NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (unaudited)

For the nine months ended September 30, 2018

1. GENERAL

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

Starting from June 8, 2006, the sole shareholder of the Company was JSC "Kazakhstan Holding Company for State Assets Management "Samruk" ("Samruk"), which in October 2008 was merged with the state owned Sustainable Development Fund "Kazyna" and formed JSC "National Welfare Fund Samruk-Kazyna" ("Samruk-Kazyna"), now renamed to JSC "Sovereign Wealth Fund Samruk-Kazyna". The Government is the sole shareholder of Samruk Kazyna. On August 7, 2015 National Bank of Republic of Kazakhstan ("National Bank of RK") purchased 10% plus one share of the Company from Samruk-Kazyna. As at September 30, 2018 Samruk-Kazyna and National Bank of RK own 90.43% and 9.57% of the Company's shares, respectively.

As at September 30, 2018, the Company has a direct interest in 53 operating companies (as of December 31, 2017: 52) (jointly the "Group").

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

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

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

These interim condensed consolidated financial statements of the Group were approved by the Deputy Chairman of the Management Board – Chief Financial Officer and the Chief accountant on November 19, 2018.

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

The interim condensed consolidated financial statements for the three and nine months ended September 30, 2018 have been prepared in accordance with IAS 34 *Interim Financial Reporting* (IAS 34). These interim condensed consolidated financial statements do not include all the information and disclosures required in the annual consolidated financial statements, and should be read in conjunction with the Group's annual consolidated financial statements for the year ended December 31, 2017.

Foreign currency translation

Functional and presentation currency

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

Transactions and balances

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

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

2. BASIS OF PREPARATION AND CHANGES TO THE GROUP'S ACCOUNTING POLICIES (continued)

Foreign currency translation (continued)

Transactions and balances (continued)

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

Group Companies

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

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

Exchange rates

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

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

New and amended standards and interpretations

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended December 31, 2017, except for the adoption of new standards and interpretations effective as of January 1, 2018.

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

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

IFRS 15 Revenue from Contracts with Customers

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

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

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

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:

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

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

2. BASIS OF PREPARATION AND CHANGES TO THE GROUP'S ACCOUNTING POLICIES (continued)

New and amended standards and interpretations (continued)

