

JSC “National Company “KazMunayGas”

Interim condensed consolidated financial statements (unaudited)

For the three and six months ended June 30, 2019

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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, which comprise the interim consolidated statement of financial position as at 30 June 2019, the related interim consolidated statement of comprehensive income for the three-month and six-month periods then ended, interim consolidated statement of changes in equity and interim consolidated statement of cash flows for the six-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.



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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

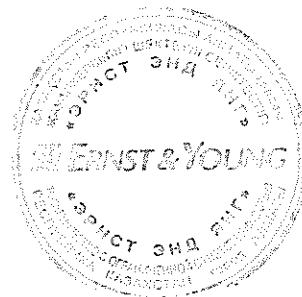


Gulmira Turmagambetova
Auditor / General Director0374
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Auditor qualification certificate
No. 0000374 dated 21 February 1998

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14 August 2019



State audit license for audit activities on
the territory of the Republic of Kazakhstan:
series MFO-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 millions of tenge</i>	Note	June 30, 2019 (unaudited)	December 31, 2018 (audited)
Assets			
Non-current assets			
Property, plant and equipment	5	4,465,930	4,515,170
Right-of-use assets	6	40,973	-
Exploration and evaluation assets		182,323	189,800
Investment property		23,972	24,188
Intangible assets		170,456	173,077
Long-term bank deposits	7	50,793	52,297
Investments in joint ventures and associates	8	5,247,191	4,895,444
Deferred income tax asset		80,188	97,881
VAT receivable		92,778	113,073
Advances for non-current assets		59,481	27,176
Loans and receivables due from related parties		632,919	638,528
Other financial assets		5,455	4,753
Other non-current assets		18,053	16,942
		11,070,512	10,748,329
Current assets			
Inventories		270,593	312,299
VAT receivable		85,102	66,522
Income tax prepaid		40,722	53,143
Trade accounts receivable	9	560,175	493,977
Short-term bank deposits	7	553,920	386,459
Loans and receivables due from related parties		150,279	148,615
Other current assets	9	220,724	204,724
Cash and cash equivalents	10	899,330	1,539,453
		2,780,845	3,205,192
Assets classified as held for sale		29,529	61,760
		2,810,374	3,266,952
Total assets		13,880,886	14,015,281

*The accompanying notes on pages 8 to 34 are an integral part of these
interim condensed consolidated financial statements.*

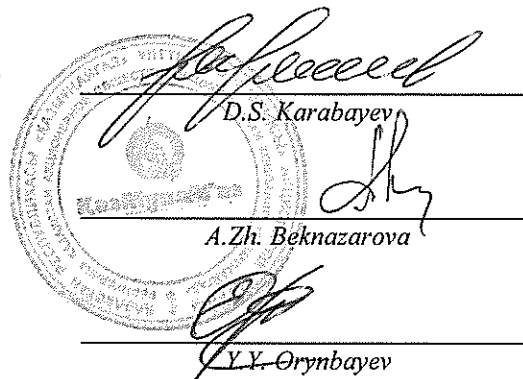
INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
(continued)

<i>In millions of tenge</i>	Note	June 30, 2019 (unaudited)	December 31, 2018 (audited)
Equity and liabilities			
Equity			
Share capital		916,541	916,541
Additional paid-in capital		40,794	40,794
Other equity		83	83
Currency translation reserve		1,728,943	1,764,108
Retained earnings		4,909,271	4,341,062
Attributable to equity holders of the Parent Company		7,595,632	7,062,588
Non-controlling interest		75,738	80,480
Total equity		7,671,370	7,143,068
Non-current liabilities			
Borrowings	12	3,709,471	3,822,648
Provisions		246,000	229,797
Deferred income tax liabilities		515,912	479,598
Financial guarantee		6,147	11,501
Lease liabilities	6	38,212	6,550
Prepayment on oil supply agreements	13	165,384	480,250
Other non-current liabilities		32,631	33,712
		4,713,757	5,064,056
Current liabilities			
Borrowings	12	285,845	330,590
Provisions		65,624	98,471
Income tax payable		9,626	13,272
Trade accounts payable	14	583,441	632,739
Other taxes payable		108,520	105,026
Financial guarantee		1,171	1,831
Lease liabilities	6	13,964	2,656
Prepayment on oil supply agreements	13	227,600	384,200
Other current liabilities	14	199,968	234,333
		1,495,759	1,803,118
Liabilities directly associated with the assets classified as held for sale		–	5,039
Total liabilities		6,209,516	6,872,213
Total equity and liabilities		13,880,886	14,015,281
Book value per ordinary share	11	0.012	0.011

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 accompanying notes on pages 8 to 34 are an integral part of these
interim condensed consolidated financial statements.

**INTERIM CONDENSED CONSOLIDATED STATEMENT
OF COMPREHENSIVE INCOME**

<i>In millions of tenge</i>	Note	For the three months ended June 30,		For the six months ended June 30,	
		2019 (unaudited)	2018 (unaudited)	2019 (unaudited)	2018 (unaudited)
Revenue	15	1,637,309	1,891,909	3,402,580	3,356,260
Cost of sales	16	(1,160,396)	(1,488,120)	(2,511,579)	(2,614,525)
Gross profit		476,913	403,789	891,001	741,735
General and administrative expenses	17	(70,040)	(65,133)	(110,700)	(109,023)
Transportation and selling expenses	18	(171,150)	(155,842)	(358,123)	(303,924)
Impairment of property, plant and equipment, exploration and evaluation assets and intangible assets, other than goodwill		(24,872)	(39,313)	(25,240)	(39,701)
Loss on disposal of property, plant and equipment, intangible assets and investment property, net		(370)	1,235	(636)	(1,463)
Other operating income		6,111	75	10,143	10,274
Other operating expenses		(2,116)	(1,723)	(7,178)	(9,003)
Operating profit		214,476	143,088	399,267	288,895
Net foreign exchange gain/(loss)		(1,183)	22,996	2,185	1,666
Finance income	19	32,190	81,045	61,796	111,354
Finance costs	19	(75,454)	(197,226)	(160,847)	(277,526)
Gain on disposal of subsidiaries	4	–	3,249	17,481	3,249
Share in profit of joint ventures and associates, net	20	226,228	172,625	445,250	337,319
Profit before income tax		396,257	225,777	765,132	464,957
Income tax expense	21	(83,053)	(67,793)	(142,734)	(108,812)
Profit for the period from continuing operations		313,204	157,984	622,398	356,145
Discontinued operations					
Profit/(loss) after income tax for the period from discontinued operations	4	–	(2,488)	6	3,562
Net profit for the period		313,204	155,496	622,404	359,707
Net profit/(loss) for the period attributable to:					
Equity holders of the Parent Company		314,371	147,565	623,536	348,549
Non-controlling interests		(1,167)	7,931	(1,132)	11,158
		313,204	155,496	622,404	359,707

*The accompanying notes on pages 8 to 34 are an integral part of these
interim condensed consolidated financial statements.*

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

		For the three months ended June 30,		For the six months ended June 30,	
<i>In millions of tenge</i>	Note	2019 (unaudited)	2018 (unaudited)	2019 (unaudited)	2018 (unaudited)
Other comprehensive income					
<i>Other comprehensive (loss)/income to be reclassified to profit or loss in subsequent periods</i>					
Exchange differences on translation of foreign operations		2,265	169,094	(38,314)	64,073
Accumulated differences on translation of disposal group		–	(476)	–	(476)
The tax effect of the components of comprehensive income		2,721	–	2,721	–
Other comprehensive (loss)/income to be reclassified to profit or loss in subsequent periods		4,986	168,618	(35,593)	63,597
<i>Other comprehensive (loss)/income not to be reclassified to profit or loss in subsequent periods</i>					
Actuarial (loss)/gain on defined benefit plans of the Group, net of tax		(1,346)	22	(1,346)	22
Actuarial gain/(loss) on defined benefit plans of joint ventures		(16)	(15)	190	134
Other comprehensive (loss)/gain not to be reclassified to profit or loss in subsequent periods		(1,362)	7	(1,156)	156
Other comprehensive (loss)/income for the period		3,624	168,625	(36,749)	63,753
Total comprehensive income for the period, net of tax		316,828	324,121	585,655	423,460
Total comprehensive income for the period attributable to:					
Equity holders of the Parent Company		318,068	311,730	587,215	410,792
Non-controlling interests		(1,240)	12,391	(1,560)	12,668
		316,828	324,121	585,655	423,460

Deputy Chairman of the Management Board – Chief Financial Officer

D.S. Karabayev

Managing director – finance controller

A.Zh. Beknazarova

Chief accountant

Y.A. Orynbayev

The accompanying notes on pages 8 to 34 are an integral part of these
interim condensed consolidated financial statements.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

