

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(unaudited)****For the six months ended June 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 June 30, 2018 Samruk-Kazyna and National Bank of RK own 90.43% and 9.57% of the Company’s shares, respectively.

As at June 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 August 15, 2018.

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

The interim condensed consolidated financial statements for the three and six months ended June 30, 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 June 30, 2018 and December 31, 2017 were 341.08 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 June 30, 2018 and December 31, 2017. The currency exchange rate of KASE as at August 15, 2018 was 361.66 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)	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	3,810,351,341	(3,236,742)	3,807,114,599
Loans and receivables due from related parties	672,448,689	(2,966,979)	669,481,710
Other non-current assets	14,027,609	(2,564)	14,025,045
Current assets			
Trade accounts receivable	306,324,631	(3,651,747)	302,672,884
<i>At cost</i>	<i>317,477,806</i>	–	<i>317,477,806</i>
<i>Less: allowance for impairment</i>	<i>(11,153,175)</i>	<i>(3,651,747)</i>	<i>(14,804,922)</i>
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	167,916,249	(6,232)	167,910,017
<i>At cost</i>	<i>185,831,145</i>	–	<i>185,831,145</i>
<i>Less: allowance for impairment</i>	<i>(17,914,896)</i>	<i>(6,232)</i>	<i>(17,921,128)</i>
Cash and cash equivalents	1,190,156,359	(17,191)	1,190,139,168
Equity and liabilities			
Equity			
Retained earnings	3,500,635,709	(11,612,476)	3,489,023,233
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*.

3. SEASONALITY OF OPERATIONS

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (unaudited) (continued)**4. RESTATEMENTS**

As at June 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.

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.

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

<i>In thousands of tenge</i>	For the three months ended June 30, 2017			For the six months ended June 30, 2017		
	Before restatement	Restatement	After restatement	Before restatement	Restatement	After restatement
Revenue	551,964,456	454,685,018	1,006,649,474	1,143,864,345	927,057,720	2,070,922,065
Cost of sales	(467,702,172)	(279,181,200)	(746,883,372)	(977,661,272)	(596,205,938)	(1,573,867,210)
Gross profit	84,262,284	175,503,818	259,766,102	166,203,073	330,851,782	497,054,855
General and administrative expenses	(9,364,875)	(12,234,027)	(21,598,902)	(32,269,212)	(21,717,676)	(53,986,888)
Transportation and selling expenses	(65,512,499)	(18,203,549)	(83,716,048)	(132,846,145)	(60,183,804)	(193,029,949)
Impairment of property, plant and equipment, exploration and evaluation assets and intangible assets, other than goodwill	(2,829,936)	126	(2,829,810)	(2,971,703)	(426,935)	(3,398,638)
Loss on disposal of property, plant and equipment, intangible assets and investment property, net	(677,037)	–	(677,037)	(1,020,522)	–	(1,020,522)
Other operating income	2,515,644	2,222,808	4,738,452	5,733,211	2,222,808	7,956,019
Other operating expenses	(10,522,729)	(28,262)	(10,550,991)	(14,085,447)	(111,096)	(14,196,543)
Operating (loss)/profit	(2,129,148)	147,260,914	145,131,766	(11,256,745)	250,635,079	239,378,334
Net foreign exchange gain	44,296,779	294,618	44,591,397	18,658,552	61,266	18,719,818
Finance income	29,386,657	147,151	29,533,808	56,694,233	299,604	56,993,837
Finance costs	(78,436,001)	(2,700,092)	(81,136,093)	(138,114,147)	(5,255,366)	(143,369,513)
Reversal of impairment of investments in joint ventures	–	–	–	14,686,162	–	14,686,162
Net loss on acquisition on subsidiary	(3,249,292)	–	(3,249,292)	(3,249,292)	–	(3,249,292)
Share in profit of joint ventures and associates, net	93,545,359	–	93,545,359	179,460,566	221,105	179,681,671
Profit before income tax	83,414,354	145,002,591	228,416,945	116,879,329	245,961,688	362,841,017
Income tax expense	(57,983,557)	521,805	(57,461,752)	(90,844,654)	1,008,171	(89,836,483)
Profit for the period from continuing operations	25,430,797	145,524,396	170,955,193	26,034,675	246,969,859	273,004,534

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (unaudited) (continued)**4. RESTATEMENTS (continued)**

<i>In thousands of tenge</i>	For the three months ended June 30, 2017			For the six months ended June 30, 2017		
	Before restatement	Restatement	After restatement	Before restatement	Restatement	After restatement
Discontinued operations						
Profit/(loss) after income tax for the period from discontinued operations	145,988,797	(147,371,971)	(1,383,174)	248,347,479	(249,062,143)	(714,664)
Net profit for the period	171,419,594	(1,847,575)	169,572,019	274,382,154	(2,092,284)	272,289,870
Net profit for the period attributable to:						
Equity holders of the Parent Company	140,513,022	(1,847,575)	138,665,447	242,814,392	(2,092,284)	240,722,108
Non-controlling interests	30,906,572	–	30,906,572	31,567,762	–	31,567,762
	171,419,594	(1,847,575)	169,572,019	274,382,154	(2,092,284)	272,289,870

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

4. RESTATEMENTS (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 (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)**5. PROPERTY, PLANT AND EQUIPMENT**