IFRIC Interpretation 22 Foreign Currency Transactions and Advance Considerations

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

Amendments to IAS 40 Transfers of Investment Property

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

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

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

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

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

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

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

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

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

2. BASIS OF PREPARATION AND CHANGES TO THE GROUP'S ACCOUNTING POLICIES (continued)

Standards that have been issued but not yet effective

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

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

3. SEASONALITY OF OPERATIONS

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

4. RESTATEMENTS AND DISCOUNTINUED OPERATIONS AND ASSETS CLASSIFIED AS HELD FOR SALE

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

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

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

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

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

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

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

	For the three months ended September 30, 2017				For the nine months ended September 30, 2017			
	Before	Restatement		After	Before	Restatement		After
In thousands of tenge	restatement	KMGI	Other	restatement	restatement	KMGI	Other	restatement
Revenue	571,716,621	577,747,350	(2,309,112)	**1,147,154,859**	1,715,580,966	1,504,805,070	(6,862,384)	**3,213,523,652**
Cost of sales	(633,416,134)	(282,969,515)	14,316,505	**(902,069,144)**	(1,611,077,406)	(913,003,893)	55,620,329	**(2,468,460,970)**
Gross profit	(61,699,513)	294,777,835	12,007,393	**245,085,715**	104,503,560	591,801,177	48,757,945	**745,062,682**
General and administrative expenses	(31,148,142)	(9,800,765)	475,103	**(40,473,804)**	(63,417,354)	(31,518,441)	1,507,218	**(93,428,577)**
Transportation and selling expenses	(68,649,606)	(16,090,436)	(8,647,776)	**(93,387,818)**	(201,495,751)	(42,445,800)	(42,447,411)	**(286,388,962)**
Impairment of property, plant and equipment, exploration and evaluation assets and intangible assets, other than goodwill	(1,891,581)	1,104,715	–	**(786,866)**	(4,863,284)	677,780	–	**(4,185,504)**
Loss on disposal of property, plant and equipment, intangible assets and investment property, net	(486,837)	–	–	**(486,837)**	(1,507,359)	–	–	**(1,507,359)**
Other operating income	6,970,120	(187,680)	(198,337)	**6,584,103**	12,703,331	2,035,128	(644,948)	**14,093,511**
Other operating expenses	(2,968,727)	67,655	187,510	**(2,713,562)**	(17,054,174)	(43,440)	407,469	**(16,690,145)**
Operating (loss)/profit	(159,874,286)	269,871,324	3,823,893	**113,820,931**	(171,131,031)	520,506,404	7,580,273	**356,955,646**
Net foreign exchange gain/(loss)	64,118,551	(171,512)	(151,323)	**63,795,716**	82,777,103	(110,245)	(19,193)	**82,647,665**
Finance income	33,130,620	222,366	(3,266)	**33,349,720**	89,824,853	521,970	(44,005)	**90,302,818**
Finance costs	(73,561,246)	(2,975,512)	9,916	**(76,526,842)**	(211,675,393)	(8,230,878)	79,583	**(219,826,688)**
Reversal of impairment of investments in joint ventures	–	–	–	**–**	14,686,162	–	–	**14,686,162**
Net loss on acquisition on subsidiary	–	–	–	**–**	(3,249,292)	–	–	**(3,249,292)**
Share in profit/(loss) of joint ventures and associates, net	105,429,398	58,168	–	**105,487,566**	284,889,964	279,272	–	**285,169,236**
(Loss)/profit before income tax	(30,756,963)	267,004,834	3,679,220	**239,927,091**	86,122,366	512,966,523	7,596,658	**606,685,547**
Income tax expense	(52,436,179)	(87,085)	402	**(52,522,862)**	(143,280,833)	921,086	5,820	**(142,353,927)**
(Loss)/profit for the period from continuing operations	(83,193,142)	266,917,749	3,679,622	**187,404,229**	(57,158,467)	513,887,609	7,602,478	**464,331,620**
Discontinued operations								
Profit/(loss) after income tax for the period from discontinued operations	252,829,818	(254,512,081)	(3,679,622)	**(5,361,885)**	501,177,297	(503,574,225)	(7,602,478)	**(9,999,406)**
Net profit for the period	169,636,676	12,405,668	–	**182,042,344**	444,018,830	10,313,384	–	**454,332,214**
Net profit for the period attributable to:								
Equity holders of the Parent Company	129,866,736	12,405,668	–	**142,272,404**	372,681,128	10,313,384	–	**382,994,512**
Non-controlling interests	39,769,940	–	–	**39,769,940**	71,337,702	–	–	**71,337,702**
	169,636,676	12,405,668	–	**182,042,344**	444,018,830	10,313,384	–	**454,332,214**

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

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

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

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

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

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

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

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

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

	September 30, 2018 (unaudited)			**Profit after income tax for nine months ended September 30, 2018 from discontinued operation (unaudited)**
In thousands of tenge	**Assets classified as held for sale**	**Liabilities directly associated with the assets classified as held for sale**	**Net assets directly associated with the disposal group**	
KMTF	**90,937,650**	**44,301,492**	**46,636,158**	**(10,775,399)**
Other assets*	**14,299,723**	**1,368,764**	**12,930,959**	**3,093,602**
Total	**105,237,373**	**45,670,256**	**59,567,117**	**(7,681,797)**

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

	December 31, 2017 (audited)			Profit after income tax for the nine months ended September 30, 2017 from discontinued operation (unaudited)
In thousands of tenge	Assets classified as held for sale	Liabilities directly associated with the assets classified as held for sale	Net assets directly associated with the disposal group	
KMTF	–	–	–	(7,602,479)
Other assets*	24,904,588	1,928,662	22,975,926	(2,396,927)
Total	24,904,588	1,928,662	22,975,926	(9,999,406)

