mangistau Investments B.V.	Oil and gas exploration and production	Kazakhstan	200,481	50.00%	191,813	50.00%
JV KazGerMunay LLP	Oil and gas exploration and production	Kazakhstan	74,351	50.00%	71,110	50.00%
KazRosGas LLP	Processing and sale of natural gas and refined gas	Kazakhstan	69,113	50.00%	79,658	50.00%
Ural Group Limited BVI	Oil and gas exploration and production	Kazakhstan	68,670	50.00%	72,898	50.00%
KazakhOil-Aktobe LLP	Oil and gas exploration and production	Kazakhstan	37,502	50.00%	39,504	50.00%
Ekbastuzskaya GRES-2 JSC (“EGRES-2”)	Electricity production	Kazakhstan	33,092	50.00%	31,811	50.00%
Valsera Holdings B.V.	Oil and gas exploration and production	Kazakhstan	32,746	50.00%	27,045	50.00%
Other			158,344		167,082	
Total joint ventures			1,823,192		1,835,104	
Associates						
KazZinc LLP	Mining and processing of metal ores, production of refined metals	Kazakhstan	415,508	29.82%	434,889	29.82%
PetroKazakhstan Inc. (“PKI”)	Exploration, production and processing of oil and gas	Kazakhstan	139,910	33.00%	144,252	33.00%
Caspian Pipeline Consortium	Transportation of crude oil	Kazakhstan/ Russia	139,550	20.75%	137,035	20.75%
Khan Tengri Holding B.V. JV INKAI LLP	Telecommunication Exploration, production and processing of uranium	Kazakhstan	65,218	51.00%	67,161	51.00%
JV KATCO LLP	Exploration, production and processing of uranium	Kazakhstan	38,372	40.00%	37,686	40.00%
Other		azakhstan	30,740	49.00%	39,843	49.00%
Total associates			901,191		932,574	
			2,724,383		2,767,678	

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**7. INVESTMENTS IN JOINT VENTURES AND ASSOCIATES (continued)**

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

In millions of tenge

Balance as at 1 January 2017 (audited)	2,767,678
Share in profit of joint ventures and associates, net (Note 18)	124,694
Dividends received	(46,312)
Change in dividends receivable	(17,982)
Additional contributions	2,164
Disposals	(29,089)
Foreign currency translation	(91,516)
Other comprehensive income, other than foreign currency translation	18,851
Reversal of impairment loss (Note 17)	14,654
Discount on loans given	1,970
Other changes in equity of joint ventures and associates	(20,729)
Balance as at 31 March 2017 (unaudited)	2,724,383

8. AMOUNTS DUE FROM CREDIT INSTITUTIONS

Amounts due from credit institutions comprised the following:

<i>In millions of tenge</i>	31 March 2017 (unaudited)	31 December 2016 (audited)
Bank deposits	2,272,295	2,025,127
Loans to credit institutions	356,132	344,072
Less: impairment allowance	(9,879)	(15,298)
Amounts due from credit institutions, net	2,618,548	2,353,901
Less: current portion	(1,933,276)	(1,669,459)
Non-current portion	685,272	684,442

<i>In millions of tenge</i>	31 March 2017 (unaudited)	31 December 2016 (audited)
10 largest local banks	1,396,138	1,248,025
International credit institutions	917,756	760,954
Other local credit institutions	304,654	344,922
	2,618,548	2,353,901

<i>In millions of tenge</i>	31 March 2017 (unaudited)	31 December 2016 (audited)
Amounts due from credit institutions, denominated in US dollars	1,738,313	1,477,951
Amounts due from credit institutions, denominated in tenge	877,757	873,430
Amounts due from credit institutions, denominated in other currencies	2,478	2,520
	2,618,548	2,353,901

As at 31 March 2017 the weighted average interest rate on amounts due from credit institutions was 4.24% (as at 31 December 2016: 4.58%).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**9. CASH AND CASH EQUIVALENTS**

Cash and cash equivalents comprised the following:

<i>In millions of tenge</i>	31 March 2017 (unaudited)	31 December 2016 (audited)
Bank deposits – tenge	359,994	364,073
Bank deposits – US dollars	130,640	532,598
Bank deposits – other currency	37	334
Current accounts with banks – tenge	318,550	283,505
Current accounts with banks – US dollars	327,353	335,631
Current accounts with banks – other currency	17,677	11,184
Reverse repurchase agreements with other banks with contractual maturity of three months or less	10,998	14,957
Cash on hand	5,453	4,789
Cash in transit	2,386	6,964
	1,173,088	1,554,035

Short-term bank deposits are placed for varying periods of between 1 (one) day and 3 (three) months, depending on immediate cash needs of the Group. As at 31 March 2017 the weighted average interest rates for short-term bank deposits and current accounts were 6.67% and 2.29%, respectively (as at 31 December 2016: 3.32% and 1.81%, respectively).

10. EQUITY**10.1 Share capital**

Payment for shares	Number of shares authorized and issued	Par value per share, in tenge	Share capital in millions of tenge
As at 31 December 2016	3,481,670,758		5,058,658
Cash contributions	265,983	1,000	266
As at 31 March 2017	3,481,936,741		5,058,924

As at 31 March 2017 all shares of the Fund were fully paid.

10.2 Book value per share

In accordance with the decision of the Exchange Board of Kazakhstan Stock Exchange JSC (“KASE”) dated 4 October 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>	31 March 2017 (unaudited)	31 December 2016 (audited)
Total assets	22,021,842	22,460,860
Less: intangible assets	(880,921)	(922,465)
Less: total liabilities	(11,078,782)	(11,469,186)
Net assets for common shares	10,062,139	10,069,209
Number of common shares	3,481,936,741	3,481,670,758
Book value per common share, tenge	2,890	2,892

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**10. EQUITY (continued)****10.2 Book value per share (continued)***Earnings per share*

<i>In tenge</i>	For the three months ended 31 March 2017 (unaudited)	For the three months ended 31 March 2016 (unaudited)
Weighted average number of common shares for basic and diluted earnings per share	3,481,778,347	3,481,667,787
Basic and diluted share in net profit for the period	18.37	29.77
Basic and diluted share in net profit/(loss) from continuing operations	(10.84)	(15.77)

10.3 Other distributions to the Shareholder*Social projects financing*

For the three months then ended as at 31 March 2017, in accordance with the order of the Shareholder, the Fund recognized the obligation to finance various social projects for 52,369 million tenge and made payments of 4,601 million tenge.

Other distributions

For the three months then ended as at 31 March 2017, 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, of 606 million tenge as Other distributions to the Shareholder.

10.4 Currency translation reserve

The currency translation reserve is used to record exchange differences arising from the translation of financial statements of the subsidiaries, whose functional currency is not tenge and whose financial statements are included in the consolidated financial statements.

Certain borrowings of the Group denominated in US dollars were designated as hedge instrument for the net investment in the foreign operations. For the three months then ended as at 31 March 2017 unrealized foreign currency gain of 242,086 million tenge resulting from translation of these borrowings were offset against currency translation reserve recognized in other comprehensive income.

11. BORROWINGS

Borrowings, including interest payable, comprised the following:

<i>In millions of tenge</i>	31 March 2017 (unaudited)	31 December 2016 (audited)
Fixed interest rate borrowings	3,630,859	3,776,764
Weighted average interest rate	6.86%	7.16%
Variable interest rate borrowings	1,889,756	1,973,964
Weighted average interest rate	4.19%	4.50%
	5,520,615	5,750,728
Less: amounts due for settlement within 12 months	(851,429)	(820,570)
Amounts due for settlement after 12 months	4,669,186	4,930,158

<i>In millions of tenge</i>	31 March 2017 (unaudited)	31 December 2016 (audited)
US dollar-denominated borrowings	4,283,420	4,587,544
Tenge-denominated borrowings	1,018,266	935,849
Other currency-denominated borrowings	218,929	227,335
	5,520,615	5,750,728

The Group checks compliance with loan covenants as of every reporting date. As of 31 March 2017 The Group was not in breach of any covenants.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**11. BORROWINGS (continued)**

During the three months ended 31 March 2017 carrying amount of borrowings decreased by 278,581 million tenge as a result of changes in exchange rates.

During the three months ended 31 March 2017 NC KTZh received short-term working capital borrowings from Halyk Bank in the amount of 20,000 million tenge.

