

**Sovereign Wealth Fund  
“Samruk-Kazyna” JSC**

Interim condensed  
consolidated financial statements (unaudited)

*As at 30 June 2014 and for the six months then ended*

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Report on the review of the interim condensed consolidated financial statements

**Interim condensed consolidated financial statements (unaudited)**

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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 2014, 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 International Financial Reporting Standard 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 2014 and for the six-month period then ended are not prepared, in all material respects, in accordance with IAS 34.

*Ernst & Young LLP*

  
Bakhtiyor Eshonkulov  
Auditor/audit partner



Auditor qualification certificate No. MΦ-0000099  
dated 27 August 2012

10 September 2014

  
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**

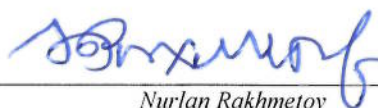
| <i>In millions of tenge</i>                  | Note | 30 June 2014<br>(unaudited) | 31 December 2013<br>(audited) |
|--|------|-----------------------------|-------------------------------|
| <b>Assets</b>                                |      |                             |                               |
| <b>Non-current assets</b>                    |      |                             |                               |
| Property, plant and equipment                | 6    | 8,103,650                   | 7,018,234                     |
| Intangible assets                            |      | 374,994                     | 284,325                       |
| Investments in joint ventures and associates | 7    | 1,795,780                   | 1,717,249                     |
| Loans to customers                           | 8    | 686,121                     | 647,083                       |
| Amounts due from credit institutions         | 9    | 572,929                     | 282,676                       |
| Deferred tax asset                           |      | 59,853                      | 42,084                        |
| Other non-current financial assets           |      | 159,304                     | 133,829                       |
| Other non-current assets                     | 10   | 566,918                     | 461,896                       |
|  |      | <b>12,319,549</b>           | <b>10,587,376</b>             |
| <b>Current assets</b>                        |      |                             |                               |
| Inventories                                  |      | 398,492                     | 346,300                       |
| VAT receivable                               |      | 241,994                     | 248,792                       |
| Income tax prepaid                           |      | 68,328                      | 77,721                        |
| Trade accounts receivable                    | 11   | 360,892                     | 361,069                       |
| Loans to customers                           | 8    | 178,282                     | 249,800                       |
| Amounts due from credit institutions         | 9    | 1,305,127                   | 1,291,888                     |
| Other current financial assets               |      | 79,391                      | 92,686                        |
| Other current assets                         | 11   | 296,182                     | 211,020                       |
| Cash and cash equivalents                    | 12   | 1,159,102                   | 740,994                       |
|  |      | <b>4,087,790</b>            | <b>3,620,270</b>              |
| Assets classified as held for sale           |      | 15,373                      | 1,086,843                     |
| <b>Total assets</b>                          |      | <b>16,422,712</b>           | <b>15,294,489</b>             |

*Notes on pages 9-39 are an integral part of these interim condensed consolidated financial statements.*

**INTERIM CONSOLIDATED BALANCE SHEET (continued)**

| <i>In millions of tenge</i>                                    | Note | 30 June 2014<br>(unaudited) | 31 December 2013<br>(audited) |
|--|------|-----------------------------|-------------------------------|
| <b>Equity</b>  |      |                             |                               |
| <b>Equity attributable to equity holder of the Parent</b>      |      |                             |                               |
| Share capital  | 13   | 4,549,791                   | 4,484,676                     |
| Revaluation reserve for available-for-sale investments         |      | 33,965                      | 25,302                        |
| Currency translation reserve                                   |      | 504,903                     | 272,655                       |
| Other capital reserves   |      | (4,793)                     | (2,711)                       |
| Retained earnings  |      | 2,161,788                   | 1,947,379                     |
|  |      | <b>7,245,654</b>            | <b>6,727,301</b>              |
| Non-controlling interest                                       |      | 775,173                     | 779,291                       |
| <b>Total equity</b>  |      | <b>8,020,827</b>            | <b>7,506,592</b>              |
| <b>Non-current liabilities</b>                                 |      |                             |                               |
| Borrowings   | 14   | 4,271,986                   | 3,366,527                     |
| Loans from the Government of the Republic of Kazakhstan        | 15   | 408,317                     | 197,216                       |
| Finance lease liabilities                                      |      | 92,842                      | 74,982                        |
| Provisions   | 17   | 157,840                     | 137,246                       |
| Deferred tax liability   |      | 444,966                     | 377,919                       |
| Employee benefit liabilities                                   |      | 59,212                      | 55,717                        |
| Amounts due to customers                                       | 16   | 30,568                      | 11,152                        |
| Other non-current liabilities                                  | 18   | 471,171                     | 272,798                       |
|  |      | <b>5,936,902</b>            | <b>4,493,557</b>              |
| <b>Current liabilities</b>                                     |      |                             |                               |
| Borrowings   | 14   | 1,028,243                   | 607,839                       |
| Loans from the Government of the Republic of Kazakhstan        | 15   | 118,297                     | 71,342                        |
| Finance lease liabilities                                      |      | 14,822                      | 13,698                        |
| Provisions   | 17   | 184,480                     | 140,711                       |
| Employee benefit liabilities                                   |      | 4,505                       | 4,578                         |
| Income taxes payable   |      | 32,651                      | 58,010                        |
| Trade and other payables                                       |      | 451,775                     | 429,407                       |
| Amounts due to customers                                       | 16   | 149,311                     | 230,763                       |
| Derivatives  |      | 1,132                       | 527                           |
| Other current liabilities                                      |      | 477,149                     | 517,515                       |
|  |      | <b>2,462,365</b>            | <b>2,074,390</b>              |
| Liabilities associated with assets classified as held for sale |      | 2,618                       | 1,219,950                     |
| <b>Total liabilities</b>                                       |      | <b>8,401,885</b>            | <b>7,787,897</b>              |
| <b>Total equity and liabilities</b>                            |      | <b>16,422,712</b>           | <b>15,294,489</b>             |

Finance director – Member of the Management Board



Nurlan Rakhmetov

Chief accountant



Almaz Akgrakhmanova

Notes on pages 9-39 are an integral part of these interim condensed consolidated financial statements.

**INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**

| <i>In millions of tenge</i>                                 | <b>Note</b> | <b>For the six<br/>months ended<br/>30 June 2014<br/>(unaudited)</b> | <b>For the six<br/>months ended<br/>30 June 2013*<br/>(unaudited)</b> |
|---|-------------|--|---|
| Revenue   | 19          | 2,493,158  | 2,250,232   |
| Government grants   |             | 15,549   | 14,507  |
|   |             | <b>2,508,707</b>   | <b>2,264,739</b>  |
| Cost of sales   | 20          | <b>(1,768,802)</b>   | <b>(1,594,590)</b>  |
| <b>Gross profit</b>   |             | <b>739,905</b>   | <b>670,149</b>  |
| General and administrative expenses                         | 21          | <b>(175,284)</b>   | <b>(174,175)</b>  |
| Transportation and selling expenses                         | 22          | <b>(191,137)</b>   | <b>(152,819)</b>  |
| Impairment loss   | 23          | <b>(81,514)</b>  | <b>(131,512)</b>  |
| <b>Operating profit</b>                                     |             | <b>291,970</b>   | <b>211,643</b>  |
| Finance costs   | 24          | <b>(138,955)</b>   | <b>(112,043)</b>  |
| Finance income  | 25          | <b>55,929</b>  | <b>35,646</b>   |
| Share in profit of joint ventures and associates, net       | 26          | <b>231,440</b>   | <b>282,262</b>  |
| Net foreign exchange loss                                   | 27          | <b>(54,986)</b>  | <b>(11,322)</b>   |
| Other non-operating (loss) / income, net                    |             | <b>(4,782)</b>   | <b>14,411</b>   |
| <b>Profit before income tax</b>                             |             | <b>380,616</b>   | <b>420,597</b>  |
| Income tax expenses   |             | <b>(119,794)</b>   | <b>(114,985)</b>  |
| <b>Net profit for the period from continuing operations</b> |             | <b>260,822</b>   | <b>305,612</b>  |
| (Loss)/profit from discontinued operations, net of tax      |             | <b>(6,472)</b>   | <b>1,333</b>  |
| <b>Net profit for the period</b>                            |             | <b>254,350</b>   | <b>306,945</b>  |

*Notes on pages 9-39 are an integral part of these interim condensed consolidated financial statements.*

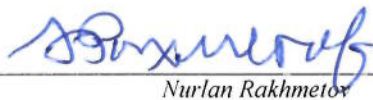


**INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (continued)**

| <i>In millions of tenge</i>  | Note | For the six<br>months ended<br>30 June 2014<br>(unaudited) | For the six<br>months ended<br>30 June 2013*<br>(unaudited) |
|--|------|--|---|
| <b>Other comprehensive income, net of tax</b>  |      |  |   |
| <i>Other comprehensive income to be reclassified to profit or loss in subsequent periods:</i>      |      |  |   |
| Exchange differences on translation of foreign operations  |      | 248,443  | 18,436  |
| Unrealised profit from revaluation of available-for-sale investments                               |      | 6,176  | 2,036   |
| Reclassification of realized gains and losses on available-for-sale investments to profit and loss |      | 3,262  | (244)   |
| <b>Other comprehensive income to be reclassified to profit or loss in subsequent periods</b>       |      | <b>257,881</b>   | <b>20,228</b>   |
| <i>Other comprehensive income not to be reclassified to profit or loss in subsequent periods:</i>  |      |  |   |
| Actuarial losses on defined benefit plans, net of taxes  |      | (1,182)  | (335)   |
| Loss from cash flow hedging instruments  |      | -  | (254)   |
| <b>Other comprehensive loss not to be reclassified to profit or loss in the subsequent periods</b> |      | <b>(1,182)</b>   | <b>(589)</b>  |
| <b>Other comprehensive income for the period, net of tax</b>                                       |      | <b>256,699</b>   | <b>19,639</b>   |
| <b>Total comprehensive income for the period, net of income tax</b>                                |      | <b>511,049</b>   | <b>326,584</b>  |
| <b>Net profit for the period attributable to:</b>  |      |  |   |
| Equity holder of the Parent  |      | 215,441  | 286,112   |
| Non-controlling interest   |      | 38,909   | 20,833  |
|  |      | <b>254,350</b>   | <b>306,945</b>  |
| <b>Total comprehensive income for the period, net of income tax, attributable to</b>               |      |  |   |
| Equity holder of the Parent  |      | 464,384  | 305,863   |
| Non-controlling interest   |      | 46,665   | 20,721  |
|  |      | <b>511,049</b>   | <b>326,584</b>  |

\* Certain amounts in this column are not consistent with the amounts in the interim condensed consolidated financial statements for the six months ended 30 June 2013, as they reflect reclassifications of BTA Bank JSC and Temirbank JSC to discontinued operations.

Finance director – Member of the Management Board

  
Nurlan Rakhmetov

Chief accountant

  
Almaz Abdurakhmanova

Notes on pages 9-39 are an integral part of these interim condensed consolidated financial statements.



## INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

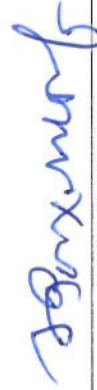
| In millions of tenge   | Note | Attributable to the equity holder of the Parent |  |                              |                        |                   |           |                          | Total     |
|--|------|---|--|------------------------------|------------------------|-------------------|-----------|--------------------------|-----------|
|  |      | Share capital                                   | Revaluation reserve for available-for-sale investments | Currency translation reserve | Other capital reserves | Retained earnings | Total     | Non-controlling interest |           |
| <b>Balance as at 31 December 2012 (audited)</b>  |      | 4,409,314                                       | 24,846   | 219,712                      | 16,200                 | 1,944,252         | 6,614,324 | 801,135                  | 7,415,459 |
| <b>Total comprehensive income for the period</b>   |      | -   | 2,308  | 17,876                       | (433)                  | 286,112           | 305,863   | 20,721                   | 326,584   |
| Issue of share capital   |      | 9,320   | -  | -                            | -                      | -                 | 9,320     | -                        | 9,320     |
| Discount on bonds acquired by the National Bank of the Republic of Kazakhstan            |      | -   | -  | -                            | -                      | 249,828           | 249,828   | -                        | 249,828   |
| Dividends  |      | -   | -  | -                            | -                      | -                 | -         | (46,366)                 | (46,366)  |
| Other transactions with the Shareholder  |      | -   | 1,997  | (92)                         | (17,617)               | (540,795)         | (556,507) | -                        | (556,507) |
| Recognition of share based payments  |      | -   | -  | -                            | 32                     | 46                | 78        | (34)                     | 44        |
| Acquisition of subsidiaries  |      | -   | -  | -                            | -                      | -                 | -         | 12,287                   | 12,287    |
| Change in ownership interests of subsidiaries – acquisition by non-controlling interest  |      | -   | -  | -                            | -                      | 13,408            | 13,408    | 6,943                    | 20,351    |
| Change in ownership interests of subsidiaries – acquisitions of non-controlling interest |      | -   | -  | 1                            | 2                      | (970)             | (967)     | (497)                    | (1,464)   |
| Buy back of subsidiary's shares from the market performed by subsidiary                  |      | -   | -  | -                            | -                      | (124)             | (124)     | (119)                    | (243)     |
| Other distributions to the Shareholder   |      | -   | -  | -                            | -                      | 1,817             | 1,817     | -                        | 1,817     |
| Additions to other capital reserves  |      | -   | -  | -                            | 4                      | (4)               | -         | -                        | -         |
| <b>Balance as at 30 June 2013 (unaudited)</b>  |      | 4,418,634                                       | 29,151   | 237,497                      | (1,812)                | 1,953,570         | 6,637,040 | 794,070                  | 7,431,110 |

Notes on pages 9-39 are an integral part of these interim condensed consolidated financial statements.

**INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (continued)**

| In millions of tenge  | Note | Attributable to the equity holder of the Parent |  |                              |                        |                   |           |                          | Total     |
|---|------|---|--|------------------------------|------------------------|-------------------|-----------|--------------------------|-----------|
|   |      | Share capital                                   | Revaluation reserve for available-for-sale investments | Currency translation reserve | Other capital reserves | Retained earnings | Total     | Non-controlling interest |           |
| <b>Balance as at 31 December 2013 (audited)</b>   |      | 4,484,676                                       | 25,302   | 272,655                      | (2,711)                | 1,947,379         | 6,727,301 | 779,291                  | 7,506,592 |
| <b>Total comprehensive income for the period</b>  |      | -   | 7,205  | 232,248                      | 9,490                  | 215,441           | 464,384   | 46,665                   | 511,049   |
| Issue of share capital  | 13.1 | 65,115  | -  | -                            | -                      | -                 | 65,115    | -                        | 65,115    |
| Discount on loans from the Government of the Republic of Kazakhstan                     | 15   | -   | -  | -                            | -                      | 12,363            | 12,363    | -                        | 12,363    |
| Dividends   | 13.2 | -   | -  | -                            | -                      | -                 | -         | (58,363)                 | (58,363)  |
| Acquisition of subsidiaries   |      | -   | -  | -                            | -                      | -                 | -         | 2,070                    | 2,070     |
| Change in ownership interests of subsidiaries – acquisition by non-controlling interest | 13.3 | -   | 1,723  | -                            | (11,529)               | 16,178            | 6,372     | 5,138                    | 11,510    |
| Change in ownership interests of subsidiaries – acquisition of non-controlling interest | 13.4 | -   | (265)  | -                            | -                      | (20,073)          | (20,338)  | 410                      | (19,928)  |
| Other distributions to the Shareholder  | 13.5 | -   | -  | -                            | -                      | (9,502)           | (9,502)   | -                        | (9,502)   |
| Other equity movements  |      | -   | -  | -                            | (43)                   | 2                 | (41)      | (38)                     | (79)      |
| <b>Balance as at 30 June 2014 (unaudited)</b>   |      | 4,549,791                                       | 33,965   | 504,903                      | (4,793)                | 2,161,788         | 7,245,654 | 775,173                  | 8,020,827 |

Finance director – Member of the Management Board



Nurlan Rakhmetov

Chief accountant



Almaz Abdurakhmanova

Notes on pages 9-39 are an integral part of these interim condensed consolidated financial statements.

**INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS**

| Note   | For the six<br>months ended<br>30 June 2014<br>(unaudited) | For the six<br>months ended<br>30 June 2013*<br>(unaudited) |
|--|--|---|
| <b>Cash flows from operating activities</b>  |  |   |
|  | 380,616  | 420,597   |
|  | (5,743)  | (5,100)   |
| Adjustments for:   |  |   |
| Depreciation, depletion and amortization   | 20, 21, 22<br>200,911                                      | 172,457   |
| Share in profit of joint ventures and associates, net  | 7, 26<br>(231,440)   | (282,262)   |
| Finance costs  | 24<br>138,955  | 112,043   |
| Finance income   | 25<br>(55,929)   | (35,646)  |
| Impairment loss  | 23<br>81,514   | 131,512   |
| Long-term employee benefits  | 4,983  | 9,722   |
| Provision charges  | 48,214   | 12,875  |
| Allowance for doubtful accounts  | 21<br>8,328  | 1,806   |
| Derivatives  | 10,441   | 16  |
| Loss on disposal of property, plant and equipment and other non-current assets, net                | 3,730  | 2,089   |
| Gain from revaluation of existing share in EGRES-1 on step acquisition                             | 4, 7, 26<br>(18,115)                                       | -   |
| Reclassification of realized gains and losses on available-for-sale investments to profit and loss | 3,262  | (244)   |
| Unrealised foreign exchange loss/(gain) from continuing operations                                 | 54,986   | (483)   |
| Unrealised foreign exchange (gain)/loss from discontinued operations                               | (13,201)   | 829   |
| Other non-cash transactions  | 1,812  | (317)   |
| <b>Cash flows from operating activities before working capital changes</b>                         | <b>613,324</b>   | <b>539,894</b>  |
| Changes in loans to customers  | 247,440  | (94,226)  |
| Changes in amounts due from credit institutions  | 104,772  | (17,700)  |
| Changes in other financial assets  | (4,290)  | 16,441  |
| Changes in inventories   | (20,744)   | (32,936)  |
| Changes in VAT receivable  | 13,508   | (14,456)  |
| Changes in trade accounts receivable   | 33,980   | 43,441  |
| Changes in other assets  | 19,714   | (5,523)   |
| Changes in borrowings and loans from the Government of the Republic of Kazakhstan                  | 8,093  | 37,910  |
| Changes in trade and other payables  | (67,861)   | (78,894)  |
| Changes in amounts due to customers  | (73,907)   | (87,054)  |
| Changes in other liabilities   | (4,838)  | (16,180)  |
| <b>Cash flows generated from operating activities</b>  | <b>869,191</b>   | <b>290,717</b>  |
| Income taxes paid  | (144,655)  | (139,129)   |
| Interest paid  | (88,313)   | (55,070)  |
| Interest received  | 38,384   | 17,655  |
| <b>Net cash flows from operating activities</b>  | <b>674,607</b>   | <b>114,173</b>  |

Notes on pages 9-39 are an integral part of these interim condensed consolidated financial statements.

**INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS (continued)**

|  | Note | For the six<br>months ended 30<br>June 2014<br>(unaudited) | For the six<br>months ended<br>30 June 2013*<br>(unaudited) |
|--|------|--|---|
| <b>Cash flows from investing activities</b>                  |      |  |   |
| Placement of bank deposits, net                              |      | (42,642)   | (176,346)   |
| Acquisition of joint ventures and associates                 |      | (20,711)   | (252,832)   |
| Acquisition of subsidiaries, net of cash acquired            | 4    | (233,274)  | (22,409)  |
| Purchase of property, plant and equipment                    |      | (385,165)  | (422,143)   |
| Purchase of intangible assets                                |      | (3,562)  | (5,136)   |
| (Purchase)/sale of other financial assets, net               |      | (6,858)  | 21,925  |
| Proceeds from sale of property, plant and equipment          |      | 1,711  | 4,243   |
| Advances paid for non-current assets                         |      | (27,137)   | (88,062)  |
| Dividends received from joint ventures and associates        | 7    | 135,810  | 172,626   |
| Proceeds from sale of subsidiaries                           | 5    | 54,201   | 4,528   |
| Cash of subsidiaries reclassified to disposal group          |      | -  | (171,417)   |
| Stock options exercised                                      |      | (40)   | -   |
| <b>Net cash flows used in investing activities</b>           |      | <b>(527,667)</b>   | <b>(935,023)</b>  |
| <b>Cash flows from financing activities</b>                  |      |  |   |
| Proceeds from borrowings                                     |      | 485,354  | 1,035,060   |
| Repayment of borrowings                                      |      | (285,600)  | (322,875)   |
| Repayment of finance lease liabilities                       |      | (6,503)  | (4,635)   |
| Buy back of subsidiaries' shares                             |      | -  | (243)   |
| Transactions with the Shareholder                            |      | (10,852)   | (7,922)   |
| Dividends paid to non-controlling interest of subsidiaries   |      | (44,505)   | (882)   |
| Acquisition of non-controlling interest                      | 13.4 | (10,753)   | (1,293)   |
| Issuance of share capital                                    | 13.1 | 54,500   | 9,320   |
| Contributions by non-controlling interest                    | 13.3 | 11,510   | 25,879  |
| <b>Net cash flows from financing activities</b>              |      | <b>193,151</b>   | <b>732,409</b>  |
| Net increase/(decrease) in cash and cash equivalents         |      | 340,091  | (88,441)  |
| Effect of exchange rate changes on cash and cash equivalents |      | 78,017   | (189)   |
| Cash and cash equivalents, at the beginning of the period    | 12   | 740,994  | 1,465,548   |
| <b>Cash and cash equivalents, at the end of the period</b>   | 12   | <b>1,159,102</b>   | <b>1,376,918</b>  |

\* Certain amounts in this column are not consistent with the amounts in the interim condensed consolidated financial statements for the six months ended 30 June 2013, as they reflect reclassifications of BTA Bank JSC and Temirbank JSC to discontinued operations.

\*\* Information on significant non-cash transactions is disclosed in Note 29.

Finance director – Member of the Management Board

  
Nurlan Rakhmetov

Chief accountant

  
Almaz Abdurakhmanova

Notes on pages 9-39 are an integral part of these interim condensed consolidated financial statements.

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

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

The Government's overall objective of the reorganization is 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 the entities.

The Fund is a holding company combining state-owned enterprises listed in *Note 28* (the "Group"). According to the Law of the Republic of Kazakhstan "On Sovereign Wealth Fund" No. 550-4 enacted on 1 February 2012, 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 seven reportable operating segments (*Note 33*):

- 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 operations 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 and industrial segment is engaged in exploration, mining, processing and sales of mineral resources, defense industry enterprises and civil engineering, projects for the development of chemical industry and geological exploration;
- Financial and innovation institutions segment includes operations related to assisting the Government in increasing housing availability by investing into residential development. Further, this segment includes commercial banks acquired by the Fund during 2009;
- Corporate center and projects segment covers Fund's investing and financing activities, including provision of loans to related and third parties.

The Fund's registered office is located at the following address: Astana, Kunayev str. 8, the Republic of Kazakhstan.

These interim condensed consolidated financial statements were authorised for issue by the Finance director – Member of the Management Board and Chief accountant of the Fund on 10 September 2014.

**2. BASIS OF PREPARATION**

These interim condensed consolidated financial statements for the six months ended 30 June 2014 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 2013.

**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 30 June 2014 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.

## NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

### 2. BASIS OF PREPARATION (continued)

#### Foreign currency translation (continued)

##### *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 of monetary assets and liabilities denominated in foreign currencies at exchange rates at the end of the period are recognized in profit and loss, except for hedging transaction (*Note 29*).

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 the initial transactions. Non-monetary assets measured at the fair value in a foreign currency are translated using the exchange rates at the date when fair value was 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 Fund's functional 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 for the period (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 in other comprehensive income.

#### Foreign currency translation

##### *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:

|                | 30 June 2014 | 31 December 2013 |
|----------------|--------------|------------------|
| US dollar      | 183.52       | 154.06           |
| Euro           | 250.60       | 212.02           |
| Russian rouble | 5.40         | 4.68             |
| CHF            | 206.29       | 173.02           |

The currency exchange rate of KASE as at 10 September 2014 was 182.00 tenge to 1 US dollar.

#### New and amended standards and interpretations

The accounting policies applied in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2013, except for the adoption of new standards and interpretations noted below:

##### *Investment Entities - Amendments to IFRS 10, IFRS 12 and IAS 27*

These amendments provide an exception to the consolidation requirement for entities that meet the definition of an investment entity under IFRS 10 *Consolidated Financial Statements*. The exception to consolidation requires investment entities to account for subsidiaries at fair value through profit or loss. These amendments did not have any effect to the interim condensed consolidated financial statements of the Group, since none of the Group's entities meet criteria to classify as investment entity under IFRS 10.

## NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

### 2. BASIS OF PREPARATION (continued)

#### New and amended standards and interpretations (continued)

##### *Offsetting Financial Assets and Financial Liabilities - Amendments to IAS 32*

These amendments clarify the meaning of “currently has a legally enforceable right to set-off” and the criteria for non-simultaneous settlement mechanisms of clearing houses to qualify for offsetting. These amendments did not have any impact on interim condensed consolidated financial statements of the Group.

##### *Novation of Derivatives and Continuation of Hedge Accounting - Amendments to IAS 39*

These amendments provide relief from discontinuing hedge accounting when novation of a derivative designated as a hedging instrument meets certain criteria. The amendments had no impact on the interim condensed consolidated financial statements of the Group, since the Group has not novated its derivatives during the reporting or prior periods.

##### *Recoverable Amount Disclosures for Non-Financial Assets - Amendments to IAS 36*

These amendments remove unintended consequences of IFRS 13 *Fair Value Measurement* on the disclosures required under IAS 36 *Impairment of Assets*. In addition, these amendments require disclosure of the recoverable amounts for the assets or cash-generating units (CGUs) for which the impairment loss has been recognized or reversed during the period. The amendments had no impact on the interim condensed consolidated financial statements of the Group.

##### *IFRIC 21 Levies*

IFRIC 21 is effective for annual periods beginning on or after 1 January 2014 and is applied retrospectively. It is applicable to all levies imposed by the government under legislation, other than outflows that are within the scope of other standards (e.g., IAS 12 *Income Tax*) and fines and other penalties for breaches of legislation.

The interpretation clarifies that an entity recognizes a liability for levy no earlier than when the activity that triggers payment, as identified by the relevant legislation, occurs. It also clarifies that a levy liability is accrued progressively only if the activity that triggers payment occurs over a period of time, in accordance with the relevant legislation. For levy that is triggered upon reaching a minimum threshold, no liability is recognised before the specified minimum threshold is reached. The interpretation requires these same principles to be applied in the interim condensed consolidated financial statements of the Group. The interpretation had no impact on the interim condensed consolidated financial statements of the Group.

### 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. ACQUISITIONS

#### Acquisition of interest in “Ekibastuzskaya GRES-1 named after Bulat Nurzhanov”

On 31 March 2014 the Group acquired the remaining 50% interest in Ekibastuzskaya GRES-1 named after Bulat Nurzhanov LLP (“EGRES-1”), a coal-fired power station with available capacity of 3000 MW. The total consideration paid was equal to 236,652 million tenge. The Group started to consolidate results of EGRES-1 from 1 April 2014.

