

JSC “National Company “KazMunayGas”

Interim condensed consolidated financial statements (unaudited)

For the nine months ended September 30, 2015

CONTENTS

Report on review of interim condensed consolidated financial statements

Interim condensed consolidated financial statements (unaudited)

Interim condensed consolidated statement of financial position.....	1-2
Interim condensed consolidated statement of comprehensive income.....	3-4
Interim condensed consolidated statement of cash flows	5-6
Interim condensed consolidated statement of changes in equity	7-8
Notes to the interim condensed consolidated financial statements	9-35



Ernst & Young LLP
1100 Pennsylvania Avenue, N.W.
Washington, D.C. 20004-2901
U.S.A.
Tel: +1 202 412 2000
Fax: +1 202 412 2001
www.ey.com

Report on review of interim condensed consolidated financial statements

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

Introduction

We have reviewed the accompanying interim condensed consolidated financial statements of JSC "National Company "KazMunayGas" and its subsidiaries, comprising the interim consolidated statement of financial position as at 30 September 2015, and the related interim consolidated statements of comprehensive income for the three and nine months then ended, statements of changes in equity and cash flows for the nine months then ended and explanatory notes. Management is responsible for the preparation and presentation of these interim condensed consolidated financial statements in accordance with IAS 34, *Interim Financial Reporting* ("IAS 34"). Our responsibility is to express a conclusion on these interim condensed consolidated financial statements based on our review.

Scope of review

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



Building a better
working world

Conclusion


Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed consolidated financial statements of JSC "National Company "KazMunayGas" are not prepared, in all material respects, in accordance with IAS 34.

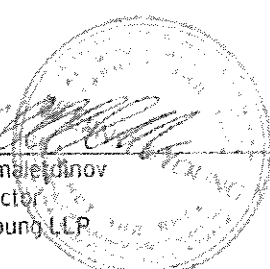
Ernst & Young LLP


Alexandr Nazarko
Auditor



Auditor qualification certificate
No. MΦ-0000059 dated 6 January 2012


Evgeny Zhemaletdinov
General Director
Ernst and Young LLP



State Audit License for audit activities on the
territory of the Republic of Kazakhstan: series
MΦЮ-2 No. 0000003 issued by the Ministry of
Finance of the Republic of Kazakhstan on
15 July 2005

17 November 2015

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

<i>In thousands of tenge</i>	Note	September 30, 2015 (unaudited)	December 31, 2014 (audited)
Assets			
Non-current assets			
Property, plant and equipment	5	3,022,989,309	4,296,118,047
Exploration and evaluation assets	6	206,500,769	277,064,868
Investment property		26,777,960	27,197,634
Intangible assets	7	206,406,652	182,966,270
Long-term bank deposits	8	87,333,518	97,524,249
Investments in joint ventures and associates	9	1,562,455,782	1,217,661,400
Deferred income tax assets		116,832,985	93,131,484
VAT receivable		89,657,325	79,168,765
Advances for non-current assets		126,055,138	100,705,148
Bonds receivable from the Samruk-Kazyna	27	37,335,809	37,145,896
Note receivable from a shareholder of a joint venture		23,520,757	13,807,568
Note receivable from associate	27	36,959,894	28,237,627
Loans due from related parties	27	277,246,605	101,900,198
Other non-current assets		32,993,492	34,569,632
		5,853,065,995	6,587,198,786
Current assets			
Inventories	10	224,361,995	194,960,759
VAT receivable		79,427,121	110,052,511
Income taxes prepaid		46,062,957	42,744,212
Trade accounts receivable	11	251,165,091	202,622,353
Short-term financial assets	12	1,032,576,229	728,577,074
Bonds receivable from the Samruk-Kazyna	27	3,330,000	4,440,000
Note receivable from a shareholder of a joint venture		3,284,491	4,658,127
Derivatives		1,814,384	6,427,473
Other current assets	11	121,175,032	98,581,850
Cash and cash equivalents	13	436,743,120	823,031,494
		2,199,940,420	2,216,095,853
Assets classified as held for sale	4	3,069,813,828	35,546,227
		5,269,754,248	2,251,642,080
Total assets		11,122,820,243	8,838,840,866

The accounting policies and explanatory notes on pages 9 through 35 form an integral part of these interim condensed consolidated financial statements.

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

<i>In thousands of tenge</i>	Note	September 30, 2015 (unaudited)	December 31, 2014 (audited)
Equity and liabilities			
Equity			
Share capital	14	696,363,445	557,072,340
Additional paid-in capital	14	230,280,065	226,761,347
Other components of equity		2,105,737	2,105,737
Currency translation reserve	14	1,002,724,027	448,739,927
Retained earnings		2,757,068,043	2,627,270,657
Attributable to equity holder of the Parent Company		4,688,541,317	3,861,950,008
Non-controlling interest	14	660,104,556	555,162,424
Total equity		5,348,645,873	4,417,112,432
Non-current liabilities			
Borrowings	15	3,581,815,947	2,427,190,567
Payable for the acquisition of additional interest in North Caspian Project	4, 16	-	396,345,201
Provisions	17	172,242,505	183,530,985
Deferred income tax liabilities		259,036,562	194,793,626
Financial guarantees		12,606,655	9,077,566
Other non-current liabilities		14,438,494	12,938,824
		4,040,140,163	3,223,876,769
Current liabilities			
Borrowings	15	396,857,239	670,529,840
Provisions	17	102,658,906	50,329,517
Income taxes payable		37,358,145	2,250,849
Trade accounts payable	18	242,693,162	233,653,734
Other taxes payable	19	72,920,444	80,534,178
Financial guarantees		755,010	755,010
Derivatives		300,352	277,887
Other current liabilities	18	151,640,727	147,781,512
		1,005,183,985	1,186,112,527
Liabilities directly associated with assets classified as held for sale	4	728,850,222	11,739,138
Total liabilities		5,774,174,370	4,421,728,434
Total equity and liabilities		11,122,820,243	8,838,840,866

Managing director for economics and finance



Kassymbek A.M.

Chief accountant



Orynbayev Y.Y.

The accounting policies and explanatory notes on pages 9 through 35 form an integral part of these interim condensed consolidated financial statements.

**INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE
INCOME**

<i>In thousands of tenge</i>	Note	For the three months ended September 30,		For the nine months ended September 30,	
		2015 (unaudited)	2014 (unaudited)	2015 (unaudited)	2014 (unaudited)
Revenue	20	658,595,247	785,965,507	2,046,860,424	2,388,614,543
Cost of sales	21	(534,290,161)	(560,879,746)	(1,666,145,346)	(1,666,995,532)
Gross profit		124,305,086	225,085,761	380,715,078	721,619,011
General and administrative expenses	22	(49,288,282)	(40,035,897)	(122,809,608)	(107,519,347)
Transportation and selling expenses	23	(52,383,759)	(96,595,375)	(167,014,555)	(281,742,886)
Impairment of property, plant and equipment, exploration and evaluation assets and intangible assets, other than goodwill	5, 6, 7	(52,939)	(5,894,293)	(417,187)	(30,642,964)
Loss on disposal of property, plant and equipment, intangible assets and investment property, net		(1,047,706)	(1,413,413)	(3,767,764)	(5,068,517)
Other operating income		8,373,213	662,884	13,502,006	11,027,240
Other operating expenses		(6,294,012)	(964,796)	(12,957,319)	(7,659,973)
Operating profit		23,611,601	80,844,871	87,250,651	300,012,564
Net foreign exchange gain/(loss)		271,969,532	(9,755,680)	295,231,023	74,735,909
Finance income	24	17,976,021	14,515,462	55,121,880	42,279,155
Finance costs	24	(55,214,321)	(44,128,622)	(143,221,633)	(138,031,375)
Impairment of goodwill		–	–	–	(1,622,222)
Impairment of investments in joint ventures		–	–	–	(343,359)
Impairment of loan given to joint venture		(11,017,643)	(4,626,281)	(11,025,736)	(6,712,538)
Share in (loss)/profit of joint ventures and associates, net	25	(9,789,964)	128,943,709	96,558,721	351,591,876
Profit before income tax		237,535,226	165,793,459	379,914,906	621,910,010
Income tax expense	26	(97,138,800)	(36,964,416)	(153,462,141)	(144,130,097)
Profit for the period from continuing operations		140,396,426	128,829,043	226,452,765	477,779,913
Discontinued operations					
(Loss)/profit after income tax for the period from discontinued operations		(6,213,256)	3,941,577	(16,511,913)	(9,468,245)
Net profit for the period		134,183,170	132,770,620	209,940,852	468,311,668
Net profit for the period attributable to:					
Equity holders of the Parent Company		87,862,370	121,670,733	158,383,312	384,249,278
Non-controlling interests		46,320,800	11,099,887	51,557,540	84,062,390
		134,183,170	132,770,620	209,940,852	468,311,668

The accounting policies and explanatory notes on pages 9 through 35 form an integral part of these interim condensed consolidated financial statements.

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

<i>In thousands of tenge</i>	Note	For the three months ended September 30,		For the nine months ended September 30,	
		2015 (unaudited)	2014 (unaudited)	2015 (unaudited)	2014 (unaudited)
Other comprehensive income					
<i>Other comprehensive income to be reclassified to profit or loss in subsequent periods:</i>					
Exchange differences on translation of foreign operations		610,728,851	(4,895,764)	623,434,723	202,820,287
Other comprehensive income/(loss) to be reclassified to profit or loss in subsequent periods		610,728,851	(4,895,764)	623,434,723	202,820,287
<i>Other comprehensive income/(loss) not to be reclassified to profit or loss in subsequent periods:</i>					
Actuarial gain/(loss) on defined benefit plans		12,569	162,554	587,768	(1,126,031)
Income tax effect		–	2	–	192,721
Other comprehensive income/(loss) not to be reclassified to profit or loss in subsequent periods		12,569	162,556	587,768	(933,310)
Other comprehensive income/(loss) for the period		610,741,420	(4,733,208)	624,022,491	201,886,977
Total comprehensive income for the period, net of tax		744,924,590	128,037,412	833,963,343	670,198,645
Total comprehensive income for the period attributable to:					
Equity holders of the Parent Company		630,121,883	118,245,981	712,953,901	566,353,635
Non-controlling interests		114,802,707	9,791,431	121,009,442	103,845,010
		744,924,590	128,037,412	833,963,343	670,198,645

Managing director for economics and finance



Kassymbek A.M.