During the three months ended 31 March 2017 NC KMG made an early repayment of borrowings from the Development Bank of Kazakhstan in the amount of 17,562 million tenge and a partial redemption of bonds (holder – the Development Bank of Kazakhstan) in the amount of 21,093 million tenge.

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

<i>In millions of tenge</i>	31 March 2017 (unaudited)	31 December 2016 (audited)
NC KMG and its subsidiaries	2,938,442	3,072,540
NC KTZh and its subsidiaries	1,064,932	1,086,719
The Fund	829,262	854,533
Samruk-Energy and its subsidiaries	317,553	329,179
KEGOC and its subsidiaries	156,385	175,099
NAC KAP and its subsidiaries	112,951	127,765
Other subsidiaries of the Fund	101,090	104,893
Total borrowings	5,520,615	5,750,728

12. OTHER NON-CURRENT LIABILITIES

Other non-current liabilities comprised the following:

<i>In millions of tenge</i>	31 March 2017 (unaudited)	31 December 2016 (audited)
Prepayment on oil supply agreements	927,847	1,068,819
Payables for acquisition of additional interest in the North-Caspian project	241,499	250,523
Government grant liability	47,787	47,413
Deferred income	22,121	22,587
Obligations for the benefit of Shareholder (<i>Note 10.3</i>)	9,531	–
Long-term payables and other liabilities	84,811	87,446
	1,333,596	1,476,788

Oil supply agreement*NC KMG*

During 2016 the NC KMG Group entered into a 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.

Under this agreement the NC KMG Group received prepayment of 2,966 million US dollars (equivalent of 1,012,020 million tenge at the date of transaction) less transaction costs, which is to be discharged by oil supply from Tengizchevroil (joint venture of the NC KMG Group) starting from April 2017.

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

According to the agreement the Group shall ensure that the crude oil and LPG volumes required to be delivered are unencumbered.

The outstanding balance of prepayment is subject to interest at LIBOR + 1.85% per annum.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**11. OTHER NON-CURRENT LIABILITIES (continued)****Oil supply agreement (continued)***KMG Kashagan B.V.*

During 2016, KMG Kashagan B.V. entered into a long-term crude oil supply agreement. In accordance with the terms of the agreement, during the period from January 2017 till December 2021 KMG Kashagan B.V. will supply the minimum volume of oil approximate of 7 million tons from Kashagan field. As part of the agreement, KMG Kashagan B.V. received prepayment of 990 thousand USD (equivalent of 331,829 million tenge) less transaction costs, which will be discharged by supply of crude oil produced at Kashagan field from January 2019.

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

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

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

On 31 October 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 1 January 2008. The acquisition cost consisted of fixed amount of 1.78 billion US dollars plus annual interest at LIBOR + 3%, which is annually capitalised within the principal amount. Additional 8.48% interest acquired was used as collateral for this liability.

The obligation is payable in three equal annual installments after commercial oil production at Kashagan field starts. Commercial production took place on 1 November 2016, consequently first installment was made and the amount corresponding to the second installment was reclassified from long-term to short-term liabilities.

As at 31 March 2017 the amortized cost of this payable was equal to 496,503 million tenge (as at 31 December 2016: 522,120 million tenge).

As at 31 March 2017 and as at 31 December 2016 carrying amount of these financial liabilities approximates to their fair value.

13. OTHER CURRENT LIABILITIES

Other current liabilities comprised the following:

<i>In millions of tenge</i>	31 March 2017 (unaudited)	31 December 2016 (audited)
Prepayment on oil supply agreements (<i>Note 12</i>)	313,729	249,968
Payables for acquisition of additional interest in the North-Caspian project (<i>Note 12</i>)	255,004	271,597
Advances received and deferred income	170,221	123,938
Due to employees	99,049	93,139
Other taxes payable	77,834	61,614
Obligation for the benefit of Shareholder (<i>Note 10.3</i>)	38,237	–
Amounts due to customers	24,780	24,027
Dividends payable	3,916	3,965
Other estimated liabilities	2,449	2,252
Other	55,536	62,477
	1,040,755	892,977

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**14. REVENUE**

Revenue comprised the following:

<i>In millions of tenge</i>	For the three months ended 31 March 2017 (unaudited)	For the three months ended 31 March 2016 (unaudited)
Sales of crude oil	299,043	3,080
Railway cargo transportation	168,052	150,368
Sales of gas products	101,765	81,424
Oil and gas transportation	82,711	80,392
Electricity complex	73,074	63,093
Sales of uranium products	65,928	45,709
Sales of oil refined products	59,135	45,070
Air transportation	51,278	44,268
Telecommunication services	49,152	47,251
Sales of refined gold	39,174	24,612
Oil processing fees	31,035	15,560
Electricity transmission services	30,025	29,347
Railway passenger transportation	18,024	16,352
Interest revenue	13,240	10,691
Postal services	9,064	8,257
Other revenue	74,120	60,238
Quality bank for crude oil	(6,395)	(4,018)
Less: indirect taxes and commercial discounts	(5)	(109)
	1,158,420	721,585

15. COST OF SALES

Cost of sales comprised the following:

<i>In millions of tenge</i>	For the three months ended 31 March 2017 (unaudited)	For the three months ended 31 March 2016 (unaudited)
Materials and supplies	395,032	164,562
Personnel costs, including social taxes and withdrawals	180,849	168,779
Depreciation, depletion and amortization	122,046	96,014
Fuel and energy	65,386	54,420
Production services received	41,298	33,308
Transportation expenses	32,658	18,710
Interest expense	31,992	24,119
Mineral extraction tax	25,981	16,630
Repair and maintenance	25,298	25,221
Rent	15,100	15,863
Taxes other than social tax and withdrawals	13,604	11,313
Other	40,728	43,547
	989,972	672,486

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

16. GENERAL AND ADMINISTRATIVE EXPENSES

General and administrative expenses comprised the following:

<i>In millions of tenge</i>	For the three months ended 31 March 2017 (unaudited)	For the three months ended 31 March 2016 (unaudited)
Personnel costs, including social taxes and withdrawals	37,898	32,261
Sponsorship and charitable donations	15,098	8,105
Taxes other than income tax	7,343	8,516
Depreciation and amortization	5,514	3,854
Consulting services	3,777	4,696
Rent	1,967	2,188
Business trips	1,308	1,167
Allowance for doubtful debts	722	1,540
Repair and maintenance	689	662
Fines and penalties	(3,729)	838
Other	11,809	15,066
	82,396	78,893

17. REVERSAL OF IMPAIRMENT / (IMPAIRMENT LOSS)

Impairment loss comprised the following:

<i>In millions of tenge</i>	For the three months ended 31 March 2017 (unaudited)	For the three months ended 31 March 2016 (unaudited)
Reversal of impairment / (impairment) of property, plant and equipment and intangible assets	529	(3,423)
Reversal of impairment of investments in joint ventures and associates	14,654	–
Impairment of inventories	(2,686)	(6,018)
Other	(3,157)	(791)
	9,340	(10,232)

18. 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 31 March 2017 (unaudited)	For the three months ended 31 March 2016 (unaudited)
Tengizchevroil LLP	64,154	42,288
Kazzinc JSC	17,175	1,488
Caspian Pipeline Consortium	10,846	1,129
Mangistau Investments B.V.	8,818	6,764
JV Kazgermunay LLP	6,928	766
Valsera Holdings B.V.	5,701	5,901
COU CJSC	3,353	1,907
Forum Muider B.V.	3,264	1,780
JV Akbastau JSC	2,262	2,195
Khan Tengri Holding B.V.	(1,943)	(1,307)
Kazakhoil-Aktobe LLP	(2,002)	(1,248)
KazRosGas LLP	(6,119)	2,983
Other	12,257	2,330
	124,694	66,976

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

19. NET FOREIGN EXCHANGE (LOSS)/GAIN

Net foreign exchange loss comprised the following:

<i>In millions of tenge</i>	For the three months ended 31 March 2017 (unaudited)	For the three months ended 31 March 2016 (unaudited)
Assets		
Loans given	(28,710)	4,920
Amounts due from credit institutions	(83,084)	6,439
Other financial assets	–	(1,267)
Other non-current assets	18,851	7,927
Trade accounts receivable and other current assets	2,756	(8,176)
Cash and cash equivalents	(28,295)	9,872
Liabilities		
Borrowings	29,676	(5,939)
Finance lease liabilities	2,156	(1,550)
Trade and other payables	23,430	(8,912)
Other non-current liabilities	(1,547)	1,931
	(64,767)	5,245

