

“Sovereign Wealth Fund “Samruk-Kazyna” JSC

Interim condensed
consolidated financial statements (unaudited)

As at 31 March 2018 and for the three months then ended

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INTERIM CONSOLIDATED BALANCE SHEET

<i>In millions of tenge</i>	Note	31 March 2018 (unaudited)	31 December 2017 (audited)
Assets			
Non-current assets			
Property, plant and equipment	6	10,783,841	10,782,247
Intangible assets	7	893,688	923,811
Exploration and evaluation assets		444,689	451,782
Investment property		11,098	11,601
Investments in joint ventures and associates	8	2,786,673	2,843,489
Loans issued and finance lease receivables		557,699	593,325
Amounts due from credit institutions	9	486,135	502,493
Deferred tax assets		121,198	135,735
Other non-current financial assets		95,497	95,620
Other non-current assets	10	761,587	687,954
		16,942,105	17,028,057
Current assets			
Inventories		442,364	396,944
VAT receivable		130,843	144,593
Income tax prepaid		69,716	54,077
Trade accounts receivable		468,305	479,910
Loans issued and finance lease receivables		222,725	250,362
Amounts due from credit institutions	9	1,445,821	1,951,384
Other current financial assets		29,975	30,229
Other current assets		345,442	353,581
Cash and cash equivalents	11	2,068,857	2,190,107
		5,224,048	5,851,187
Assets classified as held for sale	5	1,274,956	1,286,659
Total assets		23,441,109	24,165,903

The accounting policies and explanatory notes on pages 8 through 35 form an integral part of these consolidated financial statements.

INTERIM CONSOLIDATED BALANCE SHEET (continued)

<i>In millions of tenge</i>	Note	31 March 2018 (unaudited)	31 December 2017 (audited)
Equity and liabilities			
Equity attributable to equity holder of the Parent			
Share capital		5,133,476	5,133,476
Additional paid-in capital	12.1	17,168	13,189
Currency translation reserve		853,137	922,497
Revaluation reserve for available-for-sale investments		28,820	26,177
Hedging reserve		(52,152)	(54,666)
Other capital reserves		(16,742)	(16,742)
Retained earnings		4,019,660	3,817,514
		9,983,367	9,841,445
Non-controlling interest		1,183,736	1,821,720
Total equity		11,167,103	11,663,165
Non-current liabilities			
Borrowings	13	5,360,197	5,399,886
Loans from the Government of the Republic of Kazakhstan		788,808	776,141
Finance lease liabilities		113,711	120,021
Provisions		193,549	198,716
Deferred tax liabilities		659,208	638,722
Employee benefit liabilities		77,292	76,604
Other non-current liabilities	14	1,149,663	1,215,327
		8,342,428	8,425,417
Current liabilities			
Borrowings	13	1,348,684	1,516,573
Loans from the Government of the Republic of Kazakhstan		12,871	5,907
Finance lease liabilities		18,708	19,742
Provisions		123,661	115,967
Employee benefit liabilities		6,744	6,883
Income taxes payable		11,227	13,876
Trade and other payables		589,917	660,487
Other current liabilities	15	1,187,650	1,118,234
		3,299,462	3,457,669
Liabilities associated with assets classified as held for sale	5	632,116	619,652
Total liabilities		12,274,006	12,502,738
Total equity and liabilities		23,441,109	24,165,903

Managing Director for Economy and Finance



Beibit Karymsakov

Chief accountant

Almaz Abdrakhmanova

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INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

<i>In millions of tenge</i>	Note	For the three months ended 31 March 2018 (unaudited)	For the three months ended 31 March 2017 (unaudited) (restated*)
Continuing operations			
Revenue	16	1,441,519	1,147,306
Government grants		5,020	3,928
		1,446,539	1,151,234
Cost of sales	17	(1,311,863)	(981,224)
Gross profit		134,676	170,010
General and administrative expenses	18	(82,816)	(82,396)
Transportation and selling expenses	19	(93,477)	(74,662)
Impairment loss	20	(7,511)	9,340
Gain on disposal of subsidiaries		7,754	1,496
Gain on acquisition of subsidiary	4	22,343	-
Operating (loss)/profit		(19,031)	23,788
Finance costs	21	(122,527)	(106,876)
Finance income	22	41,894	43,367
Other non-operating loss		(8,625)	(5,459)
Other non-operating income		11,096	6,827
Share in profit of joint ventures and associates, net	23	179,640	124,694
Net foreign exchange loss		(73,908)	(64,767)
Profit before income tax		8,539	21,574
Income tax expenses		(63,978)	(61,668)
Net loss for the period from continuing operations		(55,439)	(40,094)
Discontinued operations			
Profit from discontinued operations, net of income tax	5	270,421	101,691
Net profit for the period		214,982	61,597
Net profit for the period attributable to:			
Equity holder of the Parent		188,191	46,952
Non-controlling interest		26,791	14,645
		214,982	61,597

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INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (continued)


<i>In millions of tenge</i>	Note	For the three months ended 31 March 2018 (unaudited)	For the three months ended 31 March 2017 (unaudited) (restated*)
Other comprehensive income			
<i>Other comprehensive income to be reclassified to profit or loss in subsequent periods:</i>			
Exchange differences on translation of foreign operations		(82,241)	(92,758)
Unrealized gain/(loss) from revaluation of available-for-sale investments		11	(1,825)
Gain on transactions with hedge instruments		3,039	9,488
Net realized gain on available-for-sale investments		136	380
Share of the other comprehensive loss items of associates and joint ventures		(242)	(22,352)
Tax effect on transactions with hedge instrument		-	(1,041)
Other comprehensive loss to be reclassified to profit or loss in subsequent periods		(79,297)	(108,108)
<i>Other comprehensive income not to be reclassified to profit or loss in subsequent periods:</i>			
Share of the other comprehensive income items of associates and joint ventures		149	20,526
Actuarial gain on defined benefit plans		-	33
Tax effect on comprehensive income components		-	2
Other comprehensive gain not to be reclassified to profit or loss in subsequent periods		149	20,561
Other comprehensive loss for the period, net of tax		(79,148)	(87,547)
Total comprehensive income for the period, net of tax		135,834	(25,950)
Total comprehensive income for the period, attributable to:			
Equity holder of the Parent		122,139	(17,154)
Non-controlling interest		13,695	(8,796)
		135,834	(25,950)

* Certain amounts shown here do not correspond to consolidated financial statements for three months ended March 31, 2017 and reflect restatement made, details of which are disclosed in Note 2.

Managing Director for Economy and Finance


Beibit Karymsakov

Chief accountant


Almaz Abdрахmanova

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INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

In millions of tenge	Note	Attributable to equity holder of the Parent							Total	
		Share capital	Revaluation reserve for available-for-sale investments	Currency translation reserve	Hedging reserve	Other capital reserves	Retained earnings	Total		Non-controlling interest
Balance as at December 31, 2016 (audited) (restated*)		5,058,658	31,032	1,008,696	(52,712)	(16,522)	3,321,930	9,351,082	1,640,592	10,991,674
Total comprehensive income for the period		-	(1,445)	(89,644)	6,406	-	67,529	(17,154)	(8,796)	(25,950)
Issue of shares		266	-	-	-	-	-	266	-	266
Acquisition of subsidiaries		-	-	-	-	-	-	-	27,679	27,679
Other distributions to the Shareholder		-	-	-	-	-	(52,975)	(52,975)	-	(52,975)
Other equity movements		-	-	-	-	(78)	5	(73)	73	-
Balance as at March 31, 2017 (unaudited)		5,058,924	29,587	919,052	(46,306)	(16,600)	3,336,489	9,281,146	1,659,548	10,940,694

* Certain amounts shown here do not correspond to consolidated financial statements for three months ended March 31, 2017 and reflect restatement made, details of which are disclosed in Note 2.

