

JSC “National Company “KazMunayGas”

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

For the three and nine months ended September 30, 2018

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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 ("Group"), which comprise the interim condensed consolidated statement of financial position as at 30 September 2018, on related interim condensed consolidated statement of comprehensive income for three-month and nine-month periods then ended, interim condensed consolidated statement of changes in equity and interim condensed consolidated statement of cash flows for the nine-month period 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

19 November 2018



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 15 July 2005

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

<i>In thousands of tenge</i>	Note	September 30, 2018 (unaudited)	December 31, 2017 (audited) (restated)*
Assets			
Non-current assets			
Property, plant and equipment	5	4,153,245,892	4,080,164,484
Exploration and evaluation assets		253,211,231	253,326,100
Investment property		24,096,838	27,423,225
Intangible assets		186,870,038	185,205,427
Long-term bank deposits	6	51,172,651	48,523,034
Investments in joint ventures and associates	7	4,593,395,386	3,823,629,586
Deferred income tax asset		102,561,006	98,680,503
VAT receivable		112,698,518	96,666,045
Advances for non-current assets		221,777,719	124,906,942
Loans and receivables due from related parties	9	631,984,158	672,448,689
Other financial assets		4,921,630	4,161,312
Other non-current assets		19,911,801	17,401,423
		10,355,846,868	9,432,536,770
Current assets			
Inventories		284,365,173	250,368,907
VAT receivable		51,351,657	69,605,981
Income tax prepaid		25,015,119	36,134,973
Trade accounts receivable	8	799,040,926	467,867,255
Short-term bank deposits	6	331,434,934	1,638,940,642
Loans and receivables due from related parties	9	148,014,721	169,501,500
Other current assets	8	147,814,113	196,110,129
Cash and cash equivalents	10	1,545,413,381	1,263,987,456
		3,332,450,024	4,092,516,843
Assets classified as held for sale		105,237,373	24,904,588
		3,437,687,397	4,117,421,431
Total assets		13,793,534,265	13,549,958,201

The accounting policies and explanatory notes on pages 8 through 38 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>		September 30, 2018 (unaudited)	December 31, 2017 (audited) (restated)*
	Note		
Equity and liabilities			
Equity			
Share capital	11	916,540,545	709,344,505
Additional paid-in capital	11	40,659,141	243,876,410
Other equity		83,185	83,185
Currency translation reserve		1,568,867,237	1,295,091,189
Retained earnings		4,253,588,377	3,665,191,668
Attributable to equity holders of the Parent Company		6,779,738,485	5,913,586,957
Non-controlling interest	11	158,564,311	870,017,901
Total equity		6,938,302,796	6,783,604,858
Non-current liabilities			
Borrowings	12	3,642,219,825	3,417,111,859
Provisions		213,520,944	203,774,487
Deferred income tax liabilities		444,753,385	380,738,225
Financial guarantee		12,671,640	10,767,166
Prepayment on oil supply agreements	13	544,605,001	581,577,501
Other non-current liabilities		25,118,257	46,426,823
		4,882,889,052	4,640,396,061
Current liabilities			
Borrowings	12	494,648,502	884,140,278
Provisions		96,530,424	78,812,199
Income tax payable		52,089,666	10,081,239
Trade accounts payable	14	635,145,233	513,851,048
Other taxes payable		116,861,114	101,198,347
Financial guarantee		1,643,699	1,170,697
Prepayment on oil supply agreements	13	363,070,000	332,330,000
Other current liabilities	14	166,683,523	202,444,812
		1,926,672,161	2,124,028,620
Liabilities directly associated with the assets classified as held for sale		45,670,256	1,928,662
Total liabilities		6,855,231,469	6,766,353,343
Total equity and liabilities		13,793,534,265	13,549,958,201
Book value per ordinary share	11	11.066	11.195

* Certain numbers shown here do not correspond to the consolidated financial statements for the year ended December 31, 2017 and reflect adjustments made, refer to Note 4.

Deputy Chairman of the Management Board – Chief Financial Officer

D.S. Karabayev

Managing director – finance controller

A.Zh. Beknazarova

Chief accountant

Y.Y. Orynbayev

The accounting policies and explanatory notes on pages 8 through 38 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 September 30,		For the nine months ended September 30,	
		2018 (unaudited)	2017* (unaudited) (restated)	2018 (unaudited)	2017* (unaudited) (restated)
Revenue	15	1,860,262,849	1,147,154,859	5,206,760,369	3,213,523,652
Cost of sales	16	(1,363,059,466)	(902,069,144)	(3,966,300,337)	(2,468,460,970)
Gross profit		497,203,383	245,085,715	1,240,460,032	745,062,682
General and administrative expenses	17	(67,583,391)	(40,473,804)	(175,316,498)	(93,428,577)
Transportation and selling expenses	18	(177,757,310)	(93,387,818)	(481,659,674)	(286,388,962)
Impairment of property, plant and equipment, exploration and evaluation assets and intangible assets, other than goodwill	19	(1,860,305)	(786,866)	(41,556,254)	(4,185,504)
Loss on disposal of property, plant and equipment, intangible assets and investment property, net		(625,679)	(486,837)	(2,093,713)	(1,507,359)
Other operating income		5,298,366	6,584,103	14,465,592	14,093,511
Other operating expenses		(6,439,395)	(2,713,562)	(14,990,170)	(16,690,145)
Operating profit		248,235,669	113,820,931	539,309,315	356,955,646
Net foreign exchange (loss)/gain		(22,250,319)	63,795,716	(21,391,671)	82,647,665
Finance income	19	27,970,331	33,349,720	139,227,062	90,302,818
Finance costs	19	(74,539,042)	(76,526,842)	(349,538,836)	(219,826,688)
Reversal of impairment of investments in joint ventures		–	–	–	14,686,162
Net income/(loss) on disposal/acquisition on subsidiary		15,109,600	–	18,358,902	(3,249,292)
Share in profit of joint ventures and associates, net	20	195,597,852	105,487,566	532,916,863	285,169,236
Profit before income tax		390,124,091	239,927,091	858,881,635	606,685,547
Income tax expense	21	(95,551,936)	(52,522,862)	(202,973,674)	(142,353,927)
Profit for the period from continuing operations		294,572,155	187,404,229	655,907,961	464,331,620
Discontinued operations					
Loss after income tax for the period from discontinued operations		(6,052,685)	(5,361,885)	(7,681,797)	(9,999,406)
Net profit for the period		288,519,470	182,042,344	648,226,164	454,332,214
Net profit for the period attributable to:					
Equity holders of the Parent Company		277,239,642	142,272,404	625,788,531	382,994,512
Non-controlling interests		11,279,828	39,769,940	22,437,633	71,337,702
		288,519,470	182,042,344	648,226,164	454,332,214

The accounting policies and explanatory notes on pages 8 through 37 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 September 30,		For the nine months ended September 30,	
		2018	2017*	2018	2017*
		(unaudited)	(unaudited) (restated)	(unaudited)	(unaudited) (restated)
<i>In thousands of tenge</i>	Note				
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		216,091,137	116,707,012	280,163,978	2,463,901
Accumulated differences on translation of disposal group		–	–	(475,673)	(423,776)
Other comprehensive income to be reclassified to profit or loss in subsequent periods		216,091,137	116,707,012	279,688,305	2,040,125
<i>Other comprehensive income/(loss) not to be reclassified to profit or loss in subsequent periods</i>					
Actuarial gain/(loss) on defined benefit plans of the Group		–	–	22,422	(37,718)
Actuarial (loss)/gain on defined benefit plans of joint ventures		(303,442)	67,135	(169,730)	(103,399)
Write-off of deferred tax assets		–	–	–	(150,746)
Other comprehensive gain/(loss) not to be reclassified to profit or loss in subsequent periods		(303,442)	67,135	(147,308)	(291,863)
Other comprehensive income for the period		215,787,695	116,774,147	279,540,997	1,748,262
Total comprehensive income for the period, net of tax		504,307,165	298,816,491	927,767,161	456,080,476
Total comprehensive income for the period attributable to:					
Equity holders of the Parent Company		488,625,025	245,180,047	899,417,158	377,824,265
Non-controlling interests		15,682,140	53,636,444	28,350,003	78,256,211
		504,307,165	298,816,491	927,767,161	456,080,476

* Certain numbers shown here do not correspond to the consolidated financial statements for the period ended September 30, 2017 and reflect adjustments made, refer to Note 4.

Deputy Chairman of the Management Board – Chief Financial Officer

Managing director – finance controller

Chief accountant


D.S. Karabayev


A.Zh. Beknazarova


Y.Y. Orynbayev

The accounting policies and explanatory notes on pages 8 through 38 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 nine months ended September 30,	
	2018 (unaudited)	2017 (unaudited)
Cash flows from operating activities		
Receipts from customers	5,404,279,748	3,815,838,442
Payments to suppliers	(3,641,708,162)	(2,532,449,104)
Other taxes and payments	(921,437,751)	(637,191,444)
Income taxes paid	(83,425,232)	(61,620,231)
Interest received	98,046,645	74,139,171
Interest paid	(173,551,080)	(124,944,352)
Payments to employees	(284,426,076)	(264,594,295)
Social payments and pension funds	(41,015,870)	(38,693,826)
Taxes received from Tax authorities	21,518,224	67,850,450
Other payments, net	(65,403,779)	(11,208,157)
Net cash flows from operating activities	312,876,667	287,126,654
Cash flows from investing activities		
Withdrawal/(placement) of bank deposits, net	1,323,352,390	(734,394,280)
Purchase of property, plant and equipment, intangible assets, investment property and exploration and evaluation assets, including advances paid	(310,826,458)	(286,337,220)
Proceeds from sale of property, plant and equipment, intangible assets, investment property and exploration and evaluation assets	8,053,620	690,875
Proceeds from disposal of subsidiaries	17,967,179	–
Cash acquired with subsidiaries	–	180,678
Dividends received from joint ventures and associates (Note 7)	137,058,771	70,581,239
Disposal/(acquisition) of joint ventures and associates	1,999,889	(2,625)
(Additional contribution)/refund of contribution to joint ventures, net	(977,291)	1,714,856
Repayment of loans due from related parties	30,409,110	454,283
Repayment of other financial assets	172,053	–
Note receivable from a shareholder of a joint venture	24,113,396	–
Loans given to related parties	(50,829,294)	(164,377,696)
Net cash flows from / (used in) investing activities	1,180,493,365	(1,111,489,890)
Cash flows from financing activities		
Proceeds from borrowings	1,266,750,499	1,461,048,047
Repayment of borrowings	(1,905,738,978)	(537,491,564)
Dividends paid to Samruk-Kazyna and National Bank of RK	(36,273,040)	(45,877,366)
Dividends paid to non-controlling interests	(6,334,007)	(12,383,659)
Share buyback by subsidiary (Note 11)	(634,209,527)	–
Issue of shares	7	1
Net cash flows (used in) / from financing activities	(1,315,805,046)	865,295,459
Effects of exchange rate changes on cash and cash equivalents	108,223,224	49,010,912
Change in the impairment of provision	(40,474)	–
Net change in cash and cash equivalents	285,747,736	89,943,135
Cash and cash equivalents, at the beginning of the period	1,266,604,815	905,452,511
Cash and cash equivalents, at the end of the period	1,552,352,551	995,395,646

