

“Sovereign Wealth Fund “Samruk-Kazyna” JSC

Interim condensed consolidated financial statements (unaudited)

As at June 30, 2017 and for the three and six months then ended

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Report on Review of Interim Condensed Consolidated Financial Information

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

Introduction

We have reviewed the accompanying interim condensed consolidated financial statements of "Sovereign Wealth Fund "Samruk-Kazyna" JSC and its subsidiaries, which comprise the interim consolidated balance sheet as at 30 June 2017 and the interim consolidated statement of comprehensive income for the three and six months then ended, interim consolidated statements of changes in equity and cash flows for the six months then ended and selected explanatory notes (interim condensed consolidated financial information). Management is responsible for the preparation and presentation of this interim condensed consolidated financial information in accordance with IAS 34, *Interim Financial Reporting*. Our responsibility is to express a conclusion on this interim condensed consolidated financial information based on our review.

Scope of review

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

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed consolidated financial information of "Sovereign Wealth Fund "Samruk-Kazyna" JSC and its subsidiaries is not prepared, in all material respects, in accordance with IAS 34, *Interim Financial Reporting*.

Ernst & Young LLP



Paul Cohn
Audit Partner

Adil Syzdykov
Auditor



Auditor qualification certificate
No. МФ-0000172 dated 23 December 2013

050060, Republic of Kazakhstan, Almaty
Al-Farabi ave., 77/7, Esentai Tower
15 September 2017



Gulmira Turmagambetova
General Director
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State audit license for audit activities on
the territory of the Republic of Kazakhstan:
series МФЮ-2 No. 0000003 issued by
the Ministry of finance of the Republic of
Kazakhstan on 15 July 2005

INTERIM CONSOLIDATED BALANCE SHEET

<i>In millions of tenge</i>	Note	June 30, 2017 (unaudited)	December 31, 2016 (audited)
Assets			
Non-current assets			
Property, plant and equipment	7	10,306,342	10,160,089
Intangible assets	8	866,001	922,465
Exploration and evaluation assets		420,584	427,368
Investment property		8,667	9,083
Investments in joint ventures and associates	9	2,771,540	2,767,678
Loans given		539,609	560,952
Amounts due from credit institutions	10	503,867	684,442
Deferred tax assets		131,126	145,150
Other non-current financial assets		148,263	166,236
Other non-current assets	11	610,386	511,324
		16,306,385	16,354,787
Current assets			
Inventories	12	339,385	319,698
VAT receivable		182,427	177,212
Income tax prepaid		55,547	95,942
Trade accounts receivable		344,764	438,486
Loans given		144,555	140,345
Amounts due from credit institutions	10	2,424,926	1,669,459
Other current financial assets		25,645	27,316
Other current assets		364,173	399,666
Cash and cash equivalents	13	1,896,157	1,554,035
		5,777,579	4,822,159
Assets classified as held for sale	6	1,216,975	1,283,914
Total assets		23,300,939	22,460,860

INTERIM CONSOLIDATED BALANCE SHEET (continued)

<i>In millions of tenge</i>	Note	June 30, 2017 (unaudited)	December 31, 2016 (audited)
Equity and liabilities			
Equity attributable to equity holder of the Parent			
Share capital	14.1	5,108,924	5,058,658
Additional paid-in capital	14.2	11,196	-
Currency translation reserve		876,420	1,008,696
Revaluation reserve for available-for-sale investments		25,896	31,032
Hedging reserve		(53,256)	(52,712)
Other capital reserves		(16,619)	(16,522)
Retained earnings		3,508,324	3,321,930
		9,460,885	9,351,082
Non-controlling interest		1,688,312	1,640,592
Total equity		11,149,197	10,991,674
Non-current liabilities			
Borrowings	15	5,782,780	4,930,158
Loans from the Government of the Republic of Kazakhstan	16	764,667	912,180
Finance lease liabilities		105,010	116,078
Provisions		173,138	161,936
Deferred tax liability		615,958	583,245
Employee benefit liability		71,466	66,887
Other non-current liabilities	17	1,289,543	1,476,788
		8,802,562	8,247,272
Current liabilities			
Borrowings	15	711,582	820,570
Loans from the Government of the Republic of Kazakhstan	16	246,024	6,231
Finance lease liabilities		16,201	18,332
Provisions		135,557	193,499
Employee benefit liability		6,215	6,172
Income taxes payable		19,791	4,220
Trade and other payables		464,427	587,217
Other current liabilities	18	1,105,634	892,977
		2,705,431	2,529,218
Liabilities associated with assets classified as held for sale	6	643,749	692,696
Total liabilities		12,151,742	11,469,186
Total equity and liabilities		23,300,939	22,460,860

Acting as Managing Director for Finance and Operations



Yernar Zhanadil
Yernar Zhanadil

Chief accountant

Almaz Abdrakhmanova
Almaz Abdrakhmanova

The accounting policies and explanatory notes on pages 8 through 42 form an integral part of these interim condensed consolidated financial statements

INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

<i>In millions of tenge</i>	Note	For the three months ended June 30		For the six months ended June 30	
		2017 (unaudited)	2016 (unaudited)	2017 (unaudited)	2016 (unaudited)
Continuing operations					
Revenue	19	1,289,590	981,855	2,448,080	1,702,943
Government grants		5,130	11,771	9,058	18,424
		1,294,720	993,626	2,457,138	1,721,367
Cost of sales	20	(1,054,680)	(766,348)	(2,044,720)	(1,438,353)
Gross profit		240,040	227,278	412,418	283,014
General and administrative expenses	21	(88,985)	(85,714)	(171,381)	(165,046)
Transportation and selling expenses	22	(73,192)	(52,492)	(147,854)	(103,984)
Impairment loss, net	23	(34,065)	(18,848)	(24,725)	(28,986)
Gain/(loss) on disposal of subsidiaries		188	(2,846)	1,684	42,119
Operating profit		43,986	67,378	70,142	27,117
Finance costs	24	(114,480)	(97,426)	(221,199)	(194,744)
Finance income	25	52,651	51,686	96,018	100,505
Other non-operating loss		(14,813)	(12,550)	(20,526)	(15,318)
Other non-operating income		19,698	10,218	26,525	23,442
Share in profit of joint ventures and associates, net	26	114,388	96,292	239,082	163,268
Net foreign exchange (loss)/gain		57,688	(9,905)	(7,079)	(4,620)
Profit before income tax		159,118	105,693	182,963	99,650
Income tax expenses		(75,673)	(58,872)	(137,113)	(107,986)
Net profit/(loss) for the period from continuing operations		83,445	46,821	45,850	(8,336)
Discontinued operations					
Profit from discontinued operations, net of income tax	6	147,294	78,182	249,062	236,715
Net profit for the period		230,739	125,003	294,912	228,379
Net profit for the period attributable to:					
Equity holder of the Parent		194,678	100,423	244,201	166,852
Non-controlling interest		36,061	24,580	50,711	61,527
		230,739	125,003	294,912	228,379

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INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (continued)

<i>In millions of tenge</i>	Note	For the three months ended June 30		For the six months ended June 30	
		2017 (unaudited)	2016 (unaudited)	2017 (unaudited)	2016 (unaudited)
Other comprehensive income, net of tax					
<i>Other comprehensive income to be reclassified to profit or loss in subsequent periods</i>					
Exchange differences on translation of foreign operations		(25,465)	(39,123)	(118,223)	(3,818)
Unrealized (loss)/gain from revaluation of available-for-sale investments		(10,325)	671	(12,150)	(2,586)
Gain/(loss) on transactions with hedge instruments		(7,584)	5,250	1,904	1,280
Net realized gain/(loss) on available-for-sale investments		6,634	(6)	7,014	(570)
Share of the OCI items of associates and joint ventures	9	1,083	-	(593)	-
Tax effect on transactions with hedge instruments		214	(422)	(827)	(397)
Other comprehensive loss to be reclassified to profit or loss in subsequent periods					
		(35,443)	(33,630)	(122,875)	(6,091)
<i>Other comprehensive income not to be reclassified to profit or loss in subsequent periods</i>					
Share of the OCI items of associates and joint ventures	9	(20)	(882)	(170)	(943)
Actuarial loss on defined benefit plans		(1,080)	(607)	(1,795)	(1,191)
Tax effect on transactions of OCI components		183	264	184	264
Other comprehensive loss not to be reclassified to profit or loss in subsequent periods					
		(917)	(1,225)	(1,781)	(1,870)
Other comprehensive loss for the period, net of tax					
		(36,360)	(34,855)	(124,656)	(7,961)
Total comprehensive income for the period, net of tax					
		194,379	90,148	170,256	220,418
Total comprehensive income for the period, net of tax, attributable to:					
Equity holder of the Parent		139,709	73,031	124,744	158,613
Non-controlling interest		54,670	17,117	45,512	61,805
		194,379	90,148	170,256	220,418

Acting as Managing Director for Finance and Operations



Yernar Zhanadil
Yernar Zhanadil

Chief accountant

Almaz Abdrakhmanova
Almaz Abdrakhmanova

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INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY


<i>In millions of tenge</i>	Attributable to equity holder of the Parent							Non- controlling interest	Total	
	Note	Share capital	Revalua- tion reserve for available- for-sale invest- ments	Currency translation reserve	Hedging reserve	Other capital reserves	Retained earnings			
Balance as at December 31, 2015 (audited)		4,916,269	32,817 (3,156)	1,025,930 (3,818)	(59,171) 106	(13,922)	2,971,941 165,481	8,873,864 158,613	1,527,508 61,805	10,401,372 220,418
Total comprehensive income for the period		-	-	-	-	-	-	50,866	-	50,866
Issue of shares		50,866	-	-	-	-	-	-	-	50,866
Dividends		-	-	-	-	-	-	-	(8,863)	(8,863)
Other distributions to the Shareholder		-	-	-	-	-	(27,357)	(27,357)	-	(27,357)
Change in ownership interests of subsidiaries – sale of non-controlling interest		-	-	-	-	-	(2,425)	(2,425)	11,425	9,000
Change in ownership interests of subsidiaries – acquisition of non-controlling interest		-	-	-	-	-	(301)	(301)	65	(236)
Other equity movements		-	-	-	-	566	(1,999)	(1,433)	2,852	1,419
Balance as at June 30, 2016 (unaudited)		4,967,135	29,661	1,022,112	(59,065)	(13,356)	3,105,340	9,051,827	1,594,792	10,646,619