<i>In millions of tenge</i>	For the six months ended June 30	
	2019 (unaudited)	2018 (unaudited)
Cash flows from operating activities		
Receipts from customers	3,181,074	3,473,027
Payments to suppliers	(2,339,205)	(2,337,958)
Other taxes and payments to the budget	(652,448)	(568,624)
Income taxes paid	(78,896)	(61,531)
Interest received	56,588	72,028
Interest paid	(126,211)	(110,699)
Payments to employees	(175,520)	(187,232)
Tax returns	14,324	9,782
Other payments, net	(62,219)	(74,264)
Net cash flows (used in) / from operating activities	(182,513)	214,529
Cash flows from investing activities		
(Placement)/withdrawal of bank deposits, net	(166,257)	1,170,309
Purchase of property, plant and equipment, intangible assets, investment property and exploration and evaluation assets	(210,689)	(221,198)
Proceeds from sale of property, plant and equipment, intangible assets, investment property and exploration and evaluation assets	4,962	3,296
Proceeds from sale of subsidiaries, net of cash disposed (Note 4)	56,760	3,494
Dividends received from joint ventures and associates (Note 8)	42,306	78,726
Proceeds from sale of joint ventures	–	2,000
Repayment of loans given to related parties	10,934	14,159
Repayment of a promissory note due from an associate	168	94
Loans given to related parties	(28,024)	(35,451)
Net cash flows (used in) / from investing activities	(289,840)	1,015,429
Cash flows from financing activities		
Proceeds from borrowings	333,670	1,316,683
Repayment of borrowings	(445,088)	(1,331,016)
Dividends paid to Samruk-Kazyna and National Bank of Republic of Kazakhstan	–	(36,273)
Dividends paid to non-controlling interests	(157)	(6,272)
Distributions to Samruk-Kazyna	(33,956)	–
Share buyback by the subsidiary	(1,729)	(628,003)
Payment of lease liabilities	(7,337)	(360)
Net cash flows used in financing activities	(154,597)	(685,241)
Effects of exchange rate changes on cash and cash equivalents	(19,650)	43,166
Changes in allowance for expected losses in cash and cash equivalents	82	(34)
Net change in cash and cash equivalents	(646,518)	587,849
Cash and cash equivalents, at the beginning of the period	1,545,848	1,266,605
Cash and cash equivalents, at the end of the period	899,330	1,854,454

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 accompanying notes on pages 8 to 34 are an integral part of these
interim condensed consolidated financial statements.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

<i>In millions 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			
						Total		
As at January 1, 2018 (audited) (restated)	709,345	243,876	83	1,295,091	3,652,800	5,901,195	870,012	6,771,207
Net profit for the period (unaudited)	–	–	–	–	348,549	348,549	11,158	359,707
Other comprehensive income (unaudited)	–	–	–	62,087	156	62,243	1,510	63,753
Total comprehensive income for the period	–	–	–	62,087	348,705	410,792	12,668	423,460
Contribution to share capital (Note 11)	207,196	(203,217)	–	–	–	3,979	–	3,979
Dividends (Note 11)	–	–	–	–	(36,273)	(36,273)	(6,200)	(42,473)
Distributions to Samruk-Kazyna (Note 11)	–	–	–	–	(1,604)	(1,604)	–	(1,604)
Transactions with Samruk-Kazyna (Note 11)	–	–	–	–	(79,683)	(79,683)	–	(79,683)
Share buyback by the subsidiary (Note 11)	–	–	–	–	86,178	86,178	(714,181)	(628,003)
As at June 30, 2018 (unaudited)	916,541	40,659	83	1,357,178	3,970,123	6,284,584	162,299	6,446,883

The accompanying notes on pages 8 to 34 are an integral part of these interim condensed consolidated financial statements.

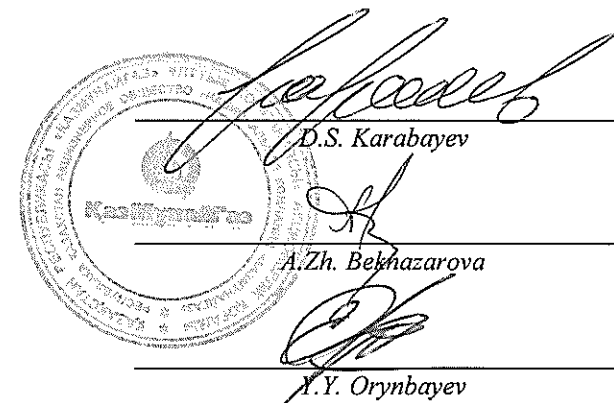
INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (continued)

<i>In millions 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, 2018 (audited)	916,541	40,794	83	1,764,108	4,341,062	80,480	7,143,068
Changes in accounting policy (Note 2)	-	-	-	-	(4,268)	(910)	(5,178)
As at January 1, 2019 (restated)	916,541	40,794	83	1,764,108	4,336,794	79,570	7,137,890
Net profit for the period (unaudited)	-	-	-	-	623,536	(1,132)	622,404
Other comprehensive loss (unaudited)	-	-	-	(35,165)	(1,156)	(428)	(36,749)
Total comprehensive income for the period	-	-	-	(35,165)	622,380	(1,560)	585,655
Transactions with Samruk-Kazyna (Note 11)	-	-	-	-	(7,350)	-	(7,350)
Dividends (Note 11)	-	-	-	-	(36,998)	(4,137)	(41,135)
Distributions to Samruk-Kazyna (Note 11)	-	-	-	-	(3,853)	-	(3,853)
Share buyback by the subsidiary (Note 11)	-	-	-	-	(1,702)	(31)	(1,733)
Contribution to share capital of subsidiary without change in ownership	-	-	-	-	-	1,896	1,896
As at June 30, 2019 (unaudited)	916,541	40,794	83	1,728,943	4,909,271	75,738	7,671,370

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 accompanying notes on pages 8 to 34 are an integral part of these interim condensed consolidated financial statements.

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(unaudited)****For the six months ended June 30, 2019****1. GENERAL**

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

Starting from June 8, 2006, the sole shareholder of the Company was JSC “Kazakhstan Holding Company for State Assets Management “Samruk” (“Samruk”), which in October 2008 was merged with the state owned Sustainable Development Fund “Kazyna” and formed JSC “National Welfare Fund Samruk-Kazyna” (“Samruk-Kazyna”), now renamed to JSC “Sovereign Wealth Fund Samruk-Kazyna”. The Government is the sole shareholder of Samruk-Kazyna. On August 7, 2015 National Bank of Republic of Kazakhstan (“National Bank of RK”) purchased 10% plus one share of the Company from Samruk-Kazyna. As at June 30, 2019 Samruk-Kazyna and National Bank of RK own 90.42% and 9.58% of the Company’s shares, respectively.

As at June 30, 2019, the Company has a direct interest in 54 operating companies (as of December 31, 2018: 57) (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, Managing director – finance controller and the Chief accountant on August 14, 2019.

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

The interim condensed consolidated financial statements for the six months ended June 30, 2019 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, 2018.

The Group changed the presentation unit of the consolidated financial statements from thousands tenge to millions tenge since the Group believes that it is more relevant to users of consolidated financial statements.

Foreign currency translation*Functional and presentation currency*

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

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

2. BASIS OF PREPARATION AND CHANGES TO THE GROUP’S ACCOUNTING POLICIES (continued)**Foreign currency translation (continued)***Transactions and balances*

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

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined.

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

Group companies, with functional currencies other than tenge

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

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

Exchange rates

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

The currency exchange rates of KASE as at June 30, 2019 and December 31, 2018 were 380.53 and 384.20 tenge to 1 US dollar accordingly. These rates were used for translation of monetary assets and liabilities denominated in US dollars at June 30, 2019 and December 31, 2018. The weighted average rate for six months ended June 30, 2019 was 379.29 tenge to 1 US dollar accordingly. The currency exchange rate of KASE as at August 14, 2019 was 386.16 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, 2018, except for the adoption of new standards and interpretations effective as of January 1, 2019. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(unaudited) (continued)****2. BASIS OF PREPARATION AND CHANGES TO THE GROUP’S ACCOUNTING POLICIES (continued)****New and amended standards and interpretations (continued)**

Following amendments and interpretations were applied for the first time in 2019, but do not have an impact on the interim condensed consolidated financial statements of the Group:

- IFRIC *Interpretation 23 Uncertainty over Income Tax Treatment*;
- Amendments to IFRS 9 *Prepayment Features with Negative Compensation*;
- Amendments to IAS 19 *Plan Amendment, Curtailment or Settlement*;
- Amendments to IAS 28 *Long-term Interests in Associates and Joint Ventures*;
- Annual improvements 2015-2017 cycle:
 - IFRS 3 *Business Combinations*;
 - IFRS 11 *Joint Arrangements*;
 - IAS 12 *Income Taxes*;
 - IAS 23 *Borrowing Costs*.