Deputy Chairman of the Management Board – Chief Financial Officer

Managing director – finance controller

Chief accountant



D.S. Karabayev

A.Zh. Beknazarova

Y.Y. Orynbayev

The accounting policies and explanatory notes on pages 8 through 38 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 holders of the Parent Company					
	Share capital	Additional paid-in capital	Other equity	Currency translation reserve	Retained earnings	Non-controlling interest
Total						
As at December 31, 2016 (audited) (restated) (Note 4)	696,376,625	243,655,405	222,074	1,370,264,462	3,322,319,176	801,560,097
6,434,397,839						
Net profit for the period (unaudited) (restated) (Note 4)	–	–	–	–	382,994,512	71,337,702
Other comprehensive (loss)/income (unaudited)	–	–	–	(4,893,561)	(276,686)	6,918,509
1,748,262						
Total comprehensive (loss)/income for the period	–	–	–	(4,893,561)	382,717,826	78,256,211
456,080,476						
Issue of share capital	12,967,880	210,980	–	–	–	–
Dividends	–	–	–	–	(45,877,366)	(13,269,567)
Distributions to Samruk-Kazyna	–	–	–	–	(3,631,340)	–
Forfeiture of share-based payments	–	–	(7,988)	–	–	(4,689)
Transactions with Samruk-Kazyna	–	–	–	–	(3,853,053)	–
Execution of share-based payments	–	–	(120,191)	–	–	120,191
–						
As at September 30, 2017 (unaudited)	709,344,505	243,866,385	93,895	1,365,370,901	3,651,675,243	866,662,243
6,837,013,172						

The accounting policies and explanatory notes on pages 8 through 38 form an integral part of these interim condensed consolidated financial statements (unaudited).

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (continued)

<i>In thousands of tenge</i>	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, 2017 (audited) (restated) (Note 4)	709,344,505	243,876,410	83,185	1,295,091,189	3,665,191,668	870,017,901	6,783,604,858
Changes in accounting policy (Note 2)	-	-	-	-	(12,391,462)	(6,195)	(12,397,657)
As at January 1, 2018 (restated)	709,344,505	243,876,410	83,185	1,295,091,189	3,652,800,206	870,011,706	6,771,207,201
Net profit for the period (unaudited)	-	-	-	-	625,788,531	22,437,633	648,226,164
Other comprehensive income (unaudited)	-	-	-	273,776,048	(147,421)	5,912,370	279,540,997
Total comprehensive income for the period	-	-	-	273,776,048	625,641,110	28,350,003	927,767,161
Contribution to share capital (Note 11)	207,196,040	(203,217,269)	-	-	-	-	3,978,771
Dividends (Note 11)	-	-	-	-	(36,271,669)	(6,200,598)	(42,472,267)
Distributions to the Samruk-Kazyna Transactions with the Samruk-Kazyna (Note 11)	-	-	-	-	(3,519,729)	-	(3,519,729)
Share buyback by subsidiary (Note 11)	-	-	-	-	(84,448,814)	-	(84,448,814)
As at September 30, 2018 (unaudited)	916,540,545	40,659,141	83,185	1,568,867,237	4,253,588,377	158,564,311	6,938,302,796

Deputy Chairman of the Management Board – Chief Financial Officer

Managing director – finance controller

Chief accountant



D.S. Karabayev
A.Zh. Beknazarova
V.V. Orzabayev

The accounting policies and explanatory notes on pages 8 through 38 form an integral part of these interim condensed consolidated financial statements (unaudited).



**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(unaudited)****For the nine months ended September 30, 2018**

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 September 30, 2018 Samruk-Kazyna and National Bank of RK own 90.43% and 9.57% of the Company’s shares, respectively.

As at September 30, 2018, the Company has a direct interest in 53 operating companies (as of December 31, 2017: 52) (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 Deputy Chairman of the Management Board – Chief Financial Officer and the Chief accountant on November 19, 2018.

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

The interim condensed consolidated financial statements for the three and nine months ended September 30, 2018 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, 2017.

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.

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.

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.

**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)*

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 September 30, 2018 and December 31, 2017 were 363.07 and 332.33 tenge to 1 US dollar accordingly. These rates were used for translation of monetary assets and liabilities denominated in US dollars at September 30, 2018 and December 31, 2017. The currency exchange rate of KASE as at November 19, 2018 was 367.3 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, 2017, except for the adoption of new standards and interpretations effective as of January 1, 2018.

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

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

IFRS 15 Revenue from Contracts with Customers

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

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

Adoption of IFRS 15 did not have significant effect on the interim condensed consolidated financial statements of the Group.

**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)***IFRS 15 Revenue from Contracts with Customers (continued)**(a) Sale of goods*

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

(b) Rendering of services

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

IFRS 9 Financial Instruments

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

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

(a) Classification and measurement

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

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

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

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

The Group does not have financial assets at FVOCI.

The Group accounts the financial guarantee contracts after initial recognition at the higher of the initially recognized amount and the amount of the estimated provision for expected credit losses. As a result, the Group has adjusted the balance of retained earnings as of January 1, 2018 and other long-term liabilities by 778,986 thousand tenge.

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

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)

IFRS 9 Financial Instruments (continued)

(b) Impairment

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

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

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

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

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

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

The adoption of the ECL requirements of IFRS 9 resulted in increases in impairment allowances of the Group's debt financial assets. As a result of this increase, the Group adjusted the balance of retained earnings and non-controlling interest as at January 1, 2018 in this interim consolidated statement of changes in equity for ECL for financial assets at amortized cost.

Impact on the consolidated statement of financial position as at January 1, 2018, as follows:

<i>In thousands of tenge</i>	As at December 31, 2017 (audited) (restated)	Effects of adoption of IFRS 9	As at January 1, 2018 (unaudited)
Assets			
Non-current assets			
Long-term bank deposits	48,523,034	(50,597)	48,472,437
Investments in joint ventures and associates	3,823,629,586	(3,236,742)	3,820,392,844
Loans and receivables due from related parties	672,448,689	(2,966,979)	669,481,710
Other non-current assets	17,401,423	(2,564)	17,398,859
Current assets			
Trade accounts receivable	467,867,255	(3,651,747)	464,215,508
At cost	525,773,611	—	525,773,611
Less: allowance for impairment	(57,906,356)	(3,651,747)	(61,558,103)
Short-term bank deposits	1,638,940,642	(42,628)	1,638,898,014
Loans and receivables due from related parties	169,501,500	(1,643,991)	167,857,509
Other current assets	196,110,129	(6,232)	196,103,897
At cost	258,880,270	—	258,880,270
Less: allowance for impairment	(62,770,141)	(6,232)	(62,776,373)
Cash and cash equivalents	1,263,987,456	(17,191)	1,263,970,265
Equity and liabilities			
Equity			
Retained earnings	3,665,191,668	(12,391,462)	3,652,800,206
Non-controlling interest	870,017,901	(6,195)	870,011,706

**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)***IFRIC Interpretation 22 Foreign Currency Transactions and Advance Considerations*

The Interpretation clarifies that, in determining the spot exchange rate to use on initial recognition of the related asset, expense or income (or part of it) on the derecognition of a non-monetary asset or non-monetary liability relating to advance consideration, the date of the transaction is the date on which an entity initially recognises the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, then the entity must determine a date of the transactions for each payment or receipt of advance consideration. This Interpretation does not have any impact on the Group’s interim consolidated financial statements.

Amendments to IAS 40 Transfers of Investment Property

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

Amendments to IFRS 2 Classification and Measurement of Share-based Payment Transactions

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

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

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

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

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

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

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

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

**2. BASIS OF PREPARATION AND CHANGES TO THE GROUP'S ACCOUNTING POLICIES
(continued)****Standards that have been issued but not yet effective**

The Group did not apply early the standards, clarifications or amendments that were issued, but did not yet effective. The following are the standards and interpretations that have been issued but not yet effective as of the date of the interim condensed consolidated financial statements of the Group. The Group intends to apply these standards and interpretations from the date of their effective date on January 1, 2019:

- Amendments to IFRS 9 *Prepayment Features with Negative Compensation*;
- Amendments to IAS 28 *Long-term Interests in Associates and Joint Ventures*;
- Amendments to IAS 19 *Plan Amendment, Curtailment or Settlement*;
- IFRS 16 *Lease*;
- IFRIC Interpretation 23 *Uncertainty Over Income Tax Treatments*.

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 nine 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. RESTATEMENTS AND DISCONTINUED OPERATIONS AND ASSETS CLASSIFIED AS HELD FOR SALE

As at September 30, 2018, the Group ceased to classify KMG International N.V. (KMGI) as discontinued operation as the participants did not complete procedures provided by sale and purchase agreement (the SPA) to sell a 51% interest in KMG I by the long stop date and the transaction was automatically terminated. As a result, KMGI does not meet the criteria of IFRS 5. The assets and liabilities of KMGI were transferred from discontinued operations to continuing operations.