Chief accountant



Orynbayev Y.Y.

The accounting policies and explanatory notes on pages 9 through 35 form an integral part of these interim condensed consolidated financial statements.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

<i>In thousands of tenge</i>	Note	For the nine months ended September 30, 2015 (unaudited)	For the nine months ended September 30, 2014 (unaudited)
Cash flows from operating activities			
Profit before income tax from continued operations		379,914,906	621,910,010
Loss before income tax from discontinued operations		(16,511,913)	(9,468,245)
		363,402,993	612,441,765
<i>Adjustments for:</i>			
Depreciation, depletion and amortization		133,255,843	156,392,135
Share in profit of joint ventures and associates, net	25	(96,558,721)	(351,643,271)
Finance costs	24	143,221,633	143,106,477
Finance income	24	(55,121,880)	(43,254,165)
Unrealized loss/(gain) from derivatives on petroleum products		3,988,404	(1,777,811)
Realized gain from derivatives on petroleum products		(1,577,853)	(362,359)
Impairment of property, plant and equipment and intangible assets other than goodwill	5, 6, 7	417,187	30,642,964
Impairment of goodwill		–	1,622,222
Impairment of investments in joint ventures		–	343,359
Impairment of loan receivable		11,025,736	6,712,538
Loss on disposal of property, plant and equipment, intangible assets and investment property, net		3,767,764	5,068,517
Provisions		65,221,315	7,363,417
Allowance for impairment of trade accounts receivable and other current assets		1,095,132	3,398,372
Reversal of provision for obsolete and slow-moving inventories		(698,691)	(1,459,530)
Forfeiture of share based payments		–	(69,070)
Loss on sale of subsidiary		400,819	–
Unrealized foreign exchange gain		(166,379,620)	(25,875,460)
Operating profit before working capital changes		405,460,061	542,650,100
Change in inventory		28,628,714	17,069,202
Change in VAT receivable		15,327,322	(11,259,872)
Change in trade accounts receivable and other assets		(11,106,727)	33,458,458
Change in other taxes payable		(20,967,012)	(317,970)
Change in trade accounts payable		14,254,051	12,834,201
Change in other liabilities		(52,791,091)	(25,196,448)
Cash generated from operating activities		378,805,318	569,237,671
Income taxes paid		(85,831,390)	(149,431,402)
Interest received		81,041,413	35,371,472
Interest paid		(105,121,434)	(105,487,160)
Proceeds from derivatives		3,269,992	469,539
Net cash flows from operating activities		272,163,899	350,160,120

The accounting policies and explanatory notes on pages 9 through 35 form an integral part of these interim condensed consolidated financial statements.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (continued)

<i>In thousands of tenge</i>	Note	For the nine months ended September 30, 2015 (unaudited)	For the nine months ended September 30, 2014 (unaudited)
Cash flows from investing activities			
Withdrawal of bank deposits, net		(23,691,337)	259,230,987
Purchase of property, plant and equipment, intangible assets, investment property and exploration and evaluation assets		(398,501,808)	(360,523,752)
Proceeds from sale of property, plant and equipment, intangible assets, investment property and exploration and evaluation assets		1,388,317	5,979,865
Dividends received from joint ventures and associates	9	132,826,280	183,385,784
Acquisition of joint ventures	9	(925,098)	(2,200,000)
Acquisition of a subsidiary		–	(1,201,299)
Proceeds from sale of subsidiary		313,396	–
Loans to related parties, net		(24,852,326)	(21,788,856)
Net cash flows (used in)/from investing activities		(313,442,576)	62,882,729
Cash flows from financing activities			
Proceeds from borrowings		271,806,658	222,387,219
Repayment of borrowings		(679,421,820)	(302,564,486)
Dividends paid to Samruk-Kazyna	14	(6,768,531)	(69,577,485)
Dividends paid to non-controlling interests	14	(15,476,028)	(47,903,656)
Issue of shares	14	12,700,436	–
Net cash flows used in financing activities		(417,159,285)	(197,658,408)
Effects of exchange rate changes on cash and cash equivalents		93,755,711	11,051,026
Net change in cash and cash equivalents		(364,682,251)	226,435,467
Cash and cash equivalents of subsidiaries classified as held for sale		(21,606,123)	–
Cash and cash equivalents, at the beginning of the period		823,031,494	407,326,766
Cash and cash equivalents, at the end of the period		436,743,120	633,762,233

NON-CASH TRANSACTIONS: SUPPLEMENTAL DISCLOSURE

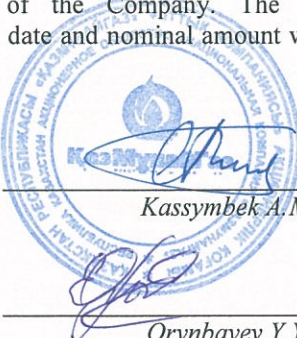
The following significant non-cash transactions and other transactions were excluded from the interim consolidated statement of cash flows:

For the nine months ended September 30, 2015 the Group’s accounts payable for purchases of property, plant and equipment decreased by 24,094,289 thousand tenge (for the nine months, ended September 30, 2014: decreased by 31,925,395 thousand tenge).

During the nine months ended September 30, 2015, the loan of “VTB Bank” group was repaid with the use of the loan from a banking syndicate of Natixis, ING Bank, a branch of ING-DiBa AG, Citibank N.A., London branch. The debt in the amount of 46,337,500 thousand tenge was repaid by the syndicate directly to “VTB Bank” group (*Note 15*).

For the nine months ended September 30, 2015, the Company received the right to claim payments under the “Kazakhstan Note” as consideration for increase in share capital of the Company. The difference of 3,518,718 thousand tenge between the fair value of the loan as at acquisition date and nominal amount was recognized as an additional paid-in capital (*Note 14*).

Managing director for economics and finance



Kassymbek A.M.

Orynbayev Y.Y.

Chief accountant

The accounting policies and explanatory notes on pages 9 through 35 form an integral part of these interim condensed consolidated financial statements.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

<i>In thousands of tenge</i>	Attributable to equity holders of the Parent Company							
	Share capital	Additional paid-in capital	Other equity	Currency translation reserve	Retained earnings	Total	Non-controlling interest	
As at December 31, 2013 (audited)	546,485,470	19,645,866	2,185,813	269,950,758	2,611,367,993	3,449,635,900	586,555,014	4,036,190,914
Net profit for the period	-	-	-	-	384,249,278	384,249,278	84,062,390	468,311,668
Other comprehensive income	-	-	-	182,960,579	(856,222)	182,104,357	19,782,620	201,886,977
Total comprehensive income for the period	-	-	-	182,960,579	383,393,056	566,353,635	103,845,010	670,198,645
Issue of share capital	3,823,503	-	-	-	-	3,823,503	-	3,823,503
Transactions with the holders of the Parent Company	-	6,791,631	-	-	-	6,791,631	-	6,791,631
Dividends	-	-	-	-	(83,114,547)	(83,114,547)	(53,891,403)	(137,005,950)
Distributions to the holders of the Parent Company	-	-	-	-	(2,144,887)	(2,144,887)	-	(2,144,887)
Recognition of share based payments	-	-	149	-	-	149	-	149
Forfeiture of share based payments	-	-	(43,663)	-	-	(43,663)	(25,407)	(69,070)
Exercise of employee options	-	-	-	-	(25,110)	(25,110)	60,557	35,447
Acquisition of non-controlling interest	-	-	-	-	2,005	2,005	(2,005)	-
As at September 30, 2014 (unaudited)	550,308,973	26,437,497	2,142,299	452,911,337	2,909,478,510	3,941,278,616	636,541,766	4,577,820,382

The accounting policies and explanatory notes on pages 9 through 35 form an integral part of these interim condensed consolidated financial statements.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (continued)

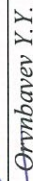
<i>In thousands of tenge</i>	Attributable to equity holders of the Parent Company						Non-controlling interest	Total
	Share capital	Additional paid-in capital	Other equity	Currency translation reserve	Retained earnings	Total		
As at December 31, 2014 (audited)	557,072,340	226,761,347	2,105,737	448,739,927	2,627,270,657	3,861,950,008	555,162,424	4,417,112,432
Net profit for the period	-	-	-	-	158,383,312	158,383,312	51,557,540	209,940,852
Other comprehensive income	-	-	-	553,984,100	586,489	554,570,589	69,451,902	624,022,491
Total comprehensive income for the period	-	-	-	553,984,100	158,969,801	712,953,901	121,009,442	833,963,343
Issue of share capital (Note 14)	139,291,105	3,518,718	-	-	-	142,809,823	-	142,809,823
Dividends (Note 14)	-	-	-	-	(24,335,911)	(24,335,911)	(15,780,780)	(40,116,691)
Other transactions with the holders of the Parent Company	-	-	-	-	(4,836,504)	(4,836,504)	-	(4,836,504)
Sale of subsidiary	-	-	-	-	-	-	(286,530)	(286,530)
As at September 30, 2015 (unaudited)	696,363,445	230,280,065	2,105,737	1,002,724,027	2,757,068,043	4,688,541,317	660,104,556	5,348,645,873

Managing director for economics and finance



Kassymbek A. M.

Chief accountant



Orymbayev Y. Y.

The accounting policies and explanatory notes on pages 9 through 35 form an integral part of these interim condensed consolidated financial statements.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**For the nine months ended September 30, 2015**

1. GENERAL

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

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

As at September 30, 2015, the Company has a direct interest in 39 operating companies (as of December 31, 2014: 39) (jointly the “Group”).

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

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

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

These interim condensed consolidated financial statement of the Group was approved by the Managing director for economics and finance and the Chief accountant on November 17, 2015.

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

The interim condensed consolidated financial statements for the nine months ended September 30, 2015 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, 2014.

Foreign currency translation*Functional and presentation currency*

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

Transactions and balances

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

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

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(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 items are recognised in other comprehensive income until the net investment is disposed of, at which time, the cumulative amount is reclassified to profit or loss. Tax charges and credits attributable to exchange differences on those monetary items are also recorded in other comprehensive income.