The accounting policies and explanatory notes on pages 8 through 42 form
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INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (continued)

In millions of tenge	Note	Share capital	Additional paid-in capital	Attributable to the equity holder of the Parent					Total	Non-controlling interest	Total
				Revaluation reserve for available-for-sale investments	Currency translation reserve	Hedging reserve	Other capital reserves	Retained earnings			
Balance as at December 31, 2016 (audited)		5,058,658	-	31,032	1,008,696	(52,712)	(16,522)	3,321,930	1,640,592	10,991,674	
Total comprehensive income for the period		-	-	(5,136)	(133,377)	(544)	-	263,801	45,512	170,256	
Issue of shares	14.1	50,266	-	-	-	-	-	-	-	50,266	
Other contributions of the Shareholder	14.2	-	11,196	-	-	-	-	-	-	11,196	
Dividends	14.3	-	-	-	-	-	-	-	-	(20,758)	
Other distributions to the Shareholder	14.4	-	-	-	-	-	-	(80,667)	-	(80,667)	
Disposal of subsidiaries		-	-	-	(108)	-	-	-	(9)	(117)	
Acquisition of subsidiaries	5	-	-	-	-	-	-	1,706	25,973	27,679	
Change in ownership interests of subsidiaries – acquisition of non-controlling interest	14.5	-	-	-	1,209	-	-	1,547	(3,082)	(326)	
Other equity movements		-	-	-	-	-	(97)	7	84	(6)	
Balance as at June 30, 2017 (unaudited)		5,108,924	11,196	25,896	876,420	(53,256)	(16,619)	3,508,324	1,688,312	11,149,197	

Acting as Managing Director for Finance and Operations



Yernar Zhanadii


Chief accountant



Almaz Abakikhmanova

The accounting policy and explanatory notes on pages 8 through 42 form an integral part of these interim condensed consolidated financial statements

INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS

<i>In millions of tenge</i>	Note	For the six months ended June 30, 2017 (unaudited)	For the six months ended June 30, 2016 (unaudited)
Cash flows from operating activities			
Receipts from customers		3,747,386	4,005,343
Payments to suppliers		(2,311,939)	(1,668,690)
Payments to employees		(390,484)	(355,379)
Other taxes and payments		(487,387)	(469,735)
Operations with financial instruments		5,013	157,197
Other receipts/(payments)		15,638	(40,815)
Income taxes paid		(70,000)	(84,515)
Interest paid		(178,439)	(171,784)
Interest received		76,463	72,254
Net cash flows received from operating activities		406,251	1,443,876
Cash flows from investing activities			
(Placement)/withdrawal of bank deposits, net		(551,666)	117,156
Sale/(acquisition) of joint ventures and associates, net		16,720	(3,356)
Cash and cash equivalents of acquired subsidiaries	5	424	-
Purchase of property, plant and equipment		(421,931)	(488,788)
Purchase of intangible assets		(10,210)	(10,604)
Dividends received from joint ventures and associates	9	127,195	57,298
Provision of loans		(34,214)	(8,365)
Other receipts		7,723	40,462
Net cash flows used in investing activities		(865,959)	(296,197)
Cash flows from financing activities			
Proceeds from borrowings		1,090,621	432,994
Repayment of borrowings		(318,846)	(719,885)
Repayment of finance lease liabilities		(9,183)	(9,769)
Contributions to the share capital	14.1	50,000	46,400
Distributions to the Shareholder		(28,738)	(29,259)
Dividends paid to non-controlling interest of subsidiaries		(8,947)	(10,248)
Sale of non-controlling interest	32	23,096	9,000
Other payments		(3,388)	(236)
Net cash flows received from / (used in) financing activities		794,615	(281,003)
Net increase in cash and cash equivalents		334,907	866,676
Effects of exchange rate changes on cash and cash equivalents		(7,740)	7,975
Changes in cash and cash equivalents disclosed as part of assets held for sale		14,955	20,775
Cash and cash equivalents at the beginning of the period		1,554,035	1,206,557
Cash and cash equivalents at the end of the period	13	1,896,157	2,101,983

Acting as Managing Director for Finance and Operations



Yernar Zhanadil

Chief accountant

Almaz Abdрахманова

The accounting policies and explanatory notes on pages 8 through 42 form an integral part of these interim condensed consolidated financial statements

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL INFORMATION

Corporate information

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

The Fund is a holding company combining state-owned enterprises listed in *Note 27* (the “Group”). According to the Law of the Republic of Kazakhstan enacted on February 1, 2012 *On Sovereign Wealth Fund* No. 550-IV, the Fund’s activity is focused on improving sovereign wealth of the Republic of Kazakhstan by increasing the long-term value of the Group companies and by effective management of the Group assets.

For management purposes, the Group is organized into organizational business units based on their products and services and has 8 (eight) reportable operating segments as follows (*Note 31*):

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

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

These interim condensed consolidated financial statements were authorised for issue by the Acting as Managing Director for Finance and Operations and Chief accountant of the Fund on September 15, 2017.

Privatization plan

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

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

2. BASIS OF PREPARATION

These interim condensed consolidated financial statements for the six months ended June 30, 2017 were prepared in accordance with International Accounting Standard No. 34 *Interim Financial Statements* (IAS 34). These interim condensed consolidated financial statements do not include all the information and disclosures required in the annual consolidated financial statements, and should be read in conjunction with the Group’s annual consolidated financial statements for the year ended December 31, 2016.

Foreign currency translation

Functional and presentation currency

Items included in the financial statements of each of the Group’s entities included in these interim condensed consolidated financial statements for the six months ended June 30, 2017 are measured using the currency of the primary economic environment in which the entities operate (“the functional currency”). The interim condensed consolidated financial statements are presented in tenge, which is the Group’s presentation currency.

Transactions and balances

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

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

Group entities

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

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

Exchange rates

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

The following table presents foreign currency exchange rate to tenge:

	June 30, 2017	December 31, 2016
United States dollar (USD)	322.27	333.29
Euro (EUR)	367.52	352.42
Russian ruble (RUR)	5.44	5.43
Swiss franc (CHF)	336.19	328.14

As at September 15, 2017, currency exchange rate of KASE is 338.9 to 1 US dollar.

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

2. BASIS OF PREPARATION (continued)

Adoption of new and revised standards

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

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

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

Annual improvements cycle – 2014-2016

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

3. SEASONALITY OF OPERATIONS

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

4. SIGNIFICANT ACCOUNTING ESTIMATES, AND JUDGEMENTS

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

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

EGRES-1

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

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

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

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

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

4. SIGNIFICANT ACCOUNTING ESTIMATES, AND JUDGEMENTS (continued)

EGRES-1 (continued)

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

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

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

Forecasted tariffs

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

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

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

Investments in EGRES-2

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

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

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

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

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

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(continued)****4. SIGNIFICANT ACCOUNTING ESTIMATES, AND JUDGEMENTS (continued)****Investments in EGRES-2 (continued)**

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

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

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

Tariffs for electricity

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

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

Production and sales volumes of electricity

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

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

The discount rate

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

Exchange rates

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

Investments in Balkhash Thermal Power Plant JSC

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

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

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

4. SIGNIFICANT ACCOUNTING ESTIMATES, AND JUDGEMENTS (continued)

Investments in Balkhash Thermal Power Plant (continued)

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(continued)****4. SIGNIFICANT ACCOUNTING ESTIMATES, AND JUDGEMENTS (continued)****Investments in Balkhash Thermal Power Plant (continued)**

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

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

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

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

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

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

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

On March 29, 2017, subsidiary of TNEH-US and TNEH-UK – Westinghouse Electric Company LLP and number of its affiliated subsidiaries (Westinghouse Group) filed for Chapter 11 Bankruptcy in Southern District Court of New York city to restructure itself as a result of problems at the nuclear power plants it is building in the states of Georgia and South Carolina. The Group’s rights in relation to the put option remain unaffected as Toshiba Corporation confirmed to the Group in writing that the Put Option agreement dated October 1, 2007 with amendments dated December 14, 2013 on the interest in TNEH-US and TNEH-UK is a full responsibility of the Toshiba Corporation and the restructuring of Westinghouse Electric Company LLP does not affect the Group’s rights on execution of the Put Option. In accordance with the terms of the Put Option agreement, the Toshiba Corporation will meet its obligation in relation to an acquisition of those interests at fixed price equal to initial purchase price if the Group executes its Put Option accordingly.

Cash and bank deposits in Delta Bank JSC

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

On May 22, 2017, the National Bank of the Republic of Kazakhstan suspended the license of Delta Bank JSC to accept deposits from individuals and legal entities and the opening of bank accounts of individuals and legal entities of Delta Bank JSC. The limitation period is November 1, 2017 inclusive.

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

4. SIGNIFICANT ACCOUNTING ESTIMATES, AND JUDGEMENTS (continued)

Cash and bank deposits in Delta Bank JSC (continued)

The Group’s management assessed the recoverability of the Group’s funds placed with Delta Bank JSC based on information published by National Bank. As a result of this evaluation, the provision for impairment of balances with Delta Bank JSC accrued during the six months ended June 30, 2017 amounted to 19,002 million tenge (*Note 23*). As at June 30, 2017 outstanding balance of funds place with Delta Bank net of provision amounted to 14,197 million tenge.

