

“Sovereign Wealth Fund “Samruk-Kazyna” JSC

Interim condensed consolidated financial statements (unaudited)

As at June 30, 2016 and for the six months then ended

CONTENTS

Report on review of interim condensed consolidated financial statements

Interim condensed consolidated financial statements

Interim consolidated balance sheet	1-2
Interim consolidated statement of comprehensive income	3-4
Interim consolidated statement of changes in equity	5-6
Interim consolidated statement of cash flows	7-8
Notes to the interim condensed consolidated financial statements	9-37
1. General information.....	9
2. Basis of preparation	10
3. Seasonality of operations.....	12
4. Critical accounting estimates, and judgements in applying accounting policies	12
5. Discontinued operations, disposals and assets classified as held for sale.....	12
6. Property, plant and equipment.....	16
7. Exploration and evaluation assets.....	17
8. Investments in joint ventures and associates	18
9. Amounts due from credit institutions	19
10. Other non-current assets	20
11. Trade accounts receivable and other current assets	20
12. Cash and cash equivalents	21
13. Equity	21
14. Borrowings	23
15. Loans from the Government of the Republic of Kazakhstan.....	24
16. Other non-current liabilities.....	24
17. Other current liabilities	25
18. Revenue	26
19. Cost of sales.....	26
20. General and administrative expenses.....	27
21. Transportation and selling expenses	27
22. Impairment loss	27
23. Finance costs	28
24. Finance income.....	28
25. Share in profit of joint ventures and associates, net.....	28
26. Significant non-cash transactions	29
27. Consolidation.....	29
28. Related party disclosures	29
29. Fair value of financial instruments	31
30. Commitments and contingencies	32
31. Segment reporting	34
32. Subsequent events	37



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Report on review of interim condensed consolidated financial statements

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

Introduction

We have reviewed the accompanying interim condensed consolidated financial statements of Sovereign Wealth Fund "Samruk-Kazyna" JSC and its subsidiaries comprising the interim consolidated balance sheet as at 30 June 2016, interim consolidated statement of comprehensive income, interim consolidated statement of changes in equity and interim consolidated statement of cash flows for the six-month period then ended and explanatory notes. Management is responsible for the preparation and presentation of these interim condensed consolidated financial statements in accordance with IAS 34, *Interim Financial Reporting* (IAS 34). Our responsibility is to express a conclusion on these interim condensed consolidated financial statements based on our review.

Scope of review

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



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Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed consolidated financial statements of Sovereign Wealth Fund "Samruk-Kazyna" JSC and its subsidiaries as at 30 June 2016 and for the six-month period then ended are not prepared, in all material respects, in accordance with IAS 34.

Ernst & Young LLP

Paul Cohn
Audit Partner



Adil Syzdykov
Auditor

Audit Qualification Certificate
No. MΦ-0000172 dated 23 December 2013

7 September 2016



Evgeny Zhemaletdinov
General Director
Ernst & Young LLP

State audit license for audit activities on the territory of the Republic of Kazakhstan: series MΦЮ-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, 2016 (unaudited)	December 31, 2015 (audited)*
Assets			
Non-current assets			
Property, plant and equipment	6	10,625,131	10,327,720
Intangible assets		225,601	216,480
Exploration and evaluation assets	7	429,987	424,509
Investment property		9,137	12,493
Investments in joint ventures and associates	8	2,707,223	2,547,103
Loans to customers		586,256	601,673
Amounts due from credit institutions	9	678,640	666,231
Deferred tax assets		108,078	116,443
Other non-current financial assets		180,178	178,941
Other non-current assets	10	553,459	607,916
		16,103,690	15,699,509
Current assets			
Inventories		327,064	318,344
VAT receivable		182,810	196,805
Income tax prepaid		91,589	79,947
Trade accounts receivable	11	290,857	283,248
Loans to customers		127,252	121,241
Amounts due from credit institutions	9	1,351,482	1,492,619
Other current financial assets		15,200	15,000
Other current assets	11	441,487	287,050
Cash and cash equivalents	12	2,101,983	1,206,557
		4,929,724	4,000,811
Assets classified as held for sale	5	1,144,522	1,189,364
Total assets		22,177,936	20,889,684

The accounting policies and explanatory notes on pages 9 through 37 form an integral part of these interim condensed consolidated financial statements.

INTERIM CONSOLIDATED BALANCE SHEET (continued)

<i>In millions of tenge</i>	Note	June 30, 2016 (unaudited)	December 31, 2015 (audited)*
Equity and liabilities			
Equity attributable to equity holder of the Parent			
Share capital	13.1	4,967,135	4,916,269
Currency translation reserve		1,022,112	1,025,930
Revaluation reserve for available-for-sale investments		29,661	32,817
Hedging reserve		(59,065)	(59,171)
Other capital reserves		(13,356)	(13,922)
Retained earnings		3,105,340	2,971,941
		9,051,827	8,873,864
Non-controlling interest		1,594,792	1,527,508
Total equity		10,646,619	10,401,372
Non-current liabilities			
Borrowings	14	5,404,928	5,375,804
Loans from the Government of the Republic of Kazakhstan	15	919,782	859,715
Finance lease liabilities		125,552	134,833
Provisions		273,062	271,553
Deferred tax liability		548,852	527,014
Employee benefit liability		75,361	72,439
Other non-current liabilities	16	1,536,142	839,819
		8,883,679	8,081,177
Current liabilities			
Borrowings	14	568,772	716,907
Loans from the Government of the Republic of Kazakhstan	15	7,197	6,722
Finance lease liabilities		18,729	19,364
Provisions		222,118	220,920
Employee benefit liability		6,300	6,384
Income taxes payable		14,818	9,490
Trade and other payables		457,187	506,213
Other current liabilities	17	794,550	355,968
		2,089,671	1,841,968
Liabilities associated with assets classified as held for sale	5	557,967	565,167
Total liabilities		11,531,317	10,488,312
Total equity and liabilities		22,177,936	20,889,684

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

Managing Director for Finance and Operations –
Member of the Management Board



Yelena Bakhmutova

Chief accountant

Almaz Abdrakhmanova

The accounting policies and explanatory notes on pages 9 through 37 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	
		2016 (unaudited)	2015* (unaudited)	2016 (unaudited)	2015* (unaudited)
Continuing operations					
Revenue	18	981,855	732,240	1,702,943	1,366,762
Government grants		11,771	6,948	18,424	14,772
		993,626	739,188	1,721,367	1,381,534
Cost of sales	19	(766,348)	(624,048)	(1,438,353)	(1,212,700)
Gross profit		227,278	115,140	283,014	168,834
General and administrative expenses	20	(85,714)	(81,842)	(165,046)	(159,119)
Transportation and selling expenses	21	(52,492)	(41,632)	(103,984)	(100,081)
Impairment loss, net	22	(18,848)	(21,718)	(28,986)	(19,252)
(Loss)/gain on disposal of subsidiaries		(2,846)	2,053	42,119	1,960
Operating profit/(loss)		67,378	(27,999)	27,117	(107,658)
Finance costs	23	(97,426)	(71,110)	(194,744)	(152,249)
Finance income	24	51,686	37,892	100,505	71,676
Other non-operating loss		(12,550)	(7,504)	(15,318)	(12,587)
Other non-operating income		10,218	7,216	23,442	21,057
Share in profit of joint ventures and associates, net	25	96,292	76,111	163,268	142,675
Net foreign exchange (loss)/gain		(9,905)	1,693	(4,620)	12,436
Profit/(loss) before income tax		105,693	16,299	99,650	(24,650)
Income tax expenses		(58,872)	(39,994)	(107,986)	(80,750)
Net profit/(loss) for the period from continuing operations		46,821	(23,695)	(8,336)	(105,400)
Discontinued operations					
Profit from discontinued operations, net of income tax	5	78,182	104,453	236,715	219,344
Net profit for the period		125,003	80,758	228,379	113,944
Net profit for the period attributable to:					
Equity holder of the Parent		100,423	71,815	166,852	97,625
Non-controlling interest		24,580	8,943	61,527	16,319
		125,003	80,758	228,379	113,944

The accounting policies and explanatory notes on pages 9 through 37 form an integral part of these interim condensed consolidated financial statements.

INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (continued)

<i>In millions of tenge</i>	Note	For the three months ended June 30		For the six months ended June 30	
		2016 (unaudited)	2015* (unaudited)	2016 (unaudited)	2015* (unaudited)
Other comprehensive income, net of tax					
<i>Other comprehensive income to be reclassified to profit or loss in subsequent periods, net of tax:</i>					
Exchange differences on translation of foreign operations		(39,123)	(1,348)	(3,818)	18,442
Unrealized gain/(loss) from revaluation of available-for-sale investments		671	2,058	(2,586)	(11,481)
Gain on transactions with hedge instruments		5,250	-	1,280	-
Net realized loss on available-for-sale investments		(6)	(213)	(570)	-
Tax effect on transactions with hedge instrument		(422)	-	(397)	-
Other comprehensive (loss)/income to be reclassified to profit or loss in subsequent periods		(33,630)	497	(6,091)	6,961
<i>Other comprehensive income not to be reclassified to profit or loss in subsequent periods, net of tax:</i>					
Share of the OCI items of associates and joint ventures		(882)	2	(943)	-
Actuarial (loss)/gain on defined benefit plans		(607)	562	(1,191)	562
Tax effect on transactions of OCI components		264	(2)	264	(2)
Other comprehensive (loss)/profit not to be reclassified to profit or loss in subsequent periods		(1,225)	562	(1,870)	560
Other comprehensive (loss)/income for the period, net of tax		(34,855)	1,059	(7,961)	7,521
Total comprehensive income for the period, net of tax		90,148	81,817	220,418	121,465
Total comprehensive income for the period, net of tax, attributable to:					
Equity holder of the Parent		73,031	72,906	158,613	104,141
Non-controlling interest		17,117	8,911	61,805	17,324
		90,148	81,817	220,418	121,465

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

Managing Director for Finance and Operations –
Member of the Management Board


Yelena Bakhmutova

Chief accountant


Almaz Abdrakhmanova

The accounting policies and explanatory notes on pages 9 through 37 form
an integral part of these interim condensed consolidated financial statements.

INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

<i>In millions of tenge</i>	Note	Attributable to equity holder of the Parent							Total
		Share capital	Revaluation reserve for available-for-sale investments	Currency translation reserve	Other capital reserves	Retained earnings	Total	Non-controlling interest	
Balance as at December 31, 2014 (audited)		4,620,562	51,290	486,162	(14,689)	2,224,315	7,367,640	764,438	8,132,078
Total comprehensive income for the period		-	(11,481)	17,449	-	98,173	104,141	17,324	121,465
Issue of shares		232,401	-	-	-	-	232,401	-	232,401
Dividends paid		-	-	-	-	-	-	(18,080)	(18,080)
Other distributions to the Shareholder		-	-	-	-	(7,029)	(7,029)	-	(7,029)
Disposal of subsidiaries		-	-	-	-	-	-	(13,482)	(13,482)
Other equity movements		-	-	(104)	4	381	281	(167)	114
Balance as at June 30, 2015 (unaudited)		4,852,963	39,809	503,507	(14,685)	2,315,840	7,697,434	750,033	8,447,467

The accounting policies and explanatory notes on pages 9 through 37 form an integral part of these interim condensed consolidated financial statements.

INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (continued)

In millions of tenge	Note	Attributable to the equity holder of the Parent							Total	Non- controlling interest	Total
		Share capital	Revaluation reserve for available- for-sale investments	Currency translation reserve	Hedging reserve	Other capital reserves	Retained earnings	Total			
Balance as at December 31, 2015 (audited)		4,916,269	32,817	1,025,930	(59,171)	(13,922)	2,971,941	8,873,864	1,527,508	10,401,372	
Total comprehensive income for the period		-	(3,156)	(3,818)	106	-	165,481	158,613	61,805	220,418	
Issue of share capital	13.1	50,866	-	-	-	-	-	50,866	-	50,866	
Dividends	13.2	-	-	-	-	-	-	-	(8,863)	(8,863)	
Other distributions to the Shareholder	13.3	-	-	-	-	-	(27,357)	(27,357)	-	(27,357)	
Change in ownership interests of subsidiaries – acquisition by non-controlling interest	13.4	-	-	-	-	-	(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	

Managing Director for Finance and Operations –
Member of the Management Board



Yelena Bakhmutova

Chief accountant

Almaz Abdifakhmanova

The accounting policies and explanatory notes on pages 9 through 37 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, 2016 (unaudited)	For the six months ended June 30, 2015* (unaudited)
Cash flows from operating activities			
Profit/(loss) before income tax from continuing operations		99,650	(24,650)
Profit before income tax from discontinued operations	5	235,573	218,735
Adjustments for items of continuing operations			
Depreciation, depletion and amortization		201,966	197,797
Share in profit of joint ventures and associates, net	8, 25	(163,268)	(142,675)
Finance costs	23	194,744	152,249
Finance income	24	(100,505)	(71,676)
Impairment loss	22	28,986	19,252
Long-term employee benefits		5,612	8,367
Provision charges		9,327	17,860
Derivatives		-	5,515
Loss on disposal of property, plant and equipment and other long term assets, net		568	3,742
Gain on disposal of subsidiaries		(42,119)	(1,960)
Gain on disposal of associates and joint ventures		(7,372)	-
Allowance for doubtful debts	20	3,257	9,827
Unrealized foreign exchange loss/(gain), net		4,620	(12,149)
Other transactions		9,295	5,299
Significant items of disposal group classified as held for sale, shown as discontinued operations			
Impairment loss	5	27,483	-
Cash flows from operating activities before working capital changes		507,817	385,533
Changes in loans to customers		(8,110)	392,888
Changes in amounts due from credit institutions		(1,959)	16,610
Changes in other financial assets		(1,303)	(207)
Changes in inventories		(10,643)	(45,909)
Changes in VAT receivable		(17,023)	40,571
Changes in trade accounts receivable		2,491	2,651
Changes in other assets		(89,952)	(13,869)
Changes in borrowings and loans from the Government of the Republic of Kazakhstan		140,035	(427,881)
Changes in trade and other accounts payable		(20,945)	(21,165)
Changes in amounts due to customers		3,520	3,269
Change in prepayment on oil supply agreements		1,024,905	-
Changes in other liabilities		99,088	(21,485)
Cash generated by operating activities		1,627,921	311,006
Income taxes paid		(84,515)	(82,908)
Interest paid		(171,784)	(128,563)
Interest received		72,254	37,524
Net cash flows received from operating activities		1,443,876	137,059

*The accounting policies and explanatory notes on pages 9 through 37 form
an integral part of these interim condensed consolidated financial statements.*

INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS (continued)

<i>In millions of tenge</i>	Note	For the six months ended June 30, 2016 (unaudited)	For the six months ended June 30, 2015* (unaudited)
Cash flows from investing activities			
Withdrawal of bank deposits, net		117,156	136,365
Acquisition of joint ventures and associates		(3,356)	(11,930)
Purchase of property, plant and equipment		(494,061)	(453,279)
Purchase of intangible assets		(10,604)	(1,259)
Dividends received from joint ventures and associates	8	57,298	65,268
Provision of loans		(8,365)	(34,883)
Repayment of loans given		15,775	15,737
Share capital reduction by joint ventures		12,495	-
Other		17,465	5,181
Net cash flows used in investing activities		(296,197)	(278,800)
Cash flows from financing activities			
Proceeds from borrowings		432,994	435,605
Repayment of borrowings		(719,885)	(757,168)
Repayment of finance lease liabilities		(9,769)	(7,834)
Contributions to the share capital	13.1	46,400	105,810
Distributions to the Shareholder		(29,259)	(20,838)
Dividends paid to non-controlling interest of subsidiaries		(10,248)	(7,503)
Acquisitions by non-controlling interest	13.4	9,000	-
Acquisition of non-controlling interest		(236)	-
Net cash flows used in received from financing activities		(281,003)	(251,928)
Net increase/(decrease) in cash and cash equivalents		866,676	(393,669)
Cash of subsidiaries reclassified to assets classified as held for sale		20,775	-
Effects of exchange rate changes on cash and cash equivalents		7,975	10,948
Cash and cash equivalents, at the beginning of the period		1,206,557	1,234,305
Cash and cash equivalents, at the end of the period	12	2,101,983	851,584

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

Managing Director for Finance and Operations –
Member of the Management Board



Yelena Bakhmutova

Chief accountant

Almaz Abdrakhmanova

The accounting policies and explanatory notes on pages 9 through 37 form an integral part of these interim condensed consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended June 30, 2016

1. GENERAL INFORMATION

Corporate information

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

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

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

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

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

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

These interim condensed consolidated financial statements were authorised for issue by the Managing Director for Finance and Operations – Member of the Management Board and Chief accountant of the Fund on September 7, 2016.

