

**KazTransGas JSC**

Interim condensed consolidated  
financial statements (unaudited)

*As at and for the six months ended 30 June 2015*

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Report on review of interim condensed consolidated financial statements

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

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## Report on review of interim condensed consolidated financial statements

To the Shareholder and Management of KazTransGas JSC

### Introduction

We have reviewed the accompanying interim condensed consolidated financial statements of KazTransGas JSC (the "Company") and its subsidiaries (collectively referred to as the "Group") which include the interim consolidated statement of financial position as at 30 June 2015 and the related interim consolidated statements of comprehensive income, changes in equity and cash flows for the six-month period then ended and explanatory notes. Management of the Company is responsible for the preparation and presentation of these interim condensed consolidated financial statements in accordance with International Financial Reporting Standard 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 International Standard on Review Engagements 2410, *Review of Interim Financial Information Performed by the Independent Auditor of the Entity*. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

### Conclusion

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

*Ernst & Young LLP*



Bakhtiyor Eshonkulov  
Auditor / audit partner

Auditor qualification certificate  
No. МФ-0000099 dated 27 August 2012

31 July 2015



Evgeny Zhemaldinov  
General director  
Ernst and Young LLP

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

**INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

As at 30 June 2015

<i>In thousands of tenge</i>	Note	30 June 2015 (unaudited)	31 December 2014 (audited)
<b>Assets</b>			
<b>Non-current assets</b>			
Intangible assets		1,292,525	1,469,899
Property, plant and equipment	4	651,703,365	646,885,678
Investments in joint ventures	5	54,657,690	58,381,486
Advances paid for non-current assets		16,025,558	18,765,146
VAT receivable		26,049,313	16,001,132
Deferred tax assets		344,640	226,448
Bank deposits	10	32,492,651	33,548,252
Restricted cash	10	3,937,791	4,178,146
Other non-current assets		728,563	993,099
		<b>787,232,096</b>	<b>780,449,286</b>
<b>Current assets</b>			
Inventories	6	29,441,626	24,687,987
Trade and other receivables	7	42,205,059	63,033,980
Interest-free loans to related parties	8	53,623,075	25,427,403
Advances paid		3,552,454	4,060,879
Taxes receivable	9	4,701,194	15,035,590
Corporate income tax prepaid		8,529,588	4,979,937
Bank deposits	10	28,200,352	23,490,298
Cash and cash equivalents	11	11,497,243	4,631,772
		<b>181,750,591</b>	<b>165,347,846</b>
<b>Total assets</b>		<b>968,982,687</b>	<b>945,797,132</b>
<b>Equity and liabilities</b>			
<b>Equity</b>			
Share capital	12	163,039,875	163,039,875
Additional paid-in capital	12	224,255,552	222,830,632
Foreign currency translation reserve		546,149	546,149
Retained earnings		182,955,077	178,026,553
		<b>570,796,653</b>	<b>564,443,209</b>
<b>Non-current liabilities</b>			
Debt securities issued	13	108,802,159	106,647,107
Interest bearing loans	14	91,198,881	19,000,634
Loans from related parties	15	8,170,501	7,982,388
Employee benefit obligations		3,219,301	2,960,308
Deferred income		5,610,835	5,368,212
Provisions	16	39,876,647	38,053,675
Deferred tax liabilities		26,180,262	23,430,320
Long-term payables		52,883	51,188
Other non-current liabilities		208,067	226,430
		<b>283,319,536</b>	<b>203,720,262</b>

The accompanying notes on pages 8 to 28 are an integral part of these interim condensed consolidated financial statements (unaudited).

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

<i>In thousands of tenge</i>	Notes	30 June 2015 (unaudited)	31 December 2014 (audited)
<b>Current liabilities</b>			
Debt securities issued	13	1,142,642	1,125,707
Interest bearing loans	14	21,697,165	86,334,449
Loans from related parties	15	24,775,802	-
Provisions	16	15,157,094	18,564,588
Trade and other payables	17	40,959,429	58,112,573
Taxes payable		491,834	1,255,438
Advances received		4,642,990	3,647,034
Other current liabilities	18	5,999,542	8,593,872
		<b>114,866,498</b>	<b>177,633,661</b>
<b>Total equity and liabilities</b>		<b>968,982,687</b>	<b>945,797,132</b>

Managing director on economy and finance


  
Kusepbayev S.O.

Chief accountant


  
Meldekhanov B.N.

Director of IFRS &amp; MS reporting department


  
Tupenova G.S.

*The accompanying notes on pages 8 to 28 are an integral part of these interim condensed consolidated financial statements (unaudited).*

**INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**

For the six months ended 30 June 2015

<i>In thousands of tenge</i>	Note	For the six months ended 30 June (unaudited)	
		2015	2014
Revenue	19	158,370,023	173,062,689
Cost of sales	20	(127,934,485)	(138,556,126)
<b>Gross profit</b>		<b>30,435,538</b>	<b>34,506,563</b>
General and administrative expenses	21	(8,446,494)	(10,060,828)
Other operating income	22	2,278,325	4,165,631
Other operating expenses	22	(1,190,680)	(3,924,351)
<b>Operating profit</b>		<b>23,076,689</b>	<b>24,687,015</b>
Finance income	23	5,577,443	953,979
Finance costs	23	(11,020,409)	(9,207,151)
Share in loss of joint ventures	5	(3,723,796)	(38,296,701)
Foreign exchange loss, net	24	(2,936,485)	(14,773,832)
<b>Profit / (loss) before tax</b>		<b>10,973,442</b>	<b>(36,636,690)</b>
Income tax expenses	25	(6,044,918)	(7,237,516)
<b>Net profit / (loss) for the period after tax</b>		<b>4,928,524</b>	<b>(43,874,206)</b>
Other comprehensive income		-	429,646
Foreign currency translation		-	429,646
<b>Total comprehensive income for the period, net of income tax</b>		<b>4,928,524</b>	<b>(43,444,560)</b>


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**INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS**

For the six months ended 30 June 2015

<i>In thousands of tenge</i>	Note	For the six months ended 30 June (unaudited)	
		2015	2014
<b>Cash flows from operating activities</b>			
Profit/(loss) before income tax		10,973,442	(36,636,690)
<b>Adjustments for:</b>			
Depreciation and amortisation	20, 21, 22	15,703,128	13,661,844
Finance costs, net	23	5,442,966	8,253,172
Share in loss of joint ventures	5	3,723,796	38,296,701
Change in provision for gas transportation expenses	16	281,412	20,479,137
Change in provisions		(119,291)	(135,706)
Loss from gas borrowing transactions	22	-	1,548,774
Change in allowance for doubtful debts, advances paid, obsolete and slow-moving inventories, net	21	(1,294,475)	315,865
Amortization of deferred income	22	(56,120)	(958,470)
Amortization of housing compensation for employees	21	303,542	179,800
Loss from sale of property, plant and equipment and intangible assets, net	22	110,063	236,492
Foreign exchange loss		2,900,848	19,239,173
Loss on impairment of property, plant and equipment	22	5,278	182,532
Change in actuarial estimates and unwinding of discount on employee benefits		120,533	149,073
<b>Operating income before working capital changes</b>		<b>38,095,122</b>	<b>64,811,697</b>
Change in inventories		(3,720,260)	2,916,240
Change in trade and other receivables		12,499,753	1,799,455
Change in advances paid		508,425	1,403,033
Change in taxes recoverable		286,215	(3,536,463)
Change in trade and other payables		(17,363,108)	(9,826,761)
Change in employee benefit obligations		138,460	-
Change in taxes payable		(763,604)	(813,056)
Change in advances received		995,956	742,561
Change in other current liabilities		(2,665,525)	(1,971,093)
Change in other non-current liabilities		(67,668)	(66,907)
<b>Cash flows from operating activities</b>		<b>27,943,766</b>	<b>55,458,706</b>
Interest paid		(5,605,267)	(4,346,793)
Corporate income tax paid		(6,772,530)	(7,538,727)
Interest received on bank deposits		2,461,061	583,521
<b>Net cash flows received from operating activities</b>		<b>18,027,030</b>	<b>44,156,707</b>

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**INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS (continued)**