5. ACQUISITIONS

United Chemical Company LLP

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

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

Purchased assets and assumed liabilities

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

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

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

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

5. ACQUISITIONS (continued)

Purchased assets and assumed liabilities (continued)

NC KMG

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

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

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

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

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

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

Loss incurred by KS EP for the period from 15 June 2017 till 30 June 2017 included in these accounts was 431 million tenge.

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

Discontinued operations in 2017

KMG International N.V.

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

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

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

Discontinued operations in 2017 (continued)

KMG International N.V. (continued)

The results of KMGI are presented below:

<i>In millions of tenge</i>	For the six months ended June 30	
	2017 (unaudited)	2016 (unaudited)
Revenue	927,058	812,733
Cost of sales	(613,965)	(499,284)
Gross profit	313,093	313,449
General and administrative expenses	(14,516)	(13,465)
Transportation and selling expenses	(22,103)	(24,800)
Impairment loss recognized on the remeasurement to fair value less costs to sell	(25,858)	(27,483)
Other operating income	2,223	622
Other operating losses	(111)	(8,105)
Operating profit	252,728	240,218
Foreign exchange gain/(loss), net	61	(803)
Finance income	300	1,776
Finance costs	(5,255)	(6,670)
Share in profit of associates, net	220	1,052
Profit before income tax for the period from discontinued operations	248,054	235,573
Income tax benefit	1,008	1,142
Profit after income tax for the period from discontinued operations	249,062	236,715

IFRS requires eliminating revenue generated by entities consolidated into the Group and presented as continuing operations with entities classified as discontinued operations. Accordingly, Group’s profit and loss does not reflect results of continuing and discontinued operations, as if they were presented as separate entities due to significant volumes of crude oil sales from the Group to KMGI. Net loss of KMG I before intercompany eliminations for the six months ended June 30, 2017 and 2016 were equal to 6,891 million tenge and 6,193 million tenge, respectively.

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

<i>In millions of tenge</i>	June 30, 2017 (unaudited)	December 31, 2016 (audited)
Assets		
Property, plant and equipment	555,829	585,546
Intangible assets	67,584	73,933
Investments in associates	12,442	12,644
Deferred tax asset	33,404	34,545
Other non-current assets	3,372	2,949
Inventories	105,709	115,235
Trade accounts receivable	144,424	128,944
Other current assets	30,249	36,149
Cash and cash equivalents	23,162	25,004
Assets classified as held for sale	976,175	1,014,949
Liabilities		
Borrowings	198,563	201,869
Deferred tax liabilities	68,984	72,935
Provisions	41,980	46,903
Other non-current liabilities	4,458	3,944
Trade accounts payable	136,231	142,278
Other taxes payable	20,157	19,114
Other current liabilities	46,541	63,183
Liabilities directly associated with the assets classified as held for sale	516,914	550,226
Net assets directly associated with the disposal group	459,261	464,723

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

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

Discontinued operations in 2017 (continued)

KMG International N.V. (continued)

For the six months ended June 30 the net cash flows of KMG I are as follows:

<i>In millions of tenge</i>	2017	2016
Operating	221,424	347,460
Investing	(14,741)	(22,641)
Financing	2,207	(23,661)
Net cash inflows	208,890	301,158

Net outflows of KMG I before intercompany eliminations for the six month ended June 30, 2017 and 2016 amounted to 1,005 million tenge and 10,757 million tenge, respectively.

Summary information

Assets classified as held for sale comprised the following:

<i>In millions of tenge</i>	Segment	June 30, 2017 (unaudited)	December 31, 2016 (audited)
KMG I	Oil and gas	976,175	1,014,949
Transtelecom JSC	Transportation	86,985	89,286
Mangistau electricity distribution network company JSC	Energy	32,329	31,831
Kazakh-British Technical University JSC	Oil and gas	18,637	18,014
East Kazakhstan regional energy company JSC	Energy	16,911	16,490
Euro-Asia Air JSC	Oil and gas	16,082	20,715
Tulpar-Talgo LLP	Transportation	11,538	15,451
Aktobe HES JSC	Energy	10,494	10,786
Other		47,824	66,392
		1,216,975	1,283,914

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

<i>In millions of tenge</i>	Segment	June 30, 2017 (unaudited)	December 31, 2016 (audited)
KMG I	Oil and gas	516,914	550,226
Transtelecom JSC	Transportation	73,181	75,800
Mangistau electricity distribution network company JSC	Energy	19,381	19,267
Tulpar-Talgo LLP	Transportation	17,093	19,306
Euro-Asia Air JSC	Oil and gas	4,342	8,930
East Kazakhstan regional energy company JSC	Energy	4,055	5,702
Kazakh-British University	Oil and gas	3,216	1,964
Aktobe HES JSC	Energy	1,686	2,213
Other		3,881	9,288
		643,749	692,696

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)**7. PROPERTY, PLANT AND EQUIPMENT**

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

<i>In millions of tenge</i>	Oil and gas assets	Pipelines and refinery assets	Buildings and premises	Railway tracks and infrastructure	Machinery, equipment and vehicles	Mining assets	Other	Construction in progress	Total
Net book value at January 1, 2017	3,811,699	958,918	764,449	959,909	2,510,992	46,836	67,067	1,040,219	10,160,089
Foreign currency translation	(116,272)	-	(279)	2	(1,110)	-	(26)	(454)	(118,139)
Changes in estimates	940	486	(24)	-	43	30	1	(25)	1,451
Additions	19,414	11,446	982	39	12,375	7,014	1,616	417,277	470,163
Acquisition through business combinations (Note 5)	-	-	2,442	-	-	-	29	26,163	28,634
Disposals	(2,898)	(598)	(1,489)	(100)	(7,054)	-	(1,325)	(519)	(13,983)
Depreciation charge	(70,385)	(27,969)	(22,578)	(15,830)	(96,818)	(4,831)	(4,463)	-	(242,874)
Depreciation and impairment on disposals	2,862	451	1,070	88	5,992	-	1,197	484	12,144
Impairment, net of reversal of impairment	-	-	(1,068)	-	(1,111)	30	(114)	(18,248)	(20,511)
Discontinued operations / transfer to assets classified as held for sale	-	(40)	(128)	-	(108)	-	(31)	(98)	(405)
Transfers from/(to) intangible assets	24,045	-	-	-	41	-	-	(2,561)	21,525
Transfers from/(to) exploration and evaluation assets, investment property	4,973	-	(3)	-	-	-	-	-	4,970
Transfer from/(to) inventories, net	(28)	193	3	(507)	1,083	235	1,025	1,274	3,278
Other transfers and reclassifications	28,792	4,091	183,386	10,327	84,206	-	1,877	(312,679)	-
Net book value at June 30, 2017	3,703,142	946,978	926,763	953,928	2,508,531	49,314	66,853	1,150,833	10,306,342
Historical cost	4,691,671	1,265,598	1,228,560	1,135,712	3,920,624	90,680	142,046	1,279,401	13,754,292
Accumulated depreciation and impairment	(988,529)	(318,620)	(301,797)	(181,784)	(1,412,093)	(41,366)	(75,193)	(128,568)	(3,447,950)
Net book value at June 30, 2017	3,703,142	946,978	926,763	953,928	2,508,531	49,314	66,853	1,150,833	10,306,342

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

7. PROPERTY, PLANT AND EQUIPMENT (continued)

As at June 30, 2017 property, plant and equipment with net book value of 1,956,336 million tenge was pledged as collateral for some of the Group’s borrowings (December 31, 2016: 1,921,660 million tenge).

As at June 30, 2017 the carrying amount of property, plant and equipment acquired under finance lease agreements was equal to 101,980 million tenge (December 31, 2016: 104,987 million tenge).

As at June 30, 2017 the cost of fully amortized property, plant and equipment of the Group was equal to 490,808 million tenge (December 31, 2016: 468,140 million tenge).

For the six months ended June 30, 2017 the Group capitalized borrowing costs at an average interest rate of 1.3% in the amount of 15,861 million tenge (for the six months ended June 30, 2016: at an average interest rate of 1% in the amount of 16,960 million tenge).

8. INTANGIBLE ASSETS

<i>In millions of tenge</i>	Licenses	Software	Goodwill	Subsur- face use rights	Other	Total
Net book value at January 1, 2017	493,980	45,859	97,876	265,379	19,371	922,465
Foreign currency translation	(16,086)	(86)	-	(7,300)	189	(23,283)
Additions	595	3,727	-	90	157	4,569
Disposals	(1,643)	(1,978)	-	-	(32)	(3,653)
Amortization charge	(7,643)	(4,973)	-	(2,451)	(900)	(15,967)
Transfer from/(to) assets classified as held for sale	-	-	-	-	12	12
Accumulated amortization on disposals	1,643	1,464	-	-	12	3,119
(Impairment) / reversal of impairment, net	-	7	-	7	(16)	(2)
Transfers from inventories, net	266	-	-	-	-	266
Transfers from/(to) property, plant and equipment, net	593	1,773	-	(24,112)	221	(21,525)
Other transfers	(86)	(126)	-	-	212	-
Net book value at June 30, 2017	471,619	45,667	97,876	231,613	19,226	866,001
Historical cost	491,921	113,781	139,764	242,017	29,840	1,017,323
Accumulated amortization and impairment	(20,302)	(68,114)	(41,888)	(10,404)	(10,614)	(151,322)
Net book value at June 30, 2017	471,619	45,667	97,876	231,613	19,226	866,001

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:

