

JSC “National Company “KazMunayGas”

Interim condensed consolidated financial statements (unaudited)

For the three months ended March 31, 2017

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Report on review of interim condensed consolidated financial statements

To the Shareholders and Management of JSC "National Company "KazMunayGas":

Introduction

We have reviewed the accompanying interim condensed consolidated financial statements of JSC "National Company "KazMunayGas" and its subsidiaries, which comprise the interim condensed consolidated statement of financial position as at 31 March 2017 and the related interim condensed consolidated statements of comprehensive income, changes in equity and cash flows for the three-month period then ended and selected 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*. 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 condensed consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed consolidated financial statements of JSC "National Company "KazMunayGas" are not prepared, in all material respects, in accordance with IAS 34, *Interim Financial Reporting*.

Ernst & Young LLP



Gulmira Turmagambetova
Auditor / General Director
Ernst and Young LLP

Auditor qualification certificate
No. 0000374 dated 21 February 1998



State audit license for audit activities on
the territory of the Republic of Kazakhstan:
series МФЮ-2 No. 0000003 issued by the
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Kazakhstan on July 15, 2005

050060, Republic of Kazakhstan, Almaty
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22 May 2017

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

<i>In thousands of tenge</i>	Note	March 31, 2017 (unaudited)	December 31, 2016 (audited)
Assets			
Non-current assets			
Property, plant and equipment	6	2,994,183,453	2,953,135,665
Exploration and evaluation assets		230,102,452	231,553,168
Investment property		29,086,264	29,480,044
Intangible assets		115,705,598	116,488,612
Long-term bank deposits	7	47,281,568	50,027,102
Investments in joint ventures and associates	8	3,606,758,614	3,706,276,810
Deferred income tax asset		58,893,705	71,909,033
VAT receivable		82,874,500	71,918,992
Advances for non-current assets		126,508,532	139,185,121
Bonds receivable from Samruk-Kazyna		37,759,202	37,683,003
Note receivable from a shareholder of a joint venture		16,861,247	16,695,758
Note receivable from associate		31,744,770	34,837,804
Loans due from related parties	10	468,631,819	476,777,932
Other non-current assets		19,574,085	20,687,850
		7,865,965,809	7,956,656,894
Current assets			
Inventories		87,719,338	98,776,900
VAT receivable		69,719,770	68,719,671
Income tax prepaid		83,995,112	74,457,414
Trade accounts receivable	9	217,830,038	279,811,631
Short-term bank deposits	7	1,557,243,634	1,182,669,493
Bonds receivable from Samruk-Kazyna		1,110,000	4,440,000
Loans due from related parties	10	108,946,732	113,616,133
Note receivable from a shareholder of a joint venture		16,582,726	17,617,100
Other current assets	9	133,654,402	149,079,608
Cash and cash equivalents	11	444,453,279	878,438,350
		2,721,255,031	2,867,626,300
Assets classified as held for sale	4	1,034,895,829	1,058,794,076
		3,756,150,860	3,926,420,376
Total assets		11,622,116,669	11,883,077,270

The accompanying notes on pages 10 to 34 are an integral part of these interim condensed consolidated financial statements.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
(continued)

<i>In thousands of tenge</i>	Note	March 31, 2017 (unaudited)	December 31, 2016 (audited)
Equity and liabilities			
Equity			
Share capital	12	709,344,505	696,376,625
Additional paid-in capital	12	230,687,525	243,655,405
Other equity		135,292	222,074
Currency translation reserve		1,255,200,263	1,372,771,521
Retained earnings		3,264,457,343	3,163,685,193
Attributable to equity holders of the Parent Company		5,459,824,928	5,476,710,818
Non-controlling interest	12	788,589,259	801,560,097
Total equity		6,248,414,187	6,278,270,915
Non-current liabilities			
Borrowings	13	2,551,813,940	2,706,101,321
Provisions		141,566,644	139,371,823
Deferred income tax liabilities		266,327,943	264,599,978
Financial guarantee		11,819,093	12,259,980
Prepayment on oil supply agreements	14	616,794,749	738,572,306
Other non-current liabilities		49,756,315	52,509,205
		3,638,078,684	3,913,414,613
Current liabilities			
Borrowings	13	386,628,544	366,438,649
Provisions		82,866,604	94,394,277
Income tax payable		6,000,627	2,301,839
Trade accounts payable	15	211,105,150	260,137,009
Other taxes payable	16	53,564,844	34,014,457
Financial guarantee		1,321,894	1,211,481
Prepayment on oil supply agreements	14	313,730,000	249,967,500
Other current liabilities	15	131,037,812	119,042,249
		1,186,255,475	1,127,507,461
Liabilities directly associated with the assets classified as held for sale	4	549,368,323	563,884,281
Total liabilities		5,373,702,482	5,604,806,355
Total equity and liabilities		11,622,116,669	11,883,077,270
Book value per ordinary share	12	10,405	10,547

Executive vice-president – financial director

Chief accountant



D.S. Karabayev
KazMunayGas

Y.Y. Orynbayev

The accompanying notes on pages 10 to 34 are an integral part of these interim condensed consolidated financial statements.

**INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE
INCOME**

<i>In thousands of tenge</i>	Note	For the three months ended March 31	
		2017	2016*
		(unaudited)	(unaudited) (restated)
Revenue	17	591,899,889	264,130,844
Cost of sales	18	(509,959,100)	(300,211,506)
Gross profit/(loss)		81,940,789	(36,080,662)
General and administrative expenses	19	(22,904,337)	(27,438,516)
Transportation and selling expenses	20	(67,333,646)	(47,211,361)
Impairment of property, plant and equipment, exploration and evaluation assets and intangible assets, other than goodwill	6	(141,767)	(1,371,665)
Loss on disposal of property, plant and equipment, intangible assets and investment property, net		(343,485)	(399,587)
Other operating income		3,217,567	2,527,662
Other operating expenses		(3,562,718)	(2,449,076)
Operating loss		(9,127,597)	(112,423,205)
Net foreign exchange (loss)/gain		(25,638,227)	2,947,395
Finance income	21	27,307,576	23,900,962
Finance costs	21	(59,678,146)	(55,917,483)
Reversal of impairment of investments in joint ventures		14,686,162	-
Share in profit of joint ventures and associates, net	8,22	85,915,207	50,044,215
Gain/(loss) before income tax		33,464,975	(91,448,116)
Income tax expense	23	(32,861,097)	(35,906,332)
Gain/(loss) for the period from continuing operations		603,878	(127,354,448)
Discontinued operations			
Profit after income tax for the period from discontinued operations	4	102,358,682	158,715,148
Net profit for the period		102,962,560	31,360,700
Net profit for the period attributable to:			
Equity holders of the Parent Company		102,301,370	24,231,774
Non-controlling interests		661,190	7,128,926
		102,962,560	31,360,700

*The accompanying notes on pages 10 to 34 are an integral part of these interim condensed consolidated
financial statements.*

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

<i>In thousands of tenge</i>	Note	For the three months ended March 31	
		2017	2016*
		(unaudited)	(unaudited)
			(restated)
Other comprehensive income			
<i>Other comprehensive income to be reclassified to profit or loss in subsequent periods</i>			
Exchange differences on translation of foreign operations		(131,285,773)	43,232,217
Other comprehensive (loss)/income to be reclassified to profit or loss in subsequent periods		(131,285,773)	43,232,217
<i>Other comprehensive income not to be reclassified to profit or loss in subsequent periods</i>			
Actuarial gain on defined benefit plans of the Group		–	14,313
Actuarial loss on defined benefit plans of joint ventures		(150,239)	–
Other comprehensive (loss)/income not to be reclassified to profit or loss in subsequent periods		(150,239)	14,313
Other comprehensive (loss)/income for the period		(131,436,012)	43,246,530
Total comprehensive (loss)/income for the period, net of tax		(28,473,452)	74,607,230
Total comprehensive (loss)/income for the period attributable to:			
Equity holders of the Parent Company		(15,420,127)	63,285,085
Non-controlling interests		(13,053,325)	11,322,145
		(28,473,452)	74,607,230

* Certain numbers shown here do not correspond to the consolidated financial statements for the period ended March 31, 2016 and reflect adjustments made, refer to Note 5.