The Group also applies, for the first time, IFRS 16 *Lease*. As required by IAS 34, the nature and effect of these changes are disclosed below.

IFRS 16 Lease

IFRS 16 supersedes IAS 17 *Leases*, IFRIC 4 *Determining whether an Arrangement Contains a Lease*, SIC-15 *Operating Leases – Incentives* and SIC-27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for most leases under a single on-balance sheet model.

Lessor accounting under IFRS 16 is substantially unchanged from IAS 17. Lessors will continue to classify leases as either operating or finance leases using similar principles as in IAS 17. Therefore, IFRS 16 did not have an impact for leases where the Group is the lessor.

The Group adopted IFRS 16 using the modified retrospective method of adoption with the date of initial application of January 1, 2019. Under this method, the standard is applied retrospectively with the cumulative effect of initially applying the standard recognised at the date of initial application. The Group elected to use the transition practical expedient allowing the standard to be applied only to contracts that were previously identified as leases applying IAS 17 and IFRIC 4 at the date of initial application. The Group also elected to use the recognition exemptions for lease contracts that, at the commencement date and upon initial adoption of the standard, have a lease term of 12 months or less and do not contain a purchase option ('short-term leases'), and lease contracts for which the underlying asset is of low value ('low-value assets').

The effect of adoption IFRS 16 on interim condensed consolidated financial statement as at January 1, 2019 is as follows:

<i>In millions of tenge</i>	As at January 1, 2019
Assets	
Property, plant and equipment (Note 5)	(524)
Right-of-use assets (Note 6)	44,398
Advances for non-current assets	(2,364)
Total assets	41,510
Equity	
Retained earnings	(4,268)
Non-controlling interest	(910)
	(5,178)
Liabilities	
Lease liabilities (Note 6)	46,688
Total equity and liabilities	41,510

**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 16 Lease (continued)**(a) Nature of the effect of adoption of IFRS 16*

The Group has lease contracts for various items of plant, machinery, vehicles and other equipment. Before the adoption of IFRS 16, the Group classified each of its leases (as lessee) at the inception date as either a finance lease or an operating lease. A lease was classified as a finance lease if it transferred substantially all of the risks and rewards incidental to ownership of the leased asset to the Group; otherwise it was classified as an operating lease. Finance leases were capitalised at the commencement of the lease at the inception date at fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments were apportioned between interest (recognised as finance costs) and reduction of the lease liability. In an operating lease, the leased property was not capitalised and the lease payments were recognised as rent expense in profit or loss on a straight-line basis over the lease term. Any prepaid rent and accrued rent were recognised under advances received, trade accounts payable and other payables, respectively.

Upon adoption of IFRS 16, the Group applied a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The standard provides specific transition requirements and practical expedients, which has been applied by the Group.

Leases previously classified as finance leases

The Group did not change the initial carrying amounts of recognised assets and liabilities at the date of initial application for leases previously classified as finance leases (i.e., the right-of-use assets and lease liabilities equal the lease assets and liabilities recognised under IAS 17). The requirements of IFRS 16 was applied to these leases from January 1, 2019.

Leases previously accounted for as operating leases

The Group recognised right-of-use assets and lease liabilities for those leases previously classified as operating leases, except for short-term leases and leases of low-value assets. The right-of-use assets for most leases were recognised based on the carrying amount as if the standard had always been applied, apart from the use of incremental borrowing rate at the date of initial application. In some leases, the right-of-use assets were recognised based on the amount equal to the lease liabilities, adjusted for any related advances received and accrued lease payments previously recognised. Lease liabilities were recognised based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at the date of initial application.

The Group also applied all available exemptions.

The lease liabilities as at January 1, 2019 can be reconciled to the operating lease commitments as of December 31, 2018 as follows:

In millions of tenge

Operating lease commitments as at December 31, 2018	71,902
Effect of discounting using incremental borrowing rate as at January 1, 2019	(20,840)
Discounted operating lease commitments as at January 1, 2019	51,062
Less commitments relating to short-term leases and low-value assets	(4,374)
Add commitments relating to leases previously classified as finance leases (Note 6)	9,206
Lease liabilities as at January 1, 2019 (Note 6)	55,894

**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 16 Lease (continued)**(b) Summary of new accounting policies*

Set out below are the new accounting policies of the Group upon adoption of IFRS 16, which have been applied from the date of initial application:

Right-of-use assets

The Group recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term. Right-of-use assets are subject to impairment.

Lease liabilities

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognised as expense in the period on which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to its short-term leases of property, plant and equipment (i.e., those leases that have a lease term of 12 months or less from the commencement date and from the date of the first adoption and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of assets that are considered of low value. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

Significant judgement in determining the lease term of contracts with renewal options

The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

The Group applies judgement in evaluating whether it is reasonably certain to exercise the option to renew. That is, it considers all relevant factors that create an economic incentive for it to exercise the renewal. After the commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise (or not to exercise) the option to renew (e.g., a change in business strategy).

The amounts recognized in the statement of financial position and statement of comprehensive income are disclosed in Note 6.

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(unaudited) (continued)****3. SEASONALITY OF OPERATIONS**

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

4. LOSS OF CONTROL**KMG Retail LLP**

On February 8, 2019 the Company completed the sale of 100% interest in KMG Retail LLP, which was classified as a disposal group held for sale since December 31, 2018, for 60,512 million tenge.

At the date of loss of control net assets of KMG Retail LLP were as follows:

<i>In millions of tenge</i>	Net assets at the date of disposal (unaudited)
Property, plant and equipment	34,266
Intangible assets	42
Cash	2,288
Other current and non-current assets	6,694
	43,290
Non-current liabilities	259
	259
Net assets (unaudited)	43,031

The resulting gain on disposal of KMG Retail LLP amounted to 17,481 million tenge.

KBTU JSC

As of December 31, 2018, KMG classified Kazakhstan-British University JSC (KBTU) as a discontinued operation. In January 2019, a sale agreement on 100% shares in KBTU between KMG and the Public Foundation “Nursultan Nazarbayev Education Fund” came into force. According to the terms of the agreement, the transfer of stake and payment of 11,370 million tenge for them are made in three tranches within two years. On February 6, 2019 KMG received a payment for the first 30% stake of 3,339 million tenge. KMG believes that it has lost control over KBTU due to transfer of 30% stake and the signing of the trust agreement for the remaining 70% stake.

At the date of loss control net assets of KBTU were as following:

<i>In millions of tenge</i>	Net assets at the date of disposal
Property, plant and equipment	6,367
Intangible assets	1,964
Bank deposits	2,091
Cash	4,732
Other current and non-current assets	1,097
	16,251
Current and non-current liabilities	5,030
	5,030
Net assets	11,221

The resulting gain on disposal of KBTU amounted to 149 million tenge and the loss incurred by KBTU for the period from January 1, 2019 until the date of disposal equaled to 143 million tenge were recognized in the profit from discontinued operations.

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, 2018 (audited)	1,081,676	787,813	1,551,204	263,204	394,602	116,561	44,124	275,986	4,515,170
Change in accounting policy (Note 2)	–	–	(524)	–	–	–	–	–	(524)
As at January 1, 2019 (restated)	1,081,676	787,813	1,550,680	263,204	394,602	116,561	44,124	275,986	4,514,646
Foreign currency translation	(6,277)	(399)	(5,456)	(610)	124	(525)	(97)	(196)	(13,436)
Change in estimate	3,724	1,420	–	8	–	–	–	–	5,152
Additions	14,923	239	104	284	3,802	1,002	808	128,063	149,225
Disposals	(2,717)	(450)	(2,572)	(5,404)	(3,519)	(3,162)	(3,353)	(407)	(21,584)
Depreciation charge	(44,791)	(14,586)	(57,903)	(8,654)	(19,465)	(6,072)	(4,695)	–	(156,166)
Accumulated depreciation and impairment on disposals	2,034	413	2,567	3,384	2,660	2,739	2,937	312	17,046
Impairment	–	(1)	–	(2,443)	(1,863)	(855)	(98)	(749)	(6,009)
Transfers from/(to) inventory, net	7	(22)	2,583	–	454	(10)	10	469	3,491
Transfers to assets classified as held for sale	–	–	(41)	(10,368)	(18,408)	(116)	(61)	–	(28,994)
Transfers (to)/from investment property	–	–	–	–	(32)	–	(77)	(7)	(116)
Transfers (to)/from intangible assets	–	–	–	–	–	–	68	(258)	(190)
Transfers from exploration and evaluation assets	1,821	–	–	–	–	–	–	1,044	2,865
Transfers and reclassifications	81,777	(925)	9,914	30,164	121,793	3,802	4,393	(250,918)	–
Net book value as at June 30, 2019 (unaudited)	1,132,177	773,502	1,499,876	269,565	480,148	113,364	43,959	153,339	4,465,930
At cost	2,244,709	985,486	2,379,094	536,804	820,694	235,043	122,775	202,966	7,527,571
Accumulated depreciation and impairment	(1,112,532)	(211,984)	(879,218)	(267,239)	(340,546)	(121,679)	(78,816)	(49,627)	(3,061,641)
Net book value as at June 30, 2019 (unaudited)	1,132,177	773,502	1,499,876	269,565	480,148	113,364	43,959	153,339	4,465,930
At cost	2,154,422	985,787	2,381,309	526,180	720,221	234,740	121,458	324,851	7,448,968
Accumulated depreciation and impairment	(1,072,746)	(197,974)	(830,105)	(262,976)	(325,619)	(118,179)	(77,334)	(48,865)	(2,933,798)
Net book value as at December 31, 2018 (audited)	1,081,676	787,813	1,551,204	263,204	394,602	116,561	44,124	275,986	4,515,170