<i>In millions of tenge</i>	Main activity	Place of business	June 30, 2017 (unaudited)		December 31, 2016 (audited)	
			Carrying amount	Percentage ownership	Carrying amount	Percentage ownership
Joint ventures						
Tengizchevroil LLP	Oil and gas exploration and production	Kazakhstan	1,257,063	20.00%	1,154,183	20.00%
Mangistau Investments B.V.	Oil and gas exploration and production	Kazakhstan	213,247	50.00%	191,813	50.00%
Ural Group Limited BVI	Oil and gas exploration and production	Kazakhstan	70,314	50.00%	72,898	50.00%
KazRosGas LLP	Processing and sale of natural gas and refined gas	Kazakhstan	59,133	50.00%	79,658	50.00%
JV KazGerMunay LLP	Oil and gas exploration and production	Kazakhstan	40,933	50.00%	71,110	50.00%
Kazakhoil-Aktobe LLP	Oil and gas exploration and production	Kazakhstan	36,797	50.00%	39,504	50.00%
Valsera Holdings B.V.	Oil and gas exploration and production	Kazakhstan	31,678	50.00%	27,045	50.00%
Forum Muider B.V.	Production and sale of coal	Kazakhstan	29,054	50.00%	26,525	50.00%
Ekibastuzskaya GRES-2 JSC ("EGRES-2")	Electricity production	Kazakhstan	25,146	50.00%	31,811	50.00%
Other			112,230		140,557	
Total joint ventures			1,875,595		1,835,104	
Associates						
Kazinc LLP	Mining and processing of metal ores, production of refined metals	Kazakhstan	402,674	29.82%	434,889	29.82%
Caspian Pipeline Consortium	Transportation of crude oil	Kazakhstan/ Russia	156,901	20.75%	137,035	20.75%
PetroKazakhstan Inc. ("PKI")	Oil and gas exploration and production	Kazakhstan	134,437	33.00%	144,252	33.00%
Khan Tengri Holding B.V.	Telecommunications	Kazakhstan	64,091	51.00%	67,161	51.00%
JV INKAI LLP	Production, processing and export of uranium	Kazakhstan	39,249	40.00%	37,686	40.00%
JV KATCO LLP	Exploration, production and processing of uranium	Kazakhstan	33,779	49.00%	39,843	49.00%
Other			64,814		71,708	
Total associates			895,945		932,574	
			2,771,540		2,767,678	

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

9. INVESTMENTS IN JOINT VENTURES AND ASSOCIATES (continued)

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

<i>In millions of tenge</i>	2017
Balance as at January 1, 2017 (audited)	2,767,678
Share in profit of joint ventures and associates, net (<i>Note 26</i>)	239,082
Dividends received	(127,195)
Change in dividends receivable	(31,597)
Acquisitions	3
Disposals	(30,314)
Foreign currency translation	(72,216)
Other comprehensive income, other than foreign currency translation	(763)
Discount on loans given	3,807
Contributions to share capital without changing the share ownership	8,401
Reversal of impairment loss, net (<i>Note 23</i>)	14,654
Balance as at June 30, 2017 (unaudited)	2,771,540

For the six months ended June 30, 2017 the Group recognized reversal of impairment of investments to BeineuShymkent Pipelines LLP in the amount of 14,686 million tenge.

10. AMOUNTS DUE FROM CREDIT INSTITUTIONS

Amounts due from credit institutions comprised the following:

<i>In millions of tenge</i>	June 30, 2017 (unaudited)	December 31, 2016 (audited)
Bank deposits	2,482,942	2,025,127
Loans to credit institutions	445,851	344,072
Less: impairment allowance	-	(15,298)
Amounts due from credit institutions, net	2,928,793	2,353,901
Less: current portion	(2,424,926)	(1,669,459)
Non-current portion	503,867	684,442

<i>In millions of tenge</i>	June 30, 2017 (unaudited)	December 31, 2016 (audited)
10 largest local banks	1,099,074	1,248,025
International credit institutions	1,435,236	760,954
Other local credit institutions	394,483	344,922
	2,928,793	2,353,901

<i>In millions of tenge</i>	June 30, 2017 (unaudited)	December 31, 2016 (audited)
Ratings from AAA (Aaa) to AA-(Aa3)	39,708	180,158
Rating from A+(A1) to A-(A3)	1,396,050	578,498
Rating from BBB+(Baa1) to BBB(Baa2)	-	2,299
Rating from BBB-(Baa3) to BB-(Ba3)	415,355	414,291
Rating from B+(B1) to B-(B3)	484,012	627,898
Rating from CCC+(Caa1) to CC(Ca)	316,288	382,502
Rating from C(C) to D(D)	3,146	-
No rating	274,234	168,255
	2,928,793	2,353,901

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

“Sovereign Wealth Fund “Samruk-Kazyna” JSC

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(continued)**10. AMOUNTS DUE FROM CREDIT INSTITUTIONS (continued)****Loans to BTA Bank JSC**

On July 3, 2017, BTA Bank JSC made a full early repayment of the loan in the amount of 239,771 million tenge, and as of June 30, 2017, the unamortized portion of the discount of 101,454 million tenge was recognized through interest income as a revenue and all the amount of the loan was reclassified to the current portion.

As of June 30, 2017, the carrying value of the loan, including accrued interest, was 244,007 million tenge (December 31, 2016: 138,621 million tenge).

<i>In millions of tenge</i>	June 30, 2017 (unaudited)	December 31, 2016 (audited)
Amounts due from credit institutions, denominated in US dollars	2,012,054	1,477,951
Amounts due from credit institutions, denominated in tenge	916,568	873,430
Amounts due from credit institutions, denominated in other currencies	171	2,520
	2,928,793	2,353,901

As at June 30, 2017 the weighted average interest rate on amounts due from credit institutions was 3.72% (as at December 31, 2016: 4.58%).

11. OTHER NON-CURRENT ASSETS

Other non-current assets comprised the following:

<i>In millions of tenge</i>	June 30, 2017 (unaudited)	December 31, 2016 (audited)
Advances paid for non-current assets	275,491	277,302
Long-term VAT receivable	154,911	148,338
Restricted cash	100,901	53,571
Long-term receivables	61,295	27,882
Long-term inventories	27,569	16,202
Prepaid expenses	8,091	10,601
Deposits in Kazinvestbank	4,356	4,189
Other	30,730	29,823
Less: impairment provision	(52,958)	(56,584)
	610,386	511,324

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

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

12. INVENTORIES

Inventories comprised the following:

<i>In millions of tenge</i>	June 30, 2017	December 31, 2016
Uranium products	102,217	83,623
Production materials and supplies	37,838	38,657
Work in progress	32,155	36,310
Oil and gas industry materials and supplies	28,294	27,464
Oil refined products for sale	23,080	12,881
Gas processed products	22,448	20,580
Fuel	18,772	17,775
Goods for resale	16,622	21,220
Railway industry materials and supplies	13,521	11,103
Crude oil	10,996	9,723
Aircraft spare parts	7,733	7,206
Electric transmission equipment spare parts	2,793	1,882
Telecommunication equipment spare parts	2,753	3,075
Uranium industry materials and supplies	2,139	2,170
Other materials and supplies	37,603	40,813
Less: provision for obsolete and slow moving inventories	(19,579)	(14,784)
	339,385	319,698

13. CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprised the following:

<i>In millions of tenge</i>	June 30, 2017 (unaudited)	December 31, 2016 (audited)
Bank deposits – US dollars	470,088	532,598
Bank deposits – tenge	420,985	364,073
Bank deposits – other currency	40	334
Current accounts with banks – US dollars	457,162	335,631
Current accounts with banks – tenge	425,296	283,505
Current accounts with banks – other currency	90,806	11,184
Cash in transit	26,051	14,957
Cash on hand	4,973	4,789
Reverse repurchase agreements with other banks with contractual maturity of three months or less	756	6,964
	1,896,157	1,554,035

Short-term bank deposits are placed for varying periods of between 1 (one) day and 3 (three) months, depending on immediate cash needs of the Group. As at June 30, 2017 the weighted average interest rates for short-term bank deposits and current accounts were 4.06% and 1.21%, respectively (December 31, 2016: 3.32% and 1.81%, respectively).

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

14. EQUITY

14.1 Share capital

Payment for shares	Number of shares authorized and issued	Par value per share, in tenge	Share capital in millions of tenge
As at 31 December 2015 (audited)	3,481,667,508		4,916,269
Cash contributions	1,500	20,000,000; 36,400,000	46,400
Property contributions	250	17,862,160	4,466
As at 30 June 2016 (unaudited)	3,481,669,258		4,967,135
As at 31 December 2016 (audited)	3,481,670,758		5,058,658
Cash contributions	500	100,000,000	50,000
Property contributions	265,983	1,000	266
As at 30 June 2017 (unaudited)	3,481,937,241		5,108,924

As at June 30, 2017 3,481,937,241 shares of the Fund were fully paid.

Cash contributions

During the six months ended June 30, 2017 the Shareholder made a cash contribution of 50,000 million tenge to the Fund’s share capital. These amounts are aimed to finance projects implemented by the subsidiaries of the NC Kazakhstan Temir Zholy JSC.

Property contributions

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

14.2 Additional paid-in capital

During the six months ended June 30, 2017 the Group increased additional paid in capital of 11,196 million tenge, which represents the fair value of gas pipelines contributed by the Government on trust management terms serves as a short-term mechanism until the legal title for the pipelines transfers to the Group.

14.3 Dividends

Dividends attributable to non-controlling interest

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

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

During the six months ended June 30, 2017 dividends declared to other non-controlling interest amounted to 829 million tenge.

14.4 Other distributions to the Shareholder

Social projects financing

During the six months ended June 30, 2017 in accordance with the order of the Shareholder, the Fund recognized obligations to finance various social projects for the period of 2017 to 2021 for the total amount of 53,554 million tenge. As at June 30, 2017, unpaid liabilities amounted to 31,410 million tenge.

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

14. EQUITY (continued)

14.4 Other distributions to the Shareholder (continued)

Construction and transfer of fixed assets

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

Construction of the Palace of Combats in Astana

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

Other distributions

During the six months ended June 30, 2017 the Group incurred costs of running of PSA LLP, which acts as the Government Body for the Production Sharing Agreements in oil and gas area, of 1,550 million tenge and increase in the cost of works on the reconstruction of the Trade and exhibition center in Moscow for the amount of 10 million tenge as Other distributions to the Shareholder.