Executive vice-president – financial director



D.S. Karabayev

Y.Y. Orynbayev

Chief accountant

The accompanying notes on pages 10 to 34 are an integral part of these interim condensed consolidated financial statements.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

		For the three months ended March 31	
			2016*
<i>In thousands of tenge</i>	Note	2017 (unaudited)	(unaudited) (restated)
Cash flows from operating activities			
Profit before income tax from continuing operations		33,464,975	(91,448,116)
Profit before income tax from discontinued operations		101,903,577	158,398,170
Profit before income tax		135,368,552	66,950,054
Adjustments for:			
Depreciation, depletion and amortization		48,594,470	44,359,290
Depreciation, depletion and amortization from discontinued operation		13,946,998	16,100,936
Share in profit of joint ventures and associates, net	22	(85,915,207)	(50,044,215)
Share in profit of joint ventures and associates from discontinued operation, net		(221,105)	(369,040)
Finance costs	21	59,678,146	55,917,483
Finance costs from discontinued operation		2,582,589	3,301,026
Finance income	21	(27,307,576)	(23,900,962)
Finance income from discontinued operation		(335,754)	(875,262)
Unrealized (gain)/losses from derivatives on petroleum products		(386,472)	118,695
Realized gain from derivatives on petroleum products		(150,880)	(721,320)
Impairment of property, plant and equipment, intangible assets and goodwill		141,767	1,371,665
Adjustment on the re-measurement to fair value less costs to sell		(484,447)	(10,034,461)
Loss on disposal of property, plant and equipment, intangible assets and investment property, net		343,485	399,587
Reversal of impairment of investments in joint ventures		(14,686,162)	-
Provisions		(1,687,031)	6,832,029
Allowance for impairment of trade accounts receivable and other current and non-current assets		(205,322)	867,850
Allowance for impairment of trade accounts receivable and other current assets from discontinued operation		325,438	200,094
Provision for obsolete and slow-moving inventories		512,421	71,888
Provision for obsolete and slow-moving inventories from discontinued operation		180,873	736,587
Recognition of share based payments		(4,295)	42,787
Unrealized foreign exchange loss/(gain)		32,748,346	(6,739,370)
Operating profit before working capital changes		163,038,834	104,585,341
Change in inventory		8,712,043	8,291,868
Change in VAT receivable		(12,681,515)	(8,207,689)
Change in trade accounts receivable and other assets		30,142,409	(14,752,362)
Change in other taxes payable		12,979,483	(9,305,786)
Change in trade accounts payable		(12,144,080)	34,953,190
Change in other liabilities		(495,989)	(167,269)
Cash generated from operations		189,551,185	115,397,293
Income taxes paid		(25,929,236)	(45,796,216)
Interest received		20,967,959	13,465,589
Interest paid		(25,368,122)	(28,789,525)
Cash received from derivatives, net		72,474	230,843
Net cash flow from operating activities		159,294,260	54,507,984

The accompanying notes on pages 10 to 34 are an integral part of these interim condensed consolidated financial statements.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (continued)

<i>In thousands of tenge</i>	Note	For the three months ended March 31	
		2017 (unaudited)	2016* (unaudited) (restated)
Cash flows from investing activities			
(Placement)/withdrawal of bank deposits, net		(449,142,337)	2,620,358
Purchase of property, plant and equipment, intangible assets, investment property and exploration and evaluation assets		(87,932,130)	(83,697,981) ✓
Proceeds from sale of property, plant and equipment, intangible assets, investment property and exploration and evaluation assets		369,722	147,363 ✓
Dividends received from joint ventures and associates, net of income tax		3,112,785	6,710,458 ✓
Acquisition of and contribution to joint ventures		(2,625)	(26,666,217) ✓
Repayment of loans and receivable due from related parties		–	79,810
Note receivable from associate		51,569	–
Loans given to related parties		(4,898,208)	(37,973,739) ✓
Net cash flow used in investing activities		(538,441,224)	(138,779,948)
Cash flows from financing activities			
Proceeds from borrowings		41,072,252	144,197,147
Repayment of borrowings		(70,228,974)	(268,738,884)
Distributions to Samruk-Kazyna		–	(750,592)
Dividends paid to Samruk-Kazyna and National Bank of RK		–	(31,104,442)
Dividends paid to non-controlling interests		(27,614)	(15,238)
Issue of shares		1	–
Net cash flow used in financing activities		(29,184,335)	(156,412,009)
Effects of exchange rate changes on cash and cash equivalents		(26,031,433)	18,097,534
Net change in cash and cash equivalents		(434,362,732)	(222,586,439)
Cash and cash equivalents at the beginning of the period		905,452,511	808,434,139
Cash and cash equivalents at the end of the period		471,089,779	585,847,700

* Certain numbers shown here do not correspond to the consolidated financial statements for the period ended March 31, 2016 and reflect reclassifications made to conform with the presentation in the consolidated financial statement for the year ended December 31, 2016.

NON-CASH TRANSACTIONS: SUPPLEMENTAL DISCLOSURE

The following significant non-cash transactions and other transactions were excluded from the consolidated statement of cash flows:

Capitalization of borrowing costs

For the three months ended March 31, 2017 the Group capitalized in the carrying amount of property, plant and equipment borrowing costs in the amount of 5,898,473 thousand tenge (for the three months ended March 31, 2016: 6,052,106 thousand tenge) (Note 6).

Accounts payable for non-current assets

For the three months ended March 31, 2017 accounts payable for purchases of property, plant and equipment decreased by 17,456,297 thousand tenge (for the three months ended March 31, 2016: decreased by 4,893,524 thousand tenge).

Advances paid for non-current assets

For the three months ended March 31, 2017 advances paid for non-current assets decreased by 12,857,798 thousand tenge (for the three months ended March 31, 2016: decreased by 9,176,250 thousand tenge).

The accompanying notes on pages 10 to 34 are an integral part of these interim condensed consolidated financial statements.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (continued)**NON-CASH TRANSACTIONS: SUPPLEMENTAL DISCLOSURE (continued)****Purchases of non-current assets**

For the three months ended March 31, 2017 purchases of property, plant and equipment was paid with the use of the loans from The Export-Import Bank of China and Japan Bank for International Cooper in the total amount 48,523,435 thousand tenge (for the three months ended March 31, 2016: 50,748,032 thousand tenge).

Hedge of income (loss) on translation of borrowings denominated in US dollar

For the three months ended March 31, 2017 the Group utilized hedging of net investments in certain subsidiaries classified as foreign operations against selected borrowings denominated in US dollar. Effect of income hedging was equal to 133,681,838 thousand tenge which was reclassified from profits and losses to other comprehensive income, under exchange differences on translation of foreign operations (effect of loss hedging for the three months ended March 31, 2016: 36,542,803 thousand tenge).

Executive vice-president – financial director


D.S. Karabayev

Chief accountant


Y.Y. Orynbayev

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

<i>In thousands of tenge</i>	Attributable to equity holders of the Parent Company					
	Share capital	Additional paid-in capital	Other equity	Currency translation reserve	Retained earnings	Non-controlling interest
As at December 31, 2015 (audited)	696,363,445	243,655,405	3,110,573	1,405,325,707	2,988,542,754	753,179,913
Net profit for the period (unaudited)	-	-	-	-	24,231,774	7,128,926
Other comprehensive income (unaudited)	-	-	-	39,038,998	14,313	4,193,219
Total comprehensive income for the period (unaudited)	-	-	-	39,038,998	24,246,087	11,322,145
Distributions to the Samruk-Kazyna	-	-	-	-	(1,678,403)	-
Recognition of share-based payments	-	-	27,047	-	-	15,740
Transactions with the Samruk-Kazyna	-	-	-	-	(5,970,396)	-
Execution of share-based payments	-	-	(1,455,444)	-	-	1,455,444
As at March 31, 2016 (unaudited)	696,363,445	243,655,405	1,682,176	1,444,364,705	3,005,140,042	765,973,242
					5,391,205,773	6,157,179,015

The accompanying notes on pages 10 to 34 are an integral part of these interim condensed consolidated financial statements.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (continued)

In thousands of tenge	Attributable to equity holders of the Parent Company					Non-controlling interest	Total
	Share capital	Additional paid-in capital	Other equity	Currency translation reserve	Retained earnings		
As at December 31, 2016 (audited)	696,376,625	243,655,405	222,074	1,372,771,521	3,163,685,193	801,560,097	6,278,270,915
Net profit for the period (unaudited)	-	-	-	-	102,301,370	661,190	102,962,560
Other comprehensive income (unaudited)	-	-	-	(117,571,258)	(150,239)	(13,714,515)	(131,436,012)
Total comprehensive income for the period	-	-	-	(117,571,258)	102,151,131	(13,053,325)	(28,473,452)
Contribution to share capital (Note 12)	12,967,880	(12,967,880)	-	-	-	-	-
Distributions to the Samruk-Kazyna	-	-	-	-	(606,389)	-	(606,389)
Transactions with the Samruk-Kazyna	-	-	-	-	(772,592)	-	(772,592)
Execution of share-based payments	-	-	(86,782)	-	-	82,487	(4,295)
As at March 31, 2017 (unaudited)	709,344,505	230,687,525	135,292	1,255,200,263	3,264,457,343	788,589,259	6,248,414,187

Executive vice-president – financial director

Chief accountant



The accompanying notes on pages 10 to 34 are an integral part of these interim condensed consolidated financial statements.

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)****For the three months ended March 31, 2017**

1. GENERAL

JSC “National Company “KazMunayGas” (the “Company”, “KazMunayGas” or “Parent Company”) is a wholly owned state oil and gas enterprise of the Republic of Kazakhstan, which was established on February 27, 2002 as a closed joint stock company pursuant to the Decree No. 811 of the President of the Republic of Kazakhstan dated February 20, 2002 and the Resolution of the Government of the Republic of Kazakhstan (the “Government”) No. 248 dated February 25, 2002. The Company was formed as a result of the merger of National Oil and Gas Company Kazakhoil CJSC and National Company Transport Nefti i Gaza CJSC. As the result of the merger, all assets and liabilities, including ownership interest in all entities owned by these companies, have been transferred to KazMunayGas. The Company was reregistered as a joint stock company in accordance with the legislation of the Republic of Kazakhstan in March 2004.

