

JSC “National Company “KazMunayGas”

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

For the three and six months ended June 30, 2017

CONTENTS

Report on review of interim condensed consolidated financial statements

Interim condensed consolidated financial statements (unaudited)

Interim consolidated statement of financial position	1-2
Interim consolidated statement of comprehensive income	3-4
Interim consolidated statement of cash flows	5
Interim consolidated statement of changes in equity	6
Notes to the interim condensed consolidated financial statements (unaudited)	7-32

Report on Review of Interim Financial Information

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

Introduction

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

Scope of review

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

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim financial information of "National Company "KazMunayGas" JSC is 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

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

15 August 2017



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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

<i>In thousands of tenge</i>	Note	June 30, 2017 (unaudited)	December 31, 2016 (audited)
Assets			
Non-current assets			
Property, plant and equipment	7	3,098,985,688	2,953,135,665
Exploration and evaluation assets		229,871,551	231,553,168
Investment property		28,909,630	29,480,044
Intangible assets		114,625,393	116,488,612
Long-term bank deposits	8	47,940,337	50,027,102
Investments in joint ventures and associates	9	3,721,004,864	3,706,276,810
Deferred income tax assets		59,952,715	71,909,033
VAT receivable		91,871,029	71,918,992
Advances for non-current assets		124,892,295	139,185,121
Bonds receivable from the Samruk-Kazyna		37,837,823	37,683,003
Note receivable from a shareholder of a joint venture		18,530,886	16,695,758
Note receivable from associate		30,808,367	34,837,804
Loans due from related parties	11	483,063,745	476,777,932
Other non-current assets		27,611,017	20,687,850
		8,115,905,340	7,956,656,894
Current assets			
Inventories		107,235,277	98,776,900
VAT receivable		80,531,716	68,719,671
Income tax prepaid		37,744,923	74,457,414
Trade accounts receivable	10	175,667,786	279,811,631
Short-term bank deposits	8	1,862,170,183	1,182,669,493
Bonds receivable from Samruk-Kazyna		2,220,000	4,440,000
Loans due from related parties	11	114,829,658	113,616,133
Note receivable from a shareholder of a joint venture		17,034,122	17,617,100
Other current assets	10	130,717,782	149,079,608
Cash and cash equivalents	12	933,671,463	878,438,350
		3,461,822,910	2,867,626,300
Assets classified as held for sale	4	1,012,925,350	1,058,794,076
		4,474,748,260	3,926,420,376
Total assets		12,590,653,600	11,883,077,270

The accounting policies and explanatory notes on pages 7 through 32 form an integral part of these interim condensed consolidated financial statements (unaudited).

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION **(continued)**

<i>In thousands of tenge</i>	Note	June 30, 2017 (unaudited)	December 31, 2016 (audited)
Equity and liabilities			
Equity			
Share capital	13	709,344,505	696,376,625
Additional paid-in capital	13	241,883,160	243,655,405
Other equity		115,195	222,074
Currency translation reserve		1,265,037,452	1,372,771,521
Retained earnings		3,355,330,918	3,163,685,193
Attributable to equity holder of the Parent Company		5,571,711,230	5,476,710,818
Non-controlling interest	13	813,004,503	801,560,097
Total equity		6,384,715,733	6,278,270,915
Non-current liabilities			
Borrowings	14	3,559,110,310	2,706,101,321
Provisions	16	144,856,432	139,371,823
Deferred income tax liabilities		286,073,677	264,599,978
Financial guarantee		11,488,619	12,259,980
Prepayment on oil supply agreements	15	553,016,931	738,572,306
Other non-current liabilities		50,728,398	52,509,205
		4,605,274,367	3,913,414,613
Current liabilities			
Borrowings	14	247,097,715	366,438,649
Provisions	16	78,702,631	94,394,277
Income taxes payable		9,730,663	2,301,839
Trade accounts payable	17	192,432,763	260,137,009
Other taxes payable	18	52,909,893	34,014,457
Financial guarantee		1,321,894	1,211,481
Prepayment on oil supply agreements	15	322,270,000	249,967,500
Other current liabilities	17	171,724,203	119,042,249
		1,076,189,762	1,127,507,461
Liabilities directly associated with assets classified as held for sale	4	524,473,738	563,884,281
Total liabilities		6,205,937,867	5,604,806,355
Total equity and liabilities		12,590,653,600	11,883,077,270
Book value per ordinary share	13	10.638	10.547

Executive vice-president – financial director

Chief accountant



D.S. Karabayev

Y.Y. Orynbayev

The accounting policies and explanatory notes on pages 7 through 32 form an integral part of these interim condensed consolidated financial statements (unaudited).

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

<i>In thousands of tenge</i>	Note	For the three months ended June 30,		For the six months ended June 30,	
		2017 (unaudited)	2016* (unaudited) (restated)	2017 (unaudited)	2016* (unaudited) (restated)
Revenue	19	551,964,456	429,625,578	1,143,864,345	693,756,422
Cost of sales	20	(467,702,172)	(329,430,410)	(977,661,272)	(629,641,916)
Gross profit		84,262,284	100,195,168	166,203,073	64,114,506
General and administrative expenses	21	(9,364,875)	(37,531,748)	(32,269,212)	(64,970,264)
Transportation and selling expenses	22	(65,512,499)	(47,616,148)	(132,846,145)	(94,827,509)
Impairment of property, plant and equipment, exploration and evaluation assets and intangible assets, other than goodwill		(2,829,936)	(540,488)	(2,971,703)	(1,912,153)
Loss on disposal of property, plant and equipment, intangible assets and investment property, net		(677,037)	(4,966,686)	(1,020,522)	(5,366,273)
Other operating income		2,515,644	6,353,107	5,733,211	8,880,769
Other operating expenses		(10,522,729)	(6,502,169)	(14,085,447)	(8,951,245)
Operating (loss)/profit		(2,129,148)	9,391,036	(11,256,745)	(103,032,169)
Net foreign exchange gain/(loss)		44,296,779	(5,749,970)	18,658,552	(2,802,575)
Finance income	23	29,386,657	26,609,583	56,694,233	50,510,545
Finance costs	23	(78,436,001)	(55,535,130)	(138,114,147)	(111,452,613)
Reversal of impairment of investments in joint ventures		-	-	14,686,162	-
Net loss on acquisition on subsidiary	5	(3,249,292)	-	(3,249,292)	-
Share in profit of joint ventures and associates, net	24	93,545,359	51,915,602	179,460,566	101,959,817
Profit/(loss) before income tax		83,414,354	26,631,121	116,879,329	(64,816,995)
Income tax expense	25	(57,983,557)	(31,317,222)	(90,844,654)	(67,223,554)
Gain/(loss) for the period from continuing operations		25,430,797	(4,686,101)	26,034,675	(132,040,549)
Discontinued operations					
Profit after income tax for the period from discontinued operations	4	145,988,797	77,804,862	248,347,479	236,520,010
Net profit for the period		171,419,594	73,118,761	274,382,154	104,479,461
Net profit for the period attributable to:					
Equity holders of the Parent Company		140,513,022	57,475,522	242,814,392	81,707,296
Non-controlling interests		30,906,572	15,643,239	31,567,762	22,772,165
		171,419,594	73,118,761	274,382,154	104,479,461

The accounting policies and explanatory notes on pages 7 through 32 form an integral part of these interim condensed consolidated financial statements (unaudited).

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (continued)

		For the three months ended June 30,		For the six months ended June 30,	
		2017	2016*	2017	2016*
		(unaudited)	(unaudited) (restated)	(unaudited)	(unaudited) (restated)
<i>In thousands of tenge</i>	<i>Note</i>				
Other comprehensive income					
<i>Other comprehensive income/(loss) to be reclassified to profit or loss in subsequent periods</i>					
Exchange differences on translation of foreign operations		17,240,662	(43,706,316)	(114,243,111)	(474,099)
Disposal of joint ventures		(423,776)	–	(423,776)	–
Other comprehensive income/(loss) to be reclassified to profit or loss in subsequent periods		16,618,886	(43,706,316)	(114,666,887)	(474,099)
<i>Other comprehensive (loss)/income not to be reclassified to profit or loss in subsequent periods</i>					
Actuarial (loss)/gain on defined benefit plans of the Group		(37,718)	147,046	(37,718)	161,359
Actuarial loss on defined benefit plans of joint ventures		(20,295)	(912,757)	(170,534)	(912,757)
Write-off of deferred tax assets		(150,746)	–	(150,746)	–
Other comprehensive loss not to be reclassified to profit or loss in subsequent periods		(208,759)	(765,711)	(358,998)	(751,398)
Other comprehensive income/(loss) for the period		16,410,127	(44,472,027)	(115,025,885)	(1,225,497)
Total comprehensive income for the period, net of tax		187,829,721	28,646,734	159,356,269	103,253,964
Total comprehensive income for the period attributable to:					
Equity holders of the Parent Company		150,156,629	17,115,464	134,736,502	80,400,549
Non-controlling interests		37,673,092	11,531,270	24,619,767	22,853,415
		187,829,721	28,646,734	159,356,269	103,253,964

* Certain numbers shown here do not correspond to the consolidated financial statements for the period ended June 30, 2016 and reflect adjustments made, refer to Note 6.

