

KazTransGas JSC

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

As at and for the six months ended 30 June 2017

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Report on review of interim financial information

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 comprise the interim condensed consolidated statement of financial position as at 30 June 2017 and the related interim condensed consolidated statements of comprehensive income, changes in equity and cash flows for the six-month period then ended and selected explanatory notes (interim financial information). Management is responsible for the preparation and presentation of this interim financial information in accordance with IAS 34, Interim Financial Reporting. Our responsibility is to express a conclusion on this interim financial information based on our review.

Scope of review

We conducted our review in accordance with 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.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim financial information of KazTransGas JSC and its subsidiaries is not prepared, in all material respects, in accordance with IAS 34, *Interim Financial Reporting*.


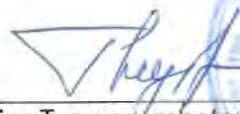
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03 August 2017

INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2017

<i>In thousands of tenge</i>	Note	30 June 2017 (unaudited)	31 December 2016 (audited)
Assets			
Non-current assets			
Property, plant and equipment	4	809,311,085	763,666,710
Exploration and evaluation assets	5	13,591,194	12,811,916
Intangible assets		2,980,661	3,018,539
Advances paid for non-current assets	6	15,254,342	26,248,798
Investments in joint ventures	7	1,104,612	1,065,363
VAT recoverable	8	39,283,504	27,688,098
Other non-current assets		296,943	623,852
Deferred tax assets		1,655,200	869,416
Bank deposits	2, 9	5,137,189	5,349,163
		888,614,730	841,341,855
Current assets			
Inventories	11	24,914,995	26,153,969
Trade and other receivables	12	69,245,898	140,154,435
Loans to related parties	13	68,463,673	70,594,716
Advances paid	6	7,647,548	29,975,432
Prepaid taxes other than income tax	8	3,966,238	5,934,679
Corporate income tax prepaid		5,585,789	7,428,521
Bank deposits	9	23,075,109	32,060,777
Cash and cash equivalents	10	59,265,782	61,988,460
		262,165,032	374,290,989
Total assets		1,150,779,762	1,215,632,844
Equity and liabilities			
Equity			
Share capital	14	192,623,055	179,655,175
Additional paid-in capital	14	241,155,027	241,030,926
Foreign currency translation reserve		546,149	546,149
Retained earnings		181,334,662	144,552,528
		615,658,893	565,784,778
Non-current liabilities			
Debt securities issued	15	12,822,053	12,776,399
Interest bearing loans	16	96,411,844	76,235,899
Loans from related parties	17	137,654,182	143,124,023
Employee benefit obligations		707,135	633,295
Provisions	18	48,553,602	48,114,205
Other non-current liabilities		6,092,559	6,396,332
Deferred tax liabilities		35,941,552	35,816,314
		338,182,927	323,096,467

The accompanying notes on pages 7 to 32 are an integral part of these interim condensed consolidated financial statements (unaudited).

INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)

As at 30 June 2017

<i>In thousands of tenge</i>	Note	30 June 2017 (unaudited)	31 December 2016 (audited)
Current liabilities			
Debt securities issued	15	99,716	43,346,717
Interest bearing loans	16	15,977,005	64,516,504
Loans from related parties	17	25,329,138	25,183,205
Provisions	18	25,321,878	26,284,445
Trade and other payables	19	118,261,132	156,534,323
Taxes payable other than income tax		804,305	1,558,959
Corporate income tax payable		1,186,710	—
Advances received		5,036,485	3,038,527
Other current liabilities		4,921,573	6,288,919
		196,937,942	326,751,599
Total equity and liabilities		1,150,779,762	1,215,632,844

Deputy General Director on economics and finance



Kusherov D.A.

Acting chief accountant

Bokayev Y. N.

The accompanying notes on pages 7 to 32 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 2017**

<i>In thousands of tenge</i>	Note	For the six months ended 30 June (unaudited)	
		2017	2016
Revenue	20	255,847,283	211,781,778
Cost of sales	21	(191,116,183)	(160,448,297)
Gross profit		64,731,100	51,333,481
General and administrative expenses	22	(10,806,486)	(9,735,991)
Other operating income	23	1,841,814	2,140,488
Other operating expenses	23	(3,744,618)	(2,389,867)
Operating profit		52,021,810	41,348,111
Finance income	24	6,311,218	5,866,485
Finance costs	24	(14,574,187)	(14,637,723)
Share in loss of joint ventures	7	(2,797,402)	(2,682,057)
Foreign exchange gain/(loss), net		8,622,839	(1,540,782)
Profit before income tax		49,584,278	28,354,034
Income tax expenses	25	(12,802,144)	(7,697,371)
Net profit for the period after tax		36,782,134	20,656,663
Other comprehensive income		-	-
Total comprehensive income for the period, net of income tax		36,782,134	20,656,663
Earnings per share			
Basic and diluted, earnings per share for the period attributable to the parent	14	0.10	0.06

Deputy General Director on economics and finance



Kusherov D.A.

Acting chief accountant

Bokayev Y. N.

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INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2017

<i>In thousands of tenge</i>	Note	For the six months ended 30 June (unaudited)	
		2017	2016
Cash flows from operating activities			
Profit before income tax		49,584,278	28,354,034
Adjustments for:			
Depreciation, depletion and amortization	21, 22, 23	14,930,508	13,934,952
Finance income	24	(6,311,218)	(5,866,485)
Finance costs	24	14,574,187	14,637,723
Share in loss of joint ventures	7	2,797,402	2,682,057
Change in provision for gas transportation expenses	21	(864,701)	(43,856)
Change in provisions	2	(382,925)	490,999
Allowance for doubtful debts	2, 22	1,119,061	808,209
Write-down of inventory to net realisable value	2, 22	818,355	27,451
Amortization of deferred income	23	(200,814)	(191,672)
Loss from sale of property, plant and equipment and intangible assets, net	23	25,348	535,177
Unrealized foreign exchange (gain)/loss, net		(12,726,019)	2,346,319
Loss on impairment of property, plant and equipment	23	141,270	864,063
Change in employee benefit obligations		43,840	66,352
Operating income before working capital changes		63,548,572	58,645,323
Change in inventories		214,748	(837,142)
Change in trade and other receivables		68,538,255	31,189,806
Change in advances paid		21,743,055	(6,108,244)
Change in taxes recoverable		(9,626,965)	(4,177,179)
Change in trade and other payables		(48,516,906)	30,654,360
Change in taxes payable		66,575	(2,313,601)
Change in advances received		1,997,958	3,350,117
Change in other current liabilities		(1,606,100)	(1,150,232)
Cash flows from operating activities		96,359,192	109,253,208
Interest paid		(7,688,698)	(8,368,114)
Corporate income tax paid		(10,418,209)	(1,762,107)
Interest received on bank deposits		2,994,512	2,363,938
Net cash flows received from operating activities		81,246,797	101,486,925

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INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS (continued)

For the six months ended 30 June 2017

<i>In thousands of tenge</i>	Note	For the six months ended 30 June (unaudited)	
		2017	2016
Cash flows from investing activities			
Withdrawal of bank deposits	2	89,984,192	85,392,095
Placement of bank deposits	2	(82,107,155)	(121,711,415)
Loans provided to related parties	13	(728,293)	(5,590,208)
Loans repaid by related parties		–	138
Purchase of property, plant and equipment, exploration and evaluation assets and intangible assets		(27,155,656)	(17,797,127)
Proceeds from sale of property, plant and equipment and intangible assets		1,167	23,781
Advances paid for non-current assets		(4,200,427)	(17,946,458)
Net cash flows used in investing activities		(24,206,172)	(77,629,194)
Cash flows from financing activities			
Proceeds from interest bearing loans and debt securities issued		37,741,669	209,642,817
Proceeds from loans from related parties	17	25,321,800	–
Repayment of interest bearing loans and debt securities issued		(102,280,128)	(208,757,182)
Repayment of loans from related parties	17	(25,321,800)	–
Loan arrangement fee		–	(1,089,754)
Net cash flows used in financing activities		(64,538,459)	(204,119)
Net change in cash and cash equivalents		(7,497,834)	23,653,612
Net foreign exchange difference on cash and cash equivalents		4,775,156	(1,280,490)
Cash and cash equivalents, at the beginning of the period	10	61,988,460	19,578,582
Cash and cash equivalents, at the ending of the period	10	59,265,782	41,951,704

Deputy General Director on economics and finance



Kasherov D.A.

Acting chief accountant

Bokayev Y. N.

The accompanying notes on pages 7 to 32 are an integral part of these interim condensed consolidated financial statements (unaudited).

INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2017

<i>In thousands of tenge</i>	Share capital	Additional paid-in capital	Foreign currency translation reserve	Retained earnings	Total
At 1 January 2016 (audited)	179,655,175	237,758,875	546,149	69,003,602	486,963,801
Net profit for the period	-	-	-	20,656,663	20,656,663
Total comprehensive income for the period	-	-	-	20,656,663	20,656,663
Contribution from the shareholder	-	2,345,393	-	-	2,345,393
At 30 June 2016 (unaudited)	179,655,175	240,104,268	546,149	89,660,265	509,965,857
At 1 January 2017 (audited)	179,655,175	241,030,926	546,149	144,552,528	565,784,778
Net profit for the period	-	-	-	36,782,134	36,782,134
Total comprehensive income for the period	-	-	-	36,782,134	36,782,134
Issue of shares (Note 14)	12,967,880	(12,967,880)	-	-	-
Contribution from the Shareholder (Note 14)	-	13,091,981	-	-	13,091,981
At 30 June 2017 (unaudited)	192,623,055	241,155,027	546,149	181,334,662	615,658,893

Deputy General Director on economics and finance



Kusherov D.A.

Acting chief accountant

Bokayev Y. N.

The accompanying notes on pages 7 to 32 are an integral part of these interim condensed consolidated financial statements (unaudited).

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (unaudited)**For the six months ended 30 June 2017**

1. CORPORATE INFORMATION

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 registered in the Republic of Kazakhstan, Astana, Yesil district, Alikhan Bokeykhan avenue, 12.

NC KazMunayGas JSC ("KazMunayGas") is the sole shareholder of KTG. The Government as represented by "Sovereign Wealth Fund "Samruk-Kazyna" JSC ("Samruk-Kazyna") owns 90% minus 1 (one) shares 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 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 Group's operating activities are regulated by the Law of the Republic of Kazakhstan *On Natural Monopolies and Regulated Markets* (the "Law") as the Group is a natural monopolist in transportation and supply of gas on domestic market. According to the Law, the Group's tariffs related to gas transportation and sales on domestic market are approved by the Committee of the Republic of Kazakhstan for the Regulation of Natural Monopolies and Protection of Competition under the Ministry of National Economy of the Republic of Kazakhstan and Ministry of Energy of the Republic of Kazakhstan.

As at 30 June 2017, the Group has commitments in the amount of 68,412,536 thousand tenge under the investment program for 2016-2021 approved by the common order of Vice-Minister of Energy and Chairman of the Committee on Regulation of Natural Monopolies and Protection of Competition under the Ministry of National Economy of the Republic of Kazakhstan (as at 31 December 2016: 70,257,860 thousand tenge). The results of the implementation of this program can influence the future tariffs. As of 30 June 2017, the Group fulfils its obligations under the approved investment program, taking into account the adjustments made.

The accompanying interim condensed consolidated financial statements were authorized for release by the deputy general director on economics and finance and acting chief accountant of the Company on 3 August 2017.

Exploration and production of hydrocarbons

In December 2000, the Group signed the Contract with the 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, in Zhambyl oblast, South Kazakhstan (the "Hydrocarbon Agreement"). The term of the Hydrocarbon Agreement is 31 years. The Group started production and sale of gas at Amangeldy gas 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 unless commercially viable hydrocarbon reserves are discovered.

In May 2016, the Group signed the agreement with KazMunayGas on cession of claims under the Contract No. 3949-YBC dated 1 October 2013 on exploration of hydrocarbons on the minefield "Kansu" located in Mangistau oblast from KazMunayGas to the Group. The rights and obligations under the agreement were transferred to the Group in exchange for cash consideration of 3,867,812 thousand tenge, including VAT.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (unaudited)**2. BASIS OF PREPARATION**

The interim condensed consolidated financial statements of the Group for the six months ended 30 June 2017 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 for the annual financial statements, and should be read in conjunction with the Group's annual consolidated financial statements as at 31 December 2016.

Subsidiaries

As at 30 June 2017 and 31 December 2016, 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 2017	31 December 2016
Intergas Central Asia JSC (ICA)	Kazakhstan	Transportation 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 Onimderi LLP ("KTG Onimderi")	Kazakhstan	Transportation services	100%	100%
Amangeldy Gas LLP (Amangeldy Gas)	Kazakhstan	Production of natural gas and gas condensate	100%	100%
Astana Gas KMG JSC	Kazakhstan	Construction of gas transmittal pipeline "West-North-Center"	100%	100%
KMG Kansu Operating LLP	Kazakhstan	Exploration 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%

KazTransGas JSC has 100% ownership in KazTransGas Tbilisi JSC (KTG Tbilisi). In accordance with the decision of city court of Kutaisi dated 16 March 2009, the Company lost control over this subsidiary and ceased its consolidation since the date of legal loss of control.

Investments in joint ventures

As at 30 June 2017 and 31 December 2016, the Group had interests in the following joint ventures which are accounted for in the consolidated financial statements using the equity method:

Name	Place of incorporation	Principal activities	Share, %	
			30 June 2017	31 December 2016
Asian Gas Pipeline LLP (AGP)	Kazakhstan	Construction and exploitation of Kazakhstan – China gas pipeline	50%	50%
Beinue-Shymkent Pipeline LLP (BShP)	Kazakhstan	Construction and operation of Beinue-Bozoi-Shymkent gas pipeline	50%	50%
AvtoGaz LLP (AG)	Kazakhstan	Organization, operation, construction and maintenance of gas filling compressor stations	50%	50%

Foreign 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. As at 30 June 2017, the currency exchange rate of KASE was 322.27 tenge to 1 US dollar. This rate was used for translation of monetary assets and liabilities denominated in US dollar at 30 June 2017 (at 31 December 2016: 333.29 tenge to 1 US dollar).

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (unaudited)**2. BASIS OF PREPARATION (continued)****Reclassifications of comparative information**

The interim consolidated statement of financial position has been revised to present more detailed classification of certain items based on their nature to provide the users of the financial statements with more relevant information about the financial position and cash flows of the Group.

Effect on the consolidated statement of financial position as at 31 December 2016

<i>In thousands of tenge</i>	As previously	Reclassifications	As reclassified
Restricted cash	5,309,163	(5,309,163)	–
Bank deposits	40,000	5,309,163	5,349,163

Effect on the interim consolidated statement of cash flows for the six months ended 30 June 2016

<i>In thousands of tenge</i>	As previously	Reclassifications	As reclassified
Cash flows from operating activities			
Change in allowance for doubtful debts, advances paid, obsolete and slow-moving inventories, net	1,363,166	(1,363,166)	–
Allowance for doubtful debts	–	808,209	808,209
Write-down of inventory to net realisable value	–	27,451	27,451
Change in provision	(36,507)	527,506	490,999
Cash flows from investing activities			
Placement of bank deposits	(37,039,049)	37,039,049	–
Withdrawal of restricted cash	719,729	(719,729)	–
Withdrawal of bank deposits	–	85,392,095	85,392,095
Placement of bank deposits	–	(121,711,415)	(121,711,415)

The above mentioned reclassifications did not have any impact on the interim consolidated financial statements of the Group. The management believes that such presentation is more transparent as they reflect the nature of such instruments.

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 consolidated financial statements for the year ended 31 December 2016, except for the adoption of new standards effective as at 1 January 2017. 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 effect of these changes are disclosed below. Although these amendments apply for the first time in 2017, they do not have a material impact on the interim condensed consolidated financial statements of the Group. The nature and the impact of each amendment is described below:

Amendments to IAS 7 Statement of Cash Flows: Disclosure Initiative

The amendments require entities to provide disclosures about changes in their liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes (such as foreign exchange gains or losses). On initial application of the amendment, entities are not required to provide comparative information for preceding periods. The Group is not required to provide additional disclosures in its interim condensed consolidated financial statements, but will disclose additional information in its annual consolidated financial statements for the year ended 31 December 2017.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (unaudited)

3. CHANGES IN ACCOUNTING POLICY OF THE GROUP (continued)***Amendments to IAS 12 Income Taxes: Recognition of Deferred Tax Assets for Unrecognised Losses***

The amendments clarify that an entity needs to consider whether tax law restricts the sources of taxable profits against which it may make deductions on the reversal of that deductible temporary difference. Furthermore, the amendments provide guidance on how an entity should determine future taxable profits and explain the circumstances in which taxable profit may include the recovery of some assets for more than their carrying amount.

Entities are required to apply the amendments retrospectively. However, on initial application of the amendments, the change in the opening equity of the earliest comparative period may be recognised in opening retained earnings (or in another component of equity, as appropriate), without allocating the change between opening retained earnings and other components of equity. Entities applying this relief must disclose that fact.