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

5. PROPERTY, PLANT AND EQUIPMENT (continued)

For the six months ended June 30, 2019, additions to capital work in progress are mainly attributable to development drilling at Ozenmunaigas and Embamunaigas, the subsidiaries, and building of compressor stations of KTG, the subsidiary.

For the six months ended June 30, 2019, the Group capitalized in the carrying amount of property, plant and equipment borrowing costs at the weighted average interest rate of 3.42% in the amount of 2,014 million tenge related to the construction of new assets (for the six months ended June 30, 2018: 12,793 million tenge at the weighted average interest rate of 1.75%).

As at June 30, 2019 the cost of fully depreciated but still in use property, plant and equipment was 369,619 million tenge (as at December 31, 2018: 334,533 million tenge).

During the six months ended June 30, 2019, the Group recorded impairment loss of 6,009 million tenge, which is mainly attributable to Batumi Oil Terminal LLC, the cash-generating unit.

As at June 30, 2019, property, plant and equipment with the net book value of 1,080,179 million tenge (as at December 31, 2018: 1,108,419 million tenge) were pledged as collateral to secure borrowings and payables of the Group.

Capital commitments disclosed in *Note 24*.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (unaudited) (continued)**6. RIGHT-OF-USE ASSETS AND LEASE LIABILITIES**

<i>In millions of tenge</i>	Oil and gas assets	Pipelines	Refinery assets	Buildings and improve- ments	Machinery and equipment	Vehicles	Other	Total	Lease liabilities
As at December 31, 2018	–	–	–	–	–	–	–	–	9,206
Change in accounting policy (Note 2)	257	4,806	753	29,921	103	4,706	3,852	44,398	46,688
As at January 1, 2019 (restated) (unaudited)	257	4,806	753	29,921	103	4,706	3,852	44,398	55,894
Foreign currency translation	–	(49)	(8)	(232)	189	(1)	15	(86)	(642)
Additions	–	–	29	1,618	741	–	341	2,729	2,779
Depreciation charge	(14)	(754)	(178)	(3,091)	(99)	(672)	(814)	(5,622)	–
Change in estimate	–	(446)	–	–	–	–	–	(446)	(446)
Interest expense	–	–	–	–	–	–	–	–	1,985
Payments	–	–	–	–	–	–	–	–	(7,531)
Transfers and reclassifications	–	–	–	–	–	–	–	–	137
Net book value as at June 30, 2019 (unaudited)	243	3,557	596	28,216	934	4,033	3,394	40,973	–
As at June 30, 2019 (unaudited)	–	–	–	–	–	–	–	–	52,176
Minus the short-term portion of lease obligations	–	–	–	–	–	–	–	–	13,964
At cost	257	4,313	774	31,313	1,033	4,705	4,210	46,605	–
Accumulated depreciation and impairment	(14)	(756)	(178)	(3,097)	(99)	(672)	(816)	(5,632)	–
Net book value as at June 30, 2019 (unaudited)	243	3,557	596	28,216	934	4,033	3,394	40,973	–

For the six months ended June 30, 2019 the Group recognized in the consolidated statement of comprehensive income rent expense from short-term leases, leases of low-value assets and variable lease payments in the amount of 29,106 million tenge, 1,721 million tenge and 1,444 million tenge, respectively.

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

<i>In millions of tenge</i>	June 30, 2019 (unaudited)	December 31, 2018 (audited)
Denominated in US dollar	541,671	414,578
Denominated in tenge	63,721	22,031
Denominated in other currency	–	2,707
Less: allowance for expected credit loss	(679)	(560)
	604,713	438,756

As at June 30, 2019, the weighted average interest rate for long-term bank deposits was 1.08% in US dollars and 2.53% in tenge (as at December 31, 2018: 1.05% in US dollars and 3.73% in tenge).

As at June 30, 2019, the weighted average interest rate for short-term bank deposits was 2.73% in US dollars and 7.55% in tenge (as at December 31, 2018: 2.40% in US dollars, 8.20% in tenge and 0.06% in other foreign currencies).

<i>In millions of tenge</i>	June 30, 2019 (unaudited)	December 31, 2018 (audited)
Maturities under 1 year	553,920	386,459
Maturities between 1 and 2 years	152	155
Maturities over 2 years	50,641	52,142
	604,713	438,756

As at June 30, 2019 bank deposits include cash pledged as collateral of 49,187 million tenge (as at December 31, 2018: 51,538 million tenge), which are represented mainly by 37,269 million tenge (as at December 31, 2018: 37,729 million tenge) at restricted bank accounts designated as a liquidation fund per requirements of subsoil use contracts.

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

In millions of tenge	Main activity	Place of business	June 30, 2019 (unaudited)		December 31, 2018 (audited)	
			Carrying value	Percentage ownership	Carrying value	Percentage ownership
Joint ventures						
Tengizchevroil LLP (TCO)	Oil and gas exploration and production	Kazakhstan	2,176,013	20.00%	1,970,533	20.00%
Kashagan B.V.	Oil and gas exploration and production	Kazakhstan	2,035,095	50.00%	2,053,621	50.00%
Mangistau Investments B.V.	Oil and gas development and production	Kazakhstan	185,009	50.00%	138,549	50.00%
KazRosGas LLP	Processing and sale of natural gas and refined gas products	Kazakhstan	74,413	50.00%	65,116	50.00%
Beineu-Shymkent Pipeline LLP	Construction and operation of the gas pipeline	Kazakhstan	68,251	50.00%	34,411	50.00%
Asia Gas Pipeline LLP	Construction and operation of the gas pipeline	Kazakhstan	67,518	50.00%	–	50.00%
Ural Group Limited BVI	Oil and gas exploration and production	Kazakhstan	66,732	50.00%	70,874	50.00%
KazakhOil-Aktobe LLP (KOA)	Production of crude oil	Kazakhstan	23,181	50.00%	25,773	50.00%
Teniz Services LLP	Design, construction and operation of infrastructure facilities, support of offshore oil operations	Kazakhstan	21,105	48.996%	16,945	48.996%
KazGerMunay LLP	Oil and gas exploration and production	Kazakhstan	19,679	50.00%	38,349	50.00%
Valsera Holding BV	Oil refining	Kazakhstan	17,365	50.00%	23,790	50.00%
Other			31,556		28,258	
Associates						
Caspian Pipeline Consortium (CPC)	Transportation of liquid hydrocarbons	Kazakhstan / Russia	320,331	20.75%	289,586	20.75%
PetroKazakhstan Inc. (PKI)	Exploration, production and processing of oil and gas	Kazakhstan	118,556	33.00%	116,577	33.00%
Other			22,387		23,062	
			5,247,191		4,895,444	

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

As at June 30, 2019 the Group's share in unrecognized losses of joint ventures and associates was equal to 21,752 million tenge (as at December 31, 2018: 77,440 million tenge). Decrease in unrecognized losses is mainly attributable to the Group share in net comprehensive income of Asia Gas Pipeline LLP of 113,534 million tenge (Note 20).