Executive vice-president – financial director


D.S. Karabayev

Y.Y. Orynbayev

Chief accountant

The accounting policies and explanatory notes on pages 7 through 32 form an integral part of these interim condensed consolidated financial statements (unaudited).

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

<i>In thousands of tenge</i>	For the six months ended June 30,	
	2017	2016*
	(unaudited)	(unaudited)
Cash flows from operating activities		
Receipts from customers	2,473,159,114	2,876,231,564
Payments to suppliers	(1,646,611,125)	(1,114,506,140)
Other taxes and payments	(384,880,262)	(379,564,791)
Income taxes paid	(48,044,202)	(58,837,901)
Interest received	44,898,915	30,468,423
Interest paid	(95,941,476)	(76,817,257)
Payments to employees	(170,949,138)	(152,507,549)
Taxes received from Tax authorities	47,321,875	3,739,488
Other payments	(26,304,900)	(34,608,173)
Net cash flows from operating activities	192,648,801	1,093,597,664
Cash flows from investing activities		
(Withdrawal)/placement of bank deposits, net	(711,377,929)	132,040,296
Purchase of property, plant and equipment, intangible assets, investment property and exploration and evaluation assets	(168,647,760)	(166,019,365)
Proceeds from sale of property, plant and equipment, intangible assets, investment property and exploration and evaluation assets	505,754	301,354
Proceeds from acquisition of subsidiaries	180,678	–
Dividends received from joint ventures and associates	61,654,826	12,560,016
Acquisition of and contribution to joint ventures	(2,625)	(56,334,899)
Refund of contribution to joint ventures	489,960	1,672,268
Repayment of loans due from related parties	325,158	15,741,731
Note receivable from associate	115,684	3,583,938
Loans given to related parties	(24,733,948)	(81,805,922)
Net cash flows used in investing activities	(841,490,202)	(138,260,583)
Cash flows from financing activities		
Proceeds from borrowings	930,211,668	249,999,814
Repayment of borrowings	(221,282,206)	(457,230,778)
Distributions to Samruk-Kazyna	–	(2,202,898)
Dividends paid to Samruk-Kazyna and National Bank of RK	–	(31,104,442)
Dividends paid to non-controlling interests	(5,997,716)	(5,150,989)
Issue of shares	1	1
Net cash flows from / (used in) financing activities	702,931,747	(245,689,292)
Effects of exchange rate changes on cash and cash equivalents	568,919	10,352,403
Net change in cash and cash equivalents	54,659,265	720,000,192
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	960,111,776	1,528,434,331

* The Group changed method of presentation of consolidated cash flow statement (Note 2).

Executive vice-president – financial director

Chief accountant



D.S. Karabayev

V.Y. Orynbayev

The accounting policies and explanatory notes on pages 7 through 32 form an integral part of these interim condensed consolidated financial statements (unaudited).

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

<i>In thousands of tenge</i>	Attributable to equity holder 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, 2015 (audited)	696,363,445	243,655,405	3,110,573	1,405,325,707	2,988,542,754	753,179,913	6,090,177,797
Net profit for the period (unaudited)	-	-	-	-	81,707,296	22,772,165	104,479,461
Other comprehensive income (unaudited)	-	-	-	(554,572)	(752,175)	81,250	(1,225,497)
Total comprehensive income for the period	-	-	-	(554,572)	80,955,121	22,853,415	103,253,964
Issue of share capital	13,180	-	-	-	-	-	13,180
Dividends	-	-	-	-	-	(5,167,225)	(5,167,225)
Distributions to the Samruk-Kazyna	-	-	-	-	(4,328,814)	-	(4,328,814)
Recognition of share-based payments	-	-	851,820	-	-	495,740	1,347,560
Transactions with the Samruk-Kazyna	-	-	-	-	(23,016,770)	-	(23,016,770)
Execution of share-based payments	-	-	(2,525,199)	-	-	2,525,199	-
Change of share in subsidiaries	-	-	-	-	(8,593)	(956)	(9,549)
As at June 30, 2016 (unaudited)	696,376,625	243,655,405	1,437,194	1,404,771,135	3,042,143,698	773,886,086	6,162,270,143
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)	-	-	-	-	242,814,392	31,567,762	274,382,154
Other comprehensive income (unaudited)	-	-	-	(107,734,069)	(343,821)	(6,947,995)	(115,025,885)
Total comprehensive (loss)/income for the period	-	-	-	(107,734,069)	242,470,571	24,619,767	159,356,269
Issue of share capital (Note 13)	12,967,880	(1,772,245)	-	-	-	-	11,195,635
Dividends (Note 13)	-	-	-	-	(45,877,366)	(13,269,562)	(59,146,928)
Distributions to Samruk-Kazyna	-	-	-	-	(1,560,252)	-	(1,560,252)
Forfeiture of share-based payments	-	-	(7,988)	-	-	(4,690)	(12,678)
Transactions with Samruk-Kazyna (Note 13)	-	-	-	-	(3,387,228)	-	(3,387,228)
Execution of share-based payments	-	-	(98,891)	-	-	98,891	-
As at June 30, 2017 (unaudited)	709,344,505	241,883,160	115,195	1,265,037,452	3,355,330,918	813,004,503	6,384,715,733

Executive vice-president – financial director

Chief accountant

The accounting policies and explanatory notes on pages 7 through 32 form an integral part of these interim condensed consolidated financial statements (unaudited).



**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(unaudited)****For the six months ended June 30, 2017**

1. GENERAL

JSC “National Company “KazMunayGas” (the “Company” or “KazMunayGas”) 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 June 30, 2017, the Company has a direct interest in 44 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 statement of the Group was approved by the Executive vice-president – financial director and the Chief accountant on August 15, 2017.

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

The interim condensed consolidated financial statements for the three and six months ended June 30, 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.

The Group changed method of presentation of consolidated cash flow statement from indirect method to direct method for the period of January 1, 2017 to June 30, 2017 since the Group believes direct method is more relevant to users of consolidated financial statements. The Group adopted a method of presenting the consolidated cash flows statement on a retrospective basis.

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” or “KZT”), which is the Group’s presentation currency.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the interim condensed consolidated statement of comprehensive income.

**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 (continued)*

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 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);
- 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 June 30, 2017 and December 31, 2016 were 322.27 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 June 30, 2017 and December 31, 2016. The currency exchange rate of KASE as at August 15, 2017 was 332.91 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.

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.

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)

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.

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 June 30, 2017 and the results for six months ended June 30, 2017 are as follows:

<i>In thousands of tenge</i>	June 30, 2017 (unaudited)			Profit after income tax for six months ended June 30, 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.	976,174,629	516,914,956	459,259,673	249,062,142
Other assets*	36,750,721	7,558,782	29,191,939	(714,663)
Total	1,012,925,350	524,473,738	488,451,612	248,347,479

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

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

<i>In thousands of tenge</i>	December 31, 2016 (audited)			Profit after income tax for the six months ended June 30, 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	236,714,979
Other assets*	43,845,645	13,658,153	30,187,492	(194,969)
Total	1,058,794,076	563,884,281	494,909,795	236,520,010

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

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 six month ended June 30, 2017 and 2016 are presented below:

<i>In thousands of tenge</i>	For the six months ended June 30,			
	2017		2016	
	Before elimination	After elimination*	Before elimination	After elimination*
Revenue	1,115,994,043	927,057,720	881,826,885	812,732,984
Cost of sales	(1,072,831,896)	(630,034,378)	(829,967,239)	(521,613,676)
Gross profit	43,162,147	297,023,342	51,859,646	291,119,308
General and administrative expenses	(21,717,676)	(21,717,676)	(17,627,549)	(17,627,549)
Transportation and selling expenses	(26,355,364)	(26,355,364)	(29,439,470)	(29,439,470)
Reversal of impairment loss recognized on the re-measurement to fair value less costs to sell	2,092,283	2,092,283	3,648,161	3,648,161
Impairment of property, plant and equipment and intangible assets, other than goodwill	(426,935)	(426,935)	—	—
Other operating income	2,222,808	2,222,808	622,893	622,893
Other operating losses	(111,096)	(111,096)	(8,104,580)	(8,104,580)
Operating profit	(1,133,833)	252,727,362	959,101	240,218,763
Net foreign exchange gain/(loss), net	61,266	61,266	(803,114)	(803,114)
Finance income	299,604	299,604	1,775,502	1,775,502
Finance costs	(5,255,366)	(5,255,366)	(6,670,471)	(6,670,471)
Share in profit of joint ventures and associates, net	221,105	221,105	1,052,056	1,052,056
Profit before income tax for the period from discontinued operations	(5,807,224)	248,053,971	(3,686,926)	235,572,736
Income tax benefit	1,008,171	1,008,171	1,142,243	1,142,243
Profit after income tax for the period from discontinued operations	(4,799,053)	249,062,142	(2,544,683)	236,714,979

* The results are presented after eliminations of intergroup transactions (for 6 months ended June 30, 2017: 188,936,323 thousand tenge of revenue and 442,797,518 thousand tenge of cost of sales; for 6 months ended June 30, 2016: 69,093,901 thousand tenge of revenue and 308,353,563 thousand tenge of cost of sales).

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 June 30, 2017 and December 31, 2016 are as follows:

<i>In thousands of tenge</i>	June 30, 2017* (unaudited)	December 31, 2016* (audited)
Assets		
Property, plant and equipment	555,828,522	585,545,785
Intangible assets	67,584,209	73,932,864
Investment in associate	12,442,200	12,644,023
Deferred tax asset	33,403,608	34,545,175
Inventories	105,708,750	115,234,684
Trade accounts receivable	144,424,335	128,944,234
Other non-current assets	3,371,589	2,949,283
Other current assets	30,249,227	36,148,634
Cash and cash equivalents	23,162,189	25,003,749
Assets classified as held for sale	976,174,629	1,014,948,431
Liabilities		
Borrowings	198,563,438	201,868,754
Deferred income tax liabilities	68,984,149	72,935,184
Provisions	46,294,730	50,706,074
Trade accounts payable	136,230,940	142,278,168
Other taxes payable	18,461,559	17,704,032
Other non-current liabilities	143,088	141,648
Other current liabilities	48,237,052	64,592,268
Liabilities directly associated with the assets classified as held for sale	516,914,956	550,226,128
Net assets directly associated with the disposal group	459,259,673	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 six months ended June 30,	
	2017 (unaudited)	2016 (unaudited)
Operating	11,528,611	44,304,359
Investing	(14,741,006)	(22,641,181)
Financing	2,207,247	(32,420,174)
Net cash outflows	(1,005,148)	(10,756,996)

As at June 30, 2017, items of property, plant and equipment with the net book value of 347,396,335 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 KMGI.

As at June 30, 2017 KMGI has pledged trade accounts receivable of approximately 89,788,015 thousand tenge as a collateral under its borrowings (as at December 31, 2016: 72,640,966 thousand tenge) related to discontinued operations.

As at June 30, 2017 the initial cost and correspondingly accumulated depreciation of fully depreciated but still in use property, plant and equipment of KMGI were 179,473,432 thousand tenge (as at December 31, 2016: 174,340,401 thousand tenge).

5. ACQUISITIONS

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

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

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

5. ACQUISITIONS (continued)

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

<i>In thousands of tenge</i>	Fair value as at June 15, 2017
Bank deposits	118,648
Cash and cash equivalents	180,678
Total assets	299,326
Trade accounts payable	2,568,010
Other current liabilities	1,404,384
Total liabilities	3,972,394
Total identifiable net liabilities	3,673,068
Less:	
Fair value of previously held investment in 51% of KS EP	-
Consideration paid	-
Total consideration transferred	-
Loss on acquisition	(3,673,068)
Other comprehensive income reclassified to profit and loss	423,776
Net loss on acquisition	(3,249,292)

In prior years KS EP received a series of loans from the Group and MOL under the loan agreement expiring on June 30, 2017 and bearing a 6.7% interest rate. Total undiscounted outstanding balance of loan including interest accrued comprised 106,880 thousands US dollars (33,950,432 thousand tenge) at acquisition date (*Note 11*).

Considering that the KMG EP fully impaired its 51% share in loan receivable from KS EP and acquired the right for 49% of loan receivable from KS EP for 0.5 US dollar, the fair value of 100% receivable from KS EP is zero at the acquisition date. Accordingly, KMG EP has recorded a loss on acquisition a subsidiary in the amount of 3,249,292 thousand tenge.

Loss incurred by KS EP for the period from June 15, 2017 till June 30, 2017 included in these accounts was 430,812 thousand tenge.

6. RESTATEMENTS

In the second half of 2016 the Group decided to sell its 100% interest in “Kazakh British Technical University” JSC (KBTU), thus comparative information for six months ended June 30, 2016 is restated. The disposal of KBTU is due to be completed in 2017 and, as at June 30, 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:

<i>In thousands of tenge</i>	
Effect on performance for the six months ended June 30, 2016	
Decrease in revenue	(1,354,364)
Decrease in cost of sales	2,397,451
Decrease in general and administrative expenses	301,612
Decrease in transportation and selling expenses	16,643
Decrease in other operating income	(357,999)
Increase in other operating expenses	(745,486)
Decrease in net foreign exchange gain	114,397
Decrease in finance income	(223,044)
Decrease in income tax expenses	(755)
Decrease in profit after income tax for the year from discontinued operations	(148,455)
Net profit for the period	-

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (unaudited) (continued)**7. 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	(19,289,904)	—	—	(336,747)	(133,999)	(977,560)	(22,014)	(455,525)	(21,215,749)
Change in estimate	(1,662,418)	486,554	—	3,378	—	—	—	—	(1,172,486)
Additions	7,572,711	11,436,708	9,251	193,799	1,480,288	668,409	526,299	238,553,998	260,441,463
Disposals	(2,897,079)	(343,308)	(254,207)	(640,190)	(519,436)	(564,420)	(803,935)	(476,619)	(6,499,194)
Depreciation charge	(36,908,472)	(11,743,247)	(16,225,697)	(8,015,851)	(14,121,064)	(3,800,055)	(2,517,838)	—	(93,330,224)
Accumulated depreciation and impairment on disposals	2,861,747	242,705	208,604	338,474	460,083	463,242	744,886	453,370	5,773,111
Impairment	—	(497)	—	(1,065,684)	(293,555)	(44,582)	(113,776)	(1,434,994)	(2,953,088)
Transfers (to)/from inventory, net	(26,724)	(9,595)	203,048	—	8,937	(2,584)	(1,302)	613,400	785,180
Transfers to intangible assets	(67,027)	—	—	—	—	—	(195)	(750,774)	(817,996)
Transfers (to)/from assets classified as held for sale	—	—	(39,771)	—	—	3,815	—	(97,789)	(133,745)
Transfers from investment property	—	—	—	—	—	—	201	—	201
Transfers from exploration and evaluation assets	4,972,550	—	—	—	—	—	—	—	4,972,550
Transfers and reclassifications	28,792,408	2,454,086	1,636,841	2,618,679	44,294,770	366,360	1,555,993	(81,719,137)	—
Net book value as at June 30, 2017 (unaudited)	860,982,802	645,802,477	301,175,440	205,449,946	309,022,212	65,715,082	32,777,730	678,059,999	3,098,985,688
At cost	1,807,869,160	790,763,624	474,834,423	350,971,503	511,755,021	160,090,766	81,154,408	703,140,916	4,880,579,821
Accumulated depreciation and impairment	(946,886,358)	(144,961,147)	(173,658,983)	(145,521,557)	(202,732,809)	(94,375,684)	(48,376,678)	(25,080,917)	(1,781,594,133)
Net book value as at June 30, 2017 (unaudited)	860,982,802	645,802,477	301,175,440	205,449,946	309,022,212	65,715,082	32,777,730	678,059,999	3,098,985,688
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

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

7. PROPERTY, PLANT AND EQUIPMENT (continued)

For the six months ended June 30, 2017, the Group capitalized in the carrying amount of property, plant and equipment borrowing costs at the average interest rate of 0.97% in the amount of 11,801,643 thousand tenge which are related to the construction of new assets (for the six months ended June 30, 2016: 12,315,878 thousand tenge at the average interest rate of 0.71%).