<i>In thousands of tenge</i>	Oil and gas assets	Pipelines	Refinery assets	Buildings and improvements	Machinery and equipment	Vehicles	Other	Capital work in progress	Total
Net book value as at December 31, 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	15,272,328	950,589	12,679,162	1,347,362	1,225,718	1,107,305	415,249	276,989	33,274,702
Change in estimate	(1,280,024)	838,325	–	(493)	–	–	–	–	(442,192)
Additions	7,985,017	4,167,489	4,964,640	546,682	2,578,404	4,053,338	1,021,149	133,777,323	159,094,042
Disposals	(5,391,001)	(1,453,543)	(841,420)	(3,888,049)	(1,803,929)	(1,072,349)	(1,935,592)	(535,795)	(16,921,678)
Loss of control on subsidiary	–	–	–	–	–	–	(246,353)	–	(246,353)
Depreciation charge	(35,673,099)	(14,296,087)	(42,828,406)	(9,495,925)	(18,009,605)	(6,257,739)	(4,112,715)	–	(130,673,576)
Accumulated depreciation and impairment on disposals	4,163,567	1,264,516	839,608	1,672,326	1,419,650	959,788	1,498,400	516,466	12,334,321
Impairment	(1,472,244)	(1,083)	–	(1,373,086)	(1,355,363)	(744,677)	34,773	(172,363)	(5,084,043)
Transfers (to)/from inventory, net	17,620	(31,836)	85,361	(4,069)	(84,211)	21,244	(21,637)	1,228,969	1,211,441
Transfers (to)/from intangible assets	–	–	–	–	–	–	844	(176,430)	(175,586)
Transfers to assets classified as held for sale	–	–	(56,945)	–	–	(159,026)	–	–	(215,971)
Transfers to investment property	–	–	–	–	–	–	–	(167,632)	(167,632)
Transfers from exploration and evaluation assets	34,500	–	–	–	–	–	–	–	34,500
Transfers and reclassifications	38,358,026	6,526,668	32,459,203	5,643,060	16,866,893	25,930,735	5,409,372	(131,193,957)	–
Net book value as at June 30, 2018 (unaudited)	986,836,367	775,651,492	999,994,176	284,590,000	390,664,247	97,873,639	44,824,135	551,752,403	4,132,186,459
At cost	1,995,270,648	959,673,693	1,710,115,405	534,138,281	687,203,707	206,778,099	119,453,074	596,522,493	6,809,155,400
Accumulated depreciation and impairment	(1,008,434,281)	(184,022,201)	(710,121,229)	(249,548,281)	(296,539,460)	(108,904,460)	(74,628,939)	(44,770,090)	(2,676,968,941)
Net book value as at June 30, 2018 (unaudited)	986,836,367	775,651,492	999,994,176	284,590,000	390,664,247	97,873,639	44,824,135	551,752,403	4,132,186,459
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 six months ended June 30, 2018, the Group capitalized in the carrying amount of property, plant and equipment borrowing costs at the average interest rate of 1.75% in the amount of 12,793,126 thousand tenge which are related to the construction of new assets (for the six months ended June 30, 2017: 11,801,643 thousand tenge at the average interest rate of 0.97%).

During the six months ended June 30, 2018, the Group recorded net impairment loss of 5,084,043 thousand tenge, which is mainly attributable to impairment of property, plant and equipment of KTO, located in Georgia, in the total amount of 3,632,009 thousand tenge.

As at June 30, 2018, items of property, plant and equipment with the net book value of 973,851,616 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 capital repair of main gas pipelines of Intergas Central Asia JSC, the subsidiary of KTG and modernization projects of the Group refineries located in Atyrau.

As at June 30, 2018 the cost of fully depreciated but still in use property, plant and equipment were 296,993,225 thousand tenge (as at December 31, 2017: 290,360,193 thousand tenge).

6. BANK DEPOSITS

<i>In thousands of tenge</i>	June 30, 2018 (unaudited)	December 31, 2017 (audited)
Denominated in US dollar	486,860,261	1,656,762,879
Denominated in tenge	17,796,897	28,228,345
Denominated in other currency	2,478,966	2,472,452
Less: allowance for impairment	(517,637)	–
	506,618,487	1,687,463,676

As at June 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 50,597 thousand tenge.

As at June 30, 2018, the weighted average interest rate for long-term bank deposits was 1.07% in US dollars and 2.01% in tenge, respectively (as at December 31, 2017: 1.07% in US dollars and 2.29% in tenge, respectively).

As at June 30, 2018, the weighted average interest rate for short-term bank deposits was 2.01% in US dollars, 7.17% 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).

<i>In thousands of tenge</i>	June 30, 2018 (unaudited)	December 31, 2017 (audited)
Maturities under 1 year	456,632,212	1,638,940,642
Maturities between 1 and 2 years	39,843	835,902
Maturities over 2 years	49,946,432	47,687,132
	506,618,487	1,687,463,676

As at June 30, 2018 bank deposits include cash pledged as collateral of 49,180,273 thousand tenge (as at December 31, 2017: 62,731,076 thousand tenge), which are represented mainly by 37,642,436 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**

<i>In thousands of tenge</i>	Main activity	Place of business	June 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	1,804,747,740	50.00%	1,743,495,073	50.00%
Tengizchevroil LLP	Oil and gas exploration and production	Kazakhstan	1,577,336,876	20.00%	1,353,084,254	20.00%
Mangistau Investments B.V.	Oil and gas development and production	Kazakhstan	183,430,858	50.00%	135,780,525	50.00%
Ural Group Limited BVI	Oil and gas exploration and production	Kazakhstan	69,798,015	50.00%	78,031,456	50.00%
KazRosGas LLP	Processing and sale of natural gas and refined gas products	Kazakhstan	31,440,622	50.00%	33,760,512	50.00%
Kazakhoil-Aktobe LLP	Production of crude oil	Kazakhstan	26,947,286	50.00%	22,715,643	50.00%
KazGerMunay LLP	Oil and gas exploration and production	Kazakhstan	19,325,014	50.00%	47,537,370	50.00%
Other			97,132,933		83,220,989	
Associates						
Caspian Pipeline Consortium (CPC)	Transportation of liquid hydrocarbons	Kazakhstan/ Russia	225,798,531	20.75%	195,094,592	20.75%
PetroKazakhstan Inc. (“PKI”)	Exploration, production and processing of oil and gas	Kazakhstan	126,679,084	33.00%	115,920,426	33.00%
Other			18,174,102		14,988,746	
			4,180,811,061		3,823,629,586	