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

The following table summarizes the movements in equity investments in joint ventures and associates during the six months ended June 30, 2019:

In millions of tenge

At December 31, 2018 (audited)	4,895,444
Share in profits of joint ventures and associates (Note 20)	443,885
Other changes in the equity of the joint venture	475
Dividends received	(42,306)
Change in dividends receivable	(4,075)
Adjustment of unrealized income (capitalized borrowing costs)	(2,252)
Foreign currency translation	(43,980)
At June 30, 2019 (unaudited)	5,247,191

On October 16, 2015, the Group sold 50% of its shares in KMG Kashagan B.V. to Samruk-Kazyna with a right to buy back all or part of the shares effective from January 1, 2018 to December 31, 2020 (further "Option"). On December 20, 2017, the exercise period for the call option was changed to January 1, 2020 and December 31, 2022.

The Amsterdam Court imposed certain restrictions on 50% of shares in Kashagan B.V. owned by Samruk-Kazyna (further restrictions). During the restriction period, these shares of Kashagan B.V. cannot be sold, transferred or pledged. As of June 30, 2019 the restrictions remained in force.

9. TRADE ACCOUNTS RECEIVABLE AND OTHER CURRENT ASSETS

<i>In millions of tenge</i>	June 30, 2019 (unaudited)	December 31, 2018 (audited)
Advances paid and prepaid expenses	107,531	96,510
Taxes receivable	36,495	35,556
Dividends receivable	19,230	15,848
Restricted cash	15,989	15,321
Other current assets	77,737	70,017
Less: allowance for impairment	(36,258)	(28,528)
Total other current assets	220,724	204,724
Trade accounts receivable	607,720	540,669
Less: allowance for expected credit losses	(47,545)	(46,692)
Trade accounts receivable	560,175	493,977

As at June 30, 2019 and December 31, 2018 the above assets were non-interest bearing. As at June 30, 2019 trade accounts receivable of 126,527 million tenge are pledged as collateral for liabilities of the Group (as at December 31, 2018: 72,695 million tenge). Movements in the allowance for expected credit losses of trade accounts receivable and other current assets were as follows:

In millions of tenge

At December 31, 2018 (audited)	75,220
Charge for the period	13,453
Recovered	(2,263)
Written-off	(1,651)
Transfers and reclassifications	34
Foreign currency translation	(990)
At June 30, 2019 (unaudited)	83,803

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(unaudited) (continued)****10. CASH AND CASH EQUIVALENTS**

<i>In millions of tenge</i>	June 30, 2019 (unaudited)	December 31, 2018 (audited)
Term deposits with banks – US dollars	247,632	743,646
Term deposits with banks – tenge	211,021	195,093
Current accounts with banks – US dollars	347,579	538,440
Current accounts with banks – tenge	69,336	39,137
Current accounts with banks – other currencies	9,469	9,658
Term deposits with banks – other currencies	5,814	3,492
Cash in transit	6,791	8,914
Cash-on-hand	1,736	1,204
Less: allowance for expected credit losses	(48)	(131)
	899,330	1,539,453
Cash and cash equivalents attributable to discontinued operations	–	6,395
	899,330	1,545,848

Term deposits with banks are made for varying periods of between one day and three months, depending on the immediate cash requirements of the Group. As at June 30, 2019 the weighted average interest rate for time deposits with banks was 2.42% in US dollars and 7.23% in tenge, respectively (as at December 31, 2018: 2.84% in US dollars, 7.58% in tenge, respectively).

As at June 30, 2019 cash and cash equivalents were not pledged as collateral.

11. EQUITY**Share capital and additional paid-in capital (APIC)**

During the six months, ended June 30, 2019 share capital and APIC remained unchanged. During the six months ended June 30, 2018, the Company issued 20,719,604 common shares. As consideration, the Company received from Samruk-Kazyna gas pipelines and associated facilities for 207,196 million tenge and cash in the amount 7 thousand tenge. These gas pipelines were recognized within APIC in 2014 based on trust management agreement, which serves as a temporary mechanism until legal title for pipelines is transferred to the Group. Accordingly, in 2018 the Group decreased APIC by the consideration amount, and recognized the fair value of these gas pipelines of 3,979 million tenge in APIC, as the legal title for pipelines is not yet transferred to the Group.

Transactions with Samruk-Kazyna

During the six months ended June 30, 2019, the Company provided to Samruk-Kazyna additional tranches of 27,533 million tenge under interest-free loan agreement signed on December 25, 2015, with a current maturity in 2022. The difference between the fair value and nominal value of additional tranche of 7,350 million tenge was recognized as transactions with Samruk-Kazyna in the interim condensed consolidated statement of changes in equity.

During the six months ended June 30, 2018, the Company extended the maturity period of the interest free loan to Samruk-Kazyna, and, accordingly, recognized modification of the debt. In addition, during the six months ended June 30, 2019 the Company provided an additional interest-free loan to Samruk-Kazyna. The effect of debt modification and the difference between fair value and its nominal value was 79,683 million tenge recognized as transaction with Samruk-Kazyna in the interim condensed consolidated statement of changes in equity.

Distributions to Samruk-Kazyna

During the six months ended June 30, 2019, the Company transferred to Samruk-Kazyna its non-core assets sale proceeds of 3,853 million tenge, which was recognized as distribution to Samruk-Kazyna, within the framework of Government decrees on transfer of KMG's non-core assets to the competitive environment and in accordance with the decision of the Management Board of Samruk-Kazyna.

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(unaudited) (continued)****11. EQUITY (continued)****Distributions to Samruk-Kazyna (continued)**

For the six months ended June 30, 2019, the Group fully settled its commitments of 20,900 million tenge for social facilities construction in Turkestan city recognized within distributions to Samruk-Kazyna in 2018. In addition, the Group transferred cash payments of 9,203 million tenge to fulfill its commitments of constructing Palace of martial arts in Astana city recognized within distributions to Samruk-Kazyna in 2016-2017.

For the six months ended June 30, 2018, distributions to Samruk-Kazyna, included results of operations of PSA LLP of 1,594 million tenge and the adjustment for the fair value of gas pipelines received as a payment for the issued common shares of 10 million tenge.

Dividends

For the six months ended June 30, 2019, the Group declared dividends to the non-controlling interests holders in KTO, KMGI and KMG EP (subsidiaries of the Company) in the amount of 4,137 million tenge (for the six months ended June 30, 2018: 6,201 million tenge to non-controlling interest holders in KMG EP and KTO).

For the six months ended June 30, 2019, based on the decision of Samruk-Kazyna and National Bank of the Republic of Kazakhstan, the Company declared dividends for 2018 of 60.64 tenge per common share in the total amount of 36,998 million tenge (for the six months ended June 30, 2018: 36,273 million tenge).

Share buyback of subsidiary – KMG EP

For the six months ended June 30, 2019, KMG EP made buyback of shares for 1,733 million tenge (for the six months ended June 30, 2018: 628,003 million tenge) as a part of the repurchasing program of all outstanding GDR and common shares quoted on KASE.

Book value per share

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

<i>In millions of tenge</i>	June 30, 2019 (unaudited)	December 31, 2018 (audited)
Total assets	13,880,886	14,015,281
Less: intangible assets	170,456	173,077
Less: total liabilities	6,209,516	6,872,213
Net assets	7,500,914	6,969,991
Number of ordinary shares	610,119,493	610,119,493
Book value per ordinary share, tenge	12,294	11,424

Earnings per share

<i>In millions of tenge</i>	For the six months ended June 30, 2019 (unaudited)	2018 (unaudited)
Weighted average number of common shares for basic and diluted earnings per share	610,119,493	592,853,156
Basic and diluted share in net profit for the period	0.00102	0.00061
Basic and diluted share profit from continuing operations	0.00102	0.00061

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

<i>In millions of tenge</i>	June 30, 2019 (unaudited)	December 31, 2018 (audited)
Fixed interest rate borrowings	3,051,403	3,029,688
Weighted average interest rates	5.39%	5.42%
Floating interest rate borrowings	943,913	1,123,550
Weighted average interest rates	6.03%	5.70%
	3,995,316	4,153,238

<i>In millions of tenge</i>	June 30, 2019 (unaudited)	December 31, 2018 (audited)
US dollar – denominated borrowings	3,736,230	3,927,512
Tenge-denominated borrowings	255,645	207,276
Euro-denominated borrowings	2,833	1,866
Borrowings denominated in other currencies	608	16,584
	3,995,316	4,153,238

<i>In millions of tenge</i>	June 30, 2019 (unaudited)	December 31, 2018 (audited)
Current portion	285,845	330,590
Non-current portion	3,709,471	3,822,648
	3,995,316	4,153,238

As at June 30, 2019 and December 31, 2018, the debt securities issued and loans comprised:

Bonds	Issuance amount	Redemption date	Interest	As at June 30, 2019 (unaudited)	As at December 31, 2018 (audited)
Bonds KASE 2009	120 billion KZT	2019	6M Libor + 8.5%	21,219	42,721
Bonds LSE 2013	1 billion USD	2023	4.40%	153,276	155,214
Bonds LSE 2014	1 billion USD	2044	6.00%	–	11,211
Bonds LSE 2017	1.25 billion USD	2047	5.75%	466,145	477,347
Bonds LSE 2017	1 billion USD	2027	4.75%	377,968	384,384
Bonds ISE 2017	0.75 billion USD	2027	4.375%	287,877	290,607
Bonds LSE 2017	0.5 billion USD	2022	3.88%	190,428	193,026
Bonds LSE 2018	0.5 billion USD	2025	4.75%	191,705	193,533
Bonds LSE 2018	1.5 billion USD	2048	6.375%	571,100	576,571
Bonds LSE 2018	1.25 billion USD	2030	5.375%	479,765	484,362
AIX 2019	56 billion KZT	2024	5.00%	58,415	–
Others				4,474	4,440
Total				2,802,372	2,813,416

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

Loans	Issuance amount	Redemption date	Interest	As at June 30, 2019 (unaudited)	As at December 31, 2018 (audited)
The Export-Import Bank of China (Eximbank)	1.13 billion USD	2027	6M Libor + 4.1%	372,128	398,978
The Syndicate of banks	560 million USD	2022	1M Libor + 2.75%, 1M Libor + 2.5%, 1M Robor + 2%, 3M Libor + 1.35% 1W Libor + 2.5% ON Libor + 2.5% ON Euribor + 2.5%	170,029	175,456
Development bank of Kazakhstan (DBK)	1.1 billion USD	2023-2025	6M Libor + 4.5%-5%	148,147	292,594
DBK	152 billion KZT	2022-2028	7%-10.2%	117,824	120,225
Loan from partners (Project Pearl)	Financing for share of costs KMT in execution of subsoil exploration use contract	From beginning of commercial	6M Libor + 1%	107,694	106,246
European Bank for Reconstruction and Development	68 billion KZT	2023	3M CPI + 50 basis points + 3.15%	48,651	54,408
Japan Bank for International Cooperation	297.5 million USD	2025	2.19% + CIRR, 6M Libor + 1.10%	70,271	76,452
Halyk bank JSC	150 million USD	2024	5%	58,243	-
Natixis	300 million USD	2020	COF (2.53%) + 2.5%	26,951	-
BNP Paribas	368 million USD	2020	COF (3.65%) + 2.25%	23,655	25,199
European Bank for Reconstruction and Development	39 billion KZT	2026	6M CPI + 100 basis points + 3.15%	19,000	20,359
Club loan (Raiffeisen/BCR/ING/Unicredit)	200 million USD	2019	3M Libor + 2.5%	-	17,684
Halyk bank JSC	100 million USD	2020	5%	-	26,939
Other	-	-	-	30,351	25,282
Total				1,192,944	1,339,822

On January 10, 2019, Atyrau Refinery LLP (ANPZ) issued bonds at the Astana International Exchange for the total amount of 56,223 million tenge (equivalent to 150 million US dollars) with interest rate of 5% and maturity of 5 years. On January 10, 2019, Samruk-Kazyna JSC purchased these bonds for 56,223 million tenge (*Note 22*).

On January 11, 2019, ANPZ received loan from Halyk bank JSC of 150 million US dollars (equivalent to 56,195 million tenge), with 5% interest rate and maturity of 5 years.

Funds raised from the abovementioned loans in the total amount of 300 million US dollars (equivalent to 113,016 million tenge) was used to make an early repayment of loan principal of ANPZ borrowings from DBK raised to finance a strategic investment project – construction of aromatic hydrocarbons production unit. During the six months ended June 30, 2019, the Group made an additional redemption of borrowings from DBK for 41,974 million tenge, including accrued interest, and partial redemption of 8 million bonds held by DBK (Bonds KASE 2009) for 22,284 million tenge, including accrued interest (*Note 22*).

On January 15, 2019, ANPZ made partial repayment of the loan from Eximbank for 37,428 million tenge, including accrued interest.

In February-March 2019, ANPZ made early repayment of the loan from Halyk bank JSC for 70 million US dollars (equivalent to 26,692 million tenge), including accrued interest.

In May 2019, KMG International N.V. made an early full repayment of the loan (Raiffeisen Bank International AG, Banca Commercial Romana, ING Bank Amsterdam, Bucharest branch, Unicredit Tiriatic Bank SA) for 47 million US dollars (equivalent to 17,739 million tenge), including accrued interest.

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(unaudited) (continued)****12. BORROWINGS (continued)****Hedge of net investment in the foreign operations**

As at June 30, 2019 certain borrowings denominated in foreign currency were designated as hedge instrument for the net investment in the foreign operations. For the six months, ended June 30, 2019 income of 24,092 million tenge (for the six months ended June 30, 2018 loss of 81,492 million tenge) on the translation of these borrowings were transferred to other comprehensive income and offset the loss 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 June 30, 2019 and December 31, 2018, the Group complied with all financial and non-financial covenants.

13. OIL SUPPLY AGREEMENT

In 2016, the Group entered into long-term crude oil and liquefied petroleum gas ("LPG") supply agreement, which involves a prepayment. The total minimum delivery volume approximates 38.4 million tons of crude oil and 1.25 million ton of LPG in the period from the date of the contract to June and August 2021.

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

Prepayments for oil represent contract liability and accounted for in accordance with IFRS 15.

As at June 30, 2019, the Group has partially settled the prepayments by oil supply in the total amount of 1,203 million US dollars (equivalent to 456,400 million tenge). Also the Group accrued interest in amount of 15,368 million tenge with interest rate of LIBOR + 1.85% (Note 19).

As at June 30, 2019, the remaining delivery commitment of the Group under the oil supply agreement equals to 11 million tons.

14. TRADE ACCOUNTS PAYABLE AND OTHER CURRENT LIABILITIES

<i>In millions of tenge</i>	June 30, 2018 (unaudited)	December 31, 2018 (audited)
Contract liabilities	56,551	106,385
Due to employees	47,986	51,362
Dividends payable	43,043	1,750
Other	52,388	74,836
Total other current liabilities	199,968	234,333
Trade accounts payable	583,441	632,739

Trade accounts payable are denominated in the following currencies as at June 30, 2019 and as at December 31, 2018:

<i>In millions of tenge</i>	June 30, 2018 (unaudited)	December 31, 2018 (audited)
Tenge	204,138	260,094
US dollars	326,397	301,784
Romanian leu	35,973	45,125
Euro	3,739	7,188
Other currency	13,194	18,548
Total	583,441	632,739

As at June 30, 2019 and December 31, 2018 trade accounts payable and other current liabilities were non-interest bearing.

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(unaudited) (continued)****15. REVENUE**

<i>In millions of tenge</i>	For the three months ended June 30,		For the six months ended June 30,	
	2019 (unaudited)	2018 (unaudited)	2019 (unaudited)	2018 (unaudited)
Sales of crude oil, gas and gas refining products	941,807	1,141,647	2,023,557	1,995,686
Sales of refined products	650,496	711,360	1,271,554	1,253,146
Oil and gas transportation services	81,393	77,138	159,767	160,575
Refining of oil and oil products	45,348	44,383	96,298	86,696
Other revenue	68,176	52,954	124,970	95,327
Quality bank for crude oil	(6,674)	(4,427)	(7,676)	(7,040)
Less: sales taxes and commercial discounts	(143,237)	(131,146)	(265,890)	(228,130)
	1,637,309	1,891,909	3,402,580	3,356,260
Geographical markets				
Kazakhstan	274,707	261,394	590,896	550,028
Other countries	1,362,602	1,630,515	2,811,684	2,806,232
	1,637,309	1,891,909	3,402,580	3,356,260

16. COST OF SALES

<i>In millions of tenge</i>	For the three months ended June 30,		For the six months ended June 30,	
	2019 (unaudited)	2018 (unaudited)	2019 (unaudited)	2018 (unaudited)
Crude oil, gas and gas refining products	570,484	912,458	1,313,947	1,453,297
Materials and supplies	277,303	141,966	546,224	416,670
Depreciation, depletion and amortization	74,539	59,550	148,406	117,056
Oil products for resale	27,477	203,653	81,905	265,439
Payroll	72,508	71,430	151,107	146,221
Electricity	20,398	8,219	42,785	28,237
Mineral extraction tax	19,853	32,436	50,566	58,041
Other taxes	16,923	16,370	33,815	33,932
Transportation costs	7,033	2,650	14,344	7,003
Repair and maintenance	11,190	6,753	18,993	15,286
Other	62,688	32,635	109,487	73,343
	1,160,396	1,488,120	2,511,579	2,614,525

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(unaudited) (continued)****17. GENERAL AND ADMINISTRATIVE EXPENSES**