The Group applied these amendments retrospectively. However, this application did not have any effect on the financial position or performance of the Group.

Annual Improvements Cycle - 2014-2016***Amendments to IFRS 12 Disclosure of Interests in Other Entities: Clarification of the scope of disclosure requirements in IFRS 12***

The amendments clarify that the disclosure requirements in IFRS 12, other than those in paragraphs B10–B16, apply to an entity's interest in a subsidiary, a joint venture or an associate (or a portion of its interest in a joint venture or an associate) that is classified (or included in a disposal group that is classified) as held for sale. The Group applied these amendments retrospectively. However, this application did not have any effect on the financial position of the Group.

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:

<i>in thousands of tenge</i>	Land	Gas assets	Buildings	Gas trans- portation system	Equipment	Vehicles	Other	Construction in-progress	Total
Cost									
At 31 December 2016 (audited)	1,232,115	33,986,305	61,313,360	536,545,697	205,439,263	22,021,958	8,898,798	58,355,103	927,792,599
Additions	87	638,344	162	11,311,376	47,821	6,168	12,800	50,516,376	62,533,134
Change in estimate (Note 18)	-	(2,015,470)	-	-	-	-	-	-	(2,015,470)
Transfers	-	10,829	(541,466)	2,072,449	1,363,298	29,677	175,663	(3,110,450)	-
Disposals	-	-	-	(59,353)	(27,499)	(10,018)	(6,066)	-	(102,936)
At 30 June 2017 (unaudited)	1,232,202	32,620,008	60,772,056	549,870,169	206,822,883	22,047,785	9,081,195	105,761,029	988,207,327
Accumulated depreciation and impairment									
At 31 December 2016 (audited)	-	(8,559,614)	(10,478,331)	(69,005,455)	(52,286,033)	(13,869,352)	(4,964,017)	(4,983,087)	(164,125,889)
Charge for the period	-	(735,422)	(1,108,016)	(7,281,265)	(4,610,484)	(642,836)	(328,648)	-	(14,706,671)
Disposals	-	-	-	43,329	24,334	5,223	4,702	-	77,588
Impairment provision	-	-	-	-	-	-	-	(141,270)	(141,270)
Transfers	-	(5,661)	23,389	44,927	17,514	(621)	(79,548)	-	-
At 30 June 2017 (unaudited)	-	(9,300,697)	(11,562,958)	(76,198,464)	(56,834,669)	(14,507,586)	(5,367,511)	(5,124,357)	(178,896,242)
Net book value									
At 31 December 2016 (audited)	1,232,115	25,426,691	50,835,029	467,540,242	153,173,230	8,152,606	3,934,781	53,372,016	763,666,710
At 30 June 2017 (unaudited)	1,232,202	23,319,311	49,209,098	473,671,705	149,988,214	7,540,199	3,713,684	100,636,672	809,311,085

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

During the six months ended 30 June 2017, the Group's subsidiary KTG Aimak purchased inventories, paid salaries and paid for the contractors' work for the total amount of 12,894,120 thousand tenge (six months ended 30 June 2016: 7,238,444 thousand tenge) with respect to construction and modernization of connecting gas pipelines.

During the six months ended 30 June 2017, additions to construction-in-progress of the Group's subsidiary ICA are mainly represented by capital repair of main gas pipelines in the amount of 24,614,655 thousand tenge; the entrance node launch for the purification device in UMG Almaty in the amount of 3,694,328 thousand tenge; construction of gas dehydration plant at UGS Bozoi in the amount of 3,590,103 thousand tenge; capital repair of gas pipeline MG "BGR-TBA" in the area 649-972 km according to the results of in-line inspection with the development of project design in the amount of 2,402,322 thousand tenge; development of project design and construction of gas distribution station Akrytobe in the amount of 1,429,277 thousand tenge and other capital construction and improvements.

Transfers

During the six months ended 30 June 2017, the fixed assets of the Group's subsidiary ICA placed in operation equalled 1,965,182 thousand tenge. Significant portion of this amount is related to the works on construction of automated gas distribution station Ungurtas in the amount of 1,675,809 thousand tenge; capital repairs of main gas-pipeline in the amount of 64,779 thousand tenge.

Other

As at 30 June 2017, the historical cost of fully depreciated property, plant and equipment still in operation amounted to 17,504,232 thousand tenge (as at 31 December 2016: 16,039,432 thousand tenge).

5. EXPLORATION AND EVALUATION ASSETS

Exploration and evaluation assets were as follows:

<i>In thousands of tenge</i>	Tangible assets
At 31 December 2016 (audited)	12,811,916
Additions	771,350
Transfers from inventories	7,928
At 30 June 2017 (unaudited)	13,591,194

The exploration and evaluation assets are represented by the following projects:

<i>In thousands of tenge</i>	30 June 2017 (unaudited)	31 December 2016 (audited)
Sultankuduk	3,969,458	3,764,143
Kansu	3,617,793	3,575,070
Ayrakty	2,714,206	2,392,407
Sherubainur	1,790,554	1,581,126
Anabay	502,803	502,803
Koskuduk	427,183	427,183
Other	569,197	569,184
	13,591,194	12,811,916

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

6. ADVANCES PAID

<i>In thousands of tenge</i>	30 June 2017 (unaudited)	31 December 2016 (audited)
Advances paid for non-current assets		
Advances paid to third parties	15,529,829	26,524,285
Less: allowance for possible non-performance	(275,487)	(275,487)
	15,254,342	26,248,798
Advances paid for current assets and services		
Advances paid to third parties	4,651,748	3,574,495
Advances paid to related parties (Note 26)	2,995,800	26,400,937
	7,647,548	29,975,432

7. INVESTMENTS IN JOINT VENTURES

As at 30 June 2017 and 31 December 2016, the investments in joint ventures were as follows:

<i>In thousands of tenge</i>	AGP	BShP	AG	Total
31 December 2016 (audited)	--	--	1,065,363	1,065,363
Share in profit of joint venture	101,180,917	14,073,065	39,249	115,293,231
Unrecognized share in profit of joint venture	(101,180,917)	(14,073,065)	--	(115,253,982)
Share of the Group in the discount on initial recognition of the loan provided to the joint venture	--	2,836,651	--	2,836,651
Loss on write-off of discount on interest free loan provided to the joint venture	--	(2,836,651)	--	(2,836,651)
Share in other comprehensive loss of joint venture	(28,267)	--	--	(28,267)
Unrecognized share in other comprehensive loss of joint venture	28,267	--	--	28,267
30 June 2017 (unaudited)	--	--	1,104,612	1,104,612

AGP

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

<i>In thousands of tenge</i>	30 June 2017 (unaudited)	31 December 2016 (audited)
Statement of financial position of joint venture		
Current assets	546,311,477	529,037,901
Non-current assets	1,592,297,949	1,691,909,542
Current liabilities	(308,370,253)	(322,092,871)
Non-current liabilities	(2,195,646,527)	(2,466,567,228)
Equity deficit	(365,407,354)	(567,712,656)
Proportion of the Group's ownership	50%	50%
Carrying amount of investment	--	--
Cumulative unrecognized share in equity losses	(182,703,677)	(283,856,328)

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(continued)****7. INVESTMENTS IN JOINT VENTURES (continued)****AGP (continued)**

<i>In thousands of tenge</i>	For the six months ended 30 June (unaudited)	
	2017	2016
Statement of comprehensive income of joint venture		
Revenue	292,107,965	298,144,734
Net profit for the period	202,361,835	158,320,618
Other comprehensive loss for the period	(56,533)	(238,538)

On 15 February 2008, according to the agreement between the Government of the Republic of Kazakhstan and Government of 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 Group's participation and 50% Trans-Asia Gas Pipeline Company Limited (TAGP) participation. As at 30 June 2017, the charter capital of AGP was equal to 1,200,000 thousand tenge, 600,000 thousand tenge of which was paid by the Group.