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

As at June 30, 2018 the Group’s share in unrecognized losses of joint ventures and associates was equal to 93,996,511 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 83,155,209 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 six months ended June 30, 2018:

In thousands of tenge

At January 1, 2018 (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)	337,319,011
Other changes in the equity of the joint venture	2,061,054
Disposal of joint venture	(1,049,482)
Dividends received	(78,726,435)
Change in dividends receivable	(5,402,895)
Acquisitions*	4,133,713
Refund of contributions without change in ownership	(489,959)
Adjustment of non-realizable profit	(1,204,465)
Foreign currency translation	103,777,675
At June 30, 2018 (unaudited)	4,180,811,061

* 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 33,230,580 thousand tenge, 15,927,307 thousand tenge, 14,180,747 thousand tenge and 10,471,527 thousand tenge, respectively.

8. TRADE ACCOUNTS RECEIVABLE AND OTHER CURRENT ASSETS

<i>In thousands of tenge</i>	June 30, 2018 (unaudited)	December 31, 2017 (audited)
Advances paid and prepaid expenses	81,738,716	95,623,362
Taxes receivable	23,502,543	29,577,119
Dividends receivable	28,621,415	29,009,976
Restricted cash	16,715,124	13,056,590
Other current assets	95,226,282	91,613,223
Less: allowance for impairment	(66,227,274)	(62,770,141)
Total other current assets	179,576,806	196,110,129
Trade accounts receivable	768,789,667	525,773,611
Less: allowance for impairment	(64,190,866)	(57,906,356)
Trade accounts receivable	704,598,801	467,867,255

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

As at June 30, 2018 trade accounts receivable in the amount of 124,309,335 thousand tenge pledged as collateral (as at December 31, 2017: 58,115,548 thousand tenge).

9. LOANS AND RECEIVABLES DUE FROM RELATED PARTIES

<i>In thousands of tenge</i>	June 30, 2018 (unaudited)	December 31, 2017 (audited)
Loans due from related parties at amortized cost	573,748,734	785,593,140
Loans due from related parties at fair value through profit and loss	158,872,797	-
Note receivable from a shareholder of a joint venture	41,135,252	38,014,555
Bonds receivable from Samruk-Kazyna	14,643,159	18,342,494
Less: allowance for impairment	(4,579,108)	-
	783,820,834	841,950,189

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

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

As at June 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>	June 30, 2018 (unaudited)	December 31, 2017 (audited)
Loans due from related parties in tenge	440,247,995	471,798,857
Loans due from related parties in US dollars	285,367,961	311,340,691
Note receivable from a shareholder of a joint venture in US dollars	41,135,252	38,014,555
Bonds receivable from Samruk-Kazyna in tenge	14,588,951	18,342,494
Loans due from related parties in other foreign currencies	2,480,675	2,453,592
	783,820,834	841,950,189

<i>In thousands of tenge</i>	June 30, 2018 (unaudited)	December 31, 2017 (audited)
Current portion	179,773,254	169,501,500
Non-current portion	604,047,580	672,448,689
	783,820,834	841,950,189

10. CASH AND CASH EQUIVALENTS

<i>In thousands of tenge</i>	June 30, 2018 (unaudited)	December 31, 2017 (audited) (restated)
Term deposits with banks – US dollars	533,860,897	792,428,051
Term deposits with banks – tenge	205,951,510	115,103,490
Current accounts with banks – US dollars	467,359,977	306,715,644
Current accounts with banks – tenge	59,271,824	30,398,564
Current accounts with banks – other currencies	7,730,482	8,846,589
Term deposits with banks – other currencies	1,113,967	3,279,100
Cash in transit	575,299,091	5,538,015
Cash-on-hand	1,376,611	1,683,787
Less: allowance for impairment	(33,945)	(5,784)
	1,851,930,414	1,263,987,456
Cash and cash equivalents attributable to discontinued operations	2,523,787	2,617,359
	1,854,454,201	1,266,604,815

As at June 30, 2018 cash in transit is mainly presented by cash equivalents in the amount of 570,626,840 thousand tenge, which was transferred to the account of the paying agent of Citibank N.A. by the June 29, 2018 for the full redemption of debt on issued bonds on the London Stock Exchange (LSE) in 2008 in the total amount of 1.673 billion US dollars. In accordance to the repayment schedule, the paying agent will pay these funds to the bondholder on July 2, 2018.

As at June 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 June 30, 2018 the weighted average interest rate for time deposits with banks was 2.04% in US dollars and 7.40% 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 six months ended June 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 six months ended June 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 six months ended June 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 79,682,916 thousand tenge recognized as transaction with Samruk-Kazyna in the interim condensed consolidated statement of changes in equity.

Dividends

For the six months ended June 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 six months ended June 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.