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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	Additional paid-in capital	Revaluation reserve for available-for-sale investments	Currency translation reserve	Hedging reserve	Other capital reserves	Retained earnings			
Balance as at December 31, 2017 (audited)		5,133,476	13,189	26,177	922,497	(54,666)	(16,742)	3,817,514	9,841,445	1,821,720	11,663,165
Change in accounting policy (Note 2)		-	-	2,471	-	-	-	(52,070)	(49,599)	(2,632)	(52,231)
Balance as at January 1, 2018 (restated)		5,133,476	13,189	28,648	922,497	(54,666)	(16,742)	3,765,444	9,791,846	1,819,088	11,610,934
Total comprehensive income for the period		-	-	147	(68,862)	2,514	-	188,340	122,139	13,695	135,834
Other contributions of the Shareholder	12.1	-	3,979	-	-	-	-	-	3,979	-	3,979
Other distributions to the Shareholder	12.2	-	-	-	-	-	-	(6,616)	(6,616)	-	(6,616)
Acquisition of subsidiaries	4	-	-	-	-	-	-	-	-	41,835	41,835
Share buyback by subsidiary	12.3	-	-	-	-	-	-	72,576	72,576	(690,385)	(618,309)
Other equity movements		-	-	25	(498)	-	-	(84)	(557)	3	(554)
Balance as at March 31, 2018 (unaudited)		5,133,476	17,168	28,820	853,137	(52,152)	(16,742)	4,019,660	9,983,367	1,183,736	11,167,103



Managing Director for Economy and Finance

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Chief accountant

Almaz Abdjakhmanova

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CONSOLIDATED STATEMENT OF CASH FLOWS

<i>In millions of tenge</i>	Note	For the three months ended 31 March 2018 (unaudited)	For the three months ended 31 March 2017 (unaudited)
Cash flows from operating activities			
Receipts from customers		2.267.760	1.846.954
Payments to suppliers		(1.376.464)	(1.141.005)
Payments to employees		(227.100)	(187.887)
Other taxes and payments		(315.225)	(211.454)
Operations with financial instruments (the Fund and Kazpost)		5.893	21.298
Other receipts/(payments), net		105	(37.239)
Income taxes paid		(47.869)	(39.576)
Interest paid		(71.656)	(46.388)
Interest received		46.613	34.962
Net cash flows received from operating activities		282.057	239.665
Cash flows from investing activities			
Acquisition of property, plant and equipment, exploration and evaluation assets		(220.881)	(207.671)
Dividends received from joint ventures and associates	8	90.289	46.312
Placement of bank deposits, net		418.530	(371.118)
Loans issued		(3.580)	(18.912)
Acquisition of intangible assets		(4.768)	(1.254)
Acquisition/(sale) of joint ventures and associates		(3.235)	3.086
Net cash acquired with the subsidiary		2.921	1.394
Repayment of loans issued		24.718	1.630
Other receipts, net		4.171	8.143
Net cash flows received/(used) in investing activities		308.165	(538.390)
Cash flows from financing activities			
Share buyback by subsidiary	12.3	(618.309)	-
Proceeds from borrowings		101.578	84.013
Repayment of borrowings		(154.203)	(125.870)
Repayment of finance lease liabilities		(4.328)	(4.606)
Distributions to the Shareholder		(18.710)	(5.058)
Dividends paid to non-controlling interest of subsidiaries		(123)	(74)
Net cash flows used in financing activities		(694.095)	(51.595)
Net decrease in cash and cash equivalents		(103.873)	(350.320)
Effects of exchange rate changes on cash and cash equivalents		(59.254)	(42.203)
Changes in cash and cash equivalents disclosed as part of assets held for sale		44.969	11.576
Impairment of cash and cash equivalents		(3.092)	-
Cash and cash equivalents at the beginning of the year		2.190.107	1.554.035
Cash and cash equivalents at the end of the period		2.068.857	1.173.088

Managing Director for Economy and Finance

Chief accountant




 Beibit Karymsakov

 Almaz Abdrakhmanova

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NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**1. GENERAL INFORMATION****Corporate information**

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

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 24* (the “Group”). Prior to February 1, 2012, the Fund’s activities were governed by the Law of the Republic of Kazakhstan *On National Welfare Fund # 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 #550-4*, the Fund’s activity is focused on improving sovereign wealth of the Republic of Kazakhstan by increasing the long-term value of the Group companies and by effective management of the Group assets.

For management purposes, the Group is organized into organizational business units based on their products and services, and has 8 (eight) reportable operating segments as follows (*Note 28*):

- Oil and gas segment includes operations related to exploration and production of oil and gas, transportation of oil and gas and refining and trading of crude oil, gas and refined products;
- Transportation segment includes operations related to railway and air transportation of cargo and passengers;
- Communication segment includes operation of fixed line communication, including local, long-distance intercity and international telecommunication services (including CIS and non-CIS countries); and also renting out of lines, data transfer services and wireless communication services;
- Energy segment includes operations related to production and distribution of electricity, the function of oversight over the input of electricity into the energy system and consumption of imported electricity, the function of centralized operation and dispatch of facilities in the Unified Energy System of Kazakhstan;
- Mining segment includes exploration, mining, processing, sales of mineral resources and geological exploration;
- Industrial segment includes 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 Block B, 8 Kunayev str., Esil Region, Astana, the Republic of Kazakhstan.

These interim condensed consolidated financial statements were authorised for issue by the Managing Director for Economy and Finance and Chief accountant of the Fund on May 31, 2018.

Privatization plan

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

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

2. BASIS OF PREPARATION

These interim condensed consolidated financial statements for the three months ended 31 March 2018 were prepared in accordance with International Accounting Standard No. 34 Interim Financial Statements (IAS 34). These interim condensed consolidated financial statements do not include all the information and disclosures required in the annual consolidated financial statements, and should be read in conjunction with the Group’s annual consolidated financial statements for the year ended 31 December 2017.

Restatement affecting comparative information

Due to the fact that in 2017 the Group revised its interpretation and accounting for the sale of uranium products for swap transactions, the consolidated statement of comprehensive income for the three months ended March 31, 2017 was revised.

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

Effect of restatement for the three months ended March 31, 2017:

<i>In millions of tenge</i>	For the three months ended 31 March 2017 (unaudited) (before restatement)	Restatement	For the three months ended 31 March 2017 (unaudited) (after restatement)
Revenue	1,158,420	(11,114)	1,147,306
Cost of sales	(989,972)	8,748	(981,224)
Gross profit	172,376	(2,366)	170,010
Retained earnings	3,338,855	(2,366)	3,336,489

Foreign currency translation

Functional and presentation currency

Items included in the financial statements of each of the Group’s entities included in these interim condensed consolidated financial statements for the three months ended 31 March 2018 are measured using the currency of the primary economic environment in which the entities operate (“the functional currency”). The interim condensed consolidated financial statements are presented in tenge (“tenge”), which is the Group’s presentation currency.

Transactions and balances

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

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.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

2. BASIS OF PREPARATION (continued)

Foreign currency translation (continued)

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 currency exchange rates to tenge:

	March 31, 2018	December 31, 2017	Weighted average for the three months ended March 31, 2018	Weighted average for the three months ended March 31, 2017	May 31, 2018
United States dollar (“USD”)	318.31	332.33	323.15	322.31	329.35
Euro (“EUR”)	392.32	398.23	396.97	343.34	385.34
Russian ruble (“RUR”)	392.32	398.23	396.97	343.34	5.31

New and amended standards and interpretations

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group’s annual consolidated financial statements for the year ended December 31, 2017, except for the adoption of new standards and interpretations effective as of January 1, 2018. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

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

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

IFRS 15 Revenue from Contracts with Customers

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

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

Adoption of IFRS 15 did not have significant effect on the interim condensed consolidated financial statements of the Group. As of January 1, 2018, the Group adjusted the balance of retained earnings in the amount of 1,418 million tenge and the non-controlling interest by 452 million tenge.

(a) Sale of goods

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

(b) Rendering of services

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

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

2. BASIS OF PREPARATION (continued)*IFRS 9 Financial Instruments*

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

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

(a) Classification and measurement

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

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

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

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

The Group accounts the financial guarantee contracts after initial recognition at the higher of the initially recognized amount and the amount of the estimated provision for expected credit losses. As a result, the Group has adjusted the balance of retained earnings as of January 1, 2018 and other long-term liabilities by 5,649 million tenge.