Group companies

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

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

Exchange rates

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

The currency exchange rates of KASE as at September 30, 2015 and December 31, 2014 were 270.40 and 182.35 tenge to 1 US dollar accordingly. These rates were used for translation of monetary assets and liabilities denominated in US dollars at September 30, 2015 and December 31, 2014. The weighted rate for three month ended September 30, 2015 were 216.92 tenge to 1 US dollar accordingly. The currency exchange rate of KASE as at November 17, 2015 was 307.62 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, 2014, except for the adoption of new standards and interpretations effective as of January 1, 2015. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective. The nature and the impact of each new standard or amendment is described below:

Amendments to IAS 19 Defined Benefit Plans: Employee Contributions

IAS 19 requires an entity to consider contributions from employees or third parties when accounting for defined benefit plans. Where the contributions are linked to service, they should be attributed to periods of service as a negative benefit. These amendments clarify that, if the amount of the contributions is independent of the number of years of service, an entity is permitted to recognize such contributions as a reduction in the service cost in the period in which the service is rendered, instead of allocating the contributions to the periods of service. This amendment is effective for annual periods beginning on or after July 1, 2014. This amendment is not relevant to the Group, since none of the entities within the Group has defined benefit plans with contributions from employees or third parties.

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

**2. BASIS OF PREPARATION AND CHANGES TO THE GROUP'S ACCOUNTING POLICIES
(continued)****New and amended standards and interpretations (continued)***Annual improvements 2010-2012 Cycle*

These improvements are effective from July 1, 2014 and the Group has applied these amendments for the first time in these interim condensed consolidated financial statements. They include:

IFRS 2 Share-based Payment

This improvement is applied retrospectively and clarifies various issues relating to the definitions of performance and service conditions which are vesting conditions, including the following:

- A performance condition must contain a service condition;
- A performance target must be met while the counterparty is rendering service;
- A performance target may relate to the operations or activities of an entity, or to those of another entity in the same group;
- A performance condition may be a market or non-market condition;
- If the counterparty, regardless of the reason, ceases to provide service during the vesting period, the service condition is not satisfied.

The above definitions are consistent with how the Group identified any performance and service conditions which are vesting conditions in previous periods, and thus these amendments do not impact the Group's interim condensed consolidated financial statement.

IFRS 3 Business Combinations

The amendment is applied retrospectively and clarifies that all consideration arrangements classified as liabilities (or assets) arising from a business combination should be subsequently measured at fair value through profit or loss whether or not they fall within the scope of IFRS 9 (or IAS 39, as applicable). This is consistent with the Group's current accounting policy, and thus this amendment does not impact the Group's interim condensed consolidated financial statement.

IFRS 8 Operating Segments

The amendments are applied retrospectively and clarify that:

- An entity must disclose the judgments made by management in applying the aggregation criteria in paragraph 12 of IFRS 8, including a brief description of operating segments that have been aggregated and the economic characteristics (e.g., sales and gross margins) used to assess whether the segments are 'similar';
- The reconciliation of segment assets to total assets is only required to be disclosed if the reconciliation is reported to the chief operating decision maker, similar to the required disclosure for segment liabilities.

The Group has not applied the aggregation criteria in paragraph 12 of IFRS 8. The Group has presented the reconciliation of segment assets to total assets in previous periods and continues to disclose the same in *Note 1* in these interim condensed consolidated financial statements as the reconciliation is reported to the management for the purpose of their decision making.

IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets

The amendment is applied retrospectively and clarifies in IAS 16 and IAS 38 that the asset may be revalued by reference to observable data by either adjusting the gross carrying amount of the asset to market value or by determining the market value of the carrying value and adjusting the gross carrying amount proportionately so that the resulting carrying amount equals the market value. In addition, the accumulated depreciation or amortization is the difference between the gross and carrying amounts of the asset. The Group did not record any revaluation adjustments during the current interim period.

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

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

New and amended standards and interpretations (continued)

*Annual improvements 2010-2012 Cycle (continued)**IAS 24 Related Party Disclosers*

The amendment is applied retrospectively and clarifies that a management entity (an entity that provides key management personnel services) is a related party subject to the related party disclosures. In addition, an entity that uses a management entity is required to disclose the expenses incurred for management services. This amendment is not relevant for the Group as it does not receive any management services from other entities.

Annual improvements 2011-2013 Cycle

These improvements are effective from July 1, 2014 and the Group has applied these amendments for the first time in these interim condensed consolidated financial statements. They include:

IFRS 3 Business Combinations

The amendment is applied prospectively and clarifies for the scope exceptions within IFRS 3 that:

- Joint arrangements, not just joint ventures, are outside the scope of IFRS 3;
- This scope exception applies only to the accounting in the financial statements of the joint arrangement itself.

Company is not a joint arrangement, and thus this amendment is not relevant for the Group and its subsidiaries.

IFRS 13 Fair Value Measurement

The amendment is applied prospectively and clarifies that the portfolio exception in IFRS 13 can be applied not only financial assets and financial liabilities, but also to other contracts within the scope of IFRS 9 (or IFRS 39, as applicable). The Group does not apply the portfolio exception IFRS 13.

IAS 40 Investment Property

The description of ancillary services in IAS 40 differentiates between investment property and owner-occupied property (i.e., property, plant and equipment). The amendment is applied prospectively and clarifies that IFRS 3, and not the description of ancillary services in IAS 40, is issued to determine if the transaction is the purchase of an asset or a business combination. In previous periods, the Group has relied on IFRS 3, not IAS 40, in determining whether an acquisition is of an asset or is a business acquisition. Thus, this amendment does not impact the interim condensed consolidated financial statement of the Group.

3. SEASONALITY OF OPERATIONS

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

4. DISCONTINUED OPERATIONS**KMG Kashagan B.V.**

In June 2015, the Company and Samruk-Kazyna reached an agreement whereby the Group is going to sell 50% of KMG Kashagan B.V. As a result of this transaction Samruk-Kazyna will own 50% of shares of KMG Kashagan B.V. (the "Kashagan shares"). The Group shall hold Kashagan shares in trust management for Samruk-Kazyna; accordingly, although the Group will relinquish legal title to, and the economic risks and benefits of, the Kashagan shares, including the right to receive distributions and the obligation to make capital contributions with respect to such shares, the Group will retain the rights and responsibilities with respect to the day-to-day operational and administrative management of KMG Kashagan B.V.

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(continued)****4. DISCONTINUED OPERATIONS (continued)****KMG Kashagan B.V. (continued)**

Samruk-Kazyna shall grant a call option to the Group entitling it to purchase all or part of the Kashagan Shares on any date between January 1, 2018 and December 31, 2020.

On September 30, 2015, KMG Kashagan B.V. was classified as a disposal group.

The results of KMG Kashagan B.V. for the nine months ended September 30, 2015 and 2014 are presented below:

<i>In thousands of tenge</i>	For the nine months ended September 30, 2015 (unaudited)	For the nine months ended September 30, 2014 (unaudited)
General and administrative expenses	(1,120,421)	(1,166,950)
Other operating income	23,664	4,997
Other operating losses	(2,542)	(1,657,893)
Operating loss	(1,099,299)	(2,819,846)
Net foreign exchange loss, net	(2,713,925)	(3,578,658)
Finance income	873,024	797,359
Finance costs	(12,424,562)	(11,787,640)
Loss before income tax for the period from discontinued operation	(15,364,762)	(17,388,785)
Income tax benefit/(expense)	8,214	(19,631)
Loss after income tax for the period from discontinued operation	(15,356,548)	(17,408,416)

The major classes of assets and liabilities of KMG Kashagan B.V., classified as held for sale as at September 30, 2015 and December 31, 2014 are as follows:

<i>In thousands of tenge</i>	As at September 30, 2015 (unaudited)	As at December 31, 2014 (audited)
Assets		
Property, plant and equipment	2,791,307,293	1,806,468,875
Exploration and evaluation assets	153,555,834	103,651,022
Intangible assets	113,838	67,470
Other non-current assets	28,678,894	8,570
Inventories	11,627	6,200
Trade accounts receivable	10,568,854	5,867,841
Bank deposits	492,128	5,918,534
VAT receivable	14,784,931	27,482,698
Other current assets	712,775	186,910
Cash and cash equivalents	17,156,610	15,813,755
Assets classified as held for sale	3,017,382,784	1,965,471,875
Liabilities		
Provisions	42,401,154	33,123,330
Payable for the acquisition of additional interest in North Caspian Project	603,694,770	396,345,201
Trade accounts payable	47,562,549	24,375,818
Other taxes payable	17,120,376	3,913,413
Other current liabilities	494,291	1,663,763
Liabilities directly associated with the assets classified as held for sale	711,273,140	459,421,525
Net assets directly associated with the disposal group	2,306,109,644	1,506,050,350

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(continued)****4. DISCONTINUED OPERATIONS (continued)****KMG Kashagan B.V. (continued)**

The net cash flows incurred by KMG Kashagan B.V. are as follows:

<i>In thousands of tenge</i>	For the nine months ended September 30, 2015 (unaudited)	For the nine months ended September 30, 2014 (unaudited)
Operating	24,212,810	15,937,375
Investing	(90,512,338)	(56,464,387)
Financing	67,642,383	43,441,447
Net cash inflows	1,342,855	2,914,435

As of September 30, 2015, translation gain of 106,930,994 thousand tenge related to Kashagan B.V. is included within currency translation reserve in equity.

As at September 30, 2015, items of property, plant and equipment with the net book value of 1,373,989,198 thousand tenge (as at December 31, 2014: 897,425,131 thousand tenge) were pledged as collateral to secure payables of the Group (*Note 16*).

As at September 30, 2015, certain exploration and evaluation assets with the carrying amount of 76,777,917 thousand tenge were pledged as collateral to secure payables of the Group (as at December 31, 2014: 51,825,511 thousand tenge) (*Note 16*).

Other discontinued operations

In 2014 the Group decided to sell its 100% interest in EurasiaAir, 75% in Aysir Turizm ve Inshaat A.S and 100% in Kazakhstan oil and gas institute JSC. The disposal of these subsidiaries is in accordance with the Governmental plan on the privatization of state owned companies in 2014-2016 and due to be disposed in 2015, therefore, the Group considers them as the discontinued operations.