<i>In thousands of tenge</i>	June 30, 2018 (unaudited)	December 31, 2017 (audited) (restated)
Total assets	13,599,704,341	13,549,958,201
Less: intangible assets	185,072,061	185,205,427
Less: total liabilities	7,152,821,175	6,766,353,343
Net assets	6,261,811,105	6,598,399,431
Number of ordinary shares	610,119,493	589,399,889
Book value per ordinary share, tenge	10.263	11.195

Earnings per share

<i>In tenge</i>	For the six months ended June 30, 2018 (unaudited)	2017 (unaudited)
Weighted average number of common shares for basic and diluted earnings per share	592,853,156	588,535,364
Basic and diluted share in net profit for the period	0.607	0.463
Basic and diluted share profit from continuing operations	0.601	0.464

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 significant non-controlling interests:

	Country of incorporation and operation	June 30, 2018 (unaudited)		December 31, 2017 (audited)	
		Share	Carrying value	Share	Carrying value
KazMunayGas Exploration Production JSC	Kazakhstan	4.64%	75,396,372	36.99%	779,932,098
Rompetrol Downstream S.R.L.	Romania	45.37%	48,809,725	45.37%	46,577,301
KazTransOil JSC	Kazakhstan	10.00%	40,300,570	10.00%	42,861,526
Rompetrol Petrochemicals S.R.L.	Romania	45.37%	5,835,013	45.37%	8,698,505
Rompetrol Rafinare S.A.	Romania	45.37%	358,935	45.37%	705,953
Rompetrol Vega	Romania	45.37%	(19,435,867)	45.37%	(19,743,196)
Other			11,033,023		10,985,714
			162,297,771		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 of 6,617 million tenge for the repurchase of 1,384,856 GDRs and 15,896 ordinary shares.

12. BORROWINGS

<i>In thousands of tenge</i>	June 30, 2018 (unaudited)	December 31, 2017 (audited) (restated)
Fixed interest rate borrowings	3,293,580,784	3,137,181,680
Weighted average interest rates	6.04%	6.30%
Floating interest rate borrowings	1,234,106,654	1,164,070,457
Weighted average interest rates	4.91%	4.90%
	4,527,687,438	4,301,252,137

<i>In thousands of tenge</i>	June 30, 2018 (unaudited)	December 31, 2017 (audited) (restated)
US dollar – denominated borrowings	4,273,422,976	4,069,683,277
Tenge-denominated borrowings	230,691,400	220,728,920
Other currencies – denominated borrowings	23,573,062	10,839,940
	4,527,687,438	4,301,252,137

<i>In thousands of tenge</i>	June 30, 2018 (unaudited)	December 31, 2017 (audited) (restated)
Current portion	920,903,520	884,140,278
Non-current portion	3,606,783,918	3,417,111,859
	4,527,687,438	4,301,252,137

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

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

Bonds	Issuance amount	Redemption date	Interest	As at June 30, 2018 (unaudited)	As at December 31, 2017 (audited)
Bonds LFB 2008	1.6 billion USD	2018	9.125%	570,488,521	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%	137,578,013	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%	9,944,967	9,682,106
Bonds LFB 2017	0.5 billion USD	2022	3.88%	171,286,707	166,818,793
Bonds LFB 2017	1 billion USD	2027	4.75%	341,057,975	332,127,939
Bonds LFB 2017	1.25 billion USD	2047	5.75%	423,640,597	412,643,834
Bonds LFB 2018	0.5 billion USD	2025	4.75%	171,793,748	–
Bonds LFB 2018	1.25 billion USD	2030	5.375%	429,973,109	–
Bonds LFB 2018	1.5 billion USD	2047	6.375%	511,828,801	–
Bonds KFB 2009	120 billion KZT	2019	6M Libor + 8.5%	56,769,254	73,636,569
Citibank (N.A. London)	750 million USD	2027	4.375%	257,907,093	251,244,525
Others	–	–	–	13,011,509	13,276,427
Total				3,095,280,294	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 June 30, 2018 (unaudited)	As at December 31, 2017 (audited) (restated)
The Export-Import Bank of China	1 billion USD	2027	6M Libor + 4.1%	370,812,003	340,200,397
Development bank of Kazakhstan JSC	1.1 billion USD	2023-2025	4% + 6M Libor – 7.72%	280,753,517	294,631,602
Sberbank Russia	400 million USD	2024	12M Libor + 3.5%	128,088,652	134,039,138
Development bank of Kazakhstan JSC	152 billion KZT	2022-2027	7%-10.2%	126,017,826	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	6M Libor + 1%	91,642,971	87,370,787
UniCredit Bank	290 million USD	2019-2021	1M Libor + 2.75% – 3M Libor + 2.5%	87,260,202	84,602,235
Japan Bank for International Cooperation	298 million USD	2025	CIRR + 2.19%, 6M Libor + 1.10%-4.64%	72,279,410	62,386,497
The Syndicate of banks	200 million USD	2018-2021	3.70%	67,835,512	–
European Bank for Reconstruction and Development	68 billion KZT	2023	3M CPI + 3.15%	60,017,196	65,373,153
BNP Paribas	368 million USD	2018	1M Libor + COF (3.25%) + 0.25%	48,212,681	14,117,942
ING Bank	130 million USD	2019	3.25% – 3M Libor + 2.5% – 1M Rober + 2%	32,438,072	11,454,903
European Bank for Reconstruction and Development	39 billion KZT	2026	10.15% – 3M index inflation + 3.15%	21,687,910	15,620,206
BANC POST	68 million USD	2018	3M Rober / 3M Euribor + 3.3%	11,392,754	2,692,696
BCR (Romania)	75 million USD	2019	1M Rober + 2% – 3M Libor + 2.5%	9,275,671	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	12M Libor + 1.5%	–	51,214,229
Halyk bank JSC	70 million USD	2018	5%	–	23,315,765
Other	–	–	–	24,692,767	29,160,559
Total				1,432,407,144	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 May 17, 2018 in accordance with the loan agreement KTG received a loan from Citibank NA, Mizuho Bank Ltd., 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 six months ended June 30, 2018 KMGI received additional loan from UniCredit Bank in the total amount of 240,000 thousand US dollars (equivalent to 78,367,200 thousand tenge) and made the partial repayment in the amount of 232,626 thousand US dollars (equivalent to 75,959,268 thousand tenge).

During the six months ended June 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 39,101,889 thousand tenge, including interest. Additionally, the Group made a partial repayment of issued bonds held by DBK in the amount of 20,621,618 thousand tenge, including interest.

Hedge of net investment in the foreign operations

As at June 30, 2018 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, 2018, losses of 81,492,824 thousand tenge (for the six months ended June 30, 2017 income of 43,789,121 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 June 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 six months ended June 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 six months ended March 31, 2018 the Group has partially settled the prepayments by oil supply in the total amount of 500,000 thousand US dollars.

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

14. TRADE ACCOUNTS PAYABLE AND OTHER CURRENT LIABILITIES

<i>In thousands of tenge</i>	June 30, 2018 (unaudited)	December 31, 2017 (audited) (restated)
Advances received	77,547,924	87,916,646
Due to employees	47,148,667	60,545,953
Dividends payable	1,868,002	1,851,512
Other	47,721,326	52,130,701
Total other current liabilities	174,285,919	202,444,812
Trade accounts payable	631,041,389	513,851,048

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

<i>In thousands of tenge</i>	June 30, 2018 (unaudited)	December 31, 2017 (audited) (restated)
US dollars	355,436,918	240,165,363
Tenge	221,251,007	218,848,629
Romanian Leu	40,561,916	42,582,108
Euro	3,710,168	2,788,753
Other currency	10,081,380	9,466,195
Total	631,041,389	513,851,048

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

15. REVENUE

<i>In thousands of tenge</i>	For the three months ended June 30,		For the six months ended June 30,	
	2018 (unaudited)	2017 (unaudited) (restated)	2018 (unaudited)	2017 (unaudited) (restated)
Sales of crude oil, gas and gas refining products	1,141,647,076	561,976,523	1,995,686,080	1,189,394,800
Sales of refined products	711,360,433	379,936,684	1,253,145,923	730,991,703
Transportation fee	77,137,855	75,609,614	160,575,553	160,133,022
Refining of oil and oil products	44,382,730	36,979,558	86,695,911	68,153,781
Other revenue	52,954,091	45,830,723	95,327,226	98,865,295
Quality bank for crude oil	(4,426,592)	(6,706,890)	(7,040,430)	(12,951,613)
Less: sales taxes and commercial discounts	(131,146,458)	(86,976,738)	(228,129,913)	(163,664,923)
	1,891,909,135	1,006,649,474	3,356,260,350	2,070,922,065

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 June 30,		For the six months ended June 30,	
	2018 (unaudited)	2017 (unaudited) (restated)	2018 (unaudited)	2017 (unaudited) (restated)
Crude oil, gas and gas refining products	912,457,897	307,461,890	1,453,296,415	697,160,505
Materials and supplies	345,619,570	205,981,579	682,109,327	416,223,142
Payroll	71,429,621	71,998,474	146,220,894	146,949,314
Depreciation, depletion and amortization	59,549,662	49,279,827	117,056,004	102,357,368
Mineral extraction tax	32,435,599	20,191,321	58,041,184	42,379,592
Other taxes	16,369,626	14,799,502	33,931,924	28,475,257
Electricity	8,219,207	13,885,264	28,237,202	30,716,811
Repair and maintenance	6,752,906	8,727,304	15,285,651	15,334,121
Transportation costs	2,650,344	4,703,655	7,003,353	6,850,706
Other	32,635,462	49,854,556	73,343,025	87,420,394
	1,488,119,894	746,883,372	2,614,524,979	1,573,867,210

17. GENERAL AND ADMINISTRATIVE EXPENSES

<i>In thousands of tenge</i>	For the three months ended June 30,		For the six months ended June 30,	
	2018 (unaudited)	2017 (unaudited) (restated)	2018 (unaudited)	2017 (unaudited) (restated)
Payroll	16,839,711	16,597,281	33,272,311	32,420,820
Social payments, out of payroll	9,115,790	1,710,880	11,543,531	2,409,644
Depreciation and amortization	5,635,154	7,573,102	11,258,746	13,426,401
Consulting services	5,963,634	3,123,207	10,377,641	5,984,810
Other taxes	3,064,416	2,277,620	5,175,550	4,337,999
Rent of property, plant and equipment and intangible assets	1,735,597	1,255,715	2,845,129	2,265,283
Allowance / (recovery of) for VAT receivable	1,153,094	(26,414,368)	1,125,804	(26,414,368)
Charitable donations and sponsorship	213,744	228,729	294,542	325,201
Allowance / (recovery of) for fines, penalties and tax provisions	6,095,401	3,649,582	6,472,300	(633,397)
Allowance for impairment of other current assets	967,643	173,546	2,273,134	166,400
Allowance for impairment of trade accounts receivable	1,127,459	1,275,981	1,861,245	1,052,020
Other	13,221,760	10,147,627	22,523,292	18,646,075
	65,133,403	21,598,902	109,023,225	53,986,888

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 June 30,		For the six months ended June 30,	
	2018 (unaudited)	2017 (unaudited) (restated)	2018 (unaudited)	2017 (unaudited) (restated)
Transportation	72,346,471	28,784,514	146,662,317	80,282,491
Rent tax on crude oil export	38,287,172	13,018,937	67,347,581	31,657,147
Customs duty	28,902,171	26,546,431	58,208,291	51,611,869
Payroll	4,045,841	4,019,701	7,636,696	7,546,434
Depreciation and amortization	2,635,826	2,981,643	5,523,692	6,552,132
Other	9,624,227	8,364,822	18,545,575	15,379,876
	155,841,708	83,716,048	303,924,152	193,029,949

19. FINANCE INCOME / FINANCE COSTS
Finance income

<i>In thousands of tenge</i>	For the three months ended June 30,		For the six months ended June 30,	
	2018 (unaudited)	2017 (unaudited) (restated)	2018 (unaudited)	2017 (unaudited) (restated)
Derecognition of loan	51,803,042	–	51,803,042	–
Interest income on bank deposits, loans and bonds	18,321,111	19,729,943	34,870,758	37,099,270
Amortization of discount on loans due from related parties	10,902,208	8,281,946	20,465,531	16,160,934
Other	18,792	1,521,919	4,215,007	3,733,633
	81,045,153	29,533,808	111,354,338	56,993,837

As of June 30, 2018, the Company recognized a full derecognition of loan from ONGC Videsh, a partner in the Satpayev project, for the total amount of 51,214,229 thousand tenge, including an interest in the amount of 3,498,350 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 June 30,		For the six months ended June 30,	
	2018 (unaudited)	2017 (unaudited) (restated)	2018 (unaudited)	2017 (unaudited) (restated)
Interest on loans and debt securities issued	63,065,180	49,841,698	121,008,404	91,447,378
Interest for the early redemption of Eurobonds	89,612,318	–	89,612,318	–
Amortization of discount on loans and debt securities issued	15,952,070	3,034,124	17,453,003	5,602,289
Interest under oil supply agreement	8,928,430	6,634,891	16,838,173	12,983,431
Unwinding of discount on assets retirement obligations and provision for environment obligation	2,714,839	3,611,860	5,505,715	6,019,951
Discount on assets with non-market interest rate	1,739,891	1,312,613	2,578,425	5,297,292
Impairment of loans receivable to related parties	820,162	–	820,162	–
Impairment of bank deposits	120,234	11,637,410	534,353	11,637,410
Other	14,273,105	5,063,497	23,175,434	10,381,762
	197,226,229	81,136,093	277,525,987	143,369,513

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 June 30,		For the six months ended June 30,	
	2018 (unaudited)	2017 (unaudited) (restated)	2018 (unaudited)	2017 (unaudited) (restated)
Tengizchevroil LLP	115,048,331	75,899,999	219,804,302	140,053,927
Mangistau Investments B.V.	26,175,067	12,786,014	47,516,621	21,603,893
Caspian Pipeline Consortium	12,934,370	13,250,627	24,486,795	24,096,239
Kashagan B.V.	5,040,725	(3,028,111)	14,643,774	(9,521,691)
Beineu-Shymkent Gas Pipeline	(5,302,803)	(18,529,970)	11,563,808	(17,522,813)
KazGerMunay LLP	4,476,893	4,974,998	11,436,347	11,902,837
Teniz Service LLP	7,438,298	154,421	8,198,345	968,448
PetroKazakhstan Inc.	4,422,446	1,519,105	8,007,774	3,345,501
Kazakhoil-Aktobe LLP	2,631,251	(704,639)	4,231,643	(2,706,571)
Ural Group Limited	(1,420,178)	(345,997)	(10,436,313)	(762,399)
Valsera Holdings B.V.	(7,616,922)	(1,068,490)	(6,301,581)	4,632,522
KazRosGas LLP	5,582,082	7,212,320	(402,979)	1,093,426
Share in profit of other joint ventures and associates	3,214,938	1,425,082	4,570,475	2,498,352
	172,624,498	93,545,359	337,319,011	179,681,671

21. INCOME TAX EXPENSE

<i>In thousands of tenge</i>	For the three months ended June 30,		For the six months ended June 30,	
	2018 (unaudited)	2017 (unaudited) (restated)	2018 (unaudited)	2017 (unaudited) (restated)
Current income tax				
Corporate income tax	36,759,787	36,511,127	63,448,796	54,110,419
Excess profit tax	(696,374)	581,738	(3,460,248)	146,608
Withholding tax on dividends and interest income	9,151,875	2,516,164	12,581,508	3,929,724
Deferred income tax				
Corporate income tax	(3,847,030)	1,921,312	10,491,245	15,425,710
Excess profit tax	(297,720)	(294,122)	(7,887,337)	791,996
Withholding tax on dividends and interest income	26,722,231	16,225,533	33,637,893	15,432,026
Income tax expense	67,792,769	57,461,752	108,811,857	89,836,483

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 June 30, 2018 and December 31, 2017:

		Due from related parties	Due to related parties	Cash and deposits placed with related parties	Borrowings payable to related parties
<i>In thousands of tenge</i>					
Samruk-Kazyna entities	June 30, 2018	239,484,292	5,344,590	66,917	–
	December 31, 2017	289,084,327	1,703,093	53,959	–
Associates	June 30, 2018	130,418,633	3,936,404	–	–
	December 31, 2017	154,953,597	3,747,640	–	–
Other related parties	June 30, 2018	–	8,084,118	303,088	469,534,503
	December 31, 2017	–	8,752,609	2,675,566	489,948,733
Joint ventures in which the Group is a venturer	June 30, 2018	538,060,398	193,309,483	–	–
	December 31, 2017	556,563,795	194,182,312	–	–

Due from related parties

For the six months ended June 30, 2018 the Company extended the maturity period and provided additional interest free loan to Samruk-Kazyna in the amount of 23,952,080 thousand tenge. The difference between fair value and nominal value of the loan amounting 79,682,916 thousand tenge recognized as transaction with Samruk-Kazyna in the interim consolidated statement of changes in equity.

As at June 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 24,905,930 thousand tenge and 2,590,285 thousand tenge, respectively.

As at June 30, 2018 decrease in due from joint ventures mainly due to decreasing of trade accounts receivable for goods and services of Tengizchevroil LLP and KazRosGas LLP in the amount of 8,743,383 thousand tenge and 43,033,952 thousand tenge, respectively and increasing of trade accounts receivables for goods and services of KazGerMunay LLP in the amount of 24,659,215 thousand tenge. During six months ended June 30, 2018 KTG provided interest free loan to the KazRosGas LLP in the amount of 7,772,000 thousand tenge.

Borrowings payable to related parties

For the six months ended June 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 59,723,507 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 six months ended June 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	June 30, 2018	34,976,734	12,966,650	13,232,381	–
	June 30, 2017	35,241,648	15,901,818	13,344,039	–
Associates	June 30, 2018	15,638,835	29,446,695	5,279,229	–
	June 30, 2017	13,453,575	39,639,009	5,262,796	–
Other related parties	June 30, 2018	–	7,987,946	–	14,058,247
	June 30, 2017	12,709,797	–	–	12,174,648
Joint ventures in which the Group is a venturer	June 30, 2018	141,896,162	715,741,696	15,440,481	196,411
	June 30, 2017	133,351,301	456,042,416	11,591,108	684,764

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 3,935,373 thousand tenge and 4,468,753 thousand tenge for the six months ended June 30, 2018 and June 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 June 30, 2018 and December 31, 2017 are reasonable approximation of their fair value, except for the financial instruments disclosed below:

<i>In thousands of tenge</i>	Carrying amount	Fair value	Fair value by level of assessment		
			Quotations in an active market (Level 1)	Inputs from the observed market (Level 2)	Inputs based on the significant amount of unobserved (Level 3)
As at June 30, 2018 (unaudited)					
Bonds receivable from the Samruk-Kazyna	14,588,951	19,477,277	–	19,477,277	–
Fixed interest rate borrowings	3,293,580,784	3,226,125,398	2,980,229,865	245,895,533	–
Financial guarantee	13,688,365	13,688,365	–	13,688,365	–
Investment property	27,167,174	30,263,855	–	30,263,855	–

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)

<i>In thousands of tenge</i>	Carrying amount	Fair value	Fair value by level of assessment		
			Quotations in an active market (Level 1)	Inputs from the observed market (Level 2)	Inputs based on the significant amount of unobserved (Level 3)
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 six months ended June 30, 2018:

2012-2015 Comprehensive tax audit of JSC “Ozenmunaigas” (Ozenmunaigas)

On June 5, 2018 Ozenmunaigas, subsidiary of KMG EP, received the final tax assessment related to the 2012-2015 Comprehensive tax audit for the amount of 7,913 million tenge, including additional taxes of 4,137 million tenge, 1,684 million tenge of penalty and 2,092 million tenge of fine. Ozenmunaigas does not agree with the results of the tax audit and has sent an appeal of the additional charges to the Ministry of Finance of the Republic of Kazakhstan on July 5, 2018. Pending the results of the appeal management of Ozenmunaigas will consider further actions including but not limited to appealing to appropriate courts. KMG EP accrued provision in the amount of 7,913 million tenge in these interim condensed consolidated financial statements.

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 an environmental audit conducted on 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.

Embamunaigas has accepted that 3,974 million tenge of the claim is justified. The authorities also have the ability to assess additional amounts for ecological damage and Embamunaigas expects the additional amount of 1,325 million tenge to be assessed. The Group has accrued a provision of 5,299 million tenge in these interim condensed consolidated financial statements. The Group’s management believes that the balance of the claim is without legal merits and will appeal through the appropriate bodies, therefore no additional amounts beyond 5,299 million tenge related to the environmental audit have been accrued.

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 by the Consortium has been decreased the amount of claim down to 140,017 thousand US dollars (equivalent of 46,328,825 thousand tenge).

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

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

24. CONTINGENT LIABILITIES AND COMMITMENTS (continued)

Cost recovery audits

As of June 30, 2018 the Group’s share in the total disputed amounts of the non-recoverable costs is 287,782,061 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 six months ended June 30, 2018, in accordance with its obligations, the Group delivered 3,034 thousand tons of crude oil (six months ended June 30, 2017: 1,508 thousand tons), including joint ventures, to the Kazakhstan market.

Commitments under subsoil use contracts

As at June 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	93,729,626	5,556,264
2019	21,060,781	3,772,768
2020	12,230,784	4,151,046
2021	9,995,568	3,380,347
2022-2048	16,769,189	17,315,081
Total	153,785,948	34,175,506

Oil supply commitments

As of June 30, 2018 the Group had commitments under the oil supply agreements in the total amount of 23.8 million ton (as at December 31, 2017: 28.7 million ton), including joint venture.

Other contractual commitments

As at June 30, 2018, the Group had other capital commitments of approximately 409,413,458 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 June 30, 2018, the Group had commitments in the total amount of 146,272,691 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 June 30, 2018 and for the six months then ended:

<i>In thousands of tenge</i>	Exploration and production of oil and gas and trading of own refined products	Oil transportation	Gas trading and transportation	Refining and trading of crude oil and refined products	Other	Elimination	Total
Revenues from sales to external customers	118,563,938	98,892,870	428,086,527	2,701,592,384	9,124,631	–	3,356,260,350
Revenues from sales to other segments	602,293,580	23,394,441	706,740	682,765,565	7,237,453	(1,316,397,779)	–
Total revenue	720,857,518	122,287,311	428,793,267	3,384,357,949	16,362,084	(1,316,397,779)	3,356,260,350
Gross profit	380,406,174	52,761,688	212,761,197	152,612,159	6,636,123	(63,441,970)	741,735,371
Finance income	12,485,931	3,095,823	9,651,334	23,833,711	109,978,704	(47,691,165)	111,354,338
Finance costs	(12,023,740)	(4,802,081)	(24,192,577)	(52,398,593)	(231,671,862)	47,562,866	(277,525,987)
Depreciation, depletion and amortization	(40,755,371)	(19,368,215)	(17,840,399)	(52,454,963)	(5,034,752)	–	(135,453,700)
Impairment of property, plant and equipment, exploration and evaluation assets and intangible assets other than goodwill	(812,340)	(3,637,725)	–	95,499	(35,346,017)	–	(39,700,583)
Share in profit of joint ventures and associates, net	303,558,995	25,868,631	11,177,112	(3,700,106)	414,379	–	337,319,011
Income tax expenses	(71,308,876)	(10,971,740)	(19,276,716)	(3,556,444)	(3,698,081)	–	(108,811,857)
Net profit for the period	351,520,820	56,263,749	69,216,482	18,153,604	(106,103,010)	(29,344,952)	359,706,693
Other segment information							
Investments in joint ventures and associates	3,826,927,345	240,197,040	63,459,106	49,386,011	841,559	–	4,180,811,061
Capital expenditures	78,986,576	32,558,594	13,160,515	47,722,170	4,657,220	–	177,085,075
Allowances for obsolete inventories, doubtful accounts receivable, advances paid, and other assets	(6,114,664)	(4,425,308)	(14,111,227)	(112,109,421)	(16,743,049)	–	(153,503,669)
Assets of the segment	6,521,673,574	912,979,229	1,638,234,272	4,116,275,381	2,124,523,698	(1,713,981,813)	13,599,704,341
Liabilities of the segment	713,641,233	206,920,063	884,909,890	2,967,811,104	4,023,352,723	(1,643,813,838)	7,152,821,175

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 six months ended June 30, 2017:

<i>In thousands of tenge</i>	Exploration and production of oil and gas and trading of own refined products	Oil transportation	Gas trading and transportation	Refining and trading of crude oil and refined products	Other	Elimination	Total
Revenues from sales to external customers	90,286,413	94,452,646	238,539,298	1,637,945,964	9,697,744	–	2,070,922,065
Revenues from sales to other segments	467,297,035	22,619,352	17,307,985	219,063,455	8,021,169	(734,308,996)	–
Total revenue	557,583,448	117,071,998	255,847,283	1,857,009,419	17,718,913	(734,308,996)	2,070,922,065
Gross profit	250,131,540	52,347,292	98,577,018	116,039,852	5,704,566	(25,745,413)	497,054,855
Finance income	16,309,281	3,950,727	6,972,166	24,834,311	55,466,305	(50,538,953)	56,993,837
Finance costs	(8,522,483)	(2,275,050)	(14,574,187)	(58,097,451)	(105,613,056)	45,712,714	(143,369,513)
Depreciation, depletion and amortization	(41,694,485)	(15,280,439)	(14,930,508)	(47,034,584)	(4,881,975)	–	(123,821,991)
Impairment of property, plant and equipment, exploration and evaluation assets and intangible assets other than goodwill	(2,816,680)	(497)	(141,270)	(418,934)	(21,257)	–	(3,398,638)
Share in profit of joint ventures and associates, net	165,548,002	25,319,071	(16,390,138)	4,848,652	356,084	–	179,681,671
Income tax expenses	(47,548,386)	(10,266,248)	(12,802,144)	(14,661,197)	(4,558,508)	–	(89,836,483)
Net profit for the period	206,349,024	61,329,346	17,507,205	45,977,587	(51,031,177)	(7,842,115)	272,289,870
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	50,144,151	7,440,743	62,602,168	142,816,484	2,656,130	–	265,659,676
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	6,615,768,849	890,320,217	1,444,619,613	3,847,633,951	2,243,158,494	(1,491,542,923)	13,549,958,201
Liabilities of the segment	668,867,397	184,960,867	760,480,222	2,743,729,400	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 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 billion US dollars (equivalent 570,626,840 thousand tenge) from the account of the paying agent of Citibank N.A.

On July 18, 2018, ANPZ paid the principal debt, an interest and commissions for the reservation of the loan received from the Export-Import Bank of China in the amount of 21,540,078 thousand tenge, 11,634,827 thousand tenge and 5.558 thousand tenge, respectively.

On July 23, 2018, ANPZ paid the principal debt and an interest on loans received from DBK in the amount of 21,972,282 thousand tenge and 8,897,321 thousand tenge, respectively.

On August 10, 2018 the tax authorities of RK refunded VAT of Ozenmunaigas in the total amount of 10,883,128 thousand tenge.

On August 13, 2018 KMG EP announced a programme to repurchase up to 1,905,209 preferred shares from the KASE at a price of 12,800 tenge per preferred share. The repurchase programme will be held from 13 August till 16 November 2018.