Privatization plan

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

2. BASIS OF PREPARATION

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

Foreign currency translation

Functional and presentation currency

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

Transactions and balances

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

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

Group entities

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

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

Exchange rates

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

The following table presents foreign currency exchange rate to tenge:

	June 30, 2016	December 31, 2015
United States dollar (USD)	338.66	340.01
Euro (EUR)	377.20	371.46
Russian ruble (RUR)	5.28	4.61
Swiss franc (CHF)	346.77	343.48

The currency exchange rate of KASE as at September 7, 2016 was 337.57 tenge to 1 US dollar.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

2. BASIS OF PREPARATION (continued)

Adoption of new and revised standards

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

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

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

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

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

Effect on consolidated balance sheet as at December 31, 2015

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

Effect on consolidated balance sheet as at December 31, 2014

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

3. SEASONALITY OF OPERATIONS

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

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

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

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

Discontinued operations in 2016

KMG International N.V.

In December 2015, the Group decided to sell its 51% interest in KMG International N.V. ("KMG I") The disposal of KMG I is due to be completed in 2016 and, as at June 30, 2016, negotiations for the sale were in progress. The Group estimated fair value of the 51% share in KMG I at 680,000 thousand US dollars (equivalent of 230,289 million tenge).

The results of KMG I are presented below:

<i>In millions of tenge</i>	For the three months ended June 30		For the six months ended June 30	
	2016 (unaudited)	2015 (unaudited)	2016 (unaudited)	2015 (unaudited)
Revenue	421,382	530,462	812,733	872,359
Cost of sales	(299,803)	(406,284)	(499,284)	(618,074)
Gross profit	121,579	124,178	313,449	254,285
General and administrative expenses	1,158	(6,733)	(13,465)	(8,620)
Transportation and selling expenses	(12,792)	(10,573)	(24,800)	(21,427)
Impairment of property, plant and equipment and intangible assets other than goodwill	-	1	-	1
Impairment loss recognized on the re-measurement to fair value less costs to sell	(21,542)	-	(27,483)	-
Other operating income	498	15	622	25
Other operating losses	(7,774)	(59)	(8,105)	(248)
Operating profit	81,127	106,829	240,218	224,016
Foreign exchange (loss)/gain, net	(428)	110	(803)	(234)
Finance income	991	264	1,776	445
Finance costs	(3,369)	(3,083)	(6,670)	(5,539)
Share in profit of associates, net	683	47	1,052	47
Profit before income tax for the period from discontinued operations	79,004	104,167	235,573	218,735
Income tax (expense)/benefit	(822)	286	1,142	609
Profit after income tax for the period from discontinued operations	78,182	104,453	236,715	219,344

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

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

Discontinued operations in 2016 (continued)

KMG International N.V. (continued)

IFRS requires eliminating revenue generated by entities consolidated into the Group and presented as continuing operations with entities classified as discontinued operations. Accordingly, Group’s profit and loss does not reflect results of continuing and discontinued operations, as if they were presented as separate entities due to significant volumes of crude oil sales from the Group to KMG I. Net loss of KMG I before intercompany eliminations for the six months ended June 30, 2016 and 2015 were equal to 6,193 million tenge and 4,133 million tenge, respectively (for the three months ended June 30, 2016 and 2015, net profit amounted to 3,602 million tenge and 2,911 million tenge, respectively).

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

<i>In millions of tenge</i>	June 30, 2016 (unaudited)	December 31, 2015 (audited)
Assets		
Property, plant and equipment	618,084	632,565
Intangible assets	72,857	78,832
Investment in associate	12,900	11,497
Deferred tax asset	33,924	39,489
Inventories	120,608	86,795
Trade accounts receivable	134,645	90,336
Other non-current assets	3,681	3,932
Other current assets	42,982	62,551
Cash and cash equivalents	23,860	34,492
Assets classified as held for sale	1,063,541	1,040,489
Liabilities		
Borrowings	205,644	230,088
Deferred tax liabilities	76,332	78,194
Provisions	54,136	53,394
Trade accounts payable	111,600	40,767
Other taxes payable	20,189	18,352
Other non-current liabilities	473	556
Other current liabilities	72,071	75,994
Liabilities directly associated with the assets classified as held for sale	540,445	497,345
Net assets directly associated with the disposal group	523,096	543,144

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

<i>In millions of tenge</i>	2016	2015
Operating	347,460	254,825
Investing	(22,641)	(5,465)
Financing	(24,985)	(11,174)
Net cash outflows	299,834	238,186

Net inflows/(outflows) of KMG I before intercompany eliminations for the six month ended June 30, 2016 and 2015 amounted to 10,757 million tenge and (4,608) million tenge, respectively.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

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

Disposals

Altel JSC

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

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

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

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

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

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

Gain on disposal of Altel JSC is presented as follows:

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

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

Summary information

Assets classified as held for sale comprised the following:

<i>In millions of tenge</i>	Segment	June 30, 2016 (unaudited)	December 31, 2015 (audited)
KMG I	Oil and gas	1,063,541	1,040,489
Euro-Asia Air JSC	Oil and gas	26,378	25,421
Tulpar-Talgo LLP	Transportation	15,072	18,075
Aysir Turizm Ve Insaat A.S.	Oil and gas	13,813	14,389
Altel JSC	Telecommunication	–	48,477
Other		25,718	42,513
		1,144,522	1,189,364

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

<i>In millions of tenge</i>	Segment	June 30, 2016 (unaudited)	December 31, 2015 (audited)
KMG I	Oil and gas	540,445	497,345
Euro-Asia Air JSC	Oil and gas	10,622	11,462
Aysir Turizm Ve Insaat A.S.	Oil and gas	3,658	3,414
Tulpar-Talgo LLP	Transportation	3,090	4,344
Altel JSC	Telecommunication	–	48,487
Other		152	115
		557,967	565,167

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

6. PROPERTY, PLANT AND EQUIPMENT

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

<i>In millions of tenge</i>	Oil and gas assets	Pipelines and refinery assets	Buildings and premises	Railway tracks and infra- structure	Machinery, equipment and vehicles	Mining assets	Other	Construction in progress	Total
Net book value at December 31, 2015 (restated)*	4,437,273	853,816	685,159	904,076	2,459,653	40,848	61,325	885,570	10,327,720
Foreign currency translation	(17,828)	(27)	(82)	102	117	-	11	(11)	(17,718)
Changes in estimates	16,742	(4,720)	(27)	-	-	(244)	-	-	11,751
Additions	127,453	497	1,009	46	20,670	6,801	1,886	369,994	528,356
Disposals	(3,236)	(897)	(1,881)	(750)	(11,843)	-	(1,520)	(121)	(20,248)
Depreciation charge	(31,781)	(24,567)	(26,049)	(11,816)	(94,642)	(5,066)	(5,260)	-	(199,181)
Depreciation and impairment on disposals	3,175	822	1,321	354	10,628	-	1,350	(11)	17,639
Impairment, net of reversal of impairment	(2)	(80)	(918)	(21)	(1,028)	(274)	(74)	(10,436)	(12,833)
Discontinued operations / transfer to assets classified as held for sale	(20)	(5)	(24)	-	(136)	-	(170)	-	(355)
Transfers from/(to) intangible assets	4	-	-	-	(671)	-	-	(1,030)	(1,697)
Transfers from/(to) exploration and evaluation assets, investment property	-	-	(3,292)	-	-	-	-	(5,771)	(9,063)
Transfer from/(to) inventories, net	-	(59)	(35)	(35)	283	130	26	450	760
Other transfers and reclassifications	408	42,097	26,641	1,630	52,409	5	3,260	(126,450)	-
Net book value at June 30, 2016	4,532,188	866,877	681,822	893,586	2,435,440	42,200	60,834	1,112,184	10,625,131
Historical cost	5,416,558	1,134,912	952,825	1,049,932	3,730,797	72,112	128,908	1,190,627	13,676,671
Accumulated depreciation and impairment	(884,370)	(268,035)	(271,003)	(156,346)	(1,295,357)	(29,912)	(68,074)	(78,443)	(3,051,540)
Net book value at June 30, 2016	4,532,188	866,877	681,822	893,586	2,435,440	42,200	60,834	1,112,184	10,625,131
Historical cost	5,300,428	1,098,396	929,473	1,048,884	3,668,092	65,420	127,285	956,128	13,194,106
Accumulated depreciation and impairment	(863,155)	(244,580)	(244,314)	(144,808)	(1,208,439)	(24,572)	(65,960)	(70,558)	(2,866,386)
Net book value at December 31, 2015 (restated)*	4,437,273	853,816	685,159	904,076	2,459,653	40,848	61,325	885,570	10,327,720