Starting from June 8, 2006, the sole shareholder of the Company was JSC “Kazakhstan Holding Company for State Assets Management “Samruk” (“Samruk”), which in October 2008 was merged with the state owned Sustainable Development Fund “Kazyna” and formed JSC “National Welfare Fund Samruk-Kazyna” (“Samruk-Kazyna”), now renamed to JSC “Sovereign Wealth Fund Samruk-Kazyna”. The Government is the sole shareholder of Samruk-Kazyna. On August 7, 2015 National Bank of Republic of Kazakhstan (“National Bank of RK”) purchased 10% plus one share of the Company from Samruk-Kazyna.

As at March 31, 2017, the Company has a direct interest in 45 operating companies (as of December 31, 2016: 42) (jointly the “Group”).

The Company has its registered office in the Republic of Kazakhstan, Astana, Kabanbay Batyr avenue, 19.

The principal objective of the Group includes, but is not limited, to the following:

- Participation in the Government activities relating to the oil and gas sector;
- Representation of the state interests in subsoil use contracts through interest participation in those contracts; and
- Corporate governance and monitoring of exploration, development, production, processing, transportation and sale of hydrocarbons and the designing, construction and maintenance of oil-and-gas pipeline and field infrastructure.

These interim condensed consolidated financial statements of the Group were approved by the Executive vice-president – financial director and the Chief accountant on May 22, 2017.

2. BASIS OF PREPARATION AND CHANGES TO THE GROUP’S ACCOUNTING POLICIES

The interim condensed consolidated financial statements for the three months ended March 31, 2017 have been prepared in accordance with IAS 34 *Interim Financial Reporting* (IAS 34). These interim condensed consolidated financial statements do not include all the information and disclosures required in the annual consolidated financial statements, and should be read in conjunction with the Group’s annual consolidated financial statements for the year ended December 31, 2016.

Foreign currency translation*Functional and presentation currency*

Items included in the financial statements of each of the Group’s entities included in these interim condensed consolidated financial statements 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 Kazakhstan tenge (“tenge”), which is the Group’s presentation currency.

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

**2. BASIS OF PREPARATION AND CHANGES TO THE GROUP'S ACCOUNTING POLICIES
(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 at reporting date exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the interim condensed consolidated statement of comprehensive income.

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 items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined.

Differences arising on settlement or translation of monetary items are recognised in profit or loss with the exception of monetary items that are designated as part of the hedge of the Group's net investment in foreign operations. These items are recognised in other comprehensive income until the net investment is disposed of, at which time, the cumulative amount is reclassified to profit or loss. Tax charges and credits attributable to exchange differences on those monetary items are also recorded in other comprehensive income.

Group companies

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

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

Exchange rates

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

The currency exchange rates of KASE as at March 31, 2017 and December 31, 2016 were 313.73 and 333.29 tenge to 1 US dollar accordingly. These rates were used for translation of monetary assets and liabilities denominated in US dollars at March 31, 2017 and December 31, 2016. The weighted average rate for three month ended March 31, 2017 were 322.31 tenge to 1 US dollar accordingly. The currency exchange rate of KASE as at May 22, 2017 was 310.70 tenge to 1 US dollar.

New and amended standards and interpretations

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

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

**2. BASIS OF PREPARATION AND CHANGES TO THE GROUP'S ACCOUNTING POLICIES
(continued)****New and amended standards and interpretations (continued)**

The nature and the effect of these changes are disclosed below. Although these new standards and amendments apply for the first time in 2017, they do not have a material impact on the annual consolidated financial statements of the Group or the interim condensed consolidated financial statements of the Group. The nature and the impact of each new standard or amendment is described below:

Amendments to IAS 7 Statement of Cash Flows: Disclosure Initiative

The amendments require entities to provide disclosures about changes in their liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes (such as foreign exchange gains or losses). On initial application of the amendment, entities are not required to provide comparative information for preceding periods. The Group is not required to provide additional disclosures in its condensed interim consolidated financial statements, but will disclose additional information in its annual consolidated financial statements for the year ended December 31, 2017.

Amendments to IAS 12 Income Taxes: Recognition of Deferred Tax Assets for Unrecognised Losses

The amendments clarify that an entity needs to consider whether tax law restricts the sources of taxable profits against which it may make deductions on the reversal of that deductible temporary difference. Furthermore, the amendments provide guidance on how an entity should determine future taxable profits and explain the circumstances in which taxable profit may include the recovery of some assets for more than their carrying amount.

Entities are required to apply the amendments retrospectively. However, on initial application of the amendments, the change in the opening equity of the earliest comparative period may be recognized in opening retained earnings (or in another component of equity, as appropriate), without allocating the change between opening retained earnings and other components of equity. Entities applying this relief must disclose that fact.

The Group applied the amendments retrospectively. However, their application has no effect on the Group's financial position and performance as the Group has no deductible temporary differences or assets that are in the scope of the amendments.

*Annual improvements cycle – 2014-2016**Amendments to IFRS 12 Disclosure of Interests in Other Entities: Clarification of the Scope of Disclosure Requirements in IFRS 12*

The amendments clarify that the disclosure requirements in IFRS 12, other than those in paragraphs B10-B16, apply to an entity's interest in a subsidiary, a joint venture or an associate (or a portion of its interest in a joint venture or an associate) that is classified (or included in a disposal group that is classified) as held for sale.

These amendments do not have any impact on the Group's interim condensed consolidated financial statements.

3. SEASONALITY OF OPERATIONS

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

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED) (continued)****4. DISCONTINUED OPERATIONS AND ASSETS CLASSIFIED AS HELD FOR SALE**

The assets and liabilities, classified as discontinued operations and assets classified as held for sale as at March 31, 2017 and the results for three months ended March 31, 2017 are as follows:

<i>In thousands of tenge</i>	March 31, 2017 (unaudited)			Profit after income tax for three months ended March 31, 2017 from discontinued operation (unaudited)
	Assets classified as held for sale	Liabilities directly associated with the assets classified as held for sale	Net assets directly associated with the disposal group	
KMG International N.V.	996,280,463	538,670,017	457,610,446	101,691,461
Other assets*	38,615,366	10,698,306	27,917,060	667,221
Total	1,034,895,829	549,368,323	485,527,506	102,358,682

<i>In thousands of tenge</i>	December 31, 2016 (audited)			Profit after income tax for the three months ended March 31, 2016 from discontinued operation (unaudited)
	Assets classified as held for sale	Liabilities directly associated with the assets classified as held for sale	Net assets directly associated with the disposal group	
KMG International N.V.	1,014,948,431	550,226,128	464,722,303	158,533,225
Other assets*	43,845,645	13,658,153	30,187,492	181,923
Total	1,058,794,076	563,884,281	494,909,795	158,715,148

* Other assets include EurasiaAir JSC and Kazakh British Technical University JSC (KBTU).

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) (continued)**4. DISCONTINUED OPERATIONS AND ASSETS CLASSIFIED AS HELD FOR SALE (continued)****KMG International N.V. (KMG I)**

On December 15, 2016, the Group signed share sale and purchase agreement (SPA) to sell a 51% interest in KMG I. The disposal of KMG I is due to be completed in 2017. The results of KMG I for the three months ended March 31, 2017 and 2016 are presented below:

In thousands of tenge	For the three months ended March 31					
	2017 (unaudited)		2016 (unaudited)			
	Before elimination	Consolidated adjustments	After elimination	Before elimination	Consolidated adjustments	After elimination*
Revenue	570,142,217	(97,769,515)	472,372,702	393,137,667	(1,786,722)	391,350,945
Cost of sales	(548,122,964)	201,925,926	(346,197,038)	(371,211,010)	160,044,808	(211,166,202)
Gross profit	22,019,253	104,156,411	126,175,664	21,926,657	158,258,086	180,184,743
General and administrative expenses	(9,911,033)	-	(9,911,033)	(16,547,758)	-	(16,547,758)
Transportation and selling expenses	(12,807,955)	-	(12,807,955)	(14,374,003)	-	(14,374,003)
Reversal of impairment loss recognized on the re-measurement to fair value less costs to sell	-	244,709	244,709	-	10,034,461	10,034,461
Other operating income	-	-	-	124,796	-	124,796
Other operating losses	(81,223)	-	(81,223)	(330,175)	-	(330,175)
Operating profit	(780,958)	104,401,120	103,620,162	(9,200,483)	168,292,547	159,092,064
Net foreign exchange loss, net	(233,352)	-	(233,352)	(375,458)	-	(375,458)
Finance income	152,453	-	152,453	784,432	-	784,432
Finance costs	(2,555,274)	-	(2,555,274)	(3,301,389)	-	(3,301,389)
Share in profit of joint ventures and associates, net	221,106	-	221,106	369,040	-	369,040
Profit before income tax for the period from discontinued operations	(3,196,025)	104,401,120	101,205,095	(11,723,858)	168,292,547	156,568,689
Income tax benefit	486,366	-	486,366	1,964,536	-	1,964,536
Profit after income tax for the period from discontinued operations	(2,709,659)	104,401,120	101,691,461	(9,759,322)	168,292,547	158,533,225

* Certain numbers shown here do not correspond to the consolidated financial statements for the period ended March 31, 2016 and reflect reclassifications made to conform with the presentation in the consolidated financial statement for the year ended December 31, 2016.