As at June 30, 2017, items of property, plant and equipment with the net book value of 561,217,240 thousand tenge (as at December 31, 2016: 483,908,126 thousand tenge) were pledged as collateral to secure borrowings and payables of the Group.

Additions to capital work in progress are mainly related to capital repair of main gas pipelines of Intergas Central Asia JSC, the subsidiary of KTG and modernization projects of the Group refineries located in Atyrau and Pavlodar.

As at June 30, 2017 the cost of fully depreciated but still in use property, plant and equipment were 82,920,447 thousand tenge (as at December 31, 2016: 81,065,726 thousand tenge).

8. BANK DEPOSITS

<i>In thousands of tenge</i>	June 30, 2017 (unaudited)	December 31, 2016 (audited)
Denominated in US dollar	1,857,084,318	1,202,060,798
Denominated in tenge	64,661,614	28,256,972
Denominated in other currency	18,198	2,378,825
Less: allowance for impairment	(11,653,610)	–
	1,910,110,520	1,232,696,595

During the six months ended June 30, 2017 Specialized Interdistrict Economic Court of Astana approved settlement agreements related to the civil cases on the statement of claim of the Company, KMG RM and Delta Bank JSC ("Delta Bank") on recovery of bank deposits and penalty interests, according to which Delta Bank has to make payments within six months. Due to the uncertainty regarding the payment from Delta Bank, the Group accrued 100% provision for impairment of the deposits in the total amount of 36,161 thousand US dollars (equivalent to 11,653,610 thousand tenge).

As at June 30, 2017, the weighted average interest rate for long-term bank deposits was 1.16% in US dollars and 2.75% in tenge, respectively (as at December 31, 2016: 1.16% in US dollars and 4.87% in tenge, respectively).

As at June 30, 2017, the weighted average interest rate for short-term bank deposits was 1.79% in US dollars, 10.22% in tenge and 8.00% 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>	June 30, 2017 (unaudited)	December 31, 2016 (audited)
Maturities under 1 year	1,862,170,183	1,182,669,493
Maturities between 1 and 2 years	29,290,766	178,088
Maturities over 2 years	18,649,571	49,849,014
	1,910,110,520	1,232,696,595

As at June 30, 2017 bank deposits include cash pledged as collateral of 70,040,458 thousand tenge (as at December 31, 2016: 108,695,345 thousand tenge), which are represented mainly by 22,331,052 thousand tenge (as at December 31, 2016: 63,718,200 thousand tenge) pledged with SB Sberbank Russia JSC until execution of obligations (March 1, 2018) 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 32,203,000 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)**9. INVESTMENTS IN JOINT VENTURES AND ASSOCIATES**

In thousands of tenge	Main activity	Place of business	June 30, 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	1,691,397,198	50.00%	1,759,152,117	50.00%
Tengizchevroil LLP	Oil and gas exploration and production	Kazakhstan	1,257,063,312	20.00%	1,154,183,137	20.00%
Mangistau Investments B.V.	Oil and gas development and production	Kazakhstan	213,246,811	50.00%	191,813,452	50.00%
Ural Group Limited BVI	Oil and gas exploration and production	Kazakhstan	70,313,511	50.00%	72,898,443	50.00%
KazRosGas LLP	Processing and sale of natural gas and refined gas products	Kazakhstan	59,132,573	50.00%	79,658,348	50.00%
KazGerMunay LLP	Oil and gas exploration and production	Kazakhstan	40,933,144	50.00%	71,109,842	50.00%
KazakhOil-Aktobe LLP	Production of crude oil	Kazakhstan	36,797,092	50.00%	39,503,663	50.00%
Other			59,325,912		55,079,872	
Associates						
Caspian Pipeline Consortium (CPC)	Transportation of liquid hydrocarbons	Kazakhstan/ Russia	156,900,657	20.75%	137,035,180	20.75%
PetroKazakhstan Inc. ("PKI")	Exploration, production and processing of oil and gas	Kazakhstan	134,436,610	33.00%	144,252,432	33.00%
Other			1,458,044		1,590,324	
			3,721,004,864		3,706,276,810	

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

As at June 30, 2017 the Group's share in unrecognized losses of joint ventures and associates was equal to 216,947,328 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 101,152,651 thousand tenge.

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

9. INVESTMENTS IN JOINT VENTURES AND ASSOCIATES (continued)

The following table summarizes the movements in equity investments in joint ventures and associates during the six months ended June 30, 2017:

In thousands of tenge

At January 1, 2017 (audited)	3,706,276,810
Share in profits of joint ventures and associates, net (Note 23)	179,460,566
Other changes in the equity of the joint venture	3,255,862
Reversal of impairment of investments	14,686,162
Dividends received	(61,654,826)
Change in dividends receivable	(11,116,472)
Acquisitions	2,625
Refund of contributions without change in ownership	(1,714,856)
Foreign currency translation	(108,191,007)
At June 30, 2017 (unaudited)	3,721,004,864

For the six months ended June 30, 2017 the Group recognized reversal of impairment of investments to BeineuShymkent Pipelines LLP in the amount of 14,686,162 thousand tenge.

The dividends received from joint ventures and associates mainly include dividends received from KazGerMunay LLP, KazRosGas LLP and PKI in the amount of 28,141,050 thousand tenge, 18,647,418 thousand tenge and 10,018,206 thousand tenge, respectively.

For the six months ended June 30, 2017 the Group received 489,960 thousand tenge as a refund of contributions from the joint venture.

10. TRADE ACCOUNTS RECEIVABLE AND OTHER CURRENT ASSETS

	June 30, 2017 (unaudited)	December 31, 2016 (audited)
<i>In thousands of tenge</i>		
Advances paid and prepaid expenses	82,659,661	89,388,255
Taxes receivable	14,629,266	34,330,632
Other current assets	39,937,406	31,831,789
Less: allowance for impairment	(6,508,551)	(6,471,068)
Total other current assets	130,717,782	149,079,608
Trade accounts receivable	186,614,051	290,199,726
Less: allowance for impairment	(10,946,265)	(10,388,095)
Trade accounts receivable	175,667,786	279,811,631

As at June 30, 2017 and at December 31, 2016 the above assets were non-interest bearing.

11. LOANS DUE FROM RELATED PARTIES

	June 30, 2017 (unaudited)	December 31, 2016 (audited)
<i>In thousands of tenge</i>		
Loans due from related parties	597,893,403	605,812,462
Less: allowance for impairment of loans due from related parties	—	(15,418,397)
	597,893,403	590,394,065

Since the Group acquired remaining 49% of interest in KS EP and it became a subsidiary (Note 5), the balance of loan from KS EP, including the allowance for impairment was fully eliminated.

	June 30, 2017 (unaudited)	December 31, 2016 (audited)
<i>In thousands of tenge</i>		
Loans due from related parties in US dollars	167,793,056	185,596,852
Loans due from related parties in tenge	427,981,744	403,380,730
Loans due from related parties in other foreign currencies	2,118,603	1,416,483
	597,893,403	590,394,065

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

11. LOANS DUE FROM RELATED PARTIES (continued)

<i>In thousands of tenge</i>	June 30, 2017 (unaudited)	December 31, 2016 (audited)
Current portion	114,829,658	113,616,133
Non-current portion	483,063,745	476,777,932
	597,893,403	590,394,065

12. CASH AND CASH EQUIVALENTS

<i>In thousands of tenge</i>	June 30, 2017 (unaudited)	December 31, 2016 (audited)
Term deposits with banks – US dollars	385,505,090	435,939,051
Term deposits with banks – tenge	223,597,401	180,075,718
Current accounts with banks – US dollars	300,166,622	245,711,146
Current accounts with banks – tenge	18,400,890	13,214,622
Current accounts with banks – other currencies	3,858,500	1,893,667
Term deposits with banks – other currencies	39,961	37,995
Cash-on-hand	2,102,999	1,566,151
	933,671,463	878,438,350
Cash and cash equivalents attributable to discontinued operations	26,440,313	27,014,161
	960,111,776	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 June 30, 2017 the weighted average interest rate for time deposits with banks was 1.18% in US dollars and 8.39% in tenge, respectively (as at December 31, 2016: 0.61% in US dollars and 8.15% in tenge, respectively).

13. EQUITY

Share capital

During the six months ended June 30, 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 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.

During the six months ended June 30, 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.