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

(b) Impairment

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

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

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

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

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

2. BASIS OF PREPARATION (continued)*IFRS 9 Financial Instruments (continued)**(b) Impairment (continued)*

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

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

As result of adoption of requirements of IFRS 9 with respect to ECL estimated provision for impairment losses of debt-based financial assets were increased. Accordingly, the Group recognised the adjustment to the opening balance of retained earnings and non-controlling interest for ECL as at January 1, 2018 in this interim consolidated statement of changes in equity on amounts due from credit institutions, loans issued, receivables and other financial assets in the amount of 42,063 million tenge, and the adjustment of revaluation reserve for financial assets accounted for under the FVOCI as of January 1, 2018 by difference between initial carrying amount and fair value of investments in equity instruments accounted for under the FVOCI, decreasing by 2,471 million tenge.

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

Profit or loss arising from modification of a financial liability measured at amortized cost is recognized in profit or loss. Income or expense is calculated as between the initial cash flows and the present value of estimated future cash flows provided for in the term, discounting them using the original effective interest rate of the financial instrument. As of January 1, 2018, the Group adjusted the opening balance of retained earnings as of January 1, 2018 and liabilities in the amount of 5,120 million tenge.

New standards, clarifications and amendments to existing standards and explanations*IFRIC Interpretation 22 Foreign Currency Transactions and Advance Considerations*

Profit or loss arising from modification of a financial liability measured at amortized cost is recognized in profit or loss. Income or expense is calculated as between the initial cash flows and the present value of estimated future cash flows provided for in the term, discounting them using the original effective interest rate of the financial instrument. As of January 1, 2018, the Group adjusted the opening balance of retained earnings as of January 1, 2018 and liabilities in the amount of 5,120 million tenge.

Amendments to IAS 40 Transfers of Investment Property

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

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

2. BASIS OF PREPARATION (continued)*Amendments to IFRS 2 Classification and Measurement of Share-based Payment Transactions*

The IASB issued amendments to IFRS 2 Share-based Payment that address three main areas: the effects of vesting conditions on the measurement of a cash-settled share-based payment transaction; the classification of a share-based payment transaction with net settlement features for withholding tax obligations; and accounting where a modification to the terms and conditions of a share-based payment transaction changes its classification from cash settled to equity settled. On adoption, entities are required to apply the amendments without restating prior periods, but retrospective application is permitted if elected for all three amendments and other criteria are met. The Group’s accounting policy for cash-settled share based payments is consistent with the approach clarified in the amendments. In addition, the Group has no share-based payment transaction with net settlement features for withholding tax obligations and had not made any modifications to the terms and conditions of its share-based payment transaction. Therefore, these amendments do not have any impact on the Group’s interim consolidated financial statements.

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

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

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

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

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

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

3. SEASONALITY OF OPERATIONS

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

4. BUSINESS COMBINATION**JV Inkai LLP**

On December 11, 2017, the National Atomic Company Kazatomprom JSC (the Fund’s subsidiary) and Cameco Corporation closed restructuring of JV Inkai LLP. JV Inkai LLP made significant changes in the charter and constituent documents, which had a significant impact on gaining control over investee. In accordance with the terms of the restructuring agreement, the National Atomic Company Kazatomprom JSC increased its interest in JV Inkai LLP from 40% to 60% and from January 1, 2018 obtained control over the investee. In addition, within the framework of the restructuring agreement JV Inkai LLP received permission to extend the contract for subsoil use until 2045. Prior to obtaining control, the Group accounted for JV Inkai LLP as an investment in a joint venture under the equity method.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

4. BUSINESS COMBINATION (continued)

JV Inkai LLP (continued)

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

<i>In millions of tenge</i>	At acquisition date
Assets	
Property, plant and equipment	118,950
Intangible assets	6,241
Other non-current financial assets	447
Other non-current assets	5,360
Inventories	5,579
Trade accounts receivable	19,162
Income tax prepaid	2,313
Other current assets	760
Cash and cash equivalents	1,036
Total assets	159,848
Liabilities	
Borrowings	38,955
Deferred tax liabilities	10,330
Trade and other payables	3,970
Other current and non-current liabilities	2,016
Total liabilities	55,271
Net identifiable assets	104,577
Less:	
Non-controlling interest	41,835
Share in net assets previously held by the Group (40%)	40,388
Cash paid	11
Gain on acquisition	22,343

JV Akbastau JSC and Karatau LLP

Since January 1, 2018, as a result of concluded agreements with the shareholder of joint venture JV Akbastau JSC and a participant of the joint venture Karatau LLP, NAC Kazatomprom JSC has classified investments in JV Akbastau JSC and Karatau LLP as joint operations and transferred from the accounting for the equity method to the accounting for assets and liabilities.

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

<i>In millions of tenge</i>	JV Akbastau JSC	Karatau LLP
Assets		
Property, plant and equipment	12,387	9,793
Intangible assets	61	108
Other non-current financial assets	86	268
Deferred tax assets	79	–
Other non-current assets	442	583
Inventories	1,716	1,206
Trade accounts receivable	4,988	6,027
Income tax prepaid	–	340
Other current assets	77	78
Cash and cash equivalents	372	1,512
Total assets	20,208	19,915
Liabilities		
Borrowings	2,235	–
Deferred tax liabilities	–	65
Trade and other payables	2,149	1,065
Other current and non-current liabilities	597	548
Total liabilities	4,981	1,678
Net identifiable assets	15,227	18,237
Less:		
Share in net assets previously held by the Group	14,637	17,887
Gain on transition to accounting for joint operations	590	350

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

5. DISCONTINUED OPERATIONS AND ASSETS CLASSIFIED AS HELD FOR SALE

Discontinued operations

KMG International N.V.

In December 2015 the Group decided to sell 51% interest in KMG International N.V. (“KMGI”) under the Complex privatisation plan for 2016-2020. On December 15, 2016 the Group signed a share purchase and sale agreement to sell a 51% interest in KMGI. The disposal is expected to be completed in 2018. This entity represents a separate geographical unit of operation for the Group and is classified as discontinued operations.

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

<i>In millions of tenge</i>	2018 (unaudited)	2017 (unaudited)
Revenue	680,652	472,373
Cost of sales	(376,929)	(337,154)
Gross profit	303,723	135,219
General and administrative expenses	(9,924)	(7,167)
Transportation and selling expenses	(13,333)	(10,648)
Revaluation adjustment less costs to sell	(9,565)	(13,702)
Other operating income	2,175	
Other operating losses	(102)	(82)
Operating profit	272,974	103,620
Net foreign exchange gain/(loss), net	43	(233)
Finance income	338	152
Finance costs	(3,066)	(2,555)
Share in profit of joint ventures and associates, net	–	221
Profit before income tax for the period from discontinued operations	270,289	101,205
Income tax benefit	132	486
Net profit after income tax for the period from discontinued operations	270,421	101,691

IFRS requires to eliminate income generated by entities consolidated into the Group and presented as continuing operations with entities classified as discontinued operations. Accordingly, Group’s profit and loss do not reflect results of continuing and discontinued operations, as if they were presented as separate entities due to significant volumes of crude oil sales from the Group to KMGI. Net loss of KMGI before intercompany eliminations for the three months years ended March 31, 2018 and 2017 was equal to 1,343 million tenge and 2,710 million tenge, respectively.

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

<i>In millions of tenge</i>	March 31, 2018 (unaudited)	December 31, 2017 (audited)
Assets		
Property, plant and equipment	525,008	559,865
Intangible assets	66,435	69,774
Investments in associates	12,716	13,278
Deferred tax asset	32,113	33,545
Other non-current assets	3,509	3,374
Inventories	133,811	141,472
Trade accounts receivable	242,501	161,543
Other current assets	27,824	30,103
Cash and cash equivalents	33,396	73,831
Assets classified as held for sale	1,077,313	1,086,785
Liabilities		
Borrowings	163,191	137,809
Deferred tax liabilities	65,093	68,725
Provisions	44,321	48,687
Other non-current liabilities	4,421	4,606
Trade accounts payable	187,279	188,731
Other taxes payable	24,640	24,406
Other current liabilities	51,947	58,039
Liabilities directly associated with the assets classified as held for sale	540,892	531,003
Net assets directly associated with the disposal group	536,421	555,782

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

4. DISCONTINUED OPERATIONS AND ASSETS CLASSIFIED AS HELD FOR SALE (continued)

Discontinued operations (continued)

KMG International N.V. (continued)

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

<i>In millions of tenge</i>	2018 (unaudited)	2017 (audited)
Operating	204,698	126,215
Investing	31,289	(8,718)
Financing	(7,584)	11,412
Net cash inflow	228,403	128,909

Net cash outflows before elimination of intragroup cash flows for the three months ended March 31, 2018 and 2017 amounted to 54 million and 37,888 million tenge, respectively.