As at September 30, 2018 the Group decided to sell its 51% interest in Kazmortransflot NMSK LLP (KMTF). The disposal of KMTF is due to be completed in 2019 and, as at September 30, 2018, the procedures for the sale were in progress. The disposal of KMTF is in accordance with the Governmental plan on the privatization of state owned companies, the Group considers it as the discontinued operation.

Additionally, the Group made reclassification of cost of sales and transportation and selling expenses since the Group believes that this reclassification is more relevant to users of consolidated financial statements (for the three and nine months ended September 30, 2017, 8,652,808 thousand tenge and 42,481,248 thousand tenge, respectively).

Also, the Group made reclassifications to the December 31, 2017 and for the nine months ended September 30, 2017 amounts in Segment reporting disclosure to conform to the current year presentation.

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

The effect of the change on comparative data is tabulated below.

In thousands of tenge	For the three months ended September 30, 2017				For the nine months ended September 30, 2017			
	Before restatement	Restatement		After restatement	Before restatement	Restatement		After restatement
		KMGI	Other			KMGI	Other	
Revenue	571,716,621	577,747,350	(2,309,112)	1,147,154,859	1,715,580,966	1,504,805,070	(6,862,384)	3,213,523,652
Cost of sales	(633,416,134)	(282,969,515)	14,316,505	(902,069,144)	(1,611,077,406)	(913,003,893)	55,620,329	(2,468,460,970)
Gross profit	(61,699,513)	294,777,835	12,007,393	245,085,715	104,503,560	591,801,177	48,757,945	745,062,682
General and administrative expenses	(31,148,142)	(9,800,766)	475,103	(40,473,804)	(63,417,354)	(31,518,441)	1,507,218	(93,428,577)
Transportation and selling expenses	(68,649,606)	(16,090,436)	(8,647,776)	(93,387,818)	(201,495,751)	(42,445,800)	(42,447,411)	(286,388,962)
Impairment of property, plant and equipment, exploration and evaluation assets and intangible assets, other than goodwill	(1,891,581)	1,104,715	—	(786,866)	(4,863,284)	677,780	—	(4,185,504)
Loss on disposal of property, plant and equipment, intangible assets and investment property, net	(486,837)	—	—	(486,837)	(1,507,359)	—	—	(1,507,359)
Other operating income	6,970,120	(187,680)	(198,337)	6,584,103	12,703,331	2,035,128	(644,948)	14,093,511
Other operating expenses	(2,968,727)	67,655	187,510	(2,713,562)	(17,054,174)	(43,440)	407,469	(16,690,145)
Operating (loss)/profit	(159,874,286)	269,871,324	3,823,893	113,820,931	(171,131,031)	520,506,404	7,580,273	356,955,646
Net foreign exchange gain/(loss)	64,118,551	(171,512)	(151,323)	63,795,716	82,777,103	(110,245)	(19,193)	82,647,665
Finance income	33,130,620	222,366	(3,266)	33,349,720	89,824,853	521,970	(44,005)	90,302,818
Finance costs	(73,561,246)	(2,975,512)	9,916	(76,526,842)	(211,675,393)	(8,230,878)	79,583	(219,826,688)
Reversal of impairment of investments in joint ventures	—	—	—	—	14,686,162	—	—	14,686,162
Net loss on acquisition on subsidiary associates, net	—	—	—	—	(3,249,292)	—	—	(3,249,292)
(Loss)/profit before income tax	105,429,398	58,168	—	105,487,566	284,889,964	279,272	—	285,169,236
Income tax expense	(30,756,963)	267,004,834	3,679,220	239,927,091	86,122,366	512,966,523	7,596,658	606,685,547
(Loss)/profit for the period from continuing operations	(52,436,179)	(87,085)	402	(52,522,862)	(143,280,833)	921,086	5,820	(142,353,927)
Income tax expense	(83,193,142)	266,917,749	3,679,622	187,404,229	(57,158,467)	513,887,609	7,602,478	464,331,620
Discontinued operations								
Profit/(loss) after income tax for the period from discontinued operations	252,829,818	(254,512,081)	(3,679,622)	(5,361,886)	501,177,297	(503,574,225)	(7,602,478)	(9,999,406)
Net profit for the period	169,636,676	12,405,668	—	182,042,344	444,018,830	10,313,384	—	454,332,214
Net profit for the period attributable to:								
Equity holders of the Parent Company	129,866,736	12,405,668	—	142,272,404	372,681,128	10,313,384	—	382,994,512
Non-controlling interests	39,769,940	—	—	39,769,940	71,337,702	—	—	71,337,702
	169,636,676	12,405,668	—	182,042,344	444,018,830	10,313,384	—	454,332,214

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

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

<i>In thousands of tenge</i>	As at December 31, 2017		
	Before restatement	Restatement	After restatement
Assets			
Non-current assets			
Property, plant and equipment	3,359,094,790	721,069,694	4,080,164,484
Exploration and evaluation assets	253,326,100	—	253,326,100
Investment property	27,423,225	—	27,423,225
Intangible assets	115,431,414	69,774,013	185,205,427
Long-term bank deposits	48,523,034	—	48,523,034
Investments in joint ventures and associates	3,810,351,341	13,278,245	3,823,629,586
Deferred income tax asset	65,135,777	33,544,726	98,680,503
VAT receivable	96,666,045	—	96,666,045
Advances for non-current assets	124,906,942	—	124,906,942
Loans and receivables due from related parties	672,448,689	—	672,448,689
Other financial assets	4,161,312	—	4,161,312
Other non-current assets	14,027,609	3,373,814	17,401,423
	8,591,496,278	841,040,492	9,432,536,770
Current assets			
Inventories	108,897,355	141,471,552	250,368,907
VAT receivable	68,245,090	1,360,891	69,605,981
Income tax prepaid	35,586,296	548,677	36,134,973
Trade accounts receivable	306,324,631	161,542,624	467,867,255
Short-term bank deposits	1,638,940,642	—	1,638,940,642
Loans and receivables due from related parties	169,501,500	—	169,501,500
Other current assets	167,916,249	28,193,880	196,110,129
Cash and cash equivalents	1,190,156,359	73,831,097	1,263,987,456
	3,685,568,122	406,948,721	4,092,516,843
Assets classified as held for sale	1,111,688,937	(1,086,784,349)	24,904,588
	4,797,257,059	(679,835,628)	4,117,421,431
Total assets	13,388,753,337	161,204,864	13,549,958,201

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

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

<i>In thousands of tenge</i>	As at December 31, 2017		
	Before restatement	Restatement	After restatement
Equity and liabilities			
Equity			
Share capital	709,344,505	—	709,344,505
Additional paid-in capital	243,876,410	—	243,876,410
Other equity	83,185	—	83,185
Currency translation reserve	1,298,442,284	(3,351,095)	1,295,091,189
Retained earnings	3,500,635,709	164,555,959	3,665,191,668
Attributable to equity holders of the Parent Company	5,752,382,093	161,204,864	5,913,586,957
Non-controlling interest	870,017,901	—	870,017,901
Total equity	6,622,399,994	161,204,864	6,783,604,858
Non-current liabilities			
Borrowings	3,399,487,735	17,624,124	3,417,111,859
Provisions	150,638,244	53,136,243	203,774,487
Deferred income tax liabilities	312,013,046	68,725,179	380,738,225
Financial guarantee	10,767,166	—	10,767,166
Prepayment on oil supply agreements	581,577,501	—	581,577,501
Other non-current liabilities	46,270,628	156,195	46,426,823
	4,500,754,320	139,641,741	4,640,396,061
Current liabilities			
Borrowings	763,955,792	120,184,486	884,140,278
Provisions	78,812,199	—	78,812,199
Income tax payable	7,705,079	2,376,160	10,081,239
Trade accounts payable	325,120,176	188,730,872	513,851,048
Other taxes payable	79,168,191	22,030,156	101,198,347
Financial guarantee	1,170,697	—	1,170,697
Prepayment on oil supply agreements	332,330,000	—	332,330,000
Other current liabilities	144,405,371	58,039,441	202,444,812
	1,732,667,505	391,361,115	2,124,028,620
Liabilities directly associated with the assets classified as held for sale	532,931,518	(531,002,856)	1,928,662
Total liabilities	6,766,353,343	—	6,766,353,343
Total equity and liabilities	13,388,753,337	161,204,864	13,549,958,201

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

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

The assets and liabilities, classified as discontinued operations and assets classified as held for sale as at September 30, 2018 and the results for nine months ended September 30, 2018 are as follows:

<i>In thousands of tenge</i>	September 30, 2018 (unaudited)			Profit after income tax for nine months ended September 30, 2018 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	
KMTF	90,937,650	44,301,492	46,636,158	(10,775,399)
Other assets*	14,299,723	1,368,764	12,930,959	3,093,602
Total	105,237,373	45,670,256	59,567,117	(7,681,797)

* Other assets include Kazakh British Technical University JSC (KBTU). The profit after tax includes result from sale of 50% of shares of KMG Usturt LLP in the amount of 7,753,537 thousand tenge.