During the six months ended June 30, 2017 the Group increased additional paid in capital in the amount of 11,195,635 thousand tenge, which represents the fair value of gas pipelines contributed by the Government on trust management terms, which serves as a short-term mechanism until the legal title for pipelines transfers to the Group.

Dividends

For the six months ended June 30, 2017, based on the decision of Samruk-Kazyna and National Bank of RK, the Company declared dividends for 2016 in the amount of 11.32 tenge per common share in the total amount of 6,670,370 thousand tenge and distributed dividends for 2013 in the amount of 66.52 tenge per common share in the total amount of 39,206,996 thousand tenge.

For the six months ended June 30, 2017 the Group declared dividends in the total of 13,269,562 thousand tenge to the holders of non-controlling interest in KMG EP and KTO (subsidiaries of the Group). As at June 30, 2017 the dividends payable by the Group to the holders of non-controlling interest of 7,922,750 thousand tenge (as at December 31, 2016: 1,862,166 thousand tenge).

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

13. EQUITY (continued)

Transactions with Samruk-Kazyna

For the six months ended June 30, 2016 the Company provided interest free loan to Samruk-Kazyna (*Note 26*). The difference between fair value and nominal value of the loan amounting 3,387,228 thousand tenge recognized as transaction with Samruk-Kazyna in the interim consolidated statement of changes in equity.

Hedge of net investment in the foreign operations

As at June 30, 2017 certain borrowings denominated in foreign currency were designated as hedge instrument for the net investment in the foreign operations. For the six months ended June 30, 2017, income of 43,789,121 thousand tenge (for the six months ended June 30, 2016 income of 684,237 thousand tenge) on the translation of these borrowings were transferred to other comprehensive income and offset the loss on translation of foreign operations.

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.

	June 30, 2017 (unaudited)	December 31, 2016 (audited)
<i>In thousands of tenge</i>		
Total assets	12,590,653,600	11,883,077,270
Less: intangible assets	114,625,393	116,488,612
Less: total liabilities	6,205,937,867	5,604,806,355
Net assets	6,270,090,340	6,161,782,303
Number of ordinary shares	589,399,889	584,212,737
Book value per ordinary share, tenge	10.638	10.547

Earnings per share

	For the six months ended June 30,	
	2017 (unaudited)	2016 (unaudited)
<i>In tenge</i>		
Weighted average number of common shares for basic and diluted earnings per share	588,535,364	584,207,465
Basic and diluted share in net profit for the period	466,212	178,840
Basic and diluted share profit/(loss) from continuing operations	44,236	(226,017)

Non-controlling interest

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

		June 30, 2017 (unaudited)		December 31, 2016 (audited)	
	Country of incorporation and operation	Share	Carrying value	Share	Carrying value
KazMunayGas Exploration					
Production JSC	Kazakhstan	36.99%	734,862,077	36.98%	715,007,274
KazTransOil JSC	Kazakhstan	10.00%	39,881,075	10.00%	42,221,868
Rompetrol Downstream S.R.L.	Romania	45.37%	41,742,070	45.37%	41,753,314
Rompetrol Petrochemicals S.R.L.	Romania	45.37%	9,686,011	45.37%	11,002,892
Rompetrol Rafinare S.A.	Romania	45.37%	(4,833,152)	45.37%	1,775,348
Rompetrol Vega	Romania	45.37%	(19,531,544)	45.37%	(20,763,577)
Other			11,197,966		10,562,978
			813,004,503		801,560,097

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

14. BORROWINGS

<i>In thousands of tenge</i>	June 30, 2017 (unaudited)	December 31, 2016 (audited)
Fixed interest rate borrowings	2,857,423,755	2,099,674,818
Weighted average interest rates	6.48%	7.93%
Floating interest rate borrowings	948,784,270	972,865,152
Weighted average interest rates	4.58%	4.57%
	3,806,208,025	3,072,539,970

<i>In thousands of tenge</i>	June 30, 2017 (unaudited)	December 31, 2016 (audited)
US dollar – denominated borrowings	3,574,923,843	2,846,125,693
Tenge-denominated borrowings	231,284,182	226,414,277
	3,806,208,025	3,072,539,970

<i>In thousands of tenge</i>	June 30, 2017 (unaudited)	December 31, 2016 (audited)
Current portion	247,097,715	366,438,649
Non-current portion	3,559,110,310	2,706,101,321
	3,806,208,025	3,072,539,970

As at June 30, 2017 and December 31, 2016, the debt securities issued and loans comprised:

Bonds	Issuance amount	Redemption date	Interest	As at June 30, 2017 (unaudited)	As at December 31, 2016 (audited)
Bonds LFB 2008	1.6 billion USD	2018	9.125%	512,544,045	529,821,083
Bonds LFB 2010	1.5 billion USD	2020	7.00%	439,121,937	453,732,442
Bonds LFB 2010	1.25 billion USD	2021	6.375%	362,696,985	375,026,800
Bonds LFB 2013	2 billion USD	2043	5.75%	161,240,173	166,991,558
Bonds LFB 2013	1 billion USD	2023	4.4%	129,842,859	134,371,387
Bonds LFB 2014	1 billion USD	2044	6.00%	9,403,182	9,736,418
Bonds LFB 2014	0.5 billion USD	2025	4.875%	39,191,953	40,558,524
Bonds LFB 2017	0.5 billion USD	2022	3.88%	161,697,155	–
Bonds LFB 2017	1 billion USD	2027	4.75%	321,898,920	–
Bonds LFB 2017	1.25 billion USD	2047	5.75%	400,027,773	–
Bonds KFB 2009	120 billion KZT	2017	6M Libor + 8.5%	89,111,687	110,551,375
Bonds KFB 2010	100 billion KZT	2017	7.00%	97,734,312	94,483,326
The Bank of New York Mellon	600 million USD	2017	6.375%	–	42,929,372
Others				12,921,769	13,193,743
Total				2,737,432,750	1,971,396,028

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

14. BORROWINGS (continued)

Loans	Issuance amount	Redemption date	Interest	As at June 30, 2017 (unaudited)	As at December 31, 2016 (audited)
Development bank of Kazakhstan JSC	884 million USD	2025	4.5% + 6M Libor – 7.72%	289,075,265	319,055,961
The Export-Import Bank of China	1 billion USD	2025	Libor + 4.1%	278,148,349	245,894,740
Sberbank Russia	400 million USD	2024	12M Libor + 3.5%	130,135,719	134,557,235
Development bank of Kazakhstan JSC	127 billion KZT	2022-2025	7%-9%	103,700,239	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%	83,378,870	84,876,946
European Bank for Reconstruction and Development	140 million USD	2023	3M libor + 3.15%	67,655,419	46,322,433
Japan Bank for International Cooperation	298 million USD	2025	CIRR + 2.19%, 6M Libor + 1.10%	67,331,307	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%	29,406,373	28,128,262
Halyk bank JSC	5 billion KZT	2017	15%	3,520,417	5,018,872
The Syndicate of banks	604 million USD	2017	1M libor + 2.0%	–	53,541,383
Halyk bank JSC	70 million USD	2017	5%	–	23,393,933
Other	–	–	–	16,423,317	13,987,963
Total				1,068,775,275	1,101,143,942

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 KazMunayGaz Finance Sub B.V. (subsidiary of the Company), in an aggregate principal amount of 2.75 billion US dollars (equivalent to 854,315,237 thousand tenge). The Eurobonds were issued in three series, comprising (i) 500,000 thousand US dollars 3.875% Notes due 2022; (ii) 1,000,000 thousand US dollars 4.75% Notes due 2027; and (iii) 1,250,000 thousand US dollars 5.75% Notes due 2047.

In accordance with the loan agreement in May 2017 Intergas Central Asia JSC (“ICA”), the subsidiary of KTG, received a loan from the European Bank for Reconstruction and Development in the amount of 25,254,400 thousand tenge (equivalent to 80,000 thousand US dollars).

On 10 May 2017, ICA executed full redemption of Eurobonds in the amount of 40,652,220 thousand tenge (equivalent to 127,801 thousand US dollars), including accrued interest in the amount of 1,295,789 thousand tenge (equivalent to 4,074 thousand US dollars).

During the six months ended June 30, 2017 KTG fully repaid principal under the loan agreement with the Syndicate of banks in the total amount of 56,544,032 thousand tenge (equivalent to 180,600 thousands US dollars).