BShP

The following table provides summarised financial information about investment of the Group in BShP:

<i>In thousands of tenge</i>	30 June 2017 (unaudited)	31 December 2016 (audited)
Statement of financial position of a joint venture		
Current assets	126,528,705	115,813,128
Non-current assets	443,169,560	449,074,109
Current liabilities	(129,607,320)	(129,935,447)
Non-current liabilities	(445,679,422)	(474,359,698)
Equity deficit	(5,588,477)	(39,407,908)
Proportion of the Group's ownership	50%	50%
Carrying amount of investment	–	–
Cumulative unrecognized share in equity losses	(2,794,239)	(19,703,954)

<i>In thousands of tenge</i>	For the six months ended 30 June (unaudited)	
	2017	2016
Statement of comprehensive income of a joint venture		
Revenue	32,767,895	16,913,653
Net profit for the period	28,146,129	6,311,434
Other comprehensive income for the period	–	–
Additional investment		
Discount on initial recognition of the loan provided	5,673,302	5,331,946
Group's share in discount on initial recognition of the loan provided	2,836,651	2,665,973

On 18 January 2011, according to the agreement between the Government of the Republic of Kazakhstan and Government of People's Republic of China on cooperation in the construction and operation of the Kazakhstan-China gas pipeline, a joint venture BShP was established, with a 50% of the Group's participation and 50% Trans-Asia Gas Pipeline Company Limited (TAGP) participation. As at 30 June 2017 the charter capital of BSGP was equal to 145,430,000 thousand tenge, 72,715,000 thousand tenge of which was paid by the Group.

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(continued)****7. INVESTMENTS IN JOINT VENTURES (continued)****AG**

The following table provides summarised financial information about investment of the Group in AG:

<i>In thousands of tenge</i>	30 June 2017 (unaudited)	31 December 2016 (audited)
Statement of financial position of joint venture		
Current assets	340,845	509,998
Non-current assets	1,934,538	1,968,137
Current liabilities	(66,159)	(347,409)
Non-current liabilities	–	–
Equity	2,209,224	2,130,726
Proportion of the Group's ownership	50%	50%
Carrying amount of investment	1,104,612	1,065,363
Cumulative unrecognized share in equity losses	–	–

<i>In thousands of tenge</i>	For the six months ended 30 June (unaudited)	
	2017	2016
Statement of comprehensive income of joint venture		
Revenue	531,460	433,166
Net profit/(loss) for the period	78,498	(32,168)
Share in profit/(loss) of a joint venture for the period	39,249	(16,084)
Other comprehensive income for the period	–	–

8. VAT RECOVERABLE AND PREPAID TAXES OTHER THAN INCOME TAX

<i>In thousands of tenge</i>	30 June 2017 (unaudited)	2016 (audited)
VAT recoverable	52,282,448	42,391,830
Property tax	183,485	384,563
Other taxes prepaid	104,696	167,271
	52,570,629	42,943,664
Less: allowance non-recoverable VAT	(9,320,887)	(9,320,887)
	43,249,742	33,622,777

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(continued)****9. BANK DEPOSITS**

<i>In thousands of tenge</i>	30 June 2017 (unaudited)	31 December 2016 (audited)
Tenge bank deposits with maturity of over five years	5,057,346	5,269,320
Tenge bank deposits with maturity of over one year and less than five year	79,843	79,843
Bank deposits, non-current	5,137,189	5,349,163
Tenge bank deposits with maturity of over three months and less than one year	23,001,542	8,102,138
US dollars bank deposits with maturity of over three months and less than one year	73,567	23,958,639
Bank deposits, current	23,075,109	32,060,777

As at 30 June 2017, tenge deposits with maturity over five years include restricted deposits in Halyk Bank Kazakhstan JSC and Tsesna Bank JSC in the amount of 4,755,784 thousand tenge and 301,562 thousand tenge, correspondingly. The deposits in Halyk Bank Kazakhstan JSC were opened as collateral for loans of the Group's employees (as at 31 December 2016: 5,019,387 thousand tenge). The deposit in Tsesna Bank JSC is kept in blocked account designated as liquidation fund per requirements of subsoil use contracts.

As at 30 June 2017, deposits were placed in banks at the interest rates of 1% - 15% per annum in tenge and 1.3% - 4% per annum in a foreign currency.

10. CASH AND CASH EQUIVALENTS

<i>In thousands of tenge</i>	30 June 2017 (unaudited)	31 December 2016 (audited)
Foreign currency bank accounts	28,883,998	12,859,535
Tenge bank deposits	24,100,733	42,805,634
Tenge bank accounts	6,255,846	6,263,136
Cash in transit	21,025	56,332
Cash on hand	4,180	3,823
	59,265,782	61,988,460

As at 30 June 2017, deposits were placed in banks at interest rates of 8% - 13% per annum in tenge and 3% - 4% per annum in a foreign currency.

As at 30 June 2017, interest rates for cash on the current accounts in banks were 0.3% - 7.5% per annum in tenge and 0.1% - 3.0% per annum in a foreign currency.

11. INVENTORIES

<i>In thousands of tenge</i>	30 June 2017 (unaudited)	31 December 2016 (audited)
Gas inventory	22,385,276	22,552,879
Materials and supplies	2,529,719	3,601,090
	24,914,995	26,153,969

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.

During the six months ended 30 June 2017, an amount of 821,175 thousand tenge was recognised as an expense for inventories carried at net realizable value (six months ended 30 June 2016: 27,451 thousand tenge).

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(continued)**12. TRADE AND OTHER RECEIVABLES**

<i>In thousands of tenge</i>	30 June 2017 (unaudited)	31 December 2016 (audited)
Trade receivables from third parties	44,820,642	65,063,099
Trade receivables from related parties (Note 26)	30,564,664	80,776,472
Other receivables	1,549,000	961,596
	76,934,306	146,801,167
Less: allowance for doubtful debts	(7,688,408)	(6,646,732)
	69,245,898	140,154,435

Movements in the allowance for doubtful debts were as follows:

<i>In thousands of tenge</i>	Individually impaired
At 31 December 2016 (audited)	(6,646,732)
Charge for the period	(3,711,975)
Foreign currency translation	65,822
Utilized	11,563
Recovered	2,592,914
At 30 June 2017 (unaudited)	(7,688,408)

13. LOANS TO RELATED PARTIES

<i>In thousands of tenge</i>	30 June 2017 (unaudited)	31 December 2016 (audited)
Interest free loans to related parties (Note 26)	72,872,093	72,143,800
Less: discount	(4,408,420)	(1,549,084)
	68,463,673	70,594,716

During the six months ended 30 June 2017, the Company provided additional interest-free loan to BShP in the amount of 728,293 thousand tenge (six months ended 30 June 2016: 5,590,208 thousand tenge).

During the six months ended 30 June 2017, the Company revised expected repayment date of the loans by BShP. As a result, the payback period was extended to 31 December 2017. This extension resulted in decrease of the carrying amount of the loans by 5,673,302 thousand tenge. The amortization of discount was equal to 2,813,966 thousand tenge (six months ended 30 June 2016: 3,089,169 thousand tenge) (Note 24). Investments in BShP were adjusted accordingly to recognize effect of discounting.

The fair value on initial and additional loans, which are given on an interest free basis, is determined discounting future cash flows for the loan using a discount rate of 10% - 14.4%.

14. EQUITY

	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 of 2,500 tenge	Par value of 10,000 tenge	
As of 30 June 2017 (unaudited)	312,167,670	1	30,976,655	8,396,465	192,623,055
As of 31 December 2016 (audited)	312,167,670	1	30,976,655	7,099,677	179,655,175

Common shares give holders 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. The Group did not distribute any dividends during the six months ended 30 June 2017 and 2016.

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

During the six months ended 30 June 2017, the Group issued 1,296,788 common shares with par value of 10,000 tenge each for the total amount of 12,967,880 thousand tenge related to the assets previously received under the Trust management agreements.

Earnings per share

Basic and diluted earnings per share are calculated by dividing the net income for the period attributable to common shareholders by the number of shares outstanding during the period.

The following table reflects the income and share data used in the basic earnings per share computations for the reporting periods ended:

	For the six months ended June 30 (unaudited)	
	2017	2016
Net income attributable to shareholder for basic and diluted earnings per share (in thousands of tenge)	36,782,134	20,656,663
Average number of common shares for basic and diluted earnings per share	351,108,528	350,244,003
Basic and diluted, earnings per share for the period attributable to the parent (in thousands of tenge)	0.10	0.06

Additional paid-in capital

During the six months ended 30 June 2017, the Group received from the Government property, plant and equipment represented by gas transportation system in the amount of 11,195,635 thousand tenge under the Trust management agreement. Trust management agreement is a short-term mechanism functioning until the title on these assets is transferred to the Company. The Group is a direct user of these assets, and according to the Trust management agreement it received all risks and rewards related to the ownership of this property. Accordingly, the Group recognized the asset and appropriate increase in retained earnings, which will be reclassified to share capital ones the legal procedures are completed.

During the six months ended 30 June 2017, the Group recognized additional paid-in capital with respect to discount on loan with fixed interest rate provided by KazMunayGas in the amount of 1,896,346 thousand tenge (*Note 17*).