14.5 Acquisition of non-controlling interest in subsidiaries

NC KMG

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

14.6 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 six months ended June 30, 2017 unrealized foreign currency gain of 105,879 million tenge resulting from translation of these borrowings were offset against currency translation reserve recognized in other comprehensive income.

14.7 Book value per share

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

<i>In millions of tenge</i>	June 30, 2017 (unaudited)	December 31, 2016 (audited)
Total assets	23,300,939	22,460,860
Less: intangible assets	(866,001)	(922,465)
Less: total liabilities	(12,151,742)	(11,469,186)
Net assets for common shares	10,283,196	10,069,209
Number of common shares	3,481,937,241	3,481,670,758
Book value per common share, tenge	2,953	2,892

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

14. EQUITY (continued)

14.8 Earnings per share

<i>In tenge</i>	For the six months ended June 30, 2017 (unaudited)	For the six months ended June 30, 2016 (unaudited)
Weighted average number of common shares for basic and diluted earnings per share	3,481,858,507	3,481,668,199
Basic and diluted share in net profit for the period per share	84.70	65.59
Basic and diluted share in net profit/(loss) from continuing operations per share	13.17	(2.39)

15. BORROWINGS

Borrowings, including interest payable, comprised the following:

<i>In millions of tenge</i>	June 30, 2017 (unaudited)	December 31, 2016 (audited)
Fixed interest rate borrowings	4,587,508	3,776,764
Floating interest rate borrowings	1,906,854	1,973,964
	6,494,362	5,750,728
Less: amounts due for settlement within 12 months	(711,582)	(820,570)
Amounts due for settlement after 12 months	5,782,780	4,930,158

<i>In millions of tenge</i>	June 30, 2017 (unaudited)	December 31, 2016 (audited)
US dollar-denominated borrowings	5,163,126	4,587,544
Tenge-denominated borrowings	1,018,471	935,849
Other currency-denominated borrowings	312,765	227,335
	6,494,362	5,750,728

Under the terms of loan agreements, respective subsidiaries of the Group are obliged to comply with certain covenants. The Group reviews compliance with all the Group loan covenants at each reporting date. As at June 30, 2017 the total amount of borrowings with some covenant conditions not being met and for which agreement letter for non-application of covenants in the reporting period has been received is 167,884 million tenge.

During the six months ended June 30, 2017 carrying amount of borrowings decreased by 155,661 million tenge as a result of changes in exchange rates.

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

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

<i>In millions of tenge</i>	June 30, 2017 (unaudited)	December 31, 2016 (audited)
NC KMG and its subsidiaries	3,806,208	3,072,540
NC KTZh and its subsidiaries	1,170,527	1,086,719
The Fund	840,682	854,533
Samruk-Energy and its subsidiaries	315,802	329,179
KEGOC and its subsidiaries	152,367	175,099
NAC KAP and its subsidiaries	107,994	127,765
Other subsidiaries of the Fund	100,782	104,893
Total borrowings	6,494,362	5,750,728

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

16. LOANS FROM THE GOVERNMENT OF THE REPUBLIC OF KAZAKHSTAN

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

<i>In millions of tenge</i>	June 30, 2017 (unaudited)	December 31, 2016 (audited)
Bonds acquired by the National Bank of the Republic of Kazakhstan using the assets of the National Fund	879,083	796,275
Loans from the Government of the Republic of Kazakhstan	61,272	60,036
Bonds acquired by the National Bank of the Republic of Kazakhstan	70,336	62,100
	1,010,691	918,411
Less: amounts due for settlement within 12 months	(246,024)	(6,231)
Amounts due for settlement after 12 months	764,667	912,180

During the six months ended June 30, 2017 bonds in the amount of 239,771 million tenge were reclassified from long-terms to short-term portion because of the Fund’s decision to make an early redemption of bonds that, in turn, was triggered by the early repayment of related assets (*Note 10*). The unamortised portion of discounts corresponding to the bonds was amortised in the amount of 79,499 million tenge through interest expenses within cost of sales.

17. OTHER NON-CURRENT LIABILITIES

Other non-current liabilities comprised the following:

<i>In millions of tenge</i>	June 30, 2017 (unaudited)	December 31, 2016 (audited)
Prepayment on oil supply agreements	872,680	1,068,819
Payables for acquisition of additional interest in indivisible stake of the North-Caspian project	253,967	250,523
Government grants liabilities	47,022	47,413
Deferred income	22,372	22,587
Obligations to the Shareholder on the financing of social projects (<i>Note 14.4</i>)	9,952	-
Long-term payables and other liabilities	83,550	87,446
	1,289,543	1,476,788

Prepayment on oil supply agreements

NC KMG

In 2016 the NC KMG Group entered into a long-term crude oil and liquefied petroleum gas (“LPG”) supply agreement, which stipulates receipt of prepayments. The total minimum delivery volume approximates 30 million tons of crude oil and 1 million tons of LPG in the period from the date of the contract to March 2020.

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

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

For the six months ended June 30, 2017 the NC KMG Group had settled prepayments of 250,000 thousand US dollars.

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

KMG Kashagan B.V.

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

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

17. OTHER NON-CURRENT LIABILITIES (continued)

Prepayment on oil supply agreements (continued)

KMG Kashagan B.V. (continued)

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

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

18. OTHER CURRENT LIABILITIES

Other current liabilities comprised the following:

<i>In millions of tenge</i>	June 30, 2017 (unaudited)	December 31, 2016 (audited)
Prepayment on oil supply agreements (Note 17)	322,270	249,968
Payables for acquisition of additional interest in indivisible stake of the North-Caspian project	262,050	271,597
Advances received and deferred income	231,711	123,938
Due to employees	92,056	93,139
Other taxes payable	75,736	61,614
Amounts due to customers	27,281	24,027
Obligations to the Shareholder on the financing of social projects (Note 14.4)	21,458	-
Dividends payable	14,747	3,965
Other estimated liabilities	2,387	2,252
Other	55,938	62,477
	1,105,634	892,977

19. REVENUE

Revenue comprised the following:

<i>In millions of tenge</i>	For the three months ended June 30		For the six months ended June 30	
	2017 (unaudited)	2016 (unaudited)	2017 (unaudited)	2016 (unaudited)
Sales of crude oil	303,690	176,444	609,128	179,524
Railway cargo transportation	182,133	170,630	350,185	320,998
Oil and gas transportation	74,504	77,184	157,215	157,576
Sales of gas products	52,618	35,185	154,382	116,609
Sales of uranium products	87,399	97,179	153,327	142,888
Sales of oil refined products	79,973	76,309	139,108	121,379
Interest revenue	118,826	16,084	132,066	26,775
Electricity complex	54,976	48,504	128,120	111,507
Air transportation	58,371	49,410	109,661	93,678
Telecommunication services	50,071	47,636	99,222	94,481
Sales of refined gold	54,923	43,333	94,097	67,945
Oil processing fees	36,851	29,077	67,886	44,637
Electricity transmission services	30,903	27,050	60,928	56,397
Railway passenger transportation	20,187	20,297	38,211	36,649
Postal services	9,426	8,648	18,490	16,905
Other revenue	81,457	64,721	149,174	124,958
Less: quality bank for crude oil	(6,625)	(5,400)	(13,021)	(9,418)
Less: indirect taxes and commercial discounts	(93)	(436)	(99)	(545)
	1,289,590	981,855	2,448,080	1,702,943

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

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

20. COST OF SALES

Cost of sales comprised the following:

<i>In millions of tenge</i>	For the three months ended June 30		For the six months ended June 30	
	2017 (unaudited)	2016 (unaudited)	2017 (unaudited)	2016 (unaudited)
Materials and supplies	406,448	263,763	801,480	428,327
Personnel costs, including social tax and contributions	179,936	167,292	360,785	336,113
Depreciation, depletion and amortization	112,170	94,642	234,215	190,687
Interest expense	97,473	31,771	129,465	55,889
Fuel and energy	61,016	50,541	126,401	104,962
Production services received	35,812	38,464	77,095	71,770
Repair and maintenance	36,882	28,422	62,207	53,642
Mineral extraction tax	23,063	21,520	49,044	38,150
Transportation expenses	10,882	8,422	43,539	27,132
Rent	14,586	12,477	29,712	27,796
Taxes other than social tax and withdrawals	14,757	11,732	28,358	23,052
Other	61,655	37,302	102,419	80,833
	1,054,680	766,348	2,044,720	1,438,353

21. GENERAL AND ADMINISTRATIVE EXPENSES

General and administrative expenses comprised the following:

<i>In millions of tenge</i>	For the three months ended June 30		For the six months ended June 30	
	2017 (unaudited)	2016 (unaudited)	2017 (unaudited)	2016 (unaudited)
Personnel costs, including social tax and contributions	39,165	35,392	77,100	70,379
Taxes other than social taxes and withdrawals	8,783	7,825	16,125	16,327
Sponsorship and charitable donations	240	7,487	15,337	15,592
Depreciation and amortization	5,563	3,794	11,078	7,648
Consulting services	5,725	8,614	9,502	13,412
Rent	2,228	2,750	4,195	4,938
Allowance for doubtful debts	2,754	1,629	3,476	3,257
Business trips	1,883	1,666	3,191	2,833
Repair and maintenance	1,045	1,601	1,734	2,261
Fines and penalties	2,265	2,553	(1,464)	3,398
Other	19,334	12,403	31,107	25,001
	88,985	85,714	171,381	165,046

22. TRANSPORTATION AND SELLING EXPENSES

<i>In millions of tenge</i>	For the three months ended June 30		For the six months ended June 30	
	2017 (unaudited)	2016 (unaudited)	2017 (unaudited)	2016 (unaudited)
Custom duties	26,636	16,053	51,766	39,644
Transportation	23,716	17,784	45,751	35,662
Rent tax	13,019	9,824	31,657	9,818
Personnel costs, including social tax and contributions	2,548	2,381	4,858	4,786
Commission fees to agents and advertising	1,947	1,814	3,768	3,023
Depreciation and amortization	920	1,601	2,361	3,294
Other	4,406	3,035	7,693	7,757
	73,192	52,492	147,854	103,984