The Group redeemed borrowings from Development Bank of Kazakhstan JSC (“DBK”) in the total amount of 35,416,679 thousand tenge, including interest. Additionally the Group made a partial repayment of issued bonds held by DBK in the amount of 22,568,510 thousand tenge, including interest.

During the six months ended June 30, 2017 ANPZ redeemed borrowings from Halyk bank JSC in the amount of 22,440,848 thousand tenge, including accrued interest.

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

14. BORROWINGS (continued)**Covenants**

The Company and its subsidiaries have limitations in terms of the acceptance of debt obligations according to the documentation of international bonds issues. Thus, the debt increase is limited to the need to comply with a financial ratio, which is defined as the ratio of consolidated net debt to the total amount of the consolidated earnings before interest, taxes, depreciation and amortization (EBITDA) with a threshold value of 3.5. As of June 30, 2017 and June 30, 2016, the Company complies with this restrictive condition.

In addition, the Company is required to ensure execution of the financial and non-financial covenants under the terms of the loan agreements. Failure to comply with financial covenants gives the lenders the right to demand early repayment of loans. As of 30 June 2017 and 30 June 2016, the Company complied with all financial and non-financial covenants.

15. PREPAYMENT ON OIL SUPPLY AGREEMENT

In 2016 the Group entered into long-term crude oil and liquefied petroleum gas ("LPG") supply agreement, which involve the prepayment. The total minimum delivery volume approximates 30 million tons of crude oil and 1 million tons of LPG in the period from the date of the contract to March 2020.

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

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

As of June 30, 2017 the Group has partially settled the prepayments by oil supply in the total amount of 250,000 thousand US dollars.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (unaudited) (continued)**16. PROVISIONS**

<i>In thousands of tenge</i>	Asset retirement obligations	Provision for environmental obligation	Provision for taxes	Provision for gas transportation	Employee benefit obligations	Other	Total
As at December 31, 2016	91,543,941	14,378,667	48,046,853	24,361,458	32,378,099	23,057,082	233,766,100
Foreign currency translation	60,929	–	9,626	–	–	(14,438)	56,117
Change in estimate	(1,226,835)	–	–	(864,701)	–	–	(2,091,536)
Unwinding of discount	4,157,303	449,600	–	–	1,354,725	58,323	6,019,951
Provision for the year	462,927	–	1,293,771	–	2,061,166	593,638	4,411,502
Recovered	(106,776)	–	(7,475,866)	–	–	(280,015)	(7,862,657)
Unused amounts reversed	–	–	2,061,480	–	–	(89,950)	1,971,530
Use of provision	(11,509)	(18,351)	(9,269,453)	–	(1,255,300)	(2,157,331)	(12,711,944)
As at June 30, 2017	94,879,980	14,809,916	34,666,411	23,496,757	34,538,690	21,167,309	223,559,063

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

<i>In thousands of tenge</i>	Asset retirement obligations	Provision for environmental obligation	Provision for taxes	Provision for gas transportation	Employee benefit obligations	Other	Total
As at June 30, 2017							
Current portion	1,409,897	316,188	34,666,411	23,496,757	2,443,362	16,370,016	78,702,631
Long-term portion	93,470,083	14,493,728	–	–	32,095,328	4,797,293	144,856,432
Provision as at June 30, 2017	94,879,980	14,809,916	34,666,411	23,496,757	34,538,690	21,167,309	223,559,063
As at December 31, 2016							
Current portion	819,946	487,031	48,046,853	24,361,458	2,380,419	18,298,570	94,394,277
Long-term portion	90,723,995	13,891,636	–	–	29,997,680	4,758,512	139,371,823
As at December 31, 2016	91,543,941	14,378,667	48,046,853	24,361,458	32,378,099	23,057,082	233,766,100

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

17. TRADE ACCOUNTS PAYABLE AND OTHER CURRENT LIABILITIES

<i>In thousands of tenge</i>	June 30, 2017 (unaudited)	December 31, 2016 (audited)
Dividends payable	53,800,116	1,862,166
Advances received	39,643,141	30,463,723
Due to employees	30,480,081	33,259,709
Other	47,800,865	53,456,651
Total other current liabilities	171,724,203	119,042,249
Trade accounts payable	192,432,763	260,137,009

Trade accounts payable are denominated in the following currencies as at June 30, 2017 and as at December 31, 2016:

<i>In thousands of tenge</i>	June 30, 2017 (unaudited)	December 31, 2016 (audited)
Tenge	151,639,735	210,992,037
US dollars	30,216,831	36,935,083
Euro	2,688,802	219,061
Other currency	7,887,395	11,990,828
Total	192,432,763	260,137,009

As at June 30, 2017 and December 31, 2016 trade accounts payable and other current liabilities were not interest bearing.

18. OTHER TAXES PAYABLE

<i>In thousands of tenge</i>	June 30, 2017 (unaudited)	December 31, 2016 (audited)
Mineral extraction tax	19,550,265	4,488,819
Rent tax on crude oil export	7,919,318	5,189,479
VAT	6,132,807	4,375,978
Individual income tax	5,347,065	5,936,494
Withholding tax from non-residents	4,786,541	4,418,027
Excise tax	159,593	107,067
Other	9,014,304	9,498,593
	52,909,893	34,014,457

19. REVENUE

<i>In thousands of tenge</i>	For the three months ended June 30,		For the six months ended June 30,	
	2017 (unaudited)	2016 (unaudited) (restated)	2017 (unaudited)	2016 (unaudited) (restated)
Sales of crude oil	269,242,665	176,443,765	540,792,411	179,523,164
Sales of refined products	81,882,334	78,491,130	146,786,667	126,835,932
Transportation fee	75,456,160	78,702,616	159,878,040	161,523,964
Sales of gas and gas products	61,439,615	43,216,234	177,890,154	136,364,165
Refining of oil and oil products	36,979,558	29,076,149	68,153,781	44,636,594
Quality bank for crude oil	(6,706,890)	(5,399,979)	(12,951,613)	(9,417,519)
Other revenue	33,671,014	29,095,663	63,314,905	54,290,122
	551,964,456	429,625,578	1,143,864,345	693,756,422

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

20. COST OF SALES

	For the three months ended June 30,		For the six months ended June 30,	
	2017 (unaudited)	2016 (unaudited) (restated)	2017 (unaudited)	2016 (unaudited) (restated)
<i>In thousands of tenge</i>				
Crude oil	185,524,996	119,435,148	375,273,728	119,435,148
Materials and supplies	73,045,440	35,687,248	169,781,709	147,074,303
Payroll	67,303,799	59,254,732	138,359,523	123,900,545
Depreciation, depletion and amortization	42,253,412	37,828,164	86,287,901	78,777,431
Mineral extraction tax	20,191,321	17,598,381	42,379,592	32,832,295
Other taxes	14,741,839	11,430,703	28,346,363	23,080,429
Electricity	9,383,745	8,835,919	20,304,127	19,020,502
Transportation costs	9,324,504	6,379,776	40,598,409	24,107,010
Repair and maintenance	8,343,512	7,737,766	14,456,872	12,786,688
Other	37,589,604	25,242,573	61,873,048	48,627,565
	467,702,172	329,430,410	977,661,272	629,641,916

21. GENERAL AND ADMINISTRATIVE EXPENSES

	For the three months ended June 30,		For the six months ended June 30,	
	2017 (unaudited)	2016 (unaudited) (restated)	2017 (unaudited)	2016 (unaudited) (restated)
<i>In thousands of tenge</i>				
Payroll	12,378,407	10,964,339	25,180,290	23,283,386
Depreciation and amortization	3,115,067	1,590,135	6,225,186	3,244,470
Consulting services	2,209,102	3,024,917	3,518,782	4,724,539
Other taxes	2,155,361	1,781,441	4,107,122	3,658,011
Social payments	1,668,972	1,912,908	2,340,017	3,334,513
VAT that cannot be offset	609,660	2,893	1,077,958	378,601
Charitable donations and sponsorship	188,711	474,108	261,977	551,605
(Recovery of) / allowance for fines, penalties and tax provisions	3,649,582	1,737,421	(633,397)	2,525,400
(Recovery of) / allowance for impairment of trade accounts receivable	1,311,272	334,720	1,113,418	947,814
Allowance for provision for obsolete and slow-moving inventories	436,573	(62,091)	948,994	9,797
(Recovery of) / allowance for impairment of other current assets	176,067	43,902	168,599	74,030
Allowance for impairment of other non-current assets	—	1,775,372	—	2,000,000
(Recovery of) / allowance for VAT receivable	(26,414,368)	6,936,323	(26,414,368)	6,936,323
Other	7,880,469	7,015,360	14,374,634	13,301,775
	9,364,875	37,531,748	32,269,212	64,970,264

During six months ended June 30, 2017 VAT receivable in the amount of 18,532,944 thousand tenge was reimbursed by Tax authorities to the bank accounts of the Group and the amount of 11,572,615 thousand tenge was confirmed as recoverable. As the result, the Group recovered allowance for VAT receivable in the amount of 30,105,559 thousand tenge. The Group accrued allowance for VAT receivable in the total amount of 3,691,191 thousand tenge.