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

<i>In thousands of tenge</i>	Oil and gas assets	Pipelines	Refinery assets	Buildings and improve-ments	Machinery and equipment	Vehicles	Other	Capital work in progress	Total
Net book value as at December 31, 2014 (audited)	2,330,978,251	538,898,415	464,213,942	239,104,698	274,772,593	72,283,827	28,031,700	347,834,621	4,296,118,047
Foreign currency translation	1,079,892,398	10,264,553	148,128,991	27,554,298	14,272,783	9,698,318	2,881,466	7,856,889	1,300,549,696
Change in estimate	-	1,178,870	-	19,618	-	-	-	-	1,198,488
Additions	112,415,499	393,677	161,568	433,747	2,323,962	4,307,765	2,080,629	246,365,322	368,482,169
Disposals	(4,502,431)	(2,584,844)	(1,449,494)	(1,547,715)	(4,973,403)	(12,769,789)	(2,268,074)	(576,125)	(30,671,875)
Depreciation charge	(29,497,460)	(16,170,712)	(34,801,192)	(12,213,269)	(20,965,007)	(6,624,899)	(6,437,093)	-	(126,709,632)
Accumulated depreciation and impairment on disposals	3,698,776	1,228,225	1,036,925	1,256,886	3,685,421	12,661,296	2,093,851	220,686	25,882,066
(Impairment)/reversal of impairment	2,043,736	-	-	(26,830)	(3,716)	(467,736)	(371,971)	(944,762)	228,721
Transfers of discontinued operations (Note 4)	(2,793,612,277)	-	-	(768,382)	(205,162)	(201,532)	(346,218)	(870,871)	(2,796,004,442)
Transfers from exploration and evaluation assets (Note 6)	104,434	-	-	-	-	-	-	-	104,434
Transfers from/(to) inventory, net	(20,733,940)	1,865,404	11,371	(243)	253,136	35,461	176,912	2,646,311	(15,745,588)
Transfers to intangible assets (Note 7)	(55,925)	-	7,432	-	(330)	-	(20,707)	(335,831)	(405,361)
Transfers to assets classified as held for sale	(2,443)	-	(13,646)	(19,531)	-	-	-	(154)	(35,774)
Transfers to investment property	-	-	-	-	(1,578)	-	(62)	-	(1,640)
Transfers and reclassifications	64,779,064	16,295,262	13,148,895	7,501,834	21,497,776	854,172	3,816,262	(127,893,265)	-
Net book value as at September 30, 2015 (unaudited)	745,507,682	551,368,850	590,444,792	261,295,111	290,656,475	79,776,883	29,636,695	474,302,821	3,022,989,309
At cost	1,555,536,741	651,446,432	1,036,440,615	418,807,343	495,556,717	152,365,700	77,323,132	496,277,000	4,883,753,680
Accumulated depreciation and impairment	(810,029,059)	(100,077,582)	(445,995,823)	(157,512,232)	(204,900,242)	(72,588,817)	(47,686,437)	(21,974,179)	(1,860,764,371)
Net book value as at September 30, 2015 (unaudited)	745,507,682	551,368,850	590,444,792	261,295,111	290,656,475	79,776,883	29,636,695	474,302,821	3,022,989,309
At cost	3,066,391,626	622,855,659	773,643,803	364,916,584	444,314,021	144,461,202	66,895,486	373,483,103	5,856,961,484
Accumulated depreciation and impairment	(735,413,375)	(83,957,244)	(309,429,861)	(125,811,886)	(169,541,428)	(72,177,375)	(38,863,786)	(25,648,482)	(1,560,843,437)
Net book value as at December 31, 2014 (audited)	2,330,978,251	538,898,415	464,213,942	239,104,698	274,772,593	72,283,827	28,031,700	347,834,621	4,296,118,047

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

For the nine months ended September 30, 2015, the Group capitalized in the carrying amount of property, plant and equipment borrowing costs at the average interest rate of 4.07% in the amount of 10,683,523 thousand tenge which are related to the construction of new assets (for the nine months ended September 30, 2014: 9,396,944 thousand tenge at the average interest rate of 7.52%).

As at September 30, 2015, items of property, plant and equipment with the net book value of 792,911,344 thousand tenge (as at December 31, 2014: 1,584,722,107 thousand tenge) were pledged as collateral to secure borrowings and payables of the Group (*Note 15*).

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

As at the date of issuance of these interim condensed consolidated financial statements, the participants of the North Caspian Project disassembled the onshore part of pipelines but no decision was made on further use or liquidation of these pipelines. As a result, the Group’s management made a decision to recognize these pipelines within non-current assets in the amount of 28,667,267 thousand tenge.

6. EXPLORATION AND EVALUATION ASSETS

<i>In thousands of tenge</i>	Tangible	Intangible	Total
Net book value as at December 31, 2014 (audited)	230,762,313	46,302,555	277,064,868
Foreign currency translation	58,056,488	4,538,375	62,594,863
Additions	20,222,083	950,455	21,172,538
Transfers to discontinued operations (<i>Note 4</i>)	(153,555,834)	–	(153,555,834)
Transfer to property, plant and equipment (<i>Note 5</i>)	(104,434)	–	(104,434)
Impairment	–	(605,621)	(605,621)
Disposals	(65,611)	–	(65,611)
Net book value as at September 30, 2015 (unaudited)	155,315,005	51,185,764	206,500,769

As at December 31, 2014 and September 30, 2015 the exploration and evaluation assets are represented by the following projects:

<i>In thousands of tenge</i>	September 30, 2015 (unaudited)	December 31, 2014 (audited)
Project N	69,254,437	52,837,668
Urikhtau	38,028,702	34,190,377
Pearls	32,972,142	32,039,193
Zhambyl	26,282,874	25,734,420
North Caspian PSA (Kashagan, Aktoty, Kayran, Kalamkas)	–	103,651,022
Other	39,962,614	28,612,188
	206,500,769	277,064,868

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(continued)****7. INTANGIBLE ASSETS**

<i>In thousands of tenge</i>	Goodwill	Marketing related intangible assets	Software	Other	Total
Net book value as at December 31, 2014 (audited)	111,526,414	32,223,795	19,613,047	19,603,014	182,966,270
Foreign currency translation	4,635,762	15,587,044	1,638,186	6,561,534	28,422,526
Additions	–	–	748,210	653,328	1,401,538
Disposals	–	–	(1,359,742)	(1,273,364)	(2,633,106)
Amortization charge	–	(14,668)	(4,265,109)	(1,818,643)	(6,098,420)
Accumulated amortization and impairment on disposals	–	–	1,186,268	1,146,177	2,332,445
Impairment	–	–	(40,287)	–	(40,287)
Transfer from property, plant and equipment (Note 5)	–	–	206,861	198,500	405,361
Transfers to discontinued operations (Note 4)	–	–	(324,678)	(24,997)	(349,675)
Transfers	–	–	(1,591,635)	1,591,635	–
Net book value as at September 30, 2015 (unaudited)	116,162,176	47,796,171	15,811,121	26,637,184	206,406,652
At cost	196,082,386	49,999,835	48,158,038	55,164,050	349,404,309
Accumulated amortization and impairment	(79,920,210)	(2,203,664)	(32,346,917)	(28,526,866)	(142,997,657)
Net book value as at September 30, 2015 (unaudited)	116,162,176	47,796,171	15,811,121	26,637,184	206,406,652
At cost	172,992,901	33,802,060	46,192,792	40,311,371	293,299,124
Accumulated amortization and impairment	(61,466,487)	(1,578,265)	(26,579,745)	(20,708,357)	(110,332,854)
Net book value as at December 31, 2014 (audited)	111,526,414	32,223,795	19,613,047	19,603,014	182,966,270

Carrying amount of goodwill is allocated to each cash-generating units of the Group as follows:

<i>In thousands of tenge</i>	September 30, 2015 (unaudited)	December 31, 2014 (audited)
Cash-generating unit		
Refining	–	–
Dyneff	–	–
Downstream Romania	7,036,690	6,774,389
Other	7,199,656	2,826,195
Cash generating units of KMG International N.V.	14,236,346	9,600,584
Cash-generating units of Pavlodar oil chemistry refinery	88,553,296	88,553,296
Other	13,372,534	13,372,534
Total goodwill	116,162,176	111,526,414

The Group performs its annual impairment test in December and when circumstances indicate the carrying value may be impaired. The methods and the key assumptions used to determine the recoverable amount for the different cash generating units were disclosed in the annual consolidated financial statements for the year ended December 31, 2014.

With regard to the assessment of the recoverable value, there are no significant changes in the assumptions and the sensitivity information disclosed in the annual consolidated financial statements for the year ended December 31, 2014.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(continued)**8. LONG-TERM BANK DEPOSITS**

<i>In thousands of tenge</i>	September 30, 2015 (unaudited)	December 31, 2014 (audited)
Denominated in US dollar	72,594,764	80,337,198
Denominated in KZT	14,738,754	17,187,051
	87,333,518	97,524,249

As at September 30, 2015, the weighted average interest rate for long-term bank deposits was 4.82% in US dollars and 2.33% in tenge, respectively (as at December 31, 2014: 4.52% in US dollars and 3.31% in tenge, respectively).

<i>In thousands of tenge</i>	September 30, 2015 (unaudited)	December 31, 2014 (audited)
Maturities between 1 and 2 years	47,684,766	36,400,455
Maturities over 2 years	39,648,752	61,123,794
	87,333,518	97,524,249

As at September 30, 2015 long-term bank deposits include cash pledged as collateral in the amount of 34,589,099 thousand tenge (as at December 31, 2014: 44,344,744 thousand tenge).