15. DEBT SECURITIES ISSUED

As at 30 June 2017 and 31 December 2016, debt securities issued comprised:

	Issue	Maturity	Interest rate	30 June 2017 (unaudited)		31 December 2016 (audited)	
				US dollars	In thousands of tenge	US dollars	In thousands of tenge
The Bank of New York Mellon (ICA bonds)	2007	2017	6,375%	-	-	127,801,000	42,594,795
KTG Aimak bonds	2014	2018	7,50%	-	8,629,170	-	8,629,170
KTG Aimak bonds	2015	2025	7,50%	-	5,000,000	-	5,000,000
					13,629,170	127,801,000	56,223,965
Less: unamortized transaction costs				-	-	-	(12,392)
Interest payable				-	99,716	-	764,314
Less: discount				-	(807,117)	-	(852,771)
Less: the amount to be repaid within 12 months from the reporting date				-	(99,716)	-	(43,346,717)
Amounts due after 12 months				-	12,822,053	127,801,000	12,776,399

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(continued)****15. DEBT SECURITIES ISSUED (continued)**

On 10 May 2017, ICA executed full redemption of Eurobonds in the amount of 40,652,220 thousand tenge (equivalent to 127,801,000 US dollars), including accrued interest in the amount of 1,295,789 thousand tenge (equivalent to 4,073,657 US dollars).

16. INTEREST BEARING LOANS

As at 30 June 2017 and 31 December 2016, interest bearing loans comprised:

<i>In thousands of tenge</i>	30 June 2017 (unaudited)	31 December 2016 (audited)
Interest bearing loans with floating rate	68,172,500	101,149,162
Interest bearing loans with fixed rate	44,626,484	39,901,817
	112,798,984	141,050,979
Less: unamortized transaction costs	(1,149,634)	(969,558)
Plus: interest payable	739,499	670,982
	112,388,849	140,752,403
Less: amount due for settlement within 12 months from the reporting date	(15,977,005)	(64,516,504)
Amounts due for settlement after 12 months	96,411,844	76,235,899

Interest bearing loans with floating rate*European Bank for Reconstruction and Development*

In accordance with the loan agreement dated May 26, 2016, on July 26, 2016, ICA received a loan from the European Bank for Reconstruction and Development in the amount of 48,143,200 thousand tenge (equivalent to 140,000,000 US dollars) for the purpose of restructuring obligations. In May 2017, ICA received second tranche in the amount of 25,254,400 thousand tenge (equivalent to 80,000,000 US dollars). Under the terms of the loan agreement, all payments related to the loan are made in US dollars. During the six months ended 30 June 2017, ICA repaid principal in the amount of 2,642,962 thousand tenge (equivalent to 8,461,538 US dollars).

ICA shall repay this loan by 26 (twenty-six) consecutive equal quarterly instalments commencing on 5 June 2017. The interest is charged at 3m LIBOR plus 3.15% per annum and paid quarterly.

As at 30 June 2017, ICA has principal payable to European Bank for Reconstruction and Development under the above loan agreement in the amount of 68,172,500 thousand tenge (as at 31 December 2016: 46,660,600 thousand tenge).

«Citibank N.A. Nassau» & «Citibank Kazakhstan»

On 9 May 2016, Citibank N.A. Nassau changed address of facility office to Citibank N.A. Jersey Branch.

As at 31 December 2016, the Company had short-term loans payable to Citibank N.A. Nassau, Bahamas Branch (the Commonwealth of the Bahamas) and Citibank Kazakhstan JSC in the amount of 53,526,374 thousand tenge under the General Agreement with a limit of up to 200 million US dollars at the rate of 3 months LIBOR + 2% for a period of less than 12 (twelve) months from the date of each tranche development. During the six months ended 30 June 2017 the Company fully repaid principal under the loan agreement in the amount of 50,114,832 thousand tenge (equivalent to 160,600,000 US dollars).

In accordance with the short-term loan agreements dated May 31, 2017 and May 3, 2017, ICA received a loan from the Citibank N.A. Jersey Branch in the amount of 6,313,600 thousand tenge (equivalent to 20,000,000 US dollars) at the rate 1 months LIBOR + 2% for the purpose of restructuring obligations. During the six months ended 30 June 2017, ICA fully repaid principal under the loan agreement in the amount of 6,429,200 thousand tenge (equivalent to 20,000,000 US dollars).

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

16. INTEREST BEARING LOANS (continued)**Interest bearing loans with floating rate (continued)***HSBC Bank Plc*

In accordance with loan agreement dated August 15, 2005, Trinkaus & Burkhart KGAA and CITI Group Global Markets Deutschland AG & CO.KGAA agreed to provide a loan in the amount of EUR 44,763,860, in US dollar terms, to ICA, which represents a part of the value of General Contract between MAN Turbo AG and ICA for the design and supply of equipment and construction works on Opornaya compressor station at CAC mainline gas pipeline in Mangistau region. Under this loan agreement HSBC Bank Plc serves as a finance agent. These loans are guaranteed with a corporate guarantee issued by the Company in favour of these banks. In accordance with the loan agreement all payments related to the borrowing are made in US dollars.

ICA shall repay this loan by 20 (twenty) consecutive equal semi-annual installments commencing on September 30, 2007. The interest was charged at 6m LIBOR plus 0.3% per annum and paid semi-annually. As at 31 December 2016, ICA had principal under the loan agreement in the amount of 962,188 thousand tenge. During the six months ended 30 June 2017, ICA fully repaid the outstanding principal amount, which is equal to 908,895 thousand tenge (equivalent to 2,886,940 US dollars).

Interest-bearing loans with fixed rate*European Bank for Reconstruction and Development*

In accordance with the bank loan agreement dated November 24, 2016, KTG Aimak received a loan in the amount of 1,080,505 thousand tenge at 10.15% per annum with a maximum loan term of 10 (ten) years to finance the project "Modernization of gas distribution system in Mangystau region". During the six months ended 30 June 2017, KTG Aimak received additional financing in the amount of 3,265,298 thousand tenge under this loan agreement. The principal amount is payable starting from September 2018.

As at 30 June 2017, KTG Aimak has total principal payable to European Bank for Reconstruction and Development under the above loan agreement in the amount of 4,734,685 thousand tenge (as at 31 December 2016: 1,400,219 thousand tenge).

Development Bank of Kazakhstan

KTG Aimak concluded a revolving credit line agreement dated March 12, 2014 in the amount of 21,485,004 thousand tenge at 8.2% per annum with maturity of 13 (thirteen) years for the project "Modernization of gas pipeline system in South Kazakhstan". On 26 June 2017, KTG Aimak received additional financing in the amount of 2,908,371 thousand tenge under sublimit 1 and 2 at 8.2% per annum. During the six months ended 30 June 2017, KTG Aimak repaid principal under the loan agreement in the amount of 832,509 thousand tenge.

KTG Aimak concluded a revolving credit line agreement dated 17 July 2013 in the amount of 16,400,000 thousand tenge at 8% - 10% per annum with maturity of 15 (fifteen) years from the date of agreement for the purpose of financing the project "Modernization of gas distribution pipeline system in Taraz". During the six months ended 30 June 2017, KTG Aimak repaid principal under the loan agreement in the amount of 586,133 thousand tenge.

KTG Aimak concluded a revolving credit line agreement dated 12 November 2015 in the amount 8,000,000 thousand tenge at 7.00% per annum with a maximum loan term of 10 (ten) years for the purpose of financing the project "Gasification of five communities in Kyzylorda region". The principal under the loan agreement is payable starting from November 2017.

KTG Aimak concluded a credit line agreement dated 12 June 2007 for the purpose of financing the project "Construction of stand-by line of gas pipeline Uzen-Zhetybai". During the six months ended 30 June 2017, KTG Aimak repaid principal under the loan agreement in the amount of 113,377 thousand tenge.

As at 30 June 2017, KTG Aimak has total principal payable to Development Bank of Kazakhstan JSC under the above loan agreements in the amount of 32,191,799 thousand tenge (as at 31 December 2016: 30,801,598 thousand tenge).

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(continued)****16. INTEREST BEARING LOANS (continued)****Interest-bearing loans with fixed rate (continued)***Eurasian Development Bank JSC*

In 2016, KTG Aimak raised funds by concluding non-revolving credit line agreement dated 15 November 2016 in the amount of 7,676,900 thousand tenge at 11.00% per annum for the project “Modernization of gas distribution system in Aktobe region”. The principal amount is payable starting from May 2019.

As at 30 June 2017, KTG Aimak has total principal payable to Eurasian Development Bank JSC under the above loan agreement in the amount of 7,700,000 thousand tenge (as at 31 December 2016: 7,700,000 thousand tenge).