Summary information

Assets classified as held for sale comprised the following:

<i>In millions of tenge</i>	Segment	March 31, 2018 (unaudited)	December 31, 2017 (audited)
KMGI	Oil and gas	1,077,313	1,086,785
Transtelecom JSC	Transportation	92,190	89,436
Tulpar-Talgo LLP	Transportation	24,199	28,514
Kazakh-British Technical University JSC	Oil and gas	15,009	16,803
Other		66,245	65,121
		1,274,956	1,286,659

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

<i>In millions of tenge</i>	Segment	March 31, 2018 (unaudited)	December 31, 2017 (audited)
KMGI	Oil and gas	540,892	531,003
Transtelecom JSC	Transportation	65,059	62,323
Tulpar-Talgo LLP	Transportation	21,436	24,069
Kazakh-British Technical University JSC	Oil and gas	1,201	1,925
Other		3,528	332
		632,116	619,652

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)**6. PROPERTY, PLANT AND EQUIPMENT**

<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 January 1, 2018 (audited)									
Foreign currency translation	3,824,579	1,226,974	943,246	992,446	2,601,787	55,470	68,595	1,069,150	10,782,247
Changes in estimates	(145,580)	-	(830)	(31)	(4,845)	-	(70)	(277)	(151,633)
Additions	(3,153)	(165)	91	-	-	(39)	-	-	(3,266)
Acquisition through business combinations	8,205	4,164	277	11	7,114	6,644	1,072	146,826	174,313
Disposals	-	-	37,609	-	26,808	71,474	939	4,300	141,130
Depreciation charge	(1,579)	(1,526)	(3,221)	(15)	(5,227)	-	(1,484)	(1,176)	(14,228)
Depreciation and impairment on disposals	(44,732)	(18,602)	(10,566)	(9,500)	(54,667)	(4,573)	(2,628)	-	(145,268)
Impairment, net of reversal of impairment	1,074	1,362	1,400	5	4,352	-	1,109	1,148	10,450
Utilization of reserve (Note 23)	4	-	92	38	(235)	(378)	(40)	(302)	(821)
Discontinued operations / transfer to assets classified as held for sale	-	-	-	-	-	-	-	(116)	(116)
Transfers from/(to) intangible assets	-	(50)	(8,277)	-	(388)	-	(1,965)	2	(10,678)
Transfers from/(to) exploration and evaluation assets, investment property	511	-	-	-	-	-	1	(610)	(98)
Transfer from/(to) inventories, net	25	-	339	-	-	-	-	-	364
Other transfers and reclassifications	7	79	-	(15)	758	(137)	8	745	1,445
Net book value at March 31, 2018 (unaudited)	13,575	4,416	1,504	1,524	53,377	2	2,116	(76,514)	-
	3,652,936	1,216,652	961,664	984,463	2,628,834	128,463	67,653	1,143,176	10,783,841
Historical cost	4,735,046	1,574,878	1,308,641	1,183,896	4,205,245	237,889	151,095	1,314,400	14,711,090
Accumulated depreciation and impairment	(1,082,110)	(358,226)	(346,977)	(199,433)	(1,576,411)	(109,426)	(83,442)	(171,224)	(3,927,249)
Net book value at March 31, 2018 (unaudited)	3,652,936	1,216,652	961,664	984,463	2,628,834	128,463	67,653	1,143,176	10,783,841

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

6. PROPERTY, PLANT AND EQUIPMENT (continued)

As at 31 March 2018 property, plant and equipment with net book value of 1,348,638 million tenge was pledged as collateral for some of the Group’s borrowings (as at 31 December 2017: 1,384,981 million tenge).

As at 31 March 2018 the carrying amount of property, plant and equipment acquired under finance lease agreements was equal to 110,632 million tenge (as at 31 December 2017: 113,688 million tenge).

As at 31 March 2018 the cost of fully amortised property, plant and equipment of the Group was equal to 525,507 million tenge (as at 31 December 2017: 511,072 million tenge).

For the three months ended 31 March 2018 the Group capitalized borrowing costs at an average interest rate of 1.2% in the amount of 9,245 million tenge (for the three months ended 31 March 2017: at the rate of 0.5% in the amount of 7,611 million tenge).

7. INTANGIBLE ASSETS

<i>In millions of tenge</i>	Licenses	Software	Goodwill	Subsurface use rights	Other	Total
Net book value at January 1, 2018 (audited)	477,777	51,591	97,876	233,883	62,684	923,811
Foreign currency translation	(19,682)	(40)	-	(7,584)	(20)	(27,326)
Additions	86	1,166	-	3	202	1,457
Acquisition through business combinations	-	68	-	6,341	-	6,409
Disposals	(111)	(515)	-	-	(2)	(628)
Amortization charge	(5,396)	(2,907)	-	(1,640)	(774)	(10,717)
Accumulated amortization on disposals	110	512	-	-	2	624
(Impairment)/reversal of impairment, net	-	3	-	-	2	5
Discontinued operations/transfer from/(to) assets classified as held for sale	(5)	(40)	-	-	-	(45)
Transfers from/(to) property, plant and equipment, net	94	515	-	(511)	-	98
Other transfers	238	(238)	-	-	-	-
Net book value at March 31, 2018 (unaudited)	453,111	50,115	97,876	230,492	62,094	893,688
Historical cost	486,376	123,998	139,657	245,919	74,201	1,070,151
Accumulated amortization and impairment	(33,265)	(73,883)	(41,781)	(15,427)	(12,107)	(176,463)
Net book value at March 31, 2018 (unaudited)	453,111	50,115	97,876	230,492	62,094	893,688

NOTES TO THE INTERIM CONDENSED 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	March 31, 2018 (unaudited)		December 31, 2017 (audited)	
			Carrying amount	Percentage ownership	Carrying amount	Percentage ownership
Joint ventures						
Tengizchevroil LLP	Oil and gas exploration and production	Kazakhstan	1,399,189	20.00%	1,353,084	20.00%
Mangistau Investments B.V.	Oil and gas exploration and production	Kazakhstan	157,271	50.00%	135,781	50.00%
Ural Group Limited BVI	Oil and gas exploration and production	Kazakhstan	65,824	50.00%	78,031	50.00%
JV KazGerMunay LLP	Oil and gas exploration and production	Kazakhstan	52,692	50.00%	47,537	50.00%
Valsera Holdings B.V.	Oil and gas exploration and production	Kazakhstan	37,455	50.00%	36,737	50.00%
Beineu-Shymkent Gaspipeline LLP	Construction and operation of the gas pipeline	Kazakhstan	35,393	50.00%	17,701	50.00%
Forum Muider B.V.	Coal production	Kazakhstan	34,739	50.00%	30,624	50.00%
Ekibastuzskaya GRES-2 JSC (“EGRES-2”)	Electricity production	Kazakhstan	25,044	50.00%	22,265	50.00%
Kazakhoil-Aktobe LLP	Oil and gas exploration and production	Kazakhstan	24,316	50.00%	22,716	50.00%
KazRosGas LLP	Processing and sale of natural gas and refined gas	Kazakhstan	22,343	50.00%	33,761	50.00%
Other			97,640		125,054	
Total joint ventures			1,951,906		1,903,291	
Associates						
Kazzinc LLP	Mining and processing of metal ores, production of refined metals	Kazakhstan/ Kazakhstan/ Russia	374,445	29.82%	443,336	29.82%
Caspian Pipeline Consortium JSC	Transportation of crude oil		198,244	20.75%	195,095	20.75%
PetroKazakhstan Inc. (“PKI”)	Exploration, production and processing of oil and gas	Kazakhstan	115,803	33.00%	115,920	33.00%
Khan Tengri Holding B.V.	Telecommunication	Kazakhstan	69,108	51.00%	68,327	51.00%
JV KATCO LLP	Exploration, production and processing of uranium	Kazakhstan	37,888	49.00%	38,504	49.00%
JV INKAI LLP	Exploration, production, processing and export of uranium	Kazakhstan	-	-	40,388	40.00%
Other			39,279		38,628	
Total associates			834,767		940,198	
			2,786,673		2,843,489	