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

22. TRANSPORTATION AND SELLING EXPENSES

	For the three months ended June 30,		For the six months ended June 30,	
	2017 (unaudited)	2016 (unaudited) (restated)	2017 (unaudited)	2016 (unaudited) (restated)
<i>In thousands of tenge</i>				
Customs duty	26,546,431	16,043,734	51,611,869	39,629,060
Transportation	19,163,028	16,130,824	36,760,740	32,754,980
Rent tax on crude oil export	13,018,937	9,817,700	31,657,147	9,817,700
Payroll	1,727,979	1,412,977	3,219,969	2,932,933
Depreciation and amortization	889,694	1,568,796	2,299,739	3,232,059
Other	4,166,430	2,642,117	7,296,681	6,460,777
	65,512,499	47,616,148	132,846,145	94,827,509

23. FINANCE INCOME / FINANCE COSTS

Finance income

	For the three months ended June 30,		For the six months ended June 30,	
	2017 (unaudited)	2016 (unaudited) (restated)	2017 (unaudited)	2016 (unaudited) (restated)
<i>In thousands of tenge</i>				
Interest income on bank deposits, loans and bonds	19,582,791	20,575,439	36,799,665	37,741,795
Amortization of discount on loans due from related parties	8,281,946	5,310,594	16,160,934	10,082,734
Other	1,521,920	723,550	3,733,634	2,686,016
	29,386,657	26,609,583	56,694,233	50,510,545

Finance costs

	For the three months ended June 30,		For the six months ended June 30,	
	2017 (unaudited)	2016 (unaudited) (restated)	2017 (unaudited)	2016 (unaudited) (restated)
<i>In thousands of tenge</i>				
Interest on loans and debt securities issued	48,074,617	40,810,183	88,034,582	85,936,721
Allowance for impairment of bank deposits (Note 8)	11,637,410	—	11,637,410	—
Interest under oil supply agreement	6,634,891	3,901,539	12,983,431	4,003,872
Amortization of discount on loans and debt securities issued	3,034,124	3,197,160	5,602,289	5,785,862
Unwinding of discount on provisions (Note 16)	3,034,256	3,601,468	6,019,951	5,996,529
Discount on assets with non-market interest rate	1,312,613	3,206	5,297,292	2,665,973
Other	4,708,090	4,021,574	8,539,192	7,063,656
	78,436,001	55,535,130	138,114,147	111,452,613

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

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

<i>In thousands of tenge</i>	For the three months ended June 30,		For the six months ended June 30,	
	2017 (unaudited)	2016 (unaudited)	2017 (unaudited)	2016 (unaudited)
Tengizchevroil LLP	75,899,999	51,571,820	140,053,927	93,859,387
Caspian Pipeline Consortium	13,250,627	285,143	24,096,239	1,414,082
Mangistau Investments B.V.	12,786,014	10,491,899	21,603,893	17,256,193
KazRosGas LLP	7,212,320	2,373,729	1,093,426	5,356,915
KazGerMunay LLP	4,974,998	2,243,767	11,902,837	3,010,129
PetroKazakhstan Inc.	1,519,105	(4,415,450)	3,345,501	(6,908,635)
Ural Group Limited	(345,997)	(471,746)	(762,399)	(761,713)
Kazakhoil-Aktobe LLP	(704,639)	(1,019,400)	(2,706,571)	(2,267,792)
Valsera Holdings B.V.	(1,068,490)	(998,248)	4,632,522	4,902,456
Kashagan B.V.	(3,028,111)	(4,534,939)	(9,521,691)	(10,204,946)
Beineu-Shymkent Gas Pipeline	(18,529,970)	(5,347,172)	(17,522,813)	(8,009,938)
Share in profit/(loss) of other joint ventures and associates	1,579,503	1,736,199	3,245,695	4,313,679
	93,545,359	51,915,602	179,460,566	101,959,817

25. INCOME TAX EXPENSE

<i>In thousands of tenge</i>	For the three months ended June 30,		For the six months ended June 30,	
	2017 (unaudited)	2016 (unaudited)	2017 (unaudited)	2016 (unaudited)
Current income tax				
Corporate income tax	36,284,569	17,937,008	53,600,228	39,424,059
Excess profit tax	581,738	65,374	146,608	65,176
Withholding tax on dividends and interest income	2,516,164	3,650,326	3,929,724	4,203,779
Deferred income tax				
Corporate income tax	2,669,675	4,143,165	16,944,072	10,011,018
Excess profit tax	(294,122)	5,381	791,996	5,381
Withholding tax on dividends and interest income	16,225,533	5,515,968	15,432,026	13,514,141
Income tax expense	57,983,557	31,317,222	90,844,654	67,223,554

26. 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 June 30, 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	June 30, 2017	276,754,933	42,174,240	85,843	–
	December 31, 2016	250,189,225	1,755,168	227,330	–
Associates	June 30, 2017	171,559,677	3,963,836	–	–
	December 31, 2016	196,364,723	6,519,184	–	–
Other related parties	June 30, 2017	–	12,743,097	294,441	487,850,604
	December 31, 2016	–	8,783,316	308,652	539,518,308
Joint ventures in which the Group is a venturer	June 30, 2017	364,559,047	114,342,229	–	–
	December 31, 2016	426,310,101	148,065,653	–	–

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

26. RELATED PARTY DISCLOSURES (continued)

Due from related parties

For the six months ended June 30, 2017 the Company provided the additional interest free loan to the Samruk-Kazyna in the amount of 22,904,089 thousand tenge. The difference between fair value and nominal value of the loan amounting 3,387,228 thousand tenge recognized as transaction with Samruk-Kazyna in the interim consolidated statement of changes in equity.

As at June 30, 2017 changes in due from associates mainly related to the repayment of interest and revaluing of the right to claim payments under "Kazakhstan Note" in the amount of 14,620,960 thousand tenge and 5,223,143 thousand tenge, respectively.

As at June 30, 2017 decrease in due from joint ventures mainly due to decreasing of trade accounts receivable for goods and services of Tengizchevroil LLP and KazRosGas LLP in the amount of 24,782,812 thousand tenge and 42,766,295 thousand tenge, respectively.

Due to related parties

As at June 30, 2017 dividends payable to Samruk-Kazyna and National bank of RK are amounting to 41,330,046 thousand tenge and 4,547,320 thousand tenge, respectively.

As at June 30, 2017 changes of due to joint ventures mainly include decreasing of trade payable for goods and services to KazRosGas LLP and Kazakhoil Aktobe LLP in the amount of 44,766,216 thousand tenge and 3,223,117 thousand tenge, respectively, and increasing of trade payable for goods and services to KMG Nabors Drilling Co LLP and Tengizchevroil LLP in the amount of 10,348,074 thousand tenge and 3,208,575 thousand tenge, respectively.

Borrowings payable to related parties

For the six months ended June 30, 2017 the Group redeemed bonds and loans payable to DBK in the total amount of 57,985,189 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 June 30, 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	June 30, 2017	35,241,648	15,901,818	13,344,039	–
	June 30, 2016	32,588,374	15,694,717	5,130,839	290,755
Associates	June 30, 2017	13,453,575	39,639,009	5,262,796	–
	June 30, 2016	12,623,213	31,606,853	8,999,486	3,615,886
Other related parties	June 30, 2017	12,709,797	–	–	12,174,648
	June 30, 2016	–	3,228,365	524,660	12,348,133
Joint ventures in which the Group is a venturer	June 30, 2017	133,351,301	456,042,416	11,591,108	684,764
	June 30, 2016	116,504,635	270,762,358	14,027,299	978,457

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, including key management personnel of subsidiaries, in the accompanying interim consolidated statement of comprehensive income was equal to 4,468,753 thousand tenge and 4,853,823 thousand tenge for the six months ended June 30, 2017 and June 30, 2016, respectively. Compensation to key management personnel consists of contractual salary and performance bonus based on operating results.