17. LOANS FROM RELATED PARTIES

<i>In thousands of tenge</i>	30 June 2017 (unaudited)	31 December 2016 (audited)
Fixed interest rate borrowings	169,246,425	148,656,625
Interest free borrowings	-	25,321,800
	169,246,425	173,978,425
Less: discount	(7,169,710)	(6,218,680)
Plus: interest payable	906,605	547,483
	162,983,320	168,307,228
Less: the amount to be repaid within 12 months from the reporting date	(25,329,138)	(25,183,205)
Amounts due after 12 months	137,654,182	143,124,023

Fixed interest rate borrowings

On 31 May 2013, KazMunayGas provided to the Group long-term financing in the amount of 458,728 thousand tenge at 5% per annum for the purpose of financing the construction of the “West-North-Center” trunk gas pipeline. This loan is payable by 31 May 2018. As at 30 June 2017, the carrying amount of loan is equal to 542,633 thousand tenge (as at 31 December 2016: 522,404 thousand tenge).

On 12 September 2014, KazMunayGas provided to the Group 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 2017, the carrying amount of loan is equal to 9,253,230 thousand tenge (as at 31 December 2016: 9,034,772 thousand tenge).

On 10 December 2015, KazMunayGas provided to the Group long-term loan in the amount of 123,648,000 thousand tenge, equivalent to 400,000 thousand US dollars to finance repayment of the loan from Syndicate. The loan has maturity of 36 months and bears interest at the rate of 2.88% per annum. According to the contract with KazMunayGas, the amount of loan principal and interest payments is indexed to the USD/KZT exchange rate at each repayment date. The Group accounts the loan as a currency loan and recognizes foreign exchange difference at each reporting date. As at 30 June 2017, the carrying amount of the loan is equal to 128,800,021 thousand tenge (as at 31 December 2016: 133,566,847 thousand tenge).

On 6 March 2017, KazMunayGas provided to the Group short-term financing for a total of 25,321,800 thousand tenge at a rate of 5.0% per annum for general corporate purposes. This loan is payable until March 6, 2018. Discount on the loan in the amount of 1,896,346 thousand tenge was recorded as additional paid-in capital. As at 30 June 2017, the carrying amount of the loan is equal to 24,387,436 thousand tenge (as at 31 December 2016: nil). The fair value on initial loan, which is given on an interest free basis, is determined discounting future cash flows for the loan using a discount rate of 13.5%.

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(continued)****17. LOANS FROM RELATED PARTIES (continued)****Interest free borrowings***KazMunayGas*

In 2015, the Group received interest free loans from KazMunayGas in several tranches amounting to 25,321,800 thousand tenge for the purpose of financing the construction of the Beineu-Shymkent trunk gas pipeline through the provision of short-term loans to the BShP. As at 31 December 2016, the carrying amount of the loan was equal to 24,727,345 thousand tenge. The fair value on initial loan, which was given on an interest free basis, was determined discounting future cash flows for the loan using a discount rate of 14.4% - 14.6%. The loan was payable until March 5, 2017. The Group fully repaid loan at maturity date.

18. PROVISIONS

<i>In thousands of tenge</i>	Provision for gas transportation expenses	Abandonment, site restoration provision	Gas pipeline abandonment and site restoration provision	Tax provisions	Other	Total
At 31 December 2016 (audited)	24,361,458	3,596,506	44,517,699	1,922,987	-	74,398,650
Arising during the year	-	-	-	-	469,603	469,603
Change in estimates	(864,701)	(2,015,470)	-	-	-	(2,880,171)
Unwinding of discount	-	154,822	2,300,045	-	-	2,454,867
Utilised	-	-	-	(567,469)	-	(567,469)
At 30 June 2017 (unaudited)	23,496,757	1,735,858	46,817,744	1,355,518	469,603	73,875,480
Current provisions as at 30 June 2017	23,496,757	-	-	1,355,518	469,603	25,321,878
Non-current provisions as at 30 June 2017	-	1,735,858	46,817,744	-	-	48,553,602
Current provisions as at 31 December 2016	24,361,458	-	-	1,922,987	-	26,284,445
Non-current provisions as at 31 December 2016	-	3,596,506	44,517,699	-	-	48,114,205

Provision for gas transportation expenses

As at 30 June 2017, provision for gas transportation expenses of the Group represents provision for reimbursement of expenses associated with transportation of borrowed gas to PetroChina International Co.Ltd in the amount of 23,496,757 thousand tenge (as at 31 December 2016: 24,361,458 thousand tenge) under the gas borrowing agreement.

Gas pipeline abandonment and site restoration provision

Upon installation of property, plant and equipment the Group's subsidiaries ICA and KTG Aimak recorded a full provision for future costs of decommissioning of main gas pipelines on a discounted basis. As at 30 June 2017, provision for abandonment of gas pipelines and site rehabilitation in the amount of 46,817,744 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.

19. TRADE AND OTHER PAYBLES

<i>In thousands of tenge</i>	30 June 2017 (unaudited)	31 December 2016 (audited)
Due to third parties	46,435,602	41,665,228
Due to related parties (Note 26)	71,825,530	114,869,095
	118,261,132	156,534,323

Trade payables represent payables for purchased gas and assets and services related to the repair and maintenance of the gas transportation system. Trade payables are non-interest bearing and usually settled within 30 days.

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(continued)****19. TRADE AND OTHER PAYABLES (continued)**

Trade payables are denominated in the following currencies:

<i>In thousands of tenge</i>	30 June 2017 (unaudited)	31 December 2016 (audited)
KZT	103,098,079	142,586,623
USD	8,715,586	3,511,985
RUB	6,447,467	10,427,199
Other currencies	–	8,516
	118,261,132	156,534,323

20. REVENUE

<i>In thousands of tenge</i>	For the six months ended 30 June (unaudited)	
	2017	2016
Revenue from sales of gas	164,338,236	132,885,594
Revenue from gas transportation services	73,233,809	76,843,538
Management fee	16,649,480	–
Maintenance of gas pipelines	1,266,911	1,543,522
Other	358,847	509,124
	255,847,283	211,781,778

During the six months ended 30 June 2017, the Group earned management fee from KazMunayGas in the amount of 16,649,480 thousand tenge that is related to management of KazMunayGas's joint venture, KazRosGas LLP (six months ended 30 June 2016: nil).

Management fee is earned and recognized when the general meeting of participants of KazRosGas LLP approves the declaration of dividends based on the financial results of KazRosGas up for the year.

21. COST OF SALES

<i>In thousands of tenge</i>	For the six months ended 30 June (unaudited)	
	2017	2016
Cost of gas sold	109,189,676	98,306,544
Transportation expenses	34,880,138	19,472,180
Payroll and related contributions	14,845,938	12,354,781
Depreciation, depletion and amortization	14,366,798	13,397,874
Fuel gas and gas losses	7,115,179	6,999,825
Taxes other than income tax	4,118,374	3,827,696
Billing services	2,026,800	1,868,369
Security	1,160,632	984,256
Electricity	1,149,371	676,500
Repair and maintenance	897,771	758,021
Business trip expenses	467,947	304,546
Insurance	272,249	259,837
Communication expenses	263,969	197,136
Change in provision for gas of transportation expenses, net (Note 18)	(864,701)	(43,856)
Other	1,226,042	1,084,588
	191,116,183	160,448,297

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(continued)****22. GENERAL AND ADMINISTRATIVE EXPENSES**

<i>In thousands of tenge</i>	For the six months ended 30 June (unaudited)	
	2017	2016
Payroll and related contributions	4,348,372	3,564,608
Rent expenses	1,262,338	1,457,463
Allowance for doubtful debts	1,119,061	808,209
Write-down of inventory to net realisable value	818,355	27,451
Depreciation, depletion and amortization	552,412	521,146
Taxes other than income tax	475,924	461,519
Consulting services	405,811	590,316
Office maintenance expenses	257,889	273,105
Bank charges	237,892	193,358
Business trip expenses	175,143	142,303
Personnel development and qualification upgrade	170,645	116,126
Repair and maintenance	168,488	111,784
Communication services	67,230	53,886
Security costs	59,750	54,660
Fines and penalties	58,474	181,392
Festive and cultural events expenses	18,400	107,201
Insurance expenses	15,267	12,338
Sponsorship and charity	1,759	–
Tax provision	–	571,587
Other	593,276	487,549
	10,806,486	9,735,991

23. OTHER OPERATING INCOME / (EXPENSES)

<i>In thousands of tenge</i>	For the six months ended 30 June (unaudited)	
	2017	2016
Other operating income		
Income from services rendered (gas supply to residential buildings, hook-up, technical maintenance)	882,066	947,986
Income from fines	359,699	175,826
Income from sale of inventories	291,903	74,920
Amortization of deferred income	200,814	191,672
Gain on disposal of property, plant and equipment and intangible assets, net	1,167	20,349
Other	106,165	729,735
	1,841,814	2,140,488
Other operating expenses		
VAT expense under the Trust management agreement	(3,028,803)	(235,542)
Expenses on services rendered (gas supply to residential buildings, hook-up, technical maintenance)	(529,964)	(513,390)
Provision for impairment of property, plant and equipment	(141,270)	(864,063)
Loss on disposal of property, plant and equipment and intangible assets, net	(26,515)	(555,526)
Depreciation, depletion and amortization	(11,298)	(15,932)
Other	(6,768)	(205,414)
	(3,744,618)	(2,389,867)

Prior to 5 December 2014, ICA operated certain major gas pipelines under the Concession Agreement signed between the Committee on state property and privatization of the Ministry of finance of the Republic of Kazakhstan (the “Founder-1”), Sovereign Wealth Fund Samruk-Kazyna JSC (the “Founder-2”) and Intergas Central Asia JSC (the “Trustee”). Under the Concession Agreement, ICA did not recognize the assets in its accounting books as the Concession Agreement did not transfer the control over the assets to ICA.