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

6. PROPERTY, PLANT AND EQUIPMENT (continued)

As at June 30, 2016 property, plant and equipment with net book value of 2,515,457 million tenge was pledged as collateral for some of the Group’s borrowings (December 31, 2015: 2,387,644 million tenge).

As at June 30, 2016 the carrying amount of property, plant and equipment acquired under finance lease agreements was equal to 110,141 million tenge (December 31, 2015: 119,652 million tenge).

As at June 30, 2016 the cost of fully amortized property, plant and equipment of the Group was equal to 481,984 million tenge (December 31, 2015: 470,727 million tenge).

For the six months ended June 30, 2016 the Group capitalized borrowing costs at an average interest rate of 3.8% in the amount of 16,960 million tenge (for the six months ended June 30, 2015: at an average interest rate of 6.3% in the amount of 12,417 million tenge).

7. EXPLORATION AND EVALUATION ASSETS

Movements in exploration and evaluation assets are presented as follows:

<i>In millions of tenge</i>	Tangible	Intangible	Total
Net book value at January 1, 2016	371,295	53,214	424,509
Foreign currency translation	(836)	(45)	(881)
Changes in estimates	(94)	–	(94)
Additions	4,297	2,312	6,609
Disposals	–	(4,833)	(4,833)
Transfer from/(to) inventories, net	(616)	(1)	(617)
Transfer from/(to) property, plant and equipment, net	6,049	(755)	5,294
Net book value at June 30, 2016	380,095	49,892	429,987
At cost	392,934	58,483	451,417
Accumulated impairment	(12,839)	(8,591)	(21,430)
Net book value at June 30, 2016	380,095	49,892	429,987
At cost	382,991	67,084	450,075
Accumulated impairment	(11,696)	(13,870)	(25,566)
Net book value at December 31, 2015	371,295	53,214	424,509

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

8. INVESTMENTS IN JOINT VENTURES AND ASSOCIATES

Investments in joint ventures and associates comprised the following:

<i>In millions of tenge</i>	Main activity	Place of business	June 30, 2016 (unaudited)		December 31, 2015 (audited)	
			Carrying amount	Percentage ownership	Carrying amount	Percentage ownership
Joint ventures						
Tengizchevroil LLP	Oil and gas exploration and production	Kazakhstan	1,118,179	20.00%	1,028,085	20.00%
Mangistau Investments B.V.	Oil and gas exploration and production	Kazakhstan	222,885	50.00%	206,542	50.00%
KazRosGas LLP	Processing and sale of natural gas and refined gas	Kazakhstan	102,447	50.00%	97,407	50.00%
JV KazGerMunay LLP	Oil and gas exploration and production	Kazakhstan	85,171	50.00%	82,410	50.00%
Ural Group Limited BVI	Oil and gas exploration and production	Kazakhstan	70,529	50.00%	70,701	50.00%
KazakhOil-Aktobe LLP	Oil and gas exploration and production	Kazakhstan	55,506	50.00%	57,774	50.00%
Ekibastuzskaya GRES-2 JSC (“EGRES-2”) Kazakhstan Petrochemical Industries Inc. LLP (“KPI LLP”)	Electricity production	Kazakhstan	32,707	50.00%	29,523	50.00%
Forum Muider B.V.	Construction of first integrated chemical complex	Kazakhstan	31,378	51.00%	35,840	51.00%
Valsera Holdings B.V.	Exploration and sale of coal	Kazakhstan	26,073	50.00%	25,525	50.00%
KLPE LLP	Oil refinery	Kazakhstan	23,998	50.00%	19,096	50.00%
Other	Construction of first integrated chemical complex	Kazakhstan	17,236	50.00%	29,516	50.00%
			99,021		92,083	
Total joint ventures			1,885,130		1,774,502	
Associates						
Kazzinc LLP	Mining and processing of metal ores, production of refined metals	Kazakhstan	410,312	29.82%	410,904	29.82%
PetroKazakhstan inc. (“PKI”)	Exploration, production and processing of oil and gas	Kazakhstan	159,271	33.00%	163,617	33.00%
Khan Tengri Holding B.V.	Telecommunication	Kazakhstan	75,485	51.00%	-	-
Caspian Pipeline Consortium JSC	Transportation of crude oil	Kazakhstan/ Russia	47,222	20.75%	45,624	20.75%
JV INKAI LLP	Exploration, production and export of uranium	Kazakhstan	32,855	40.00%	40,511	40.00%
JV KATCO LLP	Exploration, production and processing of uranium	Kazakhstan	30,062	49.00%	48,781	49.00%
Other			66,886		63,164	
Total associates			822,093		772,601	
			2,707,223		2,547,103	

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

8. INVESTMENTS IN JOINT VENTURES AND ASSOCIATES (continued)

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

<i>In millions of tenge</i>	2016
Balance as at January 1, 2016 (audited)	2,547,103
Share in profit of joint ventures and associates, net (Note 25)	163,268
Dividends received	(57,298)
Change in dividends receivable	(29,745)
Acquisitions	93,380
Disposals	(14,491)
Foreign currency translation	(6,859)
Other comprehensive income, other than foreign currency translation	1,599
Contributions to share capital without changing the share ownership	6,817
Other changes in equity of joint ventures and associated companies	3,449
Balance as at June 30, 2016 (unaudited)	2,707,223

9. AMOUNTS DUE FROM CREDIT INSTITUTIONS

Amounts due from credit institutions comprised the following:

<i>In millions of tenge</i>	June 30, 2016 (unaudited)	December 31, 2015 (audited)
Bank deposits	1,682,451	1,811,401
Loans to credit institutions	347,671	347,449
Amounts due from credit institutions, net	2,030,122	2,158,850

Less: current portion	(1,351,482)	(1,492,619)
Non-current portion	678,640	666,231

<i>In millions of tenge</i>	June 30, 2016 (unaudited)	December 31, 2015 (audited)
10 largest local banks	1,168,099	1,247,512
International credit institutions	617,469	640,235
Other local credit institutions	244,554	271,103
	2,030,122	2,158,850

<i>In millions of tenge</i>	June 30, 2016 (unaudited)	December 31, 2015 (audited)
Amounts due from credit institutions, denominated in US dollars	1,132,594	1,227,138
Amounts due from credit institutions, denominated in tenge	889,298	924,781
Amounts due from credit institutions, denominated in other currencies	8,230	6,931
	2,030,122	2,158,850

As at June 30, 2015 the weighted average interest rate on amounts due from credit institutions was 6.64% (as at December 31, 2015: 5.55%).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

10. OTHER NON-CURRENT ASSETS

Other non-current assets comprised the following:

<i>In millions of tenge</i>	June 30, 2016 (unaudited)	December 31, 2015 (audited)
Advances paid for non-current assets	287,135	268,915
Long-term VAT receivable	160,417	136,902
Restricted cash	59,212	66,843
Assets for transfer to the Shareholder	45,804	41,268
Long-term receivables	24,866	94,721
Prepaid expenses	16,017	18,258
Assets for sale to the Shareholder	12,020	12,977
Long-term inventories	8,436	45,258
Other	36,336	47,160
Less: impairment provision	(96,784)	(124,386)
	553,459	607,916

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

As at December 31, 2015 long-term receivables of the Group also contained receivable for the 97.26% of shares of BTA Bank in the amount of 68,506 million tenge with maturity until June 30, 2017. This receivable including amortization of discount for the six months ended June 30, 2016 was reclassified to other current assets and amounted to 72,509 million tenge as at June 30, 2016 (Note 11).