<i>In thousands of tenge</i>	December 31, 2017 (audited)			Profit after income tax for the nine months ended September 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	
KMTF	—	—	—	(7,602,479)
Other assets*	24,904,588	1,928,662	22,975,926	(2,396,927)
Total	24,904,588	1,928,662	22,975,926	(9,999,406)

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (unaudited) (continued)**5. PROPERTY, PLANT AND EQUIPMENT**

<i>In thousands of tenge</i>	Oil and gas assets	Pipelines	Refinery assets	Buildings and improve- ments	Machinery and equipment	Vehicles	Other	Capital work in progress	Total
Net book value as at December 31, 2017 (audited) (restated)	964,821,677	777,686,454	992,692,973	290,142,192	389,826,690	74,035,020	42,760,645	548,198,833	4,080,164,484
Foreign currency translation	53,929,929	3,367,821	44,999,733	5,885,334	4,063,035	3,130,421	1,278,624	1,360,313	118,015,210
Change in estimate	(1,312,558)	1,347,865	-	(493)	-	-	-	-	34,814
Additions	13,179,265	4,291,717	7,719,378	846,442	6,299,008	8,892,872	2,629,904	195,327,310	239,185,896
Disposals	(12,703,067)	(1,517,984)	(1,436,015)	(4,567,761)	(2,922,319)	(1,639,739)	(2,608,654)	(756,089)	(28,151,628)
Loss of control on subsidiary	-	-	-	-	-	-	(246,353)	-	(246,353)
Discontinued operations	-	-	-	(600,930)	(422,150)	(75,365,866)	(122,348)	(24,909)	(76,536,203)
Depreciation charge	(53,926,959)	(21,198,526)	(66,490,914)	(14,813,995)	(27,911,877)	(11,867,200)	(6,240,632)	-	(202,450,103)
Accumulated depreciation and impairment on disposals	9,987,139	1,294,983	1,434,017	2,037,785	2,435,108	1,495,798	2,012,110	532,966	21,229,906
Impairment	(1,612,646)	(1,066)	-	(2,104,096)	(1,241,725)	(791,481)	(164,806)	171,020	(5,744,800)
Transfers (to)/from inventory, net	33,706	(57,671)	3,206,717	(3,912)	133,424	21,246	60,472	2,446,478	5,840,460
Transfers (to)/from intangible assets	-	-	-	-	-	-	844	(385,323)	(384,479)
Transfers to assets classified as held for sale	(44,440)	-	(105,225)	(260,579)	(44,981)	(145,809)	(35,695)	-	(636,729)
Transfers to investment property	-	-	-	(24,252)	-	-	-	(169,322)	(193,574)
Transfers from exploration and evaluation assets	3,118,991	-	-	-	-	-	-	-	3,118,991
Transfers and reclassifications	55,503,756	9,405,555	33,927,271	10,415,832	31,783,303	37,521,442	6,295,308	(184,852,467)	-
Net book value as at September 30, 2018 (unaudited)	1,030,974,793	774,619,148	1,015,947,935	286,951,567	401,997,516	35,286,704	45,619,419	561,848,810	4,153,245,892
At cost	2,068,756,964	966,474,318	1,781,804,591	549,189,759	710,623,891	119,832,648	123,191,237	606,904,675	6,926,778,083
Accumulated depreciation and impairment	(1,037,782,171)	(191,855,170)	(765,856,656)	(262,238,192)	(308,626,375)	(84,545,944)	(77,571,818)	(45,055,865)	(2,773,532,191)
Net book value as at September 30, 2018 (unaudited)	1,030,974,793	774,619,148	1,015,947,935	286,951,567	401,997,516	35,286,704	45,619,419	561,848,810	4,153,245,892
At cost	1,933,302,473	948,285,942	1,647,460,104	522,194,571	665,119,609	179,514,781	111,071,162	599,852,820	6,606,801,462
Accumulated depreciation and impairment	(968,480,796)	(170,599,488)	(654,767,131)	(232,052,379)	(275,292,919)	(105,479,761)	(68,310,517)	(51,653,987)	(2,526,636,978)
Net book value as at December 31, 2017 (audited) (restated)	964,821,677	777,686,454	992,692,973	290,142,192	389,826,690	74,035,020	42,760,645	548,198,833	4,080,164,484

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

5. PROPERTY, PLANT AND EQUIPMENT (continued)

For the nine months ended September 30, 2018, the Group capitalized in the carrying amount of property, plant and equipment borrowing costs at the average interest rate of 2.35% in the amount of 17,971,794 thousand tenge which are related to the construction of new assets (for the nine months ended September 30, 2017: 18,728,860 thousand tenge at the average interest rate of 2.44%).

During the nine months ended September 30, 2018, the Group recorded net impairment loss of 5,744,800 thousand tenge, which is mainly attributable to impairment of property, plant and equipment of KTO, located in Georgia, in the total amount of 3,743,001 thousand tenge.

As at September 30, 2018, items of property, plant and equipment with the net book value of 995,142,322 thousand tenge (as at December 31, 2017: 940,436,600 thousand tenge) were pledged as collateral to secure borrowings and payables of the Group.

Additions to capital work in progress are mainly related to development drilling at Ozenmunaigas and Embamunaigas subsidiaries and modernization projects of the Group refinery located in Atyrau.

As at September 30, 2018 the cost of fully depreciated but still in use property, plant and equipment were 323,466,192 thousand tenge (as at December 31, 2017: 290,360,193 thousand tenge).

6. BANK DEPOSITS

	September 30, 2018 (unaudited)	December 31, 2017 (audited)
<i>In thousands of tenge</i>		
Denominated in US dollar	364,211,618	1,656,762,879
Denominated in tenge	16,271,822	28,228,345
Denominated in other currency	2,623,706	2,472,452
Less: allowance for impairment	(499,561)	—
	382,607,585	1,687,463,676

As at September 30, 2018 the allowance for impairment includes the provision for expected credit loss on current and non-current bank deposits on the initial application date of IFRS 9 in the amount of 93,225 thousand tenge.

As at September 30, 2018, the weighted average interest rate for long-term bank deposits was 1.03% in US dollars and 2.00% in tenge, respectively (as at December 31, 2017: 1.07% in US dollars and 2.29% in tenge, respectively).

As at September 30, 2018, the weighted average interest rate for short-term bank deposits was 1.74% in US dollars, 6.77% in tenge and 0.65% in other foreign currencies, respectively (as at December 31, 2017: 1.65% in US dollars, 7.51% in tenge and 0.65% in other foreign currencies, respectively).

	September 30, 2018 (unaudited)	December 31, 2017 (audited)
<i>In thousands of tenge</i>		
Maturities under 1 year	331,434,934	1,638,940,642
Maturities between 1 and 2 years	39,843	835,902
Maturities over 2 years	51,132,808	47,687,132
	382,607,585	1,687,463,676

As at September 30, 2018 bank deposits include cash pledged as collateral of 50,928,214 thousand tenge (as at December 31, 2017: 62,731,076 thousand tenge), which are represented mainly by 36,998,263 thousand tenge (as at December 31, 2017: 32,100,440 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)**7. INVESTMENTS IN JOINT VENTURES AND ASSOCIATES**

In thousands of tenge	Main activity	Place of business	September 30, 2018 (unaudited)		December 31, 2017 (audited) (restated)	
			Carrying value	Percentage ownership	Carrying value	Percentage ownership
Joint ventures						
Kashagan B.V.	Oil and gas exploration and production	Kazakhstan	1,935,839,503	50.00%	1,743,495,073	50.00%
Tengizchevroil LLP	Oil and gas exploration and production	Kazakhstan	1,763,663,595	20.00%	1,353,084,254	20.00%
Mangistau Investments B.V.	Oil and gas development and production	Kazakhstan	208,488,647	50.00%	135,780,525	50.00%
Ural Group Limited BVI	Oil and gas exploration and production	Kazakhstan	73,370,198	50.00%	78,031,456	50.00%
KazRosGas LLP	Processing and sale of natural gas and refined gas products	Kazakhstan	41,439,289	50.00%	33,760,512	50.00%
KazGerMunay LLP	Oil and gas exploration and production	Kazakhstan	31,142,427	50.00%	47,537,370	50.00%
Kazakhoil-Aktobe LLP	Production of crude oil	Kazakhstan	28,724,207	50.00%	22,715,643	50.00%
Other			98,874,543		83,220,989	
Associates						
Caspian Pipeline Consortium (CPC)	Transportation of liquid hydrocarbons	Kazakhstan/ Russia	252,981,405	20.75%	195,094,592	20.75%
PetroKazakhstan Inc. ("PKI")	Exploration, production and processing of oil and gas	Kazakhstan	137,787,316	33.00%	115,920,426	33.00%
Other			21,084,256		14,988,746	
			4,593,395,386		3,823,629,586	

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

As at September 30, 2018 the Group's share in unrecognized losses of joint ventures and associates was equal to 83,005,602 thousand tenge (as at December 31, 2017: 175,622,640 thousand tenge). Decrease in unrecognized losses mainly attributable to the net profit of Asia Gas Pipeline LLP of 93,641,174 thousand tenge.

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

7. INVESTMENTS IN JOINT VENTURES AND ASSOCIATES (continued)

The following table summarizes the movements in equity investments in joint ventures and associates during the nine months ended September 30, 2018:

In thousands of tenge

At December 31, 2017 (audited) (restated)	3,823,629,586
Effect of adoption of IFRS 9 as at January 1, 2018 (Note 2)	(3,236,742)
Share in profits of joint ventures and associates, net (Note 20)	532,916,863
Other changes in the equity of the joint venture	2,708,074
Disposal of joint venture	(1,049,482)
Dividends received	(136,985,737)
Change in dividends receivable	16,560,487
Acquisitions*	4,133,713
Contribution without change in ownership	1,467,250
Refund of contributions without change in ownership	(489,959)
Adjustment of non-realizable profit	(2,414,357)
Foreign currency translation	356,155,690
At September 30, 2018 (unaudited)	4,593,395,386

* In January, 2018 the Group completed the sale of 50 % interest in KMG Usturt LLP classified as discontinued operations and recognized its retained 50% interest at its fair value of 4,132,654 thousand tenge as investment in joint venture.

The dividends received from joint ventures and associates mainly include dividends received from TCO LLP, KazGerMunay LLP, KazRosGas LLP and PKI in the amount of 64,671,230 thousand tenge, 42,706,039 thousand tenge, 14,180,747 thousand tenge and 10,471,527 thousand tenge, respectively.

8. TRADE ACCOUNTS RECEIVABLE AND OTHER CURRENT ASSETS

	September 30, 2018 (unaudited)	December 31, 2017 (audited)
<i>In thousands of tenge</i>		
Advances paid and prepaid expenses	77,802,981	95,623,362
Taxes receivable	26,996,310	29,577,119
Dividends receivable	3,120,328	29,009,976
Restricted cash	14,440,799	13,056,590
Other current assets	95,455,174	91,613,223
Less: allowance for impairment	(70,001,479)	(62,770,141)
Total other current assets	147,814,113	196,110,129
Trade accounts receivable	865,638,866	525,773,611
Less: allowance for impairment	(66,597,940)	(57,906,356)
Trade accounts receivable	799,040,926	467,867,255

As at September 30, 2018 and at December 31, 2017 the above assets were non-interest bearing.