<i>In thousands of tenge</i>	Note	For the six months ended 30 June (unaudited)	
		2015	2014
<b>Cash flows from investing activities</b>			
Placement of bank deposits		(3,367,093)	(37,477,720)
Withdrawal/(placement) of restricted cash	10	240,355	(1,596,055)
Interest-free loans provided to related parties	8	(28,614,800)	(15,900,879)
Interest-free loans repaid by related parties		102,930	-
Purchase of property, plant and equipment and intangible assets		(11,450,412)	(15,528,222)
Proceeds from sale of property, plant and equipment and intangible assets		8,240,714	420,043
Advances paid for non-current assets		(5,285,838)	(4,522,390)
<b>Net cash flows used in investing activities</b>		<b>(40,134,144)</b>	<b>(74,605,223)</b>
<b>Cash flows from financing activities</b>			
Proceeds from bank loans and debt securities		66,927,022	103,882,582
Proceeds from borrowings from related parties	15	25,321,800	-
Repayment of bank loans and debt securities		(63,276,237)	(62,740,573)
<b>Net cash flows received from financing activities</b>		<b>28,972,585</b>	<b>41,142,009</b>
Net change in cash and cash equivalents		6,865,471	10,693,493
Cash and cash equivalents, at the beginning of the period	11	4,631,772	10,532,914
<b>Cash and cash equivalents, at the ending of the period</b>	11	<b>11,497,243</b>	<b>21,226,407</b>

**NON-CASH TRANSACTIONS – SUPPLEMENTAL DISCLOSURES****Transfer of pipelines**

During the six months ended 30 June 2015 the Group received property, plant and equipment free of charge in the amount of 422,159 thousand tenge (30 June 2014: 197,852 thousand tenge) (Note 4).

For the six months period ended 30 June 2014, the Group received property, plant and equipment from Sovereign Wealth Fund Samruk-Kazyna JSC under trust management for the total amount of 6,791,631 thousand tenge. On 29 May 2014, the Group concluded trust management agreement whereby it received gas pipelines in West-Kazakhstan oblast in the amount of 3,823,518 thousand tenge.

**Inventories transferred against trade receivables**

During the six months ended 30 June 2015, the Group received inventories with a fair value of 1,486,400 thousand tenge (equivalent to 8,000,000 US dollars) for repayment of trade receivables from KazNefteGazProm LLP (30 June 2014: nil tenge).

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**INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS (continued)**

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**NON-CASH TRANSACTIONS – SUPPLEMENTAL DISCLOSURES (continued)****Interest bearing loans**

During the six months ended 30 June 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 was repaid by the syndicate directly to “VTB Bank” group (30 June 2014: nil tenge) (*Note 14*).

Managing director on economy and finance



Kusepbayev S.G.

Chief accountant

Meldekhanov B.N.

Director of IFRS &amp; MS reporting department

Handwritten signature of Tupenova G.S.

Tupenova G.S.

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**INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**

For the six months ended 30 June 2015

<i>In thousands of tenge</i>	Share capital	Additional paid-in capital	Foreign currency translation reserve	Retained earnings	Total
<b>At 1 January 2014 (audited)</b>	144,011,655	7,369,647	154,457	283,100,106	434,635,865
Net loss for the period	-	-	-	(43,874,206)	(43,874,206)
Foreign currency translation	-	-	429,646	-	429,646
<b>Total comprehensive loss for the period</b>	-	-	429,646	(43,874,206)	(43,444,560)
Issue of shares (Note 12)	12,145,330	(3,823,518)	-	-	8,321,812
Contribution from the shareholder (Note 12)	-	10,615,149	-	-	10,615,149
Transactions with the shareholder	-	-	-	(8,321,812)	(8,321,812)
<b>At 30 June 2014 (unaudited)</b>	156,156,985	14,161,278	584,103	230,904,088	401,806,454
<b>At 1 January 2015 (audited)</b>	163,039,875	222,830,632	546,149	178,026,553	564,443,209
Net profit for the period	-	-	-	4,928,524	4,928,524
<b>Total comprehensive income for the period</b>	-	-	-	4,928,524	4,928,524
Contribution from the shareholder (Note 12)	-	1,424,920	-	-	1,424,920
<b>At 30 June 2015 (unaudited)</b>	163,039,875	224,255,552	546,149	182,955,077	570,796,653

Managing director on economy and finance



Kusepbayev S.G.

Chief accountant

Meldekhanov B.N.

Director of IFRS &amp; MS reporting department

  
Tupenova G.S.

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**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS****For the six months ended 30 June 2015**

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**1. CORPORATE INFORMATION****The Group**

The accompanying interim condensed consolidated financial statements include the financial statements of KazTransGas JSC (the "Company" or "KTG") and its subsidiaries (hereinafter collectively referred to as the "Group").

KTG is a joint stock company established in accordance with the Resolution of the Government of the Republic of Kazakhstan (the "Government") No. 173 dated 5 February 2000 and was registered as a closed joint stock company on 13 March 2000. On 9 June 2004 the Company was re-registered as a joint stock company under the laws of the Republic of Kazakhstan. The Group's head office is located: Republic of Kazakhstan, Astana, 36th Str., 11, Business Center "Bolashak".

NC KazMunayGas JSC ("KazMunayGas") is the sole shareholder of KTG. The Government represented by "Sovereign Wealth Fund "Samruk-Kazyna" JSC ("Samruk- Kazyna") is the sole shareholder of KazMunayGas, and all subsidiaries of KazMunayGas and Samruk-Kazyna are considered as related parties of the Company and the Group (*Note 26*).

In accordance with the Resolution of the Government of the RK No. 914 dated 5 July 2012, KTG was appointed as the national operator in the area of gas production and gas supplies. In the role of national operator, the Group's main activities are aimed to ensure reliable supply of commercial gas to meet the domestic demand in Kazakhstan.

The main activities of the Group include the following:

- management of investment activities for the overall development of the main gas pipeline systems within Kazakhstan;
- management of investment activities for development of gas fields within Kazakhstan;
- providing consulting services related to research and development of gas industry projects;
- sale of gas to external and local markets;
- participation in the development and implementation of state programs for the gas industry development.

The accompanying interim condensed consolidated financial statements were authorized for release by the managing director on economy and finance, chief accountant, and director of IFRS & MS reporting department of the Company on 31 July 2015.

**Exploration and production of hydrocarbons**

In December 2000, the Group signed the Contract with Investment Agency of the Republic of Kazakhstan on exploration and production of hydrocarbons on North-Ucharal, Ucharal-Kempirtobe territories and blocks XXXIII-48, XXXIII-49, XXXIV-49, XXXIV-50, XXXIV-51, XXXV-50, including Amangeldy, Anabai, Airakty and Kumyrlы gas fields, Zhambyl oblast (the "Hydrocarbon Agreement"). The term of the Hydrocarbon Agreement is 31 years. The Group started production and sale of gas at Amangeldy field in November 2003 and at Zharkum field in December 2014.

Under the terms of the Hydrocarbon Agreement, the Group has the right to relinquish any of the block areas in the event that commercial deposits of hydrocarbons are not discovered.

**Changes in the Concession Agreement**

In accordance with the Decree of the President of the Republic of Kazakhstan dated 22 May 2013 No. 571 *On Certain Measures of Implementation of the System of State Management by the Development Institutes, Financial Organizations and Development of National Economy* and same name Resolution of the Government of the Republic of Kazakhstan dated 25 May 2013 No. 516, the national property in the form of the core assets of gas transportation system of the Republic of Kazakhstan must be transferred to ownership of Samruk-Kazyna Joint Stock Company under the exchange contract dated 31 July 2013. Termination of the Concession Agreement was required for transfer of gas transportation system assets to Samruk-Kazyna. On 19 August 2014, a consent was received from holders of InterGas Central Asia JSC Eurobonds to introduce changes in the terms and conditions of Eurobonds issue prospectus with respect to termination of the Concession Agreement and transfer of assets.

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
(continued)****1. CORPORATE INFORMATION (continued)****Changes in the Concession Agreement (continued)**

In accordance with the Agreement on termination of the Concession Agreement dated 5 December 2014, parties relieve each other of all obligations under the Concession Agreement. At the same time, a tripartite trust management agreement was signed between the Committee for state property and privatization of the Ministry of Finance of the Republic, Samruk-Kazyna and Intergas Central Asia.

**2. BASIS OF PREPARATION**

The interim condensed consolidated financial statements of the Group for the six months ended 30 June 2015 have been prepared in accordance with International Accounting Standard (IAS) 34 *Interim Financial Reporting*.

The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual consolidated financial statements as at 31 December 2014.