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)**9. INVESTMENTS IN JOINT VENTURES AND ASSOCIATES**

<i>In thousands of tenge</i>	Main activity	Place of business	September 30, 2015 (unaudited)		December 31, 2014 (audited)	
			Carrying amount	Percentage ownership	Carrying amount	Percentage ownership
Joint ventures						
Tengizchevroil LLP	Oil and gas exploration and production	Kazakhstan	787,434,947	20.00%	501,119,245	20.00%
Mangistau Investments B.V.	Oil and gas development and production	Kazakhstan	208,110,560	50.00%	196,194,403	50.00%
KazakhOil-Aktobe LLP	Production of crude oil	Kazakhstan	88,374,826	50.00%	85,877,971	50.00%
Beineu-Shymkent Pipeline LLP	Construction and operation of the gas pipeline	Kazakhstan	14,923,109	50.00%	66,885,166	50.00%
KazRosGas LLP	Processing and sale of natural gas and refined gas products	Kazakhstan	74,383,521	50.00%	62,333,974	50.00%
KazGerMunay LLP	Exploration and production of oil and gas	Kazakhstan	85,476,178	50.00%	67,662,371	50.00%
Other			104,516,521		89,121,304	
Associates						
PetroKazakhstan Inc. ("PKI")	Exploration, production and processing of oil and gas	Kazakhstan	150,856,261	33.00%	117,103,135	33.00%
Other			48,379,859		31,363,831	
			1,562,455,782		1,217,661,400	

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

As at September 30, 2015 the Group's share in unrecognized losses of joint ventures and associates was equal to 278,858,213 thousand tenge (as at December 31, 2014: 37,025,273 thousand tenge).

During the nine month ended September 30, 2015 the Group provided interest-free loans to its associate and joint venture. The difference of 16,454,868 thousand tenge between the fair value and nominal value was treated as an increase in investments.

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(continued)****9. INVESTMENTS IN JOINT VENTURES AND ASSOCIATES (continued)**

The following table summarizes the movements in equity investments in joint ventures and associates during the nine months ended September 30, 2015:

In thousands of tenge

At January 1, 2015 (audited)	1,217,661,400
Acquisition of joint venture	925,098
Share in profits of joint ventures and associates, net (Note 25)	96,559,997
Share in additional paid-in-capital	16,454,868
Dividends received	(132,826,280)
Change in dividends receivable	(16,668,933)
Transfers to discontinued operations	(88,320)
Foreign currency translation	380,437,952
At September 30, 2015 (unaudited)	1,562,455,782

10. INVENTORIES

<i>In thousands of tenge</i>	September 30, 2015 (unaudited)	December 31, 2014 (audited)
Materials and supplies	100,129,231	88,623,744
Refined products	75,378,556	75,457,717
Crude oil	39,786,373	29,445,423
Gas products	23,786,298	13,853,302
Less: provision for obsolete inventory	(14,718,463)	(12,419,427)
	224,361,995	194,960,759

11. TRADE ACCOUNTS RECEIVABLE AND OTHER CURRENT ASSETS

<i>In thousands of tenge</i>	September 30, 2015 (unaudited)	December 31, 2014 (audited)
Prepaid and deferred expenses	51,429,449	45,047,301
Taxes receivable	27,296,394	31,057,762
Other current assets	64,196,717	38,329,752
Less: allowance for impairment	(21,747,528)	(15,852,965)
Total other current assets	121,175,032	98,581,850
Trade accounts receivable	289,546,156	230,383,348
Less: allowance for impairment	(38,381,065)	(27,760,995)
Trade accounts receivable	251,165,091	202,622,353

As at September 30, 2015 and at December 31, 2014 the above assets were non-interest bearing.

As at September 30, 2015 the Group has trade accounts receivable in the amount of 95,934,405 thousand tenge pledged as loan collateral (as at December 31, 2014: 32,332,843 thousand tenge).

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(continued)****11. TRADE ACCOUNTS RECEIVABLE AND OTHER CURRENT ASSETS (continued)**

Movements in the allowance for impairment of trade accounts receivable and other current assets were as follows:

<i>In thousands of tenge</i>	September 30, 2015 (unaudited)
As at January 1 (audited)	43,613,960
Charge for the period	3,088,180
Write-off	(383,674)
Foreign currency translation	15,843,529
Discontinued operations	(67,698)
Recovered	(1,965,704)
As at September 30 (unaudited)	60,128,593

12. SHORT-TERM FINANCIAL ASSETS

<i>In thousands of tenge</i>	September 30, 2015 (unaudited)	December 31, 2014 (audited)
Short-term bank deposits	951,805,975	693,879,434
Loans due from related parties	91,905,505	34,769,019
Less: allowance for impairment of loans to related parties	(11,135,251)	(71,379)
	1,032,576,229	728,577,074

<i>In thousands of tenge</i>	September 30, 2015 (unaudited)	December 31, 2014 (audited)
Short-term financial assets in US dollars	951,182,642	632,022,609
Short-term financial assets in tenge	75,611,222	94,765,444
Short-term financial assets in other foreign currencies	5,782,365	1,789,021
	1,032,576,229	728,577,074

As at September 30, 2015 the weighted average interest rate for short-term bank deposits was 1.92% in US dollars, 8.77% in tenge and 1.09% in other foreign currencies, respectively (as at December 31, 2014: 1.82% in US dollars, 7.60% in tenge and 1.08% in other foreign currencies, respectively).

13. CASH AND CASH EQUIVALENTS

<i>In thousands of tenge</i>	September 30, 2015 (unaudited)	December 31, 2014 (audited)
Term deposits with banks – US dollars	99,655,419	549,569,558
Term deposits with banks – tenge	86,569,919	125,409,276
Current accounts with banks – US dollars	195,818,947	110,485,878
Current accounts with banks – tenge	24,914,995	19,530,382
Current accounts with banks – other currencies	8,213,207	10,058,713
Term deposits with banks – other currencies	6,277,877	4,620,202
Cash-on-hand	15,292,756	3,357,485
	436,743,120	823,031,494

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, 2015 the weighted average interest rate for time deposits with banks was 1.51% in US dollars and 11.45% in tenge, respectively (as at December 31, 2014: 0.73% in US dollars and 11.35% in tenge, respectively).

As at September 30, 2015 cash and cash equivalents in the amount of 772,533 thousand tenge were pledged as collateral (as at December 31, 2014: 1,007,301 thousand tenge).

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(continued)****14. EQUITY****Share capital**

For the nine months ended September 30, 2015 the Group has issued 55,716,442 common shares at par value of 2,500 tenge each. As consideration for these common shares of the Samruk-Kazyna, the Group received cash amounting 12,700,436 thousand tenge and the right to claim payments under “Kazakhstan note”.

The rights to claim under the “Kazakhstan note” are in accordance with the loan agreement dated May 16, 1997 between the Government and Caspian Pipeline Consortium – K JSC. The nominal value as of transfer date amounted 126,590,669 thousand tenge.

Additional paid-in capital

The excess of the fair value of the “Kazakhstan note” over its nominal value as at the transfer date amounted 3,518,718 thousand tenge, which was recognised as an additional paid-in capital.

Dividends

During the nine months ended September 30, 2015 according to the decision of Samruk-Kazyna, the Company declared dividends for 2014 at 53.24 tenge per common share in the total amount of 31,104,442 thousand tenge. Also, during the nine months ended September 30, 2015, in accordance with the decision of Samruk-Kazyna, the Company decreased the amount of dividends declared for 2013 by 6,768,531 thousand tenge.

As at September 30, 2015 dividends payable to amounted 31,104,442 thousand tenge (December 31, 2014: 13,537,062 thousand tenge). For the nine months ended September 30, 2015 the Group declared dividends of 15,780,780 thousand tenge to the holders of non-controlling interest (for the nine months ended September 30, 2014: 53,891,403 thousand tenge). During the nine months ended September 30, 2015 the Group paid dividends of 15,476,028 thousand tenge to the holders of non-controlling interest (for the nine months ended September 30, 2014: 47,903,656 thousand tenge).

Currency translation reserves

The currency translation reserve is used to record exchange differences arising from the translation of financial statements of subsidiaries, joint ventures and associates whose functional currency is not kazakhstani tenge and whose financial results are included in these interim condensed consolidated financial statements. For the nine months ended September 30, 2015 the Group utilized hedging of net investments in certain subsidiaries with US dollars as functional currency of their financial statements against selected borrowings in US dollars.

Non-controlling interest

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

	Country of incorporation and operation	September 30, 2015 (unaudited)		December 31, 2014 (audited)	
		Share	Carrying value	Share	Carrying value
KazMunayGas Exploration					
Production JSC	Kazakhstan	36.79%	587,346,294	36.79%	492,633,617
KazTransOil JSC	Kazakhstan	10.00%	37,965,212	10.00%	36,194,881
Rompetrol Rafinare S.A.	Romania	45.37%	(3,472,572)	45.37%	140,399
Rompetrol Downstream S.R.L.	Romania	45.37%	36,329,795	45.37%	24,793,352
Rompetrol Petrochemicals S.R.L.	Romania	45.37%	9,946,083	45.37%	7,382,722
Rompetrol Vega	Romania	45.37%	(18,549,814)	45.37%	(12,400,519)
Other			10,539,558		6,417,972
			660,104,556		555,162,424

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

<i>In thousands of tenge</i>	September 30, 2015 (unaudited)	December 31, 2014 (audited)
Fixed interest rate borrowings	2,857,032,123	2,284,707,172
Weighted average interest rates	6.54%	7.12%
Variable interest rate borrowings	1,121,641,063	813,013,235
Weighted average interest rates	4.34%	9.00%
	3,978,673,186	3,097,720,407

<i>In thousands of tenge</i>	September 30, 2015 (unaudited)	December 31, 2014 (audited)
US dollar – denominated borrowings	3,611,423,113	2,744,878,020
Tenge – denominated borrowings	331,128,689	310,855,387
Euro – denominated borrowings	31,533,778	29,588,111
Other currency – denominated borrowings	4,587,606	12,398,889
	3,978,673,186	3,097,720,407

<i>In thousands of tenge</i>	September 30, 2015 (unaudited)	December 31, 2014 (audited)
Current portion	396,857,239	670,529,840
Non-current portion	3,581,815,947	2,427,190,567
	3,978,673,186	3,097,720,407

As at September 30, 2015 the Group's property, plant and equipment with carrying value of 792,911,344 thousand tenge (December 31, 2014: 666,834,753 thousand tenge) (*Note 5*), inventories of 67,462,096 thousand tenge (as at December 31, 2014: 53,784,680 thousand tenge) and trade accounts receivable of 95,934,405 thousand tenge (as at December 31, 2014: 32,332,843 thousand tenge) (*Note 11*) were pledged as loan collateral.