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED) (continued)****4. DISCONTINUED OPERATIONS AND ASSETS CLASSIFIED AS HELD FOR SALE (continued)****KMG International N.V. (KMG I) (continued)**

The major classes of assets and liabilities of KMG I, classified as held for sale as at March 31, 2017 and December 31, 2016 are as follows:

<i>In thousands of tenge</i>	March 31, 2017* (unaudited)	December 31, 2016* (audited)
Assets		
Property, plant and equipment	544,917,113	585,545,785
Intangible assets	66,295,227	73,932,864
Investment in associate	12,112,488	12,644,023
Deferred tax asset	32,518,428	34,545,175
Inventories	104,048,988	115,234,684
Trade accounts receivable	180,549,299	128,944,234
Other non-current assets	2,958,160	2,949,283
Other current assets	29,396,815	36,148,634
Cash and cash equivalents	23,483,945	25,003,749
Assets classified as held for sale	996,280,463	1,014,948,431
Liabilities		
Borrowings	201,407,130	201,868,754
Deferred income tax liabilities	67,900,584	72,935,184
Provisions	47,182,482	50,706,074
Trade accounts payable	140,097,700	142,278,168
Other taxes payable	18,213,909	17,704,032
Other non-current liabilities	131,453	141,648
Other current liabilities	63,736,759	64,592,268
Liabilities directly associated with the assets classified as held for sale	538,670,017	550,226,128
Net assets directly associated with the disposal group	457,610,446	464,722,303

* Assets and liabilities are presented after eliminations of intergroup transactions.

The net cash flows incurred by KMG I are as follows:

<i>In thousands of tenge</i>	For the three months ended March 31, 2017 (unaudited)	2016 (unaudited)
Operating	(2,748,015)	29,557,398
Investing	(8,717,519)	(17,178,704)
Financing	11,411,708	(11,819,607)
Net cash (outflows)/inflows	(53,826)	559,087

As at March 31, 2017, items of property, plant and equipment with the net book value of 345,367,386 thousand tenge related to discontinued operations (as at December 31, 2016: 372,054,627 thousand tenge) were pledged as collateral to secure borrowings and payables of KMG I.

As at March 31, 2017 KMG I has pledged trade accounts receivable of approximately 101,811,833 thousand tenge as a collateral under its borrowings (as at December 31, 2016: 72,640,966 thousand tenge) related to discontinued operations.

As at March 31, 2017 the initial cost and correspondingly accumulated depreciation of fully depreciated but still in use property, plant and equipment of KMG I were 168,822,804 thousand tenge (as at December 31, 2016: 174,340,401 thousand tenge).

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED) (continued)****5. RESTATEMENTS**

In 2016 the Group decided to sell its 100% interest in "Kazakh British Technical University" JSC (KBTU). The disposal of KBTU is due to be completed in 2017 and, as at March 31, 2017, the procedures for the sale were in progress. The disposal of KBTU is part of the Governmental plan on the privatization of state owned companies in 2016-2020. The assets and liabilities of KBTU were transferred from continuing operations to discontinued operations.

In 2016 the Group ceased to classify Aysir Turizm ve Inshaat A.S. (Aysir) as discontinued operation as the Group did not receive reasonable offers due to unfavorable situation in tourism sector of Turkey. As such Aysir does not meet the criteria of IFRS 5. The assets and liabilities of Aysir were transferred from discontinued operations to continuing operations.

The effect of the above transactions on change of comparative information is tabulated below.

Effect on performance for the three months ended March 31, 2016	
Decrease in revenue	(515,198)
Decrease in cost of sales	778,618
Decrease in general and administrative expenses	32,881
Decrease in transportation and selling expenses	8,470
Decrease in other operating income	(316,173)
Decrease in other operating expenses	65,604
Decrease in net foreign exchange gain	(72,579)
Decrease in finance income	(90,830)
Increase in finance costs	(363)
Increase in profit after income tax for the year from discontinued operations	109,570
Net profit for the period	-

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

6. PROPERTY, PLANT AND EQUIPMENT

<i>In thousands of tenge</i>	Oil and gas assets	Pipelines	Refinery assets	Buildings and improvements	Machinery and equipment	Vehicles	Other	Capital work in progress	Total
Net book value as at December 31, 2016 (audited)	877,633,010	643,279,071	315,637,371	212,354,088	277,846,188	69,602,457	33,409,411	523,374,069	2,953,135,665
Foreign currency translation	(33,725,119)	—	—	(1,236,286)	(526,717)	(1,939,457)	(73,213)	(397,065)	(37,897,857)
Change in estimate	248,666	(437,207)	—	—	—	—	—	—	(188,541)
Additions	8,411,523	72,499	22,119	182,856	1,015,212	1,365,495	188,959	115,601,521	126,860,184
Disposals	(1,527,427)	(269,284)	(143,208)	(591,264)	(672,603)	(220,978)	(582,489)	(277,430)	(4,284,683)
Depreciation charge	(19,387,470)	(5,842,486)	(8,149,248)	(4,175,538)	(6,414,752)	(1,883,851)	(1,208,055)	—	(47,061,400)
Accumulated depreciation and impairment on disposals	1,527,427	199,969	109,435	530,284	580,929	213,786	415,932	217,582	3,795,344
Impairment	—	(497)	—	—	—	—	—	(141,270)	(141,270)
Transfers from/(to) inventory, net	(26,724)	(6,943)	500,024	—	6,961	1,700	1,173	120,665	596,856
Transfers to intangible assets	(67,027)	—	—	—	—	—	—	(525,403)	(592,430)
Transfers from/(to) assets classified as held for sale	—	—	(39,771)	—	—	1,913	—	(60)	(37,918)
Transfers and reclassifications	665,057	2,267,174	551,630	1,729,682	42,984,731	161,366	570,221	(48,929,871)	—
Net book value as at March 31, 2017 (unaudited)	833,751,926	639,262,296	308,488,352	208,793,822	314,819,949	67,302,431	32,721,939	589,042,738	2,994,183,453
At cost	1,758,570,881	778,367,375	474,173,963	348,766,871	508,654,752	159,662,959	79,869,850	613,404,776	4,721,471,427
Accumulated depreciation and impairment	(924,818,955)	(139,105,079)	(165,686,611)	(139,973,049)	(193,834,803)	(92,360,528)	(47,147,911)	(24,362,038)	(1,727,287,974)
Net book value as at March 31, 2017 (unaudited)	833,751,926	639,262,296	308,488,352	208,793,822	314,819,949	67,302,431	32,721,939	589,042,738	2,994,183,453
At cost	1,796,687,457	776,793,501	473,343,599	350,113,598	466,840,617	161,145,408	79,902,688	547,812,419	4,652,639,287
Accumulated depreciation and impairment	(919,054,447)	(133,514,430)	(157,706,228)	(137,759,510)	(188,994,429)	(91,542,951)	(46,493,277)	(24,438,350)	(1,699,503,622)
Net book value as at December 31, 2016 (audited)	877,633,010	643,279,071	315,637,371	212,354,088	277,846,188	69,602,457	33,409,411	523,374,069	2,953,135,665

For the three months ended March 31, 2017, the Group capitalized in the carrying amount of property, plant and equipment borrowing costs at the average interest rate of 0.39% in the amount of 5,603,257 thousand tenge which are related to the construction of new assets (for the three months ended March 31, 2016: 6,052,106 thousand tenge at the average interest rate of 0.38%).

As at March 31, 2017, items of property, plant and equipment with the net book value of 534,415,551 thousand tenge (as at December 31, 2016: 483,908,126 thousand tenge) were pledged as collateral to secure borrowings and payables of the Group (*Note 13*).

Additions to capital work in progress are mainly related to modernization projects of the Group refineries located in Atyrau and Pavlodar.

As at March 31, 2017 the cost of fully depreciated but still in use property, plant and equipment were 81,847,398 thousand tenge (as at December 31, 2016: 81,065,726 thousand tenge).

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED) (continued)****7. BANK DEPOSITS**

<i>In thousands of tenge</i>	March 31, 2017 (unaudited)	December 31, 2016 (audited)
Denominated in US dollar	1,532,442,354	1,202,060,798
Denominated in tenge	69,801,929	28,256,972
Denominated in other currency	2,280,919	2,378,825
	1,604,525,202	1,232,696,595

As at March 31, 2017, the weighted average interest rate for long-term bank deposits was 1.22% in US dollars and 2.61% in tenge, respectively (as at December 31, 2016: 1.16% in US dollars and 4.87% in tenge, respectively).

As at March 31, 2017, the weighted average interest rate for short-term bank deposits was 1.93% in US dollars, 10.29% in tenge and 1.50% in other foreign currencies, respectively (as at December 31, 2016: 1.84% in US dollars, 12.13% in tenge and 0.36% in other foreign currencies, respectively).