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

23. IMPAIRMENT LOSS

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

<i>In millions of tenge</i>	For the three months ended June 30		For the six months ended June 30	
	2017 (unaudited)	2016 (unaudited)	2017 (unaudited)	2016 (unaudited)
Impairment of cash and bank deposits placed in Deltabank JSC (Note 4)	19,002	-	19,002	-
Impairment of loans given	13,156	21	13,165	392
Impairment of financial assets	12,828	-	12,828	-
Impairment / (reversal of impairment) of inventories	8,449	(1,042)	11,134	5,026
Impairment of property, plant and equipment, intangible assets and exploration and evaluation assets	4,128	7,325	3,599	10,605
Impairment of cash and bank deposits placed in Kazinvestbank JSC	2,934	-	2,934	-
(Reversal of impairment) / impairment of investments in joint ventures and associates (Note 9)	-	561	(14,654)	561
(Reversal of impairment) / impairment of VAT receivable	(26,452)	7,207	(25,694)	7,207
Impairment of assets held for sale	-	4,089	-	4,089
Other	20	687	2,411	1,106
	34,065	18,848	24,725	28,986

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

As at June 30, 2017, the Fund recognized KKB shares as assets classified as held for sale, at a transaction value of 1 tenge.

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

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

24. FINANCE COSTS

<i>In millions of tenge</i>	For the three months ended June 30		For the six months ended June 30	
	2017 (unaudited)	2016 (unaudited)	2017 (unaudited)	2016 (unaudited)
Interest on loans and debt securities issued	81,621	70,883	156,504	145,814
Interest on payable for the acquisition of additional interest in North Caspian Project	5,830	8,756	11,593	18,026
Unwinding of discount on provisions and other payables	4,186	2,926	8,565	7,805
Interest on finance lease liabilities	1,088	1,777	2,194	3,484
Other	21,755	13,084	42,343	19,615
	114,480	97,426	221,199	194,744

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

25. FINANCE INCOME

<i>In millions of tenge</i>	For the three months ended June 30		For the six months ended June 30	
	2017 (unaudited)	2016 (unaudited)	2017 (unaudited)	2016 (unaudited)
Interest income on amounts due from credit institutions and cash and cash equivalents	31,765	34,500	57,119	64,814
Income from loans and financial assets	10,361	3,490	20,367	11,164
Unwinding of discount on long-term receivables	6,169	3,297	9,286	6,471
Guarantee income	3,165	2,742	3,616	2,780
Other	1,191	7,657	5,630	15,276
	52,651	51,686	96,018	100,505

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

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

<i>In millions of tenge</i>	For the three months ended June 30		For the six months ended June 30	
	2017 (unaudited)	2016 (unaudited)	2017 (unaudited)	2016 (unaudited)
Tengizchevroil LLP	75,900	51,571	140,054	93,859
Kazzinc LLP	12,625	13,405	29,800	14,893
Caspian Pipeline Consortium	13,250	585	24,096	1,714
Mangistau Investments B.V.	12,786	10,492	21,604	17,256
JV Kazgermunai LLP	4,975	2,244	11,903	3,010
JV Akbastau JSC	2,835	4,607	5,097	6,802
Forum Muider B.V.	1,815	616	5,079	2,396
JV KATCO LLP	3,039	6,343	4,769	6,640
Valsera Holdings B.V.	(1,068)	(999)	4,633	4,902
Karatau LLP	2,716	3,484	4,628	5,651
Petro Kazakhstan Inc. (“PKI”)	1,520	(4,416)	3,346	(6,909)
Khan Tengri Holding B.V.	(1,127)	(3,908)	(3,070)	(5,215)
Ekibastuzskaya GRES-2 JSC (“EGRES-2”)	(7,947)	2,251	(6,665)	1,684
Beineu-Shymkent Pipeline LLP	(18,530)	(5,347)	(17,523)	(8,010)
Other	11,599	15,364	11,331	24,595
	114,388	96,292	239,082	163,268

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

27. CONSOLIDATION

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

		Ownership percentage	
		June 30, 2017 (unaudited)	December 31, 2016 (audited)
1	National Company “KazMunayGas” JSC (“NC KMG”) and subsidiaries	90.09%	90% – 1
2	KMG Kashagan B.V.	100.00%	100.00%
3	National Company “Kazakhstan Temir Zholy” JSC (“NC KTZh”) and subsidiaries	100.00%	100.00%
4	National Atomic Company “Kazatomprom” JSC (“NAC KAP”) and subsidiaries	100.00%	100.00%
5	Samruk-Energy JSC (“Samruk-Energy”) and subsidiaries	100.00%	100.00%
6	Kazakhstan Electricity Grid Operating Company JSC (“KEGOC”) and subsidiaries	90% + 1	90% + 1
7	Kazpost JSC and subsidiaries	100.00%	100.00%
8	Kazakhtelecom JSC (“KTC”) and subsidiaries	51.00%	51.00%
9	Air Astana JSC (“Air Astana”)	51.00%	51.00%
10	National Company “Kazakhstan Engineering” JSC (“Kazakhstan Engineering”) and subsidiaries	100.00%	100.00%
11	Real Estate Fund “Samruk-Kazyna” JSC and subsidiaries	100.00%	100.00%
12	National Mining Company “Tau-Ken Samruk” and subsidiaries	100.00%	100.00%
13	United Chemical Company LLP and subsidiaries (“UCC”)	100.00%	100.00%
14	Samruk-Kazyna Invest LLP	100.00%	100.00%
15	Samruk-Kazyna Contract LLP	100.00%	100.00%
16	KOREM JSC	100.00%	100.00%
17	International Airport Atyrau JSC	100.00%	100.00%
18	International Airport Aktobe JSC	100.00%	100.00%
19	Airport Pavlodar JSC	100.00%	100.00%
20	SK Business Service LLP	100.00%	100.00%
21	Qazaq Air JSC	100.00%	100.00%
22	“Aviation Company “Air Kazakhstan” JSC	53.55%	53.55%

28. RELATED PARTY DISCLOSURES

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

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

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

28. RELATED PARTY DISCLOSURES (continued)

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

<i>In millions of tenge</i>		Associates	Joint ventures where the Group is a venturer	Other state- controlled entities
Due from related parties	June 30, 2017	52,938	62,039	12,486
	December 31, 2016	40,896	116,231	11,340
Due to related parties	June 30, 2017	41,840	123,919	6,205
	December 31, 2016	38,829	155,585	9,265
Sale of goods and services	June 30, 2017	37,905	146,826	126,346
	June 30, 2016	31,160	144,734	97,155
Purchase of goods and services	June 30, 2017	90,808	493,424	6,286
	June 30, 2016	81,037	295,226	5,458
Other income/(loss)	June 30, 2017	(4,686)	10,254	16,512
	June 30, 2016	(456)	684	9,965
Cash and cash equivalents, and amounts due from credit institutions (assets)	June 30, 2017	-	-	301,425
	December 31, 2016	-	34	241,929
Loans given	June 30, 2017	163,805	233,480	182,609
	December 31, 2016	182,394	246,388	187,227
Loans received	June 30, 2017	-	-	1,740,331
	December 31, 2016	-	755	1,706,153
Other assets	June 30, 2017	19,528	74,578	11,256
	December 31, 2016	14,187	82,520	8,890
Other liabilities	June 30, 2017	3,583	16,462	101,618
	December 31, 2016	7,032	15,470	51,939
Interest received	June 30, 2017	6,419	11,605	10,052
	June 30, 2016	10,052	12,492	515
Interest accrued	June 30, 2017	54	686	129,236
	June 30, 2016	3,670	980	56,482

As at June 30, 2017 some of the Group’s borrowings in the amount of 68,684 million tenge were guaranteed by the Government of the Republic of Kazakhstan (as at December 31, 2016: 76,155 million tenge).

Total compensation to key management personnel included in personnel costs in the accompanying interim consolidated statement of comprehensive income was equal to 2,629 million tenge for the six months ended June 30, 2017 (for the six months ended June 30, 2016: 2,236 million tenge). Compensation to key management personnel consists primarily of contractual salary and performance bonus based on operating results.

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

29. FAIR VALUE OF FINANCIAL INSTRUMENTS

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

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

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

<i>In millions of tenge</i>	Level 1	Level 2	Level 3	June 30, 2017 (unaudited)
Financial instruments category				
Assets				
Available-for-sale financial assets	8,501	10,883	234	19,618
Financial assets at fair value through profit and loss	-	-	17,544	17,544
Derivative financial assets	-	-	352	352

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

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

<i>In millions of tenge</i>	Carrying amount	Fair value	June 30, 2017 Fair value by level of assessment		
			Quotations in an active market (Level 1)	From the observed market (Level 2)	Based on the significant amount of unobserved (Level 3)
Financial assets					
Amounts due from credit institutions	2,928,793	2,936,980	2,058,185	764,623	114,172
Financial liabilities					
Borrowings	6,494,362	6,405,297	4,170,106	1,907,123	328,068
Loans from the Government of the Republic of Kazakhstan	1,010,691	816,660	-	816,660	-
Guarantee obligations	38,746	51,411	-	51,411	-

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

29. FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

<i>In millions of tenge</i>	December 31, 2016				
	Carrying amount	Fair value	Fair value by level of assessment		
			Quotations in an active market (Level 1)	From the observed market (Level 2)	Based on the significant amount of unobserved (Level 3)
Financial assets					
Amounts due from credit institutions	2,353,901	2,349,159	1,504,777	710,127	134,255
Financial liabilities					
Borrowings	5,750,728	5,837,893	3,411,579	2,074,569	351,745
Loans from the Government of the Republic of Kazakhstan	918,411	729,061	-	729,061	-
Guarantee obligations	37,624	47,498	-	47,498	-

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

30. COMMITMENTS AND CONTINGENCIES

In addition to the contingent liabilities and commitments disclosed in the Group annual consolidated financial statements of the Group for the year ended December 31, 2016, the following changes have taken place during the six months ended June 30, 2017:

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

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

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

As at June 30, 2017 the Group believes that outflow of resources is not probable and didn’t recognize any provision for this claim.