**Subsidiaries**

As at 30 June 2015 and 31 December 2014, the Company had interest in equity of the following entities, which are included into the interim condensed consolidated financial statements:

Name	Place of incorporation	Principal activities	Ownership	
			30 June 2015	31 December 2014
Intergas Central Asia JSC (ICA)	Kazakhstan	Transportation, sale and storage of gas and rendering technical servicing for gas pipelines in Kazakhstan	100%	100%
KazTransGas Aimak JSC (KTG-Aimak)	Kazakhstan	Sale of gas to local power distributors, legal entities and individuals	100%	100%
KazTransGas Almaty LLP (KTG-Almaty)	Kazakhstan	Sale and distribution of gas to legal entities and individuals	100%	100%
KazTransGas Tbilisi JSC (KTG-Tbilisi)	Georgia	Sale and distribution of gas	100%	100%
KazTransGas Onimderi LLP ("KTG Onimderi")	Kazakhstan	Sweetening of gas	100%	100%
Amangeldy Gas LLP (AG)	Kazakhstan	Production of natural gas and gas condensate	100%	100%
Intergas Finance B.V. (IFBV)	Netherlands	Issue of Eurobonds (raising debt funds)	100%	100%
KazTransGas Bishkek LLC (KTG Bishkek)	Kyrgyzstan	Repair and renewal operations and modernization of the main gas pipeline "Bukhara gas area – Tashkent – Bishkek – Almaty"	100%	100%

In accordance with the decision of city court of Kutaisi dated 16 March 2009, the Group lost control over its subsidiary KTG Tbilisi. Consolidation of this subsidiary ceased since the date of loss of control.

**3. CHANGES IN ACCOUNTING POLICY OF THE GROUP****New standards, interpretations and amendments adopted by the Group**

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 financial statements for the year ended 31 December 2014, except for the adoption of new standards and interpretations as at 1 January 2015.

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

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**3. CHANGES IN ACCOUNTING POLICY OF THE GROUP (continued)****New standards, interpretations and amendments adopted by the Group (continued)**

The nature and impact of new standard/amendment is described below:

***Defined benefits pension plan: Employee Contributions (Amendments to IAS 19)***

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 recognise 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. The amendment becomes effective for annual periods beginning on or after 1 July 2014. This amendment does not impact financial statements of the Group, since none of the entities within the Group has defined benefit plans with contributions from employees or third parties.

***Annual improvements 2010-2012 Cycle***

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

***IFRS 2 Share-based Payment***

These improvements are applied retrospectively and clarify various issues relating to the definitions of performance and service conditions which are vesting conditions, including:

- 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 services during the vesting period, the service condition is not satisfied.

The amendments do not impact the Group's financial statements.

***IFRS 3 Business Combinations***

The amendment is applied retrospectively and clarifies that all contingent 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 amendment does not impact the Group's financial statements.

***IFRS 8 Operating Segments***

The amendments are applied retrospectively and clarify that:

- An entity must disclose the judgements 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.

***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 an 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 amortisation is the difference between the gross and carrying amounts of the asset. The Group did not recognize any revaluation adjustments during the current interim period.

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

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**3. CHANGES IN ACCOUNTING POLICY OF THE GROUP (continued)****New standards, interpretations and amendments adopted by the Group (continued)***Annual improvements 2010-2012 Cycle (continued)**IAS 24 Related Party Disclosures*

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 will have no impact on the Group's financial statements as it does not receive any management services from other entities.

*Annual improvements 2011-2013 Cycle*

These improvements are effective from 1 July 2014 and the Group first applied them 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.

*IFRS 13 Fair Value Measurement*

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

*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 used to determine if the transaction is the purchase of an asset or business combination. This amendment does not impact the Group's financial statements.

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

**4. PROPERTY, PLANT AND EQUIPMENT**

Property, plant and equipment and related accumulated depreciation and impairment are as follows:

	Land	Gas assets	Buildings	Machinery and equipment	Gas transportation system	Vehicles	Other	Construction in-progress	Total
<b>Cost</b>									
At 31 December 2014 (audited)	1,459,327	30,369,522	57,310,179	176,231,431	425,755,950	22,449,550	8,031,740	38,165,203	759,772,902
Additions	7,971	1,256,134	119,296	145,593	175,517	62,874	200,424	18,025,865	19,993,674
Transfers from inventories	-	-	-	-	-	-	314	461,082	461,396
Transfers to intangible assets	-	-	-	-	-	-	-	(5,391)	(5,391)
Transfers	-	60,938	1,297,573	9,975,775	4,413,679	41,272	92,265	(15,881,502)	-
Disposals	(75)	-	(139)	(18,083)	(70,298)	(11,150)	(83,092)	(38,045)	(220,882)
<b>At 30 June 2015 (unaudited)</b>	<b>1,467,223</b>	<b>31,686,594</b>	<b>58,726,909</b>	<b>186,334,716</b>	<b>430,274,848</b>	<b>22,542,546</b>	<b>8,241,651</b>	<b>40,727,212</b>	<b>780,001,699</b>
<b>Accumulated depreciation and impairment</b>									
At 31 December 2014 (audited)	-	(6,660,836)	(6,248,372)	(34,808,980)	(46,996,009)	(12,447,930)	(3,994,177)	(1,730,920)	(112,887,224)
Amortisation charges	-	(557,878)	(1,265,032)	(5,484,946)	(7,043,371)	(766,761)	(395,834)	-	(15,513,822)
Impairment	-	-	-	-	-	-	-	(5,278)	(5,278)
Transfers	-	(27,287)	(19,290)	(82,560)	182,222	(56,975)	3,890	-	-
Disposals	-	-	139	6,769	52,902	8,747	39,433	-	107,990
<b>At 30 June 2015 (unaudited)</b>	<b>-</b>	<b>(7,246,001)</b>	<b>(7,532,555)</b>	<b>(40,369,717)</b>	<b>(53,804,256)</b>	<b>(13,262,919)</b>	<b>(4,346,688)</b>	<b>(1,736,198)</b>	<b>(128,298,334)</b>
<b>Net book value</b>									
At 31 December 2014 (audited)	1,459,327	23,708,686	51,061,807	141,422,451	378,759,941	10,001,620	4,037,563	36,434,283	646,885,678
<b>At 30 June 2015 (unaudited)</b>	<b>1,467,223</b>	<b>24,440,593</b>	<b>51,194,354</b>	<b>145,964,999</b>	<b>376,470,592</b>	<b>9,279,627</b>	<b>3,894,963</b>	<b>38,991,014</b>	<b>651,703,365</b>

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
(continued)****4. PROPERTY, PLANT AND EQUIPMENT (continued)**

During the six months ended 30 June 2015 the Group received free of charge property, plant and equipment from local government bodies in the amount of 422,159 thousand tenge (during the six months ended 30 June 2014: 197,852 thousand tenge).

During the six months ended June 30, 2015 additions to construction-in-progress are mainly represented by capital repair of main gas pipelines in the amount of 6,617,959 thousand tenge; repair of electrical equipment in the amount of 1,614,505 thousand tenge; capital repair of gas compressor units in the amount of 1,053,911 thousand tenge; construction and installation of reverse gas pipeline at CS-12 UMG Aktobe in the amount of 719,929 thousand tenge; repair of boiler equipment in the amount of 273,479 thousand tenge. The Group also purchased inventories, paid salaries and paid for the contractors' work in the total amount of 6,176,123 thousand tenge with respect to construction and modernization of connecting gas pipelines.

As at 30 June 2015, the historical cost of fully depreciated property, plant and equipment but still in operation is amounted to 19,135,198 thousand tenge (31 December 2014: 17,269,075 thousand tenge).