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

27. FINANCIAL INSTRUMENTS AND INVESTMENT PROPERTY

Fair values of financial instruments and investment property

The carrying amount of the Group financial instruments as at June 30, 2017 and December 31, 2016 are reasonable approximation of their fair value, except for the financial instruments disclosed below:

	Carrying amount	Fair value	Fair value by level of assessment		
			Quotations in an active market (Level 1)	Inputs from the observed market (Level 2)	Inputs based on the significant amount of unobserved (Level 3)
<i>In thousands of tenge</i>					
As at June 30, 2017 (unaudited)					
Bonds receivable from the Samruk-Kazyna	40,057,823	59,252,679	—	59,252,679	—
Fixed interest rate borrowings	2,857,423,755	2,858,550,184	2,664,763,954	193,786,230	—
Financial guarantee	12,810,513	12,810,513	—	12,810,513	—
Investment property	28,909,630	30,192,420	—	30,192,420	—

	Carrying amount	Fair value	Fair value by level of assessment		
			Quotations in an active market (Level 1)	Inputs from the observed market (Level 2)	Inputs based on the significant amount of unobserved (Level 3)
<i>In thousands of tenge</i>					
As at December 31, 2016 (audited)					
Bonds receivable from the 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.

28. 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 six months ended June 30, 2017:

Cost recovery audits

As of June 30, 2017 the Group's share in the total disputed amounts of the non-recoverable costs decreased and comprised 715,567 thousand US dollars (equivalent to 230,605,832 thousand tenge) as a result of Authorities audits (as of December 31, 2016: 609,703 thousand US dollars or 203,207,747 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.

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

KMG D&S (subsidiary of the Group) is involved in arbitration proceedings with Consortium of companies Ersai Caspian Contractor LLP and Caspian Offshore and Marine Construction LLP (further – Consortium) according to purchase contract on construction of JUDR, which is handled by the London Court of International Arbitration.

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

28. CONTINGENT LIABILITIES AND COMMITMENTS (continued)

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

As at June 30, 2017 Consortium increased the amount of claim for 50,613 thousand US dollars (equivalent to 15,954,275 thousand tenge).

There is uncertainty about the result of judicial proceedings. As of June 30, 2017 the Group didn't recognize the provision for given claim.

Kazakhstan local market obligation

During six months ended June 30, 2017, in accordance with its obligations, the Group delivered 1,982 thousand tons of crude oil (six months ended June 30, 2016: 2,658 thousand tons), including joint ventures, to the Kazakhstan market.

Commitments under subsoil use contracts

As at June 30, 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	82,578,837	6,381,156
2018	17,847,853	5,279,850
2019	12,438,608	5,794,863
2020	5,657,352	6,246,882
2021-2048	12,249,353	18,983,167
Total	130,772,003	42,685,918

Oil supply commitments

As of June 30, 2017 the Group had commitments under the oil supply agreements in the total amount of 23.3 million ton (as at December 31, 2016: 28.1 million ton), including joint venture.

Other contractual commitments

As at June 30, 2017, the Group had other capital commitments of approximately 884,418,479 thousand tenge (as at December 31, 2016: 1,106,632,404 thousand tenge), including joint ventures, related to acquisition and construction of property, plant and equipment.

As at June 30, 2017, the Group had commitments in the total amount of 156,572,223 thousand tenge under the investment programs approved by the joint order of Ministry of Energy of RK and Committee on Regulation of Natural Monopolies and Protection of Competition of the Ministry of National Economy of RK and aimed at capital construction/reconstruction/overhaul/diagnostic of production facilities.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (unaudited) (continued)**29. SEGMENT REPORTING**

The following represents information about operating segments of the Group as at June 30, 2017 and for the six 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	54,451,522	96,569,978	238,539,298	710,888,244	43,415,303	-	1,143,864,345
Revenues from sales to other segments	456,816,230	22,619,352	17,307,985	30,127,132	18,501,974	(545,372,673)	-
Total revenue	511,267,752	119,189,330	255,847,283	741,015,376	61,917,277	(545,372,673)	1,143,864,345
Gross profit	264,209,272	53,745,928	64,748,578	72,877,705	(9,771,802)	(279,606,608)	166,203,073
Finance income	15,558,990	4,037,811	6,972,166	24,534,707	56,129,512	(50,538,953)	56,694,233
Finance costs	(7,677,160)	(2,275,050)	(14,574,187)	(52,842,085)	(106,458,379)	45,712,714	(138,114,147)
Depreciation, depletion and amortization	(40,335,174)	(15,605,043)	(14,930,508)	(19,511,509)	(5,916,682)	-	(96,298,916)
Impairment of property, plant and equipment, exploration and evaluation assets and intangible assets other than goodwill	(17,478)	(497)	(141,270)	8,001	(2,820,459)	-	(2,971,703)
Share in profit of joint ventures and associates, net	165,124,460	25,742,613	(16,390,138)	4,627,547	356,084	-	179,460,566
Income tax expenses	(47,124,484)	(10,571,840)	(12,802,144)	(15,669,368)	(4,676,818)	-	(90,844,654)
Net profit for the period	227,175,640	62,841,894	17,507,205	48,069,870	(73,370,341)	(7,842,114)	274,382,154
Other segment information							
Investments in joint ventures and associates	3,451,053,223	170,877,159	60,237,185	35,726,133	3,111,164	-	3,721,004,864
Capital expenditures	47,112,632	7,453,063	62,602,168	142,816,484	5,675,329	-	265,659,676
Allowances for obsolete inventories, doubtful accounts receivable, advances paid, and other assets	(644,609)	(2,416,666)	(10,194,084)	(5,741,032)	(5,799,085)	-	(24,795,476)
Assets of the segment	6,306,840,085	809,547,813	1,209,811,866	3,430,160,939	2,336,093,035	(1,501,800,138)	12,590,653,600
Liabilities of the segment	574,010,652	154,924,761	550,332,260	2,547,972,024	3,806,186,154	(1,427,487,984)	6,205,937,867

Eliminations represent the exclusion of intra-group turnovers.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (unaudited) (continued)**29. SEGMENT REPORTING (continued)**

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

<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	32,413,030	95,799,501	211,021,454	321,250,083	33,272,354	-	693,756,422
Revenues from sales to other segments	334,195,188	23,011,558	760,324	20,627,361	13,979,966	(392,574,397)	-
Total revenue	366,608,218	118,811,059	211,781,778	341,877,444	47,252,320	(392,574,397)	693,756,422
Gross profit	158,005,471	55,714,048	51,401,206	70,366,016	(5,699,004)	(265,673,231)	64,114,506
Finance income	17,503,880	5,368,903	6,293,406	11,101,932	32,821,167	(22,578,743)	50,510,545
Finance costs	(9,446,749)	(1,916,674)	(14,637,723)	(14,918,636)	(92,025,461)	21,492,630	(111,452,613)
Depreciation, depletion and amortization	(35,612,947)	(16,471,347)	(13,934,952)	(16,678,429)	(2,718,135)	-	(85,415,810)
Impairment of property, plant and equipment, exploration and evaluation assets and intangible assets other than goodwill	(163,865)	(80,040)	(1,020,753)	5	(647,500)	-	(1,912,153)
Share in profit of joint ventures and associates, net	95,659,713	4,260,148	(2,912,616)	4,978,877	(26,305)	-	101,959,817
Income tax expenses	(38,821,587)	(7,707,142)	(7,697,371)	(8,369,823)	(4,627,631)	-	(67,223,554)
Net profit for the period	92,565,408	48,833,618	20,853,025	38,139,039	(92,918,844)	(2,992,785)	104,479,461
Other segment information							
Investments in joint ventures and associates	3,440,284,418	149,567,256	80,723,711	31,350,162	4,351,263	-	3,706,276,810
Capital expenditures	89,606,871	13,543,883	24,475,801	129,307,250	6,107,922	-	263,041,727
Allowances for obsolete inventories, doubtful accounts receivable, advances paid, and other assets	(19,786,389)	(2,470,383)	(8,329,262)	(5,933,387)	(2,196,200)	-	(38,715,621)
Assets of the segment	6,210,069,721	831,909,870	1,295,190,723	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	663,338,007	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)**

30. SUBSEQUENT EVENTS

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

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

On August 10, 2017 KMG Kashagan BV paid the second tranche under the Sale and Purchase Agreement of portion of participating interest in the North Caspian Project, which was signed in 2008, in the amount of 804,437 thousand US dollars (equivalent 267,386,838 thousand tenge).