As at September 30, 2018 trade accounts receivable in the amount of 241,641,239 thousand tenge pledged as collateral (as at December 31, 2017: 58,115,548 thousand tenge).

9. LOANS AND RECEIVABLES DUE FROM RELATED PARTIES

	September 30, 2018 (unaudited)	December 31, 2017 (audited)
<i>In thousands of tenge</i>		
Loans due from related parties at amortized cost	555,314,311	785,593,140
Loans due from related parties at fair value through profit and loss	193,804,785	—
Note receivable from a shareholder of a joint venture	20,064,341	38,014,555
Bonds receivable from Samruk-Kazyna	14,999,160	18,342,494
Less: allowance for impairment	(4,183,718)	—
	779,998,879	841,950,189

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

9. LOANS AND RECEIVABLES DUE FROM RELATED PARTIES (continued)

As at September 30, 2018 the allowance of impairment includes the provision for expected credit loss on loans due from related parties at amortized cost on the initial application date of IFRS 9 in the amount of 4,610,970 thousand tenge.

In accordance IFRS 9, the Group reclassified some of the loans as measured at fair value through profit or loss. The fair value of these loans determined by discounting future cash flows.

<i>In thousands of tenge</i>	September 30, 2018 (unaudited)	December 31, 2017 (audited)
Loans due from related parties in tenge	450,914,429	471,798,857
Loans due from related parties in US dollars	291,456,944	311,340,691
Note receivable from a shareholder of a joint venture in US dollars	20,064,341	38,014,555
Bonds receivable from Samruk-Kazyna in tenge	14,943,978	18,342,494
Loans due from related parties in other foreign currencies	2,619,187	2,453,592
	779,998,879	841,950,189

<i>In thousands of tenge</i>	September 30, 2018 (unaudited)	December 31, 2017 (audited)
Current portion	148,014,721	169,501,500
Non-current portion	631,984,158	672,448,689
	779,998,879	841,950,189

10. CASH AND CASH EQUIVALENTS

<i>In thousands of tenge</i>	September 30, 2018 (unaudited)	December 31, 2017 (audited) (restated)
Term deposits with banks – US dollars	844,381,698	792,428,051
Term deposits with banks – tenge	178,414,952	115,103,490
Current accounts with banks – US dollars	442,802,047	306,715,644
Current accounts with banks – tenge	47,812,987	30,398,564
Current accounts with banks – other currencies	10,855,116	8,846,589
Term deposits with banks – other currencies	6,459,378	3,279,100
Cash in transit	12,772,544	5,538,015
Cash-on-hand	1,981,851	1,683,787
Less: allowance for impairment	(67,192)	(5,784)
	1,545,413,381	1,263,987,456
Cash and cash equivalents attributable to discontinued operations	6,939,170	2,617,359
	1,552,352,551	1,266,604,815

As at September 30, 2018 the allowance for impairment includes the provision for expected credit loss on cash and cash equivalents on the initial application date of IFRS 9 in the amount of 17,191 thousand tenge.

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 September 30, 2018 the weighted average interest rate for time deposits with banks was 2.17% in US dollars and 7.38% in tenge, respectively (as at December 31, 2017: 1.04% in US dollars and 7.85% in tenge, respectively).

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

11. EQUITY

Share capital

During the nine months ended September 30, 2018 the Company issued 20,719,604 common shares. As consideration, the Company received from Samruk-Kazyna high, medium and low pressure gas pipelines and associated facilities in the amount of 207,196,033 thousand tenge and cash in the amount 7 thousand tenge. The gas pipelines were recognized as additional paid-in capital in 2014 based on trust management agreement, which served as a mechanism until the legal title for pipelines transferred to the Group.

Additional paid-in capital

During the nine months ended September 30, 2018 the Group increased additional paid in capital in the amount of 3,978,764 thousand tenge, which represents the fair value of gas pipelines contributed by the Government on trust management terms, which serves as a mechanism until the legal title for pipelines transfers to the Group.

Transactions with Samruk-Kazyna

During the nine months ended September 30, 2018 the Company extended the maturity period and provided additional interest free loan to Samruk-Kazyna, the difference between fair value and nominal value of the loan amounting 84,448,814 thousand tenge recognized as transaction with Samruk-Kazyna in the interim condensed consolidated statement of changes in equity.

Dividends

For the nine months ended September 30, 2018, based on the decision of Samruk-Kazyna and National Bank of RK, the Company declared and paid dividends for 2017 in the amount of 61.54 tenge per common share in the total amount of 36,271,669 thousand tenge.

For the nine months ended September 30, 2018 the Group declared dividends in the total of 6,200,598 thousand tenge to the holders of non-controlling interest in KMG EP and KTO (subsidiaries of the Company).

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.

	September 30, 2018 (unaudited)	December 31, 2017 (audited) (restated)
<i>In thousands of tenge</i>		
Total assets	13,793,534,265	13,549,958,201
Less: intangible assets	186,870,038	185,205,427
Less: total liabilities	6,855,231,469	6,766,353,343
Net assets	6,751,432,758	6,598,399,431
Number of ordinary shares	610,119,493	589,399,889
Book value per ordinary share	11.066	11.195

Earnings per share

	For the nine months ended September 30,	
	2018 (unaudited)	2017 (unaudited)
<i>In thousands of tenge</i>		
Weighted average number of common shares for basic and diluted earnings per share	598,608,602	588,535,364
Basic and diluted share in net profit for the period	1.083	0.772
Basic and diluted share profit from continuing operations	1.096	0.789

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

11. EQUITY (continued)

Non-controlling interest

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

	Country of incorporation and operation	September 30, 2018 (unaudited)		December 31, 2017 (audited)	
		Share	Carrying value	Share	Carrying value
KazMunayGas Exploration					
Production JSC	Kazakhstan	3.61%	63,143,316	36.99%	779,932,098
Rompetrol Downstream S.R.L.	Romania	45.37%	54,098,180	45.37%	46,577,301
KazTransOil JSC	Kazakhstan	10.00%	42,146,169	10.00%	42,861,526
Rompetrol Petrochemicals S.R.L.	Romania	45.37%	4,316,838	45.37%	8,698,505
Rompetrol Rafinare S.A.	Romania	45.37%	3,514,462	45.37%	705,953
Rompetrol Vega	Romania	45.37%	(20,014,011)	45.37%	(19,743,196)
Other			11,359,357		10,985,714
			158,564,311		870,017,901

On December 8, 2017 KMG EP announced the launch of a conditional tender offer ("Tender Offer") to repurchase all of its outstanding GDRs at a price of 14.00 US dollars per GDR. On January 23, 2018 KMG EP also announced the launch of an offer to repurchase all of its common shares ("Share Offer") placed on KASE at a price of 84.00 US dollars per a common share. On February 19, 2018, the first settlement date of the Tender Offer and the Share Offer ("First settlement date"), KMG EP acquired 134,070,054 GDRs and 320,688 common shares. On April 5, 2018 KMG EP made the final settlement under the Tender Offer and the Share Offer for the repurchase of 1,384,856 GDRs and 15,896 ordinary shares. As part of the preferred stock repurchase program launched on August 13, 2018, as of September 30, 2018, KMG EP repurchased 484,863 preferred shares. As at September 30, 2018 the total amount of repurchases made up 634,209,527 thousand tenge.

12. BORROWINGS

	September 30, 2018 (unaudited)	December 31, 2017 (audited) (restated)
<i>In thousands of tenge</i>		
Fixed interest rate borrowings	2,885,086,355	3,137,181,680
Weighted average interest rates	5.42%	6.30%
Floating interest rate borrowings	1,251,781,972	1,164,070,457
Weighted average interest rates	4.74%	4.90%
	4,136,868,327	4,301,252,137

	September 30, 2018 (unaudited)	December 31, 2017 (audited) (restated)
<i>In thousands of tenge</i>		
US dollar – denominated borrowings	3,905,891,894	4,069,683,277
Tenge-denominated borrowings	222,541,954	220,728,920
Other currencies – denominated borrowings	8,434,479	10,839,940
	4,136,868,327	4,301,252,137

	September 30, 2018 (unaudited)	December 31, 2017 (audited) (restated)
<i>In thousands of tenge</i>		
Current portion	494,648,502	884,140,278
Non-current portion	3,642,219,825	3,417,111,859
	4,136,868,327	4,301,252,137

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (unaudited) (continued)**12. BORROWINGS (continued)**

As at September 30, 2018 and December 31, 2017, the debt securities issued and loans comprised:

Bonds	Issuance amount	Redemption date	Interest	As at September 30, 2018 (unaudited)	As at December 31, 2017 (audited)
Bonds LFB 2008	1.6 billion USD	2018	9.125%	–	530,055,240
Bonds LFB 2010	1.5 billion USD	2020	7.00%	–	454,158,285
Bonds LFB 2010	1.25 billion USD	2021	6.375%	–	374,885,399
Bonds LFB 2013	2 billion USD	2043	5.75%	–	166,367,016
Bonds LFB 2013	1 billion USD	2023	4.4%	148,186,420	133,839,108
Bonds LFB 2014	0.5 billion USD	2025	4.875%	–	40,464,693
Bonds LFB 2014	1 billion USD	2044	6.00%	10,754,352	9,682,106
Bonds LFB 2017	0.5 billion USD	2022	3.88%	184,129,213	166,818,793
Bonds LFB 2017	1 billion USD	2027	4.75%	367,456,665	332,127,939
Bonds LFB 2017	1.25 billion USD	2047	5.75%	457,547,672	412,643,834
Bonds LFB 2018	0.5 billion USD	2025	4.75%	185,035,222	–
Bonds LFB 2018	1.25 billion USD	2030	5.375%	463,807,097	–
Bonds LFB 2018	1.5 billion USD	2047	6.375%	553,523,657	–
Bonds KFB 2009	120 billion KZT	2019	6M Libor + 8.5%	39,327,557	73,636,569
Citibank (N.A. London)	750 million USD	2027	4.375%	271,603,386	251,244,525
Others	–	–	–	13,095,778	13,276,427
Total				2,694,467,019	2,959,199,934