20. CONSOLIDATION

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

	Ownership percentage	
	31 March 2017 (unaudited)	31 December 2016 (audited)
1 National Company “KazMunayGas” JSC (“NC KMG”) and subsidiaries	90%	90.00%
2 KMG Kashagan B.V.	100.00%	100.00%
3 National Company “Kazakhstan Temir Zholy” JSC (“NC KTZh”) and subsidiaries	100.00%	100.00%
4 National Atomic Company “Kazatomprom” JSC (“NAC KAP”) and subsidiaries	100.00%	100.00%
5 Samruk-Energy JSC (“Samruk-Energy”) and subsidiaries	100.00%	100.00%
6 Kazakhstan Electricity Grid Operating Company JSC (“KEGOC”) and subsidiaries	90% + 1	90% + 1
7 Kazpost JSC and subsidiaries	100.00%	100.00%
8 Kazakhtelecom JSC (“KTC”) and subsidiaries	51.00%	51.00%
9 Air Astana JSC (“Air Astana”)	51.00%	51.00%
10 National Company “Kazakhstan Engineering” JSC (“Kazakhstan Engineering”) and subsidiaries	100.00%	100.00%
11 Real Estate Fund “Samruk-Kazyna” JSC 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 Aviation Company “Air Kazakhstan” JSC	53.55%	53.55%

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**21. RELATED PARTY DISCLOSURES**

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

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

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

<i>In millions of tenge</i>		Associates	Joint ventures where the Group is a venturer	Other state – controlled entities
Due from related parties	31 March 2017	41,218	76,662	13,897
	31 December 2016	40,896	116,231	11,340
Due to related parties	31 March 2017	17,808	156,438	10,317
	31 December 2016	38,829	155,585	9,265
Sale of goods and services	31 March 2017	23,735	72,363	52,087
	31 March 2016	7,054	64,005	39,136
Purchase of goods and services	31 March 2017	30,310	254,618	2,460
	31 March 2016	16,850	64,623	2,932
Other income/(loss)	31 March 2017	(9,133)	(7,823)	25,670
	31 March 2016	848	10,540	(4,542)
Cash and cash equivalents, and amounts due from credit institutions (assets)	31 March 2017	–	26	276,602
	31 December 2016	–	34	241,929
Loans issued	31 March 2017	167,595	230,852	174,757
	31 December 2016	182,394	246,388	187,227
Borrowings	31 March 2017	–	–	1,656,087
	31 December 2016	–	755	1,706,153
Other assets	31 March 2017	20,164	60,198	8,649
	31 December 2016	14,187	82,520	8,890
Other liabilities	31 March 2017	3,868	15,655	81,235
	31 December 2016	7,032	15,470	51,939
Interest received	31 March 2017	2,636	7,006	5,037
	31 March 2016	4,126	5,991	5,267
Interest accrued	31 March 2017	29	1	32,980
	31 March 2016	–	–	24,095

As at 31 March 2017 some of the Group’s borrowings in the amount of 88,253 million tenge were guaranteed by the Government of the Republic of Kazakhstan (as at 31 December 2016: 76,155 million tenge).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

21. RELATED PARTY DISCLOSURES (continued)

Total compensation to key management personnel included in personnel costs in the accompanying interim consolidated statement of comprehensive income was equal to 1,032 million tenge for the three months ended 31 March 2017 (for the three months ended 31 March 2016: 1,085 million tenge). Compensation to key management personnel consists primary of contractual salary and performance bonus based on operating results.