<i>In thousands of tenge</i>	March 31, 2017 (unaudited)	December 31, 2016 (audited)
Maturities under 1 year	1,557,243,634	1,182,669,493
Maturities between 1 and 2 years	230,387	178,088
Maturities over 2 years	47,051,181	49,849,014
	1,604,525,202	1,232,696,595

As at March 31, 2017 bank deposits include cash pledged as collateral of 108,250,370 thousand tenge (as at December 31, 2016: 108,695,345 thousand tenge), which are represented mainly by 52,549,775 thousand tenge (as at December 31, 2016: 63,718,200 thousand tenge) pledged with SB Sberbank Russia JSC until execution of obligations (April 21, 2017) by Atyrau Oil Refinery LLP (ANPZ) (a subsidiary of KMG RM) on loans received from this bank on construction of the deep oil processing plant at ANPZ and 31,329,000 thousand tenge (as at December 31, 2016: 33,276,000 thousand tenge) at restricted bank accounts designated as a liquidation fund per requirements of subsoil use contracts.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) (continued)**8. INVESTMENTS IN JOINT VENTURES AND ASSOCIATES**

In thousands of tenge	Main activity	Place of business	March 31, 2017 (unaudited)		December 31, 2016 (audited)	
			Carrying value	Percentage ownership	Carrying value	Percentage ownership
Joint ventures						
Kashagan B.V.	Oil and gas exploration and production	Kazakhstan	1,649,590,930	50.00%	1,759,152,117	50.00%
Tengizchevroil LLP	Oil and gas exploration and production	Kazakhstan	1,148,893,092	20.00%	1,154,183,137	20.00%
Mangistau Investments B.V.	Oil and gas development and production	Kazakhstan	200,481,092	50.00%	191,813,452	50.00%
KazRosGas LLP	Processing and sale of natural gas and refined gas products	Kazakhstan	69,112,764	50.00%	79,658,348	50.00%
Ural Group Limited BVI	Oil and gas exploration and production	Kazakhstan	68,670,311	50.00%	72,898,443	50.00%
KazGerMunay LLP	Oil and gas exploration and production	Kazakhstan	74,351,053	50.00%	71,109,842	50.00%
KazakhOil-Aktobe LLP	Production of crude oil	Kazakhstan	37,501,731	50.00%	39,503,663	50.00%
Other			77,218,837		55,079,872	
Associates						
PetroKazakhstan Inc. ("PKI")	Exploration, production and processing of oil and gas	Kazakhstan	139,910,126	33.00%	144,252,432	33.00%
Caspian Pipeline Consortium (CPC)	Transportation of liquid hydrocarbons	Kazakhstan/ Russia	139,549,849	20.75%	137,035,180	20.75%
Other			1,478,829		1,590,324	
			3,606,758,614		3,706,276,810	

All of the above joint ventures and associates are strategic for the Group's business.

As at March 31, 2017 the Group's share in unrecognized losses of joint ventures and associates was equal to 219,758,088 thousand tenge (as at December 31, 2016: 357,813,869 thousand tenge). Decrease in unrecognized losses mainly attributable to the net profit of Asia Gas Pipeline LLP of 108,485,477 thousand tenge.

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED) (continued)****8. INVESTMENTS IN JOINT VENTURES AND ASSOCIATES (continued)**

The following table summarizes the movements in equity investments in joint ventures and associates during the three months ended March 31, 2017:

In thousands of tenge

At January 1, 2017 (audited)	3,706,276,810
Share in profits of joint ventures and associates, net (Note 22)	85,915,207
Other changes in the equity of the joint venture	1,444,129
Reversal of impairment of investments	14,686,162
Dividends received	(3,112,785)
Change in dividends receivable	929,583
Acquisitions	2,625
Refund of contributions without change in ownership	(489,960)
Foreign currency translation	(198,893,157)
At March 31, 2017 (unaudited)	3,606,758,614

For the three months ended March 31, 2017 the Group recognized reversal of impairment of investments to BeineuShymkent PipeLines LLP in the amount of 14,686,162 thousand tenge

9. TRADE ACCOUNTS RECEIVABLE AND OTHER CURRENT ASSETS

<i>In thousands of tenge</i>	March 31, 2017 (unaudited)	December 31, 2016 (audited)
Advances paid and prepaid expenses	80,137,797	89,388,255
Taxes receivable	26,002,099	34,330,632
Other current assets	33,977,434	31,831,789
Less: allowance for impairment	(6,462,928)	(6,471,068)
Total other current assets	133,654,402	149,079,608
Trade accounts receivable	227,734,662	290,199,726
Less: allowance for impairment	(9,904,624)	(10,388,095)
Trade accounts receivable	217,830,038	279,811,631

As at March 31, 2017 and at December 31, 2016 the above assets were non-interest bearing.

10. LOANS DUE FROM RELATED PARTIES

<i>In thousands of tenge</i>	March 31, 2017 (unaudited)	December 31, 2016 (audited)
Loans due from related parties	592,996,948	605,812,462
Less: allowance for impairment of loans due from related parties	(15,418,397)	(15,418,397)
	577,578,551	590,394,065

<i>In thousands of tenge</i>	March 31, 2017 (unaudited)	December 31, 2016 (audited)
Loans due from related parties in US dollars	170,757,513	185,596,852
Loans due from related parties in tenge	405,362,507	403,380,730
Loans due from related parties in other foreign currencies	1,458,531	1,416,483
	577,578,551	590,394,065

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED) (continued)****10. LOANS DUE FROM RELATED PARTIES (continued)**

<i>In thousands of tenge</i>	March 31, 2017 (unaudited)	December 31, 2016 (audited)
Current portion	108,946,732	113,616,133
Non-current portion	468,631,819	476,777,932
	577,578,551	590,394,065

11. CASH AND CASH EQUIVALENTS

<i>In thousands of tenge</i>	March 31, 2017 (unaudited)	December 31, 2016 (audited)
Term deposits with banks – US dollars	93,423,946	435,939,051
Term deposits with banks – tenge	143,022,014	180,075,718
Current accounts with banks – US dollars	176,893,891	245,711,146
Current accounts with banks – tenge	28,836,770	13,214,622
Current accounts with banks – other currencies	1,366,523	1,893,667
Term deposits with banks – other currencies	36,393	37,995
Cash-on-hand	873,742	1,566,151
	444,453,279	878,438,350
Cash and cash equivalents attributable to discontinued operations	26,636,500	27,014,161
	471,089,779	905,452,511

Term deposits with banks are made for varying periods of between one day and three months, depending on the immediate cash requirements of the Group. As at March 31, 2017 the weighted average interest rate for term deposits with banks was 0.54% in US dollars and 9.64% in tenge, respectively (as at December 31, 2016: 0.61% in US dollars and 8.15% in tenge, respectively).

12. EQUITY**Share capital**

For the three months ended March 31, 2017 the Company issued 5,187,152 common shares. As consideration, the Company received high, medium and low pressure gas pipelines and associated facilities in the amount of 12,967,879 thousand tenge and cash in the amount 1 thousand tenge.

Additional paid-in capital

In 2015 the Group recognized additional paid-in capital in the amount of 13,375,340 thousand tenge, which represents the fair value of gas pipelines contributed by the Samruk-Kazyna and the Government on trust management terms, which serves as a short-term mechanism until the legal title for pipelines shifts to the Group.

For the three months ended March 31, 2017 the Company decreased additional paid-in capital on the cost of gas pipelines received as a payment for the issued common shares in the amount of 12,967,879 thousand tenge.

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED) (continued)****12. EQUITY (continued)****Book value per share**

In accordance with the decision of KASE dated October 4, 2010 financial statements shall disclose book value per share (ordinary and preferred) as of the reporting date, calculated in accordance with the KASE rules.

<i>In thousands of tenge</i>	March 31, 2017 (unaudited)	December 31, 2016 (audited)
Total assets	11,622,116,669	11,883,077,270
Less: intangible assets	115,705,598	116,488,612
Less: total liabilities	5,373,702,482	5,604,806,355
Net assets	6,132,708,589	6,161,782,303
Number of ordinary shares	589,399,889	584,212,737
Book value per ordinary share, tenge	10,405	10,547

Non-controlling interest

The following tables illustrate information of subsidiaries in which the Group has significant non-controlling interests:

	Country of incorporation and operation	March 31, 2017 (unaudited)		December 31, 2016 (audited)	
		Share	Carrying value	Share	Carrying value
KazMunayGas Exploration					
Production JSC	Kazakhstan	36.98%	704,937,139	36.98%	715,007,274
KazTransOil JSC	Kazakhstan	10.00%	43,923,806	10.00%	42,221,868
Rompetrol Downstream S.R.L.	Romania	45.37%	39,386,292	45.37%	41,753,314
Rompetrol Petrochemicals S.R.L.	Romania	45.37%	10,428,177	45.37%	11,002,892
Rompetrol Rafinare S.A.	Romania	45.37%	(1,182,477)	45.37%	1,775,348
Rompetrol Vega	Romania	45.37%	(19,302,027)	45.37%	(20,763,577)
Other			10,398,349		10,562,978
			788,589,259		801,560,097

13. BORROWINGS

<i>In thousands of tenge</i>	March 31, 2017 (unaudited)	December 31, 2016 (audited)
Fixed interest rate borrowings	2,014,568,616	2,099,674,818
Weighted average interest rates	7.09%	7.93%
Floating interest rate borrowings	923,873,868	972,865,152
Weighted average interest rates	4.41%	4.57%
	2,938,442,484	3,072,539,970

<i>In thousands of tenge</i>	March 31, 2017 (unaudited)	December 31, 2016 (audited)
US dollar – denominated borrowings	2,712,325,089	2,846,125,693
Tenge-denominated borrowings	226,117,395	226,414,277
	2,938,442,484	3,072,539,970

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED) (continued)****13. BORROWINGS (continued)**

<i>In thousands of tenge</i>	March 31, 2017 (unaudited)	December 31, 2016 (audited)
Current portion	386,628,544	366,438,649
Non-current portion	2,551,813,940	2,706,101,321
	2,938,442,484	3,072,539,970