The following table summarizes the consideration paid for EGRES-1, and the amounts of the assets acquired and liabilities assumed recognised at the acquisition date.

| <i>In millions of tenge</i>                          | <b>31 March 2014</b> |
|--|----------------------|
| <b>Consideration</b>                                 |                      |
| Cash and cash equivalents                            | 236,652              |
| Provisional fair value of previously held interest * | 175,270              |
| <b>Total consideration</b>                           | <b>411,922</b>       |



## NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

### 4. ACQUISITIONS (continued)

#### Acquisition of interest in "Ekibastuzskaya GRES-1 named after Bulat Nurzhanov"

Recognized amounts of identifiable net assets acquired and liabilities assumed (provisional fair value) as at the date of acquisitions were as follows:

| <i>In millions of tenge</i>          | <b>31 March 2014</b> |
|--------------------------------------|----------------------|
| <b>Assets</b>                        |                      |
| Property, plant and equipment **     | 385,974              |
| Other non-current assets             | 1,815                |
| Inventories                          | 5,892                |
| Trade and other receivables          | 4,040                |
| Other current assets                 | 3,478                |
| Cash and cash equivalents            | 3,629                |
|                                      | <b>404,828</b>       |
| <b>Liabilities</b>                   |                      |
| Borrowings                           | (9,990)              |
| Other non-current liabilities        | (744)                |
| Deferred tax liability               | (48,744)             |
| Trade and other payables             | (8,883)              |
| Other current liabilities            | (1,911)              |
|                                      | <b>(70,272)</b>      |
| <b>Total identifiable net assets</b> | <b>334,556</b>       |
| Goodwill                             | 77,366               |
| <b>Total consideration</b>           | <b>411,922</b>       |

\* The fair value of the previously held interest (50% share) in the amount of 175,270 million tenge is also provisional pending receipt of the valuation report.

\*\* The fair value of the acquired identifiable property, plant and equipment in the amount of 385,974 million tenge is provisional pending receipt of the valuation report for those assets. Deferred tax liability in the amount of 48,744 million tenge has been provided in relation to these provisional fair value adjustments.

As a result of the acquisition, the Group increased its share in the production of electric energy segment and become the largest power generation group in Kazakhstan. Accordingly, the Group recognized goodwill in the amount of 77,366 million tenge on acquisition.

Revenue and profit included in the interim condensed consolidated financial statements from the date of acquisition comprised 21,089 million tenge and 9,532 million tenge, respectively. If the acquisition had been made at the beginning of the year, the Group's profit would be increased by 9,012 million tenge.

#### *Impairment of goodwill*

An impairment charge of 31,296 million tenge on goodwill on this acquisition has been recognised by the Group, resulting in the carrying amount of EGRES-1 being written down to its recoverable amount (Note 23). On 11 February 2014 the National Bank of the Republic of Kazakhstan ("NBRK") decided to stop supporting the tenge exchange rate and decrease currency interventions. As a result, the exchange rate of tenge depreciated from 155 to 185 tenge for 1 US dollar. The main reason of impairment charge on goodwill is the devaluation of tenge against US dollar, as the agreement on acquisition with Kazakhmys Plc was signed in December 2013 but the transaction was completed on 31 March 2014.

The recoverable amount of EGRES-1 (CGU) has been determined based on value-in-use calculations. These calculations use pre-tax cash flow projections based on financial budgets approved by management covering a five-year period. Cash flows beyond the five-year period are extrapolated using the estimated growth rates stated below. The growth rate does not exceed the long-term average growth rate for the power generation industry in which EGRES-1 operates. The discount rates used are pre-tax and reflect specific risks relating to the relevant operating segments. The key assumptions used for value-in-use calculations are long term growth rate of 3.7% and discount rate of 13.6%.

## NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

### 5. DISCONTINUED OPERATIONS, ASSETS CLASSIFIED AS HELD FOR SALE AND LOSS OF CONTROL OVER SUBSIDIARY

#### Temirbank JSC and BTA Bank JSC

##### Temirbank JSC

In December 2013 the Fund and Mr. Bulat Utemuratov concluded agreement for sale-purchase of 79.88% of common shares of Temirbank JSC ("Temirbank"). The transaction was completed on 15 May 2014.

Results of operations of Temirbank are presented as follows:

| <i>In millions of tenge</i>                                  | For the<br>period ended<br>15 May 2014 | For the six<br>months ended<br>30 June 2013* |
|--|--|--|
| Revenue  | 10,244                                 | 14,150                                       |
| Cost of sales  | (3,356)                                | (4,459)                                      |
| <b>Gross profit</b>  | <b>6,888</b>                           | <b>9,691</b>                                 |
| General and administrative expenses                          | (3,046)                                | (5,385)                                      |
| Reversal of impairment/(impairment loss)                     | 250                                    | (5,255)                                      |
| Other operating income, net                                  | 440                                    | 178  |
| <b>Operating profit/(loss)</b>                               | <b>4,532</b>                           | <b>(771)</b>                                 |
| Net foreign exchange gain                                    | 1,234                                  | 76   |
| <b>Profit/(loss) before tax from discontinued operations</b> | <b>5,766</b>                           | <b>(695)</b>                                 |
| Income tax benefit/(expense)                                 | 283                                    | (979)  |
| <b>Profit/(loss) from discontinued operations</b>            | <b>6,049</b>                           | <b>(1,674)</b>                               |

\* As at 30 June 2014 the Group restated its interim consolidated statements of comprehensive income and cash flows for the six months ended 30 June 2013 due to recognition of Temirbank as discontinued operations.

Net cash flows of Temirbank are presented as follows:

| <i>In millions of tenge</i>        | For the<br>period ended<br>15 May 2014 | For the six<br>months ended<br>30 June 2013* |
|------------------------------------|--|--|
| Operating                          | 26,612                                 | (11,235)                                     |
| Investing                          | (141)                                  | 1,380  |
| Financing                          | -                                      | (138)  |
| <b>Net cash inflows/(outflows)</b> | <b>26,471</b>                          | <b>(9,993)</b>                               |

Gain on disposal of assets related to discontinued operations is presented as follows:

| <i>In millions of tenge</i>  | 15 May 2014  |
|--|--------------|
| Consideration received   | 29,752       |
| Net assets disposed  | (31,389)     |
| Non-controlling interest disposed                                    | 8,107        |
| <b>Gain on disposal of assets related to discontinued operations</b> | <b>6,470</b> |

Consideration received for 79.88% of Temirbank's common shares is presented as follows:

| <i>In millions of tenge</i>                   | 15 May 2014   |
|---|---------------|
| Cash  | 22,000        |
| Deferred consideration: non-current (Note 10) | 7,752         |
| <b>Total consideration received</b>           | <b>29,752</b> |

## NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

### 5. DISCONTINUED OPERATIONS, ASSETS CLASSIFIED AS HELD FOR SALE AND LOSS OF CONTROL OVER SUBSIDIARY (continued)

#### Temirbank JSC and BTA Bank JSC (continued)

##### BTA Bank JSC

On 31 January 2014 the Fund, Kazkommertzbank JSC ("KKB") and Mr. Kenes Rakishev concluded agreement on sale-purchase of 93% of common shares of BTA Bank JSC ("BTA Bank").

KKB and Mr. Rakishev acquired 46.5% shares of BTA Bank each with the ultimate aim to merge of BTA Bank and KKB in a single bank. The remaining share of the Fund in BTA Bank of 4.26% was transferred to trust management of KKB until 31 January 2017 or until the date of the merger whatever comes earlier. Fair value of the remaining share in BTA Bank was equal to 4,923 million tenge as of 30 June 2014. As a result of this transaction the Fund lost control over BTA Bank as at 30 June 2014.

Results of operations of BTA Bank are presented as follows:

| <i>In millions of tenge</i>                                  | For the six<br>months ended<br>30 June 2014 | For the six<br>months ended<br>30 June 2013* |
|--|---|--|
| Revenue  | 68,818                                      | 70,290                                       |
| Cost of sales  | (41,629)                                    | (41,337)                                     |
| <b>Gross profit</b>  | <b>27,189</b>                               | <b>28,953</b>                                |
| General and administrative expenses                          | (21,018)                                    | (18,983)                                     |
| Impairment loss  | (46,699)                                    | (6,744)                                      |
| Other operating income, net                                  | 1,449                                       | 131  |
| <b>Operating (loss)/profit</b>                               | <b>(39,079)</b>                             | <b>3,357</b>                                 |
| Net foreign exchange gain/(loss)                             | 11,966                                      | (906)  |
| <b>(Loss)/profit before tax from discontinued operations</b> | <b>(27,114)</b>                             | <b>2,451</b>                                 |
| Income tax (expense)/benefit                                 | (9,227)                                     | 8,100  |
| <b>(Loss)/profit from discontinued operations</b>            | <b>(36,341)</b>                             | <b>10,551</b>                                |

\* As at 30 June 2014 the Group restated its interim consolidated statements of comprehensive income and cash flows for the six months ended 30 June 2013 due to recognition of BTA Bank as discontinued operations.

Net cash flows of BTA Bank are presented as follows:

| <i>In millions of tenge</i> | For the six<br>months ended<br>30 June 2014 | For the six<br>months ended<br>30 June 2013* |
|-----------------------------|---|--|
| Operating                   | (15,608)                                    | (1,508)                                      |
| Investing                   | 5,542                                       | 1,122  |
| Financing                   | (2,584)                                     | (344)  |
| <b>Net cash outflows</b>    | <b>(12,650)</b>                             | <b>(730)</b>                                 |

Gain on disposal of assets related to discontinued operations is presented as follows:

| <i>In millions of tenge</i>  | 30 June 2014  |
|--|---------------|
| Consideration received   | 122,690       |
| Net assets disposed  | (114,534)     |
| Fair value of remaining share in BTA Bank                            | 4,923         |
| Non-controlling interest disposed                                    | 4,073         |
| <b>Gain on disposal of assets related to discontinued operations</b> | <b>17,152</b> |

## NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

### 5. DISCONTINUED OPERATIONS, ASSETS CLASSIFIED AS HELD FOR SALE AND LOSS OF CONTROL OVER SUBSIDIARY (continued)

#### *Temirbank JSC and BTA Bank JSC (continued)*

#### *BTA Bank JSC (continued)*

Consideration received for 93% of BTA Bank's common shares is presented as follows:

| <i>In millions of tenge</i>                   | <b>30 June 2014</b> |
|---|---------------------|
| Cash  | 31,000              |
| Deferred consideration: current (Note 11)     | 7,750               |
| Deferred consideration: non-current (Note 10) | 52,940              |
| 100% shares of Shalkiya Zinc JSC              | 31,000              |
| <b>Total consideration received</b>           | <b>122,690</b>      |

#### *Shalkiya Zinc JSC*

As at 30 June 2014 the Fund exercised control over Shalkiya Zinc JSC.

The amount of assets acquired and liabilities assumed as of the date of acquisition are represented by:

| <i>In millions of tenge</i>   | <b>Date of acquisition</b> |
|-------------------------------|----------------------------|
| <b>Assets</b>                 |                            |
| Property, plant and equipment | 3,016                      |
| Intangible assets             | 27,859                     |
| Other assets                  | 570                        |
| <b>Total assets</b>           | <b>31,445</b>              |
| <b>Liabilities</b>            |                            |
| Other liabilities             | (445)                      |
| <b>Total liabilities</b>      | <b>(445)</b>               |
| <b>Net assets*</b>            | <b>31,000</b>              |

\* *The fair value of acquired identifiable assets and liabilities in the amount of 31,000 million tenge is provisional pending receipt of the valuation report.*

Revenue and net income of Shalkiya Zinc JSC from the date of acquisition included in the interim condensed consolidated financial statements are not significant. If the acquisition had been made at the beginning of the year, the Group's profit would not have changed significantly.

## NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

## 6. PROPERTY, PLANT AND EQUIPMENT

| <i>In millions of tenge</i>                            | Oil and gas assets | Exploration and evaluation assets | Pipeline and refinery assets | Buildings and premises | Railway tracks and infrastructure | Machinery, equipment and vehicles | Mining assets | Other    | Construction in progress | Total       |
|--|--------------------|-----------------------------------|------------------------------|------------------------|-----------------------------------|-----------------------------------|---------------|----------|--------------------------|-------------|
| <b>Net book value at 1 January 2014 (audited)</b>      | 2,067,708          | 205,152                           | 768,002                      | 601,499                | 599,537                           | 1,928,114                         | 33,719        | 62,205   | 752,298                  | 7,018,234   |
| Foreign currency translation                           | 342,857            | 16,481                            | 62,374                       | 11,038                 | -                                 | 10,136                            | -             | 778      | 2,148                    | 445,812     |
| Additions  | 52,872             | 13,019                            | 14,125                       | 1,095                  | 717                               | 50,634                            | 33,984        | 2,685    | 311,400                  | 480,531     |
| Acquisition through business combinations              | -                  | 70                                | 375                          | 55,640                 | -                                 | 231,048                           | -             | 6,570    | 96,358                   | 390,061     |
| Disposals  | (3,523)            | (36)                              | (1,122)                      | (5,691)                | (380)                             | (10,559)                          | -             | (2,063)  | (366)                    | (23,740)    |
| Discontinued operations                                | -                  | -                                 | -                            | -                      | -                                 | (2)                               | -             | (46)     | -                        | (48)        |
| Depreciation charge                                    | (32,880)           | -                                 | (32,766)                     | (15,190)               | (11,900)                          | (91,735)                          | (5,166)       | (6,685)  | -                        | (196,322)   |
| Depreciation and impairment on disposals               | 3,523              | -                                 | 796                          | 3,719                  | 19                                | 7,686                             | -             | 1,438    | 760                      | 17,941      |
| Impairment provision, net of reversal                  | (23,998)           | -                                 | (49)                         | 762                    | 16                                | 775                               | (120)         | (94)     | (2,669)                  | (25,377)    |
| Loss of control over subsidiary                        | -                  | -                                 | -                            | (436)                  | -                                 | (209)                             | -             | (23)     | (200)                    | (868)       |
| Transfer to assets classified as held for sale         | -                  | -                                 | (207)                        | (6)                    | -                                 | (60)                              | -             | -        | (1)                      | (274)       |
| Transfer from/(to) intangible assets, net              | (100)              | (177)                             | -                            | -                      | -                                 | 305                               | -             | 3        | (4,375)                  | (4,344)     |
| Transfers from/(to) inventories, net                   | -                  | (113)                             | -                            | 4                      | (360)                             | 1,770                             | -             | 616      | 127                      | 2,044       |
| Other transfers and reclassifications                  | 45,902             | (60)                              | 20,891                       | 20,409                 | 4,948                             | 74,806                            | 15            | 5,170    | (172,081)                | -           |
| <b>Net book value at 30 June 2014 (unaudited)</b>      | 2,452,361          | 234,336                           | 832,419                      | 672,843                | 592,597                           | 2,202,709                         | 62,432        | 70,554   | 983,399                  | 8,103,650   |
| Cost   | 2,943,999          | 240,203                           | 1,171,716                    | 873,205                | 710,174                           | 3,212,066                         | 102,693       | 139,919  | 1,003,834                | 10,397,809  |
| Accumulated depreciation and impairment                | (491,638)          | (5,867)                           | (339,297)                    | (200,362)              | (117,577)                         | (1,009,357)                       | (40,261)      | (69,365) | (20,435)                 | (2,294,159) |
| <b>Net book value at 30 June 2014 (unaudited)</b>      | 2,452,361          | 234,336                           | 832,419                      | 672,843                | 592,597                           | 2,202,709                         | 62,432        | 70,554   | 983,399                  | 8,103,650   |
| Cost   | 2,497,106          | 211,019                           | 1,052,770                    | 783,606                | 705,249                           | 2,848,013                         | 68,694        | 125,876  | 770,062                  | 9,062,395   |
| Accumulated depreciation and impairment                | (429,398)          | (5,867)                           | (284,768)                    | (182,107)              | (105,712)                         | (919,899)                         | (34,975)      | (63,671) | (17,764)                 | (2,044,161) |
| <b>Net book value as at 31 December 2013 (audited)</b> | 2,067,708          | 205,152                           | 768,002                      | 601,499                | 599,537                           | 1,928,114                         | 33,719        | 62,205   | 752,298                  | 7,018,234   |

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

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**6. PROPERTY, PLANT AND EQUIPMENT (continued)**

As at 30 June 2014, certain items of property, plant and equipment with net book value of 1,716,614 million tenge (31 December 2013: 1,395,600 million tenge) were pledged as collateral for some of the Group's borrowings.