<i>In millions of tenge</i>	For the three months ended June 30,		For the six months ended June 30,	
	2019 (unaudited)	2018 (unaudited)	2019 (unaudited)	2018 (unaudited)
Payroll	19,961	16,840	36,736	33,272
Allowance for VAT receivable	11,008	1,153	11,008	1,126
Depreciation and amortization	5,430	5,635	10,737	11,259
Consulting services	4,533	5,964	8,726	10,378
Allowance for impairment of other current assets	8,725	968	8,715	2,273
Other taxes	2,528	3,064	5,784	5,176
Allowance for fines, penalties and tax provisions	3,256	6,095	3,598	6,472
Allowance for impairment of trade accounts receivable	1,092	1,127	2,475	1,861
Social payments, out of payroll	1,056	9,116	1,965	11,544
Rent of property, plant and equipment and intangible assets	610	1,736	1,126	2,845
Other	11,841	13,435	19,830	22,817
	70,040	65,133	110,700	109,023

18. TRANSPORTATION AND SELLING EXPENSES

<i>In millions of tenge</i>	For the three months ended June 30,		For the six months ended June 30,	
	2019 (unaudited)	2018 (unaudited)	2019 (unaudited)	2018 (unaudited)
Transportation	88,578	72,347	189,524	146,662
Rent tax on crude oil export	34,798	38,287	68,969	67,348
Customs duty	33,000	28,902	66,645	58,208
Payroll	3,963	4,046	8,200	7,637
Depreciation and amortization	3,284	2,636	6,886	5,524
Other	7,527	9,624	17,899	18,545
	171,150	155,842	358,123	303,924

19. FINANCE INCOME / FINANCE COSTS**Finance income**

<i>In millions of tenge</i>	For the three months ended June 30,		For the six months ended June 30,	
	2019 (unaudited)	2018 (unaudited)	2019 (unaudited)	2018 (unaudited)
Interest income on bank deposits, loans and bonds	24,750	29,224	50,356	55,337
Derecognition of loan	21	51,803	546	51,803
Other	7,419	18	10,894	4,214
	32,190	81,045	61,796	111,354

As of June 30, 2018, the Company fully derecognized a loan from ONGC Videsh, the partner at Satpayev project, for 51,214 million tenge, including interest. The derecognition of the loan occurred due to termination of the Satpayev subsoil use contract, upon which all Group debts are waived in accordance with the Satpayev production sharing agreement terms.

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(unaudited) (continued)****19. FINANCE INCOME / FINANCE COSTS (continued)****Finance costs**

<i>In millions of tenge</i>	For the three months ended June 30,		For the six months ended June 30,	
	2019 (unaudited)	2018 (unaudited)	2019 (unaudited)	2018 (unaudited)
Interest on loans and debt securities issued	55,167	79,017	113,083	138,461
Interest under oil supply agreement (Note 13)	6,576	8,928	15,368	16,838
Unwinding of discount on asset retirement obligations and environmental obligations	3,349	2,715	6,332	5,506
Adjustment of the fair value of loans issued	37	–	2,836	–
Bonds redemption fee	–	89,612	2,316	89,612
Discount on assets with non-market interest rate	1,195	1,740	1,305	2,578
Impairment of bank deposits	203	120	387	534
Impairment of loans receivable to related parties	42	820	85	820
Other	8,885	14,274	19,135	23,177
	75,454	197,226	160,847	277,526

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

<i>In millions of tenge</i>	For the three months ended June 30,		For the six months ended June 30,	
	2019 (unaudited)	2018 (unaudited)	2019 (unaudited)	2018 (unaudited)
Tengizchevroil LLP (TCO)	117,883	115,048	223,618	219,804
Asian Gas Pipeline LLP (AGP)	36,662	–	67,518	–
Mangistau Investments B.V.	22,973	26,175	46,242	47,517
Beineu-Shymkent Gas Pipeline	10,584	(5,303)	33,840	11,564
Caspian Pipeline Consortium	15,876	12,934	33,396	24,487
KazGerMunay LLP	5,067	4,477	11,862	11,436
KazRosGas LLP (KRG)	9,606	5,582	11,243	(403)
Teniz Service LLP	4,917	7,438	8,570	8,198
Kazakhoil-Aktobe LLP	3,258	2,631	4,908	4,232
PetroKazakhstan Inc.	1,071	4,422	2,948	8,008
Kashagan B.V.	(3,847)	5,041	1,328	14,644
Ural Group Limited	(1,859)	(1,420)	(3,665)	(10,436)
Valsera Holdings B.V.	(550)	(7,617)	(3,389)	(6,302)
Share in profit of other joint ventures and associates	4,587	3,217	6,831	4,570
	226,228	172,625	445,250	337,319

Accumulated unrecognized share in losses of AGP was fully recovered during the six months of 2019 by 46.016 million tenge.

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(unaudited) (continued)****21. INCOME TAX EXPENSE**

<i>In millions of tenge</i>	For the three months ended June 30,		For the six months ended June 30,	
	2019 (unaudited)	2018 (unaudited)	2019 (unaudited)	2018 (unaudited)
Current income tax				
Corporate income tax	43,811	36,760	71,853	63,449
Excess profit tax	7,256	(696)	7,342	(3,460)
Withholding tax on dividends and interest income	3,010	9,152	6,485	12,582
Deferred income tax				
Corporate income tax	8,081	(3,847)	23,408	10,490
Excess profit tax	96	(298)	103	(7,887)
Withholding tax on dividends and interest income	20,799	26,722	33,543	33,638
Income tax expense	83,053	67,793	142,734	108,812

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 June 30, 2019 and December 31, 2018:

<i>In millions of tenge</i>		Due from related parties	Due to related parties	Cash and deposits placed with related parties	Borrowings payable to related parties
Samruk-Kazyna entities	June 30, 2019	300,105	36,066	–	58,415
	December 31, 2018	268,396	3,656	52	–
Associates	June 30, 2019	91,229	829	–	–
	December 31, 2018	116,670	2,089	–	–
Other related parties	June 30, 2019	341	7,091	–	287,189
	December 31, 2018	157	8,813	–	455,540
Joint ventures	June 30, 2019	524,974	155,845	–	–
	December 31, 2018	508,260	174,042	–	–

Due from/to related parties

As at June 30, 2019 increase in due from Samruk-Kazyna entities is mainly due to additional financial aid provided to Samruk-Kazyna for total amount of 27,533 million tenge (Note 11).

As at June 30, 2019 changes in due from associates were mainly related to the repayment of interest of the right to claim payments under “Kazakhstan Note” of 20,889 million tenge.

As at June 30, 2019 increase in due to Samruk-Kazyna entities is attributable to that, the Company declared dividends to Samruk-Kazyna for 2018 for 33,455 million tenge.

As at June 30, 2019 increase in due from joint ventures is mainly due to increase in advances paid to TCO for crude oil by 9,628 million tenge and increase in dividends receivable from joint ventures. Decrease in due to joint ventures is primarily attributable to decrease of trade accounts payable for gas purchased from KRG by 37,289 million tenge, partially offset by increase in payables due to AGP for gas transportation by 16,009 million tenge.

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(unaudited) (continued)****22. RELATED PARTY DISCLOSURES (continued)****Borrowings payable to related parties**

Increase in borrowings from Samruk-Kazyna entities is primarily due to that Samruk-Kazyna purchased bonds placed by ANPZ for 56,223 million tenge (*Note 12*).

Decrease in borrowings from other related parties is mainly related to Group repayment of loans and bonds held by DBK for total amount of 177,274 million tenge, including interest (*Note 12*).

The following table provides the total amount of transactions, which have been entered into with related parties during six months ended June 30, 2019 and 2018:

<i>In millions of tenge</i>	Six months ended	Sales to related parties	Purchases from related parties	Interest earned from related parties	Interest incurred to related parties
Samruk-Kazyna entities	June 30, 2019	22,441	9,932	11,242	1,357
	June 30, 2018	34,977	12,967	13,232	–
Associates	June 30, 2019	3,554	14,427	5,054	–
	June 30, 2018	15,639	29,447	5,279	–
Other related parties	June 30, 2019	5,313	1,238	–	12,838
	June 30, 2018	–	7,988	–	14,058
Joint ventures in which the Group is a venturer	June 30, 2019	152,759	778,917	15,187	464
	June 30, 2018	141,896	715,742	15,440	196

Purchases from related parties

The increase in purchases from related parties is primarily driven by increase in the volume of oil purchased from TCO in order to promptly settle Group commitments under oil supply agreement (*Note 13*), and increased purchases of gas transportation services from AGP by 28,430 million tenge and 18,188 million tenge, respectively.