As at March 31, 2017 and December 31, 2016, the debt securities issued and loans comprised:

Bonds	Issuance amount	Redemption date	Interest	As at March 31, 2017 (unaudited)	As at December 31, 2016 (audited)
Bonds LFB 2008	1.6 billion USD	2018	9.125%	510,681,776	529,821,083
Bonds LFB 2010	1.5 billion USD	2020	7.00%	435,181,773	453,732,442
Bonds LFB 2010	1.25 billion USD	2021	6.375%	359,026,655	375,026,800
Bonds LFB 2013	2 billion USD	2043	5.75%	159,542,397	166,991,558
Bonds LFB 2013	1 billion USD	2023	4.4%	127,965,595	134,371,387
Bonds LFB 2014	1 billion USD	2044	6.00%	9,310,013	9,736,418
Bonds LFB 2014	0.5 billion USD	2025	4.875%	38,670,159	40,558,524
Bonds KFB 2009	120 billion KZT	2017	6M Libor + 8.5%	84,896,871	110,551,375
Bonds KFB 2010	100 billion KZT	2017	7.00%	96,095,072	94,483,326
The Bank of New York Mellon	600 million USD	2017	6.375%	41,056,255	42,929,372
Others				12,960,891	13,193,743
Total				1,875,387,457	1,971,396,028

Loans	Issuance amount	Redemption date	Interest	As at March 31, 2017 (unaudited)	As at December 31, 2016 (audited)
Development bank of Kazakhstan JSC	1.1 billion USD	2023-2025	4.5% + 6M Libor – 7.72%	277,291,059	319,055,961
The Export-Import Bank of China	1 billion USD	2025	Libor + 4.1%	245,887,499	245,894,740
Sberbank Russia	400 million USD	2024	12M Libor + 3.5%	126,656,280	134,557,235
Development bank of Kazakhstan JSC	127 billion KZT	2022-2025	7%-9%	102,389,721	103,733,280
Loan from partners (Project Pearl)	Financing for share of costs KMT in execution of subsoil use contract	From beginning of commercial exploration	6M Libor + 1%	80,549,635	84,876,946
The Syndicate of banks	604 million USD	2017	1 M libor + 2.0 %	50,385,038	53,541,383
European Bank for Reconstruction and Development	140 million USD	2023	3 M libor + 3.15%	43,606,809	46,322,433
Japan Bank for International Cooperation	298 million USD	2025	CIRR + 2.19%, 6M Libor + 1.10%	69,469,658	42,632,934
Loan from partners (Project Satpayev)	Financing for share of costs KMT in execution of subsoil use contract	From beginning of commercial exploration	12M Libor + 1.5%	27,253,887	28,128,262
Halyk bank JSC	70 million USD	2017	5%	22,018,595	23,393,933
Halyk bank JSC	5 billion KZT	2017	15%	4,660,034	5,018,872
Other	–	–	–	12,886,812	13,987,963
Total				1,063,055,027	1,101,143,942

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED) (continued)****13. BORROWINGS (continued)**

As at March 31, 2017 the Group's property, plant and equipment with carrying value of 534,415,551 thousand tenge (December 31, 2016: 483,908,126 thousand tenge) (Note 6) was pledged as loan collateral.

For the three months ended March 31, 2017 the Group received borrowings in the total amount of 4,295,069 thousand tenge. Particularly, KazMunayGaz Onimderi LLP, the subsidiary of KMG RM, obtained a borrowing from the Halyk Bank JCS in the amount of 3,500,000 thousand tenge with interest rate of 15% for working capital purposes.

For the three months ended March 31, 2017 the Group redeemed loans and bonds in the total amount of 44,071,477 thousand tenge. Particularly, Atyrau Oil Refinery LLP ("ANPZ"), the subsidiary of KMG RM, redeemed borrowings from Development Bank of Kazakhstan JSC ("DBK") in the total amount of 21,092,997 thousand tenge, additionally the Group made a partial repayment of issued bonds held by DBK in the amount of 17,561,895 thousand tenge.

Hedge of net investment in the foreign operations

As at March 31, 2017 certain borrowings denominated in foreign currency were designated as hedge instrument for the net investment in the foreign operations. For the three months ended March 31, 2017, income of 133,681,838 thousand tenge (for the three months ended March 31, 2016 losses of 36,542,803 thousand tenge) on the translation of these borrowings were transferred to other comprehensive income and offset the loss on translation of foreign operations.

14. OIL SUPPLY AGREEMENT

In 2016 the Group entered into long-term crude oil and liquefied petroleum gas ("LPG") supply agreement. The total minimum delivery volume approximates 30 million tons of crude oil and 1 million tons of LPG in the period from the date of the contract to March 2020 from Tengizchevroil LLP ("Tengizchevroil"), Mangistaumunaigaz JSC and Karazhanbasmunai JSC oil production, approximately equal to 30 million tons and 1 million tons, respectively.

As part of this transaction, the Group received prepayment of 2,966,005 thousand US dollars (equivalent of 1,012,020,000 thousand tenge at the date of transaction) net of transaction costs, which to be discharged by oil supply from Tengizchevroil (joint venture of the Group) starting from April 2017.

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

According to the agreement the Group shall ensure that the crude oil and LPG volumes required to be delivered are unencumbered.

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

The outstanding balance of prepayment is subject to interest at Libor + 1.85% per annum.

15. TRADE ACCOUNTS PAYABLE AND OTHER CURRENT LIABILITIES

	March 31, 2017 (unaudited)	December 31, 2016 (audited)
<i>In thousands of tenge</i>		
Advances received	45,178,892	30,463,723
Due to employees	32,945,692	33,259,709
Other	52,913,228	55,318,817
Total other current liabilities	131,037,812	119,042,249
Trade accounts payable	211,105,150	260,137,009

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED) (continued)****15. TRADE ACCOUNTS PAYABLE AND OTHER CURRENT LIABILITIES (continued)**

Trade accounts payable are denominated in the following currencies as at March 31, 2017 and as at December 31, 2016:

<i>In thousands of tenge</i>	March 31, 2017 (unaudited)	December 31, 2016 (audited)
Tenge	173,108,455	210,992,037
US dollars	29,918,463	36,935,083
Euro	698,401	219,061
Other currency	7,379,831	11,990,828
Total	211,105,150	260,137,009

As at March 31, 2017 and December 31, 2016 trade accounts payable and other current liabilities were not interest bearing.

16. OTHER TAXES PAYABLE

<i>In thousands of tenge</i>	March 31, 2017 (unaudited)	December 31, 2016 (audited)
Rent tax on crude oil export	16,180,296	5,189,479
Mineral extraction tax	14,252,438	4,488,819
Individual income tax	5,492,278	5,936,494
VAT	4,268,692	4,375,978
Withholding tax from non-residents	4,246,810	4,418,027
Excise tax	117,243	107,067
Other	9,007,087	9,498,593
	53,564,844	34,014,457

17. REVENUE

<i>In thousands of tenge</i>	For the three months ended March 31	
	2017 (unaudited)	2016 (unaudited) (restated)
Sales of crude oil	271,549,746	3,079,399
Sales of gas and gas products	116,450,539	93,147,931
Transportation fee	84,421,880	82,821,348
Sales of refined products	64,904,333	48,344,802
Refining of oil and oil products	31,174,223	15,560,445
Quality bank for crude oil	(6,244,723)	(4,017,540)
Other revenue	29,643,891	25,194,459
	591,899,889	264,130,844

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED) (continued)****18. COST OF SALES**

<i>In thousands of tenge</i>	For the three months ended March 31	
	2017 (unaudited)	2016 (unaudited) (restated)
Crude oil	189,748,732	–
Materials and supplies	96,736,269	111,387,055
Payroll	71,055,724	64,645,813
Depreciation, depletion and amortization	44,034,489	40,949,267
Transportation costs	31,273,905	17,727,234
Mineral extraction tax	22,188,271	15,233,914
Other taxes	13,604,524	11,649,726
Electricity	10,920,382	10,184,583
Repair and maintenance	6,113,360	5,048,922
Other	24,283,444	23,384,992
	509,959,100	300,211,506

19. GENERAL AND ADMINISTRATIVE EXPENSES

<i>In thousands of tenge</i>	For the three months ended March 31	
	2017 (unaudited)	2016 (unaudited) (restated)
Payroll	12,801,883	12,319,047
Depreciation and amortization	3,110,119	1,654,335
Other taxes	1,951,761	1,876,570
Consulting services	1,309,680	1,699,622
Social payments	671,045	1,421,605
VAT that cannot be offset	468,298	375,708
Charitable donations and sponsorship	73,266	77,497
Allowance for provision for obsolete and slow-moving inventories	512,421	71,888
(Recovery of) / allowance for impairment of other current assets	(7,468)	30,128
(Recovery of) / allowance for impairment of trade accounts receivable	(197,854)	613,094
Allowance for impairment of other non-current assets	–	224,628
(Recovery of) / allowance for fines, penalties and tax provisions	(4,282,979)	787,979
Other	6,494,165	6,286,415
	22,904,337	27,438,516