Cost recovery audits

As at June 30, 2017 the Group’s share of the total disputed amounts of the non-recoverable costs was 450,436 million tenge (as of December 31, 2016: 395,269 million tenge). The Group and its partners under the production sharing agreements are in negotiation with the Government with respect to the recoverability of these costs.

Kazakhstan local market obligation

During six months ended June 30, 2017, in accordance with its obligations, the Group, including joint ventures, delivered 1,982,945 tons of crude oil to the Kazakhstan market (six months ended June 30, 2016: 2,657,903 tons).

Oil supply commitments

As at June 30, 2017 the Group had commitments (including joint ventures) under the oil supply agreements in the total amount of 26.4 million ton.

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

30. COMMITMENTS AND CONTINGENCIES (continued)

Capital commitments

NC KTZh

As at June 30, 2017, the group of NC KTZh had capital commitments for the construction of “Zhezkazgan – Beineu” and “Arkalyk – Shubarkol” railway lines, purchase of long rails, development of the railway junction of Astana station, including construction of a station complex, as well as liabilities on project Construction of ferry facilities in sea port Kuryk, development of freight-and-passenger ferries, and acquisition of freight and passenger electric locomotives, freight and passenger diesel locomotives totaling 994,208 million tenge (December 31, 2016: 1,136,590 million tenge).

NC KMG

As at June 30, 2017, the group of NC KMG had other capital commitments of approximately 884,418 million tenge (as at December 31, 2016: 1,106,632 million tenge), including joint ventures, related to acquisition and construction of property, plant and equipment.

As at June 30, 2017, the group of NC KMG had commitments in the total amount of 156,572 million tenge under the investment programs approved by the joint order of Ministry of Energy of RK and Committee on Regulation of Natural Monopolies and Protection of Competition of the Ministry of National Economy of RK and aimed at capital construction/reconstruction/overhaul/diagnostic of production facilities.

Samruk Energy

As at June 30, 2017 capital commitments of the group of Samruk Energy under the contracts on acquisition of plant, property and equipment were equal to 115,937 million tenge (as at December 31, 2016: 125,661 million tenge).

Real Estate Fund

As at June 30, 2017 the group of Real Estate Fund had contractual obligations in the amount of 80,544 million tenge under contracts with construction companies (December 31, 2016: 73,739 million tenge).

UCC

As at June 30, 2017 the group of UCC had contractual obligations on purchase of property, plant and equipment and construction services under investment projects in the amount of 108,956 million tenge (as at December 31, 2016: 124,243 million tenge).

Kazakhstan Electricity Grid Operating Company JSC (KEGOC)

To ensure the stable and reliable performance of the national electricity grid, the KEGOC developed a capital investment plan. As at June 30, 2017, the KEGOC’s outstanding contractual commitments within the frameworks of this plan amount to 36,485 million tenge (December 31, 2016: 60,618 million tenge).

KTC

The group of KTC generally enters into contracts for the completion of construction projects and purchase of telecommunication equipment. As at June 30, 2017, the group of KTC had contractual obligations in the total amount of 6,408 million tenge (December 31, 2016: 11,108 million tenge) mainly related to purchase of telecommunication equipment and construction of telecommunication network.

"Sovereign Wealth Fund "Samruk-Kazyna" JSC

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)**31. SEGMENT REPORTING**

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

<i>In millions of tenge</i>	Oil and gas	Mining	Trans- portation	Com- munications	Energy	Industrial	Corporate center	Other	Elimination	Total
For the six months ended June 30, 2017										
Revenues from sales to external customers	1,183,565	295,962	525,262	118,091	175,195	17,094	126,240	6,671	-	2,448,080
Revenues from sales to other segments	38,247	8,653	5,488	2,227	29,349	3,588	131,418	1,435	(220,405)	-
Total revenue	1,221,812	304,615	530,750	120,318	204,544	20,682	257,658	8,106	(220,405)	2,448,080
Gross profit	171,827	41,012	84,537	38,174	78,784	609	124,435	5,420	(132,380)	412,418
General and administrative expenses	(58,848)	(14,230)	(45,658)	(11,962)	(14,565)	(4,920)	(22,373)	(1,339)	2,514	(171,381)
Transportation and selling expenses	(140,122)	(2,796)	(3,837)	(1,170)	(7,377)	(492)	-	-	7,940	(147,854)
Finance income	57,818	4,199	3,977	3,345	3,166	1,273	37,351	2,299	(17,410)	96,018
Finance costs	(144,772)	(4,768)	(53,804)	(2,917)	(14,352)	(4,645)	(14,881)	(805)	19,745	(221,199)
Share in profits of joint ventures and associates	188,982	55,107	588	(3,070)	(2,434)	(91)	-	-	-	239,082
Foreign exchange gain/(loss), net	18,758	(1,311)	25,804	(1,484)	4,943	(1,870)	(51,873)	(23)	(23)	(7,079)
Income tax expenses	(92,261)	(14,131)	(9,356)	(5,177)	(10,530)	292	(5,094)	(856)	-	(137,113)
Net profit/(loss) for the period from continuing operations	18,661	63,498	(12,352)	17,328	34,676	(10,357)	55,643	2,795	(124,042)	45,850
Net profit for the period from discontinued operations	249,062	-	-	-	-	-	-	-	-	249,062
Total net profit/(loss) for the period	267,723	63,498	(12,352)	17,328	34,676	(10,357)	55,643	2,795	(124,042)	294,912
Other segment information										
Total assets of the segment	14,751,958	1,429,297	3,353,569	549,704	1,460,689	369,757	7,777,086	252,784	(6,643,905)	23,300,939
Total liabilities of the segment	7,117,402	338,220	2,124,915	163,210	715,335	157,111	2,209,679	167,135	(841,265)	12,151,742
Investments in joint ventures and associates	2,029,608	566,194	23,942	64,091	113,567	6,425	10	43	(32,340)	2,771,540

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

31. SEGMENT REPORTING (continued)

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

<i>In millions of tenge</i>	Oil and gas	Mining	Trans- portation	Com- munications	Energy	Industrial	Corporate center	Other	Elimination	Total
For the six months ended June 30, 2016										
Revenues from sales to external customers	673,341	257,586	467,353	111,261	150,484	12,502	23,865	6,551	-	1,702,943
Revenues from sales to other segments	30,061	9,424	7,366	1,845	20,859	3,432	28,216	1,130	(102,333)	-
Total revenue	703,402	267,010	474,719	113,106	171,343	15,934	52,081	7,681	(102,333)	1,702,943
Gross profit	65,837	72,602	75,927	42,834	55,848	2,373	(7,512)	4,011	(28,906)	283,014
General and administrative expenses	(57,646)	(15,122)	(42,457)	(13,576)	(12,818)	(3,984)	(23,230)	(1,334)	5,121	(165,046)
Transportation and selling expenses	(94,844)	(4,318)	(3,356)	(1,380)	(1,781)	(440)	-	-	2,135	(103,984)
Finance income	51,002	4,157	4,885	3,464	4,990	2,312	54,537	3,777	(28,619)	100,505
Finance costs	(131,250)	(5,240)	(45,718)	(3,781)	(13,232)	(2,603)	(2,536)	(948)	10,564	(194,744)
Share in profits of joint ventures and associates	112,165	51,638	1,991	(5,215)	3,585	(905)	-	9	-	163,268
Foreign exchange gain/(loss), net	(2,453)	2,911	(957)	158	79	920	(5,511)	(9)	242	(4,620)
Income tax expenses	(67,637)	(13,622)	(2,206)	(8,141)	(9,084)	(388)	(6,039)	(869)	-	(107,986)
Net profit/(loss) for the period from continuing operations	(143,384)	77,800	(2,012)	58,281	29,274	(2,673)	7,548	3,650	(36,820)	(8,336)
Net profit for the period from discontinued operations	236,715	-	-	-	-	-	-	-	-	236,715
Total net profit/(loss) for the period	93,331	77,800	(2,012)	58,281	29,274	(2,673)	7,548	3,650	(36,820)	228,379
Other segment information										
Total assets of the segment	14,131,230	1,395,264	3,254,303	545,512	1,482,227	309,795	7,539,497	244,898	(6,441,866)	22,460,860
Total liabilities of the segment	6,534,000	279,047	2,061,124	170,711	756,234	121,716	2,081,221	165,946	(700,813)	11,469,186
Investments in joint ventures and associates	1,947,125	608,918	23,078	67,161	118,552	39,296	-	53	(36,505)	2,767,678