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

12. BORROWINGS (continued)

Loans	Issuance amount	Redemption date	Interest	As at September 30, 2018 (unaudited)	As at December 31, 2017 (audited) (restated)
The Export-Import Bank of China	1 billion USD	2027	6M Libor + 4.1%	368,453,870	340,200,397
Development bank of Kazakhstan JSC	1.1 billion USD	2023-2025	4%+6M Libor – 4.5%+6M Libor–5%–7.72%	273,533,456	294,631,602
Sberbank Russia	400 million USD	2024	12M Libor + 3.5%	136,380,496	134,039,138
Development bank of Kazakhstan JSC	152 billion KZT	2022-2027	7%–10.2%	122,389,508	115,480,135
Loan from partners (Project Pearl)	Financing for share of costs KMT in execution of subsoil use contract	From beginning of commercial exploration			
UniCredit Bank	290 million USD	2019-2021	6M Libor + 1%	98,889,471	87,370,787
Japan Bank for International Cooperation	298 million USD	2025	1M Libor + 2.75% – 3M Libor + 2.5% CIRR + 2.19%,	92,660,547	84,602,235
The Syndicate of banks	200 million USD	2018-2021	6M Libor + 1.10%	78,245,599	62,386,497
European Bank for Reconstruction and Development	68 billion KZT	2023	3M Libor + 1.35%	72,334,221	–
ING Bank	130 million USD	2019	3M CPI + 3.15%	57,066,072	65,373,153
BNP Paribas	368 million USD	2018	1M Libor+2% – 3M Libor + 2.5% – 1M ROBOR + 2.5%	50,782,238	11,454,903
European Bank for Reconstruction and Development	39 billion KZT	2026	COF (3.8%) + 0.25% 10.15% –	33,922,356	14,117,942
BCR (Romania)	75 million USD	2019	3M index inflation + 3.15%	21,027,492	15,620,206
BANC POST	68 million USD	2018	1M Robor + 2% – 3M Robor / 3M Euribor + 3.3%	7,255,954	10,391,959
Loan from partners (Project Satpayev)	Financing for share of costs KMG in execution of subsoil use contract	From beginning of commercial exploration		4,418,925	2,692,696
Halyk bank JSC	70 million USD	2018	12M Libor + 1.5%	–	51,214,229
Other	–	–	5%	–	23,315,765
Total				25,041,103	29,160,559
				1,442,401,308	1,342,052,203

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

12. BORROWINGS (continued)

On April 24, 2018, 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 3.25 billion US dollars. The Eurobonds were issued in three series, comprising (i) 500,000 thousand US dollars 4.750% Notes due 2025 (equivalent to 163,260,000 thousand tenge); (ii) 1,250,000 thousand US dollars 5.375% Notes due 2030 (equivalent to 408,150,000 thousand tenge); and (iii) US 1,500,000 thousand US dollars 6.375% Notes due 2048 (equivalent to 489,780,000 thousand tenge).

On May 4 and 11, 2018, the Company made early redemption of Eurobonds in the total amount of 3,463,450 thousand US dollars (equivalent to 1,143,982,111 thousand tenge at the date of payment), including interest.

On July 2, 2018 the Company made full redemption of debt on issued bonds on the LSE in 2008 in the total amount of 1,673,000 thousand US dollars (equivalent 570,626,840 thousand tenge).

On May 17, 2018 in accordance with the loan agreement KTG received a loan from Citibank NA, Mizuho Bank ILtd., MUFG Bank Ltd., Societe Generale, Societe Generale Corporate&Investment Banking, Citibank N.A. and ING Bank (The Syndicate of banks) of 65,832,000 thousand tenge (equivalent to: 200,000 thousand US dollars) for partial financing of the project "Construction of three compressor stations at MG "Beineu-Bozoy-Shymkent" at the rate of 3 months LIBOR + 1.35%.

During nine months ended September 30, 2018 ANPZ fully redeemed borrowings from Halyk bank JSC in the amount of 23,324,287 thousand tenge, including accrued interest.

During nine months ended September 30, 2018 KMGI received loan from ING Bank in the total amount of 119,000 thousand US dollars (equivalent to 40,376,489 thousand tenge).

During nine months ended September 30, 2018 KMGI received additional loan from BNP Paribas in the total amount of 50,950 thousand US dollars (equivalent to 17,145,185 thousand tenge).

During nine months ended September 30, 2018 the Group received loans from the Development Bank of Kazakhstan JSC in the total amount of 15,932,821 thousand tenge and redeemed borrowings in the total amount of 73,997,561 thousand tenge, including interest. Additionally, the Group made a partial repayment of issued bonds held by DBK in the amount of 41,793,375 thousand tenge, including interest.

Hedge of net investment in the foreign operations

As at September 30, 2018 certain borrowings denominated in foreign currency were designated as hedge instrument for the net investment in the foreign operations. For the nine months ended September 30, 2018, losses of 223,782,315 thousand tenge (for the nine months ended September 30, 2017 losses of 136,064,945 thousand tenge) on the translation of these borrowings was transferred to other comprehensive income and offset the gain on translation of foreign operations.

Covenants

The Group 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 September 30, 2018 and December 31, 2017, the Group complied with all financial and non-financial covenants.

13. 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 38 million tons of crude oil and 1 million tons of LPG in the period from the date of the contract to March 2021.

During nine months ended September 30, 2018 in accordance with an amendment signed in December 2017, the Group received an additional prepayment in the amount of 499,411 thousand US dollars (equivalent of 163,072,674 thousand tenge at the date of transaction) net of transaction costs.

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

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

For the nine months ended September 30, 2018 the Group has partially settled the prepayments by oil supply in the total amount of 750,000 thousand US dollars.

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

14. TRADE ACCOUNTS PAYABLE AND OTHER CURRENT LIABILITIES

	September 30, 2018 (unaudited)	December 31, 2017 (audited) (restated)
<i>In thousands of tenge</i>		
Advances received	71,626,809	87,916,646
Due to employees	43,371,246	60,545,953
Dividends payable	1,806,002	1,851,512
Other	49,879,466	52,130,701
Total other current liabilities	166,683,523	202,444,812
Trade accounts payable	635,145,233	513,851,048

Trade accounts payable are denominated in the following currencies as at September 30, 2018 and as at December 31, 2017:

	September 30, 2018 (unaudited)	December 31, 2017 (audited) (restated)
<i>In thousands of tenge</i>		
US dollars	345,984,906	240,165,363
Tenge	230,454,071	218,848,629
Romanian Leu	39,965,026	42,582,108
Euro	4,157,740	2,788,753
Other currency	14,583,490	9,466,195
Total	635,145,233	513,851,048

As at September 30, 2018 and December 31, 2017 trade accounts payable and other current liabilities were not interest bearing.

15. REVENUE

	For the three months ended September 30,		For the nine months ended September 30,	
	2018 (unaudited)	2017 (unaudited) (restated)	2018 (unaudited)	2017 (unaudited) (restated)
<i>In thousands of tenge</i>				
Sales of crude oil, gas and gas refining products	1,106,928,937	618,863,085	3,102,615,017	1,808,257,885
Sales of refined products	735,611,789	489,498,794	1,988,757,712	1,220,490,497
Transportation fee	73,405,373	83,148,066	228,466,165	239,013,904
Refining of oil and oil products	41,923,535	28,758,970	128,619,446	96,912,751
Other revenue	53,759,209	50,210,585	144,838,366	148,789,792
Quality bank for crude oil	(5,121,376)	(3,576,884)	(12,161,806)	(16,528,497)
Less: sales taxes and commercial discounts	(146,244,618)	(119,747,757)	(374,374,531)	(283,412,680)
	1,860,262,849	1,147,154,859	5,206,760,369	3,213,523,652

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

16. COST OF SALES

<i>In thousands of tenge</i>	For the three months ended September 30,		For the nine months ended September 30,	
	2018 (unaudited)	2017 (unaudited) (restated)	2018 (unaudited)	2017 (unaudited) (restated)
Crude oil, gas and gas refining products	787,229,497	440,106,010	2,259,430,693	1,263,349,521
Materials and supplies	318,897,674	219,607,870	980,417,351	508,891,335
Payroll	80,233,232	77,819,386	226,224,612	224,532,561
Depreciation, depletion and amortization	61,739,976	52,599,618	175,121,902	153,400,210
Mineral extraction tax	27,497,655	24,604,282	85,538,839	66,983,874
Other taxes	18,481,217	16,300,996	52,372,637	44,732,448
Electricity	17,473,557	15,288,727	45,710,759	46,005,538
Repair and maintenance	10,403,107	10,090,898	25,688,758	23,843,581
Transportation costs	6,146,140	3,697,169	13,149,493	10,547,536
Other	34,957,411	41,954,188	102,645,293	126,174,366
	1,363,059,466	902,069,144	3,966,300,337	2,468,460,970

17. GENERAL AND ADMINISTRATIVE EXPENSES

<i>In thousands of tenge</i>	For the three months ended September 30,		For the nine months ended September 30,	
	2018 (unaudited)	2017 (unaudited) (restated)	2018 (unaudited)	2017 (unaudited) (restated)
Payroll	16,839,196	16,926,775	49,488,913	48,752,561
Social payments, out of payroll	9,475,055	1,528,168	20,975,249	3,874,378
Depreciation and amortization	5,229,954	4,638,868	16,448,725	18,023,924
Consulting services	4,351,224	4,298,690	14,682,856	10,235,137
Other taxes	3,483,941	1,864,002	8,573,559	6,114,217
Rent of property, plant and equipment and intangible assets	1,488,643	2,195,814	4,267,559	4,408,020
VAT than cannot be offset	1,143,481	2,006,595	1,513,909	3,084,553
Charitable donations and sponsorship	586,183	360,466	880,725	685,667
Allowance / (recovery of) for fines, penalties and tax provisions (Note 24)	17,637,792	(3,459,650)	24,110,092	(4,093,047)
Allowance for impairment of trade accounts receivable	(290,998)	(920,315)	1,324,203	131,705
Allowance for impairment of other current assets	68,586	112,005	2,341,720	278,405
Recovery of VAT receivable	(1,920,759)	—	(794,955)	(26,414,368)
Other	9,491,093	10,922,386	31,503,943	28,347,425
	67,583,391	40,473,804	175,316,498	93,428,577

During nine months ended September 30, 2017 VAT receivable in the amount of 24,532,944 thousand tenge was reimbursed by Tax authorities to the bank accounts of the Group and the amount of 5,572,615 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 4,059,225 thousand tenge.