**5. INVESTMENTS IN JOINT VENTURES**

As at 30 June 2015 and 31 December 2014, the Company had interests in the following joint ventures which are accounted for in the interim condensed consolidated financial statements using the equity method:

Name	Place of incorporation	Principal activities	Share, %	
			30 June 2015	31 December 2014
Asian Gas Pipeline LLP (AGP)	Kazakhstan	Construction and using of Kazakhstan – China gas pipeline	50%	50%
KazTransGas AG (KTG AG)	Switzerland	Design and construction of power generation entities; production, distribution and sale of electricity and crude hydrocarbons.	–	50%
Beinue-Shymkent Pipeline LLP (BSP)	Kazakhstan	Construction and operation of Beinue-Bozoi-Shymkent gas pipeline	50%	50%
AvtoGaz LLP (AVG)	Kazakhstan	Organization, operation, construction and maintenance of gas filling compressor stations	50%	50%

Summarized financial information on investments in significant joint ventures is summarized below:

**AGP**

The following table provides summarised financial information about investment of the Company in AGP:

<i>In thousands of tenge</i>	30 June 2015 (unaudited)	31 December 2014 (audited)
<b>Statement of financial position of joint venture</b>		
Current assets	311,499,835	309,420,744
Non-current assets	1,537,834,903	1,499,250,376
Current liabilities	(201,784,281)	(184,776,698)
Non-current liabilities	(1,651,363,359)	(1,656,541,408)
<b>Net liabilities</b>	<b>(3,812,902)</b>	<b>(32,646,986)</b>
<b>Carrying amount of investment</b>	<b>–</b>	<b>–</b>



**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
(continued)****5. INVESTMENTS IN JOINT VENTURES (continued)****AGP (continued)**

<i>In thousands of tenge</i>	For the six months ended 30 June (unaudited)	
	2015	2014
<b>Statement of comprehensive income of joint venture</b>		
Net profit/(loss) for the period	28,779,581	(155,294,940)
Share in income/(loss) of a joint venture for the period	-	(23,776,169)
Other comprehensive income for the period	54,503	859,291
Share in other comprehensive income for the period	-	429,646

On 15 February 2008 according to the agreement between the Governments of the Republic of Kazakhstan and People's Republic of China on cooperation in the construction and operation of the Kazakhstan-China gas pipeline, a joint venture AGP was established, with a 50% of the Company's participation and 50% Trans-Asia Gas Pipeline Company Limited (TAGP) participation. As at 30 June 2015 the charter capital of AGP was equal to 1,200,000 thousand Tenge, 600,000 thousand Tenge of which was paid by the Company.

During the six months ended 30 June 2015, the Company's unrecognised share in net profit and other comprehensive income of AGP was 14,417,042 thousand tenge, since as at the beginning of the period the Company's unrecognised share in accumulated net losses of AGP was 16,323,493 thousand tenge.

**BSP**

The following table provides summarised financial information about investment of the Company in BSP:

<i>In thousands of tenge</i>	30 June 2015 (unaudited)	31 December 2014 (audited)
<b>Statement of financial position of a joint venture</b>		
Current assets	18,128,086	31,178,242
Non-current assets	381,001,708	330,271,964
Current liabilities	(83,373,891)	(46,215,736)
Non-current liabilities	(208,079,257)	(200,148,532)
<b>Net assets</b>	<b>107,676,646</b>	<b>115,085,938</b>
<b>Carrying amount of investment</b>	<b>53,838,323</b>	<b>57,542,969</b>

<i>In thousands of tenge</i>	For the six months ended 30 June (unaudited)	
	2015	2014
<b>Statement of comprehensive income of a joint venture</b>		
Net loss for the period	(9,348,120)	(29,927,282)
Share in loss of a joint venture for the period	(4,674,060)	(14,963,641)
<b>Additional investment</b>		
Discount on initial recognition of the loan provided (Note 8)	1,938,824	-
Group's share in discount on initial recognition of the loan provided	969,412	-

On 18 January 2011 according to the agreement between the Governments of the Republic of Kazakhstan and People's Republic of China on cooperation in the construction and operation of the Kazakhstan-China gas pipeline, a joint venture BSGP was established, with a 50% of the Company's participation and 50% Trans-Asia Gas Pipeline Company Limited (TAGP) participation. As at 30 June 2015 the charter capital of BSGP was equal to 145,430,000 thousand Tenge, 72,715,000 thousand Tenge of which was paid by the Company.

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
(continued)****5. INVESTMENTS IN JOINT VENTURES (continued)****AVG**

The following table provides summarised financial information about investment of the Company in AVG:

<i>In thousands of tenge</i>	<b>30 June 2015 (unaudited)</b>	<b>31 December 2014 (audited)</b>
<b>Statement of financial position of joint venture</b>		
Current assets	262,033	339,444
Non-current assets	1,809,335	1,817,538
Current liabilities	(432,634)	(479,948)
<b>Net assets</b>	<b>1,638,734</b>	<b>1,677,034</b>
<b>Carrying amount of investment</b>	<b>819,367</b>	<b>838,517</b>

<i>In thousands of tenge</i>	<b>For the six months ended 30 June (unaudited)</b>	
	<b>2015</b>	<b>2014</b>
<b>Statement of comprehensive income of joint venture</b>		
Net (loss)/income for the period	(38,296)	26,926
Share in income/(loss) of a joint venture for the period	(19,148)	13,463
Other comprehensive income for the period	-	-
Share in other comprehensive income for the period	-	-

**6. INVENTORIES**

<i>In thousands of tenge</i>	<b>30 June 2015 (unaudited)</b>	<b>31 December 2014 (audited)</b>
Materials and supplies	14,172,498	11,148,789
Gas inventory	15,533,919	13,812,363
	<b>29,706,417</b>	<b>24,961,152</b>
Less: allowance for obsolete and slow-moving inventories	(264,791)	(273,165)
	<b>29,441,626</b>	<b>24,687,987</b>

Materials and supplies mainly include spare parts for maintenance of gas transportation system, methanol and lubricating materials to be used in the gas transportation equipment and the goods for internal use. Gas inventory includes fuel gas and gas for sale.

**7. TRADE AND OTHER RECEIVABLES**

<i>In thousands of tenge</i>	<b>30 June 2015 (unaudited)</b>	<b>31 December 2014 (audited)</b>
Trade receivables from third parties	36,018,811	48,863,813
Trade receivables from related parties (Note 26)	7,641,967	17,328,071
Other receivables	1,209,821	915,466
	<b>44,870,599</b>	<b>67,107,350</b>
Less: allowance for doubtful receivables	(2,665,540)	(4,073,370)
	<b>42,205,059</b>	<b>63,033,980</b>

As at 30 June 2015, 56% of receivables were from companies of Gazprom group for gas transit and export (as at 31 December 2014: 42%). As at 30 June 2015, 55% of receivables were denominated in US dollars (as at 31 December 2014: 42%).

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
(continued)****7. TRADE AND OTHER RECEIVABLES (continued)**

Movements in the allowance for doubtful debts were as follows:

<i>In thousands of tenge</i>	Individually impaired
<b>At 31 December 2014 (audited)</b>	(4,073,370)
Charge for the period	(254,492)
Foreign exchange difference	(65,103)
Used	186,832
Recovered	1,540,593
<b>At 30 June 2015 (unaudited)</b>	<b>(2,665,540)</b>

**8. INTEREST-FREE LOANS TO RELATED PARTIES**

<i>In thousands of tenge</i>	30 June 2015 (unaudited)	31 December 2014 (audited)
Interest free loans to related parties (Note 26)	54,718,001	26,206,131
Less: discount	(1,094,926)	(778,728)
	<b>53,623,075</b>	<b>25,427,403</b>

During the six months ended 30 June 2015, the Group additionally provided interest-free loan to Beineu-Shymkent Gas Pipeline LLP (BSP) in the amount of 28,614,800 thousand tenge for the implementation of the second phase of the construction project of the main gas pipeline Beineu-Shymkent that was aimed at the advancing of the construction of Bozoi compressor station. Discount on initial recognition of interest-free loan at fair value amounted to 1,988,824 thousand tenge (Note 5).

**9. TAXES RECEIVABLE**

<i>In thousands of tenge</i>	30 June 2015 (unaudited)	31 December 2014 (audited)
Current portion of VAT receivable	4,338,890	9,925,294
Property tax	100,491	109,806
Other taxes receivable	261,813	5,000,490
	<b>4,701,194</b>	<b>15,035,590</b>

**10. BANK DEPOSITS**

<i>In thousands of tenge</i>	30 June 2015 (unaudited)	31 December 2014 (audited)
US dollars bank deposits with maturity of over three months and less than one year	14,923,709	7,640,521
Tenge bank deposits with maturity of over three months and less than one year	13,276,643	15,849,777
<b>Short-term bank deposits</b>	<b>28,200,352</b>	<b>23,490,298</b>
US dollars bank deposits with maturity of over one year	32,172,651	31,007,488
Tenge bank deposits with maturity of over one year	4,257,791	6,718,910
Less: restricted cash	(3,937,791)	(4,178,146)
<b>Long-term bank deposits</b>	<b>32,492,651</b>	<b>33,548,252</b>

As at 30 June 2015, deposits were placed in banks at interest rates of 2.5-9.5% per annum in tenge and 2.5-5% per annum in a foreign currency.

As at 30 June 2015, deposit accounts restricted in use in the amount of 3,751,127 thousand tenge were opened as collateral for loans of the Group's employees (31 December 2014: 3,991,482 thousand tenge).

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
(continued)****10. BANK DEPOSITS (continued)**

As at 30 June 2015, deposits with banks with maturity of more than one year in the amount of 186,664 thousand tenge were restricted in use under the Hydrocarbon Agreement for asset retirement obligations (31 December 2014: 186,664 thousand tenge).