For the nine months ended September 30, 2015 the Group issued and received borrowings in the total amount of 271,806,658 thousand tenge. Particularly, KTG obtained a borrowing from the following syndicate of banks Citibank N.A., Natixis, ING Bank in the total amount of 74,140,000 thousand tenge with interest rate of Libor 3m + 1.5% with maturity of February 26, 2018 for the purpose of refinancing of the current borrowings. The remaining borrowings mainly represent short-term loans, obtained for working capital purposes.

For the nine months ended September 30, 2015 the Group settled borrowings in the amount of 679,421,820 thousand tenge. Particularly, the Group settled its bonds, quoted at LSE in the amount of 1,500 million US dollars (276,150,000 thousand tenge as of settlement date), additionally borrowings from ING Bank and VTB Bank in the amounts of 400 million US dollars (equivalent to 78,228,000 thousand tenge as of settlement date) and 250 million US dollars (equivalent to 46,337,500 thousand tenge as of settlement date), correspondingly. Other settlements represent redemption of trade credits obtained for working capital purposes within the framework of credit lines from various of the second banks.

Hedge of net investment in the foreign operations

As at September 30, 2015 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, 2015 losses of 984,021,421 thousand tenge (for the nine months ended September 30, 2014 losses of 307,100,510 thousand tenge) on the translation of these borrowings were transferred to other comprehensive income and offset the gains on translation of foreign operations.

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(continued)****16. PAYABLE FOR THE ACQUISITION OF ADDITIONAL INTEREST IN NORTH CASPIAN PROJECT
("NCP")**

On October 31, 2008 all participants of the NCP signed an agreement according to which all project participants except for KMG Kashagan B.V., 100% subsidiary of the Group, agreed to partially sell their interest in this project on a proportional basis to increase the interest of KMG Kashagan B.V. in the NCP from 8.33% to 16.81% retrospectively from January 1, 2008. The acquisition cost was equal to 1.78 billion US dollars plus annual compound interest at LIBOR + 3%. Interest acquired of 8.48% was pledged as collateral for this liability.

As at September 30, 2015 the amortized cost of this payable was 603,694,770 thousand tenge (December 31, 2014: 396,345,201 thousand tenge) and was classified within the liabilities directly associated with the assets classified as held for sale (*Note 4*).

17. PROVISIONS

<i>In thousands of tenge</i>	Asset retirement obligations	Provision for environmental obligation	Provision for taxes	Provision for gas transportation	Employee benefit obligations	Other	Total
As at December 31, 2014 (audited)	114,024,291	39,623,445	15,717,351	13,328,668	27,590,340	23,576,407	233,860,502
Foreign currency translation	17,089,305	8,985,536	1,285,379	–	(75,395)	712,034	27,996,859
Change in estimate	(10,665,903)	(105,468)	(1,880,744)	–	–	121,719	(12,530,396)
Unwinding of discount	5,443,348	–	–	–	–	–	5,443,348
Provision for the period	14,916,687	1,521,529	52,940,269	6,435,916	7,725,495	3,803,801	87,343,697
Transfers to discontinued operations	(44,761,754)	–	–	–	–	(226,595)	(44,988,349)
Recovered	–	(421,573)	(834,888)	–	–	(69,960)	(1,326,421)
Unused amounts reversed	(328,302)	(1,900,643)	–	–	–	(1,821,805)	(4,050,750)
Use of provision	(619,797)	(1,318,235)	(11,728,653)	–	(603,214)	(2,577,180)	(16,847,079)
As at September 30, 2015 (unaudited)	95,097,875	46,384,591	55,498,714	19,764,584	34,637,226	23,518,421	274,901,411

As at September 30, 2015 other provisions include provision for reconstruction of the trade and exhibition center in the amount of 6,085,181 thousand tenge (as at December 31, 2014: 6,134,052 thousand tenge) and provision for construction of golf club in the amount of 13,320,988 thousand tenge (as at December 31, 2014: 13,320,988 thousand tenge).

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

<i>In thousands of tenge</i>	Asset retirement obligations	Provision for environmental obligation	Provision for taxes	Provision for gas transportation	Employee benefit obligations	Other	Total
As at September 30, 2015 (unaudited)							
Current portion	558,028	5,717,689	55,480,056	19,764,584	1,863,140	19,275,409	102,658,906
Long-term portion	94,539,847	40,666,902	18,658	–	32,774,086	4,243,012	172,242,505
Provision as at September 30, 2015 (unaudited)	95,097,875	46,384,591	55,498,714	19,764,584	34,637,226	23,518,421	274,901,411
As at December 31, 2014 (audited)							
Current portion	963,674	9,147,849	5,879,568	13,328,668	1,745,170	19,264,588	50,329,517
Long-term portion	113,060,617	30,475,596	9,837,783	–	25,845,170	4,311,819	183,530,985
As at December 31, 2014 (audited)	114,024,291	39,623,445	15,717,351	13,328,668	27,590,340	23,576,407	233,860,502

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(continued)****18. TRADE ACCOUNTS PAYABLE AND OTHER CURRENT LIABILITIES**

<i>In thousands of tenge</i>	September 30, 2015 (unaudited)	December 31, 2014 (audited)
Advances received	37,769,564	28,636,744
Dividends payable	33,413,949	15,541,817
Due to employees	29,337,596	34,067,977
Other	51,119,618	69,534,974
Total other current liabilities	151,640,727	147,781,512
Trade accounts payable	242,693,162	233,653,734

Trade accounts payable are denominated in the following currencies as at September 30, 2015 and as at December 31, 2014:

<i>In thousands of tenge</i>	September 30, 2015 (unaudited)	December 31, 2014 (audited)
US dollars	116,568,081	93,136,154
Tenge	80,994,845	99,551,276
Euro	21,211,119	14,452,671
Other currency	23,919,117	26,513,633
Total	242,693,162	233,653,734

As at September 30, 2015 and December 31, 2014 trade accounts payable and other current liabilities were not interest bearing.

19. OTHER TAXES PAYABLE

<i>In thousands of tenge</i>	September 30, 2015 (unaudited)	December 31, 2014 (audited)
VAT	20,060,272	13,545,045
Excise tax	17,304,053	13,306,668
Mineral extraction tax	12,651,321	15,873,564
Rent tax on crude oil export	8,322,447	18,621,215
Special fund on petroleum products	1,934,442	1,363,249
Other	12,647,909	17,824,437
	72,920,444	80,534,178

20. REVENUE

<i>In thousands of tenge</i>	For the three months ended September 30,		For the nine months ended September 30,	
	2015 (unaudited)	2014 (unaudited)	2015 (unaudited)	2014 (unaudited)
Sales of refined products	434,120,630	527,151,907	1,177,354,839	1,537,682,984
Sales of crude oil	135,734,001	186,381,267	573,764,817	549,922,764
Transportation fee	66,855,248	65,290,437	208,773,275	208,904,615
Sales of gas and gas products	80,172,539	50,492,377	196,544,271	191,403,751
Other revenue	53,561,480	71,603,866	157,886,319	195,934,302
Less: sales taxes and commercial discounts	(111,848,651)	(114,954,347)	(267,463,097)	(295,233,873)
	658,595,247	785,965,507	2,046,860,424	2,388,614,543

Revenues are generated from the Group's principal operations, which essentially represent upstream production of hydrocarbons and transportation of oil and gas within Kazakhstan, and marketing and sales of oil, gas and oil products in Kazakhstan, Europe and Far East.

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(continued)****21. COST OF SALES**

<i>In thousands of tenge</i>	For the three months ended September 30,		For the nine months ended September 30,	
	2015 (unaudited)	2014 (unaudited)	2015 (unaudited)	2014 (unaudited)
Materials and supplies	327,387,300	268,288,021	1,097,482,290	1,003,202,050
Payroll	67,546,975	58,774,074	198,715,437	181,601,789
Depreciation, depletion and amortization	36,726,835	47,756,869	111,475,552	134,361,190
Mineral extraction tax	25,679,316	24,974,980	51,754,952	73,487,232
Electricity	11,597,968	10,895,084	35,532,600	34,956,737
Other taxes	12,523,318	20,188,103	34,250,116	30,736,388
Repair and maintenance	5,327,402	8,186,238	15,598,869	24,733,540
Realized (gain)/loss from derivatives on petroleum products	(391,030)	(889,352)	(1,577,853)	(362,359)
Unrealized loss/(gain) from derivatives on petroleum products	(1,107,230)	(1,331,638)	3,988,404	(1,777,811)
Other	48,999,307	124,037,367	118,924,979	186,056,776
	534,290,161	560,879,746	1,666,145,346	1,666,995,532

22. GENERAL AND ADMINISTRATIVE EXPENSES

<i>In thousands of tenge</i>	For the three months ended September 30,		For the nine months ended September 30,	
	2015 (unaudited)	2014 (unaudited)	2015 (unaudited)	2014 (unaudited)
Payroll	14,556,361	12,652,855	41,747,520	42,276,926
Fines and penalties	17,848,012	(2,224,610)	26,583,262	350,526
Depreciation and amortization	4,001,023	3,978,338	11,261,033	11,861,540
Charitable donations and sponsorship	542,828	1,548,170	6,977,077	6,913,887
Consulting services	2,917,591	5,764,768	6,379,875	9,567,907
Social payments	1,760,774	(354,807)	5,194,798	1,141,845
Other taxes	1,917,088	3,640,180	3,835,324	6,353,123
VAT not set-off (proportional method)	420,479	2,207,019	1,141,345	2,884,480
Allowance for impairment of trade accounts receivable (Note 11)	501,027	(4,173,497)	1,013,264	(1,475,279)
Allowance for impairment of other current assets (Note 11)	(14,292)	1,647,807	109,186	2,091,611
Reversal of provision for obsolete and slow-moving inventories	252,264	4,926,717	(698,691)	3,895,705
Other	4,585,127	10,422,957	19,265,615	21,657,076
	49,288,282	40,035,897	122,809,608	107,519,347