As at 30 June 2014, carrying amount of property, plant and equipment acquired under finance lease agreements, included in property, plant and equipment was equal to 128,940 million tenge (31 December 2013: 118,348 million tenge).

As at 30 June 2014, cost of fully amortised property, plant and equipment of the Group was equal to 566,341 million tenge (31 December 2013: 494,378 million tenge).

During the six months ended 30 June 2014, the Group capitalized borrowing costs in the amount of 11,984 million tenge (during the six months ended 30 June 2013: 3,799 million tenge).

During the six months ended 30 June 2014, the Group recorded net impairment loss in the amount of 25 billion tenge, which is mainly attributable to impairment of property, plant and equipment of JSC KazMunaiGas Exploration Production ("KMG EP") in the amount of 27 billion tenge. Impairment loss of KMG EP was primarily due to the increase in employee benefit costs and export custom duty from 60 US dollars per ton to 80 US dollars per ton.

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

Investments in joint ventures and associates comprised the following:

| <i>In millions of tenge</i>                  |   |                   | 30 June 2014 (unaudited) | 31 December 2013 (audited) |           |
|--|---|-------------------|--------------------------|----------------------------|-----------|
|  | Principal activities  | Place of business | Carrying amount          | Carrying amount            |           |
|  |   |                   |                          | Ownership                  |           |
| <b>Joint ventures</b>                        |   |                   |                          |                            |           |
| Tengizchevroil LLP                           | Oil and gas exploration and production                            | Kazakhstan        | 452,130                  | 311,881                    | 20.00%    |
| Mangistau Investments B.V.                   | Oil and gas exploration and production                            | Netherlands       | 206,974                  | 185,003                    | 50.00%    |
| Kazakhstan-Aktobe LLP                        | Oil and gas exploration and production                            | Kazakhstan        | 88,206                   | 83,800                     | 50.00%    |
| JV KazGerMunay LLP                           | Oil and gas exploration and production                            | Kazakhstan        | 75,436                   | 69,047                     | 50.00%    |
| Beineu-Shymkent Gas Pipeline LLP             | Construction and operation of the Beineu-Shymkent gas pipeline    | Kazakhstan        | 74,529                   | 70,269                     | 50.00%    |
| KazRosGas LLP                                | Processing and sale of natural gas and refined gas                | Kazakhstan        | 70,262                   | 46,082                     | 50.00%    |
| Ekibastuzskaya GRES-2 JSC ("GRES-2")         | Electricity production  | Kazakhstan        | 35,143                   | 38,662                     | 50.00%    |
| Kazakhstan Petrochemical Industries Inc. LLP | Construction of first integrated chemical complex                 | Kazakhstan        | 28,017                   | 28,057                     | 51.00%    |
| Ural Group Limited                           | Exploration of oil and gas condensate                             | Kazakhstan        | 26,764                   | 22,627                     | 50.00%    |
| Forum Muidir B. V.                           | Electricity production  | Netherlands       | 26,302                   | 28,344                     | 50.00%    |
| Ekibastuzskaya GRES-1 LLP (Note 4)           | Electricity production  | Kazakhstan        | ~                        | 153,122                    | 50.00%    |
| Other  |   |                   | 149,144                  | 174,234                    |           |
| <b>Total joint ventures</b>                  |   |                   | <b>1,232,907</b>         | <b>1,211,128</b>           |           |
|  |   |                   |                          |                            |           |
| <i>In millions of tenge</i>                  |   |                   |                          |                            |           |
|  | Principal activities  | Place of business | Carrying amount          | Carrying amount            | Ownership |
|  |   |                   |                          |                            |           |
| <b>Associates</b>                            |   |                   |                          |                            |           |
| Kazzinc LLP                                  | Mining and processing of metal ores, production of refined metals | Kazakhstan        | 234,883                  | 199,877                    | 29.82%    |
| PetroKazakhstan Inc.                         | Exploration, production and processing of oil and gas             | Kazakhstan        | 121,038                  | 86,391                     | 33.00%    |
| Sekerbank T.A.S.                             | Banking   | Turkey            | 60,124                   | 66,498                     | 21.93%    |
| JV KATKO LLP                                 | Exploration, production and processing of uranium                 | Kazakhstan        | 39,203                   | 42,757                     | 49.00%    |
| Other  |   |                   | 107,625                  | 88,598                     |           |
| <b>Total associates</b>                      |   |                   | <b>562,873</b>           | <b>506,121</b>             |           |
|  |   |                   | <b>1,795,780</b>         | <b>1,717,249</b>           |           |

The Group disposed BTA Bank, thus the Group's share in Sekerbank T.A.S. decreased by 11.76% in the amount of 30,892 million tenge related to share of BTA Bank in this bank (Note 5).



## NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

### 7 INVESTMENTS IN JOINT VENTURES AND ASSOCIATES (continued)

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

*In millions of tenge*

|   |                  |
|---|------------------|
| <b>Balance at 1 January 2014 (audited)</b>                      | <b>1,717,249</b> |
| Share in profit of joint ventures and associates, net (Note 26) | 231,440          |
| Other comprehensive income                                      | 162,866          |
| Dividends received  | (135,810)        |
| Change in dividends receivable                                  | (32,723)         |
| Acquisitions and additional contributions                       | 40,057           |
| Disposals (Note 4)  | (188,514)        |
| Other changes in equity of joint ventures and associates        | 1,053            |
| Reversal of impairment (Note 23)                                | 162              |
| <b>Balance as at 30 June 2014 (unaudited)</b>                   | <b>1,795,780</b> |

Acquisitions are mostly represented by an additional non-cash contribution to Beineu-Shymkent Gas Pipeline LLP in the amount of 19,223 million tenge (Note 29) and a cash contribution to the share capital of Chinese Kazakhstan International Logistics Company of Lyanyungan city in the amount of 6,059 million tenge.

### 8. LOANS TO CUSTOMERS

Loans to customers comprised the following:

| <i>In millions of tenge</i>        | 30 June 2014<br>(unaudited) | 31 December 2013<br>(audited) |
|------------------------------------|-----------------------------|-------------------------------|
| Loans to large entities            | 672,727                     | 719,762                       |
| Loans to individuals               | 338,163                     | 331,358                       |
| Loans to small and medium business | 36,839                      | 40,165                        |
| Net investment in finance leases   | 8,673                       | 9,041                         |
| Other loans                        | 4,310                       | 4,117                         |
| <b>Total loans to customers</b>    | <b>1,060,712</b>            | <b>1,104,443</b>              |
| Less: impairment allowance         | (196,309)                   | (207,560)                     |
| <b>Loans to customers, net</b>     | <b>864,403</b>              | <b>896,883</b>                |
| Less: current portion              | (178,282)                   | (249,800)                     |
| <b>Non-current portion</b>         | <b>686,121</b>              | <b>647,083</b>                |

Movements in the customer loan impairment allowance were as follows for the six months ended 30 June 2014:

*In millions of tenge*

|   |                |
|---|----------------|
| <b>Allowance at 1 January 2014 (audited)</b>    | <b>207,560</b> |
| Charged, net (Note 23)                          | 23,798         |
| Foreign currency translation                    | 41,449         |
| Write off                                       | (76,498)       |
| <b>Allowance as at 30 June 2014 (unaudited)</b> | <b>196,309</b> |

## NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

### 9. AMOUNTS DUE FROM CREDIT INSTITUTIONS

Amounts due from credit institutions comprised the following:

| <i>In millions of tenge</i>                      | 30 June 2014<br>(unaudited) | 31 December 2013<br>(audited) |
|--|-----------------------------|-------------------------------|
| Bank deposits                                    | 1,514,618                   | 1,356,231                     |
| Loans to credit institutions                     | 363,438                     | 218,333                       |
| <b>Amounts due from credit institutions, net</b> | <b>1,878,056</b>            | <b>1,574,564</b>              |
| Less: current portion                            | (1,305,127)                 | (1,291,888)                   |
| <b>Non-current portion</b>                       | <b>572,929</b>              | <b>282,676</b>                |

| <i>In millions of tenge</i>       | 30 June 2014<br>(unaudited) | 31 December 2013<br>(audited) |
|-----------------------------------|-----------------------------|-------------------------------|
| 10 largest local banks            | 1,089,866                   | 997,137                       |
| Other local credit institutions   | 421,193                     | 189,063                       |
| International credit institutions | 366,997                     | 388,364                       |
|                                   | <b>1,878,056</b>            | <b>1,574,564</b>              |

| <i>In millions of tenge</i>   | 30 June 2014<br>(unaudited) | 31 December 2013<br>(audited) |
|---|-----------------------------|-------------------------------|
| Amounts due from credit institutions, denominated in tenge            | 1,081,479                   | 884,287                       |
| Amounts due from credit institutions, denominated in US dollars       | 792,170                     | 689,287                       |
| Amounts due from credit institutions, denominated in other currencies | 4,407                       | 990                           |
|   | <b>1,878,056</b>            | <b>1,574,564</b>              |

As at 30 June 2014 the weighted average interest rate on amounts due from credit institutions was 4.77% (31 December 2013: 4.68%).

Amounts due from credit institutions placed by the Fund in disposed subsidiaries, BTA Bank and Temirbank, previously eliminated as intragroup accounts, increased total amount due from credit institutions by 313.115 million tenge.

### 10. OTHER NON-CURRENT ASSETS

Other non-current assets comprised the following:

| <i>In millions of tenge</i>          | 30 June 2014<br>(unaudited) | 31 December 2013<br>(audited) |
|--------------------------------------|-----------------------------|-------------------------------|
| Advances paid for non-current assets | 329,654                     | 302,517                       |
| Non-current accounts receivable      | 70,308                      | 8,596                         |
| Long-term VAT receivable             | 65,864                      | 62,997                        |
| Prepaid expenses                     | 22,138                      | 23,548                        |
| Restricted cash                      | 14,065                      | 12,544                        |
| Assets for sale to the Government    | 13,300                      | 14,148                        |
| Long-term inventories                | 8,106                       | 8,886                         |
| Other                                | 69,767                      | 56,310                        |
| Less: impairment allowance           | (26,284)                    | (27,650)                      |
|                                      | <b>566,918</b>              | <b>461,896</b>                |

As at 30 June 2014 advances paid for non-current assets are mainly represented by advances paid for construction and purchase of property, plant and equipment.

Non-current accounts receivable mainly comprise of discounted amount of deferred consideration for BTA Bank shares payable in 3 (three) years in the amount of 52.940 million tenge and for Temirbank shares payable in 5 (five) years in the amount of 7.752 million tenge (Note 5).

## NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

### 11. TRADE ACCOUNTS RECEIVABLE AND OTHER CURRENT ASSETS

Trade accounts receivable comprised the following:

| <i>In millions of tenge</i>        | 30 June 2014<br>(unaudited) | 31 December 2013<br>(audited) |
|------------------------------------|-----------------------------|-------------------------------|
| Trade accounts receivable          | 405,712                     | 397,699                       |
| Less: allowance for doubtful debts | (44,820)                    | (36,630)                      |
|                                    | <b>360,892</b>              | <b>361,069</b>                |

Other current assets comprised the following:

| <i>In millions of tenge</i>              | 30 June 2014<br>(unaudited) | 31 December 2013<br>(audited) |
|--|-----------------------------|-------------------------------|
| Advances paid and deferred expenses      | 86,053                      | 54,901                        |
| Asset for the benefit of the Shareholder | 72,354                      | 70,627                        |
| Other accounts receivable                | 60,378                      | 39,328                        |
| Dividends receivable                     | 54,042                      | 21,319                        |
| Other prepaid taxes                      | 23,616                      | 22,348                        |
| Restricted cash                          | 8,536                       | 11,991                        |
| Amounts due from employees               | 5,715                       | 5,107                         |
| Other                                    | 25,567                      | 17,515                        |
| Less: impairment allowance               | (40,079)                    | (32,116)                      |
|  | <b>296,182</b>              | <b>211,020</b>                |

At 30 June 2014 the Group's receivables in the amount of 42,184 million tenge were pledged under loan agreements (31 December 2013: 91,914 million tenge).