**11. CASH AND CASH EQUIVALENTS**

<i>In thousands of tenge</i>	30 June 2015 (unaudited)	31 December 2014 (audited)
Foreign currency bank account	4,639,177	1,139,208
Tenge bank account	3,492,836	3,455,902
Deposits in tenge	3,343,192	-
Cash in transit	15,148	24,165
Cash on hand	6,890	12,497
	<b>11,497,243</b>	<b>4,631,772</b>

Short-term deposits are made for a period of less than 3 (three) months depending on the immediate cash requirements of the Group. As at 30 June 2015, interest is accrued at the weighted average rate of 0.19%-3% (31 December 2014 from 0.19% to 2%).

**12. EQUITY****Share capital**

	Common shares outstanding (number of shares)				Total share capital (in thousands of tenge)
	Par value of 100 tenge	Par value of 138 tenge	Par value 2,500 tenge	Par value of 10,000 tenge	
At 31 December 2014 (audited)	312,167,670	1	30,976,655	5,438,147	163,039,875
<b>At 30 June 2015 (unaudited)</b>	<b>312,167,670</b>	<b>1</b>	<b>30,976,655</b>	<b>5,438,147</b>	<b>163,039,875</b>

Common shares give the holder the right to vote on all matters within the competence of the General Shareholders Meeting. Dividends on common shares are paid at the shareholder's discretion. During the six months ended 30 June 2015, the Company neither accrued nor paid any dividends.

During the six months ended 30 June 2014, the Company issued 1,214,533 ordinary shares with nominal value of 10,000 tenge per share. The shares were purchased by the sole shareholder of the Company and were paid by gas transportation assets in West-Kazakhstan and Kostanay oblasts for the total amount of 12,145,330 thousand tenge.

**Additional paid-in capital**

During the six months ended 30 June 2015, the Group recognised within additional paid-in capital the discount on the non-interest bearing financial aid provided by KazMunayGas in the amount of 1,424,920 thousand tenge.

On 13 March 2014, KTG Aimak and Samruk-Kazyna concluded a trust management agreement for gas pipelines located in Kostanay oblast in the amount of 6,791,631 thousand tenge. On 29 May 2014, the Company and KTG Aimak also concluded a trust management agreement for gas pipelines located in West-Kazakhstan oblast in the amount of 3,823,518 thousand tenge. Trust management agreement is short-term tool used prior to the transfer the title on those gas pipelines to KTG Aimak. KTG Aimak is a direct user of these assets and in accordance with the trust management agreement it obtained all the risks and rewards related to the ownership of these pipelines. Accordingly, KTG Aimak recognized these pipelines as property, plant and equipment and a respective increase in retained earnings.

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
(continued)****13. DEBT SECURITIES ISSUED**

As at 30 June 2015 and 31 December 2014, debt securities issued comprised:

	Issue	Maturity	Interest rate	In thousands		In thousands	
				US dollars	of tenge	US dollars	of tenge
				30 June 2015 (unaudited)		31 December 2014 (audited)	
ICA bonds	May 2007	May 2017	6,375%	540,000,000	100,548,000	540,000,000	98,469,000
KTG Aimak bonds	February 2014	December 2018	7,50%	-	8,629,170	-	8,629,170
				<b>109,177,170</b>		<b>107,098,170</b>	
Less: unamortised transaction costs				<b>(375,011)</b>		<b>(451,063)</b>	
<b>Interest payable</b>				<b>1,142,642</b>		<b>1,125,707</b>	
Less: the amount to be repaid within 12 months from the reporting date				<b>(1,142,642)</b>		<b>(1,125,707)</b>	
<b>Amounts due after 12 months</b>				<b>108,802,159</b>		<b>106,647,107</b>	

In 2014, bonds of KTG Aimak in the amount of 8,629,170 pieces at the nominal cost of 1,000 tenge per a bond and an interest rate of 7.5% per annum with coupons to be paid on 27 June and 27 December each year until 2018 inclusive were placed in the trade system of Kazakhstan Stock Exchange in order to finance investment projects and refinance the obtained loans. Bonds yield for the buyer is 8.2% per annum. The amount derived from placed bonds is 8,495,502 thousand tenge.

In November 2011 Intergas Finance B.V. transferred all rights and liabilities on Eurobonds issued in May 2007 to ICA. Thus, ICA and IFBV settled the intragroup loan at the amount of 540,000,000 US dollars with maturity in May of 2017. Starting from November 2011 ICA became the issuer under Eurobonds issued in May 2007. Subsequently, these debt securities were registered at Kazakhstan Stock Exchange.

**14. INTEREST BEARING LOANS**

As at 30 June 2015 and 31 December 2014 interest bearing loans comprised:

	30 June 2015 (unaudited)	31 December 2014 (audited)
<i>In thousands of tenge</i>		
Interest-bearing loans with floating interest rate	94,572,245	76,777,496
Interest-bearing loans with fixed interest rate	19,072,180	28,630,793
	<b>113,644,425</b>	<b>105,408,289</b>
Less: unamortised transaction costs	<b>(840,804)</b>	<b>(610,118)</b>
Plus: interest payable	<b>92,425</b>	<b>536,912</b>
	<b>112,896,046</b>	<b>105,335,083</b>
Less: the amount to be repaid within 12 months from the reporting date	<b>(21,697,165)</b>	<b>(86,334,449)</b>
<b>Amounts due after 12 months</b>	<b>91,198,881</b>	<b>19,000,634</b>

**Interest-bearing loans with floating interest rate***HSBC Bank PLC*

In accordance with the loan agreement dated 15 August 2005, Trinkaus & Burkhart KGAA and CITI Group Global Markets Deutschland AG & CO. KGAA provided the US Dollars equivalent loan of Euro 44,763,860 to ICA, being a part of the value of the General Contract for the design, supply of equipment and construction works on the compressor station at "Opomaya GP "SATS" in Mangistau region between MAN Turbo AG and ICA. Under this loan agreement HSBC Bank Plc serves as Finance Agent.

ICA repays this loan by 20 (twenty) consecutive equal semi-annual instalments commencing on 30 September 2007. The interest is charged at six-month LIBOR plus 0.3% per annum and paid semi-annually. Additionally, ICA pays commitment fees of 0.1% per annum accrued on the undrawn amount of this loan.

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

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**14. INTEREST BEARING LOANS (continued)****Interest-bearing loans with floating interest rate (continued)**

*Natixis, ING Bank, a branch of ING-DiBa AG, Citibank N.A., London branch*

On 26 February 2015, the Company and Natixis (France), ING Bank, a branch of ING-DiBa AG (Germany), Citibank N.A., London branch (Great Britain) (hereinafter collectively referred to as the "Syndicate") signed loan agreement for a credit line in the amount of 400 million US dollars for a period of 3 years at Libor rate + Syndicate margin (1.5%). Interest is to be paid on quarterly basis according to the loan agreement. On 12 March 2015, the Company received financing in the total amount of 74,480,000 thousand tenge (equivalent to 400,000,000 US dollars). In accordance with the request for disbursement under the Loan agreement, the above amount was received less the expenses on arrangement of financing due to the Syndicate and other parties that participated in the transaction, and directly repaid debt in the amount of 46,337,500 thousand tenge (equivalent to 250,000,000 US dollars) to VTB Bank Group. During the six months ended 30 June 2015, the Company repaid the accrued interest in the amount of 334,189 thousand tenge (equivalent to 1,806,982 US dollars).

*Citibank, N.A.Nassau and Citibank Kazakhstan*

During the six months ended 30 June 2015, in accordance with the General Agreement on short-term loans with a limit of up to 200 million US dollars at the rate of 3 months LIBOR + 2% for less than 12 (twelve) months from the date of each tranche development, Citibank, N.A Nassau, Bahamas Branch (the Commonwealth of the Bahamas) and Citibank Kazakhstan JSC provided the Company with additional financing in several tranches for replenishment of working capital in the total amount of 27,275,185 thousand tenge (equivalent to 147,200,000 US dollars). During the six months ended 30 June 2015, the Company repaid the principal in the amount of 35,274,846 thousand tenge (equivalent to 190,500,000 US dollars) and the interest in the amount of 206,326 thousand tenge (equivalent to 1,113,520 US dollars), including 9,268,121 thousand tenge (equivalent to 50,000,000 US dollars) under tranches received in the first half-year of 2015. As at 30 June 2015, the Company has no assets pledged as security under this loan.