22. FAIR VALUE OF INANCIAL INSTRUMENTS

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

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

As at 31 March 2017 and 31 December 2016 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>	Level 1	Level 2	Level 3	31 March 2017 (unaudited)
Financial instruments category				
Assets				
Available-for-sale financial assets	25,897	9,330	235	35,462
Financial assets at fair value through profit and loss	–	–	17,371	17,371
Derivative financial assets	–	–	352	352

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

<i>In millions of tenge</i>	31 March 2017 (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	2,618,548	2,615,990	1,824,275	691,643	100,072
Financial liabilities					
Borrowings	5,520,615	5,630,900	3,381,855	1,911,628	337,417
Loans from the Government of the Republic of Kazakhstan	941,121	725,842	–	725,842	–
Guarantee obligations	37,293	45,362	–	45,362	–

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

22. FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

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

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

23. COMMITMENTS AND CONTINGENCIES

As at 31 March 2017 there were no significant changes in commitments and contingencies disclosed in the annual consolidated financial statements of the Group as at 31 December 2016, except for the following:

2009-2012 Comprehensive tax audit of KMG EP

Based on the results of the 2009-2012 Comprehensive tax audit in 2015 KMG EP received a tax assessment for 38,512 million tenge, including tax principal, administrative fine and penalty. KMG EP did not agree with the results of the tax audit and sent an appeal to the Committee of State Revenues. As per the decision of the Committee of State Revenue the amount of tax principal and penalty was reduced to 11,483 million tenge. As per the decision of Special Interdistrict Administrative court of Astana the amount of administrative fine was reduced to 2,002 million tenge.

KMG EP appealed the remaining amount of 13,485 million tenge, which was fully provided as of 31 December 2016, to the appropriate courts. In March 2017 Administrative Court of Astana made a decision to reduce the principal amount of the claim further from 7,012 million tenge to 3,263 million tenge. Fines and penalties are subject to revision by the respective authorities and will be received in due course. As at 31 March 2017 KMG EP has a total provision of 6,075 million tenge related to this claim, which is management’s best estimate of the amount ultimately payable.

Cost recovery audits

As of 31 March 2017 the Group’s share in the total disputed amounts of costs is 465,398 million tenge (31 December 2016: 393,153 million tenge). The Group and its partners under the production sharing agreements are in negotiation with the Government with respect to the recoverability of these costs.

Kazakhstan local market obligation

For the three months then ended as at 31 March 2017, in accordance with its obligations, the Group delivered 724,707 tons of crude oil (31 December 2016: 393,153 tons), including joint ventures, to the Kazakhstan market.

Oil supply commitments

As of 31 March 2017 the Group had commitments under the oil supply agreement in the amount of 22.3 million tons to be delivered till March 2020 (31 December 2016: 24.6 million tons).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

23. COMMITMENTS AND CONTINGENCIES (continued)**Capital commitments***NC KMG*

As at 31 March 2017, the Group, including joint ventures, had other capital commitments of approximately 869,209 million tenge related to acquisition and construction of property, plant and equipment (31 December 2016: 995,000 million tenge).

NC KTZh

As at 31 March 2017, the Group had committed to contracts for construction of Zhezkazgan – Beineu and Arkalyk – Shubarkol railways, development of primary backbone transport communication net, construction of a multifunctional ice palace in Astana, construction of port and infrastructure objects of Khorgos – Vostochnye vorota special economic zone, purchase of cargo and passenger electric locomotives, cargo and passenger carriers and locomotives totaling 952,125 million tenge (31 December 2016: 1,136,590 million tenge).

KMG Kashagan

As at 31 March 2017 in accordance with 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 in the amount of to 1,455,957 thousand US dollars (453,640 million tenge). As at 31 December 2016 capital commitments were equal to 2,186,552 thousand US dollars (728,756 million tenge).

Kazakhstan Electricity Grid Operating Company JSC (KEGOC)

To ensure the stable and reliable performance of the national electricity grid, the Group developed a capital investment plan. As at 31 March 2017, the Group’s outstanding contractual commitments within the frameworks of this plan amount to 60,618 million tenge (31 December 2016: 45,624 million tenge).

Kazakhtelecom

The Group generally enters into contracts for the completion of construction projects and purchase of telecommunication equipment. As at 31 March 2017, the Group had contractual obligations in the total amount of 4,003 million tenge (31 December 2016: 11,108 million tenge) mainly related to purchase of telecommunication equipment and construction of telecommunication network.

UCC

As at 31 March 2017 the Group had contractual obligations on purchase of property, plant and equipment and construction services under investment projects in the amount of 137,458 million tenge (31 December 2016: 124,243 million tenge).