20. TRANSPORTATION AND SELLING EXPENSES

<i>In thousands of tenge</i>	For the three months ended March 31	
	2017 (unaudited)	2016 (unaudited) (restated)
Customs duty	25,065,438	23,585,326
Rent tax on crude oil export	18,638,210	–
Transportation	17,597,712	16,624,156
Payroll	1,491,990	1,519,956
Depreciation and amortization	1,410,045	1,663,263
Other	3,130,251	3,818,660
	67,333,646	47,211,361

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED) (continued)****21. FINANCE INCOME / FINANCE COSTS****Finance income**

<i>In thousands of tenge</i>	For the three months ended March 31	
	2017 (unaudited)	2016 (unaudited) (restated)
Interest income on bank deposits, loans and bonds	17,216,874	17,166,356
Amortization of discount on loans due from related parties	7,878,988	4,772,140
Other	2,211,714	1,962,466
	27,307,576	23,900,962

Finance costs

<i>In thousands of tenge</i>	For the three months ended March 31	
	2017 (unaudited)	2016 (unaudited) (restated)
Interest on loans and debt securities issued	39,959,965	45,126,538
Interest under oil supply agreement (Note 14)	6,348,540	102,333
Discount on assets with non-market interest rate	3,984,679	2,662,767
Amortization of discount on loans and debt securities issued	2,568,165	2,588,702
Unwinding of discount on asset retirement obligations	2,408,091	2,392,216
Other	4,408,706	3,044,927
	59,678,146	55,917,483

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

<i>In thousands of tenge</i>	For the three months ended March 31	
	2017 (unaudited)	2016 (unaudited)
Tengizchevroil LLP	64,153,928	42,287,567
Caspian Pipeline Consortium	10,845,612	1,128,939
Mangistau Investments B.V.	8,817,879	6,764,294
KazGerMunay LLP	6,927,839	766,362
Valsera Holdings B.V.	5,701,012	5,900,704
PetroKazakhstan Inc.	1,826,396	(2,493,185)
Beineu-Shymkent Gas Pipeline	1,007,157	(2,662,766)
Ural Group Limited	(416,402)	(289,967)
Kazakhoil-Aktobe LLP	(2,001,932)	(1,248,392)
KazRosGas LLP	(6,118,894)	2,983,186
Kashagan B.V.	(6,493,580)	(5,670,007)
Share in profit/(loss) of other joint ventures and associates	1,666,192	2,577,480
	85,915,207	50,044,215

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED) (continued)****23. INCOME TAX EXPENSE**

<i>In thousands of tenge</i>	For the three months ended March 31	
	2017 (unaudited)	2016 (unaudited)
Current income tax		
Corporate income tax	17,315,659	21,487,051
Excess profit tax	(435,130)	(198)
Withholding tax on dividends and interest income	1,413,560	553,453
Deferred income tax		
Corporate income tax	14,274,397	5,867,853
Excess profit tax	1,086,118	-
Withholding tax on dividends and interest income	(793,507)	7,998,173
Income tax expense	32,861,097	35,906,332

24. RELATED PARTY DISCLOSURES

Related party transactions were made on terms agreed to between the parties that may not necessarily be at market rates, except for certain regulated services, which are provided based on the tariffs available to related and third parties.

The following table provides the balances of transactions with related parties as at March 31, 2017 and December 31, 2016:

<i>In thousands of tenge</i>		Due from related parties	Due to related parties	Cash and deposits placed with related parties	Borrowings payable to related parties
Samruk-Kazyna entities	March 31, 2017	255,884,955	1,896,252	31,250	-
	December 31, 2016	250,189,225	1,755,168	227,330	-
Associates	March 31, 2017	175,580,283	4,994,062	-	-
	December 31, 2016	196,364,723	6,519,184	-	-
Other related parties	March 31, 2017	-	8,486,551	-	470,648,204
	December 31, 2016	-	8,783,316	308,652	539,518,308
Joint ventures in which the Group is a venturer	March 31, 2017	357,922,364	150,042,120	-	-
	December 31, 2016	426,310,101	148,065,653	-	-

Due from related parties

For the three months ended March 31, 2017 the Company provided the additional interest free loan to the Samruk-Kazyna in the amount of 4,507,046 thousand tenge. The difference between fair value and nominal value of the loan amounting 772,592 thousand tenge recognized as transaction with Samruk-Kazyna in the interim consolidated statement of changes in equity.

As at March 31, 2017 changes in due from associates mainly related to the repayment of interest and revaluating of the right to claim payments under "Kazakhstan Note" in the amount of 5,861,784 thousand tenge and 9,039,301 thousand tenge, respectively.

As at March 31, 2017 decrease in due from joint ventures mainly due to decreasing of prepayment to Tengizchevroil LLP in the amount of 13,645,775 thousand tenge and decreasing of trade accounts receivable for goods and services of KazRosGas LLP in the amount of 46,644,758 thousand tenge.

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED) (continued)****24. RELATED PARTY DISCLOSURES (continued)****Due to related parties**

As at March 31, 2017 changes of due to joint ventures mainly include increasing of trade payable for goods and services to BeineuShymkent Pipelines, KMG Nabors Drilling Co LLP and KMG Kashagan B.V. in the amount of 29,919,570 thousand tenge, 11,634,040 thousand tenge and 1,011,332 thousand tenge, respectively and decreasing of trade payable for goods and services to KazRosGas LLP in the amount of 40,113,643 thousand tenge.

Borrowings payable to related parties

For the three months ended March 31, 2017 the Group redeemed bonds and loans payable to DBK in the total amount of 54,417,682 thousand tenge including interest.

The following table provides the total amount of transactions, which have been entered into with related parties during three months ended March 31, 2017 and 2016:

<i>In thousands of tenge</i>		Sales to related parties	Purchases from related parties	Interest earned from related parties	Interest incurred to related parties
Samruk-Kazyna entities	March 31, 2017	22,649,726	6,444,148	6,389,711	–
	March 31, 2016	18,195,744	6,625,973	2,069,534	144,286
Associates	March 31, 2017	8,838,151	22,234,173	2,186,927	2,009
	March 31, 2016	2,951,413	7,769,775	3,465,000	–
Other related parties	March 31, 2017	25,317,114	2,508,984	–	6,521,647
	March 31, 2016	–	3,788,892	–	3,873,253
Joint ventures in which the Group is a venturer	March 31, 2017	59,007,086	253,263,161	5,962,090	–
	March 31, 2016	68,109,448	74,387,654	6,740,798	–

Purchase transactions with Samruk-Kazyna, other state-controlled entities and joint ventures are mainly represented by transactions of the Group with NC Kazakhstan Temir Zholy JSC (railway services), NC Kazakhtelecom JSC (telecommunication services), NAC Kazatomprom JSC (energy services), KEGOC JSC (energy supply), Kazpost JSC (postal services) and Samruk-Energo JSC (energy supply). In addition, the Group sells and purchases crude oil and natural gas, refined products and provides transportation services to and from Samruk-Kazyna entities, associates and joint ventures.

Key management employee compensation

Total compensation to key management personnel included in general and administrative expenses in the accompanying interim consolidated statement of comprehensive income was equal to 1,411,655 thousand tenge and 2,077,494 thousand tenge for the three months ended March 31, 2017 and 2016, respectively. Compensation to key management personnel consists of contractual salary and performance bonus based on operating results.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) (continued)**25. FINANCIAL INSTRUMENTS****Fair values of financial instruments and investment property**

The carrying amount of the Group financial instruments and investment property as at March 31, 2017 and December 31, 2016 are reasonable approximation of their fair value, except for the financial instruments and investment property disclosed below:

<i>In thousands of tenge</i>	Fair value by level of assessment			Based on the significant amount of unobserved (Level 3)
	Carrying amount	Fair value	Quotations in an active market (Level 1)	From the observed market (Level 2)
As at March 31, 2017 (unaudited)				
Bonds receivable from the Samruk-Kazyna	38,869,202	58,725,805	-	58,725,805
Fixed interest rate borrowings	2,014,568,616	2,119,981,882	1,914,811,649	205,170,233
Financial guarantee	13,140,987	13,140,987	-	13,140,987
Investment property	29,086,264	29,987,922	-	29,987,922

<i>In thousands of tenge</i>	Fair value by level of assessment			Based on the significant amount of unobserved (Level 3)
	As at March 31, 2016 (unaudited)	As at March 31, 2016 (unaudited)	Quotations in an active market (Level 1)	From the observed market (Level 2)
As at December 31, 2016 (audited)				
Bonds receivable from Samruk-Kazyna	42,123,003	63,663,823	-	63,663,823
Fixed interest rate borrowings	2,099,674,818	2,250,517,072	1,945,130,199	305,386,873
Financial guarantee	13,471,461	13,471,461	-	13,471,461
Investment property	29,480,044	29,987,922	-	29,987,922

The fair value of bonds receivable from the Samruk-Kazyna and fixed-rate borrowings have been calculated by discounting the expected future cash flows at market interest rates. During the reporting period no transfers between Level 1 and Level 2 of the fair value assessment were made.

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED) (continued)****26. CONTINGENT LIABILITIES AND COMMITMENTS**

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

2009-2012 Comprehensive tax audit of KMG EP

Based on the results of the 2009-2012 Comprehensive tax audit in 2015 KMG EP received a tax assessment for 38,512,000 thousand tenge, including tax principal, administrative fine and penalty. KMG EP did not agree with the results of the tax audit and sent an appeal to the Committee of State Revenues. As per the decision of the Committee of State Revenue the amount of tax principal and penalty was reduced to 11,483,000 thousand tenge. As per the decision of Special Interdistrict Administrative court of Astana the amount of administrative fine was reduced to 2,002,000 thousand tenge.