*VTB Bank Group*

On 13 March 2014, VTB Bank (Austria) AG, VTB Bank (Germany) AG and the Company signed an agreement to provide a credit facility in the amount of 250,000,000 US dollars at Libor rate + Bank margin (2.2%) maturing after 6 (six) months and renewable for a period of 6 (six) months. Interest is to be paid on quarterly basis according to the agreement. On 26 March 2014, the Company received financing in the total amount of 45,504,994 thousand tenge (equivalent to 250,000,000 US dollars). The Company extended an initial date of repayment to 26 March 2015. In accordance with the loan arrangement agreement, the Company twice paid 1.35% of the loan amount as a loan arrangement fee. The first payment was made upon initial receipt of the loan and the second payment was made upon extending the maturity to 6 (six) months. In 2015, the Company repaid the principal in the amount of 46,337,500 thousand tenge (equivalent to 250,000,000 US dollars) and accrued interest in the amount of 285,778 thousand tenge. As at 30 June 2015, the Company has no assets pledged as security under this loan.

*SB Royal Bank of Scotland JSC*

On 10 February 2014 the Company signed a revolving credit facility agreement with SB Royal Bank of Scotland JSC to replenish the working capital in the amount of 50,000,000 US dollars at LIBOR + 2.5% maturing on 9 February 2015. In 2015, the Company repaid the principal in the amount of 2,971,490 thousand tenge (equivalent to 16,110,000 US dollars) and accrued interest in the amount of 12,015 thousand tenge. As at 30 June 2015, the Company has no assets pledged as security under this loan.

**Interest-bearing loans with fixed interest rate**

*Development Bank of Kazakhstan JSC*

In accordance with the revolving credit facility agreement of KTG Aimak dated 12 March 2014 in the amount of 21,485,004 thousand tenge with interest rate of 8.2% with maximum maturity of less than 10 (ten) years, under the project of Modernization of SKO gas distribution system, the amount of loans received as part of sublimit 1 shall be payable by semi-annual instalments at the amount of 669,897 thousand tenge starting from November 2014. During the six months ended 30 June 2015, KTG Aimak repaid the principal at the amount of 669,897 thousand tenge, and accrued interest for six months ended 30 June 2015 in the amount of 493,053 thousand tenge.

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
(continued)****14. INTEREST BEARING LOANS (continued)****Interest-bearing loans with fixed interest rate (continued)***Development Bank of Kazakhstan JSC (continued)*

In accordance with the revolving credit facility agreement dated 17 July 2013 in the amount of 16,400,000 thousand tenge with interest rate of 8.1% with maximum maturity of less than 15 (fifteen) years, under the project of Modernization of Taraz gas distribution system, the amount of loans received as part of sublimit 1 shall be payable by semi-annual instalments at the amount of 299,337 thousand tenge starting from September 2015. During the six month ended 30 June 2015, KTG Aimak repaid monthly accrued interest in the amount of 199,276 thousand tenge.

In accordance with the bank loan agreement dated 12 June 2007, the loan in the amount of 1,700,651 thousand tenge is repayable by semi-annual instalments in the amount of 113,377 thousand tenge. This loan was raised for implementation of the project *Reserve line of Uzen-Zhetibai gas pipeline*. During 6 months ended 30 June 2015, KTG Aimak paid the principal at the amount of 113,377 thousand tenge and interest accrued monthly at the amount of 76,795 thousand tenge. As at 30 June 2015, KTG Aimak has no assets pledged as security under these loans.

*Altyn Bank JSC*

Under the open credit line with Altyn Bank JSC in the first half-year of 2015, the Company obtained borrowing in two tranches in the total amount of 5,330,200 thousand tenge (equivalent to 29,000,000 US dollars) for replenishment of working capital. The credit facility principal due to Altyn Bank JSC was repaid on 3 February 2015. The Company paid 9,730 thousand tenge (equivalent to 52,750 US dollars) as an interest for use of loan proceeds.

*SB Sberbank Kazakhstan JSC*

In accordance with the revolving credit facility agreement dated 9 September 2013, KTG Aimak received financing in the total amount of 9,000,000 thousand tenge in 2013 and 2014. During the six months ended 30 June 2015, KTG Aimak repaid the principal at the amount of 9,000,000 thousand tenge, and accrued interest in the amount of 138,338 thousand tenge (30 June 2014: 277,936 thousand tenge). As at 30 June 2015, KTG Aimak has no assets pledged as security under this loan.

**15. LOANS FROM RELATED PARTIES**

<i>In thousands of tenge</i>	<b>30 June 2015 (unaudited)</b>	31 December 2014 (audited)
Fixed interest rate borrowings	14,881,897	14,881,897
Interest free borrowings	25,321,800	-
	<b>40,203,697</b>	14,881,897
Less: discount	(7,462,407)	(6,899,509)
Plus: interest accrued	205,013	-
	<b>32,946,303</b>	7,982,388
Less: the amount to be repaid within 12 months from the reporting date	<b>(24,775,802)</b>	-
<b>Amounts due after 12 months</b>	<b>8,170,501</b>	7,982,388

**NC KazMunayGas JSC**

On 12 September 2014, the parent company provided the Company with long-term financing in the amount of 14,881,897 thousand tenge at 4.1% per annum to improve its liquidity. This loan is payable by 12 September 2024. As at 30 June 2015 this loan was recorded at fair value in the amount of 8,170,501 thousand tenge (31 December 2014: 7,982,388 thousand tenge).

During six months ended 30 June 2015 the Company received in several tranches interest free loans from KazMunayGas totalling 25,321,800 thousand tenge to finance the construction of the main gas pipeline Beineu-Shymkent by providing short-term loans to BSP (*Note 8*). As at 30 June 2015 this loan was recorded at fair value in the amount of 24,570,789 thousand tenge (31 December 2014: nil tenge).

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
(continued)****16. PROVISIONS**

<i>In thousands of tenge</i>	Provision for gas transportation expenses	Abandonment, site restoration and historical costs provision	Gas pipeline abandonment and site restoration provision	Provisions for financial guarantee	Tax provisions	Total
<b>At 31 December 2014 (audited)</b>	13,328,668	2,665,200	35,599,605	3,585,436	1,439,354	56,618,263
Foreign exchange difference	281,412	13,187	-	76,414	-	371,013
Unwinding of discount	-	86,686	1,828,522	-	-	1,915,208
Reversal of unused amounts (Note 23)	-	-	-	(1,618,050)	-	(1,618,050)
Used	-	(104,053)	-	(2,043,800)	(104,840)	(2,252,693)
<b>At 30 June 2015 (unaudited)</b>	<b>13,610,080</b>	<b>2,661,020</b>	<b>37,428,127</b>	<b>-</b>	<b>1,334,514</b>	<b>55,033,741</b>
Current provisions as at 30 June 2015	13,610,080	212,500	-	-	1,334,514	15,157,094
Non-current provisions as at 30 June 2015	-	2,448,520	37,428,127	-	-	39,876,647
Current provisions as at 31 December 2014	13,328,668	211,130	-	3,585,436	1,439,354	18,564,588
Non-current provisions as at 31 December 2014	-	2,454,070	35,599,605	-	-	38,053,675

**Provisions for financial guarantee**

The Group had commitments under an outstanding guarantee in favour of the Bank of Georgia as security of KTG-Tbilisi debt. The amount of debt secured by this guarantee amounted to 1,823,500 thousand tenge (equivalent to 10,000,000 US dollars at 31 December 2014). In January 2009, KTG-Tbilisi stopped payments on the principal and accrued interest. During 2010 the Bank of Georgia initiated a lawsuit and on 25 November 2011 the London Court of Arbitration delivered a judgement on recovery, on the basis of the guarantee issued: loan principal amount, interest accrued and legal expenses in favour of the Bank of Georgia totalling 2,584,811 thousand tenge (equivalent to 14,175,001 US dollars as at 31 December 2014). In 2014 the Company recognised an additional provision in the amount of 735,484 thousand tenge, which represents a penalty for default on payment and other expenses. As at 31 December 2014, total amount of accrued provision under this guarantee was 3,585,436 thousand tenge (equivalent to 19,662,386 US dollars as at 31 December 2014).

On 30 April 2015, the Group made payment in accordance with the Amicable settlement dated 7 November 2014, on outstanding guaranty in favour of Bank of Georgia in the amount of 2,043,800 thousand tenge (equivalent to 11,000,000 US dollars on the date of payment), including 10,000,000 US dollars on KTG-Tbilisi principal debt and 1,000,000 US dollars on reward.