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

18. TRANSPORTATION AND SELLING EXPENSES

<i>In thousands of tenge</i>	For the three months ended September 30,		For the nine months ended September 30,	
	2018 (unaudited)	2017 (unaudited) (restated)	2018 (unaudited)	2017 (unaudited) (restated)
Transportation	80,460,438	33,674,379	227,122,755	113,956,870
Rent tax on crude oil export	44,116,110	22,068,988	111,463,691	53,726,135
Customs duty	36,272,049	24,045,794	94,480,340	75,657,663
Payroll	4,184,498	3,495,781	11,821,194	11,042,215
Depreciation and amortization	3,425,390	3,660,971	8,949,082	10,213,103
Other	9,298,825	6,441,905	27,822,612	21,792,976
	177,757,310	93,387,818	481,659,674	286,388,962

19. FINANCE INCOME / FINANCE COSTS

Finance income

<i>In thousands of tenge</i>	For the three months ended September 30,		For the nine months ended September 30,	
	2018 (unaudited)	2017 (unaudited) (restated)	2018 (unaudited)	2017 (unaudited) (restated)
Derecognition of loan	677,444	—	52,480,486	—
Interest income on bank deposits, loans and bonds	16,275,553	21,568,520	51,146,311	58,667,790
Amortization of discount on loans due from related parties	8,793,248	9,331,713	29,258,779	25,492,647
Other	2,224,086	2,449,487	6,341,486	6,142,381
	27,970,331	33,349,720	139,227,062	90,302,818

As of September 30, 2018, the Company recognized a derecognition of loan from ONGC Videsh, a partner in the Satpayev project, for the total amount of 52,480,486 thousand tenge, including an interest in the amount of 3,967,042 thousand tenge. The derecognition of the loan is related to the planned withdrawal from the project and returning of the contract territory to the Government. In addition, the Company recognized the impairment of exploration and evaluation assets for the project in the amount of 34,538,813 thousand tenge.

Finance costs

<i>In thousands of tenge</i>	For the three months ended September 30,		For the nine months ended September 30,	
	2018 (unaudited)	2017 (unaudited) (restated)	2018 (unaudited)	2017 (unaudited) (restated)
Interest on loans and debt securities issued	52,783,597	55,476,439	173,792,001	146,923,817
Interest for the early redemption of Eurobonds	—	—	89,612,318	—
Interest under oil supply agreement	9,528,732	6,980,021	26,366,905	19,963,452
Amortization of discount on loans and debt securities issued	459,940	3,176,044	17,912,943	8,778,333
Unwinding of discount on assets retirement obligations and provision for environment obligation	3,025,719	3,710,975	8,531,434	9,730,926
Discount on assets with non-market interest rate	745,841	22,243	3,324,266	5,319,535
Impairment of loans receivable from related parties	513,858	—	1,334,020	—
Impairment of bank deposits	92,463	—	626,816	11,637,410
Other	7,388,892	7,161,120	28,038,133	17,473,215
	74,539,042	76,526,842	349,538,836	219,826,688

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

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

<i>In thousands of tenge</i>	For the three months ended September 30,		For the nine months ended September 30,	
	2018 (unaudited)	2017 (unaudited) (restated)	2018 (unaudited)	2017 (unaudited) (restated)
Tengizchevroil LLP	118,769,428	67,231,931	338,573,730	207,285,858
Mangistau Investments B.V.	25,361,231	15,886,108	72,877,852	37,490,001
Caspian Pipeline Consortium	12,384,376	10,069,188	36,871,171	34,165,427
Kashagan B.V.	14,455,304	(3,190,442)	29,099,078	(12,712,133)
KazGerMunay LLP	10,351,402	2,583,453	21,787,749	14,486,290
Teniz Service LLP	8,782,446	251,227	16,980,791	1,219,675
PetroKazakhstan Inc.	5,036,990	1,525,346	13,044,764	4,870,847
Beineu-Shymkent Gas Pipeline	(4,819,309)	(22,244)	6,744,499	(17,545,057)
KazakhOil-Aktobe LLP	1,776,921	(868,133)	6,008,564	(3,574,704)
KazRosGas LLP	6,127,376	13,087,321	5,724,397	14,180,747
Ural Group Limited	(1,583,663)	(449,269)	(12,019,976)	(1,211,668)
Valsera Holdings B.V.	(3,860,974)	(1,492,383)	(10,162,555)	3,140,139
Share in profit of other joint ventures and associates	2,816,324	875,463	7,386,799	3,373,814
	195,597,852	105,487,566	532,916,863	285,169,236

21. INCOME TAX EXPENSE

<i>In thousands of tenge</i>	For the three months ended September 30,		For the nine months ended September 30,	
	2018 (unaudited)	2017 (unaudited) (restated)	2018 (unaudited)	2017 (unaudited) (restated)
Current income tax				
Corporate income tax	64,468,686	34,150,677	127,842,464	88,261,095
Excess profit tax	55,234	1,810,379	(3,405,014)	1,956,987
Withholding tax on dividends and interest income	8,567,253	2,119,756	21,148,761	6,049,480
Deferred income tax				
Corporate income tax	(5,444,782)	(5,063,547)	3,731,362	10,356,746
Excess profit tax	(43,462)	(2,026,395)	(7,930,799)	(1,234,399)
Withholding tax on dividends and interest income	27,949,007	21,531,992	61,586,900	36,964,018
Income tax expense	95,551,936	52,522,862	202,973,674	142,353,927

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

22. 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 September 30, 2018 and December 31, 2017:

<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	September 30, 2018	252,682,759	6,310,946	85,694	–
	December 31, 2017	289,084,327	1,703,093	53,959	–
Associates	September 30, 2018	128,421,825	4,409,848	–	–
	December 31, 2017	154,953,597	3,747,640	–	–
Other related parties	September 30, 2018	14,651	8,216,410	–	441,356,758
	December 31, 2017	–	8,752,609	2,675,566	489,948,733
Joint ventures in which the Group is a venturer	September 30, 2018	480,591,056	180,673,276	–	–
	December 31, 2017	556,563,795	194,182,312	–	–

Due from related parties

For the nine months ended September 30, 2018 the Company extended the maturity period and provided additional interest free loan to Samruk-Kazyna in the amount of 38,889,498 thousand tenge. The difference between fair value and nominal value of the loan amounting 84,448,814 thousand tenge recognized as transaction with Samruk-Kazyna in the interim consolidated statement of changes in equity.

As at September 30, 2018 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 39,337,867 thousand tenge and 9,111,027 thousand tenge, respectively.

As at September 30, 2018 decrease in due from joint ventures is mainly due to decreasing of trade accounts receivable for goods and services of Tengizchevroil LLP and KazRosGas LLP in the amount of 8,239,053 thousand tenge and 61,779,986 thousand tenge. Additionally, CCEL, joint ventures of KMG EP, made a partial repayment of note receivable in the amount of 24,113,396 thousand tenge.

Borrowings payable to related parties

For the nine months ended September 30, 2018 the Group received loans from DBK in the total amount of 15,932,821 thousand tenge and redeemed bonds and loans payable to DBK in the total amount of 115,790,936 thousand tenge including interest.

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

22. RELATED PARTY DISCLOSURES (continued)

Borrowings payable to related parties (continued)

The following table provides the total amount of transactions, which have been entered into with related parties during nine months ended September 30, 2018 and 2017:

<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	September 30, 2018	47,133,904	18,791,134	18,073,926	–
	September 30, 2017	48,318,144	22,814,743	20,623,686	–
Associates	September 30, 2018	29,077,735	43,093,252	7,546,836	–
	September 30, 2017	9,832,146	28,599,513	7,938,789	–
Other related parties	September 30, 2018	5,603	27,581,997	–	21,608,854
	September 30, 2017	–	6,723,453	–	19,222,335
Joint ventures in which the Group is a venturer	September 30, 2018	239,272,664	1,106,169,760	23,708,625	3,114,482
	September 30, 2017	207,319,352	662,785,483	18,090,942	599,122

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. 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 5,888,176 thousand tenge and 6,809,337 thousand tenge for the nine months ended September 30, 2018 and September 30, 2017, respectively. Compensation to key management personnel consists of contractual salary and performance bonus based on operating results.

23. FINANCIAL INSTRUMENTS AND INVESTMENT PROPERTY

Fair values of financial instruments and investment property

The carrying amount of the Group financial instruments as at September 30, 2018 and December 31, 2017 are reasonable approximation of their fair value, except for the financial instruments disclosed below:

		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>	Carrying amount	Fair value			
As at September 30, 2018 (unaudited)					
Bonds receivable from the Samruk-Kazyna	14,943,978	17,778,939	–	17,778,939	–
Fixed interest rate borrowings	2,885,086,355	2,837,467,495	2,615,423,842	222,043,653	–
Financial guarantee	14,315,339	14,315,399	–	14,315,399	–
Investment property	24,096,838	28,103,768	–	28,103,768	–

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

23. FINANCIAL INSTRUMENTS AND INVESTMENT PROPERTY (continued)

Fair values of financial instruments and investment property (continued)

		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>	Carrying amount	Fair value			
As at December 31, 2017 (audited)					
Bonds receivable from the Samruk-Kazyna	18,342,494	21,807,281	–	21,807,281	–
Fixed interest rate borrowings	3,137,181,680	3,230,351,979	2,996,477,908	233,874,071	–
Financial guarantee	11,937,863	11,937,863	–	11,937,863	–
Investment property	27,423,225	30,263,855	–	30,263,855	–

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.