Key management employee compensation

Total compensation to key management personnel included in general and administrative expenses in the accompanying interim consolidated statement of comprehensive income was equal to 4,029 million tenge and 3,935 million tenge for the six months ended June 30, 2019 and 2018, respectively. Compensation to key management personnel consists of contractual salary and performance bonus based on operating results.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (unaudited) (continued)**23. FINANCIAL INSTRUMENTS****Fair values of financial instruments and investment property**

The carrying amount of the Group financial instruments as at June 30, 2019 and December 31, 2018 are reasonable approximation of their fair value, except for the financial instruments disclosed below:

<i>In millions of tenge</i>	June 30, 2019					December 31, 2018				
	Carrying amount	Fair value	Fair value by level of assessment			Carrying amount	Fair value	Fair value by level of assessment		
			Level 1	Level 2	Level 3			Level 1	Level 2	Level 3
As at June 30 (unaudited)										
Bonds receivable from the Samruk-Kazyna	15,476	19,930	–	19,930	–	15,314	20,444	–	20,444	–
Debts issued to related parties at amortized cost	501,396	504,238	–	504,238	–	491,956	484,657	–	484,657	–
Fixed interest rate borrowings	3,051,403	3,353,028	3,033,832	319,196	–	3,029,688	2,972,627	2,726,332	246,295	–

The fair value of bonds receivable from the Samruk-Kazyna and other debt instruments have been calculated by discounting the expected future cash flows at market interest rates.

There were no transfers between Level 1 and Level 2 during the reporting period, and no transfers into or out of Level 3 the fair value measurement.

As at June 30, 2019 investment property's fair value approximates its carrying amount at 23,972 million tenge (December 31, 2018: 24,188 million tenge).

All financial instruments for which fair value is recognized or disclosed are categorized within the fair value hierarchy, based on the lowest level input that is significant to the fair value measurement as a whole, as follows:

- Level 1 – quoted (unadjusted) market prices in active markets for identical assets or liabilities;
- Level 2 – valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable;
- Level 3 – valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For assets and liabilities that are recognized at fair value on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

There were no changes in the Group's valuation processes, valuation techniques, and types of inputs used in the fair value measurements during the period.

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(unaudited) (continued)****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, 2018, the following changes have taken place during the six months ended June 30, 2019:

Kazakhstan local market obligation

During six months ended June 30, 2019, in accordance with its obligations, the Group delivered 3,052 thousand tons of crude oil (six months ended June 30, 2018: 3,034 thousand tons), including joint ventures, to the Kazakhstan market.

Commitments under subsoil use contracts

As at June 30, 2019, 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
2019	145,547	13,695
2020	18,255	4,969
2021	12,808	3,907
2022	10,915	4,785
2023-2048	8,004	26,660
Total	195,529	54,016

Oil supply commitments

As of June 30, 2019 the Group had commitments under the oil supply agreements in the total amount of 17.7 million ton (as at December 31, 2018: 22.6 million ton), including commitments of joint venture.

Other contractual commitments

As at June 30, 2019, the Group had other capital commitments of approximately 517,106 million tenge (as at December 31, 2018: 620,057 million tenge), including joint ventures, related to acquisition and construction of property, plant and equipment.

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 June 30, 2019 and for the six months then ended:

<i>In millions 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	KazMunayGas	Other	Elimination	Total
Revenues from sales to external customers	50,709	116,714	523,129	2,552,475	150,338	9,215	-	3,402,580
Revenues from sales to other segments	695,450	53,556	590	286,669	64,837	7,438	(1,108,540)	-
Total revenue	746,159	170,270	523,719	2,839,144	215,175	16,653	(1,108,540)	3,402,580
Gross profit	412,505	71,029	267,692	128,424	52,340	5,187	(46,176)	891,001
Finance income	47,405	3,608	10,103	24,432	153,362	193	(177,307)	61,796
Finance costs	(11,375)	(3,595)	(20,630)	(69,866)	(129,644)	(4,106)	78,369	(160,847)
Depreciation, depletion and amortization	(50,565)	(20,438)	(20,612)	(70,952)	(1,115)	(3,802)	-	(167,484)
Impairment of property, plant and equipment, exploration and evaluation assets and intangible assets other than goodwill	(19,310)	(5,509)	(110)	35	(343)	(3)	-	(25,240)
Share in profit of joint ventures and associates, net	296,806	34,353	112,592	(2,250)	-	3,749	-	445,250
Income tax expenses	(89,590)	(13,617)	(22,098)	(11,735)	(4,821)	(244)	(629)	(142,734)
Net profit for the period	474,324	79,050	181,976	29,694	(42,822)	(6,923)	(92,895)	622,404
Other segment information								
Investments in joint ventures and associates	4,650,869	336,580	211,240	42,508	2	5,992	-	5,247,191
Capital expenditures	87,104	14,348	40,306	20,325	4,161	492	-	166,736
Allowances for obsolete inventories, doubtful accounts receivable, advances paid, and other assets	(5,273)	(4,708)	(10,451)	(61,294)	(18,873)	(7,536)	-	(108,135)
Assets of the segment	7,545,021	1,073,833	1,941,851	3,312,246	1,704,924	121,341	(1,818,330)	13,880,886
Liabilities of the segment	825,908	229,204	886,487	2,219,382	3,716,949	52,536	(1,720,950)	6,209,516

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, 2018 and for the six months ended June 30, 2018:

<i>In millions 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	KazMunayGas	Other	Elimination	Total
Revenues from sales to external customers	48,153	98,893	428,087	2,772,003	–	9,124	–	3,356,260
Revenues from sales to other segments	507,675	23,394	707	777,384	–	7,238	(1,316,398)	–
Total revenue	555,828	122,287	428,794	3,549,387	–	16,362	(1,316,398)	3,356,260
Gross profit	262,420	52,762	212,761	270,599	–	6,635	(63,442)	741,735
Finance income	12,486	3,096	9,651	23,834	109,341	637	(47,691)	111,354
Finance costs	(12,024)	(4,802)	(24,193)	(52,399)	(227,790)	(3,881)	47,563	(277,526)
Depreciation, depletion and amortization	(40,755)	(19,368)	(17,840)	(52,455)	(1,044)	(3,992)	–	(135,454)
Impairment of property, plant and equipment, exploration and evaluation assets and intangible assets other than goodwill	(812)	(3,638)	–	95	(34,539)	(807)	–	(39,701)
Share in profit of joint ventures and associates, net	303,559	25,869	11,177	(3,700)	–	414	–	337,319
Income tax expenses	(71,309)	(10,972)	(19,277)	(3,556)	(3,349)	(349)	–	(108,812)
Net profit for the period	241,851	56,264	69,216	127,823	(106,236)	134	(29,345)	359,707
Other segment information								
Investments in joint ventures and associates	4,437,631	304,880	100,631	49,493	2	2,807	–	4,895,444
Capital expenditures	78,987	32,559	13,161	47,722	4,146	511	–	177,086
Allowances for obsolete inventories, doubtful accounts receivable, advances paid, and other assets	(5,465)	(4,240)	(8,805)	(64,773)	(20,330)	162	–	(103,451)
Assets of the segment	7,277,806	1,021,946	1,820,133	4,013,226	1,803,259	157,463	(2,078,552)	14,015,281
Liabilities of the segment	804,510	210,930	950,954	2,761,445	4,055,671	73,127	(1,984,424)	6,872,213

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

26. SUBSEQUENT EVENTS

New subsoil use contract

On July 26, 2019, Ministry of Energy of the Republic of Kazakhstan., Eni S.p.A. and the Company signed – off a subsoil use contract on the Abai oil field, offshore area of the Kazakhstan sector of the Caspian Sea.

Repayment of loans and borrowings

The Company made a full repayment of bonds placed by DBK for 21,584 million tenge, including coupon, on July 19, 2019.

ANPZ made partial redemption of its following borrowings:

- On July 11, 2019, the loan from Halyk Bank JSC for 7,214 million tenge, including interest.
- On July 16, 2019, the loan from Eximbank for 37,538 million tenge, including interest.
- On July 16, 2019, bonds placed by Samruk-Kazyna for 7,226 million tenge, including coupon.
- On July 22, 2019, bonds placed by DBK for 17,507 million tenge, including coupon.

Oil supply agreement

On July 31, 2019, the Group made an early settlement of the prepayments on oil supply agreement for 220 million US dollars (equivalent to 84,560 million tenge on the transaction date).

Financial guarantee

On August 14, 2019, the Company and KTG issued a joint financial guarantee on a parity basis for the loan obtained by the Group JV, Beineu-Shymkent gas pipeline LLP, from the foreign Syndicate of banks for 720 million US dollars.