23. TRANSPORTATION AND SELLING EXPENSES

<i>In thousands of tenge</i>	For the three months ended September 30,		For the nine months ended September 30,	
	2015 (unaudited)	2014 (unaudited)	2015 (unaudited)	2014 (unaudited)
Customs duty	14,673,734	23,845,250	54,475,877	65,799,604
Transportation	13,726,723	14,328,219	40,468,780	41,234,005
Rent tax on crude oil export	9,876,927	43,263,189	32,658,959	131,900,813
Payroll	4,349,691	5,266,390	12,493,574	15,400,978
Depreciation and amortization	3,548,258	3,371,897	9,889,070	9,376,955
Other	6,208,426	6,520,430	17,028,295	18,030,531
	52,383,759	96,595,375	167,014,555	281,742,886

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(continued)****24. FINANCE INCOME/FINANCE COSTS****Finance income**

<i>In thousands of tenge</i>	For the three months ended September 30,		For the nine months ended September 30,	
	2015 (unaudited)	2014 (unaudited)	2015 (unaudited)	2014 (unaudited)
Interest income on bank deposits, loans and bonds	12,545,158	12,208,599	34,635,008	34,872,198
Derecognition of liabilities	–	–	7,082,293	–
Other	5,430,863	2,306,863	13,404,579	7,406,957
	17,976,021	14,515,462	55,121,880	42,279,155

Finance costs

<i>In thousands of tenge</i>	For the three months ended September 30,		For the nine months ended September 30,	
	2015 (unaudited)	2014 (unaudited)	2015 (unaudited)	2014 (unaudited)
Interest on loans and debt securities issued	42,464,283	34,048,765	114,704,937	112,262,659
Amortization of discount on loans and debt securities issued	2,230,664	5,210,428	5,763,134	8,114,925
Unwinding of discount on asset retirement obligations	789,593	973,800	4,571,677	3,026,699
Discount on assets with non-market interest rate	2,149,688	–	3,522,727	26,177
Other	7,580,093	3,895,629	14,659,158	14,600,915
	55,214,321	44,128,622	143,221,633	138,031,375

25. SHARE IN (LOSS)/PROFIT OF JOINT VENTURES AND ASSOCIATES, NET

<i>In thousands of tenge</i>	For the three months ended September 30,		For the nine months ended September 30,	
	2015 (unaudited)	2014 (unaudited)	2015 (unaudited)	2014 (unaudited)
Tengizchevroil LLP	44,087,997	87,496,853	124,498,661	261,352,431
KazRosGas LLP	12,730,493	9,299,313	29,633,206	23,907,282
Mangistau Investments B.V.	6,494,197	15,462,080	11,916,156	59,542,774
KazGerMunay LLP	(731,212)	9,268,095	6,976,204	24,688,496
Kazakhoil-Aktobe LLP	5,796,157	571,476	2,496,855	4,977,571
Beineu-Shymkent Gas Pipeline	(48,810,559)	(15,878,590)	(53,484,618)	(17,569,022)
Kazakh-Chinese Gas Pipeline	(19,222,041)	1,355,621	(17,758,593)	(8,020,621)
PetroKazakhstan Inc.	(5,572,462)	4,042,038	(10,146,805)	22,012,960
Asian Gas Pipeline LLP	–	123,073	–	(24,315,783)
Share in profit/(loss) of other joint ventures and associates	(4,562,534)	17,203,750	2,427,655	5,015,788
	(9,789,964)	128,943,709	96,558,721	351,591,876

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(continued)****26. INCOME TAX EXPENSE**

<i>In thousands of tenge</i>	For the three months ended September 30,		For the nine months ended September 30,	
	2015 (unaudited)	2014 (unaudited)	2015 (unaudited)	2014 (unaudited)
Current income tax				
Corporate income tax	73,581,376	17,439,814	112,143,260	104,909,899
Excess profit tax	1,763,431	1,516,492	7,202,378	10,332,005
Withholding tax on dividends and interest income	6,897,196	7,404,228	14,793,783	21,656,020
Deferred income tax				
Corporate income tax	(24,350,234)	2,222,745	(23,469,976)	(16,428,526)
Excess profit tax	(349,736)	2,655,387	(154,659)	(3,102,456)
Withholding tax on dividends and interest income	39,596,767	5,725,750	42,947,355	26,763,155
Income tax expense	97,138,800	36,964,416	153,462,141	144,130,097

27. 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, 2015 and December 31, 2014:

<i>In thousands of tenge</i>		Due from	Due to related	Cash and	Borrowings
		related parties	parties	deposits placed with related parties	payable to related parties
Samruk-Kazyna entities	September 30, 2015	50,304,966	29,024,588	225,655	7,384,620
	December 31, 2014	50,917,876	14,463,719	42,440	7,192,220
Associates	September 30, 2015	202,401,007	1,386,892	–	–
	December 31, 2014	32,518,279	959,303	–	–
Other related parties	September 30, 2015	–	10,806,344	–	504,049,965
	December 31, 2014	222,000	7,043,212	2,900,878	376,939,528
Joint ventures in which the Group is a venturer	September 30, 2015	240,004,289	34,937,267	–	–
	December 31, 2014	177,799,485	37,412,654	–	–

Due from related parties

As at September 30, 2015 due from related parties included bonds receivable from the Samruk-Kazyna with the carrying amount of 40,665,809 thousand tenge (as at December 31, 2014: 41,585,896 thousand tenge). These bonds are maturing in 2044 and coupon rate is 4% per annum.

As at September 30, 2015 due from associates mainly included notes receivable from Caspian Pipeline Consortium in the amount of 182,403,462 thousand tenge (as at December 31, 2014: 28,237,627 thousand tenge).

As at September 30, 2015 due from joint ventures mainly include loans receivable, which are presented within long-term and short-term loans receivable from related parties in the interim condensed consolidated financial statement, and trade accounts receivable originated in the normal course of business in the amount of 134,677,371 thousand tenge (as at December 31, 2014: 134,019,135 thousand tenge) and 75,163,186 thousand tenge (as at December 31, 2014: 43,780,350 thousand tenge), respectively.

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(continued)****27. RELATED PARTY DISCLOSURES (continued)****Due to related parties**

As at September 30, 2015 due to Samruk-Kazyna entities mainly include Company’s dividends payable to the Samruk-Kazyna in the amount of 27,993,998 thousand tenge (as at December 31, 2014: 13,537,062 thousand tenge).

As at September 30, 2015 due to joint ventures mainly include trade payable to Kazakhoil Aktobe LLP, KazRosGas LLP, Asia Gas Pipeline LLP, Mangistaumunaigas JSC and BeineuShymkent Pipeines LLP in the amount of 2,976,631 thousand tenge, 3,766,530 thousand tenge, 8,232,568 thousand tenge and 6,896,229 thousand tenge and 6,450,513 thousand tenge, respectively (as at December 31, 2014: 3,063,775 thousand tenge, 2,352,209 thousand tenge, 14,005,552 thousand tenge and 5,719,794 thousand tenge and 7,290,612 thousand tenge, respectively).

Borrowings payable to related parties

As at September 30, 2015 borrowings payable to Samruk-Kazyna entities mainly included loans payable to the Samruk-Kazyna with the carrying amount of 7,384,620 thousand tenge and interest rate of 7.99% per annum (as at December 31, 2014: 7,094,210 thousand tenge).

As at September 30, 2015 borrowings payable to other related parties mainly included bonds and loans payable to DBK with the total carrying amount of 498,010,761 thousand tenge (as at December 31, 2014: 372,031,313 thousand tenge).

The following table provides the total amount of transactions, which have been entered into with related parties during nine months ended September 30, 2015 and 2014:

<i>In thousands of tenge</i>		Sales to related parties	Purchases from related parties	Interest earned from related parties	Interest incurred to related parties
Samruk-Kazyna entities	September 30, 2015	36,638,120	19,015,375	3,519,913	418,576
	September 30, 2014	34,327,984	23,648,305	4,300,640	425,473
Associates	September 30, 2015	10,692,881	12,291,510	4,163,442	1,667,601
	September 30, 2014	943,149	2,481,836	–	–
Other related parties	September 30, 2015	–	48,877	579,875	9,132,775
	September 30, 2014	–	–	–	715,382
Joint ventures in which the Group is a venturer	September 30, 2015	192,232,092	74,663,918	10,762,095	–
	September 30, 2014	148,839,751	69,644,925	4,146,858	–

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

Key management employee compensation

Total compensation to key management personnel included in general and administrative expenses in the accompanying interim consolidated statement of comprehensive income was equal to 5,454,734 thousand tenge and 5,203,059 thousand tenge for the nine months ended September 30, 2015 and September 30, 2014, respectively. Compensation to key management personnel consists of contractual salary and performance bonus based on operating results.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**28. FINANCIAL INSTRUMENTS****Fair values of financial instruments and investment property**

The carrying amount of the Group financial instruments and investment property as at September 30, 2015 and December 31, 2014 are reasonable approximation of their fair value, except for the financial instruments and investment property disclosed below:

<i>In thousands of tenge</i>	Fair value by level of assessment			Based on the significant amount of unobserved (Level 3)
	Carrying amount	Fair value	Quotations in an active market (Level 1)	
As at September 30, 2015				
Bonds receivable from the Samruk-Kazyna	40,665,809	74,247,150	–	74,247,150
Fixed interest rate borrowings	2,857,032,123	2,615,975,124	2,235,507,504	380,467,620
Financial guarantee	13,361,665	13,361,665	–	13,361,665
Derivatives, net	1,514,032	1,514,032	–	1,514,032
Investment property	26,777,960	31,709,014	–	31,709,014

<i>In thousands of tenge</i>	Fair value by level of assessment			Based on the significant amount of unobserved (Level 3)
	Carrying amount	Fair value	Quotations in an active market (Level 1)	
As at December 31, 2014				
Bonds receivable from the Samruk-Kazyna	41,585,896	74,754,137	–	74,754,137
Fixed interest rate borrowings	2,284,707,172	2,306,596,659	1,937,379,432	369,217,227
Financial guarantee	9,832,576	9,832,576	–	9,832,576
Derivatives, net	6,149,586	6,149,586	–	6,149,586
Investment property	27,197,634	31,972,501	–	31,972,501

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.

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

29. 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, 2014, the following changes have taken place during the nine months ended September 30, 2015:

Cost recovery audits

As of September 30, 2015 the Group's share in the total disputed amounts of the non-recoverable costs is 712 million US dollars (equivalent 192,504 million tenge) (as of December 31, 2014: 353 million US dollars (equivalent 64,286 million 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.

Legal proceedings with Romanian Competition Council (KMG International N.V.)