### 12. CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprised the following:

| <i>In millions of tenge</i>  | 30 June 2014<br>(unaudited) | 31 December 2013<br>(audited) |
|--|-----------------------------|-------------------------------|
| Bank deposits – tenge  | 381,913                     | 230,131                       |
| Bank deposits – US dollars   | 209,745                     | 171,099                       |
| Bank deposits – other currencies   | 11,708                      | 15,610                        |
| Current accounts with banks – tenge  | 333,382                     | 196,814                       |
| Current accounts with banks – US dollars   | 165,196                     | 92,564                        |
| Current accounts with banks – other currencies   | 25,337                      | 17,364                        |
| Cash on hand   | 26,521                      | 13,900                        |
| Reverse repurchase agreements with other banks with initial maturity of three months or less | 4,695                       | 3,153                         |
| Cash in transit  | 605                         | 359                           |
|  | <b>1,159,102</b>            | <b>740,994</b>                |

Time deposits with banks are made for varying periods of between 1 (one) day and 3 (three) months, depending on the immediate cash requirements of the Group. As of 30 June 2014 the weighted average interest rates for time deposits with banks and current accounts were 4.4% and 1.06%, respectively (31 December 2013: 3.73% and 1.18%).

Total amount of the Group's cash balances on bank accounts includes funds received from the State budget and the National Fund for the Government programs. As at 30 June 2014 these cash balances were accumulated on the accounts with the National Bank and were equal to 156 billion tenge (31 December 2013: 85 billion tenge), including:

- 68 billion tenge – resources of the National Fund received under the Stabilization Plan and other state programs (31 December 2013: 54 billion tenge);
- 2 billion tenge – funds from the State budget received to provide financing of projects implemented by the Fund (31 December 2013: 2 billion tenge);
- 86 billion tenge – the Fund's cash balance required for its operating and investing activities (31 December 2013: 29 billion tenge).

## NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

### 13. EQUITY

#### 13.1 Share capital

|                                      | Number of shares<br>authorized and<br>issued | Nominal value<br>per share,<br>tenge | Share capital,<br>millions of tenge |
|--------------------------------------|--|--------------------------------------|-------------------------------------|
| <b>At 31 December 2013 (audited)</b> | <b>3,481,602,341</b>                         |                                      | <b>4,484,676</b>                    |
| Cash contributions                   | 2,977  | 18,306,039                           | 54,500                              |
| Property contributions               |  | 1,200,359;                           |                                     |
|                                      | 7,037  | 2,772,663                            | 10,615                              |
| <b>At 30 June 2014 (unaudited)</b>   | <b>3,481,612,355</b>                         |                                      | <b>4,549,791</b>                    |

As at 30 June 2014 and 31 December 2013, all issued shares were fully paid. Property contributions were measured at fair value as of the date of contribution.

#### 13.2 Dividends

##### *Dividends attributable to non-controlling interest*

During the six months ended 30 June 2014 the Group declared dividends in the amount of 49,550 million tenge and 4,193 million tenge to the holders of non-controlling interest in KMG EP and KazTransOil JSC, respectively.

During the six months ended 30 June 2014 dividends declared to other non-controlling interest were equal to 4,620 million tenge.

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

##### *Alliance Bank JSC*

In May 2014 the Fund completed transaction on sale of 16% of common and preferred shares of Alliance Bank JSC ("Alliance Bank") to Mr. Bulat Utemuratov for 1.491 million tenge. As a result of the transaction equity attributable to equity holder of the Parent increased by 9.534 million tenge and non-controlling interest decreased by the same amount.

##### *National Company Kazakhstan Engineering JSC*

During the six months ended 30 June 2014 the Government made a contribution to the share capital of National Company Kazakhstan Engineering JSC in the amount of 9.375 million tenge, which resulted in a decrease of the Fund's share from 100% to 56.35%. As a result of the transaction equity attributable to equity holder of the Parent decreased by 12.853 million tenge and non-controlling interest increased by the same amount.

##### *Other*

Other transactions resulted in contributions received from non-controlling interest in the amount of 644 million tenge and increase in non-controlling interest of 1.819 million tenge.

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

##### *Moinak HPS*

On 16 June 2014 Group has acquired non-controlling interest in Moinak HPS from Birlik JSC, a minority shareholder, for 18.350 million tenge, including 10.753 million tenge paid in cash. The difference between the fair value of the consideration transferred and that of the non-controlling interest acquired is recorded in retained earnings. The Group's non-controlling interest in the accumulated losses of Moinak HPS at the date of acquisition was equal to 4.192 million tenge.

##### *Other changes in ownership of subsidiaries*

During the six months ended 30 June 2014 other changes in ownership interests of subsidiaries arose due to acquisition of non-controlling interest for 1.578 million tenge and resulted in decrease of non-controlling interest by 3.782 million tenge.

## NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

### 13. EQUITY (continued)

#### 13.5 Other distributions to the Shareholder

##### *Sponsorship under the Shareholder's request*

During the six months ended 30 June 2014 the Group recognized an additional provision for reconstruction of trade-exhibition centre in Moscow in the amount 1,092 million tenge, provision for construction of kindergartens in Astana in the amount 2,485 million tenge and Youth Palace "Zhastar" in Astana in the amount of 1,145 million tenge.

In accordance with the Agreement between the Government of the Republic of Kazakhstan and the Government of the Kyrgyz Republic, the Group provided funds for the construction of schools in Kyrgyz Republic in the amount of 1,201 million tenge.

During the six months ended 30 June 2014 the Group recognized a provision to donate to Mangistau municipality social facilities in the amount of 233 million tenge. During the six months ended 30 June 2014 in accordance with the Resolution of the Government, the Group provided sponsorship in the total amount of 3,346 million tenge for financing social, cultural and sporting activities that were recognized as other distributions to the Shareholder.

#### 13.6 Book value of shares

In accordance with the decision of the Exchange Board of KASE dated 4 October 2010 financial statements shall disclose book value per share as of the reporting date, calculated in accordance with the KASE rules.

| <i>In millions of tenge</i>               | 30 June 2014<br>(unaudited) | 31 December 2013<br>(audited) |
|---|-----------------------------|-------------------------------|
| Total assets                              | 16,422,712                  | 15,294,489                    |
| Intangible assets                         | (374,994)                   | (284,325)                     |
| Total liabilities                         | (8,401,885)                 | (7,787,897)                   |
| <b>Net assets for common shares</b>       | <b>7,645,833</b>            | <b>7,222,267</b>              |
| <b>Number of common shares</b>            | <b>3,481,612,355</b>        | <b>3,481,602,341</b>          |
| <b>Book value per common share, tenge</b> | <b>2,196</b>                | <b>2,074</b>                  |

### 14. BORROWINGS

Borrowings, including interest payable, comprised the following:

| <i>In millions of tenge</i>                       | 30 June 2014<br>(unaudited) | 31 December 2013<br>(audited) |
|---|-----------------------------|-------------------------------|
| Fixed interest rate borrowings                    | 3,734,006                   | 2,551,882                     |
| Weighted average interest rate                    | 7.01%                       | 6.98%                         |
| Variable interest rate borrowings                 | 1,566,223                   | 1,422,484                     |
| Weighted average interest rate                    | 4.39%                       | 4.38%                         |
|   | <b>5,300,229</b>            | <b>3,974,366</b>              |
| Less: amounts due for settlement within 12 months | (1,028,243)                 | (607,839)                     |
| <b>Amounts due for settlement after 12 months</b> | <b>4,271,986</b>            | <b>3,366,527</b>              |

| <i>In millions of tenge</i>           | 30 June 2014<br>(unaudited) | 31 December 2013<br>(audited) |
|---------------------------------------|-----------------------------|-------------------------------|
| US dollar-denominated borrowings      | 3,869,483                   | 3,327,141                     |
| Tenge-denominated borrowings          | 1,238,089                   | 539,555                       |
| Other currency-denominated borrowings | 192,657                     | 107,670                       |
|                                       | <b>5,300,229</b>            | <b>3,974,366</b>              |

## NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

### 14. BORROWINGS (continued)

#### *Effect of disposal of subsidiary*

The Group's bonds acquired by a disposed subsidiary, BTA Bank, previously eliminated as intragroup accounts, increased total borrowings by the amount of 656,323 million tenge as at 30 June 2014.

#### *Devaluation effect*

Devaluation of tenge to US dollar in February 2014 resulted in increase of borrowings.

#### *Credit facility of State China Development Bank*

In January 2014, the Fund made a partial early repayment of loans to the State China Development Bank in the amount of 400 million US dollars (equivalent to 61,904 million tenge at the exchange rate as at the date of payment).

#### *Bonds issue*

In June 2014 National Company "Kazakhstan Temir Zholy" JSC ("NC KTZh") issued 2 tranches of Eurobonds on Swiss Stock Exchange: 100,000 thousand Swiss Francs (equivalent to 20,439 million tenge at the exchange rate as at the date of issuance) with an interest rate of 2.590% per annum and maturity on 20 June 2019 and 185,000 thousand Swiss Francs (equivalent to 37,814 million tenge at the exchange rate as at the date of issuance) with an interest rates of 3.638% per annum and maturity on 20 June 2022.

#### *Other loans*

On 13 March 2014 KazTransGas JSC, subsidiary of "National Company "KazMunaigas" JSC ("NC KMG"), signed a credit facility agreement with VTB Bank JSC, under which KazTransGas JSC received 250 million US dollars (equivalent to 45,505 million tenge at the exchange rate as at the date of receipt), at the rate of Libor + 2.2%.

During the six months ended 30 June 2014 Atyrau Oil Refinery LLP ("ANPZ"), subsidiary of NC KMG, received a loan in the amount of 142 million US dollars (equivalent to 24,146 million tenge at the exchange rate at the date of receipt) from Development Bank of Kazakhstan JSC under credit facility agreement.

In February 2014 Rompetrol Group N.V. ("Rompetrol"), subsidiary of NC KMG, made full repayment in the amount of 100 million US dollars (equivalent to 18,454 million tenge at the exchange rate as at the date of repayment) to Natixis bank, Paris under the credit facility agreement.

In 2012 "Rompetrol", subsidiary of NC KMG, signed a credit facility agreement for 450 million US dollars with BNP Paribas, Geneva. In March 2014, Rompetrol made a partial repayment of the principal in the amount of 309 million US dollars (equivalent to 57,272 million tenge at the exchange rate as at the date of repayment).

### 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>  | 30 June 2014<br>(unaudited) | 31 December 2013<br>(audited) |
|--|-----------------------------|-------------------------------|
| Bonds acquired by the National Bank of the Republic of Kazakhstan using resources of the National Fund | 274,173                     | 71,302                        |
| Loans from the National Bank of the Republic of Kazakhstan   | 177,574                     | 130,878                       |
| Loans from the Government of the Republic of Kazakhstan  | 74,867                      | 66,378                        |
|  | <b>526,614</b>              | <b>268,558</b>                |
| Less: amounts due for settlement within 12 months  | (118,297)                   | (71,342)                      |
| <b>Amounts due for settlement after 12 months</b>  | <b>408,317</b>              | <b>197,216</b>                |

In order to acquire 50% interest in Ekibastuz GRES-1 LLP (*Note 4*) and 100% interest in Kazgidrotekhenenergo LLP, in January 2014 the Fund placed 300,000,000 coupon bonds with a nominal value of 1,000 tenge each totalling 300,000 million tenge with maturity of 15 years and a coupon rate of 3% per annum, with effective rate of 6.68%. Bonds were acquired by the NBRK using resources of the National Fund. The bonds were placed with discount of 100,000 million tenge. Amount of net cash receipts from the bond placement totaled to 200,000 million tenge that approximates fair value of the bonds as of the date of placement.

## NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

### 15. LOANS OF THE GOVERNMENT OF THE REPUBLIC OF KAZAKHSTAN (continued)

In June 2014 the Fund received loans from the Ministry of finance of the Republic of Kazakhstan in the amount of 18,931 million tenge with interest rates from 0.05% to 0.5%. Loans were issued for 25 and 30 years in order to finance renewal of railway carriers.

The present value of loans received was equal to 6.568 million tenge at 7.26% discount rate. The difference between nominal value of loans and their present value in the amount of 12,363 million tenge was recognized in the interim consolidated statement of changes in equity.

On 19 February 2014 Alliance Bank received a loan from the NBRK in the amount of 40,000 million tenge. The loan is denominated in tenge, bears interest rate of 5.5% and matures in February 2015.

As at 30 June 2014 effective interest rates on loans from the Government range from 5.5% to 6.68% (31 December 2013: from 5.5% to 6.62%).