11. TRADE ACCOUNTS RECEIVABLE AND OTHER CURRENT ASSETS

Trade accounts receivable comprised the following:

<i>In millions of tenge</i>	June 30, 2016 (unaudited)	December 31, 2015 (audited)
Trade accounts receivable	318,490	310,367
Less: allowance for doubtful debts	(27,633)	(27,119)
	290,857	283,248

Other current assets comprised the following:

<i>In millions of tenge</i>	June 30, 2016 (unaudited)	December 31, 2015 (audited)
Advances paid and deferred expenses	126,588	64,840
Other accounts receivable (Note 10)	106,412	40,011
Assets for distribution to the Shareholder	85,152	86,755
Dividends receivable	52,629	22,911
Other prepaid taxes	34,945	38,974
Restricted cash	20,428	31,259
Amounts due from employees	5,405	5,063
Other	37,670	23,357
Less: impairment allowance	(27,742)	(26,120)
	441,487	287,050

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

12. CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprised the following:

<i>In millions of tenge</i>	June 30, 2016 (unaudited)	December 31, 2015 (audited)
Bank deposits – US dollars	1,065,097	519,162
Bank deposits – tenge	242,944	166,241
Bank deposits – other currency	65	3,747
Current accounts with banks – tenge	411,384	248,431
Current accounts with banks – US dollars	345,144	231,677
Current accounts with banks – other currency	10,082	29,750
Cash on hand	4,928	3,464
Cash in transit	11,854	3,985
Reverse repurchase agreements with other banks with contractual maturity of three months or less	10,485	100
	2,101,983	1,206,557

Short-term bank deposits are placed for varying periods of between 1 (one) day and 3 (three) months, depending on immediate cash needs of the Group. As at June 30, 2016 the weighted average interest rates for short-term bank deposits and current accounts were 2.83% and 2.04%, respectively (December 31, 2015: 5.68% and 1.28%, respectively).

13. EQUITY

13.1 Share capital

Payment for shares	Number of shares authorized and issued	Par value per share, in tenge	Share capital in millions of tenge
As at December 31, 2015	3,481,667,508		4,916,269
Cash contributions	1,500	20,000,000; 36,400,000	46,400
Property contributions	250	17,862,160	4,466
As at June 30, 2016	3,481,669,258		4,967,135

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

Cash contributions

During the six months ended June 30, 2016 the Shareholder made a cash contribution of 46,400 million tenge to the Fund’s share capital. This amount was intended to finance projects of NC Kazakhstan Temir Zhoły JSC.

Property contributions

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

13.2 Dividends

Dividends attributable to non-controlling interest

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

During the six months ended June 30, 2016 dividends declared to other non-controlling interest amounted to 509 million tenge.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

13. EQUITY (continued)

13.3 Other distributions to the Shareholder

Social projects financing

During the six months ended June 30, 2016 in accordance with the order of the Shareholder, the Fund financed various social projects for the total amount of 23,733 million tenge. Also, the Group financed the expenditures related to running an International Exhibition Astana EXPO-2017 in the amount of 2,145 million tenge.

Construction and transfer of fixed assets

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

Other distributions

During the six months ended June 30, 2016 the Group recognized the results of operations of PSA LLP, which acts as the Government Body for the Production Sharing Agreements in oil and gas area, in the total amount of 1,780 million tenge as Other distributions to the Shareholder.

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

Disposal of 49% shares of Transtelecom JSC

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

13.5 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, 2016 (unaudited)	December 31, 2015 (audited)
Total assets	22,177,936	20,889,684
Less: intangible assets	(275,493)	(269,694)
Less: total liabilities	(11,531,317)	(10,488,312)
Net assets for common shares	10,371,126	10,131,678
Number of common shares	3,481,669,258	3,481,667,508
Book value per common share, tenge	2,979	2,910

Earnings per share

<i>In tenge</i>	For the six months ended June 30, 2016 (unaudited)	For the six months ended June 30, 2015 (unaudited)
Weighted average number of common shares for basic and diluted earnings per share	3,481,668,199	3,481,639,523
Basic and diluted share in net profit for the period	65.59	32.73
Basic and diluted share loss from continuing operations	(2.39)	(30.27)

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

14. BORROWINGS

Borrowings, including interest payable, comprised the following:

<i>In millions of tenge</i>	June 30, 2016 (unaudited)	December 31, 2015 (audited)
Fixed interest rate borrowings	3,971,248	4,097,890
Weighted average interest rate	6.49%	7.08%
Variable interest rate borrowings	2,002,452	1,994,821
Weighted average interest rate	4.40%	3.52%
	5,973,700	6,092,711
Less: amounts due for settlement within 12 months	(568,772)	(716,907)
Amounts due for settlement after 12 months	5,404,928	5,375,804

<i>In millions of tenge</i>	June 30, 2016 (unaudited)	December 31, 2015 (audited)
US dollar-denominated borrowings	4,808,860	5,012,062
Tenge-denominated borrowings	892,669	812,584
Borrowings denominated in other currencies	272,171	268,065
	5,973,700	6,092,711

Covenants

The Group reviews compliance with all the Group loan covenants at each reporting date. As at June 30, 2016 the Group was in breach of covenants under certain loans for which the Group obtained waivers. For those loans where waivers were not obtained, liabilities were reclassified to current liabilities.

Bonds repayment and issuance

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

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

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

During the six months ending June 30, 2016 NC KMG redeemed Eurobonds in the amount of 111 million US dollars (equivalent to 37,243 million tenge at the exchange rate as of the date of redemption).

During the six months ending June 30, 2016 NC KMG partially redeemed bonds, which were acquired by the Development Bank of Kazakhstan, in the amount of 27,356 million tenge.

Other loans

During the six months ending June 30, 2016 Intergas Central Asia JSC, subsidiary of NC KMG, received 140 million US dollars (equivalent to 47,557 million tenge at the exchange rate as at the date of receipt) under the General Agreement with Citibank N. A. Nassau, Bahamas Branch.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

14. BORROWINGS (continued)

Other loans (continued)

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

<i>In millions of tenge</i>	June 30, 2016 (unaudited)	December 31, 2015 (audited)
NC KMG and its subsidiaries	3,136,152	3,221,341
NC KTZh and its subsidiaries	1,178,989	1,203,388
The Fund	859,816	858,040
Samruk-Energy and its subsidiaries	341,964	353,466
KEGOC and its subsidiaries	165,704	171,231
NAC KAP and its subsidiaries	147,768	172,621
Other subsidiaries of the Fund	143,307	112,624
Total borrowings	5,973,700	6,092,711

15. LOANS FROM THE GOVERNMENT OF THE REPUBLIC OF KAZAKHSTAN

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

<i>In millions of tenge</i>	June 30, 2016 (unaudited)	December 31, 2015 (audited)
Bonds acquired by the National Bank of the Republic of Kazakhstan using the assets of the National Fund	785,787	727,882
Loans from the Government of the Republic of Kazakhstan	79,495	77,249
Bonds acquired by the National Bank of the Republic of Kazakhstan	61,697	61,306
	926,979	866,437
Less: amounts due for settlement within 12 months	(7,197)	(6,722)
Amounts due for settlement after 12 months	919,782	859,715

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

16. OTHER NON-CURRENT LIABILITIES

Other non-current liabilities comprised the following:

<i>In millions of tenge</i>	June 30, 2016 (unaudited)	December 31, 2015 (audited)
Prepayment on oil supply agreements	920,415	-
Payables for acquisition of additional interest in indivisible stake of the North-Caspian project	519,126	766,014
Advances received and deferred income	22,127	21,821
Government grants liabilities (Note 15)	10,787	-
Long-term payables and other liabilities	63,687	51,984
	1,536,142	839,819

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

16. OTHER NON-CURRENT LIABILITIES (continued)

Oil supply agreement

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

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

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

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

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

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

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

As at June 30, 2016 the amortized cost of this payable was equal to 778,691 million tenge (as at December 31, 2015: 766,014 million tenge). The amount is payable in three equal annual installments after commercial oil production at Kashagan field starts.