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

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

5. PROPERTY, PLANT AND EQUIPMENT

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

5. PROPERTY, PLANT AND EQUIPMENT (continued)

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

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

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

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

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

6. BANK DEPOSITS

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

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

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

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

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

As at September 30, 2018 bank deposits include cash pledged as collateral of 50,928,214 thousand tenge (as at December 31, 2017: 62,731,076 thousand tenge), which are represented mainly by 36,998,263 thousand tenge (as at December 31, 2017: 32,100,440 thousand tenge) at restricted bank accounts designated as a liquidation fund per requirements of subsoil use contracts.

7. INVESTMENTS IN JOINT VENTURES AND ASSOCIATES

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

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

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

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

7. INVESTMENTS IN JOINT VENTURES AND ASSOCIATES (continued)

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

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

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

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

8. TRADE ACCOUNTS RECEIVABLE AND OTHER CURRENT ASSETS

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

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

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

9. LOANS AND RECEIVABLES DUE FROM RELATED PARTIES

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

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

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

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

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

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

10. CASH AND CASH EQUIVALENTS

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

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

Term deposits with banks are made for varying periods of between one day and three months, depending on the immediate cash requirements of the Group. As at September 30, 2018 the weighted average interest rate for time deposits with banks was 2.17% in US dollars and 7.38% in tenge, respectively (as at December 31, 2017: 1.04% in US dollars and 7.85% in tenge, respectively).

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

11. EQUITY

Share capital

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

Additional paid-in capital

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

Transactions with Samruk-Kazyna

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

Dividends

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

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

Book value per share

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

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

Earnings per share

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

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

11. EQUITY (continued)

Non-controlling interest

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

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

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

12. BORROWINGS

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

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

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

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

12. BORROWINGS (continued)

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

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

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

12. BORROWINGS (continued)

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

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

12. BORROWINGS (continued)

On April 24, 2018, the Company completed the placement of the Eurobonds under the 10.5 billion US dollars Global Medium Term Notes Programme established by the Company and KazMunaiGaz Finance Sub B.V. (subsidiary of the Company), in an aggregate principal amount of 3.25 billion US dollars. The Eurobonds were issued in three series, comprising (i) 500,000 thousand US dollars 4.750% Notes due 2025 (equivalent to 163,260,000 thousand tenge); (ii) 1,250,000 thousand US dollars 5.375% Notes due 2030 (equivalent to 408,150,000 thousand tenge); and (iii) US 1,500,000 thousand US dollars 6.375% Notes due 2048 (equivalent to 489,780,000 thousand tenge).

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

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

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

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

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

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

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

Hedge of net investment in the foreign operations

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

Covenants

The Group is required to ensure execution of the financial and non-financial covenants under the terms of the loan agreements. Failure to comply with financial covenants gives the lenders the right to demand early repayment of loans. As of September 30, 2018 and December 31, 2017, the Group complied with all financial and non-financial covenants.

13. PREPAYMENT ON OIL SUPPLY AGREEMENT

In 2016 the Group entered into long-term crude oil and liquefied petroleum gas ("LPG") supply agreement, which involve the prepayment. The total minimum delivery volume approximates 38 million tons of crude oil and 1 million tons of LPG in the period from the date of the contract to March 2021.

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

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

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

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

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

14. TRADE ACCOUNTS PAYABLE AND OTHER CURRENT LIABILITIES

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

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

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

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

15. REVENUE

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

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

16. COST OF SALES

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

17. GENERAL AND ADMINISTRATIVE EXPENSES

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

During nine months ended September 30, 2017 VAT receivable in the amount of 24,532,944 thousand tenge was reimbursed by Tax authorites to the bank accounts of the Group and the amount of 5,572,615 thousand tenge was confirmed as recoverable. As the result, the Group recovered allowance for VAT receivable in the amount of 30,105,559 thousand tenge. The Group accrued allowance for VAT receivable in the total amount of 4,059,225 thousand tenge.