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(continued)****23. OTHER OPERATING INCOME / (EXPENSES) (continued)**

Upon termination of the Concession Agreement in December 2014, a trilateral Trust management agreement was signed between the Founder-1, the Founder-2 and the Trustee with respect to the same major gas pipelines. The Trust management agreement is a short-term mechanism functioning until the title to these gas pipelines is transferred to the Company. ICA is a direct user of these assets, and according to the Trust management agreement, it assumed all risks and received all rewards related to operating these gas pipelines. Accordingly, ICA recognized gas pipelines and gas pipelines transportation system with corresponding increase in additional paid-in capital.

Until the transfer of title to these gas pipelines, ICA is liable to pay VAT to the budget when incurred under the Trust management agreement.

During the six months ended 30 June 2017, ICA incurred VAT expense under the Trust management agreement in the amount of 3,028,803 thousand tenge (six months ended 30 June 2016: 235,542 thousand tenge).

24. FINANCE INCOME AND FINANCE COSTS

<i>In thousands of tenge</i>	For the six months ended 30 June (unaudited)	
	2017	2016
Finance income		
Interest income on bank deposits	3,493,029	2,693,698
Amortization of discount on loans to related parties (Note 13)	2,813,966	3,089,169
Other	4,223	83,618
	6,311,218	5,866,485
Finance costs		
Interest bearing loans	(3,471,613)	(1,740,515)
Discount on loans issued to related parties	(2,836,651)	(2,665,973)
Interest on loans of related parties	(2,528,479)	(2,471,165)
Unwinding of discount – abandonment and site restoration provisions (Note 18)	(2,454,867)	(2,184,767)
Interest on debt securities issued	(1,471,896)	(3,958,752)
Unwinding of discount on loans from related parties	(1,401,176)	(1,452,728)
Amortization of transaction costs related to interest bearing loans	(215,456)	(34,843)
Other	(194,049)	(128,980)
	(14,574,187)	(14,637,723)

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)	
	2017	2016
Corporate income tax expense	14,071,513	5,572,738
Deferred income tax (benefit)/expense	(660,546)	1,919,978
Adjustment of prior year income tax	(608,823)	204,655
	12,802,144	7,697,371

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 2017, the Group did not have any impaired receivables relating to amounts due from related parties (as at 31 December 2016: nil).

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(continued)****26. RELATED PARTY TRANSACTIONS (continued)**

Major transactions with related parties for the six months ended 30 June 2017 and 2016 are as follows:

<i>In thousands of tenge</i>	For the six months ended 30 June (unaudited)	
	2017	2016
Sales of goods and services		
Entities under common control of KazMunayGas	10,470,324	45,919,439
Joint ventures in which the Group is a venturer	3,728,067	11,896,333
Joint ventures in which Parent is a venturer	29,700,766	106,161,730
Entities under common control of Samruk-Kazyna and the Government	23,006,550	48,731,773
Joint ventures in which Samruk-Kazyna and the Government are venturers	6,733,067	11,297,105
	73,638,774	224,006,380
Management fee		
Entities under common control of KazMunayGas	16,649,480	–
	16,649,480	–
Purchases of goods and services		
Entities under common control of KazMunayGas	11,621,982	38,221,633
Joint ventures in which the Group is a venturer	33,829,981	37,351,761
Joint ventures in which Parent is a venturer	19,435,444	74,203,869
Entities under common control of Samruk-Kazyna and the Government	151,275	316,685
	65,038,682	150,093,948
VAT expense under the Trust management agreement		
Entities under common control of Samruk-Kazyna and the Government	3,028,803	235,542
	3,028,803	235,542
Principal balances on transactions with related parties as at 30 June 2017 and 31 December 2016, are as follows:		
<i>In thousands of tenge</i>	30 June 2017 (unaudited)	31 December 2016 (audited)
Trade and other receivables		
Entities under common control of KazMunayGas	5,465	55,128
Joint ventures in which the Group is a venturer	1,092,147	4,218,810
Joint ventures in which Parent is a venturer	24,200,909	68,157,320
Entities under common control of Samruk-Kazyna and the Government	5,238,526	8,258,632
Joint ventures in which Samruk-Kazyna and the Government are venturers	27,617	86,582
	30,564,664	80,776,472
Loans to related parties		
Joint ventures in which the Group is a venturer	68,463,673	70,594,716
	68,463,673	70,594,716
Advances paid		
Entities under common control of KazMunayGas	5,663	20,430
Joint ventures in which Parent is a venture	2,983,897	26,371,547
Entities under common control of Samruk-Kazyna and the Government	6,240	8,960
	2,995,800	26,400,937
Trade and other payables		
Entities under common control of KazMunayGas	1,323,358	744,723
Joint ventures in which the Group is a venture	57,972,713	59,776,737
Joint ventures in which Parent is a venture	12,498,899	54,321,749
Entities under common control of Samruk-Kazyna and the Government	30,560	25,886
	71,825,530	114,869,095

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(continued)****26. RELATED PARTY TRANSACTIONS (continued)**

Principal balances on transactions with related parties as at 30 June 2017 and 31 December 2016, are as follows:

<i>In thousands of tenge</i>	30 June 2017 (unaudited)	31 December 2016 (audited)
Advances received		
Entities under common control of KazMunayGas	60,290	61,620
Joint ventures in which the Group is a venturer	–	69
Joint ventures in which Parent is a venturer	161,391	–
Entities under common control of Samruk-Kazyna and the Government	2,193	12,691
	223,874	74,380
Loans payable from related parties		
Entities under common control of KazMunayGas	162,983,320	168,307,228
	162,983,320	168,307,228

During the six months ended 30 June 2017, the Company provided additional interest-free loan to BShP in the amount of 728,293 thousand tenge (six months ended 30 June 2016: 5,590,208 thousand tenge) for the construction of the Beineu-Shymkent trunk gas pipeline.

During the six months ended 30 June 2017, the Company repaid the interest free borrowings to KazMunayGas in the amount of 25,321,800 thousand tenge and received the same amount as fixed interest loan at a rate of 5.0% per annum for general corporate purposes.

During the six months ended 30 June 2017, the Group paid interest to KazMunayGas in the amount of 2,122,136 thousand tenge (six months ended 30 June 2016: 2,425,855 thousand tenge).

Compensation to key management personnel

The key management personnel includes members of Board of Directors and the Management Board, their deputies totalling 9 persons as at 30 June 2017. For the six months ended 30 June 2017, total compensation to key management personnel amounted to 333,601 thousand tenge (six months ended 30 June 2016: 274,647 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.

27. COMMITMENTS AND CONTINGENCIES

In addition to the commitments and contingencies disclosed in the annual consolidated financial statements of the Group for the year ended 31 December 2016, the following changes have taken place during the six months ended 30 June 2017:

Commitments for capital expenditures

As at 30 June 2017, the Group has capital commitments of approximately 47,385,966 thousand tenge, excluding VAT (as at 31 December 2016: 75,523,435 thousand tenge, excluding VAT), related to acquisition and construction of property, plant and equipment. These capital commitments are partially connected with investment program described in *Note 1* "Corporate information".