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

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

17. OTHER CURRENT LIABILITIES

Other current liabilities comprised the following:

<i>In millions of tenge</i>	June 30, 2016 (unaudited)	December 31, 2015 (audited)
Payables for acquisition of additional interest in indivisible stake of the North-Caspian project (Note 16)	259,565	-
Advances received and deferred income	151,831	119,419
Other taxes payable	86,087	66,851
Due to employees	85,945	78,787
Prepayment on oil supply agreements (Note 16)	84,665	-
Government grants liabilities (Note 15)	41,532	-
Amounts due to customers	24,601	21,089
Dividends payable	5,969	7,225
Other estimated liabilities	4,990	5,738
Other	49,365	56,879
	794,550	355,968

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

18. 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	
	2016	2015	2016	2015
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Railway cargo transportation	170,630	143,825	320,998	288,785
Sales of crude oil	176,444	77,788	179,524	87,517
Oil and gas transportation	77,184	67,645	157,576	140,365
Sales of uranium products	97,179	68,862	142,888	99,421
Sales of oil refined products	76,309	54,204	121,379	90,592
Sales of gas products	35,185	43,992	116,609	99,107
Sales of electricity	48,504	30,535	111,507	99,518
Telecommunication services	47,636	53,432	94,481	104,442
Air transportation	49,410	36,793	93,678	71,002
Refined gold	43,333	10,530	67,945	21,941
Electricity transmission services	27,050	19,862	56,397	43,088
Oil refining fees	29,077	24,120	44,637	34,144
Railway passenger transportation	20,297	18,214	36,649	34,253
Interest revenue	16,084	14,536	26,775	25,981
Postal services	8,648	7,459	16,905	14,431
Other revenue	64,721	63,019	124,958	119,568
Less: Quality bank for crude oil	(5,400)	(2,454)	(9,418)	(7,225)
Less: Indirect taxes and commercial discounts	(436)	(122)	(545)	(168)
	981,855	732,240	1,702,943	1,366,762

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

19. 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	
	2016	2015	2016	2015
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Materials and supplies	221,847	171,828	362,423	289,155
Personnel costs, including social tax and contributions	167,292	159,394	336,113	321,546
Depreciation, depletion and amortization	94,642	84,289	190,687	167,130
Fuel and energy	50,541	43,208	104,962	96,967
Production services received	38,464	33,222	71,770	58,034
Gold raw materials	41,916	10,667	65,904	21,937
Interest expense	31,771	18,775	55,889	43,697
Repair and maintenance	28,422	23,238	53,642	36,605
Mineral extraction tax	21,520	14,077	38,150	29,443
Rent	12,477	6,041	27,796	13,945
Taxes	11,732	10,672	23,052	19,916
Other	45,724	48,637	107,965	114,325
	766,348	624,048	1,438,353	1,212,700

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

20. 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	
	2016 (unaudited)	2015 (unaudited)	2016 (unaudited)	2015 (unaudited)
Personnel costs, including social tax and contributions	35,392	35,251	70,379	67,896
Taxes other than income tax	7,825	7,849	16,327	13,459
Sponsorship and charitable donations	7,487	5,856	15,592	11,520
Consulting services	8,614	3,315	13,412	6,979
Depreciation and amortization	3,794	4,793	7,648	9,148
Rent	2,750	1,795	4,938	3,563
Fines and penalties	2,553	5,446	3,398	8,787
Allowance for doubtful debts	1,629	7,430	3,257	9,827
Business trips	1,666	1,401	2,833	2,430
Repair and maintenance	1,601	885	2,261	1,410
Reversal of provision for impairment of other current assets	-	1,087	-	1,087
Other	12,403	6,734	25,001	23,013
	85,714	81,842	165,046	159,119

21. TRANSPORTATION AND SELLING EXPENSES

<i>In millions of tenge</i>	For the three months ended June 30		For the six months ended June 30	
	2016 (unaudited)	2015 (unaudited)	2016 (unaudited)	2015 (unaudited)
Custom duties	16,053	13,081	39,644	39,819
Transportation	17,784	10,445	35,662	19,383
Rent tax	9,824	10,611	9,818	22,782
Personnel costs, including social tax and contributions	2,381	2,522	4,786	5,063
Depreciation and amortization	1,601	1,730	3,294	3,414
Commission fees to agents and advertising	1,814	2,711	3,023	5,084
Other	3,035	532	7,757	4,536
	52,492	41,632	103,984	100,081

22. 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	
	2016 (unaudited)	2015 (unaudited)	2016 (unaudited)	2015 (unaudited)
Impairment of property, plant and equipment, intangible assets and exploration and evaluation assets	7,325	4,708	10,605	4,909
Impairment of VAT receivable	7,207	-	7,207	-
(Reversal of impairment) / impairment of non-current inventories	(1,042)	3,044	5,026	(316)
Impairment of assets held for sale	4,089	15,460	4,089	15,460
Impairment / (reversal of impairment) of loans to customers	21	(1,977)	392	(1,877)
Impairment of investments in joint ventures and associates	-	6	-	39
Other	1,248	477	1,667	1,037
	18,848	21,718	28,986	19,252

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

23. FINANCE COSTS

	For the three months ended June 30		For the six months ended June 30	
	2016 (unaudited)	2015 (unaudited)	2016 (unaudited)	2015 (unaudited)
<i>In millions of tenge</i>				
Interest on loans and debt securities issued	70,883	51,030	145,814	107,898
Interest on payable for the acquisition of additional interest in North Caspian Project	8,756	3,659	18,026	7,254
Unwinding of discount on provisions and other payables	2,926	2,569	7,805	4,179
Interest on finance lease liabilities	1,777	1,424	3,484	3,054
Other	13,084	12,428	19,615	29,864
	97,426	71,110	194,744	152,249

24. FINANCE INCOME

	For the three months ended June 30		For the six months ended June 30	
	2016 (unaudited)	2015 (unaudited)	2016 (unaudited)	2015 (unaudited)
<i>In millions of tenge</i>				
Interest income on amounts due from credit institutions and cash and cash equivalents	34,500	23,951	64,814	45,523
Income from loans and financial assets	3,490	6,021	11,164	8,091
Unwinding of discount on long-term receivables	3,297	2,667	6,471	5,147
Guarantee income	2,742	2,859	2,780	3,256
Other	7,657	2,394	15,276	9,659
	51,686	37,892	100,505	71,676

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

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

	For the three months ended June 30		For the six months ended June 30	
	2016 (unaudited)	2015 (unaudited)	2016 (unaudited)	2015 (unaudited)
<i>In millions of tenge</i>				
Tengizchevroil LLP	51,571	41,250	93,859	80,411
Mangistau Investments B.V.	10,492	5,986	17,256	5,422
KazZinc LLP	13,405	791	14,893	(245)
JV Akbastau JSC	4,607	1,433	6,802	2,381
JV KATCO LLP	6,343	5,841	6,640	7,293
COU CJSC	4,341	666	6,248	108
Karatau LLP	3,484	2,818	5,651	3,675
KazRosGas LLP	2,374	14,362	5,357	16,903
Valsera Holdings B.V.	(999)	3,290	4,902	5,954
Kazakhoil-Aktobe LLP	(1,020)	(1,766)	(2,268)	(3,299)
Khan Tengri Holding B.V.	(3,908)	-	(5,215)	-
Petro Kazakhstan Inc.	(4,416)	(2,232)	(6,909)	(4,574)
Beineu-Shymkent Pipeline LLP	(5,347)	(678)	(8,010)	(3,705)
Other	15,365	4,350	24,062	32,351
	96,292	76,111	163,268	142,675

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

26. SIGNIFICANT NON-CASH TRANSACTIONS

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

1. Acquisition of property, plant and equipment financed by bank loans in the amount of 81,747 million tenge.
2. Discount on bonds issued by the Fund to finance Real Estate Fund JSC in accordance with the “Nurly Zhol” State infrastructure development program amounted to 52,319 million tenge (*Note 15*).
3. Borrowings of Altel JSC in the amount of 29,991 million tenge were transferred to Kazakhtelecom JSC.
4. Purchase of property, plant and equipment, which is not paid by the end of the reporting period in the amount of 23,110 million tenge.

27. CONSOLIDATION

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

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

28. RELATED PARTY DISCLOSURES

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

28. RELATED PARTY DISCLOSURES (continued)

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

<i>In millions of tenge</i>		Associates	Joint ventures where the Group is a venturer	Other state- controlled entities
Due from related parties	June 30, 2016	49,342	54,862	11,423
	December 31, 2015	45,744	39,058	10,771
Due to related parties	June 30, 2016	43,326	101,950	738
	December 31, 2015	43,127	91,496	1,836
Sale of goods and services	June 30, 2016	31,160	144,734	97,155
	June 30, 2015	31,628	118,691	44,853
Purchase of goods and services	June 30, 2016	81,037	295,226	5,458
	June 30, 2015	38,200	106,531	5,373
Other income/(loss)	June 30, 2016	(456)	684	9,965
	June 30, 2015	321	811	(1,893)
Cash and cash equivalents, and amounts due from credit institutions (assets)	June 30, 2016	-	-	304,359
	December 31, 2015	-	-	222,003
Loans to customers	June 30, 2016	210,706	241,471	189,091
	December 31, 2015	217,010	237,449	193,667
Loans received	June 30, 2016	-	228	1,766,924
	December 31, 2015	-	217	1,746,804
Other assets	June 30, 2016	32,354	33,472	13,323
	December 31, 2015	10,591	48,843	14,385
Other liabilities	June 30, 2016	2,566	17,036	83,678
	December 31, 2015	2,614	13,349	26,842
Interest received	June 30, 2016	10,052	12,492	515
	June 30, 2015	2,318	8,173	6,276
Interest accrued	June 30, 2016	3,670	980	56,482
	June 30, 2015	284	125	25,160

As at June 30, 2016 some of the Group’s borrowings in the amount of 83,100 million tenge were guaranteed by the Government of the Republic of Kazakhstan (as at December 31, 2015: 87,901 million tenge).

Total compensation to key management personnel included in personnel costs in the accompanying interim consolidated statement of comprehensive income was equal to 8,729 million tenge for the six months ended June 30, 2016 (for the six months ended June 30, 2015: 7,841 million tenge). Compensation to key management personnel consists primarily of contractual salary and performance bonus based on operating results.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

29. FAIR VALUE OF FINANCIAL INSTRUMENTS

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

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

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

<i>In millions of tenge</i>	Level 1	Level 2	Level 3	June 30, 2016 (unaudited)
Financial instruments category				
Assets				
Available-for-sale financial assets	2,257	10,531	235	13,023
Financial assets at fair value through profit and loss	-	-	16,483	16,483
Derivative financial assets	-	-	356	356
Liabilities				
Derivative financial liabilities	-	14	-	14

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

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

<i>In millions of tenge</i>	June 30, 2016 (unaudited)				
	Carrying amount	Fair value	Fair value by level of assessment		
			Quotations in an active market (Level 1)	From the observed market (Level 2)	Based on the significant amount of unobserved (Level 3)
Financial assets					
Amounts due from credit institutions	2,030,122	2,123,465	1,148,530	879,094	95,841
Financial liabilities					
Borrowings	5,973,700	5,890,779	3,443,448	2,073,324	374,007
Loans from the Government of the Republic of Kazakhstan	926,979	873,973	-	873,973	-

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

29. FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

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

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

30. COMMITMENTS AND CONTINGENCIES

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

Civil litigation (NC KMG)

According to a Decree issued April 22, 2016, prosecutors of Romania with the General Headquarters of the Department for Fight Against Organized Crime and Terrorism (DIICOT) have ordered a reclassification and continued investigation of the case against 26 suspects under charges of organized crime (14 of them were employees of KMG I). In accordance with the same Decree, several companies were added to the case, which include KMG I, SC Oilfield Exploration Business Solutions SA and SC Rompetrol Rafinare S.A. (KMG I subsidiaries). The amount of claims of the civil action is RON 1,724,168,825, USD 290,786,616 and EUR 34,941,924 (equivalent to 760 million US dollar or 257,382 million tenge). By Decree issued on May 6, 2016, the DIICOT have applied a prejudgment seizure on KMG I, SC Oilfield Exploration Business Solutions SA and SC Rompetrol Rafinare S.A. movable and immovable assets except for bank accounts, receivables and inventories. This seizure does not impact the operational activity of the companies. KMG I appealed the seizure orders in domestic courts and international arbitration. The hearing of Supreme Court was on June 13, 2016. The Supreme Court rejected in full the appeal. The investigation is ongoing and court trial is expected after investigation is finished. The management of the Group believes that until the investigation is complete and full details of the claims are provided, no provision for claims is required.

Kazakhstan local market obligation

During six months ended June 30, 2016, in accordance with its obligations, the Group delivered 2,657,903 tons of crude oil (six months ended June 30, 2015: 2,922,004 tons), including the share of joint ventures, to the Kazakhstan market.

Crude oil supply commitments

As at June 30, 2016 the Group had commitments under the oil supply agreement in the amount of 28.5 million tons to be delivered till March 2020.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

30. COMMITMENTS AND CONTINGENCIES (continued)

Commitments under subsoil use contracts

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

Year	Capital expenditures	Operational expenditures
2016	75,032	47,381
2017	60,918	44,278
2018	50,224	44,479
2019	39,794	44,470
2020-2026	206,119	209,652
Total	432,087	390,260

Capital commitments

NC KMG

As at June 30, 2016, NC KMG, including joint ventures, had other capital commitments of approximately 1,115,000 million tenge related to acquisition and construction of property, plant and equipment, (as at December 31, 2015: 954,000 million tenge).

NC KTZh

As at June 30, 2016, the Group had capital commitments for the construction of “Zhezkazgan – Beineu” and “Arkalyk – Shubarkol” railway lines, development of the railway junction of Astana station, including construction of a station complex, construction of multifunctional Ice palace in Astana, construction of a dry port and infrastructure in the special economic zone Khorgos – Eastern Gates, construction of a primary magistral transportation communication line, acquisition of freight and passenger electric locomotives, freight and passenger cars and locomotives for the total of 450,432 million tenge (December 31, 2015: 409,412 million tenge).

KMG Kashagan

As at June 30, 2016, in accordance with the Kashagan Development Plan and Budget, KMG Kashagan had capital commitments on acquisition, construction or development of undivided interest exploration and evaluation assets and oil and gas development assets amounting to 549,042 thousand US dollars (185,938 million tenge). As at December 31, 2015 capital commitments were equal to 715,389 thousand US dollars (243,239 million tenge).

Investment commitments of Samruk Energy

As at June 30, 2016, in accordance with the Agreements on Investment Obligations with the Ministry of Energy of the Republic of Kazakhstan, the Samruk Energy’s group entities involved in the production of electricity have investment obligations of 13,564 million tenge (as at December 31, 2015: 78,289 million tenge).