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

31. SEGMENT REPORTING (continued)

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

<i>In millions of tenge</i>	Oil and gas	Mining	Trans- portation	Com- munications	Energy	Industrial	Corporate center	Other	Elimination	Total
For the three months ended June 30, 2017										
Revenues from sales to external customers	577,420	166,441	277,445	59,789	79,629	9,595	115,852	3,419	-	1,289,590
Revenues from sales to other segments	14,343	4,101	2,716	836	12,819	2,108	126,764	827	(164,514)	-
Total revenue	591,763	170,542	280,161	60,625	92,448	11,703	242,616	4,246	(164,514)	1,289,590
Gross profit	89,976	24,193	53,349	18,005	32,668	1,110	143,260	2,995	(125,516)	240,040
General and administrative expenses	(35,632)	(7,951)	(24,594)	(6,628)	(7,545)	(2,607)	(4,598)	(694)	1,254	(88,985)
Transportation and selling expenses	(68,848)	(1,482)	(2,022)	(570)	(4,200)	(279)	-	-	4,209	(73,192)
Finance income	30,072	2,694	2,137	1,844	1,708	799	22,438	1,004	(10,045)	52,651
Finance costs	(75,923)	(1,829)	(26,898)	(1,537)	(7,244)	(2,039)	(9,075)	(401)	10,466	(114,480)
Share in profits of joint ventures and associates	96,573	25,273	995	(1,127)	(7,224)	(103)	-	1	-	114,388
Foreign exchange gain/(loss), net	46,657	(122)	(21,977)	1,042	(9,077)	1,383	39,794	(13)	1	57,688
Income tax expenses	(58,304)	(12,070)	2,994	(2,749)	(3,415)	143	(1,849)	(423)	-	(75,673)
Net profit/(loss) for the period from continuing operations	33,627	37,384	17,974	8,595	9,888	(2,022)	101,222	639	(123,862)	83,445
Net profit for the period from discontinued operations	147,294	-	-	-	-	-	-	-	-	147,294
Total net profit/(loss) for the period	180,921	37,384	17,974	8,595	9,888	(2,022)	101,222	639	(123,862)	230,739
For the three months ended June 30, 2016										
Revenues from sales to external customers	422,634	164,218	247,485	51,233	67,783	10,037	14,600	3,865	-	981,855
Revenues from sales to other segments	12,187	4,326	3,557	981	8,762	1,863	23,711	727	(56,114)	-
Total revenue	434,821	168,544	251,042	52,214	76,545	11,900	38,311	4,592	(56,114)	981,855
Gross profit	102,399	45,849	52,241	20,095	23,267	1,534	5,578	2,209	(25,894)	227,278
General and administrative expenses	(29,914)	(9,135)	(22,200)	(6,304)	(6,558)	(2,305)	(12,467)	(668)	3,837	(85,714)
Transportation and selling expenses	(47,624)	(2,609)	(1,805)	(490)	(964)	(210)	-	-	1,210	(52,492)
Finance income	26,836	1,950	2,302	1,647	2,398	1,282	32,770	1,992	(19,491)	51,686
Finance costs	(64,274)	(3,012)	(23,176)	(1,826)	(6,599)	(1,264)	(4,790)	(481)	7,996	(97,426)
Share in profits of joint ventures and associates	56,451	40,794	1,130	(3,908)	2,565	(749)	-	9	-	96,292
Foreign exchange gain/(loss), net	(5,297)	1,828	12,737	(107)	5,234	73	(2,683)	(21)	(21,669)	(9,905)
Income tax expenses	(31,561)	(10,952)	(3,598)	(4,818)	(4,778)	(292)	(2,403)	(470)	-	(58,872)
Net profit/(loss) for the period from continuing operations	(9,750)	55,876	21,129	2,306	15,561	(1,880)	16,149	2,191	(54,761)	46,821
Net profit for the period from discontinued operations	77,390	-	-	-	-	-	-	-	792	78,182
Total net profit/(loss) for the period	67,640	55,876	21,129	2,306	15,561	(1,880)	16,149	2,191	(53,969)	125,003

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

32. SUBSEQUENT EVENTS

Borrowings

On July 14, 2017, KazTransGas JSC (a subsidiary of NC KazMunayGas JSC) received a loan in the amount of 245,670 million tenge (equivalent to 750,000 thousand US dollars) in accordance with the bank loan agreement dated June 28, 2017 concluded with Citibank N.A (London branch), VTB Bank and ING Bank (ING-DiBa AG branch), at the rate 3m LIBOR plus 0.875% for a period of six months and with possibility of prolongation for an additional six months.

On July 19, 2017 NC KazMunayGas JSC paid interest on the bonds of Development Bank of Kazakhstan JSC in the amount of 4,250 million tenge, and partially redeemed the bonds in accordance with the prospect of issues of Development Bank of Kazakhstan JSC in the amount of 17,281 million tenge.

On August 7, 2017, Kazakhstan Electricity Grid Operating Company JSC made repayment of the loan received from EBRD No. 38647 for 37,856,881.02 euros (equivalent to 14,991 million tenge).

On August 9, 2017 Samruk-Energy JSC and Halyk Bank of Kazakhstan JSC signed an agreement on the provision of a credit line No. KS 01-17-19 for the amount of 40,000 million tenge.

On August 3, 2017 National Bank of the Republic of Kazakhstan registered a bond program of Samruk-Energy JSC worth 100,000 million tenge, as well as the first and second bond issues within the bond program for the total amount of 48,000 million tenge.

On July 27, 2017 Almaty Power Stations JSC (hereinafter – “ALES”), the subsidiary of Samruk-Energy JSC, and Halyk Bank of Kazakhstan JSC signed an additional agreement No. 15 to the Agreement on the provision of a credit line in terms of increasing the credit limit in the amount of 13,000 million tenge for refinancing the bonds issued by ALES.

On July 31, 2017 ALES made a partial early redemption of the 5th, 6th, 11th and 12th bond issues for the total amount of 13,000 million tenge.

On August 23, 2017, partial placement of the first bond issue was made by Samruk-Energy JSC within the first bond program – 12,768, 000 bonds amounting to 12,760 million tenge.

On August 24, 2017, Alatau Zharyk Company JSC, the subsidiary of Samruk-Energy JSC, received the loan from Halyk Bank of Kazakhstan JSC for the amount of 7,500 million tenge.

On August 29, 2017 GRES-1 LLP, the subsidiary of Samruk-Energy JSC, concluded an agreement on the opening of a credit line in Sberbank of Russia JSC for the amount of 28,000 million tenge.

On August 29, 2017 Kazakhstan Electricity Grid Operating Company JSC successfully placed the second bond issue on the Kazakhstan Stock Exchange JSC (KASE) with total amount KZT 36,300 million (11.5% yield, 15 year maturity).

Loans from the Government of the Republic of Kazakhstan

The Fund made an early repayment of bonds of National Bank JSC as follows:

On July 5, 2017 - full repayment of the nominal value of the bonds amounted to 70,196 million tenge within the eighth bond issue of the Fund;

On August 15, 2017 - full repayment of the nominal value of the bonds amounted to 73,000 million tenge within the seventh bond issue of the Fund;

On August 15, 2017 - partial repayment of the bonds at fair value amounted to 96,575 million tenge within the tenth bond issue of the Fund.

Change in Group structure

On July 1, 2017 NC Kazakhstan Temir Zholy JSC, as represented by its subsidiary KTZ-Express JSC, registered sale of a 49% ownership in KTZE-Khorgos Gateway LLP. The transaction will be completed after the adjustment payment. The main payment in total amount of 23,096 million tenge was received in June 2017.

On August 23, 2017 Samruk-Energy JSC signed a purchase agreement for 100% shares of Aktobe TPP JSC with Consortium of Inform System LLP and Energoholding-A LLP, in the amount of 8,600 million tenge.

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

32. SUBSEQUENT EVENTS (continued)

Other events

In July 2017 NC Kazakhstan Temir Zholy JSC, as represented by its subsidiary Passenger Transportation JSC, entered into a financial lease agreement with DBK-Leasing JSC for the lease of 62 passenger wagons produced by Tulpar Talgo LLP in the amount of 18,891 million tenge for 20 years interest rate at 1.75% per annum. Grace period for the payment of principal amount is 6 years. The financial lease will start upon delivery of wagons in December 2018.

On July 1, 2017, KKB made a repayment to the Fund of short-term accounts receivable for shares of BTA Bank JSC in the amount of 41,075 million tenge.

On August 10, 2017 KMG Kashagan BV received additional prepayment in the amount of 600,000 thousand US dollars (equivalent 199,434 million tenge on the settlement date) under the crude oil supply agreement.

On August 10, 2017 KMG Kashagan BV paid the second tranche under the Sale and Purchase Agreement for the participating interest in the North Caspian Project, which was signed in 2008, in the amount of 804,437 thousand US dollars (equivalent 267,387 million tenge).

On August 25, 2017, NC Kazakhstan Temir Zholy JSC, represented by its subsidiary KTZ Express JSC, entered into a financial lease agreement with DBK-Leasing JSC for the lease of fitting platforms in the amount of 33,264 million tenge for 15 years and interest rate at 15% per annum. Grace period for the payment of principal amount is 5 years.

On August 25, 2017 NC Kazakhstan Temir Zholy JSC, represented by its subsidiary Kazemirtrans JSC, entered into a financial lease agreement with DBK-Leasing JSC for the lease of freight wagons in the amount 15,077 million tenge for 15 years and interest rate at 15% per annum. Grace period for the payment of principal amount is 7 years.

On September 4, 2017 NC Kazakhstan Temir Zholy JSC, represented by the subsidiaries - KTZ Express JSC and Kazemirtrans JSC, signed tripartite agreements with BRK-Leasing JSC and Transport Committee of the Ministry for Investments and Development of the Republic Kazakhstan RSI to subsidize interest rates at a rate of 10% within the framework of the concluded with BRK-Leasing JSC as of August 25, 2017 financial leases agreements for the lease of fitting platforms and freight wagons.

On August 31, 2017, NC KazMunayGas JSC paid dividends to the National Bank of Republic of Kazakhstan for 2013 and 2016 in the amount of 4,547 million tenge.

On September 11, 2017 KazTransGas JSC provided a long-term loan in the amount of 400 million US dollars (equivalent to 133,716 million tenge) to Beyneu-Shymkent Gas Pipeline LLP (hereinafter "BSP") at a rate of 5.5% to finance partial early repayment of liabilities in the amount of 400 million US dollars under a loan agreement concluded between the BSP and China Development Bank, the Bank of China Limited and the Bank of China (Hong Kong) Limited on December 11, 2012 to finance Phase 1 of the Project "Construction of the Beyneu-Shymkent" gas pipeline. This loan is payable until August 31, 2029.