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

8. INVESTMENTS IN JOINT VENTURES AND ASSOCIATES (continued)

The following table summarizes the movements in equity investments in joint ventures and associates in 2018:

In millions of tenge

Balance as at January 1, 2018 (audited)	2,843,489
Share in profit of joint ventures and associates, net (Note 23)	179,640
Dividends received	(90,289)
Change in dividends receivable	13,435
Adjustment of unrealized income	(490)
Additional contributions without change in ownership	3,912
Acquisitions	4,923
Disposals (Note 4)	(73,509)
Foreign currency translation	(96,074)
Other comprehensive loss, other than foreign currency translation	(120)
Reversal of impairment, net	4,084
Discount on loans issued	909
Change in accounting policy	(3,237)
Balance as at March 31, 2018 (unaudited)	2,786,673

9. AMOUNTS DUE FROM CREDIT INSTITUTIONS

Amounts due from credit institutions comprised the following:

<i>In millions of tenge</i>	March 31, 2018 (unaudited)	December 31, 2017 (audited)
Bank deposits	1,760,472	2,260,052
Loans to credit institutions	189,272	193,825
Less: impairment allowance	(17,788)	-
Amounts due from credit institutions, net	1,931,956	2,453,877
Less: current portion	(1,445,821)	(1,951,384)
Non-current portion	486,135	502,493

<i>In millions of tenge</i>	March 31, 2018 (unaudited)	December 31, 2017 (audited)
Ratings from AAA (Aaa) to AA-(Aa3)	-	106,428
Rating from A+(A1) to A-(A3)	967,258	1,337,930
Rating from BBB-(Baa3) to BB-(Ba3)	290,635	296,456
Rating from B+(B1) to B-(B3)	639,677	681,226
Rating from CCC+(Caa1) to CC(Ca)	2,755	-
No rating	31,631	31,837
	1,931,956	2,453,877

<i>In millions of tenge</i>	March 31, 2018 (unaudited)	December 31, 2017 (audited)
Amounts due from credit institutions, denominated in US dollars	1,289,037	1,771,886
Amounts due from credit institutions, denominated in tenge	640,129	679,132
Amounts due from credit institutions, denominated in other currencies	2,790	2,859
	1,931,956	2,453,877

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

9. AMOUNTS DUE FROM CREDIT INSTITUTIONS (continued)

<i>In millions of tenge</i>	March 31, 2018 (unaudited)	December 31, 2017 (audited)
International credit institutions	967,257	1,525,015
10 largest local banks	897,576	827,258
Other local credit institutions	67,123	101,604
	1,931,956	2,453,877

As at March 31, 2018 the weighted average interest rate on amounts due from credit institutions was 3.72% (December 31, 2017: 3.54%).

As at March 31, 2018 amounts due from credit institutions included cash of 17,042 million tenge pledged as collateral for certain Group’s borrowings (December 31, 2017: 32,382 million tenge).

10. OTHER NON-CURRENT ASSETS

Other non-current assets comprised the following:

<i>In millions of tenge</i>	March 31, 2018 (unaudited)	December 31, 2017 (audited)
Advances paid for non-current assets	458,902	387,988
Long-term VAT receivable	175,740	167,927
Restricted cash	87,393	67,247
Long-term receivables	50,796	49,472
Long-term inventories	14,282	14,200
Prepaid expenses	8,334	10,095
Cash in KazInvest Bank and Delta Bank	18,151	20,892
Other	7,902	28,834
Less: impairment provision	(59,913)	(58,701)
	761,587	687,954

11. CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprised the following:

<i>In millions of tenge</i>	March 31, 2018 (unaudited)	December 31, 2017 (audited)
Bank deposits – US dollars	624,242	850,080
Bank deposits – tenge	439,215	345,241
Bank deposits – other currency	220	185
Current accounts with banks – US dollars	526,803	585,001
Current accounts with banks – tenge	436,671	367,217
Current accounts with banks – other currency	27,688	15,278
Cash in transit	4,285	13,813
Cash on hand	7,929	6,778
Reverse repurchase agreements with other banks with contractual maturity of three months or less	4,896	6,520
Less: impairment reserve	(3,092)	(6)
	2,068,857	2,190,107

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 March 31, 2018 the weighted average interest rates for short-term bank deposits and current accounts were 3.9% and 1.22%, respectively (December 31, 2017: 3.2% and 0.8%, respectively).

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

12. EQUITY

12.1 Additional paid-in capital

During the three months ended March 31, 2018, the Group increased additional paid-in-capital by 3,979 million tenge, which represents the fair value of gas pipelines contributed by the Government on trust management. The trust management is a short-term mechanism until the legal title for the pipelines transfers to the Group. Accordingly, the Group recognised the asset and appropriate increase in additional paid-in capital, which will be reclassified to share capital once the legal procedures are completed.

12.2 Other distributions to the Shareholder

Social projects financing

During the three months ended March 31, 2018, in accordance with the order of the Shareholder, the Fund recognized obligations to finance various social projects for the period of 2017 to 2021 of 5,000 million tenge, Astana Economic Forum of 500 million tenge and implementation of investment projects on the construction of engineering infrastructure and improvement of the Shchuchinsk-Borovo resort zone for 600 million tenge.

Other distributions

During the three months ended March 31, 2018, the Group incurred costs of running PSA LLP, which acts as the Government Body for the Production Sharing Agreements in oil and gas area, of 516 million tenge as Other distributions to the Shareholder.

12.3 Share buyback by subsidiary

NC KMG

On December 8, 2017 KMG EP (subsidiary of NC KMG) announced the launch of a conditional tender offer (“Tender Offer”) to repurchase all of its outstanding GDRs at a price of 14 US dollars per GDR. On January 23, 2018 KMG EP also announced the launch of an offer to repurchase all of its common shares (“Share Offer”) placed on KASE at a price of 84 US dollars per a common share. On February 19, 2018, the first settlement date of the Tender Offer and the Share Offer (“First settlement date”), KMG EP acquired 134,070,054 GDRs and 320,688 common shares.

12.4 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>	March 31, 2018 (unaudited)	December 31, 2017 (audited)
Total assets	23,441,109	24,165,903
Less: intangible assets	(893,688)	(923,811)
Less: total liabilities	(12,274,006)	(12,502,738)
Net assets for common shares	10,273,415	10,739,354
Number of common shares	3,481,938,318	3,481,938,318
Book value per common share, tenge	2,950	3,084
	For the three months ended March 31, 2018 (unaudited)	For the three months ended March 31, 2017 (unaudited)
Earnings per share		
Weighted average number of common shares for basic and diluted earnings per share	3,481,938,318	3,481,778,347
Basic and diluted share in net profit for the period	61.74	17.69
Basic and diluted share in net profit/(loss) from continuing operations	(15.92)	(11.52)

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

13. BORROWINGS

Borrowings, including interest payable, comprised the following:

<i>In millions of tenge</i>	March 31, 2018 (unaudited)	December 31, 2017 (audited)
Fixed interest rate borrowings	4,768,952	4,909,976
Floating interest rate borrowings	1,939,929	2,006,483
	6,708,881	6,916,459
Less: amounts due for settlement within 12 months	(1,348,684)	(1,516,573)
Amounts due for settlement after 12 months	5,360,197	5,399,886

<i>In millions of tenge</i>	March 31, 2018 (unaudited)	December 31, 2017 (audited)
US dollar-denominated borrowings	5,317,485	5,507,211
Tenge-denominated borrowings	1,101,790	1,112,828
Other currency-denominated borrowings	289,606	296,420
	6,708,881	6,916,459

Foreign currency exchange rates changes

During the three months ended March 31, 2018 the carrying amount of borrowings decreased by 237,557 million tenge due to changes in foreign currency exchange rates.

Carrying amount of borrowings by the Group subsidiaries is presented below:

<i>In millions of tenge</i>	March 31, 2018 (unaudited)	December 31, 2017 (audited)
NC KMG and its subsidiaries	4,031,316	4,163,444
NC KTZh and its subsidiaries	1,117,866	1,158,981
The Fund	790,117	808,453
Samruk-Energy and its subsidiaries	275,677	298,527
KEGOC and its subsidiaries	160,290	161,789
NAC KAP and its subsidiaries	133,791	121,284
Other subsidiaries of the Fund	199,824	203,981
Total borrowings	6,708,881	6,916,459

Covenants

Under the terms of some loan agreements, respective subsidiaries of the Group are obliged to comply with certain covenants. The Group reviews compliance with all the Group loan covenants at each reporting date. As at March 31, 2018 the total amount of borrowings with some covenant conditions not being met, and for which the agreement letters for non-application of covenants in the reporting period has been received totaled 77,631 million tenge.

14. OTHER NON-CURRENT LIABILITIES

Other non-current liabilities comprised the following:

<i>In millions of tenge</i>	March 31, 2018 (unaudited)	December 31, 2017 (audited)
Prepayment on oil supply agreements	1,036,168	1,109,265
Obligations under guarantee agreements	35,531	29,157
Deferred income	27,443	25,944
Obligations to the Shareholder on the financing of social projects	7,493	7,553
Government grant liability	94	101
Other financial liabilities	-	2,509
Other non-financial liabilities	42,934	40,798
	1,149,663	1,215,327

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

14. OTHER NON-CURRENT LIABILITIES (continued)

Oil supply agreement

NC KMG

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

In January 2018 in accordance with an amendment signed in December 2017, the Group received an additional prepayment in the amount of 249,699 thousand US dollars (equivalent of 80,690 million tenge at the date of transaction) net of transaction costs.

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

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

For the three months ended March 31, 2018 the Group has partially settled the prepayments by oil supply in the total amount of 250,000 thousand US dollars.

KMG Kashagan B.V.

During 2016, KMG Kashagan B.V. entered into a long-term crude oil supply agreement. In accordance with the terms of the agreement, during the period from January 2017 till December 2021, KMG Kashagan B.V. will supply the minimum volume of oil of 7 million tons from the Kashagan field.

In 2017 the KMG Kashagan B.V. signed a addendum to the crude oil supply agreement. Under the terms of the addendum, the term of oil supplies was extended until September 2022, the minimum volume of oil from the Kashagan field was increased to 11.5 million tons. The agreement stipulates price determination on the basis of current market quotations and prepayment is discharged by means of physical supply of crude oil.

In accordance with the terms of the agreement, supply of oil started from January 2017. The KMG Kashagan B.V. considers this agreement as a contract, which was signed for the purpose of delivery of non-financial items in accordance with the KMG Kashagan B.V.’s expectations and sale requirements. Interest at rate of LIBOR plus 2.05% is annually accrued on outstanding balance of this prepayment. In accordance with the terms of agreement, the KMG Kashagan B.V. must ensure that supplied volume of crude oil must be unencumbered.

15. OTHER CURRENT LIABILITIES

Other current liabilities comprised the following:

<i>In millions of tenge</i>	March 31, 2018 (unaudited)	December 31, 2017 (audited)
Prepayment on oil supply agreements (<i>Note 14</i>)	344,836	332,330
Payables for acquisition of additional interest in the North-Caspian project	263,951	272,148
Advances received and deferred income	249,366	180,657
Other taxes payable	105,611	102,982
Due to employees	104,596	105,810
Amounts due to customers	24,680	24,777
Government grant liability	14,534	14,721
Obligations under quarantine agreements	9,876	10,378
Obligations to the Shareholder on the financing of social projects	4,473	4,013
Dividends payable	4,063	4,077
Other financial liabilities	7,850	20,967
Other non-financial liabilities	53,814	45,374
	1,187,650	1,118,234

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

16. REVENUE

Revenue comprised the following:

<i>In millions of tenge</i>	For the three months ended March 31, 2018 (unaudited)	For the three months ended March 31, 2017 (unaudited) (restated)*
Sales of crude oil	455,811	299,043
Railway cargo transportation	204,922	168,052
Sales of gas products	162,584	101,765
Oil and gas transportation	83,260	82,711
Sales of oil refined products	77,782	59,135
Electricity complex	76,886	73,074
Air transportation	56,836	51,278
Sales of uranium products	51,167	54,814
Telecommunication services	50,788	49,152
Sales of refined gold	47,600	39,174
Oil processing fees	42,184	31,035
Electricity transmission services	37,232	30,025
Railway passenger transportation	18,014	18,024
Interest revenue	11,059	13,240
Postal services	10,161	9,064
Less: indirect taxes and commercial discounts	(1,250)	(5)
Less: Quality bank for crude oil	(2,927)	(6,395)
Other revenue	59,410	74,120
	1,441,519	1,147,306

* Certain amounts shown here do not correspond to interim condensed consolidated financial statements as at 31 March 2017 and for the three months then ended and reflect restatement made, details of which are disclosed in Note 2.

The Group revenue does not include crude oil sale of KMGJ (Note 5), classified as discontinued operations.

17. COST OF SALES

Cost of sales comprised the following:

<i>In millions of tenge</i>	For the three months ended March 31, 2018 (unaudited)	For the three months ended March 31, 2017 (unaudited) (restated)*
Materials and supplies	607,587	386,284
Personnel costs, including social taxes and withdrawals	192,009	180,849
Depreciation, depletion and amortization	147,884	122,046
Fuel and energy	82,346	65,386
Transportation expenses	61,243	32,658
Production services received	46,575	41,298
Repair and maintenance	36,629	25,298
Mineral extraction tax	34,665	25,981
Interest expense	28,988	31,992
Taxes other than social tax and withdrawals	18,243	13,604
Rent	15,712	15,100
Other	39,982	40,728
	1,311,863	981,224

* Certain amounts shown here do not correspond to interim condensed consolidated financial statements as at 31 March 2017 and for the three months then ended and reflect restatement made, details of which are disclosed in Note 2.

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

18. GENERAL AND ADMINISTRATIVE EXPENSES

General and administrative expenses comprised the following:

<i>In millions of tenge</i>	For the three months ended March 31, 2018 (unaudited)	For the three months ended March 31, 2017 (unaudited)
Personnel costs, including social taxes and withdrawals	39,872	37,898
Taxes other than income tax	8,705	7,343
Depreciation and amortization	6,332	5,514
Consulting services	5,891	3,777
Rent	2,245	1,967
Allowance for doubtful debts	1,896	722
Business trips	1,465	1,308
Repair and maintenance	829	689
Fines and penalties, net	362	(3,729)
Sponsorship and charitable donations	64	15,098
Other	15,155	11,809
	82,816	82,396

19. TRANSPORTATION AND SELLING EXPENSES

Transportation and selling expenses comprised the following:

<i>In millions of tenge</i>	For the three months ended March 31, 2018 (unaudited)	For the three months ended March 31, 2017 (unaudited)
Custom duties	29,516	25,130
Rent tax	29,060	18,638
Transportation	24,952	22,035
Commission fees to agents and advertising	2,258	1,821
Personnel costs, including social taxes and withdrawals	2,116	2,310
Depreciation and amortization	761	1,441
Other	4,814	3,287
	93,477	74,662

20. (IMPAIRMENT LOSS)/REVERSAL OF IMPAIRMENT, NET

(Impairment loss)/reversal of impairment comprised the following:

<i>In millions of tenge</i>	For the three months ended March 31, 2018 (unaudited)	For the three months ended March 31, 2017 (unaudited)
Impairment of assets held for sale	(5,545)	(1,917)
Impairment of other financial assets	(2,151)	-
(Impairment)/reversal of impairment of property, plant and equipment and intangible assets	(816)	529
Impairment of VAT receivable	(583)	(758)
Reversal of impairment of investments in joint ventures and associates (Note 8)	4,084	14,654
Reversal of impairment of amounts in credit institutions	257	-
Reversal of impairment/(impairment) of loans issued	192	(9)
Other	(2,949)	(3,159)
	(7,511)	9,340