Real Estate Fund

As at 31 March 2017 the Group had contractual obligations in the amount of 82,814 million tenge under contracts with construction companies (31 December 2016: 73,739 million tenge).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

24. SEGMENT REPORTING

The following table represents information about profit and loss, assets and liabilities of operating segments of the Group as at 31 March 2017 and for the three months then ended:

<i>In millions of tenge</i>	Oil and gas	Mining	Trans- portation	Telecom- munication	Energy	Industrial	Corporate center	Other	Elimination	Total
Revenues from sales to external customers	606,145	129,521	247,817	58,302	95,496	7,499	10,388	3,252	–	1,158,420
Revenues from sales to other segments	23,904	4,552	2,772	1,391	16,530	1,480	4,654	608	(55,891)	–
Total revenue	630,049	134,073	250,589	59,693	112,026	8,979	15,042	3,860	(55,891)	1,158,420
Gross profit	81,851	16,819	31,257	20,169	46,045	(501)	(18,825)	2,425	(6,864)	172,376
General and administrative expenses	(23,216)	(6,279)	(21,064)	(5,334)	(7,020)	(2,313)	(17,775)	(655)	1,260	(82,396)
Transportation and selling expenses	(71,274)	(1,314)	(1,815)	(600)	(3,177)	(213)	–	–	3,731	(74,662)
Finance income	27,746	1,505	1,840	1,501	1,458	474	14,913	1,295	(7,365)	43,367
Finance costs	(68,849)	(2,939)	(27,160)	(1,380)	(7,265)	(2,352)	(5,806)	(404)	9,279	(106,876)
Share in profits of joint ventures and associates	92,409	29,834	(407)	(1,943)	4,790	12	–	(1)	–	124,694
Foreign exchange gain/(loss), net	(27,899)	(1,189)	47,781	(2,526)	14,020	(3,253)	(91,667)	(10)	(24)	(64,767)
Income tax expenses	(33,957)	(2,061)	(12,350)	(2,428)	(7,115)	(79)	(3,245)	(433)	–	(61,668)
Net profit/(loss) for the period from continuing operations	(14,966)	26,114	(30,326)	8,733	24,560	(8,240)	(45,579)	2,156	(180)	(37,728)
Net profit for the period from discontinued operations	101,691	–	–	–	–	–	–	–	–	101,691
Total net profit/(loss) for the period	86,725	26,114	(30,326)	8,733	24,560	(8,240)	(45,579)	2,156	(180)	63,963
Other segment information										
Total assets of the segment	13,726,761	1,375,903	3,230,974	542,411	1,478,419	353,426	7,516,675	251,592	(6,454,319)	22,021,842
Total liabilities of the segment	6,242,587	224,974	2,009,854	158,481	712,628	142,909	2,128,891	170,449	(711,991)	11,078,782
Investments in joint ventures and associates	1,957,168	582,003	22,541	65,218	123,196	6,544	–	53	(32,340)	2,724,383

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

24. SEGMENT REPORTING (continued)

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

<i>In millions of tenge</i>	Oil and gas	Mining	Transportation	Telecommunication	Energy	Industrial	Corporate center	Other	Elimination	Total
Revenues from sales to external customers	250,707	93,368	219,869	60,434	82,791	2,465	9,265	2,686	–	721,585
Revenues from sales to other segments	17,874	5,098	3,809	864	12,097	1,569	4,505	403	(46,219)	–
Total revenue	268,581	98,466	223,678	61,298	94,888	4,034	13,770	3,089	(46,219)	721,585
Gross profit	(36,562)	26,753	23,685	22,310	32,747	839	(13,090)	1,802	(3,011)	55,473
General and administrative expenses	(27,732)	(5,987)	(20,267)	(7,017)	(6,066)	(1,679)	(10,763)	(666)	1,284	(78,893)
Transportation and selling expenses	(47,220)	(1,709)	(1,552)	(890)	(817)	(230)	–	–	925	(51,493)
Finance income	24,166	2,207	2,583	1,929	2,626	1,030	21,767	1,785	(9,128)	48,965
Finance costs	(66,976)	(2,228)	(22,542)	(1,955)	(6,683)	(1,339)	(476)	(467)	5,298	(97,368)
Share in profits of joint ventures and associates	55,714	10,844	861	(1,307)	1,020	(156)	–	–	–	66,976
Foreign exchange gain/(loss), net	2,844	1,083	(13,705)	265	(5,155)	816	(2,827)	13	21,911	5,245
Income tax expenses	(36,076)	(2,670)	1,392	(3,323)	(4,162)	(96)	(3,636)	(399)	–	(48,970)
Net profit/(loss) for the period from continuing operations	(133,634)	21,924	(23,164)	55,844	14,167	(824)	(8,601)	1,459	17,938	(54,891)
Net profit/(loss) for the period from discontinued operations	159,325	–	–	–	–	–	–	–	(792)	158,533
Total net profit/(loss) for the period	25,691	21,924	(23,164)	55,844	14,167	(824)	(8,601)	1,459	17,146	103,642
Other segment information										
Total assets of the segment	14,131,230	1,395,264	3,254,303	545,512	1,482,227	309,795	7,539,497	244,898	(6,441,866)	22,460,860
Total liabilities of the segment	6,534,000	279,047	2,061,124	170,711	756,234	121,716	2,081,221	165,946	(700,813)	11,469,186
Investments in joint ventures and associates	1,947,125	608,918	23,078	67,161	118,552	39,296	–	53	(36,505)	2,767,678