Based on its Decision No. 97/21 December 2011, the Romanian Competition Council (RCC) ruled that an alleged breach of the Romanian Competition Law and of Treaty for the Functioning of the European Union took place on the Romanian market (the allegations concerned an alleged mutual understanding of all major oil players to jointly withdraw from the market a type of fuel ECO Premium in 2008, during the Romanian Petroleum Association – RPA – meetings held in 2007-2008). As a result, RCC imposed fines to all major players on the Romanian oil market. Rompetrol Downstream was charged for 46.83 million US dollars. As at December 31, 2014 22.3 million US dollars (4,066 million tenge) was paid by Rompetrol Downstream. The payment of the remaining part is rescheduled by the Romanian tax authorities for 60 months.

On July 9, 2015 the Supreme Court of Romania state made decision against Rompetrol Downstream to pay the US 20 million US dollars. The decision handed down by the Supreme Court is final and can be appealed only in exceptional circumstances. The Group intends to appeal against the decision of the court after the receipt of the rationale for the judgment. The Group assesses risk as possible thus no provisions relating to the remaining part of this litigation has been accrued as of September 30, 2015.

Civil litigation (KMGI)

On October 7, 2014 the Romanian court of appeal partially granted a civil action filed by the Romanian state for the amount of 58.5 million US dollars (10,893 million tenge) representing damages to be paid to the Ministry of Finance of Romania, plus related legal interest from 5 January 2001 to the actual payment date. Under this civil action Rompetrol SA and individuals are severally held liable.

The decision of this court of appeal may be challenged by way of extraordinary judicial remedies: the appeal for annulment, the revision and the appeal for cassation (the latter even more limited, solely to points of law). The actual manner in which the enforcement of the decision takes place may also be challenged.

The Group already submitted the two extraordinary appeals against the decision of the Romanian court of appeal. One of the extraordinary appeals was rejected by the Supreme Court on April 9, 2015. The hearing for the second appeal is scheduled on December 8, 2015.

The Group considers that the important legal steps have been initiated to challenge the decision of the Romanian court of appeal. Management assessed the risk of losses as possible and no provisions relating to this court decision has been accrued as of September 30, 2015.

Kazakhstan local market obligation

In nine months ended September 30, 2015, in accordance with its obligations, the Group delivered 5,641,397 tons of crude oil (nine months ended September 30, 2014: 4,906,198 tons), including joint ventures, to the Kazakhstan market.

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(continued)****29. CONTINGENT LIABILITIES AND COMMITMENTS (continued)****Commitments under subsoil use contracts**

As at September 30, 2015 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
2015	46,901,977	4,866,955
2016	78,410,145	3,924,097
2017	3,833,128	3,896,952
2018	1,080,738	3,937,247
2019-2025	507,472	7,282,413
Total	130,733,460	23,907,664

Other contractual commitments

As at September 30, 2015, the Group had other capital commitments of approximately 825 billion tenge (as at December 31, 2014: 832 billion tenge), including joint ventures, related to acquisition and construction of property, plant and equipment.

30. SEGMENT REPORTING

Management of the Group analyzes the segment information based on IFRS numbers. Segment profits are considered based on gross profit and net profit results.

The Group's operating segments have their own structure and management according to the type of the produced goods and services provided. Moreover, all segments are strategic directions of the business which offer different types of the goods and serve different markets.

The Group's activity consists of four main operating segments: exploration and production of oil and gas, transportation of oil, transportation of gas, refining and trading of crude oil and refined products. The remaining operating segments have been aggregated and presented as other operating segment due to their insignificance.

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(continued)****30. SEGMENT REPORTING (continued)**

The following represents information about operating segments of the Group as at September 30, 2015 and for the nine months then ended:

<i>In thousands of tenge</i>	Exploration and production of oil and gas	Oil transportation	Gas transportation	Refining and trading of crude oil and refined products	Other	Elimination	Total
Revenues from sales to external customers	17,646,641	142,847,138	255,096,544	1,573,263,743	58,006,358	–	2,046,860,424
Revenues from sales to other segments	393,123,700	31,816,933	871,985	4,620,978	15,960,146	(446,393,742)	–
Total revenue	410,770,341	174,664,071	255,968,529	1,577,884,721	73,966,504	(446,393,742)	2,046,860,424
Gross profit	148,643,882	83,230,202	67,505,027	126,603,983	(9,235,272)	(36,032,744)	380,715,078
Finance income	23,203,693	3,535,582	8,352,561	4,857,238	32,519,588	(17,346,782)	55,121,880
Finance costs	(10,369,400)	(2,344,057)	(16,232,407)	(15,552,233)	(119,100,341)	20,376,805	(143,221,633)
Depreciation, depletion and amortization	(33,727,098)	(19,479,691)	(23,059,292)	(47,893,386)	(8,651,240)	–	(132,810,707)
Impairment of property, plant and equipment, exploration and evaluation assets and intangible assets other than goodwill	(324,538)	(40,287)	(38,484)	1,719	(15,597)	–	(417,187)
Share in profit of joint ventures and associates, net	136,481,767	(14,371,131)	(24,093,651)	(1,123,446)	(334,818)	–	96,558,721
Income tax expenses	(131,633,614)	(18,258,409)	(2,868,997)	13,817,839	(14,518,960)	–	(153,462,141)
Net profit for the period	114,933,210	57,423,859	(81,341,963)	(67,253,584)	201,607,292	(15,427,962)	209,940,852
Other segment information							
Investments in joint ventures and associates	1,358,288,055	50,108,616	52,695,132	37,854,708	63,509,271	–	1,562,455,782
Capital expenditures	194,657,493	53,218,161	48,918,876	77,118,846	24,494,750	(7,325,404)	391,082,722
Allowances for obsolete inventories, doubtful accounts receivable, advances paid, and other assets	(4,569,675)	(782,592)	(3,797,213)	(64,290,326)	(1,524,858)	–	(74,964,664)
Assets of the segment	6,769,440,386	651,359,474	1,115,301,123	2,597,209,682	1,792,013,269	(1,802,503,691)	11,122,820,243
Liabilities of the segment	2,531,989,979	148,996,906	534,317,656	1,195,419,113	3,120,596,164	(1,757,145,448)	5,774,174,370

Eliminations represent the exclusion of intra-group turnovers.

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(continued)****30. SEGMENT REPORTING (continued)**

Inter-segment transactions were made on terms agreed to between the segments 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 represents information about operating segments of the Group as at December 31, 2014 and for the nine months ended September 30, 2014:

<i>In thousands of tenge</i>	Exploration and production of oil and gas	Oil transportation	Gas transportation	Refining and trading of crude oil and refined products	Other	Elimination	Total
Revenues from sales to external customers	18,979,093	134,973,198	234,289,847	1,938,689,541	61,682,864	–	2,388,614,543
Revenues from sales to other segments	761,000,789	30,032,505	752,134	4,196,532	16,949,542	(812,931,502)	–
Total revenue	779,979,882	165,005,703	235,041,981	1,942,886,073	78,632,406	(812,931,502)	2,388,614,543
Gross profit	490,373,949	78,168,911	64,426,852	135,234,207	(4,951,217)	(41,633,691)	721,619,011
Finance income	19,766,644	5,197,347	1,854,424	2,623,457	32,118,315	(19,281,032)	42,279,155
Finance costs	(3,731,230)	(1,806,876)	(12,640,347)	(13,479,076)	(119,716,338)	13,342,492	(138,031,375)
Depreciation, depletion and amortization	(59,285,882)	(16,913,775)	(20,984,358)	(51,048,902)	(7,188,690)	–	(155,421,607)
Impairment of property, plant and equipment, exploration and evaluation assets and intangible assets other than goodwill	(27,685,805)	(5,705,063)	(182,532)	3,019,414	(88,978)	–	(30,642,964)
Share in profit of joint ventures and associates, net	371,458,602	(7,015,870)	(17,973,171)	4,278,098	844,217	–	351,591,876
Income tax expenses	(105,949,533)	(14,862,656)	(4,386,902)	(2,130,206)	(16,800,800)	–	(144,130,097)
Net profit for the period	376,269,426	50,784,775	(20,433,932)	(3,843,490)	81,341,777	(15,806,888)	468,311,668
Other segment information							
Investments in joint ventures and associates	979,237,624	22,833,273	123,453,073	35,339,132	56,798,298	–	1,217,661,400
Capital expenditures	49,736,293	23,551,154	32,462,037	37,946,812	9,301,812	(1,569,718)	151,428,390
Allowances for obsolete inventories, doubtful accounts receivable, advances paid, and other assets	(3,584,219)	(717,630)	(3,737,312)	(53,821,939)	(7,359,949)	–	(69,221,049)
Assets of the segment	4,891,145,676	582,719,545	1,016,388,070	2,148,431,600	672,208,055	(472,052,080)	8,838,840,866
Liabilities of the segment	859,017,443	135,506,786	383,061,495	833,462,861	2,652,790,651	(442,110,802)	4,421,728,434

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(continued)

31. SUBSEQUENT EVENTS

On October 16, 2015 Company and Samruk-Kazyna completed the sale of 50% of shares of KMG Kashagan BV to JSC Samruk-Kazyna. The price of 50% of shares of KMG Kashagan B.V. is 4,700 million US dollars. The deal was structured by way of issue by KMG Kashagan B.V. of additional shares in favour of Samruk-Kazyna in the total amount equal to 50% of the shares of KMG Kashagan B.V. KMG also received an option to buy back the newly issued shares from Samruk-Kazyna after 2018. According to the terms of the transaction Samruk-Kazyna shall pay the full amount of 4,700 million US dollars for KMG Kashagan B.V. shares by December 31, 2015.

On November 5, 2015, the Company announced the intention for partial redemption of the bonds for the aggregate Cash Consideration of up to 3,400 million US dollars. On November 19, 2015 the Company expects to receive an early approval of the bonds holders, the redemption of which is planned on November 24, 2015.

From October 8, 2015 till November 6, 2015 the Company redeemed the coupon bonds issues at the LSE in the total amount of 201.8 million US dollars (56,882 million tenge).

On October 14, 2015 the Company completed the implementation of 100% of shares in Kazakhstan oil and gas institute JSC. The purchase price was 7,540 million tenge.