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

21. FINANCE COSTS

Finance costs comprised the following:

<i>In millions of tenge</i>	For the three months ended March 31, 2018 (unaudited)	For the three months ended March 31, 2017 (unaudited)
Interest on loans and debt securities issued	88,024	75,041
Interest on oil supply agreement	12,792	8,860
Discount on provisions and other payables	3,907	4,378
Interest on payable for the acquisition of additional interest in North Caspian Project	3,334	6,302
Interest on finance lease liabilities	1,457	1,106
Discount on assets at rates below market	1,010	5,604
Other	12,003	5,585
	122,527	106,876

22. FINANCE INCOME

Finance income comprised the following:

<i>In millions of tenge</i>	For the three months ended March 31, 2018 (unaudited)	For the three months ended March 31, 2017 (unaudited)
Interest income on amounts due from credit institutions and cash and cash equivalents	23,843	25,354
Income from loans and financial assets	11,157	10,005
Unwinding of discount on long-term receivables	1,479	3,117
Income from financial guarantees	536	451
Other	4,879	4,440
	41,894	43,367

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

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

<i>In millions of tenge</i>	For the three months ended March 31, 2018 (unaudited)	For the three months ended March 31, 2017 (unaudited)
Tengizchevroil LLP	104,756	64,154
Mangistau Investments B.V.	21,342	8,818
Beineu-Shymkent Gaspipeline LLP	16,867	1,007
Kazzinc LLP	16,555	17,175
Caspian Pipeline Consortium JSC	11,552	10,846
JV Kazgermunai LLP	6,959	6,928
Forum Muider B.V.	4,198	3,264
PKI	3,585	1,826
EGRES-2	2,779	1,282
Continental Logistics LLP	(2,468)	(331)
KazRosGas LLP	(5,985)	(6,119)
Ural Group Limited BVI	(9,016)	(416)
Other	8,516	16,260
	179,640	124,694

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

24. CONSOLIDATION

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

		Ownership percentage	
		March 31, 2018	December 31, 2017
1	National Company “KazMunayGas” JSC (“NC KMG”) and subsidiaries	90,09%	90,09%
2	“KMG Kashagan” B.V.	100,00%	100,00%
3	National Company “Kazakhstan Temir Zholy” JSC (“NC KTZh”) and subsidiaries	100,00%	100,00%
4	National Atomic Company “Kazatomprom” JSC (“NAC KAP”) and subsidiaries	100,00%	100,00%
5	“Samruk-Energy” JSC (“Samruk-Energy”) and subsidiaries	100,00%	100,00%
6	“Kazakhstan Electricity Grid Operating Company” JSC (“KEGOC”) and subsidiaries	90% + 1	90% + 1
7	“Kazpost” JSC and subsidiaries	100,00%	100,00%
8	“Kazakhtelecom” JSC (“KTC”) and subsidiaries	51,00%	51,00%
9	“Air Astana” JSC (“Air Astana”)	51,00%	51,00%
10	National Company “Kazakhstan Engineering” JSC (“Kazakhstan Engineering”) and subsidiaries	100,00%	100,00%
11	Real Estate Fund “Samruk-Kazyna” JSC and subsidiaries	100,00%	100,00%
12	National Mining Company “Tau-Ken Samruk” and subsidiaries	100,00%	100,00%
13	“United Chemical Company” LLP and subsidiaries (“UCC”)	100,00%	100,00%
14	“Samruk-Kazyna Invest” LLP	100,00%	100,00%
15	“Samruk-Kazyna Contract” LLP	100,00%	100,00%
16	“KOREM” JSC	100,00%	100,00%
17	“International Airport Atyrau” JSC	100,00%	100,00%
18	“International Airport Aktobe” JSC	100,00%	100,00%
19	“Airport Pavlodar” JSC	100,00%	100,00%
20	“SK Business Service” LLP and subsidiaries	100,00%	100,00%
21	“Qazaq Air” JSC (“Qazaq Air”)	100,00%	100,00%
22	Aviation Company “Air Kazakhstan” JSC	53,55%	53,55%

25. RELATED PARTY DISCLOSURES

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

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

25. RELATED PARTY DISCLOSURES (continued)

The following table shows the total amount of transactions that were made with related parties during the three months ended March 31, 2018 and March 31, 2017, and the corresponding balances as of March 31, 2018 and December 31, 2017:

<i>In millions of tenge</i>		Associates	Joint ventures where the Group is a venture	Other state- controlled entities
Due from related parties	March 31, 2018	22,289	40,326	13,804
	December 31, 2017	47,153	95,944	14,466
Due to related parties	March 31, 2018	29,378	159,067	6,193
	December 31, 2017	50,936	203,208	4,734
Sale of goods and services	March 31, 2018	18,289	74,131	61,361
	March 31, 2017	23,735	72,363	52,087
Purchase of goods and services	March 31, 2018	33,936	355,232	664
	March 31, 2017	30,310	254,618	2,460
Other income/(loss)	March 31, 2018	(5,063)	(4,610)	21,171
	March 31, 2017	(9,133)	(7,823)	25,670
Cash and cash equivalents, and amounts due from credit institutions (assets)	March 31, 2018	-	-	399,255
	December 31, 2017	-	-	334,546
Loans issued	March 31, 2018	122,788	366,937	178,879
	December 31, 2017	142,160	383,641	188,744
Borrowings	March 31, 2018	-	5	1,414,641
	December 31, 2017	-	5	1,442,348
Other assets	March 31, 2018	37,284	65,727	23,588
	December 31, 2017	18,148	90,459	23,173
Other liabilities	March 31, 2018	14,493	29,131	95,333
	December 31, 2017	12,838	15,183	46,610
Interest received	March 31, 2018	2,267	7,716	789
	March 31, 2017	2,636	7,006	5,037
Interest accrued	March 31, 2018	-	285	29,280
	March 31, 2017	29	1	32,980

As at March 31, 2018 some of the Group’s borrowings of 61,503 million tenge were guaranteed by the Government of the Republic of Kazakhstan (December 31, 2017: 65,629 million tenge).

Total compensation to key management personnel included in general and administrative expenses in the consolidated statement of comprehensive income was equal to 1,599 million tenge for the three months ended March 31, 2018 (March 31, 2017: 1,032 million tenge). Compensation to key management personnel mainly consists of contractual salary and other payments based on achievement of operating results.

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

26. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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

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

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

<i>In millions of tenge</i>	Level 1	Level 2	Level 3	December 31, 2017
Financial instruments category				
Assets				
Available-for-sale financial assets	3,672	11,918	–	15,590
Financial assets at fair value through profit and loss	–	42,369	21,504	63,873
Derivative financial assets	–	–	352	352

<i>In millions of tenge</i>	Level 1	Level 2	Level 3	December 31, 2017
Financial instruments category				
Assets				
Available-for-sale financial assets	3,611	11,702	235	15,548
Financial assets at fair value through profit and loss	–	–	22,129	22,129
Derivative financial assets	–	–	352	352

<i>In millions of tenge</i>	March 31, 2018 (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	1,931,956	1,975,365	1,278,566	514,480	182,319
Financial liabilities					
Borrowings	6,708,881	6,759,343	4,353,441	2,234,771	171,131
Loans from the Government of the Republic of Kazakhstan	801,679	606,546	–	606,546	–
Guarantee obligations	45,407	47,310	–	47,310	–

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

**26. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES
(continued)**

<i>In millions of tenge</i>	December 31, 2017 (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	2,453,877	2,441,455	1,853,717	517,078	70,660
Financial liabilities					
Borrowings	6,916,459	7,041,992	4,626,211	2,320,864	94,917
Loans from the Government of the Republic of Kazakhstan	782,048	596,584	-	596,584	-
Guarantee obligations	57,136	59,008	-	59,008	-

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

27. COMMITMENTS AND CONTINGENCIES

In addition to the contingent liabilities and commitments disclosed in the Group annual consolidated financial statements of the Group for the year ended December 31, 2017, the following changes have taken place during the three months ended March 31, 2018:

Cost recovery audits

As of March 31, 2018 the Group’s share in the total disputed amounts of the non-recoverable costs is 268,570 million tenge (December 31, 2017: 242,915 million tenge). The Group and its partners under the production sharing agreements are in negotiation with the Government with respect to the recoverability of these costs.