### 16. AMOUNTS DUE TO CUSTOMERS

| <i>In millions of tenge</i>  | 30 June 2014<br>(unaudited) | 31 December 2013<br>(audited) |
|--|-----------------------------|-------------------------------|
| <b>Time deposits, including</b>  | <b>124,580</b>              | <b>185,254</b>                |
| Legal entities   | 18,207                      | 37,413                        |
| Individuals  | 106,373                     | 147,841                       |
| <b>Current accounts, including</b>   | <b>52,717</b>               | <b>53,848</b>                 |
| Legal entities   | 22,769                      | 24,407                        |
| Individuals  | 29,948                      | 29,441                        |
| <b>Guarantees and other deposits with restrictive covenants, including</b> | <b>2,582</b>                | <b>2,813</b>                  |
| Legal entities   | 1,424                       | 1,259                         |
| Individuals  | 1,158                       | 1,554                         |
| Amounts due to customers   | 179,879                     | 241,915                       |
| Less: current portion  | (149,311)                   | (230,763)                     |
| <b>Non-current portion</b>   | <b>30,568</b>               | <b>11,152</b>                 |

### 17. PROVISIONS

| <i>In millions of tenge</i>             | Asset<br>retirement<br>obligations | Provision<br>for environ-<br>mental<br>obligation | Provision<br>for taxes | Provision<br>for letters<br>of credit<br>and bank<br>guarantees | Other          | Total          |
|---|------------------------------------|---|------------------------|---|----------------|----------------|
| <b>Provision at 31 December 2013</b>    | 71,433                             | 36,044  | 12,203                 | 55  | 158,222        | 277,957        |
| Foreign currency translation            | 4,578                              | 3,112   | 36                     | 1   | 1,062          | 8,789          |
| Change in estimate                      | 3,880                              | 1,069   | 8,028                  | -   | 29,707         | 42,684         |
| Unwinding of discount                   | 1,465                              | 638   | -                      | (12)  | 28             | 2,119          |
| Provision for the period                | 13,335                             | 47  | 389                    | (2)   | 13,115         | 26,884         |
| Additions through business combinations | -                                  | 228   | -                      | -   | -              | 228            |
| Use of provision                        | (6,028)                            | (426)   | (3,040)                | -   | (6,284)        | (15,778)       |
| Reversal of unused amounts              | -                                  | (56)  | -                      | -   | (507)          | (563)          |
| <b>Provision at 30 June 2014</b>        | <b>88,663</b>                      | <b>40,656</b>                                     | <b>17,616</b>          | <b>42</b>   | <b>195,343</b> | <b>342,320</b> |



## NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

### 17. PROVISIONS (continued)

Current portion and long-term portion are segregated as follows:

| <i>In millions of tenge</i>          | Asset retirement obligations | Provision for environmental obligation | Provision for taxes | Provision for letters of credit and bank guarantees | Other          | Total          |
|--------------------------------------|------------------------------|--|---------------------|---|----------------|----------------|
| Current portion                      | 1,161                        | 3,792                                  | 12,203              | 31  | 123,524        | 140,711        |
| Long-term portion                    | 70,272                       | 32,252                                 | -                   | 24  | 34,698         | 137,246        |
| <b>Provision at 31 December 2013</b> | <b>71,433</b>                | <b>36,044</b>                          | <b>12,203</b>       | <b>55</b>   | <b>158,222</b> | <b>277,957</b> |
| Current portion                      | 1,206                        | 6,544                                  | 17,616              | 42  | 159,072        | 184,480        |
| Long-term portion                    | 87,457                       | 34,112                                 | -                   | -   | 36,271         | 157,840        |
| <b>Provision at 30 June 2014</b>     | <b>88,663</b>                | <b>40,656</b>                          | <b>17,616</b>       | <b>42</b>   | <b>195,343</b> | <b>342,320</b> |

### 18. OTHER NON-CURRENT LIABILITIES

On 31 October 2008 all participants of the North-Caspian Project ("NCP") signed an agreement according to which all project participants except for KMG Kashagan B.V., 100% subsidiary of the Group, agreed to partially sell their interest in this project on a proportional basis to increase the interest of KMG Kashagan B.V. in the NCP from 8.33% to 16.81% retrospectively from 1 January 2008. The acquisition cost was equal to 1.78 billion US dollars plus annual compound interest at LIBOR + 3%, which is capitalized with the principal amount on an annual basis. This liability is pledged by the additional 8.48% interest in the NCP acquired. As at 30 June 2014 the amortized cost of this payable was equal to 391,912 million tenge (31 December 2013: 322,330 million tenge).

The amount is payable in three equal annual installments after commercial oil production at Kashagan field starts. During the six months ended 30 June 2014 the Group re-assessed start date of commercial production at Kashagan field and moved it from 30 June 2014 to second half of 2016. As a result, part of the payable was reclassified back to non-current liabilities. As of 30 June 2014 the fair value of these obligations approximates its carrying value.

### 19. REVENUE

Revenue comprised the following:

| <i>In millions of tenge</i>                   | For the six months ended 30 June 2014 (unaudited) | For the six months ended 30 June 2013 (unaudited) |
|---|---|---|
| Sales of oil refined products                 | 1,004,186   | 817,142   |
| Sales of crude oil                            | 363,541   | 377,052   |
| Railway cargo transportation                  | 346,648   | 347,605   |
| Oil and gas transportation                    | 142,593   | 128,435   |
| Sales of gas products                         | 123,876   | 102,172   |
| Sales of uranium products                     | 105,951   | 80,978  |
| Electricity complex                           | 98,727  | 75,891  |
| Telecommunication services                    | 92,727  | 87,951  |
| Air transportation                            | 74,112  | 65,576  |
| Interest income                               | 50,230  | 47,193  |
| Transportation of electricity                 | 38,268  | 34,755  |
| Railway passenger transportation              | 37,064  | 34,515  |
| Postal services                               | 13,652  | 12,635  |
| Sales of medicine                             | -   | 24,547  |
| Other revenue                                 | 181,878   | 136,486   |
| Less: indirect taxes and commercial discounts | (180,295)   | (122,701)   |
|   | <b>2,493,158</b>                                  | <b>2,250,232</b>                                  |

## NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

### 20. COST OF SALES

Cost of sales comprised the following:

| <i>In millions of tenge</i>              | For the six<br>months ended<br>30 June 2014<br>(unaudited) | For the six<br>months ended<br>30 June 2013<br>(unaudited) |
|--|--|--|
| Materials and supplies                   | 961,890  | 908,743  |
| Personnel costs                          | 311,461  | 260,501  |
| Depreciation, depletion and amortization | 181,244  | 153,414  |
| Production services                      | 58,809   | 52,261   |
| Mineral extraction tax                   | 54,106   | 43,830   |
| Repair and maintenance                   | 41,309   | 33,333   |
| Interest expense                         | 40,311   | 37,221   |
| Rent                                     | 18,172   | 17,665   |
| Other                                    | 101,500  | 87,622   |
|  | <b>1,768,802</b>   | <b>1,594,590</b>   |

### 21. GENERAL AND ADMINISTRATIVE EXPENSES

General and administrative expenses comprised the following:

| <i>In millions of tenge</i>          | For the six<br>months ended<br>30 June 2014<br>(unaudited) | For the six<br>months ended<br>30 June 2013<br>(unaudited) |
|--------------------------------------|--|--|
| Personnel costs                      | 74,226   | 64,148   |
| Taxes, other than income tax         | 19,633   | 31,910   |
| Sponsorship and charitable donations | 18,949   | 20,099   |
| Depreciation and amortization        | 13,074   | 12,753   |
| Consulting services                  | 8,793  | 7,264  |
| Allowances for doubtful debts        | 8,328  | 1,806  |
| Rent                                 | 3,348  | 3,319  |
| Business trips                       | 3,076  | 3,030  |
| Fines and penalties                  | 2,592  | 3,900  |
| Other                                | 23,265   | 25,946   |
|                                      | <b>175,284</b>   | <b>174,175</b>   |

### 22. TRANSPORTATION AND SELLING EXPENSES

Transportation and selling expenses comprised the following:

| <i>In millions of tenge</i>           | For the six<br>months ended<br>30 June 2014<br>(unaudited) | For the six<br>months ended<br>30 June 2013<br>(unaudited) |
|---------------------------------------|--|--|
| Rent tax                              | 88,838   | 76,506   |
| Custom duties                         | 41,966   | 23,663   |
| Transportation                        | 27,334   | 25,417   |
| Personnel costs                       | 11,272   | 8,915  |
| Depreciation and amortization         | 6,056  | 5,867  |
| Commissions to agents and advertising | 4,139  | 4,141  |
| Other                                 | 11,732   | 8,310  |
|                                       | <b>191,137</b>   | <b>152,819</b>   |

## NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

### 23. IMPAIRMENT LOSS

Impairment loss comprised the following:

| <i>In millions of tenge</i>  | For the six<br>months ended<br>30 June 2014<br>(unaudited) | For the six<br>months ended<br>30 June 2013<br>(unaudited) |
|--|--|--|
| Impairment of goodwill   | 32,917   | –  |
| Impairment of property, plant and equipment and intangible assets (Note 6)                     | 25,362   | 58,542   |
| Impairment of loans to customers (Note 8)  | 23,798   | 1,296  |
| (Reversal of impairment) / Impairment of investments in joint ventures and associates (Note 7) | (162)  | 70,882   |
| Other  | (401)  | 792  |
|  | <b>81,514</b>  | <b>131,512</b>   |

Impairment of goodwill in the amount of 31.296 million tenge recognized during the six months ended 30 June 2014 is related to the goodwill arisen on acquisition of EGRES-1 (Note 4).

### 24. FINANCE COSTS

Finance costs comprised the following:

| <i>In millions of tenge</i>                            | For the six<br>months ended<br>30 June 2014<br>(unaudited) | For the six<br>months ended<br>30 June 2013<br>(unaudited) |
|--|--|--|
| Interest on loans and debt securities issued           | 120,388  | 96,265   |
| Interest on finance lease liabilities                  | 2,793  | 1,914  |
| Unwinding of discount on provisions and other payables | 2,262  | 2,340  |
| Other  | 13,512   | 11,524   |
|  | <b>138,955</b>   | <b>112,043</b>   |

### 25. FINANCE INCOME

Finance income comprised the following:

| <i>In millions of tenge</i>  | For the six<br>months ended<br>30 June 2014<br>(unaudited) | For the six<br>months ended<br>30 June 2013<br>(unaudited) |
|--|--|--|
| Interest income on amounts due from credit institutions, cash and cash equivalents | 38,457   | 26,321   |
| Income from loans and financial assets   | 4,151  | 1,703  |
| Dividend income  | 3,646  | 5,629  |
| Other  | 9,675  | 1,993  |
|  | <b>55,929</b>  | <b>35,646</b>  |

## NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

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

Share in profit of joint ventures and associates comprised the following:

| <i>In millions of tenge</i>      | For the six<br>months ended<br>30 June 2014<br>(unaudited) | For the six<br>months ended<br>30 June 2013<br>(unaudited) |
|----------------------------------|--|--|
| Tengizchevroil LLP               | 173,856  | 149,479  |
| Mangistau Investments B.V.       | 44,081   | 27,021   |
| PetroKazakhstan Inc.             | 17,973   | 15,037   |
| JV KazGerMunay LLP               | 15,420   | 20,038   |
| KazRosGas LLP                    | 14,608   | 10,354   |
| Kazakhoil-Aktobe LLP             | 4,406  | 6,073  |
| EGRES-1                          | 4,033  | 7,462  |
| Asian Gas Pipeline LLP           | (24,439)   | 11,440   |
| Beineu-Shymkent Gas Pipeline LLP | (14,964)   | (449)  |
| Kazakhstan-China Pipeline LLP    | (9,376)  | 6,091  |
| Other                            | 5,842  | 29,716   |
|                                  | <b>231,440</b>   | <b>282,262</b>   |

### 27. NET FOREIGN EXCHANGE LOSS

On 11 February 2014 the NBRK ceased control over the exchange rate of tenge to US dollar. As a result, tenge devalued against the US dollar and other major currencies. The exchange rates before and after devaluation were 155.56 tenge to 1 US dollar and 184.5 tenge to 1 US dollar, respectively, which led to significant foreign exchange gains and losses for the six months ended 30 June 2014 (See also *Note 29*, point 1).

### 28. CONSOLIDATION

The following subsidiaries have been included in these interim condensed consolidated financial statements:

|  | 30 June 2014<br>(unaudited) | 31 December 2013<br>(audited) |
|--|-----------------------------|-------------------------------|
| National Company "KazMunayGas" JSC and subsidiaries                  | 100.00%                     | 100.00%                       |
| National Company "Kazakhstan Temir Zholy" JSC and subsidiaries       | 100.00%                     | 100.00%                       |
| National Atomic Company "Kazatomprom" JSC and subsidiaries           | 100.00%                     | 100.00%                       |
| National Company "Kazakhtelecom" JSC and subsidiaries                | 51.00%                      | 51.00%                        |
| Samruk-Energy JSC and subsidiaries                                   | 100.00%                     | 100.00%                       |
| "Kazakhstan Electricity Grid Operating Company" JSC and subsidiaries | 100.00%                     | 100.00%                       |
| Air Astana JSC   | 51.00%                      | 51.00%                        |
| Alliance Bank JSC and subsidiaries                                   | 51.00%                      | 67.00%                        |
| Kazpost JSC and subsidiaries   | 100.00%                     | 100.00%                       |
| National Company "Kazakhstan Engineering" JSC and subsidiaries       | 56.35%                      | 100.00%                       |
| Real Estate Fund "Samruk-Kazyna" JSC                                 | 100.00%                     | 100.00%                       |
| International Airport Aktobe JSC                                     | 100.00%                     | 100.00%                       |
| Samruk-Kazyna Contract LLP   | 100.00%                     | 100.00%                       |
| National Mining Company Tau-Ken Samruk JSC and subsidiaries          | 100.00%                     | 100.00%                       |
| Kazakh Research Institute named after Chokin JSC                     | 50%+1                       | 50%+1                         |
| United Chemical Company LLP and subsidiaries                         | 100.00%                     | 100.00%                       |
| Samruk-Kazyna Invest LLP   | 100.00%                     | 100.00%                       |
| KOREM JSC  | 100.00%                     | 100.00%                       |
| International Airport Atyrau JSC                                     | 100.00%                     | 100.00%                       |
| Airport Pavlodar JSC   | 100.00%                     | 100.00%                       |
| Karagandagiproshakht I K LLP   | 90.00%                      | 90.00%                        |
| SK Finance LLP   | 100.00%                     | 100.00%                       |
| Shalkiya Zinc LTD JSC  | 100.00%                     | -                             |
| BTA Bank JSC and subsidiaries  | -                           | 97.26%                        |
| Temirbank JSC  | -                           | 79.88%                        |
| KGF IM   | 100.00%                     | 100.00%                       |
| KGF SLP  | -                           | 100.00%                       |
| KGF Management   | -                           | 100.00%                       |

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

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**29. SIGNIFICANT NON-CASH TRANSACTIONS**

The following significant non-cash transactions during the six months ended 30 June 2014 have been excluded from the interim consolidated statement of cash flows:

1. Hedge of net investments in certain subsidiaries classified as foreign operations against selected borrowings denominated in US dollars. Effect of hedging was equal to 322,934 million tenge which was reclassified from profits and losses to other comprehensive income as an exchange difference on translation of foreign operations;
2. Purchase of property, plant and equipment, which is not paid by the end of the reporting period in the total amount of 40,893 million tenge.
3. Acquisition of a subsidiary, Shalkiya Zinc LTD JSC, in exchange for shares of BTA Bank in the amount of 31,000 million tenge (*Note 5*);
4. Provision of financial guarantees for the benefit of a joint venture to secure its borrowing, in the amount of 19,223 million tenge (*Note 7*);
5. Capitalization of the Group's provisions for asset retirement obligations within the cost of property, plant and equipment, in the amount of 17,215 million tenge;
6. Purchase of property, plant and equipment under finance lease agreements in the amount of 13,777 million tenge;
7. Recognition of discount on loans from the Government received by the Fund in the amount of 12,363 million tenge (*Note 15*);
8. Capitalization of interest within the cost of property, plant and equipment in the amount of 11,984 million tenge (*Note 6*);
9. Contribution of the property to the charter capital of the Fund in the amount of 10,615 million tenge (*Note 13.1*);
10. Repayment of loans provided by the Fund by investment property in the amount of 10,453 million tenge.

## NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

### 30. RELATED PARTY TRANSACTIONS

The following table provides the total amount of transactions, which have been entered into with related parties during the six months ended 30 June 2014 and 2013 and the related balances as at 30 June 2014 and 31 December 2013:

| <i>In millions of tenge</i>  |                  | Associates | Joint ventures<br>in which the<br>Group is<br>a venturer | Other entities<br>controlled<br>by the<br>Government | Other related<br>parties |
|--|------------------|------------|--|--|--------------------------|
| Due from related parties   | 30 June 2014     | 53,567     | 36,975   | 10,921   | –                        |
|  | 31 December 2013 | 45,827     | 21,039   | 6,070  | 339                      |
| Due to related parties   | 30 June 2014     | 45,330     | 32,837   | 1,054  | –                        |
|  | 31 December 2013 | 9,268      | 46,231   | 932  | 2,436                    |
| Sale of goods and services   | 30 June 2014     | 26,817     | 113,397  | 35,942   | 1,189                    |
|  | 30 June 2013     | 26,476     | 94,981   | 39,803   | 952                      |
| Purchases of goods and services                                    | 30 June 2014     | 50,417     | 130,812  | 13,682   | 932                      |
|  | 30 June 2013     | 23,951     | 133,566  | 5,605  | 9                        |
| Current accounts and deposits (liability)                          | 30 June 2014     | –          | 240  | 1,767  | 42                       |
|  | 31 December 2013 | 60         | 709  | 28,224   | 34                       |
| Cash and cash equivalents and amounts due from credit institutions | 30 June 2014     | –          | –  | 285,070  | 366                      |
|  | 31 December 2013 | 6,530      | –  | 198,369  | –                        |
| Loans issued   | 30 June 2014     | 17,482     | 70,428   | 5,943  | 7,306                    |
|  | 31 December 2013 | 15,628     | 59,145   | 7,193  | 6,156                    |
| Borrowings   | 30 June 2014     | –          | –  | 955,270  | –                        |
|  | 31 December 2013 | 67         | 7  | 1,112,865  | –                        |
| Other assets   | 30 June 2014     | 4,435      | 55,030   | 22,326   | 186                      |
|  | 31 December 2013 | 18,190     | 48,059   | 56,732   | 1,790                    |
| Other liabilities  | 30 June 2014     | 3,152      | 14,209   | 66,094   | 117                      |
|  | 31 December 2013 | 2,961      | 830  | 50,502   | 39                       |
| Interest received  | 30 June 2014     | 2,437      | 4,054  | 3,587  | 1,187                    |
|  | 30 June 2013     | 891        | 2,698  | 6,133  | 4,072                    |
| Interest accrued   | 30 June 2014     | 45         | 12   | 31,941   | –                        |
|  | 30 June 2013     | 144        | 2,467  | 26,537   | 8                        |

Total compensation to key management personnel included in personnel costs in the accompanying interim consolidated statement of comprehensive income was equal to 6,612 million tenge for the six months ended 30 June 2014 (for the six months ended 30 June 2013: 5,828 million tenge). Compensation to key management personnel consists primary of contractual salary and performance bonus based on operating results.

### 31. 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.

## NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

### 31. FINANCIAL INSTRUMENTS (continued)

| <i>In millions of tenge</i>                           | Level 1 | Level 2 | Level 3 | 30 June<br>2014<br>(unaudited) |
|---|---------|---------|---------|--------------------------------|
| <b>Categories of financial instruments</b>            |         |         |         |                                |
| <b>Assets</b>   |         |         |         |                                |
| Financial assets available-for-sale                   | 64,074  | 13,442  | 726     | 78,242                         |
| Financial assets at fair value through profit or loss | -       | 7,937   | -       | 7,937                          |
| Derivative financial assets                           | -       | 36,006  | -       | 36,006                         |
| <b>Liabilities</b>                                    |         |         |         |                                |
| Derivative financial liabilities                      | -       | 1,132   | -       | 1,132                          |

| <i>In millions of tenge</i>                           | Level 1 | Level 2 | Level 3 | 31 December<br>2013<br>(audited) |
|---|---------|---------|---------|----------------------------------|
| <b>Categories of financial instruments</b>            |         |         |         |                                  |
| <b>Assets</b>   |         |         |         |                                  |
| Financial assets available-for-sale                   | 50,639  | 13,636  | 726     | 65,001                           |
| Financial assets at fair value through profit or loss | -       | 8,114   | -       | 8,114                            |
| Derivative financial assets                           | -       | 46,427  | -       | 46,427                           |
| <b>Liabilities</b>                                    |         |         |         |                                  |
| Derivative financial liabilities                      | -       | 527     | -       | 527                              |

| <i>In millions of tenge</i>                             | Carrying<br>amount | Fair value | 30 June 2014<br>Fair value measurement using |           |         |
|---|--------------------|------------|--|-----------|---------|
|   |                    |            | Level 1                                      | Level 2   | Level 3 |
| <b>Financial assets</b>                                 |                    |            |  |           |         |
| Amounts due from credit institutions                    | 1,878,056          | 1,884,506  | 927,031                                      | 903,641   | 53,834  |
| <b>Financial liabilities</b>                            |                    |            |  |           |         |
| Borrowings  | 5,300,229          | 5,424,649  | 3,604,320                                    | 1,427,898 | 392,431 |
| Loans from the Government of the Republic of Kazakhstan | 526,614            | 444,131    | -  | 444,131   | -       |

| <i>In millions of tenge</i>                             | Carrying<br>amount | Fair value | 31 December 2013 (audited)<br>Fair value measurement using |         |         |
|---|--------------------|------------|--|---------|---------|
|   |                    |            | Level 1  | Level 2 | Level 3 |
| <b>Financial assets</b>                                 |                    |            |  |         |         |
| Amounts due from credit institutions                    | 1,574,564          | 1,541,964  | 933,766  | 549,624 | 58,574  |
| <b>Financial liabilities</b>                            |                    |            |  |         |         |
| Borrowings  | 3,974,366          | 4,019,557  | 2,945,574  | 742,846 | 331,137 |
| Loans from the Government of the Republic of Kazakhstan | 268,558            | 228,369    | -  | 228,369 | -       |

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

**NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
(continued)****32. COMMITMENTS AND CONTINGENCIES**

As at 30 June 2014 there were no significant changes in commitments and contingencies disclosed in the annual consolidated financial statements of the Group as at 31 December 2013, except for the following:

**Taxation**

Kazakhstan legislative acts and regulations are not always clearly written and their interpretation is subject to the opinions of the local tax inspectors and the Ministry of finance of the Republic of Kazakhstan. Instances of inconsistent opinions between local, regional and national tax authorities are quite usual. The current regime of penalties and interest related to reported and discovered violations of Kazakhstan laws, decrees and related regulations is severe. Penalties include confiscation of the amounts at issue (for currency law violations), as well as fines of generally 50% of the additional taxes accrued. Interest is assessed at 13.75%. As a result, penalties and interest can exceed the amount of additional accrued taxes.

As at 30 June 2014 there were no changes related to Kazakhstan taxation contingencies disclosed in the annual consolidated financial statements for 2013, except the following:

*Tax audit of 2006-2008 (KMG EP)*

On 12 July 2012 the Tax committee of the Ministry of finance of the Republic of Kazakhstan completed the 2006-2008 comprehensive tax audit of KMG EP. As a result of the tax audit, which was commenced in October 2011, the tax authorities provided a tax assessment of 16,938 million tenge, including 5,800 million tenge of principal, 7,160 million tenge of administrative fines and 3,978 million tenge of penalties. Matters involved in the assessment relate mainly to reallocation of certain revenues and expenditures among the subsoil use contracts, timing of recognition of demurrage expenses and adjustment of revenues based on transfer pricing regulations.

As a result of the limited scope tax audit conducted in February 2014 the final notification of the 2006-2008 tax audit was issued by the Tax committee of the Ministry of finance in March 2014. The total tax assessments have been reduced from 16,938 million tenge to 12,169 million tenge, including 4,568 million tenge of principal, 4,681 million tenge of administrative fines and 2,920 million tenge of penalties.

KMG EP has not agreed with the final notification of the Tax committee of the Ministry of finance and appealed all of the tax assessments to the Specialized Interdistrict Economic Court of Astana. However, on 24 April 2014 the decision to dismiss the appeal in full was issued by the Court of the first instance. KMG EP has filed an appeal with the Judicial Panel of Appeals of the Civil and Administrative Matters Court of Astana. Upon consideration of appeal, on 25 July 2014 the decision to dismiss the appeal was issued by the court of second instance. Thus, the decision of the court of first instance was upheld, whereby KMG EP should pay the amount of principal and interest according to the final notification to the budget within the period set by the legislation. Upon receipt of the decision of the Judicial Panel of Appeals, KMG EP is planning to appeal the abovementioned decision in the courts of higher instance.

As at 30 June 2014 existing provision for taxes include an amount of 11,969 million tenge, comprised of principal of 4,809 million tenge, fines of 2,615 million tenge and penalties of 4,545 million tenge. Management believes that KMG EP will be successful in appealing the remaining balances of principal, fines, and penalties of the assessments.

*NC KTZh*

During a special tax audit related to VAT return of NC KTZh for the period from January 2009 to March 2009 tax authorities identified VAT of 1,520 million tenge previously claimed for refund but not properly supported based on a counter audit of suppliers and also due to the absence of custom's marks on the additional copy of a road certificate, where they also assessed a penalty of 1,045 million tenge. As at 30 June 2014 NC KTZh did not accrue a provision for these amounts as NC KTZh believes non-approval of the tax refund from the budget is not highly probable.

During a special tax audit related to VAT return of NC KTZh for the period from April 2009 to June 2009 tax authorities identified VAT of 3,997 million tenge previously claimed for return but not properly supported based on a counter audit of suppliers and also due to the absence of custom's marks on the additional copy of a road certificate, a penalty of 2,882 million tenge was claimed by tax authorities. As at 30 June 2014 NC KTZh did not accrue a provision for these amounts as NC KTZh believes non-approval of the tax refund from the budget is not highly probable.



## NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

### 32. COMMITMENTS AND CONTINGENCIES (continued)

#### Environmental audit of ANPZ

On 5 March 2014 the Department of ecology in Atyrau region ("DEAR") issued an order to ANPZ for compensation of the environmental damage caused in the amount of 23,700 million tenge. On 7 April 2014 Specialized administrative court of Atyrau region ("SMAS") has revoked claims on penalties. On 29 April 2014 Atyrau Regional Court has upheld the SMAS resolution and dismissed the appeal of DEAR.

On 27 June 2014 SMAS has revoked claim for recovery of damage caused to the environment initiated by DEAR.

On 8 August 2014 ANPZ received a copy of the appeal of DEAR. The court hearing date of the appeal judicial board is not appointed. On 11 August 2014 the appeal of assistant prosecutor of the region was also received. According to the decision of the Atyrau Regional Court of 8 September 2014 the decision of the first instance court was upheld, and the appeal and the protest were dismissed. The judicial act came into force.

The management of the Group believes that damages claimed by DEAR were claimed due to use of inappropriate data during inspection conducted and assesses the risk regarding this case as possible. Therefore no provisions were created in the interim condensed consolidated financial statements as at 30 June 2014.

#### Commitments under oilfield and mining field licenses and subsurface use contracts

As at 30 June 2014 the Group, including joint ventures, had following commitments on fulfillment of minimal work programs with respect to the requirements of their oilfield and mining field licenses and related subsurface use contracts with the Government (in millions of tenge):

| Year         | Capital expenditures | Operational expenditures |
|--------------|----------------------|--------------------------|
| 2014         | 128,146              | 49,130                   |
| 2015         | 99,537               | 43,688                   |
| 2016         | 82,900               | 45,440                   |
| 2017         | 29,054               | 43,424                   |
| 2018-2024    | 49,148               | 254,463                  |
| <b>Total</b> | <b>388,785</b>       | <b>436,145</b>           |

#### Capital commitments

##### NC KTZh

As at 30 June 2014, the Group had committed to contracts for the construction of Zhezkazgan – Beineu and Arkalyk – Shubarkol railways, development of the railway junction at Astana station, including construction of a station complex, construction of multifunctional ice palace in Astana, construction of a dry port and infrastructure in special economic zone Khorgos East Gate, purchase of cargo and passenger electric locomotives, cargo and passenger rail cars and backbone locomotives totaling 808,423 million tenge (31 December 2013: 567,980 million tenge).

##### NC KMG

As of 30 June 2014, NC KMG had capital commitments of approximately 665,000 million tenge related to acquisition and construction of property, plant and equipment (31 December 2013: 641,000 million tenge).

##### Kazakhstan Electricity Grid Operating Company JSC

To ensure the stable and reliable performance of the national electricity grid, Kazakhstan Electricity Grid Operating Company JSC ("KEGOC") developed a capital investment plan. As at 30 June 2014, KEGOC's outstanding contractual commitments within the frameworks of this plan was equal to 68,951 million tenge (31 December 2013: 68,612 million tenge), including co-financing commitments.

##### Real Estate Fund «Samruk-Kazyna» JSC

As at 30 June 2014 capital commitments of Real Estate Fund «Samruk-Kazyna» JSC under the contracts on acquisition of plant, property and equipment were equal to 11,782 million tenge (31 December 2013: 25,243 million tenge).

##### United Chemical Company LLP

As at 30 June 2014 capital commitments of United Chemical Company LLP under the contracts on acquisition of plant, property and equipment were equal to 29,237 million tenge (31 December 2013: 3,176 million tenge).

## NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

### 32. COMMITMENTS AND CONTINGENCIES (continued)

#### Capital commitments (continued)

##### *Other contractual commitments*

As at 30 June 2014 other capital commitments of the Group under the contracts on acquisition of plant, property and equipment were equal to 51,560 million tenge (31 December 2013: 78,376 million tenge).