Commitments on recycle use of anti-crisis funds

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

Taking into account investments made in 2012-2015 and in the first half year of 2016, the Fund’s commitments as at June 30, 2016 were equal to 44,660 million tenge (as at December 31, 2015: 69,825 million tenge), including the Fund’s commitments to finance investment projects which were equal to 10,224 million tenge (as at December 31, 2015: 26,589 million tenge) and the Fund’s commitments allocated to finance the “Available housing-2020” program in the amount of 34,436 million tenge (as at December 31, 2015: 43,236 million tenge).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

31. SEGMENT REPORTING

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

<i>In millions of tenge</i>	Oil and gas	Mining	Trans- portation	Telecom- munication	Energy	Industrial	Corporate center	Other	Elimination	Total
For the 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	1,630	(8)	(6,900)	(4,620)
Income tax expenses	(67,637)	(13,622)	(2,206)	(8,141)	(9,084)	(388)	(6,039)	(869)	--	(107,986)
Net (loss)/profit for the period from continuing operations	(143,382)	77,800	(2,012)	58,281	29,274	(2,673)	14,690	3,650	(43,964)	(8,336)
Net profit for the period from discontinued operations*	236,715	--	--	--	--	--	--	--	--	236,715
Total net profit/(loss) for the period	93,333	77,800	(2,012)	58,281	29,274	(2,673)	14,690	3,650	(43,964)	228,379
Other segment information										
Total assets of the segment	14,044,170	1,333,436	3,132,792	534,736	1,432,101	363,048	7,146,095	284,635	(6,093,077)	22,177,936
Total liabilities of the segment	6,674,264	289,741	2,075,662	164,998	732,407	146,122	2,019,805	125,456	(697,158)	11,531,317
Investments in joint ventures and associates	1,911,711	544,068	33,414	75,485	120,338	58,646	--	56	(36,495)	2,707,223

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

31. SEGMENT REPORTING (continued)

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

<i>In millions of tenge</i>	Oil and gas	Mining	Trans- portation	Telecom- munication	Energy	Industrial	Corporate center	Other	Elimination	Total
For the six months ended June 30, 2015										
Revenues from sales to external customers	498,735	157,443	409,341	118,684	149,532	5,441	24,515	3,071	-	1,366,762
Revenues from sales to other segments	25,669	8,259	7,419	2,128	16,245	3,861	58,357	1,119	(123,047)	-
Total revenue	524,394	165,702	416,760	120,812	165,777	9,302	82,872	4,190	(123,047)	1,366,762
Gross profit	1,775	27,005	63,214	38,571	60,332	2,116	35,617	2,491	(62,287)	168,834
General and administrative expenses	(64,543)	(11,384)	(40,234)	(13,643)	(18,725)	(3,433)	(9,026)	(1,456)	3,325	(159,119)
Transportation and selling expenses	(93,216)	(1,789)	(2,771)	(2,871)	(1,659)	(407)	-	-	2,632	(100,081)
Finance income	31,688	2,575	3,391	2,169	3,070	1,212	29,402	2,114	(3,945)	71,676
Finance costs	(107,340)	(3,977)	(33,133)	(4,224)	(12,217)	(1,441)	(113)	(904)	11,100	(152,249)
Share in profits of joint ventures and associates	122,207	17,116	269	-	2,931	(774)	-	926	-	142,675
Foreign exchange gain/(loss), net	23,821	(658)	(12,574)	(252)	211	188	1,534	15	151	12,436
Income tax expenses	(57,189)	(2,255)	399	(5,576)	(9,606)	(80)	(6,083)	(360)	-	(80,750)
Net loss for the period from continuing operations	(139,326)	22,245	(18,372)	15,736	27,108	(2,455)	36,837	2,612	(49,785)	(105,400)
Net profit for the period from discontinued operations	219,344	-	-	-	-	-	-	-	-	219,344
Total net profit/(loss) for the period	80,018	22,245	(18,372)	15,736	27,108	(2,455)	36,837	2,612	(49,785)	113,944
Other segment information										
Total assets of the segment	12,932,833	1,319,030	3,109,511	497,259	1,411,125	322,312	6,929,328	204,432	(5,836,146)	20,889,684
Total liabilities of the segment	5,672,714	347,732	2,100,302	184,982	749,528	118,649	1,843,255	107,367	(636,217)	10,488,312
Investments in joint ventures and associates	1,798,243	575,681	33,003	-	104,788	71,882	(21,757)	21,767	(36,504)	2,547,103

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

31. SEGMENT REPORTING (continued)

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

<i>In millions of tenge</i>	Oil and gas	Mining	Trans- portation	Telecom- munication	Energy	Industrial	Corporate center	Other	Elimination	Total
For the three months ended 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
Share in profits of joint ventures and associates	(64,274)	(3,012)	(23,176)	(1,826)	(6,599)	(1,264)	(4,790)	(481)	7,996	(97,426)
Foreign exchange gain/(loss), net	56,451	40,794	1,130	(3,908)	2,565	(749)	--	9	--	96,292
Income tax expenses	(2,904)	3,449	25,095	(107)	10,532	1,074	11,897	(21)	(58,920)	(9,905)
Net loss for the period from continuing operations	(31,561)	(10,952)	(3,598)	(4,818)	(4,778)	(292)	(2,403)	(470)	--	(58,872)
Net profit for the period from discontinued operations	(7,355)	57,497	33,487	2,306	20,858	(879)	30,731	2,190	(92,014)	46,821
Total net profit/(loss) for the period	78,182	57,497	33,487	2,306	20,858	(879)	30,731	2,190	(92,014)	78,182
For the three months ended June 30, 2015										
Revenues from sales to external customers	284,004	98,032	206,114	60,807	64,929	2,586	13,792	1,976	--	732,240
Revenues from sales to other segments	10,304	3,865	3,822	1,202	6,493	2,557	52,620	544	(81,407)	--
Total revenue	294,308	101,897	209,936	62,009	71,422	5,143	66,412	2,520	(81,407)	732,240
Gross profit	32,094	17,106	31,172	17,968	22,490	1,188	45,854	1,356	(54,088)	115,140
General and administrative expenses	(27,190)	(4,997)	(21,641)	(7,181)	(12,059)	(1,951)	(8,037)	(678)	1,892	(81,842)
Transportation and selling expenses	(37,964)	(1,056)	(1,444)	(1,503)	(703)	(250)	--	--	1,288	(41,632)
Finance income	16,322	1,290	2,009	1,054	1,566	730	16,522	1,110	(2,701)	37,892
Share in profits of joint ventures and associates	(47,764)	(1,691)	(17,560)	(1,892)	(6,563)	(709)	--	(472)	5,541	(71,110)
Foreign exchange gain/(loss), net	60,352	14,947	25	--	1,033	(736)	--	490	--	76,111
Income tax expenses	7,837	(591)	(3,998)	25	(1,761)	(145)	274	3	49	1,693
Net loss for the period from continuing operations	(27,179)	(2,036)	(251)	(4,183)	(2,980)	(10)	(3,138)	(217)	--	(39,994)
Net profit for the period from discontinued operations	(31,466)	19,091	(9,373)	4,750	3,776	(1,762)	38,140	1,369	(48,220)	(23,695)
Total net profit/(loss) for the period	104,453	19,091	(9,373)	4,750	3,776	(1,762)	38,140	1,369	(48,220)	104,453
Total net profit/(loss) for the period	72,987	19,091	(9,373)	4,750	3,776	(1,762)	38,140	1,369	(48,220)	80,758

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

32. SUBSEQUENT EVENTS

On July 22, 2016 NC KMG and KMG I submitted to the Romanian authorities the Notice of Investment Dispute based on the Agreement between the Government of Romania and the Government of the Republic of Kazakhstan, the Agreement between the Government of the Kingdom of the Netherlands and the Government of Romania and the Energy Charter Treaty. The submission of the aforementioned Notice represents the first procedural step that might give rise to an arbitration dispute between an investor and the country where the investment was made. If a settlement between the Group and Romanian authorities fails to be reached, the case will be referred to and settled by the International Centre for Settlement of Investment Disputes under World Bank or to the Arbitration Institute of the Stockholm Chamber of Commerce.

On July 2016 the Group, through subsidiary company “Vostokmashzavod” JSC, entered into an additional agreement with “Halyk Bank of Kazakhstan” JSC to defer the payment of outstanding loans and accrued interest on loans. As a result, the principal amount of the loan, previously recognized in the current portion of loans reclassified to non-current portion. As of June 30, 2016 the principal amount of 10,674 million tenge.

In accordance with the decision of the Supreme Court of the Republic of Kazakhstan the total amount of claims of Exploration Production KazMunayGas JSC, a subsidiary of the Group for the tax audit for the years 2006-2008 has been reduced by 5,388 million tenge from 12,188 million tenge.

On August 31, 2016 Samruk-Energy received notification from Samsung C&T Corporation on withdrawal from the project on construction of Balkhash TES.