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

18. TRANSPORTATION AND SELLING EXPENSES

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

19. FINANCE INCOME / FINANCE COSTS

Finance income

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

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

Finance costs

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

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

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

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

21. INCOME TAX EXPENSE

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

22. RELATED PARTY DISCLOSURES

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

The following table provides the balances of transactions with related parties as at September 30, 2018 and December 31, 2017:

In thousands of tenge		Due from related parties	Due to related parties	Cash and deposits placed with related parties	Borrowings payable to related parties
Samruk-Kazyna entities	**September 30, 2018**	**252,682,759**	**6,310,946**	**85,694**	**–**
	December 31, 2017	289,084,327	1,703,093	53,959	–
Associates	**September 30, 2018**	**128,421,825**	**4,409,848**	**–**	**–**
	December 31, 2017	154,953,597	3,747,640	–	–
Other related parties	**September 30, 2018**	**14,651**	**8,216,410**	**–**	**441,356,758**
	December 31, 2017	–	8,752,609	2,675,566	489,948,733
Joint ventures in which the Group is a venturer	**September 30, 2018**	**480,591,056**	**180,673,276**	**–**	**–**
	December 31, 2017	556,563,795	194,182,312	–	–

Due from related parties

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

As at September 30, 2018 changes in due from associates mainly related to the repayment of interest and revaluating of the right to claim payments under "Kazakhstan Note" in the amount of 39,337,867 thousand tenge and 9,111,027 thousand tenge, respectively.

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

Borrowings payable to related parties

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

22. RELATED PARTY DISCLOSURES (continued)

Borrowings payable to related parties (continued)

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

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

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

Key management employee compensation

Total compensation to key management personnel, including key management personnel of subsidiaries, in the accompanying interim consolidated statement of comprehensive income was equal to 5,888,176 thousand tenge and 6,809,337 thousand tenge for the nine months ended September 30, 2018 and September 30, 2017, respectively. Compensation to key management personnel consists of contractual salary and performance bonus based on operating results.

23. FINANCIAL INSTRUMENTS AND INVESTMENT PROPERTY

Fair values of financial instruments and investment property

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

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

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

23. FINANCIAL INSTRUMENTS AND INVESTMENT PROPERTY (continued)

Fair values of financial instruments and investment property (continued)

			Fair value by level of assessment		
In thousands of tenge	Carrying amount	Fair value	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 nine months ended September 30, 2018:

JSC "Embamunaigas" environmental audit (Embamunaigas)

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

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

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

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

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

24. CONTINGENT LIABILITIES AND COMMITMENTS (continued)

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

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

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

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

Cost recovery audits

As of September 30, 2018 the Group's share in the total disputed amounts of the non-recoverable costs is 306,335,854 thousand tenge (as of December 31, 2017: 242,915,341 thousand tenge). The Group and its partners under the production sharing agreements are in negotiation with the Government with respect to the recoverability of these costs.

Kazakhstan local market obligation

During the nine months ended September 30, 2018, in accordance with its obligations, the Group delivered 4,590 thousand tons of crude oil (nine months ended September 30, 2017: 2,204 thousand tons), including joint ventures, to the Kazakhstan market.

Commitments under subsoil use contracts

As at September 30, 2018 the Group had the following commitments related to minimal working program in accordance with terms of licenses, production sharing agreements and subsoil use contracts, signed with the Government:

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

Oil supply commitments

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

Other contractual commitments

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

As at September 30, 2018, the Group had commitments in the total amount of 133,602,372 thousand tenge under the investment programs approved by the joint order of Ministry of Energy of RK and Committee on Regulation of Natural Monopolies and Protection of Competition of the Ministry of National Economy of RK and aimed at capital construction/reconstruction/overhaul/diagnostic of production facilities.

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

25. SEGMENT REPORTING

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

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

Eliminations represent the exclusion of intra-group turnovers.

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

25. SEGMENT REPORTING (continued)

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

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

26. SUBSEQUENT EVENTS

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

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

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

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

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

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