KMG EP appealed the remaining amount of 13,485,000 thousand tenge, which was fully provided as of December 31, 2016, to the appropriate courts. In March 2017, Administrative Court of Astana made a decision to reduce the principal amount of the claim further from 7,012,000 thousand tenge to 3,263,000 thousand tenge. Fines and penalties are subject to revision by the respective authorities and will be received in due course. As at March 31, 2017 KMG EP has a total provision of 6,075,000 thousand tenge related to this claim, which is management's best estimate of the amount ultimately payable.

Cost recovery audits

As of March 31, 2017 the Group's share in the total disputed amounts of the non-recoverable costs is 237,100,607 thousand tenge (as of December 31, 2016: 201,091,569 thousand tenge). The Group and its partners under the production sharing agreements are in negotiation with the Government with respect to the recoverability of these costs.

Kazakhstan local market obligation

During three months ended March 31, 2017, in accordance with its obligations, the Group delivered 724,707 tons of crude oil (three months ended March 31, 2016: 1,237,000 tons), including joint ventures, to the Kazakhstan market.

Commitments under subsoil use contracts

As at March 31, 2017 the Group had the following commitments related to minimal working program in accordance with terms of licenses, production sharing agreements and subsoil use contracts, signed with the Government:

Year	Capital expenditures	Operational expenditures
2017	117,656,186	8,954,156
2018	41,630,637	5,230,850
2019	38,485,701	5,759,863
2020	2,892,115	6,210,882
2021-2048	12,249,354	18,774,167
Total	212,913,993	44,929,918

Oil supply commitments

As of March 31, 2017 the Group had commitments under the oil supply agreement in the amount of 22.3 million ton to be delivered till March 2020 (as at December 31, 2016: 24.6 million ton).

Other contractual commitments

As at March 31, 2017, the Group had other capital commitments of approximately 869,209,136 thousand tenge (as at December 31, 2016: 995,145,776 thousand tenge), including joint ventures, related to acquisition and construction of property, plant and equipment.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) (continued)**27. SEGMENT REPORTING**

The following represents information about operating segments of the Group as at March 31, 2017 and for the three months then ended:

<i>In thousands of tenge</i>	Exploration and production of oil and gas and trading of own refined products	Oil transportation	Gas trading and transportation	Refining and trading of crude oil and refined products	Other	Elimination	Total
Revenues from sales to external customers	23,524,307	48,341,673	150,447,822	349,448,149	20,137,938	-	591,899,889
Revenues from sales to other segments	232,255,555	11,770,099	426,371	14,563,584	6,693,231	(265,708,840)	-
Total revenue	255,779,862	60,111,772	150,874,193	364,011,733	26,831,169	(265,708,840)	591,899,889
Gross profit	136,337,183	26,972,003	26,639,685	32,128,522	(6,672,721)	(133,463,883)	81,940,789
Finance income	7,665,916	1,906,805	3,747,065	12,140,737	20,992,785	(19,145,732)	27,307,576
Finance costs	(4,094,818)	(1,375,611)	(7,148,311)	(19,433,354)	(45,244,938)	17,618,886	(59,678,146)
Depreciation, depletion and amortization	(20,753,914)	(7,991,432)	(7,498,300)	(9,795,082)	(2,548,104)	-	(48,586,832)
Impairment of property, plant and equipment, exploration and evaluation assets and intangible assets other than goodwill	-	(497)	(141,270)	-	-	-	(141,767)
Share in profit of joint ventures and associates, net	73,594,511	11,725,629	(5,099,110)	5,798,424	(104,247)	-	85,915,207
Income tax expenses	(5,855,625)	(3,525,741)	(7,992,117)	(12,263,904)	(3,223,710)	-	(32,861,097)
Net profit for the period	78,078,378	30,640,956	35,055,551	45,166,374	(63,193,773)	(22,784,926)	102,962,560
Other segment information							
Investments in joint ventures and associates	3,327,060,140	152,945,944	87,010,531	37,151,212	2,590,787	-	3,606,758,614
Capital expenditures	21,012,802	2,126,783	15,434,268	88,941,042	1,185,384	-	128,700,279
Allowances for obsolete inventories, doubtful accounts receivable, advances paid, and other assets	(19,430,257)	(2,433,113)	(8,558,783)	(5,951,819)	(2,186,143)	-	(38,560,115)
Assets of the segment	6,043,802,570	823,391,744	1,301,117,753	3,488,443,926	1,659,498,955	(1,694,138,279)	11,622,116,669
Liabilities of the segment	536,291,678	147,996,117	636,740,973	2,689,042,582	2,955,858,421	(1,592,227,289)	5,373,702,482

Eliminations represent the exclusion of intra-group turnovers.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) (continued)**27. SEGMENT REPORTING (continued)**

Inter-segment transactions were made on terms agreed to between the segments that may not necessarily be at market rates, except for certain regulated services, which are provided based on the tariffs available to related and third parties.

The following represents information about operating segments of the Group as at December 31, 2016 and for the three months ended March 31, 2016:

<i>In thousands of tenge</i>	Exploration and production of oil and gas and trading of own refined products	Gas trading and transportation	Refining and trading of crude oil and refined products	Exploration and production of oil and gas and trading of own refined products	Elimination	Total
Revenues from sales to external customers	4,373,729	130,584,884	64,714,415	14,307,304	–	264,130,844
Revenues from sales to other segments	145,629,083	485,145	1,233,984	6,500,075	(165,458,863)	–
Total revenue	150,002,812	131,070,029	65,948,399	20,807,379	(165,458,863)	264,130,844
Gross profit	54,021,270	31,125,865	29,555,424	(6,232,222)	(173,514,404)	(36,080,662)
Finance income	11,021,729	2,381,609	3,135,605	14,904,997	(9,767,869)	23,900,962
Finance costs	(4,392,130)	(9,396,250)	(4,856,295)	(45,471,749)	9,196,599	(55,917,483)
Depreciation, depletion and amortization	(19,399,225)	(8,414,054)	(8,312,422)	(1,356,350)	–	(44,350,431)
Impairment of property, plant and equipment, exploration and evaluation assets and intangible assets other than goodwill	(688,688)	(80,040)	–	(125)	–	(1,371,665)
Share in profit of joint ventures and associates, net	41,266,200	184,932	5,931,683	1,910	–	50,044,215
Income tax expenses	(23,197,727)	(5,352,781)	(2,093,956)	(725,231)	–	(35,906,332)
Net profit for the period	34,797,273	11,147,604	11,448,676	(33,271,016)	(17,301,980)	31,360,700
Other segment information						
Investments in joint ventures and associates	3,440,284,418	149,567,256	31,350,162	4,351,263	–	3,706,276,810
Capital expenditures	58,683,463	2,989,051	70,635,396	2,747,411	–	145,115,485
Allowances for obsolete inventories, doubtful accounts receivable, advances paid, and other assets	(19,786,389)	(2,470,383)	(5,933,387)	(2,196,200)	–	(38,715,621)
Assets of the segment	6,210,069,721	831,909,870	3,459,862,728	1,682,382,885	(1,596,338,657)	11,883,077,270
Liabilities of the segment	529,270,606	164,038,032	2,693,298,363	3,089,738,401	(1,534,877,054)	5,604,806,355

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

28. SUBSEQUENT EVENTS

On April 4, 2017 the Company received the consent of Eurobonds holders to sell an interest in KMG I.

On April 7, 2017 the Group paid principal on loans received from Citibank of Kazakhstan JSC in the amount of 57,000 thousand US dollars (equivalent to 17,837,580 thousand tenge as of settlement date).

On April 19, 2017, the Company completed the placement of the Eurobonds under the 10.5 billion US dollars Global Medium Term Notes Programme established by the Company and KazMunaiGaz Finance Sub B.V. (subsidiary of the Company), in an aggregate principal amount of 2.75 billion US dollars. The Eurobonds were issued in three series, comprising (i) 500,000 thousand US dollars 3.875% Notes due 2022 (equivalent to 155,300,000 thousand tenge); (ii) 1,000,000 thousand US dollars 4.75% Notes due 2027 (equivalent to 310,700,000 thousand tenge); and (iii) US 1,250,000 thousand US dollars 5.75% Notes due 2047 (equivalent to 388,300,000 thousand tenge).

On April 18 and 26, 2017 the Company has provided the additional interest free loan to Samruk-Kazyna in the total amount of 18,397,043 thousand tenge.

On April 8, April 28 and May 4, 2017 the Company made an interest repayment of the Eurobonds in the total amount of 107,699 thousand US dollars (equivalent to 33,810,855 thousand tenge on the due date).

On May 5, 2017 the tax authorities of RK refunded prepaid taxes of KMG EP in the total amount of 27,060,054 thousand tenge, including corporate income tax in the amount of 20,000,000 thousand tenge.

On May 10, 2017, Specialized Interdistrict Economic Court of Astana approved settlement agreement related to the civil case on the statement of claim of the Company and Delta Bank JSC on recovery of bank deposit and penalty interest, according to which Delta Bank has to make payments within six months, starting in May 2017.