**Gas pipeline abandonment and site restoration provision**

Upon installation of property, plant and equipment the Group made a full provision for future costs of decommissioning of main gas pipelines on a discounted basis. As at 30 June 2015, provision for abandonment of gas pipelines and site rehabilitation in the amount of 37,428,127 thousand tenge represents the current costs of abandonment of gas pipelines and site rehabilitation related to property, plant and equipment expected to be incurred from 2021 till 2084.

As at 30 June 2015, the long-term inflation rate and discount rate used to determine the liabilities on gas pipelines abandonment and site restoration amounted to 3.22% and 10.09%, respectively (as at 31 December 2014: 3.22% and 10.09%, respectively).



**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
(continued)****17. TRADE AND OTHER PAYABLES**

<i>In thousands of tenge</i>	30 June 2015 (unaudited)	31 December 2014 (audited)
Due to third parties	20,706,624	31,773,511
Due to related parties (Note 26)	20,252,805	26,339,062
	<b>40,959,429</b>	<b>58,112,573</b>

Trade payables represent payables for purchased gas. Other payables are mainly represented by payables for assets and services related to the repair and maintenance of the gas transportation system.

Trade payables are non-interest bearing, usually settled within 30 days.

Trade and other payables are denominated in the following currencies:

<i>In thousands of tenge</i>	30 June 2015 (unaudited)	31 December 2014 (audited)
Tenge	31,934,914	38,660,731
US dollars	9,021,344	19,442,162
Other currencies	3,171	9,680
	<b>40,959,429</b>	<b>58,112,573</b>

**18. OTHER CURRENT LIABILITIES**

<i>In thousands of tenge</i>	30 June 2015 (unaudited)	31 December 2014 (audited)
Accrued bonuses	1,854,887	2,550,168
Provision for unused vacations	1,384,798	1,357,625
Salary payable	804,231	1,490,878
Deferred income	378,671	372,856
Pension deductions	362,229	623,539
Prepayments on tender participation	–	461,364
Other	1,214,726	1,737,442
	<b>5,999,542</b>	<b>8,593,872</b>

As at 30 June 2015 and 31 December 2014, other current liabilities were denominated in tenge.

**19. REVENUE**

<i>In thousands of tenge</i>	For the six months ended 30 June (unaudited)	
	2015	2014
Revenue from sales of gas	102,358,938	115,436,867
Revenue from gas transportation services	54,643,795	57,331,821
Revenue from technical maintenance of gas pipelines	1,367,290	294,001
	<b>158,370,023</b>	<b>173,062,689</b>

On 31 December 2014, the Group signed a new contract with Gazprom Schweiz AG on gas export in 2015. For the six months ended 30 June 2015, the Group supplied gas in the amount of 736,544 thousand of cubic meters totalling to 25,769,962 thousand tenge out of the contractual volume (for the six months ended 30 June 2014: 1,134,079 thousand of cubic meters totalling 44,263,875 thousand tenge).

In accordance with the contracts for rendering transportation services to Gazprom, transportation is based on the “take or pay” principle on 80% of contractual volume.

In accordance with the above mentioned services contracts with Gazprom, the Group is liable for any proved direct losses and actual fines incurred by Gazprom due to undersupplied volumes of gas.

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
(continued)****20. COST OF SALES**

<i>In thousands of tenge</i>	For the six months ended 30 June (unaudited)	
	2015	2014
Cost of gas sold	79,311,435	95,335,460
Depreciation and amortization	15,017,579	12,971,268
Payroll and related contributions	11,679,375	11,780,878
Transportation expenses	7,317,441	3,016,233
Fuel gas and gas losses	4,532,349	5,300,610
Taxes other than income tax	3,532,750	2,261,552
Billing services	1,654,247	1,463,384
Electricity	986,695	604,713
Repair and maintenance	961,133	1,107,178
Security services	952,859	798,964
Insurance	348,947	253,109
Business trip expenses	347,305	427,019
Communication	195,570	171,622
Expenses on Concession Agreement	-	1,041,144
Other	1,096,800	2,022,992
	<b>127,934,485</b>	<b>138,556,126</b>

**21. GENERAL AND ADMINISTRATIVE EXPENSES**

<i>In thousands of tenge</i>	For the six months ended 30 June (unaudited)	
	2015	2014
Payroll and related contributions	5,304,584	5,077,327
Rent expenses	1,021,507	502,927
Depreciation and amortization	658,368	652,073
Taxes other than income tax	579,724	295,273
Amortization of housing compensation to employees	303,542	179,800
Consulting services	243,274	409,073
Office maintenance expenses	241,101	219,715
Bank charges	230,157	235,376
Sponsorship and charity	200,000	441,173
Business trip expenses	161,459	212,908
Communications	85,070	84,846
Security services	72,031	90,934
Insurance	23,066	19,905
Change in allowance for doubtful debts, advances paid, obsolete and slow-moving inventories, net	(1,294,475)	315,865
Other	617,086	1,323,633
	<b>8,446,494</b>	<b>10,060,828</b>

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
(continued)****22. OTHER OPERATING INCOME/(EXPENSES)**

	For the six months ended 30 June (unaudited)	
	2015	2014
<b>Other operating income</b>		
Income from services rendered (gas supply to residential buildings, tie-in, technical maintenance)	1,022,162	1,522,417
Income from fines	205,012	215,682
Income from sale of inventories	90,023	187,442
Amortization of deferred income	56,120	958,470
Income from disposal of property, plant and equipment	2,829	234,141
Other	902,179	1,047,479
	<b>2,278,325</b>	<b>4,165,631</b>
<b>Other operating expenses</b>		
Payroll and related contributions	(549,724)	(589,710)
Expenses on sale of property, plant and equipment and intangible assets	(112,892)	(470,633)
Expenses on sale of inventory	(69,425)	(125,367)
Expenses on depreciation and amortisation of other assets	(27,181)	(38,503)
Loss on impairment of property, plant and equipment	(5,278)	(182,532)
Loss from gas borrowing transactions	-	(1,548,774)
Other	(426,180)	(968,832)
	<b>(1,190,680)</b>	<b>(3,924,351)</b>

**23. FINANCE INCOME AND FINANCE COSTS**

	For the six months ended 30 June (unaudited)	
	2015	2014
<i>In thousands of tenge</i>		
<b>Finance income</b>		
Interest income on bank deposits	2,329,680	908,069
Loans provided – unwinding of discount	1,622,626	-
Reversal of provision for financial guarantee (Note 16)	1,618,050	-
Other	7,087	45,910
	<b>5,577,443</b>	<b>953,979</b>
<b>Finance costs</b>		
Interest on debt securities issued	(3,532,274)	(3,407,674)
Interest on bank loans and overdrafts	(2,111,549)	(1,186,397)
Discount on loans provided to related parties (Note 5, 8)	(1,938,824)	-
Unwinding of discount on the provision for abandonment of wells, gas pipe lines and site restoration liability (Note 16)	(1,915,208)	-
Unwinding of discount on debt	(922,399)	(2,985,400)
Amortization of loan arrangement costs	(378,532)	(614,452)
Accrual of provision for financial guarantees	-	(651,556)
Other	(221,623)	(361,672)
	<b>(11,020,409)</b>	<b>(9,207,151)</b>
<b>Finance costs, net</b>	<b>(5,442,966)</b>	<b>(8,253,172)</b>

**24. FOREIGN EXCHANGE LOSS, NET**

On 13 February 2014 the National Bank of the Republic of Kazakhstan adjusted the rate of tenge to US dollar and other major currencies. After the correction the exchange rate increased from 155.56 tenge to 1 US dollar to 184.50 tenge to 1 US dollar. For the six months ended 30 June 2014 the correction resulted in net foreign exchange loss in the amount of 14,773,832 thousand tenge due to the fact that the Group has significant debt obligations and bank loans denominated in US dollars.

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
(continued)****25. INCOME TAX EXPENSES**

The Group is subject to corporate income tax at the prevailing statutory rate of 20%.

<i>In thousands of tenge</i>	For the six months ended 30 June (unaudited)	
	2015	2014
Current income tax	(3,413,168)	(6,246,613)
Deferred income tax	(2,631,750)	(990,903)
	<b>(6,044,918)</b>	<b>(7,237,516)</b>

**26. RELATED PARTY TRANSACTIONS****Terms and conditions of transactions with related parties**

Related party transactions were made on terms agreed to between the parties that may not necessarily be at market rates, except for services on gas transportation, which are provided based on the tariffs available to the third parties. Outstanding balances at the year-end are unsecured, non-interest bearing and settlement occurs in cash, except as indicated below. As at 30 June 2015, the Group did not have any impaired receivables relating to amounts due from related parties (31 December 2014: nil).