24. 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, 2017, the following changes have taken place during the nine months ended September 30, 2018:

JSC "Embamunaigas" environmental audit (Embamunaigas)

On July 23, 2018 Embamunaigas, subsidiary of KMG EP, received a notification from the Department of Ecology of Atyrau region to pay a fine of 8,908 million tenge for violations of ecology law that were identified during the first environmental audit conducted during April–June 2018. The fine was related to emissions of harmful substances above the established norms as a result of gas flaring during the period from November 1, 2017 to June 12, 2018. On September 17, 2018 the Atyrau Regional Court made decision to reduce the amount of the fine to 6,681 million tenge. On October 19, 2018, KMG EP fully paid this fine to the Republican budget.

Also on September 24, 2018, Embamunaigas received an order from the Department of Ecology of the Atyrau region for damages to the environment following the above mentioned an environmental audit in the amount of 7,835 million tenge.

On October 18, 2018, Embamunaigas received a notification from the Department of Ecology of the Atyrau region to pay a fine in the amount of 6,862 million tenge for violation of ecology law following the second environmental audit from June 12, 2018 to October 10, 2018. In addition, the authorities also have the ability to assess additional amounts for ecological damage and Embamunaigas expects the additional amount of 6,050 million tenge to be assessed.

Based on the results of two environmental audits, the Group has accrued a provision of 27,428 million tenge in these interim condensed consolidated financial statements. At the moment, the Group is carrying out the claim related work regarding the fine on the first environmental audit, and is also examining options for further appeal in case the complaint is successfully resolved.

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

24. CONTINGENT LIABILITIES AND COMMITMENTS (continued)

KMG Drilling & Services LLP (KMG D&S) litigations with Consortium of companies Ersai Caspian Contractor LLP and Caspian Offshore and Marine Construction 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.

On April 11, 2018 the Consortium has been decreased the amount of claim to 140,017 thousand US dollars (equivalent of 50,835,972 thousand tenge).

There is uncertainty about the result of judicial proceedings. As of September 30, 2018 the Group didn't recognize the provision for given claim.

Cost recovery audits

As of September 30, 2018 the Group's share in the total disputed amounts of the non-recoverable costs is 306,335,854 thousand tenge (as of December 31, 2017: 242,915,341 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 the nine months ended September 30, 2018, in accordance with its obligations, the Group delivered 4,590 thousand tons of crude oil (nine months ended September 30, 2017: 2,204 thousand tons), including joint ventures, to the Kazakhstan market.

Commitments under subsoil use contracts

As at September 30, 2018 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
2018	53,797,106	5,074,556
2019	25,025,195	3,782,903
2020	14,516,296	4,161,324
2021	9,946,641	3,390,765
2022-2048	16,279,920	17,383,974
Total	119,565,158	33,793,522

Oil supply commitments

As of September 30, 2018 the Group had commitments under the oil supply agreements in the total amount of 32.3 million ton (as at December 31, 2017: 28.7 million ton), including joint venture.

Other contractual commitments

As at September 30, 2018, the Group had other capital commitments of approximately 662,112,804 thousand tenge (as at December 31, 2017: 501,752,269 thousand tenge), including joint ventures, related to acquisition and construction of property, plant and equipment.

As at September 30, 2018, the Group had commitments in the total amount of 133,602,372 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)**25. SEGMENT REPORTING**

The following represents information about operating segments of the Group as at September 30, 2018 and for the nine months then ended:

<i>In thousands of tenge</i>	Exploration and production of oil and gas	Oil transportation	Gas trading and transportation	Refining and trading of crude oil and refined products	Other	Elimination	Total
Revenues from sales to external customers	72,688,058	135,617,278	665,582,307	4,318,915,310	13,957,416	–	5,206,760,369
Revenues from sales to other segments	867,533,296	31,445,823	798,588	1,198,550,369	10,316,711	(2,108,644,787)	–
Total revenue	940,221,354	167,063,101	666,380,895	5,517,465,679	24,274,127	(2,108,644,787)	5,206,760,369
Gross profit	484,941,278	77,255,442	335,430,420	388,210,697	9,228,928	(54,606,733)	1,240,460,032
Finance income	19,818,673	3,851,027	16,238,472	36,382,096	198,848,925	(135,912,131)	139,227,062
Finance costs	(16,937,807)	(2,444,131)	(35,342,001)	(79,685,429)	(284,552,816)	69,423,348	(349,538,836)
Depreciation, depletion and amortization	(61,806,356)	(23,758,268)	(26,413,114)	(83,489,246)	(7,390,639)	–	(202,857,623)
Impairment of property, plant and equipment, exploration and evaluation assets and intangible assets other than goodwill	(784,752)	(3,745,057)	(534,084)	(718,816)	(35,773,545)	–	(41,556,254)
Share in profit of joint ventures and associates, net	486,818,173	38,697,189	12,516,902	(6,405,282)	1,289,881	–	532,916,863
Income tax expenses	(138,424,354)	(19,697,417)	(31,356,773)	(1,196,831)	(12,298,299)	–	(202,973,674)
Net profit for the period	348,441,183	83,716,800	131,854,133	235,156,980	(63,760,274)	(87,182,658)	648,226,164
Other segment information							
Investments in joint ventures and associates	4,206,530,549	267,944,350	69,416,029	47,787,398	1,717,060	–	4,593,395,386
Capital expenditures	111,945,395	49,182,505	21,777,099	63,097,510	26,132,175	–	272,134,684
Allowances for obsolete inventories, doubtful accounts receivable, advances paid, and other assets	(1,763,708)	(3,729,279)	(12,047,887)	(119,584,491)	(23,125,184)	–	(160,250,549)
Assets of the segment	7,003,783,161	953,661,713	1,736,922,887	4,241,438,120	2,077,475,736	(2,219,747,352)	13,793,534,265
Liabilities of the segment	793,904,293	200,435,764	917,094,323	2,993,656,983	4,108,758,288	(2,158,618,182)	6,855,231,469

Eliminations represent the exclusion of intra-group turnovers.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (unaudited) (continued)**25. SEGMENT REPORTING (continued)**

The following represents information about operating segments of the Group as at December 31, 2017 and for the nine months ended September 30, 2017:

<i>In thousands of tenge</i>	Exploration and production of oil and gas	Oil transportation	Gas trading and transportation	Refining and trading of crude oil and refined products	Other	Elimination	Total
Revenues from sales to external customers	59,338,845	136,752,870	349,379,295	2,651,872,506	16,180,136	–	3,213,523,652
Revenues from sales to other segments	619,899,514	44,908,894	17,408,475	537,040,751	13,390,639	(1,232,648,273)	–
Total revenue	679,238,359	181,661,764	366,787,770	3,188,913,257	29,570,775	(1,232,648,273)	3,213,523,652
Gross profit	246,766,611	78,087,934	137,645,045	306,342,068	8,807,465	(32,586,441)	745,062,682
Finance income	24,062,872	5,193,953	11,206,276	39,082,753	78,785,866	(68,028,902)	90,302,818
Finance costs	(11,354,671)	(2,296,639)	(23,091,716)	(77,904,627)	(164,759,265)	59,580,230	(219,826,688)
Depreciation, depletion and amortization	(62,940,471)	(20,659,417)	(22,458,985)	(70,594,307)	(7,710,827)	–	(184,364,007)
Impairment of property, plant and equipment, exploration and evaluation assets and intangible assets other than goodwill	(4,520,685)	(9,268)	(314,705)	685,836	(26,682)	–	(4,185,504)
Share in profit of joint ventures and associates, net	248,555,971	35,833,811	(3,321,781)	3,313,947	787,288	–	285,169,236
Income tax expenses	(94,423,438)	(15,022,820)	(17,951,125)	(9,706,159)	(5,250,385)	–	(142,353,927)
Net profit for the period	220,239,731	93,295,223	43,176,261	126,894,701	(35,717,707)	6,444,005	454,332,214
Other segment information							
Investments in joint ventures and associates	3,504,602,636	208,107,497	52,561,936	54,660,165	3,697,352	–	3,823,629,586
Capital expenditures	92,961,974	39,332,898	112,051,016	191,524,530	12,916,972	–	448,787,390
Allowances for obsolete inventories, doubtful accounts receivable, advances paid, and other assets	(5,918,737)	(3,556,671)	(9,231,998)	(143,434,581)	(12,405,070)	–	(174,547,057)
Assets of the segment	6,571,469,763	890,320,217	1,444,619,613	3,891,933,037	2,243,158,494	(1,491,542,923)	13,549,958,201
Liabilities of the segment	665,174,264	184,960,867	760,480,222	2,747,422,533	3,840,471,985	(1,432,156,528)	6,766,353,343

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

26. SUBSEQUENT EVENTS

On October 15, 2018, the extraordinary meeting of shareholders decided to increase the number of ordinary shares of KMG EP to 1,357,281,546 shares by increasing 55,959,157 of outstanding common shares in the ratio of 1 to 24.

On October 18, 23 and 29, 2018 the Company made an interest repayment of the Eurobonds in the total amount of 171,603 thousand US dollars (equivalent 62,591,807 thousand tenge).

On October 29, 2018 the Company paid the principal debt and an interest on loan received from “Sberbank of Russia” PJSC in the total amount of 376,629 thousand US dollars (equivalent 138,802,653 thousand tenge).

On November 9, 2018, as the result of online auction, the Public Foundation “Nursultan Nazarbayev Educational Foundation” was determined as the buyer of KBTU. The Group plans to complete the sales procedures within the sixty calendar days from the date of signing the protocol of the online auction results.

From October 1, to November 16, 2018, under the repurchase program of its preferred shares placed on the KASE, KMG EP acquired 573,500 preferred shares for 7,339,800 thousand tenge.

On November 12, 2018 KMG EP extended the buyback of preferred shares from November 16 to January 31, 2019.