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

25. SUBSEQUENT EVENTS**Borrowings**

On 7 April 2017 the NC KMG group paid principal on loans received from Citibank of Kazakhstan JSC in the amount of 57,000 thousand US dollars (equivalent to 17,838 million tenge as of settlement date).

On 6 April, 28 April and 4 May 2017 the NC KMG group made an interest repayment of the Eurobonds in the amount of 36,027 thousand US dollars (equivalent to 11,243 million tenge on the payment date), 23,672 thousand US dollars (equivalent to 7,431 million tenge on the payment date) and 48,000 thousand US dollars (equivalent to 15,136 million tenge on the payment date) respectively.

On 19 April 2017 NC KMG completed the placement of the Eurobonds under the 10.5 billion US dollars Global Medium Term Notes Programme established by the Company and KazMunaiGaz Finance Sub B.V. (subsidiary of the Company), in an aggregate principal amount of 2.75 billion US dollars. The Eurobonds were issued in three series, comprising (i) 500,000 thousand US dollars 3.875% Notes due 2022 (equivalent to 155,300 million tenge); (ii) 1,000 million US dollars 4.75% Notes due 2027 (equivalent to 310,700 million tenge); and (iii) US 1,250,000 thousand US dollars 5.75% Notes due 2047 (equivalent to 388,300 million tenge).

On May 2017 the NC KTZh group received short-term loans from Halyk Bank of Kazakhstan JSC with a fee of 13% for a total of KZT 11,000 million tenge with a maturity of up to one year.

Legal proceedings

On 10 May 2017 Specialized Interdistrict Economic Court of Astana approved settlement agreement related to the civil case on the statement of claim of the NC KMG to Delta Bank JSC on recovery of bank deposit in the amount of 20,000,000 US dollars (equivalent to 6,275 million tenge), according to which Delta Bank has to make payments within six months, starting in May 2017.

On May 2017 JSC Air Astana signed cession agreement with debtor of JSC Delta Bank on 2,330 million tenge.

Dividends declared

On 12 May 2017 the decision of KEGOC's General Meeting of Shareholders approved allocation of 50% of 2016 net income among holders of ordinary shares. At that, the dividends to be paid were reduced by the dividends of 6,482 million tenge which were already paid based on the results of first half of 2016, and amounted to 7,313 million tenge.

Change in Group structure

On April 2017 the NC KTZ completed the deal to sell a 50% shares in the joint venture of Lokomotiv Kurastyru Zauyty to a third party. As a result of the sale, the Group lost joint control over JSC Lokomotiv Kurastyru Zauyty.

On May 2017 the NC KTZ, in the person of a subsidiary of JSC Kaztemirtrans, completed the transaction for the sale of the 90% stake in the subsidiary LLC Regional Forward Logistics to the second shareholder. As a result of the sale, the Group lost control of LLC Regional Forward Logistics.

Other events

On 5 May 2017 the tax authorities of RK refunded prepaid taxes of KMG EP in the total amount of 27,060 million tenge, including corporate income tax in the amount of 20,000 million tenge.