Commitments of AGP and BShP

The Company's share in the commitments for capital expenditures of AGP and BShP is as follow as at 30 June 2017:

<i>In thousands of tenge</i>	AGP	BShP
Acquisition and construction of property, plant and equipment	27,066,562	10,178,565

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

<i>In thousands of tenge</i>	Carrying amount		Fair values	
	30 June 2017 (unaudited)	31 December 2016 (audited)	30 June 2017 (unaudited)	31 December 2016 (audited)
Financial assets				
Trade and other receivables, net	69,245,898	140,154,435	69,245,898	140,154,435
Bank deposits	28,212,298	37,409,940	28,212,298	37,409,940
Loans to related parties	68,463,673	70,594,716	68,463,673	70,594,716
Cash and cash equivalents	59,265,782	61,988,460	59,265,782	61,988,460
Financial liabilities				
Debt securities issued	(12,921,769)	(56,123,116)	(12,921,769)	(56,123,116)
Floating rate borrowings	(67,665,315)	(100,822,626)	(67,665,315)	(100,822,626)
Fixed rate borrowings	(44,723,534)	(39,929,777)	(44,723,534)	(39,929,777)
Trade and other payables	(118,261,132)	(156,534,323)	(118,261,132)	(156,534,323)
Loans from related parties	(162,983,320)	(168,307,228)	(162,983,320)	(168,307,228)

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 payables, and short-term loans received approximates their carrying amount.

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 calculation of quoted bonds was 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

The following tables provide the fair value measurement hierarchy of the Group's assets and liabilities:

<i>In thousands of tenge</i>	30 June 2017 (unaudited)			Total
	Quotations in active markets (Level 1)	Essential observed input data (Level 2)	Essential unobservable input data (Level 3)	
Financial assets				
Trade and other receivables, net	–	69,245,898	–	69,245,898
Bank deposits	28,212,298	–	–	28,212,298
Loans to related parties	–	68,463,673	–	68,463,673
Cash and cash equivalents	59,265,782	–	–	59,265,782
Financial liabilities				
Debt securities issued	(12,921,769)	–	–	(12,921,769)
Floating rate borrowings	(67,665,315)	–	–	(67,665,315)
Fixed rate borrowings	(44,723,534)	–	–	(44,723,534)
Trade and other payables	–	(118,261,132)	–	(118,261,132)
Loans from related parties	–	(162,983,320)	–	(162,983,320)

There have been no transfers between Level 1 and Level 2 during the six months ended 30 June 2017.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(continued)**28. FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)****Fair value hierarchy (continued)**

<i>In thousands of tenge</i>	31 December 2016 (audited)			Total
	Quotations in active markets (Level 1)	Essential observed input data (Level 2)	Essential unobservable input data (Level 3)	
Financial assets				
Trade and other receivables, net	–	140,154,435	–	140,154,435
Bank deposits	37,409,940	–	–	37,409,940
Loans to related parties	–	70,594,716	–	70,594,716
Cash and cash equivalents	61,988,460	–	–	61,988,460
Financial liabilities				
Debt securities issued	(56,123,116)	–	–	(56,123,116)
Floating rate borrowings	(100,822,626)	–	–	(100,822,626)
Fixed rate borrowings	(39,929,777)	–	–	(39,929,777)
Trade and other payables	–	(156,534,323)	–	(156,534,323)
Loans from related parties	–	(168,307,228)	–	(168,307,228)

There have been no transfers between Level 1 and Level 2 during 2016.

29. SEGMENT REPORTING

The Group determines its operating segments based on the nature of their operations. The performance of the operating segments is assessed by management on a regular basis.

The following reportable segments within the Group were determined:

- Gas trading – sales of gas within the Republic of Kazakhstan and abroad;
- Transportation and storage of gas – transportation of gas and storage of purchased gas in underground gas storages.

The remaining operating segments (exploration and production of gas and rendering transportation services) have been aggregated and presented as other operating segment due to their insignificance.

Segment performance is evaluated based on both revenues and net profit, which are measured on the same basis as in the consolidated financial statements. 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.

Substantially all of the Group's operations and assets are located in the Republic of Kazakhstan.

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(continued)****29. SEGMENT REPORTING (continued)**

The following table represents information about revenues and net profit, assets and liabilities of operating segments of the Group for the six months ended 30 June 2017:

<i>In thousands of tenge</i>	Gas trading	Transportation and storage of gas	Other segments	Elimination	Total
Revenue from sales to external customers	199,895,087	54,026,143	1,926,053	–	255,847,283
Revenue from sales to other segments	4,821,042	27,022,397	9,445,246	(41,288,685)	–
Total revenue	204,716,129	81,048,540	11,371,299	(41,288,685)	255,847,283
Gross profit	14,432,787	45,279,938	5,798,013	(779,638)	64,731,100
Finance income	6,629,479	245,955	214,073	(778,289)	6,311,218
Finance costs	(10,382,515)	(4,649,936)	(320,178)	778,442	(14,574,187)
Depreciation, depletion and amortization	(4,547,456)	(8,915,306)	(1,467,746)	–	(14,930,508)
Impairment of property, plant and equipment	–	(141,270)	–	–	(141,270)
Share in loss of joint ventures	(2,797,402)	–	–	–	(2,797,402)
Income tax expenses	(3,452,627)	(8,257,309)	(1,092,208)	–	(12,802,144)
Net profit for the period	41,278,492	27,321,897	3,568,420	(35,386,675)	36,782,134
Other segment information					
Investments in joint ventures	1,104,612	–	–	–	1,104,612
Capital expenditures	23,714,804	38,854,784	927,815	–	63,497,403
Allowances for obsolete inventories, doubtful debts, and advances paid	(7,431,591)	(2,718,845)	(300,345)	–	(10,450,781)
Assets of the segment	575,323,485	628,200,934	64,182,737	(116,927,394)	1,150,779,762
Liabilities of the	415,188,732	207,859,419	9,323,485	(97,250,767)	535,120,869

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(continued)****29. SEGMENT REPORTING (continued)**

The following represents information about revenue and net profit, and assets and liabilities of operating segments of the Group for the six months ended 30 June 2016, and as at 31 December 2016:

<i>In thousands of tenge</i>	Gas trading	Transportation and storage of gas	Other segments	Elimination	Total
Revenue from sales to external customers	148,004,101	61,981,336	1,796,341	–	211,781,778
Revenue from sales to other segments	2,361,236	19,939,102	7,056,338	(29,356,676)	–
Total revenue	150,365,337	81,920,438	8,852,679	(29,356,676)	211,781,778
Gross profit	(1,248,950)	48,992,051	3,951,791	(361,411)	51,333,481
Finance income	5,511,167	689,863	115,429	(449,974)	5,866,485
Finance costs	(8,891,949)	(6,007,376)	(188,409)	450,011	(14,637,723)
Depreciation, depletion and amortization	(4,177,639)	(8,565,020)	(1,192,293)	–	(13,934,952)
Impairment of property, plant and equipment	(796,338)	(67,725)	–	–	(864,063)
Share in loss of joint ventures	(2,682,057)	–	–	–	(2,682,057)
Income tax expenses	1,274,689	(8,628,468)	(343,592)	–	(7,697,371)
Net (loss)/profit for the period	(1,008,900)	30,040,542	2,497,405	(10,872,384)	20,656,663
Other segment information					
Investments in joint ventures	1,065,363	–	–	–	1,065,363
Capital expenditures	38,145,547	39,170,262	12,225,511	–	89,541,320
Allowances for obsolete inventories, doubtful debts, and advances paid	(6,091,416)	(2,201,526)	(298,839)	–	(8,591,781)
Assets of the segment	594,055,505	604,780,907	63,625,461	(46,829,029)	1,215,632,844
Liabilities of the segment	506,951,729	183,163,267	12,343,374	(52,610,304)	649,848,066

Eliminations represent the exclusion of intra-group turnovers.

During the six months ended 30 June 2017, the Group generated 26% of its revenues from Gazprom Group (six months ended 30 June 2016: 40%).

30. NON-CASH TRANSACTIONS

Significant non-cash transactions, including the following, have been excluded from the interim consolidated statement of cash flows:

Accounts payable for the supply of non-current assets

During the six months ended 30 June 2017, additions to property, plant and equipment in the amount of 8,996,795 thousand tenge were financed by increase in the accounts payable (six months ended 30 June 2016: 1,875,202 thousand tenge).

Advances paid for non-current assets

During the six months ended 30 June 2017, additions to property, plant and equipment in the amount of 15,779,712 thousand tenge were financed by advances paid in 2016 (six months ended 30 June 2016: 4,758,018 thousand tenge).

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(continued)

31. SUBSEQUENT EVENTS

In accordance with the bank loan agreement dated June 28, 2017, on July 14, 2017, the Company received a loan in the amount of 245,670,000 thousand tenge (equivalent to 750,000 thousand US dollars) from Citibank N.A (London branch), VTB Bank and ING Bank (ING-DiBa AG branch) at the rate 3m LIBOR plus 0.875% for a period of six months and with possibility of prolongation for an additional six months.