Kazakhstan local market obligation

During three months ended March 31, 2018, in accordance with its obligations, the Group, including joint ventures, delivered 1,487,355 tons of crude oil (three months ended March 31, 2017: 724,707 tons) to the Kazakhstan market.

Oil supply commitments

As of March 31, 2018 the Group had commitments under the oil supply agreement in the amount of 22.3 million ton to be delivered till March 2021 (as at December 31, 2017: 28.7 million ton).

Commitments under oilfield and mining field licenses and subsurface use contracts

As at March 31, 2018 the Group had following commitments on fulfillment of minimal work programs with respect to the requirements of their oilfield and mining licenses and related subsurface use contracts with the Government (in millions of tenge):

Year	Capital expenditures	Operational expenditures
2018	215,479	85,182
2019	111,637	81,105
2020	109,098	82,797
2021	89,622	81,216
2022-2048	1,659,097	421,344
Total	2,184,933	751,644

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

27. COMMITMENTS AND CONTINGENCIES (continued)

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

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

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

Commitments to extend guarantees were as follows:

<i>In millions of tenge</i>	March 31, 2018	December 31, 2017
Guarantees	408,023	592,923

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

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

Capital commitments

As at March 31, 2017 the Group, including its joint ventures and associates, had capital commitments of approximately 3,527,206 million tenge related to acquisition and construction of property, plant and equipment (as at December 31, 2017: 3,497,937 million tenge).

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

28. SEGMENT REPORTING

The following table represents information about profit and loss, assets and liabilities of operating segments of the Group as at March 31, 2018 and for the three months then ended:

<i>In millions of tenge</i>	Oil and gas	Mining	Trans- portation	Com- munication	Energy	Industrial	Corporate center	Other	Elimination	Total
Revenues from sales to external customers	851,101	119,415	292,279	61,272	101,285	4,686	7,273	4,208	-	1,441,519
Revenues from sales to other segments	23,994	4,503	3,043	1,075	16,700	1,707	5,837	1,077	(57,936)	-
Total revenue	875,095	123,918	295,322	62,347	117,985	6,393	13,110	5,285	(57,936)	1,441,519
Gross profit	24,910	19,001	40,522	21,140	49,563	1,217	(17,023)	3,171	(7,825)	134,676
General and administrative expenses	(32,138)	(7,121)	(26,551)	(6,969)	(6,410)	(2,075)	(2,264)	(741)	1,453	(82,816)
Transportation and selling expenses	(88,376)	(2,172)	(2,128)	(700)	(4,681)	(332)	-	-	4,912	(93,477)
Finance income	29,597	1,331	2,686	1,357	1,513	410	11,859	600	(7,459)	41,894
Finance costs	(85,358)	(3,050)	(25,096)	(1,191)	(9,965)	(965)	(7,677)	(356)	11,131	(122,527)
Share in profits of joint ventures and associates	155,091	18,722	(2,146)	838	7,045	90	-	-	-	179,640
Foreign exchange gain/(loss), net	(21,590)	(4,652)	33,377	(3,305)	3,299	4,249	(85,286)	-	-	(73,908)
Income tax expenses	(42,281)	(39)	(8,576)	(2,661)	(7,798)	(97)	(2,065)	(461)	-	(63,978)
Net (loss)/profit for the period from continuing operations	(55,519)	45,704	11,918	9,271	30,499	3,347	(104,907)	2,416	1,832	(55,439)
Net profit for the period from discontinued operations	270,421	-	-	-	-	-	-	-	-	270,421
Total net profit/(loss) for the period	214,902	45,704	11,918	9,271	30,499	3,347	(104,907)	2,416	1,832	214,982
Other segment information										
Total assets of the segment	14,793,969	1,570,106	3,367,929	565,361	1,406,451	565,539	7,517,266	265,927	(6,611,439)	23,441,109
Total liabilities of the segment	7,449,991	270,127	2,081,642	158,065	666,568	281,923	1,947,531	179,802	(761,643)	12,274,006
Investments in joint ventures and associates	2,143,109	480,102	25,671	70,065	92,973	7,035	-	59	(32,341)	2,786,673

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

28. SEGMENT REPORTING (continued)

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

<i>In millions of tenge</i>	Oil and gas	Mining	Trans- portation	Com- munication	Energy	Industrial	Corporate center	Other	Elimination	Total
Revenues from sales to external customers	606,145	118,407	247,817	58,302	95,496	7,499	10,388	3,252	-	1,147,306
Revenues from sales to other segments	23,904	4,552	2,772	1,391	16,530	1,480	4,654	608	(55,891)	-
Total revenue	630,049	122,959	250,589	59,693	112,026	8,979	15,042	3,860	(55,891)	1,147,306
Gross profit	81,851	14,453	31,257	20,169	46,045	(501)	(18,825)	2,425	(6,864)	170,010
General and administrative expenses	(23,216)	(6,279)	(21,064)	(5,334)	(7,020)	(2,313)	(17,775)	(655)	1,260	(82,396)
Transportation and selling expenses	(71,274)	(1,314)	(1,815)	(600)	(3,177)	(213)	-	-	3,731	(74,662)
Finance income	27,746	1,505	1,840	1,501	1,458	474	14,913	1,295	(7,365)	43,367
Finance costs	(68,849)	(2,939)	(27,160)	(1,380)	(7,265)	(2,352)	(5,806)	(404)	9,279	(106,876)
Share in profits of joint ventures and associates, net	92,409	29,834	(407)	(1,943)	4,790	12	-	(1)	-	124,694
Foreign exchange loss, net	(27,899)	(1,189)	47,781	(2,526)	14,020	(3,253)	(91,667)	(10)	(24)	(64,767)
Income tax expenses	(33,957)	(2,061)	(12,350)	(2,428)	(7,115)	(79)	(3,245)	(433)	-	(61,668)
Net (loss)/profit for the period from continuing operations	(14,966)	23,748	(30,326)	8,733	24,560	(8,240)	(45,579)	2,156	(180)	(40,094)
Net profit for the period from discontinued operations	101,691	-	-	-	-	-	-	-	-	101,691
Total net profit for the period	86,725	23,748	(30,326)	8,733	24,560	(8,240)	(45,579)	2,156	(180)	61,597
Other segment information										
Total assets of the segment	15,572,816	1,554,570	3,364,637	560,848	1,398,224	507,658	7,547,077	261,143	(6,601,070)	24,165,903
Total liabilities of the segment	7,655,338	324,298	2,082,746	160,549	687,577	227,373	1,940,502	172,659	(748,304)	12,502,738
Investments in joint ventures and associates	2,066,856	619,312	27,404	69,246	86,010	6,945	-	57	(32,341)	2,843,489

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

29. SUBSEQUENT EVENTS**Loans issued**

On April 24, 2018, the NC KMG completed the placement of the Eurobonds under the 10.5 billion US dollars Global Medium Term Notes Programme established by the Company and KazMunaiGaz Finance Sub B.V. (subsidiary of the NC KMG), in an aggregate principal amount of 3.25 billion US dollars. The Eurobonds were issued in three series, comprising (i) 500,000 thousand US dollars 4.750% Notes due 2025 (equivalent to 163,260 million tenge); (ii) 1,250,000 thousand US dollars 5.375% Notes due 2030 (equivalent to 408,150 million tenge); and (iii) US 1,500,000 thousand US dollars 6.375% Notes due 2048 (equivalent to 489,780 million tenge).

Borrowings

On April 11, 2018 KMG EP submitted notices to the Financial Conduct Authority to cancel the standard listing of the GDRs on the Official List and to the LSE to cancel admission of the GDRs to trading on the main market of the LSE. On April 11, 2018 KMG EP also submitted an application for the delisting of the common shares and the GDRs to the Listing Commission of the KASE. On May 10, 2018 KMG EP announced that the LSE delisting is effective and KASE has approved the KASE delisting too.

On May 4 and 11, 2018 NC KMG made early redemption of Eurobonds in the total amount of 3,463 million US dollars (equivalent to 1,143,982 million tenge at the date of payment), including interest.