Major transactions with related parties for the six months ended 30 June 2015 and 2014 are as follows:

<i>In thousands of tenge</i>	For the six months ended 30 June (unaudited)	
	2015	2014
<b>Sales of goods and services</b>		
Entities under common control of KazMunayGas	775,388	632,738
Joint ventures in which the Group is a venturer	2,825,220	824,390
Joint ventures in which the Parent is a venturer	9,095,881	6,196,073
Entities under common control of Samruk-Kazyna and the Government	18,368,706	21,644,709
Joint ventures in which Samruk-Kazyna and the Government are venturers	6,447,656	3,290,336
	<b>37,512,851</b>	<b>32,588,246</b>
<b>Purchases of goods and services</b>		
Entities under common control of KazMunayGas	3,625,046	3,195,361
Joint ventures in which the Group is a venturer	6,573,595	4,631,399
Joint ventures in which the Parent is a venturer	25,080,182	24,253,192
Entities under common control of Samruk-Kazyna and the Government	225,911	341,092
	<b>35,504,734</b>	<b>32,421,044</b>

Principal balances on transactions with related parties as at 30 June 2015 and 31 December 2014, are as follows:

<i>In thousands of tenge</i>	30 June 2015 (unaudited)	31 December 2014 (audited)
<b>Trade and other receivables</b>		
Entities under common control of KazMunayGas	15,392	8,434,250
Joint ventures in which the Group is a venturer	1,739,210	1,766,269
Joint ventures in which the Parent is a venturer	633,678	1,320,674
Entities under the control of Samruk-Kazyna and the Government	4,378,219	4,600,912
Joint ventures in which Samruk-Kazyna and the Government are venturers	875,468	1,205,966
	<b>7,641,967</b>	<b>17,328,071</b>

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
(continued)****26. RELATED PARTY TRANSACTIONS (continued)****Terms and conditions of transactions with related parties (continued)**

<i>In thousands of tenge</i>	30 June 2015 (unaudited)	31 December 2014 (audited)
<b>Advances paid</b>		
Entities under common control of KazMunayGas	1,333	31,158
Joint ventures in which the Parent is a venturer	1,968,194	3,170,142
Entities under common control of Samruk-Kazyna and the Government	14,912	18,335
	<b>1,984,439</b>	<b>3,219,635</b>

<i>In thousands of tenge</i>	30 June 2015 (unaudited)	31 December 2014 (audited)
<b>Interest free loans issued</b>		
Joint ventures in which the Group is a venturer	53,623,075	25,427,403
	<b>53,623,075</b>	<b>25,427,403</b>

<i>In thousands of tenge</i>	30 June 2015 (unaudited)	31 December 2014 (audited)
<b>Trade and other payables</b>		
Entities under common control of KazMunayGas	689,316	1,188,224
Joint ventures in which the Group is a venturer	14,683,788	21,296,164
Joint ventures in which the Parent is a venturer	4,863,762	3,826,138
Entities under common control of Samruk-Kazyna and the Government	15,939	28,536
	<b>20,252,805</b>	<b>26,339,062</b>

<i>In thousands of tenge</i>	30 June 2015 (unaudited)	31 December 2014 (audited)
<b>Advances received</b>		
Entities under common control of KazMunayGas	1,225,163	298,696
Entities under common control of Samruk-Kazyna and the Government	8,200	176,326
Joint ventures in which Samruk-Kazyna and the Government are venturers	-	256,907
	<b>1,233,363</b>	<b>731,929</b>

<i>In thousands of tenge</i>	30 June 2015 (unaudited)	31 December 2014 (audited)
<b>Amounts due from banks</b>		
Alliance Bank JSC	-	1,058,281
	<b>-</b>	<b>1,058,281</b>

**Compensation to key management personnel**

The key management personnel includes members of the Management Board, directors of the Company departments, their deputies totalling 36 persons as at 30 June 2015 (2014: 36 persons). For the six months ended 30 June 2015, total compensation to key management personnel amounted to 389,176 thousand tenge (six months ended 30 June 2014: 495,085 thousand tenge) and consisted of salaries and other short-term benefits included in general and administrative expenses in the interim consolidated statement of comprehensive income.

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
(continued)****27. COMMITMENTS AND CONTINGENCIES**

Contractual commitments and contingencies of the Group are disclosed in the annual consolidated financial statements for the year ended 31 December 2014 except for the following:

**Capital commitments**

To perform exploration work, on 3 April 2015 the Company signed a cooperation agreement with NC SEC Saryarka JSC on implementation of the project on exploration of coal bed methane of Sherubaynurinskiy area of Karaganda coal basin.

On 5 June 2015, the Group entered into an agreement on procurement of works on geological exploration with Industrial Energy Alliance LLP with total value of 1,454,544 thousand tenge, including VAT, under this agreement the Group paid to Industrial Energy Alliance LLP an advance in the amount of 436,362 thousand tenge as at 25 June 2015. The remaining portion of contractual works in the amount of 1,454,544 thousand tenge is repayable as geological survey works are completed less a proportionally deducted advance amount. Geological survey works must be completed during 400 days as from the contract signing date. The contract expires on 31 December 2016.

**Customs payments for untimely return of borrowed gas**

In December 2014, AlmatyGasTrade LLP (former subsidiary of KTG Almaty) received a notification from Almaty Department of State Revenues of the Committee of State Revenues of the Ministry of Finance of the Republic of Kazakhstan (the "Department") according to the above notification the Department charged additional liabilities on customs payments, taxes and fines to AlmatyGasTrade LLP totalling 2,851,689 thousand tenge, due to untimely return of gas under Agreement on gas borrowing.

In accordance with Gas borrowing agreement in case of untimely gas return, PetroChina has the right to demand from AlmatyGasTrade reimbursement of the volume of non-returned gas at a price of 340 US dollars per 1,000 cubic metres. The additional charge of the Department represents the amount of customs duties for the volume of non-returned on time gas at a price of 340 US dollars per 1,000 cubic meters.

Management believes that the above additional charge is unlawful and unreasonable, since, despite the availability of such penal covenant, the counterparty has not used this covenant and the requirement to pay a fine was not filed. In view of the above KTG Almaty filed a complaint against the Department.

The Group assesses the likelihood of significant tax liabilities as remote, thus no provisions for these additional charges have been formed in these interim condensed consolidated financial statements as of 30 June 2015.

**28. FAIR VALUE OF FINANCIAL INSTRUMENTS**

Set out below is a comparison by category of carrying amounts and fair values of all of the Group's financial instruments:

	Carrying amount		Fair values	
	30 June 2015 (unaudited)	31 December 2014 (audited)	30 June 2015 (unaudited)	31 December 2014 (audited)
<i>In thousands of tenge</i>				
<b>Financial assets</b>				
Cash and cash equivalents	11,497,243	4,631,772	11,497,243	4,631,772
Interest-free loans to related parties	53,623,075	25,427,403	53,623,075	25,427,403
Restricted cash	3,937,791	4,178,146	3,937,791	4,178,146
Bank deposits	60,693,003	57,038,550	60,693,003	57,038,550
Trade and other receivables	42,205,059	63,033,980	42,205,059	63,033,980
<b>Financial liabilities</b>				
Debt securities issued	109,944,801	107,772,814	113,737,321	111,187,863
Trade and other payables	40,959,429	58,112,573	40,959,429	58,112,573
Loans from related parties	32,946,303	7,982,388	32,946,303	7,982,388
Interest bearing loans received	112,896,046	105,335,083	112,896,046	105,335,083

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

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**28. FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)****Estimates and assumptions**

The management of the Group has determined that the fair value of cash and bank deposits, trade receivables, interest free loans provided to related parties, trade and other payables, and short-term loans received approximates their carrying amount mainly due to short-term nature of these instruments.

The fair value of the financial assets and liabilities included in the interim condensed consolidated financial statements is the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

Fair value of quoted bonds is based on price quotations at the reporting date.

The fair values of long-term loans are determined by the DCF method using rates currently available for debt on similar terms, credit risk and remaining maturities.

**Fair value hierarchy**

When assessing the fair value of debt liabilities of the Group as at 30 June 2015 and 31 December 2014, were used quoted prices in active markets (Level 1 – Quoted (unadjusted) market prices in active markets for identical assets or liabilities). Fair value of long-term loans received as at 30 June 2015 and 31 December 2014 was assessed using significant observable inputs (Level 2 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable).