"Sovereign Wealth Fund "Samruk-Kazyna" JSC

Interim condensed consolidated financial statements (unaudited)

As at September 30, 2018 and for the three and nine months then ended

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INTERIM CONSOLIDATED BALANCE SHEET

In millions of tenge	Note	September 30, 2018 (unaudited)	December 31, 2017 (audited) (restated)*
Assets			
Non-current assets			
Property, plant and equipment	7	**11,893,926**	11,503,317
Intangible assets	8	**1,169,578**	993,585
Exploration and evaluation assets		**469,760**	451,782
Investment property		**32,173**	11,601
Investments in joint ventures and associates	9	**3,383,487**	2,856,767
Loans issued and finance lease receivables		**615,371**	593,325
Amounts due from credit institutions	10	**196,120**	502,493
Deferred tax assets		**176,069**	169,280
Other non-current financial assets		**250,079**	95,620
Other non-current assets	11	**836,086**	691,328
		19,022,649	17,869,098
Current assets			
Inventories		**604,927**	538,416
VAT receivable		**121,590**	145,954
Income tax prepaid		**38,844**	54,626
Trade accounts receivable	12	**1,059,453**	641,453
Loans issued and finance lease receivables		**236,908**	250,362
Amounts due from credit institutions	10	**648,696**	1,951,384
Other current financial assets		**10,583**	30,250
Other current assets	12	**378,214**	381,753
Cash and cash equivalents	13	**2,361,401**	2,263,938
		5,460,616	6,258,136
Assets classified as held for sale	6	**260,894**	199,874
Total assets		**24,744,159**	24,327,108

INTERIM CONSOLIDATED BALANCE SHEET (continued)

In millions of tenge	Note	September 30, 2018 (unaudited)	December 31, 2017 (audited) (restated)*
Equity and liabilities			
Equity attributable to equity holder of the Parent			
Share capital		**5,133,476**	5,133,476
Additional paid-in capital	14.1	**17,168**	13,189
Currency translation reserve		**1,143,403**	919,146
Revaluation reserve of investments at fair value through other comprehensive income		**29,382**	26,177
Hedging reserve		**(62,548)**	(54,666)
Other capital reserves		**(16,743)**	(16,742)
Retained earnings		**4,884,740**	3,982,070
		11,128,878	10,002,650
Non-controlling interest		**1,218,192**	1,821,720
Total equity		**12,347,070**	11,824,370
Non-current liabilities			
Borrowings	15	**5,782,602**	5,417,510
Loans from the Government of the Republic of Kazakhstan		**800,363**	776,141
Finance lease liabilities		**114,469**	120,091
Provisions		**258,376**	247,285
Deferred tax liabilities		**802,785**	707,447
Employee benefit liability		**83,634**	81,172
Prepayment on oil supply agreements	16	**1,241,006**	1,109,265
Other non-current liabilities		**98,166**	106,148
		9,181,401	8,565,059
Current liabilities			
Borrowings	15	**804,339**	1,636,757
Loans from the Government of the Republic of Kazakhstan		**13,085**	5,907
Finance lease liabilities		**18,356**	19,755
Provisions		**142,649**	115,967
Employee benefit liability		**6,672**	6,883
Income tax payable		**95,101**	16,252
Trade and other payables		**959,882**	849,216
Prepayment on oil supply agreements	16	**459,889**	332,330
Other current liabilities	17	**567,179**	865,963
		3,067,152	3,849,030
Liabilities associated with assets classified as held for sale	6	**148,536**	88,649
Total liabilities		**12,397,089**	12,502,738
Total equity and liabilities		**24,744,159**	24,327,108

* *Certain numbers shown here do not correspond to the consolidated financial statements for the year ended December 31, 2017 and reflect adjustments made, refer to Note 6.*

Managing Director for Economy and Finance — *Beibit Karymsakov*

Chief accountant — *Almaz Abdrakhmanova*

The accounting policies and explanatory notes on pages 8 through 47 form an integral part of these interim condensed consolidated financial statements (unaudited).

INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

In millions of tenge	Note	For the three months ended September 30 2018 (unaudited)	 2017 (unaudited) (restated*)	For the nine months ended September 30 2018 (unaudited)	 2017 (unaudited) (restated*)
Continuing operations					
Revenue	18	**2,703,762**	1,775,243	**7,461,627**	5,113,908
Government grants		**11,581**	33,660	**23,735**	42,718
		2,715,343	1,808,903	**7,485,362**	5,156,626
Cost of sales	19	**(2,002,408)**	(1,415,687)	**(5,688,355)**	(4,023,190)
Gross profit		**712,935**	393,216	**1,797,007**	1,133,436
General and administrative expenses	20	**(127,430)**	(100,199)	**(337,278)**	(290,609)
Transportation and selling expenses	21	**(191,477)**	(101,778)	**(521,468)**	(309,451)
Impairment loss, net	22	**(79)**	(19,233)	**(76,471)**	(44,416)
Gain on disposal of subsidiaries		**15,132**	–	**26,144**	1,684
Bargain purchase gain	5	**–**	–	**96,858**	–
Operating profit		**409,081**	172,006	**984,792**	490,644
Finance costs	23	**(170,278)**	(122,943)	**(546,288)**	(347,329)
Finance income	24	**84,203**	48,343	**220,088**	144,019
Other non-operating loss		**(5,098)**	(517)	**(15,751)**	(20,827)
Other non-operating income		**4,396**	9,942	**21,956**	38,318
Share in profit of joint ventures and associates, net	25	**211,341**	131,970	**569,117**	371,080
Net foreign exchange gain/(loss), net		**29,688**	87,914	**87,243**	80,915
Profit before income tax		**563,333**	326,715	**1,321,157**	756,820
Income tax expenses		**(119,290)**	(58,770)	**(284,025)**	(195,262)
Net profit for the period from continuing operations		**444,043**	267,945	**1,037,132**	561,558
Discontinued operations					
Loss from discontinued operations, net of income tax	6	**–**	(1,623)	**(3,542)**	(7,658)
Net profit for the period		**444,043**	266,322	**1,033,590**	553,900
Net profit for the period attributable to:					
Equity holder of the Parent		**388,187**	198,208	**923,634**	435,075
Non-controlling interest		**55,856**	68,114	**109,956**	118,825
		444,043	266,322	**1,033,590**	553,900

INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (continued)

In millions of tenge	For the three months ended September 30 2018 (unaudited)	For the three months ended September 30 2017 (unaudited) (restated*)	For the nine months ended September 30 2018 (unaudited)	For the nine months ended September 30 2017 (unaudited) (restated*)
Other comprehensive income, net of tax				
Other comprehensive income to be reclassified to profit or loss in subsequent periods				
Exchange differences on translation of foreign operations	**221,297**	113,953	**234,216**	(4,270)
Unrealized gain/(loss) from revaluation of available-for-sale investments	**–**	150	**–**	(12,000)
Unrealized gain from revaluation of investments at fair value through other comprehensive income	**29**	–	**65**	–
Loss on cash flow hedge	**(7,479)**	(7,476)	**(6,824)**	(5,572)
Net realized gain on available-for-sale investments	**–**	68	**–**	7,082
Reclassification of cumulative loss on disposal of debt instruments at fair value through other comprehensive income	**(139)**	–	**10**	–
Reclassification to profit or loss of a foreign currency translation reserve upon the disposal of foreign subsidiaries	**–**	–	**(476)**	–
Share of the OCI items of associates and joint ventures	**1,592**	2,352	**2,226**	1,759
Tax effect on transactions of OCI components	**–**	628	**–**	(199)
Other comprehensive income/(loss) to be reclassified to profit or loss in subsequent periods	**215,300**	109,675	**229,217**	(13,200)
Other comprehensive income not to be reclassified to profit or loss in subsequent periods				
Share of the OCI items of associates and joint ventures	**(304)**	67	**(170)**	(103)
Actuarial (loss)/gain on defined benefit plans	**(607)**	836	**198**	(959)
Tax effect on transactions of OCI components	**104**	(142)	**(62)**	42
Other comprehensive (loss)/income not to be reclassified to profit or loss in subsequent periods	**(807)**	761	**(34)**	(1,020)
Other comprehensive income/(loss) for the period, net of tax	**214,493**	110,436	**229,183**	(14,220)
Total comprehensive income for the period, net of tax	**658,536**	376,758	**1,262,773**	539,680
Total comprehensive income for the period, net of tax, attributable to:				
Equity holder of the Parent	**576,637**	285,772	**1,118,006**	403,182
Non-controlling interest	**81,899**	90,986	**144,767**	136,498
	658,536	376,758	**1,262,773**	539,680

* *Certain numbers shown here do not correspond to the consolidated financial statements for the three and nine months ended September 30, 2017 and reflect adjustments made, refer to Notes 2, 6.*

Managing Director for Economy and Finance — *Beibit Karymsakov*

Chief accountant — *Almaz Abdrakhmanova*

The accounting policies and explanatory notes on pages 8 through 47 form an integral part of these interim condensed consolidated financial statements (unaudited).

INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

		Attributable to the equity holder of the Parent									
In millions of tenge	Note	Share capital	Additional paid-in capital	Revaluation reserve for available-for-sale investments	Currency translation reserve	Hedging reserve	Other capital reserves	Retained earnings	Total	Non-controlling interest	Total
Balance as at December 31, 2016 (audited) (restated*)		5,058,658	–	31,032	1,006,189	(52,712)	(16,522)	3,480,564	9,507,209	1,640,592	11,147,801
Total comprehensive income for the period		–	–	(4,917)	(40,892)	(6,162)	–	455,153	403,182	136,498	539,680
Issue of shares		57,966	–	–	–	–	–	–	57,966	–	57,966
Other contributions of the Shareholder		–	13,179	–	–	–	–	–	13,179	–	13,179
Dividends		–	–	–	–	–	–	–	–	(20,944)	(20,944)
Other distributions to the Shareholder		–	–	–	–	–	–	(83,043)	(83,043)	–	(83,043)
Disposal of subsidiaries		–	–	–	(108)	–	–	–	(108)	(9)	(117)
Acquisition of subsidiaries		–	–	–	–	–	–	1,706	1,706	25,973	27,679
Change in ownership interests of subsidiaries – sale of non-controlling interest		–	–	–	–	–	–	7,547	7,547	16,517	24,064
Change in ownership interests of subsidiaries – acquisition of non-controlling interest		–	–	–	1,209	–	–	1,547	2,756	(3,082)	(326)
Other equity movements		–	–	–	–	–	(118)	40	(78)	99	21
Balance as at September 30, 2017 (unaudited)		5,116,624	13,179	26,115	966,398	(58,874)	(16,640)	3,863,514	9,910,316	1,795,644	11,705,960

The accounting policies and explanatory notes on pages 8 through 47 form an integral part of these interim condensed consolidated financial statements (unaudited).

INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (continued)

		Attributable to the equity holder of the Parent									
In millions of tenge	Note	Share capital	Additional paid-in capital	Revaluation reserve of investments at fair value through other comprehensive income	Currency translation reserve	Hedging reserve	Other capital reserves	Retained earnings	Total	Non-controlling interest	Total
Balance as at December 31, 2017 (audited) (restated*)		5,133,476	13,189	26,177	919,146	(54,666)	(16,742)	3,982,070	10,002,650	1,821,720	11,824,370
Effect of adoption of new standards	2	–	–	3,022	–	–	–	(51,256)	(48,234)	(5,152)	(53,386)
Balance as at January 1, 2018 (audited) (restated*)		5,133,476	13,189	29,199	919,146	(54,666)	(16,742)	3,930,814	9,954,416	1,816,568	11,770,984
Total comprehensive income for the period		–	–	75	223,061	(7,883)	–	902,753	1,118,006	144,767	1,262,773
Issue of shares			–	–	–	–	–	–	–	563	563
Other contributions of the Shareholder	14.1	–	3,979	–	–	–	–	–	3,979	–	3,979
Dividends	14.2	–	–	–	–	–	–	–	–	(22,687)	(22,687)
Other transactions with the Shareholder	14.3	–	–	–	–	–	–	(5,777)	(5,777)	–	(5,777)
Other distributions to the Shareholder	14.4, 6	–	–	–	–	–	–	(47,797)	(47,797)	(643)	(48,440)
Acquisition of subsidiaries	5	–	–	–	–	–	–	–	–	76,762	76,762
Change in ownership interests of subsidiaries – acquisition of non-controlling interest	14.5	–	–	–	1,196	–	–	15,084	16,280	(72,980)	(56,700)
Share buyback by subsidiary	14.5	–	–	–	–	–	–	89,581	89,581	(723,790)	(634,209)
Other equity movements		–	–	108	–	1	(1)	82	190	(368)	(178)
Balance as at September 30, 2018 (unaudited)		5,133,476	17,168	29,382	1,143,403	(62,548)	(16,743)	4,884,740	11,128,878	1,218,192	12,347,070

* *Certain numbers shown here do not correspond to the consolidated financial statements for the three and nine months ended September 30, 2017 and reflect adjustments made, refer to Note 6.*

Managing Director for Economy and Finance — *Beibit Karymsakov*

Chief accountant — *Almaz Abdrakhmanova*

The accounting policies and explanatory notes on pages 8 through 47 form an integral part of these interim condensed consolidated financial statements (unaudited).

INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS

In millions of tenge	Note	For the nine months ended September 30, 2018 (unaudited)	For the nine months ended September 30, 2017 (unaudited)
Cash flows from operating activities			
Receipts from customers		**7,977,380**	5,976,760
Payments to suppliers		**(4,899,681)**	(3,580,432)
Payments to employees		**(695,739)**	(599,949)
Other taxes and payments		**(1,087,955)**	(791,670)
Operations with financial instruments		**(58,018)**	46,012
Other payments		**(61,242)**	(138,800)
VAT received		**65,748**	82,917
Income taxes paid		**(123,291)**	(93,221)
Interest paid		**(413,269)**	(225,669)
Interest received		**134,860**	122,660
Net cash flows received from operating activities		**838,793**	798,608
Cash flows from investing activities			
Withdrawal/(placement) of bank deposits, net		**1,628,768**	(640,464)
(Acquisition)/sale of joint ventures and associates, net		**(3,018)**	15,650
Cash and cash equivalents of acquired subsidiaries	5	**2,921**	424
Purchase of property, plant and equipment		**(624,256)**	(645,134)
Purchase of intangible assets		**(7,557)**	(14,437)
Dividends received from joint ventures and associates	9	**216,981**	150,177
Purchase of debt instruments		**(220,185)**	(3,151)
Cash and cash equivalents of disposed subsidiaries		**(20,159)**	(1,766)
Provision of loans		**(29,761)**	(175,287)
Other receipts		**105,557**	52,926
Net cash flows received from / (used in) investing activities		**1,049,291**	(1,261,062)
Cash flows from financing activities			
Proceeds from borrowings		**1,601,867**	1,797,851
Repayment of borrowings		**(2,597,803)**	(735,862)
Share buyback by subsidiary	14.6	**(634,209)**	–
Repayment of finance lease liabilities		**(14,694)**	(13,883)
Contributions to the share capital		**–**	57,700
Distributions to the Shareholder		**(37,300)**	(46,670)
Dividends paid to non-controlling interest of subsidiaries		**(22,136)**	(19,974)
Sale of non-controlling interest		**–**	23,096
Acquisition of non-controlling interest	14.5	**(56,700)**	–
Repayment of payables for acquisition of additional interest in undivisable stake of the North-Caspian project		**(185,570)**	(177,079)
Other payments		**(803)**	(4,606)
Net cash flows (used in)/received from financing activities		**(1,947,348)**	880,573
Net (decrease)/increase in cash and cash equivalents		**(59,264)**	418,119
Effects of exchange rate changes on cash and cash equivalents		**141,993**	58,496
Impairment of cash and cash equivalents		**(738)**	–
Changes in cash and cash equivalents disclosed as part of assets held for sale		**15,472**	(17,967)
Reclassification of cash equivalents to other assets because of impairment		**–**	(1,521)
Cash and cash equivalents at the beginning of the period		**2,263,938**	1,554,035
Cash and cash equivalents at the end of the period		**2,361,401**	2,011,162

Managing Director for Economy and Finance — *Beibit Karymsakov*

Chief accountant — *Almaz Abdrakhmanova*

The accounting policies and explanatory notes on pages 8 through 47 form an integral part of these interim condensed consolidated financial statements (unaudited).

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (unaudited) (continued)

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").

The Fund is a holding company combining state-owned enterprises listed in *Note 27* (the "Group"). Prior to February 1, 2012, the Fund's activities were governed by the Law of the Republic of Kazakhstan *On National Welfare Fund* No. 134-4 dated February 13, 2009 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. 550-4, 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 31)*:

- Oil and gas segment includes operations related to exploration and production of oil and gas, transportation of oil and gas and refining and trading of crude oil, gas and refined products;
- Transportation segment includes operations related to railway and air transportation of cargo and passengers;
- Communication 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 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 17/10 E10 str., Astana, the Republic of Kazakhstan.

These interim condensed consolidated financial statements were authorised for issue by the Managing Director for Economy and Finance and Chief accountant of the Fund on November 29, 2018.

Privatization plan

On December 30, 2015 the Government approved the new 2016-2020 Complex Privatization and the list of all state owned assets to be privatized, including certain Fund subsidiaries.

2. BASIS OF PREPARATION

These interim condensed consolidated financial statements for the three and nine months ended September, 30 2018 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, 2017.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (unaudited) (continued)

2. BASIS OF PREPARATION (continued)

Restatement affecting comparative information

Due to the fact that in 2017 the Group revised its interpretation and accounting for the sale of uranium products for swap transactions, the consolidated statement of comprehensive income for the three and nine months ended September 30, 2017 was revised.

The transactions for the supply and sale of the same volume of uranium with the same counterparty, in the opinion of the Group's management, are related and should be reflected on a net basis in the financial statements, reflecting the economic nature of this transaction.

Additionally, the Group NC KMG made reclassification of cost of sales and transportation and selling expenses since the Group believes that this reclassification is more relevant to users of interim condensed consolidated financial statements.

Effect of restatement for the nine months ended September 30, 2017

In millions of tenge	For the nine months ended September 30, 2017 (unaudited)	Swap transactions	NC KMG Group reclassification	KMG International N.V.*	Kazakhstan Engineering JSC*	For the nine months ended September 30, 2017 (unaudited) (restated)
Revenue	3,669,254	(25,454)	–	1,504,805	(34,697)	5,113,908
Cost of sales	(3,209,984)	21,629	42,481	(913,004)	35,688	(4,023,190)
Gross profit	**501,988**	**(3,825)**	**42,481**	**591,801**	**991**	**1,133,436**
Transportation and selling expenses	(225,137)	–	(42,481)	(42,446)	613	(309,451)
Net profit for the period	**547,412**	**(3,825)**	**–**	**10,313**	**–**	**553,900**

**Other items of the consolidated statement of comprehensive income are disclosed in Note 6.*

Effect of restatement for the three months ended September 30, 2017

In millions of tenge	For the three months ended September 30, 2017 (unaudited)	Swap transactions	NC KMG Group reclassification	KMG International N.V.*	Kazakhstan Engineering JSC*	For the three months ended September 30, 2017 (unaudited) (restated)
Revenue	1,221,174	(4,580)	–	577,748	(19,099)	1,775,243
Cost of sales	(1,165,264)	5,996	8,653	(282,969)	17,898	(1,415,686)
Gross profit	**89,570**	**1,416**	**8,653**	**294,779**	**(1,201)**	**393,217**
Transportation and selling expenses	(77,283)		(8,653)	(16,091)	249	(101,778)
Net profit for the period	**252,500**	**1,416**	**–**	**12,406**	**–**	**266,322**

**Other items of the consolidated statement of comprehensive income are disclosed in Note 6.*

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 and nine months ended September 30, 2018 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.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (unaudited) (continued)

2. BASIS OF PREPARATION (continued)

Foreign currency translation (continued)

Transactions and balances (continued)

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

Group entities

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

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

Exchange rates

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

The following table presents foreign currency exchange rate to tenge:

	September 30, 2018	December 31, 2017	**Weighted average for the nine months ended September 30, 2018**	Weighted average for the nine months ended September 30, 2017	**November 29, 2018**
United States dollar ("USD")	**363.07**	332.33	**336.51**	323.30	**371.28**
Euro ("EUR")	**420.91**	398.23	**401.61**	359.86	**422.18**
Russian ruble ("RUR")	**5.52**	5.77	**5.48**	5.54	**5.57**

New and amended standards and interpretations

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, 2017, except for the adoption of new standards and interpretations effective as of January 1, 2018. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

The Group applies, for the first time, IFRS 15 *Revenue from Contracts with Customers* and IFRS 9 *Financial Instruments*. As required by IAS 34, the nature and effect of these changes are disclosed below.

Several other amendments and interpretations apply for the first time in 2018, but do not have an impact on the interim condensed consolidated financial statements of the Group.

IFRS 15 Revenue from Contracts with Customers

IFRS 15 supersedes IAS 11 *Construction Contracts*, IAS 18 *Revenue* and related Interpretations and it applies to all revenue arising from contracts with customers, unless those contracts are in the scope of other standards. The new standard establishes a five-step model to account for revenue arising from contracts with customers. Under IFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (unaudited) (continued)

2. BASIS OF PREPARATION (continued)

New and amended standards and interpretations (continued)

IFRS 15 Revenue from Contracts with Customers (continued)

The standard requires entities to exercise judgment, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The standard also specifies the accounting for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract.

The Group adopted IFRS 15 using the modified restrospective method.

Adoption of IFRS 15 did not have significant effect on the interim condensed consolidated financial statements of the Group. As of January 1, 2018, the Group adjusted the balance of retained earnings in the amount of 960 million tenge and the non-controlling interest by 209 million tenge.

(a) Sale of goods

The Group's contracts with customers for the sale of goods generally include one performance obligation. The Group has concluded that revenue from sale of goods should be recognised at the point in time when control of the asset is transferred to the customer, generally on delivery of the goods. Therefore, the adoption of IFRS 15 did not have an impact on the timing of revenue recognition.

(b) Rendering of services

The Group fulfills performance obligation on a monthly basis and recognizes revenue from rendering of oil and gas transportation services, based on the actual volumes of services rendered. Revenue from refining and oil support services is recognized over time given that the buyer simultaneously receives and consumes the benefits provided by the Group. The adoption of IFRS 15 did not have an impact on the Group's revenue and profit or loss from rendering of services.

IFRS 9 Financial Instruments

IFRS 9 *Financial Instruments* replaces IAS 39 *Financial Instruments: Recognition and Measurement* for annual periods beginning on or after January 1, 2018, bringing together all three aspects of the accounting for financial instruments: classification and measurement; impairment; and hedge accounting. With the exception of hedge accounting, which the Group applied prospectively, the Group has applied IFRS 9 retrospectively, with the initial application date of January 1, 2018.

The Group did not restate the comparative information for the annual period beginning January 1, 2017 and recognized the adjustment to the opening balance of retained earnings and non-controlling interest as at January 1, 2018.

(a) Classification and measurement

Under IFRS 9, the Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs.

Under IFRS 9, debt financial instruments are subsequently measured at fair value through profit or loss (FVPL), amortised cost, or fair value through other comprehensive income (FVOCI). The classification is based on two criteria: the Group's business model for managing the assets; and whether the instruments' contractual cash flows represent 'solely payments of principal and interest' on the principal amount outstanding (the 'SPPI criterion').

The new classification and measurement of the Group's debt financial assets are, as follows:

- Debt instruments at amortised cost for financial assets that are held within a business model with the objective to hold the financial assets in order to collect contractual cash flows that meet the criterion of solely payments of principal and interest. This category includes the Group's trade and other receivables, loans due from related parties and bank deposits.
- Debt instruments at FVOCI for financial assets that are held within a business model whose objective is achieved by both holding the financial assets in order to collect contractual cash flows that meet the criterion of solely payments of principal and interest and selling financial assets. This category includes the Group's investments in debt securities included in other financial assets.
- Debt instruments at FVPL: this category includes certain loans due from related parties, which contain embedded derivative financial instruments, and coupon bonds included in other financial assets.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (unaudited) (continued)

2. BASIS OF PREPARATION (continued)

New and amended standards and interpretations (continued)

IFRS 9 Financial Instruments (continued)

(a) Classification and measurement (continued)

As result of adoption of classification requirements of IFRS 9, the Group recognised the adjustment to the opening balances of revaluation reserve for financial assets at FVOCI as of January 1, 2018 and financial assets at FVOCI for the difference between initial carrying amount and fair value of investments in equity instruments accounted at FVOCI by increasing the revaluation reserve by 2,701 million tenge.

The Group accounts the financial guarantee contracts after initial recognition at the higher of the initially recognized amount and the amount of the estimated provision for expected credit losses. As a result, the Group has adjusted the balance of retained earnings as of January 1, 2018 and other financial liabilities by 6,191 million tenge.

The assessment of the Group's business models was made as of the date of initial application, January 1, 2018, and then applied retrospectively to those financial assets that were not derecognised before January 1, 2018. The assessment of whether contractual cash flows on debt instruments are solely comprised of principal and interest was made based on the facts and circumstances as at the initial recognition of the assets.

(b) Impairment

The adoption of IFRS 9 has fundamentally changed the Group's accounting for impairment losses for financial assets by replacing IAS 39's incurred loss approach with a forward-looking expected credit loss (ECL) approach.

IFRS 9 requires the Group to record an allowance for ECLs for all debt financial assets not held at FVPL.

ECLs are calculated as a difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive. The shortfall is then discounted at an approximation to the asset's original effective interest rate.

For trade and other receivables, the Group has applied the standard's simplified approach and has calculated ECLs based on lifetime expected credit losses. The Group has established a provision matrix that is based on the Group's historical credit loss experience, adjusted for forward-looking factors, which are specific to the debtors and the economic environment.

For other debt financial assets (i.e., loans issued and bank deposits), the ECL is calculated for the 12-month period. The 12-month ECL is the portion of lifetime ECLs that results from default events on a financial instrument that are possible within 12 months after the reporting date. However, when there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime ECL.

The Group considers a financial asset in default when contractual payment are 90 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group.

The adoption of the ECL requirements of IFRS 9 resulted in increases in impairment allowances of the Group's debt financial assets. As a result of this increase, the Group adjusted the balance of retained earnings, non-controlling interest and revaluation reserve for financial assets held at FVOCI as at January 1, 2018 in this interim consolidated statement of changes in equity for ECL for financial assets at amortized cost and financial assets held at FVOCI.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (unaudited) (continued)

2. BASIS OF PREPARATION (continued)

New and amended standards and interpretations (continued)

IFRS 9 Financial Instruments (continued)

(b) Impairment (continued)

Impact on the consolidated balance sheet as at January 1, 2018, as follows:

In millions of tenge	As at December 31, 2017 (audited) (restated)	Effects of adoption of IFRS 9	**As at January 1, 2018 (unaudited) (restated)**
Assets			
Non-current assets			
Investments in joint ventures and associates	2,856,767	(3,615)	2,853,152
Loans issued and finance lease receivables	593,325	(8,634)	584,691
Amounts due from credit institutions	502,493	(13,887)	488,606
Deferred tax assets	169,280	834	170,114
Other non- current financial assets	95,620	(562)	95,058
Other non-current assets	691,328	(1,155)	690,173
at cost	*750,028*	–	*750,028*
less: allowance for impairment	*(58,700)*	*(1,155)*	*(59,855)*
Current assets			
Trade accounts receivable	641,453	(5,049)	636,404
at cost	*714,102*	–	*714,102*
less: allowance for impairment	*(72,649)*	*(5,049)*	*(77,698)*
Loans issued and finance lease receivables	250,362	(5,653)	244,709
Amounts due from credit institutions	1,951,384	(2,950)	1,948,434
Other current financial assets	30,250	(70)	30,180
Other current assets	381,753	(2,160)	379,593
at cost	*505,791*	–	*505,791*
less: allowance for impairment	*(124,038)*	*(2,160)*	*(126,198)*
Cash and cash equivalents	2,263,938	(552)	2,263,386
Assets classified as held for sale	199,874	(37)	199,837
Equity and liabilities			
Equity			
Revaluation reserve for financial assets held at FVOCI	26,177	321	26,498
Retained earnings	3,982,070	(38,868)	3,943,202
Non-controlling interest	1,821,720	(4,943)	1,816,777

(c) Accounting for modifications or exchange of promissory notes that do not lead to termination of recognition

Profit or loss arising from modification of a financial liability measured at amortized cost is recognized in profit or loss. Income or expense is calculated as difference between the initial cash flows and the present value of future cash flows provided for in the agreement, discounted using the original effective interest rate of the financial instrument. As of January 1, 2018, the Group adjusted the opening balance of retained earnings and liabilities in the amount of 5,237 million tenge.

New standards, clarifications and amendments to existing standards and explanations

IFRIC Interpretation 22 Foreign Currency Transactions and Advance Considerations

The Interpretation clarifies that, in determining the spot exchange rate to use on initial recognition of the related asset, expense or income (or part of it) on the derecognition of a non-monetary asset or non-monetary liability relating to advance consideration, the date of the transaction is the date on which an entity initially recognises the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, then the entity must determine a date of the transactions for each payment or receipt of advance consideration. This Interpretation does not have any impact on the Group's interim condensed consolidated financial statements.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (unaudited) (continued)

2. BASIS OF PREPARATION (continued)

Amendments to IAS 40 Transfers of Investment Property

The amendments clarify when an entity should transfer property, including property under construction or development into, or out of investment property. The amendments state that a change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. A mere change in management's intentions for the use of a property does not provide evidence of a change in use. These amendments do not have any impact on the Group's interim condensed consolidated financial statements.

Amendments to IFRS 2 Classification and Measurement of Share-based Payment Transactions

The IASB issued amendments to IFRS 2 *Share-based Payment* that address three main areas: the effects of vesting conditions on the measurement of a cash-settled share-based payment transaction; the classification of a share-based payment transaction with net settlement features for withholding tax obligations; and accounting where a modification to the terms and conditions of a share-based payment transaction changes its classification from cash settled to equity settled. On adoption, entities are required to apply the amendments without restating prior periods, but retrospective application is permitted if elected for all three amendments and other criteria are met. The Group's accounting policy for cash-settled share based payments is consistent with the approach clarified in the amendments.

In addition, the Group has no share-based payment transaction with net settlement features for withholding tax obligations and had not made any modifications to the terms and conditions of its share-based payment transaction. Therefore, these amendments do not have any impact on the Group's interim condensed consolidated financial statements.

Amendments to IAS 28 Investments in Associates and Joint Ventures – Clarification that measuring investees at fair value through profit or loss is an investment-by-investment choice

The amendments clarify that an entity that is a venture capital organisation, or other qualifying entity, may elect, at initial recognition on an investment-by-investment basis, to measure its investments in associates and joint ventures at fair value through profit or loss. If an entity, that is not itself an investment entity, has an interest in an associate or joint venture that is an investment entity, the entity may, when applying the equity method, elect to retain the fair value measurement applied by that investment entity associate or joint venture to the investment entity associate's or joint venture's interests in subsidiaries. This election is made separately for each investment entity associate or joint venture, at the later of the date on which: (a) the investment entity associate or joint venture is initially recognised; (b) the associate or joint venture becomes an investment entity; and (c) the investment entity associate or joint venture first becomes a parent. These amendments do not have any impact on the Group's interim condensed consolidated financial statements.

Amendments to IFRS 4 Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts

The amendments address concerns arising from implementing the new financial instruments standard, IFRS 9, before implementing IFRS 17 *Insurance Contracts*, which replaces IFRS 4. The amendments introduce two options for entities issuing insurance contracts: a temporary exemption from applying IFRS 9 and an overlay approach. These amendments are not relevant to the Group.

Amendments to IFRS 1 First-time Adoption of International Financial Reporting Standards – Deletion of short-term exemptions for first-time adopters

Short-term exemptions in paragraphs E3-E7 of IFRS 1 were deleted because they have now served their intended purpose. These amendments do not have any impact on the Group's interim condensed consolidated financial statements.

Standards that have been issued but not yet effective

The Group did not apply early the standards, clarifications or amendments that were issued, but did not yet effective. The following are the standards and interpretations that have been issued but not yet effective as of the date of the interim condensed consolidated financial statements of the Group. The Group intends to apply these standards and interpretations from the date of their effective date on January 1, 2019:

- Amendments to *IFRS 9 Prepayment Features with Negative Compensation;*
- Amendments to *IAS 28 Long-term Interests in Associates and Joint Ventures;*
- Amendments to *IAS 19 Plan Amendment, Curtailment or Settlement;*
- IFRS *16 Lease;*
- IFRIC Interpretation *23 Uncertainty Over Income Tax Treatments.*

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (unaudited) (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 in the second half of the year rather than in the first six months. These fluctuations are mainly due to requirements to conduct formal public tenders during the first six months with goods and services being purchased in the second six months of the year.

4. SIGNIFICANT ACCOUNTING ESTIMATES, AND JUDGEMENTS

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

In preparing these interim condensed consolidated financial statements, the significant judgments made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended December 31, 2017.

Valuation of uranium reserves

In 2017, the Group engaged SRK Consulting (UK) Limited (hereinafter – "SRK") to assess the Group's uranium reserves and resources in accordance with the Australasian Code for reporting on geological exploration works, mineral resources and ore reserves (2012) (hereinafter "JORC Code") as well as for the calculation of reserves for obligations to liquidate and restore the Group's fields.

Data on reserves and obligations for the liquidation and restoration of deposits were updated by SRK as of June 30, 2018 and accounted for in preparing these condensed interim consolidated financial statements.

Put option

The Group recognized an impairment loss on investments in the Balkhash Thermal Power Plant JSC (hereinafter – "BTPP") in the amount of 27,571 million tenge for the year ended December 31, 2017.

The Government of the Republic of Kazakhstan is conducting negotiations on resolution of issues related to the Samsung C&T's exit from the the project "Construction of the Balkhash Thermal Power Plant" (hereinafter – "the Project"), including the Samsung's claim in respect of their Option to sell their shares in the project back to the Group. Currently, the Government of the Republic of Kazakhstan and Samsung C&T are in the active phase of the negotiation process. Considering the government's position and status of negotiations the Group believes that the likelihood of a material outflow of economic resources from the Group with respect to the Put Option is not probable. Accordingly, in the interim condensed consolidated financial statements as at and for the three and six months ended June 30, 2018, the Group did not create any provision in respect of the option exercised by Samsung C&T.

The Group notes however that an uncertainty exists with respect to an a successful agreement being reached from the negotiations and resolution referred to above. In case the parties will not reach an agreement, there remains a possible risk that Samsung C&T will decide to proceed the dispute through judicial processes against Samruk-Energy JSC, which if this did arise, Samruk-Energy JSC would vigorously defend. Management of the Group believes that Samsung C&T did not have the right to exercise the option and that good defences exist to the claim, including the counterparty's failure to prove that the claim complies with the contractual terms.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (unaudited) (continued)

5. ACQUISITIONS

JV Inkai LLP

On December 11, 2017, the NAC Kazatomprom JSC (the Fund's subsidiary) and Cameco Corporation completed the restructuring of JV Inkai LLP. In accordance with the terms of the restructuring agreement, the NAC Kazatomprom JSC increased its interest in JV Inkai LLP from 40% to 60% and from January 1, 2018 obtained control over the investee. In addition, within the framework of the restructuring agreement JV Inkai LLP received permission to extend the contract for subsoil use until 2045.

Prior to obtaining control, the Group accounted for JV Inkai LLP as an investment in a joint venture under the equity method.

The following table is the fair value of the assets acquired and liabilities as at the acquisition date:

In millions of tenge	At acquisition date
Assets	
Non-current assets	
Property, plant and equipment	76,253
Intangible assets	160,051
Other non-current financial assets	447
Other non-current assets	3,407
Current assets	
Inventories	5,579
Trade accounts receivable	19,162
Income tax prepaid	2,313
Other current assets	760
Cash and cash equivalents	1,036
Total assets	**269,008**
Liabilities	
Non-current liabilities	
Deferred tax liabilities	32,162
Provisions	1,346
Other non-current liabilities	44
Current liabilities	
Borrowings	38,955
Trade and other payables	3,970
Provisions	234
Other current liabilities	392
Total liabilities	**77,103**
Net identifiable assets	**191,905**
Less:	
Non-controlling interest	(76,762)
Share in net assets previously held by the Group (40%)	(40,388)
Cash paid	(11)
Plus:	
Income from previously recognized forein currency reserve in OCI	21,174
Gain on acquisition	**95,918**

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (unaudited) (continued)

5. ACQUISITIONS (continued)

JV Akbastau JSC and Karatau LLP

The Group and Uranium One Inc hold 50% interest each in Karatau LLP and JV Akbastau JSC. In 2018, the Group and Uranium One Inc signed a number of agreements that formalised their obligation to purchase all production of the investees at equitable terms, as well as to provide financing to the joint arrangement in proportion to their shares. Both parties have direct rights to the assets and obligations for the liabilities of the investees, accordingly starting from 2018 the entities have been classified as joint operations. The Group recognised its direct right in joint assets, liabilities, income and expenses in proportion to 50% ownership interest, these items are consolidated in the Group's financial statements on line by line basis. Until 2018, investments in Karatau LLP (50% interest) and JV Akbastau JSC (50% interest) were accounted for using equity method.

The following table is the provisional amounts of the assets acquired and liabilities assumed at the acquisition date:

In millions of tenge	JV Akbastau JSC	Karatau LLP
Assets		
Non-current assets		
Property, plant and equipment	12,387	9,792
Intangible assets	61	107
Other non-current financial assets	86	270
Deferred tax assets	79	–
Other non-current assets	442	583
Current assets		
Inventories	1,716	1,206
Trade accounts receivable	4,988	6,027
Income tax prepaid	–	340
Other current assets	77	77
Cash and cash equivalents	372	1,513
Total assets	**20,208**	**19,915**
Liabilities		
Non-current liabilities		
Deferred tax liabilities	–	65
Provisions	415	513
Current liabilities		
Borrowings	2,235	–
Trade and other payables	2,149	1,066
Income tax payable	18	–
Provisions	79	16
Other current liabilities	85	18
Total liabilities	**4,981**	**1,678**
Net identifiable assets	**15,227**	**18,237**
Less:		
Share in net assets previously held by the Group	(14,637)	(17,887)
Gain on acquisition	**590**	**350**

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (unaudited) (continued)

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

Kazakhstan Engineering JSC

In July 2018 the Group transferred it's 100% share in Kazakhstan Engineering JSC to the Shareholder. The Group recognized disposal of net assets of Kazakhstan Engineering JSC as other distributions to the Shareholder.

The results of Kazakhstan Engineering JSC are presented below:

In millions of tenge	From January 1, 2018 till the date of disposal	For the nine months ended September 30, 2017
Revenue	**12,592**	34,697
Cost of sales	**(12,282)**	(35,688)
Gross profit	**310**	(991)
General and administrative expenses	**(1,845)**	(3,353)
Transportation and selling expenses	**(497)**	(613)
Impairment loss	**(846)**	(607)
Operating loss	**(2,878)**	(5,564)
Finance costs	**(1,370)**	(2,904)
Finance income	**737**	924
Other non-operating loss	**(308)**	(752)
Other non-operating income	**929**	551
Share in (loss)/profit of joint ventures and associates, net	**(126)**	19
Foreign exchange gain/(loss), net	**48**	(124)
Loss before income tax for the period from discontinued operations	**(2,968)**	(7,850)
Income tax (expenses)/benefit	**(574)**	192
Loss after income tax for the period from discontinued operations	**(3,542)**	(7,658)

The major classes of assets and liabilities of Kazakhstan Engineering JSC as at disposal date are as follows:

In millions of tenge	As at disposal date
Assets	
Property, plant and equipment	23,537
Intangible assets	377
Investments in joint ventures and associates	6,130
Deferred tax assets	4,030
Other non-current assets	791
Inventories	18,656
Trade accounts receivable	5,261
Other current assets	74,230
Cash and cash equivalents	19,298
Assets classified as held for sale	**152,310**
Liabilities	
Borrowings	31,211
Deferred tax liabilities	966
Provisions	650
Other non-current liabilities	589
Trade and other payables	7,290
Other taxes payables	572
Other current liabilities	94,870
Liabilities directly associated with the assets classified as held for sale	**136,148**
Net assets directly associated with the disposal group	**16,162**

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (unaudited) (continued)

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

Kazakhstan Engineering JSC (continued)

The net cash flows of Kazakhstan Engineering JSC are as follows:

In millions of tenge	From January 1, 2018 till the date of disposal	For the nine months ended September 30, 2017
Operating	**12,045**	(2,353)
Investing	**(3,664)**	(1,608)
Financing	**923**	(6,682)
Net cash inflows	**9,304**	(10,643)

KMG International N.V.

As at September 30, 2018, the Group ceased to classify KMG International N.V. (KMGI) as discontinued operation as the participants did not complete procedures provided by sale and purchase agreement (the SPA) to sell a 51% interest in KMGI by the long stop date and the transaction was automatically terminated. As such KMGI no longer meet the criteria of IFRS 5. The assets and liabilities of KMGI were transferred from discontinued operations to continuing operations.

The effect of the change on comparative data is presented below.

In millions of tenge	For the three months ended September 30, 2017	For the nine months ended September 30, 2017
Revenue	577,747	1,504,805
Cost of sales	(282,970)	(913,004)
Gross profit	**294,777**	**591,801**
General and administrative expenses	(10,908)	(32,201)
Transportation and selling expenses	(16,090)	(42,446)
Reversal of impairment of property, plant and equipment, exploration and evaluation assets and intangible assets, other than goodwill	2,212	1,360
Operating profit	**269,991**	**518,514**
Finance costs	(2,976)	(8,231)
Finance income	222	522
Other non-operating loss	70	(44)
Other non-operating income	(188)	2,036
Share in profit of joint ventures and associates, net	58	279
Net foreign exchange loss, net	(172)	(110)
Profit before income tax	**267,005**	**512,966**
Income tax benefit	(87)	921
Profit for the period from continuing operations	**266,918**	**513,887**
Discontinued operations		
Reverse of profit after income tax for the period from discontinued operations	(254,512)	(503,574)
Net profit for the period	**12,406**	**10,313**
Net profit for the period attributable to:		
Equity holders of the Parent Company	12,406	10,313
Non-controlling interests	–	–
	12,406	**10,313**

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (unaudited) (continued)

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

KMG International N.V. (continued)

In millions of tenge	December 31, 2017
Assets	
Non-current assets	
Property, plant and equipment	721,070
Intangible assets	69,774
Investments in joint ventures and associates	13,278
Deferred tax assets	33,545
Other non-current assets	3,374
	841,041
Current assets	
Inventories	141,472
VAT receivable	1,361
Income tax prepaid	549
Trade accounts receivable	161,543
Other current financial assets	21
Other current assets	28,172
Cash and cash equivalents	73,831
	406,949
Assets classified as held for sale	(1,086,785)
Total assets	**161,205**
Equity and liabilities	
Equity	
Currency translation reserve	(3,351)
Retained earnings	164,556
Attributable to equity holder of the Parent	**161,205**
Non-controlling interest	–
Total equity	**161,205**
Non-current liabilities	
Borrowings	17,624
Finance lease liabilities	70
Provisions	48,569
Deferred tax liabilities	68,725
Employee benefit liability	4,568
Other non-current liabilities	86
	139,642
Current liabilities	
Borrowings	120,184
Financial lease liabilities	13
Income tax payable	2,376
Trade and other payables	188,729
Other current liabilities	80,059
	391,361
Liabilities directly associated with the assets classified as held for sale	(531,003)
Total liabilities	**–**
Total equity and liabilities	**161,205**

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (unaudited) (continued)

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

Summary information

Assets classified as held for sale comprised the following:

In millions of tenge	**Segment**	**September 30, 2018 (unaudited)**	December 31, 2017 (audited) (restated)
Transtelecom JSC	Transportation	**104,711**	89,436
Kazmortransflot NMSK LLP	Transportation	**90,938**	–
Tulpar-Talgo LLP	Transportation	**20,542**	28,514
Kazakh-British Technical University JSC	Oil and gas	**12,726**	16,803
Other		**31,977**	65,121
		260,894	199,874

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

In millions of tenge	**Segment**	**September 30, 2018 (unaudited)**	December 31, 2017 (audited) (restated)
Transtelecom JSC	Transportation	**74,950**	62,323
Kazmortransflot NMSK LLP	Transportation	**44,301**	–
Tulpar-Talgo LLP	Transportation	**21,991**	24,069
Kazakh-British Technical University JSC	Oil and gas	**1,369**	1,925
Other		**5,925**	332
		148,536	88,649

As at September 30, 2018 the Group decided to sell its 51% interest in Kazmortransflot NMSK LLP (KMTF). The disposal of KMTF is due to be completed in 2019 and, as at September 30, 2018, the Group classified share in KMTF as assets held for sale.

On November 9, 2018 as a result of electronic auction the Public Foundation "The Nursultan Nazarbayev Educational Foundation" became a buyer of Kazakh-British Technical University JSC. The selling price equaled 11,370 million tenge.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

7. PROPERTY, PLANT AND EQUIPMENT

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

In millions of tenge	Oil and gas assets	Pipelines and refinery assets	Buildings and premises	Railway tracks and infra-structure	Machinery, equipment and vehicles	Mining assets	Other	Const-ruction in progress	Total
Net book value at January 1, 2018 (audited) (restated)	3,860,494	1,770,380	1,020,028	992,446	2,639,908	55,470	78,104	1,086,487	11,503,317
Foreign currency translation	315,692	48,368	6,343	(37)	14,224	–	1,188	1,478	387,256
Changes in estimates	(6,071)	1,348	(451)	–	134	2,675	–	–	(2,365)
Additions	36,357	12,021	2,196	21	61,274	18,289	6,752	409,071	545,981
Acquisition through business combinations *(Note 5)*	–	–	19,504	–	18,716	55,988	560	3,664	98,432
Disposals	(12,703)	(2,964)	(13,364)	(967)	(19,959)	(157)	(5,554)	(1,633)	(57,301)
Depreciation charge	(150,854)	(87,689)	(34,776)	(25,168)	(173,515)	(13,993)	(9,837)	–	(495,832)
Depreciation and impairment on disposals	9,987	2,729	2,472	659	16,998	–	2,676	1,372	36,893
Impairment, net of reversal of impairment	(1,613)	(1)	(2,807)	(32)	(3,082)	(569)	(157)	281	(7,980)
Utilization of reserve	–	–	–	–	–	–	–	(1,251)	(1,251)
Discontinued operations / transfer to assets classified as held for sale	(44)	(105)	(16,175)	–	(83,669)	(37)	(2,006)	(185)	(102,221)
Transfers from/(to) intangible assets	535	–	–	–	(2)	(953)	1	(893)	(1,312)
Transfers from/(to) exploration and evaluation assets, investment property	3,119	–	(23,562)	–	–	33	–	(169)	(20,579)
Transfer from/(to) inventories, net	34	3,149	16	(334)	1,802	3,086	323	2,812	10,888
Other transfers and reclassifications	55,505	43,332	(7,662)	17,559	138,579	(147)	7,042	(254,208)	–
Net book value at September 30, 2018 (unaudited)	4,110,438	1,790,568	951,762	984,147	2,611,408	119,685	79,092	1,246,826	11,893,926
Historical cost	5,346,569	2,748,279	1,387,237	1,202,084	4,315,700	197,745	186,688	1,401,351	16,785,653
Accumulated depreciation and impairment	(1,236,131)	(957,711)	(435,475)	(217,937)	(1,704,292)	(78,060)	(107,596)	(154,525)	(4,891,727)
Net book value at September 30, 2018 (unaudited)	4,110,438	1,790,568	951,762	984,147	2,611,408	119,685	79,092	1,246,826	11,893,926

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

7. PROPERTY, PLANT AND EQUIPMENT (continued)

As at September 30, 2018 property, plant and equipment with net book value of 1,160,990 million tenge was pledged as collateral for some of the Group's borrowings (December 31, 2017: 1,384,981 million tenge).

As at September 30, 2018 the carrying amount of property, plant and equipment acquired under finance lease agreements was equal to 124,818 million tenge (December 31, 2017: 113,688 million tenge).

As at September 30, 2018 the cost of fully amortized property, plant and equipment of the Group was equal to 781,708 million tenge (December 31, 2017: 511,072 million tenge).

For the nine months ended September 30, 2018 the Group capitalized borrowing costs at an average interest rate of 3.1% in the amount of 26,106 million tenge (for the nine months ended September 30, 2017: at an average interest rate of 3.2% in the amount of 26,627 million tenge).

8. INTANGIBLE ASSETS

In millions of tenge	Licenses	Software	Goodwill	Marketing related intangible assets	Subsur-face use rights	Other	Total
Net book value at January 1, 2018 (audited) (restated)	480,010	55,595	106,570	48,714	233,883	68,813	993,585
Foreign currency translation	**42,197**	**377**	**804**	**4,461**	**16,238**	**1,257**	**65,334**
Additions	**583**	**2,392**	–	–	**91**	**1,374**	**4,440**
Acquisition through business combinations *(Note 5)*	**74**	**129**	**348**	–	**160,090**	–	**160,641**
Disposals	**(217)**	**(3,499)**	–	–	–	**(371)**	**(4,087)**
Amortization charge	**(18,909)**	**(9,987)**	–	**(974)**	**(7,829)**	**(4,761)**	**(42,460)**
Accumulated amortization on disposals	**162**	**3,430**	–	–	–	**347**	**3,939**
(Impairment)/reversal of impairment, net	–	**3**	**(348)**	–	–	**2**	**(343)**
Discontinued operations / transfer to assets classified as held for sale	**(92)**	**(269)**	–	**350**	**(4)**	**(507)**	**(522)**
Transfers to other non-current assets	–	**(12,259)**	–	–	–	–	**(12,259)**
Transfers from/(to) property, plant and equipment, net	**180**	**1,123**	–	–	**417**	**(410)**	**1,310**
Other transfers	**376**	**783**	–	–	–	**(1,159)**	–
Net book value at September 30, 2018 (unaudited)	**504,364**	**37,818**	**107,374**	**52,551**	**402,886**	**64,585**	**1,169,578**
Historical cost	**565,310**	**131,336**	**183,267**	**54,967**	**417,798**	**112,378**	**1,465,056**
Accumulated amortization and impairment	**(60,946)**	**(93,518)**	**(75,893)**	**(2,416)**	**(14,912)**	**(47,793)**	**(295,478)**
September value at September 30, 2018 (unaudited)	**504,364**	**37,818**	**107,374**	**52,551**	**402,886**	**64,585**	**1,169,578**

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

9. INVESTMENTS IN JOINT VENTURES AND ASSOCIATES

Investments in joint ventures and associates comprised the following:

			September 30, 2018 (unaudited)		December 31, 2017 (audited) (restated)	
In millions of tenge	**Main activity**	**Place of business**	**Carrying amount**	**Percentage ownership**	Carrying amount	Percentage ownership
Joint ventures						
Tengizchevroil LLP	Oil and gas exploration and production	Kazakhstan	**1,763,664**	**20.00%**	1,353,084	20.00%
Mangistau Investments B.V.	Oil and gas exploration and production	Kazakhstan	**208,489**	**50.00%**	135,781	50.00%
Ural Group Limited BVI	Oil and gas exploration and production	Kazakhstan	**73,370**	**50.00%**	78,031	50.00%
KazRosGas LLP	Processing and sale of natural gas and refined gas	Kazakhstan	**41,439**	**50.00%**	33,761	50.00%
Forum Muider B. V.	Production and sale of coal	Kazakhstan	**40,738**	**50.00%**	30,624	50.00%
JV KazGerMunay LLP	Oil and gas exploration and production	Kazakhstan	**31,142**	**50.00%**	47,537	50.00%
Kazakhoil-Aktobe LLP	Oil and gas exploration and production	Kazakhstan	**28,724**	**50.00%**	22,716	50.00%
Beineu-Shymkent Gas Pipline LLP	Transportation of natural gas	Kazakhstan	**26,863**	**50.00%**	17,701	50.00%
Valsera Holdings B.V.	Oil and gas exploration and production	Kazakhstan	**22,814**	**50.00%**	36,737	50.00%
Ekibastuzskaya GRES-2 JSC ("EGRES-2")	Electricity production	Kazakhstan	**19,436**	**50.00%**	22,265	50.00%
Other			**107,237**		125,054	
Total joint ventures			**2,363,916**		1,903,291	
Associates						
Kazzinc LLP	Mining and processing of metal ores, production of refined metals	Kazakhstan	**450,593**	29.82%	443,336	29.82%
Caspian Pipeline Consortium	Transportation of crude oil	Kazakhstan/ Russia	**252,981**	20.75%	195,095	20.75%
PetroKazakhstan Inc. ("PKI")	Exploration, production and processing of oil and gas	Kazakhstan	**137,787**	33.00%	115,920	33.00%
Khan Tengri Holding B.V.	Telecommunications	Kazakhstan	**72,409**	51.00%	68,327	51.00%
JV KATCO LLP	Exploration, production and processing of uranium	Kazakhstan	**46,499**	49.00%	38,504	49.00%
JV INKAI LLP *(Note 5)*	Production, processing and export of uranium	Kazakhstan	**–**	–	40,388	40.00%
Other			**59,302**		51,906	
Total associates			**1,019,571**		953,476	
			3,383,487		2,856,767	

9. 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 January 1, 2018 (audited) (restated)	2,856,767
Effect of adoption of IFRS 9 as at January 1, 2018 *(Note 2)*	**(3,615)**
Share in profit of joint ventures and associates, net *(Note 25)*	**569,117**
Dividends received	**(216,981)**
Change in dividends receivable	**19,104**
Acquisitions	**5,124**
Disposals *(Note 5)*	**(82,506)**
Foreign currency translation	**225,991**
Other comprehensive income, other than foreign currency translation	**2,056**
Discount on loans given	**2,878**
Contributions to share capital without changing the share ownership	**5,583**
Other changes	**(31)**
Balance as at September 30, 2018 (unaudited)	**3,383,487**

10. AMOUNTS DUE FROM CREDIT INSTITUTIONS

Amounts due from credit institutions comprised the following:

In millions of tenge	**September 30, 2018 (unaudited)**	December 31, 2017 (audited) (restated)
Bank deposits	**694,567**	2,260,052
Loans to credit institutions	**158,071**	193,825
Less: impairment allowance	**(7,822)**	–
Amounts due from credit institutions, net	**844,816**	2,453,877
Less: current portion	**(648,696)**	(1,951,384)
Non-current portion	**196,120**	502,493

In millions of tenge	**September 30, 2018 (unaudited)**	December 31, 2017 (audited) (restated)
10 largest local banks	**418,302**	827,258
International credit institutions	**366,740**	1,525,015
Other local credit institutions	**59,774**	101,604
	844,816	2,453,877

In millions of tenge	**September 30, 2018 (unaudited)**	December 31, 2017 (audited) (restated)
Ratings from AAA (Aaa) to AA-(Aa3)	**–**	106,428
Rating from A+(A1) to A-(A3)	**366,740**	1,337,930
Rating from BBB-(Baa3) to BB-(Ba3)	**220**	–
Rating from BBB-(Baa3) to BB-(Ba3	**239,461**	296,456
Rating from B+(B1) to B-(B3)	**206,626**	681,226
Rating from CCC+(Caa1) to CC(Ca)	**–**	–
Rating from C(C) to D(D)	**–**	–
No rating	**31,769**	31,837
	844,816	2,453,877

10. AMOUNTS DUE FROM CREDIT INSTITUTIONS (continued)

As at September 30, 2018 amounts in credit institutions with no rating are represented by loans issued to Zhilstroysberbank Kazakhstan JSC (as at December 31, 2017 – BTA Bank JSC and Zhilstroysberbank Kazakhstan JSC).

In millions of tenge	**September 30, 2018 (unaudited)**	December 31, 2017 (audited) (restated)
Amounts due from credit institutions, denominated in US dollars	**527,966**	1,771,886
Amounts due from credit institutions, denominated in tenge	**314,072**	679,132
Amounts due from credit institutions, denominated in other currencies	**2,778**	2,859
	844,816	2,453,877

As at June 30, 2018 the weighted average interest rate on amounts due from credit institutions was 4.33% (as at December 31, 2017: 3.54%).

11. OTHER NON-CURRENT ASSETS

Other non-current assets comprised the following:

In millions of tenge	**September 30, 2018 (unaudited)**	December 31, 2017 (audited) (restated)
Advances paid for non-current assets	**507,337**	387,988
Long-term VAT receivable	**185,788**	167,927
Restricted cash	**99,906**	88,139
Long-term receivables	**34,324**	49,472
Prepaid expenses	**12,125**	10,095
Long-term inventories	**11,445**	14,200
Other	**45,468**	32,208
Less: impairment allowance	**(60,307)**	(58,701)
	836,086	691,328

12. TRADE ACCOUNTS RECEIVABLE AND OTHER CURRENT ASSETS

Trade accounts receivable comprised the following:

In millions of tenge	**September 30, 2018 (unaudited)**	December 31, 2017 (audited) (restated)
Trade accounts receivable	**1,144,018**	714,102
Less: allowance for doubtful debts	**(84,565)**	(72,649)
	1,059,453	641,453

12. TRADE ACCOUNTS RECEIVABLE AND OTHER CURRENT ASSETS (continued)

Other current assets comprised the following:

In millions of tenge	**September 30, 2018 (unaudited)**	December 31, 2017 (audited) (restated)
Other accounts receivable	**162,283**	133,393
Advances paid and deferred expenses	**147,348**	153,030
Restricted cash	**71,953**	66,675
Other prepaid taxes	**56,393**	52,682
Dividends receivable	**15,730**	44,384
Non-financial assets for distribution to the Shareholder	**13,613**	12,916
Amounts due from employees	**5,197**	4,725
Other	**47,127**	37,986
Less: impairment allowance	**(141,430)**	(124,038)
	378,214	381,753

As at September 30, 2018 the Group's receivables of 241,797 million tenge were pledged under certain Group borrowings (December 31, 2017: 58,226 million tenge).

13. CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprised the following:

In millions of tenge	**September 30, 2018 (unaudited)**	December 31, 2017 (audited) (restated)
Bank deposits – US dollars	**879,445**	852,208
Bank deposits – tenge	**406,995**	345,235
Bank deposits – other currency	**6,770**	3,421
Current accounts with banks – US dollars	**663,888**	641,243
Current accounts with banks – tenge	**344,924**	367,343
Current accounts with banks – other currency	**31,888**	21,985
Cash in transit	**15,441**	18,049
Cash on hand	**11,648**	7,934
Reverse repurchase agreements with other banks with contractual maturity of three months or less	**1,128**	6,520
Less: impairment allowance	**(726)**	–
	2,361,401	2,263,938

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, 2018 the weighted average interest rates for short-term bank deposits and current accounts were 3.84% and 1.23%, respectively (December 31, 2017: 3.2% and 0.8%, respectively).

14. EQUITY

14.1 Other contributions of the Shareholder

Additional paid-in capital

During the nine months ended September 30, 2018 the Group increased additional paid in capital by 3,979 million tenge, which represents the fair value of gas pipelines contributed by the Government on trust management. The trust management is a short-term mechanism until the legal title for the pipelines transfers to the Group.

14.2 Dividends

Dividends attributable to non-controlling interest

During the nine months ended September 30, 2018 the Group subsidiaries declared dividends of 19,092 million tenge to the holders of non-controlling interest in KMG EP JSC, Kaztransoil JSC, KEGOC JSC, Air Astana JSC and Kazakhtelecom JSC and others.

During the nine months ended September 30, 2018 NC KMG declared dividends of 3,595 million tenge to the National Bank of the Republic of Kazakhstan as the holder of a non-controlling interest.

14.3 Other transactions with the Shareholder

Acquisition of bonds of National Managing Holding company Baiterek JSC

On July 12, 2018, in accordance with the Minutes of the meeting of the Council on the management of the National Fund of the Republic of Kazakhstan dated August 7, 2017, the Fund used available funds of State programme "Nurly Zhol" on infrastructure development of 10,600 million tenge for the acquisition of bonds of National holding company Baiterek JSC. The difference between the nominal value and the fair value of 5,777 million tenge was recognized as Other transactions with the Shareholder in the consolidated statement of changes in equity.

14.4 Other distributions to the Shareholder

Social projects financing

During the nine months ended September 30, 2018 in accordance with the order of the Shareholder, the Fund recognized obligations to finance various social projects for the total amount of 28,758 million tenge.

Other distributions

During the nine months ended September 30, 2018 the Group incurred costs of running of PSA LLP, which acts as the Government Body for the Production Sharing Agreements in oil and gas area, of 3,520 million tenge as Other distributions to the Shareholder.

14.5 Acquisition of non-controlling interest in subsidiaries

NC KMG

In February 2018 the Fund acquired an interest of 0.337% in NC KMG through property contribution of 207,196 million tenge. As a result of the transaction the non-controlling interest in NC KMG decreased by 17,772 million tenge.

United Chemical Company LLP (UCC)

In June 2018 the Group acquired an interest of 48% in KPI (subsidiary of UCC) through cash consideration of 56,700 million tenge. As a result of the transaction the non-controlling interest in KPI decreased by 55,208 million tenge.

14. EQUITY (continued)

14.6 Share buyback by subsidiary

On December 8, 2017 KMG EP announced the launch of a conditional tender offer ("Tender Offer") to repurchase all of its outstanding GDRs at a price of 14.00 US dollars per GDR. On January 23, 2018 KMG EP also announced the launch of an offer to repurchase all of its common shares ("Share Offer") placed on KASE at a price of 84.00 US dollars per a common share. On February 19, 2018, the first settlement date of the Tender Offer and the Share Offer ("First settlement date"), KMG EP acquired 134,070,054 GDRs and 320,688 common shares. On April 5, 2018 KMG EP made the final settlement under the Tender Offer and the Share Offer for the repurchase of 1,384,856 GDRs and 15,896 ordinary shares. As of September 30, 2018, under the redemption program of preferred shares, announced on August 13, 2018, KMG EP bought 484,863 preferred shares. As of September 30, 2018, the total amount of the repurchase of shares amounted to 634,209 million tenge.

14.7 Currency translation reserve

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

Certain borrowings of the Group denominated in US dollars were designated as hedge instrument for the net investment in subsidiaries which conduct foreign operations. During the nine months ended September 30, 2018 unrealized foreign currency loss of 407,391 million tenge resulting from translation of these borrowings were offset against currency translation reserve recognized in other comprehensive income.

14.8 Book value per share

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

In millions of tenge	**September 30, 2018 (unaudited)**	December 31, 2017 (audited) (restated)
Total assets	**24,744,159**	24,327,108
Less: intangible assets	**(1,169,578)**	(993,585)
Less: total liabilities	**(12,397,089)**	(12,502,738)
Net assets for common shares	**11,177,492**	10,830,785
Number of common shares	**3,481,938,318**	3,481,938,318
Book value per common share, tenge	**3,210**	3,111

Earnings per share

In tenge	**For the nine months ended September 30, 2018 (unaudited)**	For the nine months ended September 30, 2017 (unaudited) (restated)
Weighted average number of common shares for basic and diluted earnings per share	**3,481,938,318**	3,481,885,149
Basic and diluted share in net profit for the period per share	**296.84**	159.08
Basic and diluted share in net profit from continuing operations per share	**297.86**	161.28

15. BORROWINGS

Borrowings, including interest payable, comprised the following:

In millions of tenge	September 30, 2018 (unaudited)	December 31, 2017 (audited) (restated)
Fixed interest rate borrowings	**4,698,550**	4,909,976
Floating interest rate borrowings	**1,888,391**	2,144,291
	6,586,941	7,054,267
Less: amounts due for settlement within 12 months	**(804,339)**	(1,636,757)
Amounts due for settlement after 12 months	**5,782,602**	5,417,510

In millions of tenge	September 30, 2018 (unaudited)	December 31, 2017 (audited) (restated)
US dollar-denominated borrowings	**5,237,188**	5,634,180
Tenge-denominated borrowings	**1,063,364**	1,112,828
Other currency-denominated borrowings	**286,389**	307,259
	6,586,941	7,054,267

Under the terms of loan agreements, respective subsidiaries of the Group are obliged to comply with certain covenants. The Group reviews compliance with all the Group loan covenants at each reporting date. As at September 30, 2018 the total amount of borrowings with some covenant conditions not being met and for which waiver letter for non-compliance covenants in the reporting period has been received is 44,457 million tenge.

During the nine months ended September 30, 2018 carrying amount of borrowings increased by 407,847 million tenge as a result of changes in exchange rates.

Bonds issuance and repayment

During the nine months ended September 30, 2018 the Fund performed early redemption of bonds, placed on the Kazakhstan Stock Exchange, in the amount of 81,000 million tenge.

During the nine months ended September 30, 2018 the Group placed Eurobonds due in 2025, 2030 and 2048 in the amount of 3,250 million US dollars (equivalent to 1,061,190 million tenge). The Group also made an early redemption of Eurobonds due in 2020, 2021 and 2043 in the amount of 3,463 million US dollars (equivalent to 1,143,982 million tenge).

On July 2, 2018 the Group performed a full redemption of bonds issued on the LSE in 2008 for a total of 1,673 million US dollars (equivalent to 570,627 million tenge at the date of payment).

In September 2018 the Group issued bonds on the Kazakhstan Stock Exchange (KASE) in the amount of 75,000 million tenge with a coupon rate of 9.25% per annum and maturity date on November 15, 2024 in order to refinance foreign currency loans and loans in tenge with a high interest rate.

Other borrowings

During the nine months ended September 30, 2018 the Fund made an early partial repayment of loan from the bank Tokyo-Mitsubishi UFJ LTD in the amount of 900 million US dollars (equivalent to 307,179 million tenge).

During the nine months ended September 30, 2018 the Group received a loan from the syndicate of banks (Citibank NA, Mizuho Bank Ltd., MUFG Bank Ltd., Societe Generale и ING Bank) in the amount of 200 million US dollars (equivalent to 65,832 million tenge as of the date of receipt) to finance construction of three compressor stations at main gas pipeline "Beineu – Bozoy – Shymkent".

15. BORROWINGS (continued)

Other borrowings (continued)

During the nine months ended September 30, 2018, the Group received a loan from ING Bank in the amount of 119 million US dollars (equivalent to 40,376 million tenge).

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

In millions of tenge	September 30, 2018 (unaudited)	December 31, 2017 (audited) (restated)
NC KMG and its subsidiaries	**4,136,868**	4,301,253
NC KTZh and its subsidiaries	**1,256,020**	1,158,981
The Fund	**509,273**	808,453
Samruk-Energy and its subsidiaries	**247,906**	298,527
KEGOC and its subsidiaries	**159,520**	161,789
NAC KAP and its subsidiaries	**72,767**	121,284
Other subsidiaries of the Fund	**204,587**	203,980
Total borrowings	**6,586,941**	7,054,267

16. PREPAYMENT ON OIL SUPPLY AGREEMENTS

NC KMG

In 2016 the Group entered into long-term crude oil and liquefied petroleum gas ("LPG") supply agreement, which involved a prepayment. The total minimum delivery volume approximates 38 million tons of crude oil and 1 million tons of LPG in the period from the date of the contract to March 2021.

During nine months ended September 30, 2018 in accordance with an amendment signed in December 2017, the NC KMG Group received an additional prepayment in the amount of 499,411 thousand US dollars (equivalent of 163,073 million tenge at the date of transaction) net of transaction costs.

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

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

For the nine months ended September 30, 2018 the NC KMG Group has partially settled the prepayments by oil supply in the total amount of 750,000 thousand US dollars.

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

KMG Kashagan B.V.

During 2016, the Group entered into a long-term crude oil supply agreement. In accordance with the terms of the agreement, during the period from January 2017 till December 2021, KMG Kashagan B.V. will supply the minimum volume of oil of 7 million tons from the Kashagan field. In 2017 the KMG Kashagan B.V. signed a addendum to the crude oil supply agreement. Under the terms of the addendum, the term of oil supplies was extended until September 2022, the minimum volume of oil from the Kashagan field was increased to 11.5 million tons.

Under the agreement, Group received a prepayment 990,390 thousand US dollars, (equivalent of 331,829 million tenge at the date of received) in 2016 and 596,974 thousand US dollars (equivalent of 197,224 million tenge at the date of received) repayment from January 2019) in 2017 net of transaction costs:).

During 2018 in the long-term contract of KMG Kashagan B.V. changes in the supply of crude oil. As part of the amended agreement, in August 2018, KMG Kashagan B.V. received an additional prepayment in the amount of 593,986 thousand US dollars (equivalent to 207,194 million tenge at the date of receipt) net the costs of the transaction, which will be repaid from September 2020 with the supply of crude oil produced from the Kashagan field. Thus, the total prepayment amount is 2.2 billion US dollars. According to the terms of the amended contract, the period for oil supply was extended to December 2025, the minimum volume of oil supply from the Kashagan field in the period from January 2018 to December 2025 is 16.4 million tons.

15. BORROWINGS (continued)

KMG Kashagan B.V. (continued)

The Agreement stipulates price determination on the basis of current market quotations and prepayment is reimbursed by means of physical supply of crude oil. In accordance with the terms of the agreement, supply of oil started from January 2017. The Group considers this agreement as a contract, which was signed for the purpose of delivery of non-financial items in accordance with the Group's expectations and sale requirements.

In accordance with the terms of agreement, the KMG Kashagan B.V. must ensure that supplied volume of crude oil must be unencumbered.

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

17. OTHER CURRENT LIABILITIES

Other current liabilities comprised the following:

In millions of tenge	**September 30, 2018 (unaudited)**	December 31, 2017 (audited) (restated)
Advances received and deferred income	**171,403**	232,116
Other taxes payable	**149,081**	125,012
Due to employees	**87,833**	111,930
Amounts due to customers	**28,582**	24,777
Government grant liability	**13,325**	14,721
Obligations under quarantee agreements	**7,058**	10,378
Short-term obligations under contracts with buyers	**4,765**	–
Obligations to the Shareholder on the financing of social projects	**4,390**	4,013
Dividends payable	**4,095**	4,077
Payables for acquisition of additional interest in the North-Caspian project	**–**	272,148
Other financial liabilities	**10,913**	21,417
Other non-financial liabilities	**85,734**	45,374
	567,179	865,963

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 purchase price of the undivided share of interest in NCP consists of a principal amount of 1.78 billion US dollars plus annual interest.

The principal amount together with interest was to be paid in three equal annual instalments after achieving Kashagan commercial production ("KCP") at Kashagan field.

On August 8, 2018, the Group paid the amount of the third tranche in the total amount of 844,012 thousand US dollars (equivalent to 294,258 million tenge), thus fully paying off its obligations under the contract.

18. REVENUE

Revenue comprised the following:

In millions of tenge	For the three months ended September 30 2018 (unaudited)	For the three months ended September 30 2017 (unaudited) (restated)	For the nine months ended September 30 2018 (unaudited)	For the nine months ended September 30 2017 (unaudited) (restated)
Sales of crude oil	**985,285**	585,047	**2,799,161**	1,664,889
Sales of oil refined products	**735,693**	487,054	**1,981,894**	1,210,366
Railway cargo transportation	**219,007**	199,541	**627,213**	549,726
Sales of gas products	**209,997**	63,960	**562,147**	218,342
Sales of uranium products	**131,698**	31,618	**259,345**	164,071
Air transportation	**90,359**	81,914	**217,555**	191,574
Oil and gas transportation	**75,561**	87,627	**236,120**	245,097
Electricity complex	**63,490**	60,046	**200,924**	188,438
Sales of refined gold	**61,286**	45,840	**174,450**	139,936
Telecommunication services	**52,513**	50,050	**154,639**	149,272
Oil processing fees	**41,775**	28,681	**128,237**	96,567
Electricity transmission services	**32,533**	30,662	**105,223**	91,589
Railway passenger transportation	**25,699**	25,603	**64,098**	63,814
Interest revenue	**13,149**	10,552	**35,188**	142,618
Postal services	**10,693**	9,701	**30,448**	28,192
Less: quality bank for crude oil	**(4,607)**	(3,623)	**(12,162)**	(16,644)
Less: indirect taxes and commercial discounts	**(143,980)**	(119,847)	**(374,748)**	(283,611)
Other revenue	**103,611**	100,817	**271,895**	269,672
	2,703,762	1,775,243	**7,461,627**	5,113,908

19. COST OF SALES

Cost of sales comprised the following:

In millions of tenge	For the three months ended September 30 2018 (unaudited)	For the three months ended September 30 2017 (unaudited) (restated)	For the nine months ended September 30 2018 (unaudited)	For the nine months ended September 30 2017 (unaudited) (restated)
Materials and supplies	**1,270,348**	746,025	**3,607,560**	2,089,335
Personnel costs, including social tax and contributions	**195,707**	191,411	**581,356**	557,186
Depreciation, depletion and amortization	**166,875**	137,792	**485,728**	387,398
Fuel and energy	**86,139**	74,823	**247,699**	211,563
Production services received	**64,027**	48,867	**152,941**	124,543
Repair and maintenance	**58,200**	41,756	**132,802**	104,748
Mineral extraction tax	**35,322**	26,944	**112,554**	75,988
Interest expense	**25,670**	30,562	**70,358**	160,027
Rent	**22,239**	16,884	**56,568**	46,665
Taxes other than social tax and withdrawals	**19,950**	15,809	**56,574**	44,186
Transportation expenses	**10,064**	5,111	**24,963**	14,853
Other	**47,867**	79,703	**159,252**	206,698
	2,002,408	1,415,687	**5,688,355**	4,023,190

20. GENERAL AND ADMINISTRATIVE EXPENSES

General and administrative expenses comprised the following:

In millions of tenge	For the three months ended September 30 **2018 (unaudited)**	For the three months ended September 30 2017 (unaudited) (restated)	For the nine months ended September 30 **2018 (unaudited)**	For the nine months ended September 30 2017 (unaudited) (restated)
Personnel costs, including social tax and contributions	**46,306**	42,115	**131,466**	125,350
Fines and penalties	**24,209**	(2,973)	**25,028**	(4,586)
Taxes other than social taxes and withdrawals	**10,293**	13,261	**28,436**	29,546
Consulting services	**7,510**	6,314	**22,355**	18,234
Depreciation and amortization	**7,404**	7,463	**23,404**	25,635
Sponsorship and charitable donations	**4,349**	378	**5,938**	15,772
Rent	**2,989**	2,575	**8,192**	7,245
Other services by third parties	**2,327**	883	**5,086**	2,776
Business trips	**1,902**	1,951	**5,247**	5,183
Allowance for doubtful debts	**1,749**	3,208	**8,286**	6,543
Repair and maintenance	**1,586**	2,314	**3,825**	4,032
Utilities expenses and maintenance of buildings	**952**	742	**2,752**	2,516
Transportation services	**908**	712	**3,207**	1,804
Professional education and advanced trainings	**719**	697	**2,059**	1,694
Bank services	**696**	546	**2,094**	1,963
Other	**13,531**	20,013	**59,903**	46,902
	127,430	100,199	**337,278**	290,609

21. TRANSPORTATION AND SELLING EXPENSES

In millions of tenge	For the three months ended September 30 **2018 (unaudited)**	For the three months ended September 30 2017 (unaudited) (restated)	For the nine months ended September 30 **2018 (unaudited)**	For the nine months ended September 30 2017 (unaudited) (restated)
Transportation	**89,880**	38,288	**255,344**	127,508
Rent tax	**44,116**	22,069	**111,464**	53,726
Custom duties	**36,465**	24,144	**95,085**	75,904
Personnel costs, including social tax and contributions	**5,138**	4,287	**14,268**	13,329
Depreciation and amortization	**3,453**	3,687	**9,018**	10,292
Commission fees to agents and advertising	**3,327**	4,151	**8,566**	8,496
Other	**9,098**	5,152	**27,723**	20,196
	191,477	101,778	**521,468**	309,451

22. IMPAIRMENT LOSS

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

In millions of tenge	For the three months ended September 30 2018 (unaudited)	For the three months ended September 30 2017 (unaudited) (restated)	For the nine months ended September 30 2018 (unaudited)	For the nine months ended September 30 2017 (unaudited) (restated)
Impairment/(reversal of impairment) of assets held for sale	**10,178**	(5,388)	**25,246**	(3,366)
Impairment of other financial assets	**5,734**	16,067	**10,767**	43,867
Impairment of property, plant and equipment, intangible assets and exploration and evaluation assets	**2,433**	3,453	**44,628**	7,480
(Reversal of impairment)/impairment of investments in joint ventures and associates	**–**	7,779	**–**	(6,875)
(Reversal of impairment)/ Impairment of amounts in credit institutions	**(11,624)**	1,568	**(9,456)**	8,716
(Reversal of impairment)/impairment of VAT receivable	**(1,715)**	697	**(403)**	(24,998)
(Reversal of impairment)/impairment of loans issued	**(1,685)**	278	**(3,048)**	13,443
(Reversal of impairment)/impairment of other non-current assets	**(1,649)**	16	**6,779**	249
Other	**(1,593)**	(5,237)	**1,958**	5,900
	79	19,233	**76,471**	44,416

23. FINANCE COSTS

In millions of tenge	For the three months ended September 30 2018 (unaudited)	For the three months ended September 30 2017 (unaudited) (restated)	For the nine months ended September 30 2018 (unaudited)	For the nine months ended September 30 2017 (unaudited) (restated)
Interest on loans and debt securities issued	**90,180**	97,146	**292,757**	260,096
Discount on financial assets measured at amortized cost	**46,318**	–	**46,318**	–
Interest under oil supply agreement	**9,529**	6,980	**26,367**	19,963
Unwinding of discount on provisions and other payables	**4,588**	6,140	**13,012**	14,687
Interest on finance lease liabilities	**2,519**	1,104	**5,559**	3,292
Interest on payable for the acquisition of additional interest in North Caspian Project	**1,673**	4,289	**8,448**	16,049
Interest for the early redemption of Eurobonds	**–**	–	**89,612**	–
Other	**15,471**	7,284	**64,215**	33,242
	170,278	122,943	**546,288**	347,329

On September 13, 2018 the Group purchased bonds of ForteBank JSC in the amount of 220,000 million tenge with maturity till December 15, 2024 and interest of 4% per annum. The Group recognized a discount in the amount of 46,318 million tenge as at the date of purchase using discount rate of 8.46%.

24. FINANCE INCOME

In millions of tenge	For the three months ended September 30		For the nine months ended September 30	
	2018 (unaudited)	2017 (unaudited) (restated)	**2018 (unaudited)**	2017 (unaudited) (restated)
Interest income on amounts due from credit institutions and cash and cash equivalents	**19,377**	31,558	**67,354**	88,727
Income from loans and financial assets	**12,338**	11,424	**34,636**	31,790
Unwinding of discount on long-term receivables	**2,812**	855	**5,046**	10,141
Guarantee income	**561**	705	**4,044**	4,321
Write-off of loan	**–**	–	**51,803**	–
Other	**49,115**	3,801	**57,205**	9,040
	84,203	48,343	**220,088**	144,019

During the nine months ended September 30, 2018 NC KMG wrote-off of the loan from ONGC Videsh, a partner in the Satpayev project, for the total amount of 51,214 million tenge, including an interest in the amount of 3,498 million tenge. The write-off of the loan is related to the planned withdrawal from the project and returning of the contract territory to the Government of Republic of Kazakhstan.

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

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

In millions of tenge	For the three months ended September 30		For the nine months ended September 30	
	2018 (unaudited)	2017 (unaudited) (restated)	**2018 (unaudited)**	2017 (unaudited) (restated)
Tengizchevroil LLP	**118,770**	67,232	**338,574**	207,286
Mangistau Investments B.V.	**25,361**	7,690	**72,878**	37,490
Kazzinc LLP	**13,837**	19,693	**39,464**	43,789
Caspian Pipeline Consortium	**12,384**	12,561	**36,871**	34,165
JV Kazgermunai LLP	**10,352**	9,389	**21,788**	14,486
Petro Kazakhstan Inc. ("PKI")	**5,037**	102	**13,045**	4,871
Forum Muider B.V.	**3,781**	5,697	**10,514**	10,330
JV KATCO LLP	**4,316**	1,892	**7,995**	5,238
Valsera Holdings B.V	**(3,861)**	3,433	**(10,163)**	3,140
Ural Group Limited BVI	**(1,584)**	(908)	**(12,020)**	(1,212)
Other	**22,948**	5,189	**50,171**	11,497
	211,341	131,970	**569,117**	371,080

26. CONSOLIDATION

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

		Ownership percentage	
		September 30, 2018 (unaudited)	December 31, 2017 (audited)
1	National Company "KazMunayGas" JSC ("NC KMG") and subsidiaries	**90.42%**	90.09%
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%
11	Real Estate Fund "Samruk-Kazyna" JSC and subsidiaries	**100.00%**	100.00%
12	National Mining Company "Tau-Ken Samruk" and subsidiaries	**100.00%**	100.00%
13	United Chemical Company LLP and subsidiaries ("UCC")	**100.00%**	100.00%
14	Samruk-Kazyna Invest LLP	**100.00%**	100.00%
15	Samruk-Kazyna Contract LLP	**100.00%**	100.00%
16	KOREM JSC	**100.00%**	100.00%
17	International Airport Atyrau JSC	**100.00%**	100.00%
18	International Airport Aktobe JSC	**100.00%**	100.00%
19	Airport Pavlodar JSC	**100.00%**	100.00%
20	SK Business Service LLP	**100.00%**	100.00%
21	Qazaq Air JSC	**100.00%**	100.00%
22	Kazakhstan nuclear electric plants JSC	**100.00%**	–
23	"MAEK-Kazatomprom" LLP	**100.00%**	–
24	"Aviation Company "Air Kazakhstan" JSC	**53.55%**	53.55%

27. 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.

27. 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, 2018 and 2017 and the related balances as at September 30, 2018, and December 31, 2017, respectively:

In millions of tenge		Associates	Joint ventures where the Group is a venturer	Other state-controlled entities
Due from related parties	**September 30, 2018**	**46,363**	**33,185**	**17,858**
	December 31, 2017	47,153	95,944	14,466
Due to related parties	**September 30, 2018**	**49,709**	**138,771**	**14,791**
	December 31, 2017	50,936	203,208	4,734
Sale of goods and services	**September 30, 2018**	**49,709**	**138,771**	**14,791**
	September 30, 2017	41,458	231,095	204,891
Purchase of goods and services	**September 30, 2018**	**110,185**	**1,107,584**	**10,294**
	September 30, 2017	107,258	714,962	23,862
Other income/(loss)	**September 30, 2018**	**16,603**	**33,153**	**(27,987)**
	September 30, 2017	3,900	12,843	(4,850)
Cash and cash equivalents, and amounts due from credit institutions (assets)	**September 30, 2018**	–	–	**273,857**
	December 31, 2017	–	–	334,546
Loans issued	**September 30, 2018**	**128,350**	**393,323**	**182,287**
	December 31, 2017	142,160	383,641	188,744
Borrowings	**September 30, 2018**	–	**5**	**1,407,771**
	December 31, 2017	–	5	1,442,348
Other assets	**September 30, 2018**	**59,001**	**56,556**	**31,483**
	December 31, 2017	18,148	90,459	23,173
Other liabilities	**September 30, 2018**	**14,371**	**46,149**	**56,441**
	December 31, 2017	12,838	13,388	60,499
Interest received	**September 30, 2018**	**8,962**	**23,709**	**27,311**
	September 30, 2017	9,288	18,105	14,957
Interest accrued	**September 30, 2018**	**–**	**3,114**	**77,128**
	September 30, 2017	81	600	162,138

As at September 30, 2018 some of the Group's borrowings in the amount of 64,285 million tenge were guaranteed by the Government of the Republic of Kazakhstan (as at December 31, 2017: 65,629 million tenge).

Total compensation to key management personnel included in personnel costs in the accompanying interim consolidated statement of comprehensive income was equal to 3,620 million tenge for the nine months ended September 30, 2018 (for the nine months ended September 30, 2017: 4,160 million tenge). Compensation to key management personnel consists primarily of contractual salary and performance bonus based on operating results.

28. 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, 2018 and December 31, 2017 is a reasonable estimate of their fair value for the following financial instruments:

In millions of tenge	**Level 1**	**Level 2**	**Level 3**	**September 30, 2018 (unadited)**
Financial instruments category				
Assets				
Financial assets at FVOCI	**3,757**	**12,001**	**3,827**	**19,585**
Financial assets at FVTPL	**–**	**25,247**	**21,283**	**46,530**
Derivative financial assets	**–**	**46**	**352**	**398**

In millions of tenge	Level 1	Level 2	Level 3	December 31, 2017 (audited) (restated)
Financial instruments category				
Assets				
Available-for-sale financial assets	3,611	11,702	235	15,548
Financial assets at fair value through profit and loss	–	–	22,129	22,129
Derivative financial assets	–	–	374	374

As at September 30, 2018 and December 31, 2017 the carrying amount of the Group's financial instruments approximates their fair value except for the following financial instruments:

	September 30, 2018 (unaudited)				
			Fair value by level of assessment		
In millions of tenge	**Carrying amount**	**Fair value**	**Quotations in an active market (Level 1)**	**From the observed market (Level 2)**	**Based on the significant amount of unobserved (Level 3)**
Financial assets					
Amounts due from credit institutions	**844,816**	**825,628**	**461,062**	**320,904**	**43,662**
Financial liabilities					
Borrowings	**6,586,941**	**6,614,692**	**4,062,836**	**2,432,481**	**119,375**
Loans from the Government of the Republic of Kazakhstan	**813,448**	**647,679**	**–**	**647,679**	**–**
Guarantee obligations	**46,826**	**38,918**	**–**	**38,918**	**–**

28. FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

	December 31, 2017 (audited) (restated)				
			Fair value by level of assessment		
In millions of tenge	Carrying amount	Fair value	Quotations in an active market (Level 1)	From the observed market (Level 2)	Based on the significant amount of unobserved (Level 3)
Financial assets					
Amounts due from credit institutions	2,453,877	2,441,455	1,853,717	517,078	70,660
Financial liabilities					
Borrowings	7,054,267	7,179,801	4,764,020	2,320,864	94,917
Loans from the Government of the Republic of Kazakhstan	782,048	596,584	–	596,584	–
Guarantee obligations	57,136	59,008	–	59,008	–

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

29. 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, 2017, the following changes have taken place during the nine months ended September 30, 2018:

KMG Drilling & Services LLP (KMG D&S) litigations with Consortium of companies Ersai Caspian Contractor LLP and Caspian Offshore and Marine Construction LLP

KMG D&S (subsidiary of the Group) is involved in arbitration proceedings with a consortium of companies, Ersai Caspian Contractor LLP and Caspian Offshore and Marine Construction LLP (further – "Consortium") according to a purchase contract to the construction of juck-up drilling rig (JUDR). The case is being heard in the London Court of International Arbitration.

On April 11, 2018 the Consortium decreased the amount of claim down to 140,017 thousand US dollars (equivalent of 46,329 million tenge).

There is uncertainty about the result of the judicial proceedings. As at September 30, 2018 the Group did not recognize any provision for this claim.

2012-2015 Comprehensive tax audit of JSC "Ozenmunaigas" (Ozenmunaigas)

On June 5, 2018 Ozenmunaigas, a subsidiary of KMG EP, received the final tax assessment related to the 2012-2015 Comprehensive tax audit for the amount of 7,913 million tenge, including additional taxes of 4,137 million tenge, 1,684 million tenge of penalties and 2,092 million tenge of fines. Ozenmunaigas does not agree with the results of the tax audit and has sent an appeal to the Ministry of Finance of the Republic of Kazakhstan on July 5, 2018. Pending the results of the appeal management of Ozenmunaigas will consider further actions including but not limited to appealing to appropriate courts. The Group has accrued provision of 7,913 million tenge in these interim condensed consolidated financial statements.

29. COMMITMENTS AND CONTINGENCIES (continued)

JSC "Embamunaigas" environmental audit (Embamunaigas)

On July 23, 2018 Embamunaigas, subsidiary of KMG EP, received a notification from the Department of Ecology of Atyrau region to pay a fine of 8,908 million tenge for violations of ecology law that were identified during the first environmental audit conducted during April–June 2018. The fine was related to emissions of harmful substances above the established norms as a result of gas flaring during the period from November 1, 2017 to June 12, 2018. On September 17, 2018 the Atyrau Regional Court made decision to reduce the amount of the fine to 6,681 million tenge. On October 19, 2018, KMG EP fully paid this fine to the Republican budget.

Also on September 24, 2018, Embamunaigas received an order from the Department of Ecology of the Atyrau region for damages to the environment following the above mentioned an environmental audit in the amount of 7,835 million tenge.

On October 18, 2018, Embamunaigas received a notification from the Department of Ecology of the Atyrau region to pay a fine in the amount of 6,862 million tenge for violation of ecology law following the second environmental audit from June 12, 2018 to October 10, 2018. In addition, the authorities also have the ability to assess additional amounts for ecological damage and Embamunaigas expects the additional amount of 6,050 million tenge to be assessed.

Based on the results of two environmental audits, the Group has accrued a provision of 27,428 million tenge in these interim condensed consolidated financial statements. At the moment, the Group is carrying out the claim related work regarding the fine on the first environmental audit, and is also examining options for further appeal in case the complaint is successfully resolved.