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

At any time the Group has outstanding commitments to extend credit. These commitments take the form of approved loans and credit card limits and overdraft facilities and are cancellable on certain conditions.

The Group provides financial guarantees and letters of credit to guarantee that clients' commitments to third parties will be met. These documents have fixed limits and are usually issued for 5 (five) years.

The contractual amounts of commitments are set out in the following table by category. The amounts reflected in the table for commitments assume that amounts are fully advanced. The amounts shown in the table of letters of credit represent the maximum accounting loss, which would be recognized at the reporting date if the counteragents were not in full compliance with their contractual obligations.

| <i>in millions of tenge</i>  | 30 June 2014<br>(unaudited) | 31 December 2013<br>(audited) |
|--|-----------------------------|-------------------------------|
| <b>Contracted amount</b>   |                             |                               |
| Loan, credit line and finance lease liabilities                          | 23,484                      | 136,225                       |
| Guarantees   | 472,129                     | 405,920                       |
| Letters of credit and other commitments related to settlement operations | 12                          | 524                           |
| Less: Guarantees and restricted deposits                                 | -                           | (7,921)                       |
| Less: Provision for bank letters of credit and guarantees                | -                           | (806)                         |

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

#### Purchase-sale agreement

##### *NC KMG*

As at 30 June 2014 the purchase-sale agreement on 49% interest in KazakhTurkMunay LLP was concluded between NC KMG (as acquirer) and Türkiye Petrolleri Anonim Ortaklığı (as seller). The agreement amount is 204.5 million US dollars. The transaction depends on several conditions for the execution of contract terms and is expected to be completed by 5 May 2015.

**NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)****33. SEGMENT REPORTING**

The following table represents information about profit and loss, assets and liabilities of operating segments of the Group as at 30 June 2014 and for the six months then ended:

| <i>In millions of tenge</i>                                   | Oil & gas        | Mining & industrial | Transportation   | Telecommunications | Energy           | Financial institutions and development institutions | Corporate centre and projects | Elimination        | Total             |
|---|------------------|---------------------|------------------|--------------------|------------------|---|-------------------------------|--------------------|-------------------|
| Revenue from sales to third party customers                   | 1,582,301        | 154,237             | 474,252          | 105,538            | 123,766          | 31,786  | 21,278                        | -                  | 2,493,158         |
| Revenue from sales to other segments                          | 25,586           | 11,177              | 7,927            | 2,921              | 15,489           | 3,160   | 65,107                        | (131,367)          | -                 |
| <b>Total revenue</b>  | <b>1,607,887</b> | <b>165,414</b>      | <b>482,179</b>   | <b>108,459</b>     | <b>139,255</b>   | <b>34,946</b>                                       | <b>86,385</b>                 | <b>(131,367)</b>   | <b>2,493,158</b>  |
| <b>Gross profit for the period</b>                            | <b>497,226</b>   | <b>37,500</b>       | <b>123,384</b>   | <b>30,628</b>      | <b>40,615</b>    | <b>13,480</b>                                       | <b>36,132</b>                 | <b>(39,060)</b>    | <b>739,905</b>    |
| General and administrative expenses                           | (69,476)         | (14,210)            | (44,084)         | (13,291)           | (12,617)         | (8,797)   | (16,909)                      | 4,100              | (175,284)         |
| Transportation and selling expenses                           | (185,149)        | (2,184)             | (2,781)          | (1,850)            | (737)            | -   | -                             | 1,564              | (191,137)         |
| Finance income  | 28,451           | 5,335               | 3,034            | 2,006              | 2,375            | 1,968   | 25,983                        | (13,223)           | 55,929            |
| Finance costs   | (101,821)        | (5,762)             | (23,521)         | (3,474)            | (13,865)         | (789)   | (3,115)                       | 13,392             | (138,955)         |
| Share in profit of joint ventures and associates              | 222,696          | 3,141               | 165              | -                  | 3,554            | 1,884   | -                             | -                  | 231,440           |
| Foreign exchange (loss)/gain, net                             | 80,901           | (22,530)            | (93,506)         | (7,544)            | (8,506)          | (14,803)  | 10,949                        | 53                 | (54,986)          |
| Income tax expenses   | (107,306)        | (3,485)             | 5,724            | (3,859)            | (4,135)          | (192)   | (6,541)                       | -                  | (119,794)         |
| Net profit/(loss) for the period from continued operations    | 335,760          | (3,350)             | (30,487)         | 3,072              | (6,406)          | (26,263)  | 20,218                        | (31,722)           | 260,822           |
| Net (loss)/profit for the period from discontinued operations | (219)            | -                   | 414              | -                  | -                | (6,667)   | -                             | -                  | (6,472)           |
| <b>Net profit/(loss) for the period</b>                       | <b>335,541</b>   | <b>(3,350)</b>      | <b>(30,073)</b>  | <b>3,072</b>       | <b>(6,406)</b>   | <b>(32,930)</b>                                     | <b>20,218</b>                 | <b>(31,722)</b>    | <b>254,350</b>    |
| <b>Other segment information as at 30 June 2014</b>           |                  |                     |                  |                    |                  |   |                               |                    |                   |
| <b>Total segment assets</b>                                   | <b>8,658,787</b> | <b>1,141,889</b>    | <b>2,840,069</b> | <b>449,173</b>     | <b>1,199,476</b> | <b>587,737</b>                                      | <b>6,845,058</b>              | <b>(5,297,477)</b> | <b>16,422,712</b> |
| <b>Total segment liabilities</b>                              | <b>4,125,865</b> | <b>348,121</b>      | <b>1,449,696</b> | <b>169,220</b>     | <b>680,631</b>   | <b>647,661</b>                                      | <b>1,815,629</b>              | <b>(834,938)</b>   | <b>8,401,885</b>  |
| Investments in joint ventures and associates                  | 1,218,611        | 419,627             | 35,451           | -                  | 98,472           | 60,124  | -                             | (36,505)           | 1,795,780         |

**NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)****33. SEGMENT REPORTING (continued)**

The following table represents information about assets and liabilities of operating segments of the Group as at 31 December 2013 and profit and loss for the six months ended 30 June 2013:

| <i>In millions of tenge</i>                                   | <b>Oil &amp; gas</b> | <b>Mining &amp; industrial</b> | <b>Transportation</b> | <b>Telecommunications</b> | <b>Energy</b>  | <b>Financial institutions and development institutions</b> | <b>Corporate centre and projects</b> | <b>Elimination</b> | <b>Total</b>      |
|---|----------------------|--------------------------------|-----------------------|---------------------------|----------------|--|--------------------------------------|--------------------|-------------------|
| Revenue from sales to third party customers                   | 1,399,195            | 120,517                        | 456,425               | 99,884                    | 96,292         | 30,143   | 47,776                               | --                 | 2,250,232         |
| Revenue from sales to other segments                          | 18,896               | 13,104                         | 7,575                 | 2,525                     | 8,783          | 3,867  | 84,093                               | (138,843)          | --                |
| <b>Total revenue</b>  | <b>1,418,091</b>     | <b>133,621</b>                 | <b>464,000</b>        | <b>102,409</b>            | <b>105,075</b> | <b>34,010</b>  | <b>131,869</b>                       | <b>(138,843)</b>   | <b>2,250,232</b>  |
| <b>Gross profit for the period</b>                            | <b>427,946</b>       | <b>29,137</b>                  | <b>142,254</b>        | <b>30,000</b>             | <b>27,630</b>  | <b>10,500</b>  | <b>64,206</b>                        | <b>(61,524)</b>    | <b>670,149</b>    |
| General and administrative expenses                           | (78,515)             | (14,177)                       | (39,465)              | (11,679)                  | (8,382)        | (9,196)  | (15,876)                             | 3,115              | (174,175)         |
| Transportation and selling expenses                           | (146,133)            | (2,555)                        | (2,652)               | (2,086)                   | (123)          | --   | (522)                                | 1,252              | (152,819)         |
| Finance income  | 17,281               | 2,755                          | 2,566                 | 2,911                     | 2,703          | 1,849  | 19,880                               | (14,299)           | 35,646            |
| Finance costs   | (87,235)             | (4,437)                        | (19,435)              | (5,139)                   | (5,238)        | (526)  | (721)                                | 10,688             | (112,043)         |
| Share in profit of joint ventures and associates              | 245,673              | 18,372                         | 172                   | --                        | 14,498         | 3,547  | --                                   | --                 | 282,262           |
| Foreign exchange (loss)/gain, net                             | (8,627)              | (628)                          | (2,001)               | (92)                      | (420)          | (48)   | 378                                  | 116                | (11,322)          |
| Income tax expenses   | (79,193)             | (5,349)                        | (18,538)              | (3,903)                   | (4,411)        | (671)  | (2,920)                              | --                 | (114,985)         |
| Net profit/(loss) for the period from continued operations    | 242,235              | (30,431)                       | 64,708                | 10,795                    | 27,693         | (4,338)  | (8,929)                              | 3,879              | 305,612           |
| Net profit/(loss) for the period from discontinued operations | (164)                | --                             | (1,548)               | --                        | 50             | 2,995  | --                                   | --                 | 1,333             |
| <b>Net profit/(loss) for the period</b>                       | <b>242,071</b>       | <b>(30,431)</b>                | <b>63,160</b>         | <b>10,795</b>             | <b>27,743</b>  | <b>(1,343)</b>   | <b>(8,929)</b>                       | <b>3,879</b>       | <b>306,945</b>    |
| <b>Other segment information as at 31 December 2013</b>       |                      |                                |                       |                           |                |  |                                      |                    |                   |
| <b>Total segment assets</b>                                   | <b>7,594,320</b>     | <b>963,298</b>                 | <b>2,636,642</b>      | <b>465,341</b>            | <b>889,587</b> | <b>2,415,389</b>   | <b>5,380,531</b>                     | <b>(5,050,619)</b> | <b>15,294,489</b> |
| <b>Total segment liabilities</b>                              | <b>3,558,129</b>     | <b>258,123</b>                 | <b>1,250,427</b>      | <b>188,331</b>            | <b>357,899</b> | <b>2,215,777</b>   | <b>1,601,354</b>                     | <b>(1,642,143)</b> | <b>7,787,897</b>  |
| Investments in joint ventures and associates                  | 998,490              | 382,328                        | 26,690                | --                        | 257,328        | 88,918   | --                                   | (36,505)           | 1,717,249         |

**NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
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**34. SUBSEQUENT EVENTS****Loans and borrowings**

In July 2014 the Fund issued a loan to Elorda Damu LLP in the amount of 20,000 million tenge to finance the pilot project on the demolition of old housing in Astana.

In July 2014 NC KTZh, subsidiary of the Group, in accordance with early signed agreement with HSBC Bank Kazakhstan JSC received loan in the amount of 4,503 million tenge (equivalent to 18 million Euro at the exchange rate at the date of transaction). The loan is provided for a 10 year period at the interest rate EUR CIRR + 0.9%. The full repayment of loan is expected in 2024.

In July 2014 NC KMG, subsidiary of the Group, made payments on early issued Eurobonds in the amount of 29,589 million tenge (equivalent to 161 million US dollars at the exchange rate at the date of transaction).

In July 2014 NC KMG made a full repayment of syndicated loan from Unicredit bank London branch in the amount of 45,500 million tenge (equivalent to 250 million US dollars at the exchange rate at the date of transaction).

In July and August 2014 "NAC "Kazatomprom" JSC ("KAP"), subsidiary of the Group, in accordance with existing credit facilities received short term loans in the amount of 4,588 million tenge (equivalent to 25 million US dollars at the exchange rate at the date of transaction) from Citibank Kazakhstan JSC and 5,461 million tenge (equivalent to 30 million US dollars at the exchange rate at the date of transaction) from Societe Generale bank.

In August 2014 NC KMG, subsidiary of the Group, received a loan from club of banks (Raiffeisen Bank International AG, Raiffeisen Bank SA, Banca Comerciala Romana SA, ING Bank Amsterdam –Bucharest branch, Unicredit Tiriac Bank SA) in the amount of 36,400 million tenge (equivalent to 200 million US dollars at the exchange rate at the date of transaction) for a 5 years period and the interest rate - LIBOR (3 months) + 2.5% per annum. The purpose of the loan is a refinance of early received loan from Unicredit bank London branch.

In July, August and September of 2014 Tengizevroil LLP, joint venture of the Group, paid dividends to the Group in the total amount of 36,510 million tenge (equivalent to 201 million US dollars at the date of transaction).

Alliance Bank JSC paid 5,000 million tenge in repayment of loan from NBRK in February 2014.

In August 2014 EGRES-1, subsidiary of the Group, received short term loan from Sberbank of Russia JSC in the amount of 5,000 million tenge with interest rate 10% per annum.

**Financial assets**

In August 2014 KKB re-acquired 80,000,000 of its own common shares from the Fund in the total amount of 38,030 million tenge.

**Changes in the structure of the Group**

In July 2014 KAP established two new associate companies: JV South Mining Chemical Company LLP and JV Khorasan-U LLP with 30% and 33.98% interest.

**Hedging**

In August 2014 NC KTZh has entered into foreign currency risk hedge contract in relation to payments of interest and Eurobonds in the amount of 324 million US dollars (equivalent to 58,968 million tenge using the exchange rate on 29 August 2014) with interest rate of 7% per annum redeemable in May 2016. Hedging used derivative cross currency swap USD/CHF contract with 6.5% interest per annum (semi-annual payments) at the 0.9145 US dollars rate against Swiss franc (equivalent to 296 million CHF). The date of the final exchange payments on cross-currency swap is 28 April 2016.

**Other events**

In July 2014 amended to the contract with Tengizevroil LLP of 25 December 2001 on the increase in the tariff for transportation of gas from 2.8 US Dollars to 3.00 US Dollars per 1,000 cubic meters per 100 kilometers.

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

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**34. SUBSEQUENT EVENTS (continued)****Other events (continued)**

By decision of the Board of Alliance Bank doubtful receivables of collection companies in the amount of about 10,000 million tenge was written off without termination of the claim.

In September 2014 the rating agency Moody's Investors Service Ltd. raised a question on the downgrade of the rating of KAP, Baa3, and the rating of the fiduciary issues of the KAP.