Cost recovery audits

As of September 30, 2018 the Group's share in the total disputed amounts of the non-recoverable costs is 594,948 million tenge (as of December 31, 2017: 469,607 million tenge). The Group and its partners under the production sharing agreements are in negotiation with the Government with respect to the recoverability of these costs.

Kazakhstan local market obligation

During the nine months ended September 30, 2018, in accordance with its obligations, the Group delivered 4,590 thousand tons of crude oil (nine months ended September 30, 2017: 2,204 thousand tons), including joint ventures, to the Kazakhstan market.

Oil supply commitments

As of September 30, 2018 the Group had commitments under the oil supply agreements in the total amount of 47.3 million ton (as at December 31, 2017: 33.8 million ton), including joint venture.

Commitments to extend guarantees, letters of credit and other commitments related to settlement operations

The Group provides financial guarantees and letters of credit to guarantee the performance of customers to third parties. These agreements have fixed limits and generally extend for a period of up to 15 (fifteen) years.

Contracted amounts reflected in the table for commitments assume that amounts are fully advanced. The amounts reflected in the table for letters of credit represent the maximum accounting loss that would be recognized at the reporting date if counterparties failed completely to perform as contracted.

Commitments to extend guarantees were as follows:

In millions of tenge	**September 30, 2018**	December 31, 2017
Guarantees	**434,728**	592,923

The Group uses the same credit control and management policies in undertaking off-balance sheet commitments as it does for on-balance operations.

The total outstanding contractual commitments to extend guarantee indicated above does not necessarily represent future cash requirements, as these commitments may expire or terminate without being funded. The Group could also request collateral for credit instruments.

29. COMMITMENTS AND CONTINGENCIES (continued)

Capital commitments

As at September 30, 2018 the Group, including its joint ventures and associates, had capital commitments of 3,520,471 million tenge related to acquisition and construction of property, plant and equipment (as at December 31, 2017: 3,314,833 million tenge).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

30. SEGMENT REPORTING

The following table represents information about profit and loss, assets and liabilities of operating segments of the Group as at September 30, 2018 and for the nine months then ended:

In millions of tenge	Oil and gas	Mining	Trans-portation	Communi-cations	Energy	Industrial	Corporate center	Other	Elimi-nation	Total
Revenues from sales to external customers	5,477,032	502,559	978,981	185,613	276,613	3,622	24,189	13,018	–	7,461,627
Revenues from sales to other segments	56,649	4,487	10,457	4,495	44,682	2,235	282,240	6,025	(411,270)	–
Total revenue	5,533,681	507,046	989,438	190,108	321,295	5,857	306,429	19,043	(411,270)	7,461,627
Gross profit	1,374,243	90,451	201,486	60,961	120,757	403	230,824	9,736	(291,854)	1,797,007
General and administrative expenses	(177,084)	(23,175)	(82,901)	(18,340)	(20,174)	(3,509)	(14,924)	(2,432)	5,261	(337,278)
Transportation and selling expenses	(506,894)	(6,031)	(6,858)	(2,225)	(11,576)	(307)	–	–	12,423	(521,468)
Finance income	138,839	6,517	5,365	4,411	5,516	726	161,252	1,785	(104,323)	220,088
Finance costs	(380,076)	(10,254)	(82,897)	(4,117)	(27,504)	(1,854)	(69,973)	(1,109)	31,496	(546,288)
Share in profit of joint ventures and associates	503,817	51,978	943	4,200	8,195	(35)	–	19	–	569,117
Foreign exchange gain/(loss), net	(21,830)	7,320	(69,265)	7,945	(8,903)	(10,501)	182,436	41	–	87,243
Income tax expenses	(230,797)	(15,956)	(1,816)	(12,012)	(16,545)	(159)	(4,951)	(1,789)	–	(284,025)
Net profit/(loss) for the period from continuing operations	758,597	195,948	29,411	40,532	57,603	(17,318)	309,700	6,657	(343,998)	1,037,132
Net loss for the period from discontinued operations	–	–	–	–	–	(3,542)	–	–	–	(3,542)
Total net profit/(loss) for the period	758,597	195,948	29,411	40,532	57,603	(20,860)	309,700	6,657	(343,998)	1,033,590
Other segment information										
Total assets of the segment	16,158,777	1,722,004	3,434,384	584,560	1,358,882	449,616	9,205,899	286,712	(8,456,675)	24,744,159
Total liabilities of the segment	7,774,484	402,027	2,189,910	163,930	646,594	232,890	1,653,835	218,274	(884,855)	12,397,089
Investments in joint ventures and associates	2,657,556	560,163	29,419	74,009	61,465	799	–	76	–	3,383,487

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

30. SEGMENT REPORTING (continued)

The following table represents information about profit and loss of operating segments of the Group for the nine months ended September 30, 2017 and assets and liabilities as at December 31, 2017:

In millions of tenge	Oil and gas	Mining	Trans-portation	Communi-cations	Energy	Industrial	Corporate center	Other	Elimi-nation	Total
Revenues from sales to external customers	3,294,109	376,395	859,937	178,286	259,173	2,325	133,546	10,137	–	5,113,908
Revenues from sales to other segments	53,524	13,193	7,768	3,390	43,115	5,843	164,428	2,476	(293,737)	–
Total revenue	3,347,633	389,588	867,705	181,676	302,288	8,168	297,974	12,613	(293,737)	5,113,908
Gross profit	751,207	49,817	164,310	63,588	112,305	400	132,292	8,894	(149,377)	1,133,436
General and administrative expenses	(122,145)	(21,351)	(78,078)	(18,039)	(21,984)	(3,726)	(27,495)	(2,038)	4,247	(290,609)
Transportation and selling expenses	(298,162)	(3,770)	(6,601)	(1,834)	(10,681)	(242)	–	–	11,839	(309,451)
Finance income	91,679	7,543	6,206	5,178	4,851	854	49,883	3,101	(25,276)	144,019
Finance costs	(236,507)	(6,922)	(79,320)	(4,411)	(22,845)	(3,921)	(21,973)	(1,181)	29,751	(347,329)
Share in profit of joint ventures and associates	297,881	77,831	132	(2,744)	(1,726)	(298)	–	4	–	371,080
Foreign exchange gain/(loss), net	82,297	(970)	(26,070)	1,382	(8,781)	950	32,101	(12)	18	80,915
Income tax expenses	(144,263)	(16,214)	(2,406)	(10,045)	(12,930)	(123)	(7,874)	(1,407)	–	(195,262)
Net profit/(loss) for the period from continuing operations	447,175	78,525	(25,905)	35,507	41,677	(6,174)	113,977	4,241	(127,465)	561,558
Net loss for the period from discontinued operations	–	–	–	–	–	(3,578)	–	–	(4,080)	(7,658)
Total net profit/(loss) for the period	447,175	78,525	(25,905)	35,507	41,677	(9,752)	113,977	4,241	(131,545)	553,900
Other segment information										
Total assets of the segment	15,734,021	1,554,570	3,364,637	560,848	1,398,224	507,658	7,547,077	261,143	(6,601,070)	24,327,108
Total liabilities of the segment	7,655,340	324,298	2,082,746	160,549	687,577	227,373	1,940,502	172,659	(748,306)	12,502,738
Investments in joint ventures and associates	2,080,134	619,312	27,404	69,246	86,010	6,945	–	57	(32,341)	2,856,767

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

30. SEGMENT REPORTING (continued)

The following tables represents information about profit and loss of operating segments of the Group for the three months ended September 30, 2018 and September 30, 2017:

In millions of tenge	Oil and gas	Mining	Trans-portation	Communi-cations	Energy	Industrial	Corporate center	Other	Elimi-nation	Total
Revenues from sales to external customers	1,958,153	215,917	363,780	62,921	88,325	1,262	8,980	4,424	–	2,703,762
Revenues from sales to other segments	15,963	4,452	3,519	1,351	13,688	719	26,352	2,778	(68,822)	–
Total revenue	1,974,116	220,369	367,299	64,272	102,013	1,981	35,332	7,202	(68,822)	2,703,762
Gross profit	542,392	36,311	87,063	23,156	33,373	151	7,720	3,052	(20,283)	712,935
General and administrative expenses	(70,654)	(7,713)	(29,872)	(5,370)	(6,022)	(1,227)	(7,306)	(951)	1,685	(127,430)
Transportation and selling expenses	(186,237)	(2,233)	(2,336)	(928)	(2,338)	(98)	–	–	2,693	(191,477)
Finance income	27,911	2,394	1,727	1,253	1,783	242	58,485	589	(10,181)	84,203
Finance costs	(84,955)	(4,810)	(27,874)	(1,440)	(8,044)	(1,066)	(51,154)	(393)	9,458	(170,278)
Share in profit of joint ventures and associates	181,142	21,306	5,799	1,899	1,201	(11)	–	5	–	211,341
Foreign exchange gain/(loss), net	(98,232)	3,596	(90,469)	5,773	(10,595)	(7,494)	227,067	42	–	29,688
Income tax expenses	(96,258)	(10,764)	(1,336)	(4,758)	(4,186)	(69)	(1,453)	(466)	–	(119,290)
Net profit/(loss) for the period from continuing operations	308,372	42,136	12,887	20,735	14,227	(9,081)	70,430	(874)	(14,789)	444,043
Net loss for the period from discontinued operations	–	–	–	–	–	–	–	–	–	–
Total net profit/(loss) for the period	308,372	42,136	12,887	20,735	14,227	(9,081)	70,430	(874)	(14,789)	444,043

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

30. SEGMENT REPORTING (continued)

In millions of tenge	Oil and gas	Mining	Trans-portation	Communi-cations	Energy	Industrial	Corporate center	Other	Elimi-nation	Total
Revenues from sales to external customers	1,183,486	101,307	334,675	60,195	83,978	829	7,306	3,467	–	1,775,243
Revenues from sales to other segments	15,277	4,540	2,280	1,163	13,766	2,255	33,010	1,041	(73,332)	–
Total revenue	1,198,763	105,847	336,955	61,358	97,744	3,084	40,316	4,508	(73,332)	1,775,243
Gross profit	248,528	14,045	79,773	25,414	33,521	(2,401)	7,857	3,475	(16,996)	393,216
General and administrative expenses	(42,004)	(7,121)	(32,420)	(6,077)	(7,419)	(1,070)	(5,122)	(699)	1,733	(100,199)
Transportation and selling expenses	(97,857)	(974)	(2,764)	(664)	(3,304)	(114)	–	–	3,899	(101,778)
Finance income	33,561	3,344	2,229	1,833	1,685	223	12,532	802	(7,866)	48,343
Finance costs	(86,480)	(2,154)	(25,516)	(1,494)	(8,493)	(1,344)	(7,092)	(376)	10,006	(122,943)
Share in profit of joint ventures and associates	108,678	22,724	(456)	326	708	(14)	–	4	–	131,970
Foreign exchange gain/(loss), net	63,480	341	(51,874)	2,866	(13,724)	2,799	83,974	11	41	87,914
Income tax expenses	(53,010)	(2,083)	6,950	(4,868)	(2,400)	(28)	(2,780)	(551)	–	(58,770)
Net profit/(loss) for the period from continuing operations	181,544	20,267	(13,553)	18,179	7,001	(1,852)	58,334	1,447	(3,422)	267,945
Net loss for the period from discontinued operations	–	–	–	–	–	2,457	–	–	(4,080)	(1,623)
Total net profit/(loss) for the period	181,544	20,267	(13,553)	18,179	7,001	605	58,334	1,447	(7,502)	266,322

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

31. SUBSEQUENT EVENTS

Borrowings

On October 29, 2018 the NC KMG repaid the principal and interest on loan received from "Sberbank of Russia" PJSC in the total amount of 376,629 thousand US dollars (equivalent 138,803 million tenge).

On October 18, 23 and 29, 2018 the NC KMG repaid an interest on the Eurobonds in the total amount of 171,603 thousand US dollars (equivalent 62,592 million tenge).

Other

During the period from November 13 to November 16, 2018, the Group carried out an initial public offering (IPO) of a 15% share in NAC KAP on London Stock Exchange and the Astana International Financial Center in the amount of 3,932,220 common shares at 4,322.74 tenge per share and 34,971,271 shares in the form of Global Depositary Receipts (GDR) at 11.6 US dollars per GDR. Total revenue amounted 451,280 thousand US dollars (equivalent 168,170 million tenge).

On October 2, 2018 «ShalkiyaZinc LTD» JSC has concluded the contract with Engineering Dobersek GmbH on the delivery of equipment, design and construction for the concentration plant on the Shalkiya's lead-zinc deposit. The amount of the contract is 317,020 thousand US dollars. The period of the contract is 1100 days from the start date until the full completion of obligations by the parties. The start date will be determined after the receipt of the 1st tranche from the European Bank of Reconstruction and Development (hereinafter - EBRD). The Contract is financed by the EBRD for 295,000 thousands US dollars.