JSC "National Company
"KazMunayGas"

Interim Condensed Consolidated Financial Statements (unaudited)

For the six months ended
June 30, 2013

CONTENT

Ernst & Young

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Report on review of interim condensed consolidated financial statements

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

Introduction

We have reviewed the accompanying interim condensed consolidated financial statements of JSC "National Company "KazMunayGas" ("the Company") and its subsidiaries ("the Group"), comprising the interim consolidated statement of financial position as at 30 June 2013 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 is responsible for the preparation and presentation of these interim condensed consolidated financial statements in accordance with IAS 34, Interim Financial Reporting ("IAS 34"). Our responsibility is to express a conclusion on these interim condensed consolidated financial statements based on our review.

Scope of review

We conducted our review in accordance with the International Standard on Review Engagements 2410, *Review of Interim Financial Information Performed by the Independent Auditor of the Entity*. A review of interim financial statements 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.

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Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed consolidated financial statements of JSC "National Company "KazMunayGas" as at 30 June 2013 and for the six-month period then ended are not prepared, in all material respects, in accordance with IAS 34.

Ernst & Young LLP

Bakhtiyor Eshonkulov
Auditor

Evgeny Zhemaletdinov
General Director
Ernst & Young LLP

Auditor Qualification Certificate
No. 0000099 dated 27 August 2012

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

16 August 2013

INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION

In thousands of Tenge	*Note*	**June 30, 2013 (unaudited)**	December 31, 2012 (audited)
ASSETS			
Non-current assets			
Property, plant and equipment	7	**3,484,952,213**	3,423,256,395
Exploration and evaluation assets	8	**197,613,697**	185,284,168
Investment property	9	**28,118,618**	–
Intangible assets	10	**201,411,185**	201,207,926
Long-term bank deposits	11	**52,035,378**	2,487,515
Investments in joint ventures and associates	12	**991,378,644**	894,097,039
Deferred income tax assets		**33,729,946**	34,167,348
VAT recoverable		**7,824,647**	8,641,358
Advances for non-current assets		**94,210,862**	117,846,042
Bonds receivable from the Parent		**36,821,061**	36,725,575
Note receivable from a shareholder of a joint venture		**15,713,530**	14,326,455
Note receivable from associate		**21,471,517**	20,721,926
Loan due from related parties		**20,674,263**	16,637,532
Other non-current assets		**31,150,608**	30,347,102
		5,217,106,169	4,985,746,381
Current assets			
Inventories	13	**192,581,182**	203,281,273
VAT recoverable		**137,919,599**	123,223,688
Income taxes prepaid		**69,849,175**	42,555,972
Trade accounts receivable	14	**218,930,599**	219,286,785
Other short-term financial assets	15	**693,037,221**	659,577,808
Note receivable from a shareholder of a joint venture		**3,918,548**	3,895,304
Dividends receivable from associate	12	**22,309,815**	34,820,940
Other current assets	14	**104,162,217**	135,026,188
Cash and cash equivalents	16	**802,365,207**	415,085,451
		2,245,073,563	1,836,753,409
Assets classified as held for sale		**12,132,190**	11,221,633
		2,257,205,753	1,847,975,042
TOTAL ASSETS		**7,474,311,922**	6,833,721,423

INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)

In thousands of Tenge	*Note*	**June 30, 2013 (unaudited)**	December 31, 2012 (audited)
EQUITY AND LIABILITIES			
Equity			
Share capital	17	**536,677,432**	527,760,531
Additional paid-in capital	17	**19,645,866**	19,062,712
Other equity		**2,182,987**	2,180,382
Currency translation reserve		**238,618,812**	222,112,349
Retained earnings		**2,440,001,733**	2,241,272,475
Attributable to equity holders of the Parent		**3,237,126,830**	3,012,388,449
Non-controlling interest	17	**549,259,569**	581,147,319
Total equity		**3,786,386,399**	3,593,535,768
Non-current liabilities			
Borrowings	18	**2,025,372,011**	1,593,704,304
Payable for the acquisition of additional interest in the North Caspian Project		**232,073,508**	226,366,710
Provisions	19	**115,792,373**	115,117,818
Deferred income tax liabilities		**152,598,618**	154,546,429
Other non-current liabilities		**13,352,763**	26,174,856
		2,539,189,273	2,115,910,117
Current liabilities			
Borrowings	18	**448,651,334**	469,943,861
Provisions	19	**48,297,397**	34,598,962
Income taxes payable		**31,045,094**	48,103,198
Trade accounts payable		**206,997,191**	227,115,792
Payable for the acquisition of additional interest in the North Caspian Project		**116,036,666**	113,183,280
Other taxes payable	20	**106,479,639**	109,435,007
Derivatives		**285,102**	372,026
Other current liabilities	21	**187,480,147**	117,740,857
		1,145,272,570	1,120,492,983
Liabilities directly associated with the assets classified as held for sale		**3,463,680**	3,782,555
		1,148,736,250	1,124,275,538
Total liabilities		**3,687,925,523**	3,240,185,655
TOTAL EQUITY AND LIABILITIES		**7,474,311,922**	6,833,721,423

Explanatory notes on pages 7 through 31 form an integral part of these interim condensed consolidated financial statements

Deputy Chairman of Management Board on Economy and Finance _______ *Kasymbek A.M.*

Finance Director _______ *Syrgabekova A.N.*

Chief Accountant _______ *Valentinova N.S.*

INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

In thousands of Tenge	*Note*	For the six months ended June 30, 2013 (unaudited)	For the six months ended June 30, 2012 (unaudited) (restated*)
Revenue	22	**1,418,090,806**	1,446,989,168
Cost of sales	23	**(990,144,469)**	(1,025,806,704)
Gross profit		**427,946,337**	421,182,464
General and administrative expenses	24	**(79,914,244)**	(60,459,153)
Transportation and selling expenses	25	**(146,133,374)**	(181,002,616)
Impairment of property, plant and equipment, exploration and evaluation assets, intangible assets other than goodwill	7,10	**(57,859,883)**	(3,890,671)
Loss on disposal of property, plant and equipment, net		**(1,799,206)**	(1,009,247)
Other operating income		**15,782,809**	18,383,898
Other operating expenses		**(3,685,326)**	(8,883,618)
Operating profit		**154,337,113**	184,321,057
Net foreign exchange loss		**(8,627,311)**	(7,798,866)
Finance income	26	**17,280,954**	17,687,554
Finance costs	27	**(87,234,744)**	(78,154,373)
Share of income of joint ventures and associates	28	**245,672,641**	252,072,455
Profit for the period from continuing operations before income tax		**321,428,653**	368,127,827
Income tax expenses	29	**(79,193,398)**	(85,402,825)
Profit for the period from continuing operations		**242,235,255**	282,725,002
Discontinued operation			
Loss after income tax for the period from discontinued operations	5	**(163,820)**	(272,010)
Profit for the period		**242,071,435**	282,452,992
Other comprehensive income:			
Foreign currency translation		**17,059,876**	12,669,584
Other comprehensive income for the period to be reclassified to profit or loss in subsequent periods		**17,059,876**	12,669,584
Total comprehensive income for the period, net of tax		**259,131,311**	295,122,576
Profit for the period attributable to:			
Equity holder of the Parent		**230,642,217**	245,881,605
Non-controlling interest		**11,429,218**	36,571,387
		242,071,435	282,452,992
Total comprehensive income for the period, net of tax attributable to:			
Equity holder of the Parent		**247,148,680**	257,921,875
Non-controlling interest		**11,982,631**	37,200,701
		259,131,311	295,122,576

** Certain amounts shown here do not correspond to the interim condensed consolidated financial statements for the six months ended June 30, 2012 and reflect adjustments made as detailed in Note 6.*

Explanatory notes on pages 7 through 31 form an integral part of these interim condensed consolidated financial statements

Deputy Chairman of Management Board on Economy and Finance — *Kasymbek A.M.*

Finance Director — *Syrgabekova A.N.*

Chief Accountant — *Valentinova N.S.*

INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS

In thousands of Tenge	*Note*	**For the six months ended June 30, 2013 (unaudited)**	For the six months ended June 30, 2012 (unaudited) (restated*)
Cash flows from operating activities:			
Profit before income tax for the period from continuing operations		**321,428,653**	368,127,827
Loss before income tax for the period from discontinued operations		**(163,820)**	(272,010)
Adjustments for:			
Depreciation, depletion and amortization	23, 24, 25	**86,913,670**	77,334,138
Share of income of joint ventures and associates	28	**(245,672,641)**	(252,072,455)
Finance costs	27	**87,234,744**	78,154,373
Finance income	26	**(17,280,954)**	(17,687,554)
Impairment of property, plant and equipment, exploration and evaluation assets, intangible assets other than goodwill	7, 10	**57,859,883**	3,890,671
Loss on disposal of property, plant and equipment		**1,799,206**	1,009,247
Provisions	19	**22,108,865**	6,637,930
Impairment of trade accounts receivable, other current and non-current assets	24	**1,734,108**	934,816
Accrual of provision for obsolete inventory	13	**1,502,073**	813,449
Recognition of share based payments		**12,657**	803,759
Loss on unrealized foreign exchange		**7,138,652**	6,467,214
Operating profit before working capital changes		**324,615,096**	274,141,405
Change in inventories		**10,855,199**	(10,617,252)
Change in VAT recoverable		**(13,879,200)**	(10,338,986)
Change in trade accounts receivable and other assets		**28,590,877**	25,053,827
Change in other taxes payable		**(14,418,686)**	(2,183,815)
Change in trade accounts payable		**(20,118,601)**	(19,937,285)
Change in other liabilities and short-term provisions		**(22,642,090)**	(20,799,338)
Cash generated from operations		**293,002,595**	235,318,556
Income taxes paid		**(125,113,429)**	(79,186,614)
Interest received		**10,491,171**	6,995,057
Interest paid		**(44,632,345)**	(60,767,881)
Net cash flow from operating activities		**133,747,992**	102,359,118
Cash flows from investing activities:			
Placement of bank deposits, net		**(86,932,479)**	(217,372,271)
Purchase of property, plant and equipment, exploration and evaluation assets, intangible assets and investment property		**(216,675,786)**	(223,167,378)
Proceeds from sale of property, plant and equipment, exploration and evaluation assets, intangible assets and investment property		**3,181,663**	6,571,287
Dividends received from joint ventures and associates		**165,696,102**	278,012,163
Acquisition of interest in Karachaganak, net of cash acquired		**–**	(146,804,042)
Additional contribution into joint ventures		**–**	(492,000)
Net cash flow used in investing activities		**(134,730,500)**	(303,252,241)

INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS (continued)

In thousands of Tenge	**Note**	**For the six months ended June 30, 2013 (unaudited)**	For the six months ended June 30, 2012 (unaudited) (restated*)
Cash flows from financing activities:			
Proceeds from borrowings		**644,597,994**	345,412,484
Repayment of borrowings		**(264,927,019)**	(209,068,107)
Buy back of shares by subsidiaries		**–**	(17,945,410)
Issuance of shares	17	**8,916,901**	2,000,004
Dividends paid to non-controlling interests		**–**	(34,321,871)
Repayment of payables for acquisition of subsidiaries		**–**	(6,383,473)
Acquisition of non-controlling interest		**(430,751)**	(526,742)
Sponsorship provided based on the Parent order	17	**(2,554,420)**	–
Net cash flow from financing activities		**385,602,705**	79,166,885
Effects of exchange rate changes on cash and cash equivalents		**2,659,559**	2,293,780
Net change in cash and cash equivalents		**387,279,756**	(119,432,458)
Cash and cash equivalents at the beginning of the period	16	**415,085,451**	581,952,313
Cash and cash equivalents at the end of the period	16	**802,365,207**	462,519,855

** Certain amounts shown here do not correspond to the interim condensed consolidated financial statements for the six months ended June 30, 2012 and reflect adjustments made as detailed in Note 6.*

Non-cash transactions, including the following, were excluded from the interim condensed consolidated statement of cash flows:

- During the six months ended June 30, 2013, purchases of property, plant and equipment were made by settlement of advances paid in the amount of 23,635,180 thousand Tenge (2012: 9,521,225 thousand Tenge).

Explanatory notes on pages 7 through 31 form an integral part of these interim condensed consolidated financial statements

Deputy Chairman of Management Board on Economy and Finance _______ *Kasymbek A.M.*

Finance Director _______ *Syrgabekova A.N.*

Chief Accountant _______ *Valentinova N.S.*

INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to equity holder of the Parent							
In thousands of Tenge	Share capital	Additional paid-in capital	Other equity	Currency translation reserve	Retained earnings	Total	Non-controlling interest	Total
Note	*17*	*17*			*17*		*17*	
As at December 31, 2011 (audited) (restated*)	**341,393,764**	**17,314,366**	**1,966,059**	**188,573,100**	**2,033,113,206**	**2,582,360,495**	**581,657,604**	**3,164,018,099**
Net profit for the period (restated*)	–	–	–	–	245,881,605	245,881,605	36,571,387	**282,452,992**
Other comprehensive income (restated*)	–	–	–	12,040,270	–	12,040,270	629,314	**12,669,584**
Total comprehensive income for the period (restated*)	–	–	–	12,040,270	245,881,605	257,921,875	37,200,701	**295,122,576**
Contribution (restated*)	186,366,767	(4,076,372)	–	–	–	182,290,395	–	**182,290,395**
Dividends	–	–	–	–	–	–	(34,321,871)	**(34,321,871)**
Recognition of share based payments at subsidiaries	–	–	110,426	–	–	110,426	693,333	**803,759**
Acquisition of treasury shares by subsidiary	–	–	–	–	2,703,231	2,703,231	(20,648,641)	**(17,945,410)**
Change in ownership of subsidiaries	–	–	–	–	(896,690)	(896,690)	369,948	**(526,742)**
As at June 30, 2012 (unaudited) (restated*)	**527,760,531**	**13,237,994**	**2,076,485**	**200,613,370**	**2,280,801,352**	**3,024,489,732**	**564,951,074**	**3,589,440,806**
As at December 31, 2012 (audited)	**527,760,531**	**19,062,712**	**2,180,382**	**222,112,349**	**2,241,272,475**	**3,012,388,449**	**581,147,319**	**3,593,535,768**
Net profit for the period	–	–	–	–	230,642,217	230,642,217	11,429,218	**242,071,435**
Other comprehensive income	–	–	–	16,506,463	–	16,506,463	553,413	**17,059,876**
Total comprehensive income for the period	–	–	–	16,506,463	230,642,217	247,148,680	11,982,631	**259,131,311**
Contribution from the Parent (*Note 17*)	8,916,901	583,154	–	–	–	9,500,055	–	**9,500,055**
Dividends (*Note 17*)	–	–	–	–	(38,961,364)	(38,961,364)	(43,576,318)	**(82,537,682)**
Other transactions with the Parent, net (*Note 17*)	–	–	–	–	7,173,045	7,173,045	–	**7,173,045**
Recognition of share based payments at subsidiaries	–	–	2,605	–	46,273	48,878	(36,221)	**12,657**
Change in ownership of subsidiaries	–	–	–	–	(170,913)	(170,913)	(257,842)	**(428,755)**
As at June 30, 2013 (unaudited)	**536,677,432**	**19,645,866**	**2,182,987**	**238,618,812**	**2,440,001,733**	**3,237,126,830**	**549,259,569**	**3,786,386,399**

** Certain amounts shown here do not correspond to the interim condensed consolidated financial statements for the six months ended June 30, 2012 and reflect adjustments made as detailed in Note 6.*

The accounting policies and explanatory notes on pages 7 through 31 form an integral part of these interim condensed consolidated financial statements

Deputy Chairman of Management Board on Economy and Finance ______________ *Kasymbek A.M.*

Finance Director ______________ *Syrgabekova A.N.*

Chief Accountant ______________ *Valentinova N.S.*

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL

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

The sole shareholder of the Company is JSC Sovereign Welfare Fund "Samruk-Kazyna" (the "Parent", the "Shareholder" or "Samruk-Kazyna"). The Government is the sole shareholder of Samruk-Kazyna.

As at June 30, 2013 the Company has an interest in 39 companies (2012: 37) (together the "Group").

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

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

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

These interim condensed consolidated financial statements of the Group were approved for issue by the Deputy Chairman of Management Board on Economy and Finance, the Finance Director and the Chief Accountant on August 16, 2013.

2. BASIS OF PREPARATION

The interim condensed consolidated financial statements for the six months ended June 30, 2013 have been prepared in accordance with IAS 34 Interim Financial Reporting (IAS 34). These interim condensed consolidated financial statements do not include all the information and disclosures required in the annual consolidated financial statements, and should be read in conjunction with the Group's annual consolidated financial statements for the year ended December 31, 2012.

Foreign currency translation

Functional and presentation currency

Items included in these interim condensed consolidated financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The interim condensed consolidated financial statements are presented in Kazakhstan Tenge ("Tenge" or "KZT") ("presentation currency").

Transactions and balances

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

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

2. BASIS OF PREPARATION (continued)

Foreign currency translation (continued)

Group Companies

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

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

Exchange rates

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

The currency exchange rates of KASE as at June 30, 2013 and December 31, 2012 were 151.65 Tenge and 150.74 to US$ 1 accordingly. These rates were used for translation of monetary assets and liabilities denominated in US Dollars at June 30, 2013 and December 31, 2012. The currency exchange rate of KASE as at August 16, 2013 was 152.85 Tenge to US$ 1.

Changes in accounting policies

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 2012, except for the adoption of new standards and interpretations effective as of January 1, 2013, noted below:

IAS 1 Presentation of Items of Other Comprehensive Income (Amendments)

The amendments to IAS 1 introduce a grouping of items presented in other comprehensive income. Items that could be reclassified (or recycled) to profit or loss at a future point in time (e.g., net gain on hedge of net investment, exchange differences on translation of foreign operations, net movement on cash flow hedges and net loss or gain on available-for-sale financial assets) now have to be presented separately from items that will never be reclassified (e.g., actuarial gains and losses on defined benefit plans and revaluation of land and buildings). The amendment affects presentation only and has no impact on the Group's consolidated financial position or performance.

IAS 1 Clarification of the Requirement for Comparative Information (Amendment)

The amendment to IAS 1 clarifies the difference between voluntary additional comparative information and the minimum required comparative information. An entity must include comparative information in the related notes to the financial statements when it voluntarily provides comparative information beyond the minimum required comparative period. The additional voluntarily comparative information does not need to be presented in a complete set of financial statements.

An opening statement of financial position (known as the 'third balance sheet') must be presented when an entity applies an accounting policy retrospectively, makes retrospective restatements, or reclassifies items in its financial statements, provided any of those changes has a material effect on the statement of financial position at the beginning of the preceding period. The amendment clarifies that a third balance sheet does not have to be accompanied by comparative information in the related notes. Under IAS 34, the minimum items required for interim condensed financial statements do not include a third balance sheet.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

2. BASIS OF PREPARATION (continued)

Changes in accounting policies (continued)

IAS 32 Tax Effects of Distributions to Holders of Equity Instruments (Amendment)

The amendment to IAS 32 *Financial Instruments: Presentation* clarifies that income taxes arising from distributions to equity holders are accounted for in accordance with IAS 12 *Income Taxes*. The amendment removes existing income tax requirements from IAS 32 and requires entities to apply the requirements in IAS 12 to any income tax arising from distributions to equity holders. The amendment did not have an impact on the interim condensed consolidated financial statements of the Group, as there is no tax consequences attached to cash or non-cash distribution.

IAS 34 Interim Financial Reporting and Segment Information for Total Assets and Liabilities (Amendment)

The amendment clarifies the requirements in IAS 34 relating to segment information for total assets and liabilities for each reportable segment to enhance consistency with the requirements in IFRS 8 *Operating Segments*. Total assets and liabilities for a reportable segment need to be disclosed only when the amounts are regularly provided to the chief operating decision maker and there has been a material change in the total amount disclosed in the entity's previous annual consolidated financial statements for that reportable segment. The amendment did not have an impact on the interim condensed consolidated financial statements of the Group.

IAS 19 Employee Benefits (Revised 2011) (IAS 19R)

IAS 19R includes a number of amendments to the accounting for defined benefit plans, including actuarial gains and losses that are now recognized in other comprehensive income and permanently excluded from profit and loss; expected returns on plan assets are no longer recognized in profit or loss, instead, there is a requirement to recognize interest on the net defined benefit liability (asset) in profit or loss, calculated using the discount rate used to measure the defined benefit obligation, and; unvested past service costs are now recognized in profit or loss at the earlier of when the amendment occurs or when the related restructuring or termination costs are recognized. Other amendments include new disclosures, such as, quantitative sensitivity disclosures. The amendment did not have an impact on the interim condensed consolidated financial statements of the Group.

IFRS 7 Financial Instruments: Disclosures: Offsetting Financial Assets and Financial Liabilities (Amendments)

The amendment requires an entity to disclose information about rights to set-off financial instruments and related arrangements (e.g., collateral agreements). The disclosures would provide users with information that is useful in evaluating the effect of netting arrangements on an entity's financial position. The new disclosures are required for all recognized financial instruments that are set off in accordance with IAS 32. The disclosures also apply to recognized financial instruments that are subject to an enforceable master netting arrangement or similar agreement, irrespective of whether the financial instruments are set off in accordance with IAS 32. As the Group is not setting off financial instruments in accordance with IAS 32 and does not have relevant offsetting arrangements, the amendment does not have an impact on the Group.

IFRS 10 Consolidated Financial Statements and IAS 27 Separate Financial Statements

IFRS 10 establishes a single control model that applies to all entities including special purpose entities. IFRS 10 replaces the parts of previously existing IAS 27 *Consolidated and Separate Financial Statements* that dealt with consolidated financial statements and SIC-12 *Consolidation – Special Purpose Entities*. IFRS 10 changes the definition of control such that an investor controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. To meet the definition of control in IFRS 10, all three criteria must be met, including: (a) an investor has power over an investee; (b) the investor has exposure, or rights, to variable returns from its involvement with the investee; and (c) the investor has the ability to use its power over the investee to affect the amount of the investor's returns. IFRS 10 had no impact on the consolidation of investments held by the Group.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

2. BASIS OF PREPARATION (continued)

Changes in accounting policies (continued)

IFRS 11 Joint Arrangements and IAS 28 Investment in Associates and Joint Ventures

IFRS 11 replaces IAS 31 *Interests in Joint Ventures* and SIC-13 *Jointly-controlled Entities – Non-monetary Contributions by Venturers*. IFRS 11 removes the option to account for jointly controlled entities using proportionate consolidation. Instead, jointly controlled entities that meet the definition of a joint venture under IFRS 11 must be accounted for using the equity method.

IFRS 11 is effective for annual periods beginning on or after 1 January 2013. The standard did not have an impact on the interim condensed consolidated financial statements of the Group.

IFRS 12 Disclosure of Interests in Other Entities

IFRS 12 sets out the requirements for disclosures relating to an entity's interests in subsidiaries, joint arrangements, associates and structured entities. None of these disclosure requirements are applicable for interim condensed consolidated financial statements, except for significant events and transactions in the interim period that must be disclosed. Accordingly, the Group has not made such disclosures.

IFRS 13 Fair Value Measurement

IFRS 13 establishes a single source of guidance under IFRS for all fair value measurements. IFRS 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under IFRS when fair value is required or permitted. The application of IFRS 13 has not materially impacted the fair value measurements carried out by the Group.

IFRS 13 also requires specific disclosures on fair values, some of which replace existing disclosure requirements in other standards, including IFRS 7 *Financial Instruments: Disclosures*. Some of these disclosures are specifically required for financial instruments by IAS 34.16A(j), thereby affecting the interim condensed financial statements period. The Group provides these disclosures in the Notes to the interim condensed consolidated financial statements.

In addition to the above-mentioned amendments and new standards, IFRS 1 *First-time Adoption of International Financial Reporting Standards* was amended with effect for reporting periods starting on or after 1 January 2013. The Group is not a first-time adopter of IFRS, therefore, this amendment is not relevant to the Group.

The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

3. SEASONALITY OF OPERATIONS

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

4. ACQUISITIONS

Acquisition of share in Karachaganak Project Consortium

On June 28, 2012 the Group obtained 10% interest in Karachaganak Project Consortium ("Karachaganak") which operates the Karachaganak gas condensate field in the Republic of Kazakhstan in accordance with the Final Production Sharing Agreement, dated November 18, 1997 as amended in 2012.

The fair value of 10% share in Karachaganak Project was assessed as 301,206,898 thousand Tenge as at the date of the transaction.

5% of the interest in Karachaganak was contributed by the Parent, in exchange for the Company issued share capital in the amount of 150,035,141 thousand Tenge. The fair value of the contribution amounted to 151,171,757 thousand Tenge. The difference in the amount 1,136,616 thousand Tenge was recognized as additional paid-in capital.

The other 5% of the interest in Karachaganak was acquired from the Parent for 150,035,141 thousand Tenge using funds obtained under a loan agreement with other partners to Karachaganak project in the amount of 1 billion US Dollars (equivalent to 149,420,000 thousand Tenge as at June 30, 2012).

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

4. ACQUISITIONS (continued)

Acquisition of share in Karachaganak Project Consortium (continued)

Share in Karachaganak assets and liabilities as at acquisition date was represented as follows:

In thousands of Tenge	**Fair value of acquired assets and liabilities**
Property, plant and equipment	294,642,852
Intangible assets	1,130,800
Trade receivables	10,917,748
Inventory	4,299,379
Other current assets	373
	310,991,152
Provisions	7,500,461
Trade payables	2,283,793
	9,784,254
Net assets	**301,206,898**

Acquisition of share in Arkagaz JSC ("Arkagaz")

In 2012, the Parent transferred 100% share in Arkagaz. In exchange the Company issued share capital in the amount of 4,109,246 thousand Tenge. Arkagaz is a gas distribution company, which is located in the western region of Kazakhstan and supplies the region with natural gas.

The 100% interest in Arkagaz was recorded as acquisition of subsidiaries from parties under common control and accounted for using the pooling of interest method. The comparative interim consolidated statements of comprehensive income, changes in equity and cash flows for the six months ended June 30, 2012 have been restated accordingly (*Note 6*).

5. DISCONTINUED OPERATIONS

"Aysir Turizm ve Inshaat A.S"

In 2012, the Group decided to sell its 75% interest in "Aysir Turizm ve Inshaat AS" ("Aysir").

The disposal of Aysir should be completed in 2013 and, as at June 30, 2013, final sale negotiations were in progress. At December 31, 2012 Aysir was classified as a disposal group held for sale and as a discontinued operation.

The results of Aysir for the six months ended June 30, 2013 and June 30, 2012 are presented below:

	For the six months ended June 30 (unaudited)	
In thousands of Tenge	**2013**	2012
Revenue	**861,178**	774,161
Cost of sales	**(870,695)**	(940,287)
Gross loss	**(9,517)**	(166,126)
General and administrative expenses	**(84,610)**	(198,933)
Other operating income	**5,335**	6,340
Operating loss	**(88,792)**	(358,719)
Net foreign exchange (loss) / gain	**(55,188)**	130,020
Finance income	**1,417**	4,035
Finance costs	**(21,257)**	(47,346)
Loss before income tax for the period from discontinued operations	**(163,820)**	(272,010)
Income tax expense	**–**	–
Loss after income tax for the period from discontinued operations (*Note 6*)	**(163,820)**	(272,010)

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

5. DISCONTINUED OPERATIONS (continued)

The major classes of assets and liabilities of Aysir, classified as held for sale as follows:

In thousands of Tenge	**June 30, 2013 (unaudited)**	December 31, 2012 (audited)
ASSETS		
Property, plant and equipment	**6,355,947**	6,738,055
Intangible assets	**31,402**	33,471
Other non-current assets	**58,307**	-
Inventories	**108,330**	73,687
Trade accounts receivable	**185,652**	122,081
VAT recoverable	**104,069**	143,580
Other current assets	**78,032**	94,849
Cash and cash equivalents	**438,290**	539,668
Assets classified as held for sale	**7,360,029**	7,745,391
Liabilities		
Borrowings	**702,526**	1,404,942
Other non-current liabilities	**1,455,915**	1,413,922
Trade accounts payable	**405,073**	261,951
Other current liabilities	**359,626**	161,200
Liabilities directly associated with the assets classified as held for sale	**2,923,140**	3,242,015
Net assets directly associated with the disposal group	**4,436,889**	4,503,376

The net cash flows incurred by Aysir are as follows:

	For the six months ended June 30 (unaudited)	
In thousands of Tenge	**2013**	2012
Operating	**343,360**	234,010
Investing	**(59,102)**	(100,455)
Financing	**(354,780)**	(375,388)
Net cash outflow	**(70,522)**	(241,833)

6. RESTATEMENTS

As at June 30, 2013 the Group made restatement of the interim consolidated statements of comprehensive income, changes in equity and cash flows for the six months ended June 30, 2012 due to recognition of Aysir as discontinued operation, as discussed in details in *Note 5* and due to contribution of share in Arkagaz by the Parent accounted for under pooling of interest method (*Note 4*).

Accordingly, the comparative interim consolidated statements of comprehensive income for the six months ended June 30, 2012 have been restated as required by IAS 1.

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

In thousands of Tenge	
Effect on performance for the six months ended June 30, 2012	
Increase in revenue	574,126
Increase in cost of sales	(475,277)
Increase in general and administrative expenses	(61,363)
Increase in transportation and selling expenses	(7,017)
Increase in other operating expenses	(134)
Increase in net profit for the period from continued operations	**30,335**
Decrease in net profit for the period from discontinued operations (*Note 5*)	**(272,010)**

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

7. PROPERTY, PLANT AND EQUIPMENT

In thousands of Tenge	Oil and gas assets	Pipelines	Refinery assets	Buildings and improvements	Machinery and equipment	Vehicles	Other	Construction in progress	Total
Net book value as at December 31, 2012 (audited)	**1,960,029,016**	**292,786,187**	**460,497,374**	**198,985,648**	**189,576,023**	**89,013,754**	**26,964,076**	**205,404,317**	**3,423,256,395**
Foreign currency translation	8,091,188	62,997	1,890,361	288,119	157,536	131,756	12,617	81,733	10,716,307
Additions	67,722,704	1,024,289	269,654	698,448	5,790,858	5,530,950	2,591,389	141,909,067	225,537,359
Disposals	(6,673,216)	(233,179)	(409,946)	(3,341,053)	(2,007,606)	(1,232,663)	(1,996,921)	(1,325,873)	(17,220,457)
Depreciation charge	(26,830,822)	(7,501,218)	(19,341,471)	(6,669,818)	(13,442,368)	(5,537,462)	(4,061,880)	–	(83,385,039)
Accumulated depreciation and impairment on disposals	6,779,538	199,899	300,234	2,284,069	807,104	835,200	1,403,530	767,112	13,376,686
(Impairment provision) / reversal of impairment provision	(49,223,422)	–	66,693	(1,792,445)	(530,094)	(1,982,400)	(400,257)	(3,988,139)	(57,850,064)
Transfers to investment property	(26,826,709)	–	–	–	–	–	–	–	(26,826,709)
Transfers to assets classified as held for sale	(18,641)	–	(93,644)	(679,168)	(128)	–	(8,445)	–	(800,026)
Transfers to inventories	–	(5,964)	(17,024)	(14,540)	(26)	–	(916)	(1,623,569)	(1,662,039)
Transfers to intangible assets	(70,315)	–	–	–	(477)	–	(205)	(119,203)	(190,200)
Transfers and reclassifications	39,689,133	4,713,925	8,974,155	6,497,826	3,502,039	5,921,198	1,384,442	(70,682,718)	–
Net book value as at June 30, 2013 (unaudited)	**1,972,668,454**	**291,046,936**	**452,136,386**	**196,257,086**	**183,852,861**	**92,680,333**	**25,887,430**	**270,422,727**	**3,484,952,213**
At cost	2,374,436,168	367,426,014	637,049,967	292,776,193	334,090,203	148,354,417	59,825,363	278,460,109	4,492,418,434
Accumulated depreciation and impairment	(401,767,714)	(76,379,078)	(184,913,581)	(96,519,107)	(150,237,342)	(55,674,084)	(33,937,933)	(8,037,382)	(1,007,466,221)
Net book value as at June 30, 2013 (unaudited)	**1,972,668,454**	**291,046,936**	**452,136,386**	**196,257,086**	**183,852,861**	**92,680,333**	**25,887,430**	**270,422,727**	**3,484,952,213**
At cost	2,287,091,863	361,850,426	625,876,778	291,210,707	324,938,523	135,270,824	56,607,869	216,886,899	4,299,733,889
Accumulated depreciation and impairment	(327,062,847)	(69,064,239)	(165,379,404)	(92,225,059)	(135,362,500)	(46,257,070)	(29,643,793)	(11,482,582)	(876,477,494)
Net book value as at December 31, 2012 (audited)	**1,960,029,016**	**292,786,187**	**460,497,374**	**198,985,648**	**189,576,023**	**89,013,754**	**26,964,076**	**205,404,317**	**3,423,256,395**

For the six months ended June 30, 2013, the Group capitalized borrowing costs in the amount of 4,585,859 thousand Tenge related to construction of new assets (for the six months ended June 30, 2012: 3,154,207 thousand Tenge).

As at June 30, 2013, items of property, plant and equipment with the net book value of 1,254,048,164 thousand Tenge (as at December 31, 2012: 986,599,966 thousand Tenge) are pledged as collateral to secure borrowings and payables of the Group (*Note 18*).

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

7. PROPERTY, PLANT AND EQUIPMENT (continued)

During the six months ended June 30, 2013, the Group recorded net impairment of 57,850,064 thousand Tenge that is mainly attributable to property, plant and equipment of KMG EP in the amount of 56,275,198 thousand Tenge due to the increase in export duty from April 12, 2013 - from 40 USD per ton to 60 USD per ton. The main assumptions employed for the formal assessment at year end of 2012 remain unchanged. The results of the assessment are sensitive to estimates related to production and pricing. If production profile was assumed to be 5% higher or lower than that used in the assessment, this would have the effect of reducing impairment by more than 50 billion Tenge or increasing impairment by than 50 billion Tenge, respectively. If Brent crude oil price were assumed to be 5% higher or lower than those used in assessment, this would have the effect of reducing impairment by more than 40 billion Tenge or increasing impairment by more than 40 billion Tenge, respectively.

8. EXPLORATION AND EVALUATION ASSETS

In thousands of Tenge	Tangible assets	Intangible assets	Total
Net book value as at December 31, 2012 (audited)	123,939,298	61,344,870	**185,284,168**
Foreign currency translation	210,741	41,800	**252,541**
Additions	12,382,393	41,837	**12,424,230**
Disposals	(3,114,477)	–	**(3,114,477)**
Accumulated impairment on disposals	2,767,235	–	**2,767,235**
Net book value as at June 30, 2013 (unaudited)	**136,185,190**	**61,428,507**	**197,613,697**

As at June 30, 2013, items of exploration and evaluation assets with the net book value of 43,494,453 thousand Tenge (as at December 31, 2012: 43,228,819 thousand Tenge) are pledged as collateral to secure borrowings and payables of the Group (*Note 18*).

9. INVESTMENT PROPERTY

In thousands of Tenge	Total
Net book value as at December 31, 2012 (audited)	–
Additions	2,843,003
Depreciation charge	(250,958)
Disposals	(3,284,034)
Accumulated depreciation and impairment on disposals	2,326,137
Transfers from property, plant and equipment (Note 7)	26,826,709
Transfers to assets classified as held for sale	(342,239)
Net book value as at June 30, 2013 (unaudited)	**28,118,618**
At cost	28,758,824
Accumulated depreciation and impairment	(640,206)
Net book value as at June 30, 2013 (unaudited)	**28,118,618**
At cost	–
Accumulated depreciation and impairment	–
Net book value as at December 31, 2012 (audited)	–

Investment property is mainly represented by office building leased under operating lease terms, Izumrudny Kvartal. The management of the Group believes that the fair value of the building is 38,185,463 thousand Tenge (in 2012 presented within property, plant and equipment - 38,589,019 thousand Tenge).

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

10. INTANGIBLE ASSETS

In thousands of Tenge	Goodwill	Marketing related intangible assets	Software	Other	Total
Net book value as at December 31, 2012 (audited)	**135,026,234**	**27,434,077**	**20,145,083**	**18,602,532**	**201,207,926**
Foreign currency translation	(13,799)	165,616	373,718	(199,778)	325,757
Additions	–	–	597,063	2,372,873	2,969,936
Disposals	–	–	(155,163)	(760,745)	(915,908)
Amortization charge	–	–	(2,036,785)	(1,240,888)	(3,277,673)
Accumulated amortization and impairment on disposals	–	–	155,163	760,745	915,908
Impairment provision	–	–	(3,546)	(6,273)	(9,819)
Transfers from inventories	–	–	4,858	–	4,858
Transfer from property, plant and equipment (*Note 7*)	–	–	682	189,518	190,200
Transfers and reclassifications	–	–	4,379	(4,379)	–
Net book value as at June 30, 2013 (unaudited)	**135,012,435**	**27,599,693**	**19,085,452**	**19,713,605**	**201,411,185**
At cost	165,734,130	28,176,546	39,448,940	34,784,577	268,144,193
Accumulated amortization and impairment	(30,721,695)	(576,853)	(20,363,488)	(15,070,972)	(66,733,008)
Net book value as at June 30, 2013 (unaudited)	**135,012,435**	**27,599,693**	**19,085,452**	**19,713,605**	**201,411,185**
At cost	165,747,928	28,014,773	38,937,207	32,893,451	265,593,359
Accumulated amortization and impairment	(30,721,694)	(580,696)	(18,792,124)	(14,290,919)	(64,385,433)
Net book value as at December 31, 2012 (audited)	**135,026,234**	**27,434,077**	**20,145,083**	**18,602,532**	**201,207,926**

11. LONG-TERM BANK DEPOSITS

As at June 30, 2013, the weighted average interest rate on long-term bank deposits was 3.00% in US Dollars, 2.6% in Tenge (as at December 31, 2012: 2.75% in US Dollars and 2.20% in Tenge).

In thousands of Tenge	**June 30, 2013 (unaudited)**	December 31, 2012 (audited)
Denominated in US Dollars	**38,421,547**	215,391
Denominated in Tenge	**13,613,831**	2,272,124
	52,035,378	2,487,515

Long-term bank deposits as at June 30, 2013 include deposits of 26,525,526 thousand Tenge (as at December 31, 2012: 1,141,416 thousand Tenge) pledged as collateral to secure banking facilities granted to the Group (*Note 18*).

In thousands of Tenge	**June 30, 2013 (unaudited)**	December 31, 2012 (audited)
Maturities between 1 and 2 years	**9,868,481**	153,261
Maturities over 2 years	**42,166,897**	2,334,254
	52,035,378	2,487,515

As at June 30, 2013 credit ratings of the banks, where most of the Group's long-term deposits are placed, have not deteriorated as compared to December 31, 2012.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

12. INVESTMENTS IN JOINT VENTURES AND ASSOCIATES

	June 30, 2013 (unaudited)		December 31, 2012 (audited)	
In thousands of Tenge	**Book value**	**Ownership share**	Book value	Ownership share
Joint Ventures:				
Tengizchevroil LLP	**289,886,861**	**20.00%**	264,698,959	20.00%
Mangistau Investments B.V.	**185,601,531**	**50.00%**	176,949,392	50.00%
Kazakhoil-Aktobe LLP	**78,158,368**	**50.00%**	72,085,480	50.00%
KazRosGas LLP	**74,215,224**	**50.00%**	63,423,836	50.00%
Beineu-Shymkent Pipeline LLP	**71,510,298**	**50.00%**	71,959,310	50.00%
KazGerMunay LLP	**68,325,942**	**50.00%**	55,315,780	50.00%
Ural Group Limited BVI	**21,035,405**	**50.00%**	19,066,237	50.00%
Kazakhtan-China Pipeline JSC	**18,104,049**	**50.00%**	12,011,596	50.00%
Valsera Holdings B.V.	**15,716,004**	**50.00%**	18,511,433	50.00%
Asian Gas Pipeline LLP	**12,465,402**	**50.00%**	1,025,067	50.00%
MunayTas JSC	**8,007,892**	**51.00%**	7,505,315	51.00%
Other	**27,579,227**		27,342,980	
Associates:				
PetroKazakhstan Inc. ("PKI")	**96,922,318**	**33.00%**	80,909,217	33.00%
Caspian Pipeline Consortium	**17,649,256**	**20.75%**	17,274,707	20.75%
Other	**6,200,867**		6,017,730	
	991,378,644		894,097,039	

During the six months ended June 30, 2013 the Group recognized its share of income from joint ventures and associates in the amount of 245,672,641 thousand Tenge (June 30, 2012: 252,072,455 thousand Tenge), which increased the carrying value of investments. Dividends declared by joint ventures and associates totaled 153,184,977 thousand Tenge (June 30, 2012: 283,778,583 thousand Tenge) and reduced the carrying value of investments. As at June 30, 2013, dividends receivable from PKI amounted to 22,309,815 thousand Tenge (December 31, 2012: 34,820,940 thousand Tenge). The remaining change in investments is attributable to foreign currency translation adjustment.

The following table summarizes the movements in investments in joint ventures and associates during the six months ended June 30, 2013:

In thousands of Tenge	
At January 1	894,097,039
Share of profits (*Note 28*)	245,672,641
Dividends declared	(153,184,977)
Foreign currency translation	4,793,941
At June 30	**991,378,644**

13. INVENTORIES

In thousands of Tenge	**June 30, 2013 (unaudited)**	December 31, 2012 (audited)
Materials and supplies	**88,596,887**	86,918,791
Refined products	**71,240,743**	64,654,236
Crude oil	**41,921,395**	50,716,508
Gas products	**4,197,774**	12,865,282
Less: write-down to net realizable value	**(13,375,617)**	(11,873,544)
	192,581,182	203,281,273

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

14. TRADE ACCOUNTS RECEIVABLE AND OTHER CURRENT ASSETS

In thousands of Tenge	**June 30, 2013 (unaudited)**	December 31, 2012 (audited)
Trade accounts receivable	**242,174,272**	238,061,651
Less: allowance for impairment	**(23,243,673)**	(18,774,866)
Trade accounts receivable	**218,930,599**	219,286,785
Prepayments and deferred expenses	**29,871,708**	35,401,526
Taxes recoverable	**10,959,476**	19,805,144
Other current assets	**77,442,665**	91,817,051
Less: allowance for impairment	**(14,111,632)**	(11,997,533)
Total other current assets	**104,162,217**	135,026,188

As at June 30, 2013 and December 31, 2012, assets disclosed above were non-interest bearing.

As at June 30, 2013 the Group has pledged trade accounts receivable of approximately 59,240,101 thousand Tenge (as at December 31, 2012: 91,444,763 thousand Tenge) as collateral to secure borrowings and payables of the Group (*Note 18*).

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

In thousands of Tenge	**2013**	2012
As at January 1 (audited)	**30,772,399**	17,787,821
Charge for the period	**2,207,828**	1,190,325
Receivables written off	**(532,585)**	(109,994)
Foreign currency translation	**(154,598)**	(376,920)
Reinstatement of allowance	**5,930,926**	1,020,654
Recovered	**(868,665)**	(255,509)
As at June 30 (unaudited)	**37,355,305**	19,256,377

15. OTHER SHORT-TERM FINANCIAL ASSETS

In thousands of Tenge	**June 30, 2013 (unaudited)**	December 31, 2012 (audited)
Short-term bank deposits	**691,134,212**	633,122,581
Loans due from related parties	**7,702,187**	32,262,570
Less: allowance for doubtful loans from related parties	**(5,799,178)**	(5,807,343)
	693,037,221	659,577,808

As at June 30, 2013, weighted average interest rate on short-term bank deposits was 2.05% in US Dollars, 4.40% in Tenge and 2.36% in other foreign currency (as at December 31, 2012: 2.21% in US Dollars, 4.06% in Tenge and 4.00% in other foreign currency).

As at June 30, 2013, short-term bank deposits include 4,758,528 thousand Tenge placed with Temirbank JSC (2012: 6,859,971 thousand Tenge) and 2,448,327 thousand Tenge placed with Alliance Bank (2012: 7,820,846 thousand Tenge) (*Note 30*).
As at June 30, 2013 credit ratings of the banks, where most of the Group's short-term deposits are placed, have not deteriorated compared to December 31, 2012.

In thousands of Tenge	**June 30, 2013 (unaudited)**	December 31, 2012 (audited)
Short-term financial assets in US Dollars	**539,134,616**	413,047,217
Short-term financial assets in Tenge	**153,664,078**	246,339,253
Short-term financial assets in other foreign currencies	**238,527**	191,338
	693,037,221	659,577,808

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

16. CASH AND CASH EQUIVALENTS

In thousands of Tenge	June 30, 2013 (unaudited)	December 31, 2012 (audited)
Term deposits with banks – US Dollars	**342,960,925**	120,933,758
Current accounts with banks – US Dollars	**154,967,650**	90,815,360
Term deposits with banks – Tenge	**168,338,961**	93,134,773
Current accounts with banks – Tenge	**112,166,212**	86,329,779
Term deposits with banks – other currencies	**11,829,290**	12,058,545
Current accounts with banks – other currencies	**8,536,369**	7,982,589
Cash-on-hand	**3,565,800**	3,830,647
	802,365,207	415,085,451

Term deposits with banks are placed for varying periods of between one day and three months, depending on the current cash requirements of the Group. As at June 30, 2013, weighted average interest rate on term deposits with banks was 0.2% in US Dollars and 0.68% in Tenge (as at December 31, 2012: 0.7% in US Dollars and 1.95% in Tenge).

As at June 30, 2013, cash and cash equivalents include 140,481 thousand Tenge placed with BTA Bank JSC (2012: 33,714 thousand Tenge), 639,662 thousand Tenge placed with Temirbank JSC (2012: 84,666 thousand Tenge) and 2,636,158 thousand Tenge placed with Alliance Bank (2012: 6,686,662 thousand Tenge) *(Note 30)*.

As at June 30, 2013 credit ratings of the banks, where most of the Group's term deposits and current accounts are placed, have not deteriorated as compared to December 31, 2012.

17. EQUITY

Contributions from the Parent

During the six months ended June 30, 2013, the Group authorized and issued 3,566,761 common shares, which comprised 3,566,760 common shares with par value of 2,500 Tenge per common share and one common share with par value of 1,000 Tenge. During the six months ended June 30, 2013, the Parent acquired and paid in cash 8,916,901 thousand Tenge for all issued common shares (for the six months ended 30 June 2012: 2,000,004 thousand Tenge paid in cash, 184,366,763 paid in kind).

During the six months ended June 30, 2013, the Group received gas pipelines with the fair value of 583,154 thousand Tenge and recognized this amount within additional paid in capital.

Other transactions with the Parent

In 2012, the Group recognized distribution to the Parent in the amount of 13,537,062 thousand Tenge related to the Group's obligations on the transfer of the North-Caspian environmental base for oil spill response to the Ministry of Emergency of the Republic of Kazakhstan.

On June 27, 2013 the Interdepartmental Commission for the development of oil, gas and energy industries decided to retain North-Caspian environmental base for oil spill response in the Group. Based on this decision, the Group reversed distribution to the Shareholder in the amount of 13,537,062 thousand Tenge recognized in 2012.

During the six months ended June 30, 2013, the Group increased provision with respect to construction costs to be incurred on the History Museum by 3,809,597 thousand Tenge and recognized respective distribution to the Shareholder.

In accordance with the Resolution of the Parent the Group provided sponsorship to finance construction of climatic health resort on coast of Balhash Lake. As a result, the Company recognized other distributions to the Parent in the amount of 2,554,420 thousand Tenge

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

17. EQUITY (continued)

Dividends

During the six months ended June 30, 2013, the Group declared dividends to its Parent of 75.19 Tenge per common share totaling to 38,961,364 thousand Tenge (the six months ended June 30, 2012: nil).

During the six month ended June 30, 2013, the Group declared dividends of 43,567,318 thousand Tenge to the holders of non-controlling interest in Exploration Production KazMunayGas JCS ("KMG EP") and KazTransOil JSC (the six months ended June 30, 2012: 34,321,871 thousand Tenge).

Non-controlling interest

In thousands of Tenge	June 30, 2013 (unaudited)	December 31, 2012 (audited)
Exploration Production KazMunayGas JSC	**466,789,804**	492,114,355
Subsidiaries of Cooperative KazMunaiGaz U.A.	**50,884,934**	59,322,890
KazTransOil JSC	**30,610,588**	29,178,181
Subsidiaries of KazMunayGas Refinery and Marketing JSC	**337,821**	288,568
Other	**636,422**	243,325
	549,259,569	581,147,319

18. BORROWINGS

In thousands of Tenge	June 30, 2013 (unaudited)	December 31, 2012 (audited)
Fixed interest rate borrowings	**1,868,209,511**	1,560,512,307
Weighted average interest rates	**7.49%**	8.01%
Variable interest rate borrowings	**605,813,834**	503,135,858
Weighted average interest rates	**4.49%**	4.89%
	2,474,023,345	**2,063,648,165**

In thousands of Tenge	June 30, 2013 (unaudited)	December 31, 2012 (audited)
US Dollar denominated borrowings	**2,204,090,661**	1,760,318,824
Tenge denominated borrowings	**232,819,931**	265,733,278
Euro denominated borrowings	**35,295,532**	36,642,633
Other currency denominated borrowings	**1,817,221**	953,430
	2,474,023,345	2,063,648,165

In thousands of Tenge	June 30, 2013 (unaudited)	December 31, 2012 (audited)
Current portion	**448,651,334**	469,943,861
Non-current portion	**2,025,372,011**	1,593,704,304
	2,474,023,345	2,063,648,165

On April 30, 2013 the Company issued bonds on the London Stock Exchange in the amount of 3 billion US Dollars (equivalent of 453,720,000 thousand Tenge at exchange rate as at the issue date) within the current program of global medium-term notes issuance up to 10.5 billion US Dollars on the following terms:

- 2 billion US Dollars with the interest rate 5.75% maturing in 2043 and an offering price 99.293% from nominal amount;
- 1 billion US Dollars with the interest rate 4.4% maturing in 2023 and an offering price 99.6% from nominal amount.

The coupon on bonds issued in 2013 will be paid on semiannual basis starting from October 30, 2013.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

19. PROVISIONS

In thousands of Tenge	Asset retirement obligations	Provision for environ-mental liability	Provision for taxes	Other	Total
Provision as at December 31, 2012 (audited)	**59,443,369**	**33,642,799**	**8,703,807**	**47,926,805**	**149,716,780**
Foreign currency translation	54,263	79,671	880	2,225	137,039
Change in estimate	894,148	(117,252)	–	–	776,896
Unwinding of discount (*Note 27*)	831,865	686,108	–	–	1,517,973
Provision for the period	2,474,151	206,816	17,211,712	9,774,448	29,667,127
Unused amounts reversed	–	(219,998)	–	(1,067,698)	(1,287,696)
Use of provision	(251,414)	(106,043)	(6,047,935)	(10,032,957)	(16,438,349)
Provision as at June 30, 2013 (unaudited)	**63,446,382**	**34,172,101**	**19,868,464**	**46,602,823**	**164,089,770**

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

In thousands of Tenge	Asset retirement obligations	Provision for environmental liability	Provision for taxes	Other	Total
As at June 30, 2013 (unaudited)					
Current portion	687,099	3,146,966	19,868,464	24,594,868	**48,297,397**
Long-term portion	62,759,283	31,025,135	–	22,007,955	**115,792,373**
Provision as at June 30, 2013 (unaudited)	**63,446,382**	**34,172,101**	**19,868,464**	**46,602,823**	**164,089,770**
As at December 31, 2012 (audited)					
Current portion	971,466	3,489,231	8,703,807	21,434,458	**34,598,962**
Long-term portion	58,471,903	30,153,568	–	26,492,347	**115,117,818**
Provision as at December 31, 2012 (audited)	**59,443,369**	**33,642,799**	**8,703,807**	**47,926,805**	**149,716,780**

20. OTHER TAXES PAYABLE

In thousands of Tenge	June 30, 2013 (unaudited)	December 31, 2012 (audited)
Rent tax on export of crude oil	**32,851,282**	38,775,752
Mineral extraction tax	**18,616,947**	11,644,041
Excise tax	**14,736,947**	10,563,717
VAT	**13,077,498**	24,421,260
Special fund on petroleum products	**1,223,816**	1,237,425
Other	**25,973,149**	22,792,812
	106,479,639	109,435,007

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

21. OTHER CURRENT LIABILITIES

In thousands of Tenge	**June 30, 2013 (unaudited)**	December 31, 2012 (audited)
Dividends payable	**78,275,720**	1,299,726
Due to employees	**32,309,631**	25,917,030
Advances received	**30,035,168**	31,214,807
Other	**46,859,628**	59,309,294
	187,480,147	117,740,857

As at June 30, 2013 and December 31, 2012, other current liabilities were non-interest bearing.

22. REVENUE

In thousands of Tenge	**For the six months ended June 30, 2013 (unaudited)**	For the six months ended June 30, 2012 (unaudited)
Sales of refined products	**821,521,971**	985,043,574
Sales of crude oil	**377,052,281**	278,135,475
Transportation fee	**129,329,529**	112,561,012
Sales of gas products	**115,198,340**	108,319,959
Other revenue	**96,368,071**	83,500,274
Less: sales taxes and commercial discounts	**(121,379,386)**	(120,571,126)
	1,418,090,806	1,446,989,168

23. COST OF SALES

In thousands of Tenge	**For the six months ended June 30, 2013 (unaudited)**	For the six months ended June 30, 2012 (unaudited)
Materials and supplies	**685,694,479**	756,030,247
Payroll expenses	**92,817,631**	85,560,502
Depreciation, depletion and amortization	**72,693,568**	63,904,117
Mineral extraction tax	**38,736,613**	41,491,313
Taxes other than on income	**14,970,685**	8,045,066
Repair and maintenance	**14,138,172**	10,092,977
Other	**71,093,321**	60,682,482
	990,144,469	1,025,806,704

24. GENERAL AND ADMINISTRATIVE EXPENSES

In thousands of Tenge	**For the six months ended June 30, 2013 (unaudited)**	For the six months ended June 30, 2012 (unaudited)
Payroll expenses	**23,048,319**	26,111,096
Taxes other than income tax	**9,804,023**	5,784,895
Depreciation and amortization	**8,260,270**	6,547,423
Provision / (reversal of provision for taxes)	**7,222,578**	(7,794,348)
Charitable donations	**6,402,122**	6,980,891
Fines and penalties	**5,150,275**	5,612,401
Consulting services	**3,947,523**	2,969,015
Allowance for impairment of trade accounts receivable and other current assets	**1,339,163**	925,857
Impairment of non-current assets	**394,945**	934,816
Other	**14,345,026**	12,387,107
	79,914,244	60,459,153

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

24. GENERAL AND ADMINISTRATIVE EXPENSES (continued)

During the six months ended June 30, 2012, the Group had reversed a provision of 7,794,348 thousand Tenge, which was recorded in 2011 to cover probable losses related to the claims of the Agency of the Republic of Kazakhstan for Competition Protection with respect to non-compliance of the KMG RM's subsidiary, "Refinery Company RT" LLP, with requirements of the Competition legislation.

During the six months ended June 30, 2013 KMG RM has accrued a provision for taxes and penalties in the amount of 7,222,578 thousand Tenge, as a result of comprehensive tax audit of KMG RM for the period from 2006 to 2010.

25. TRANSPORTATION AND SELLING EXPENSES

In thousands of Tenge	**For the six months ended June 30, 2013 (unaudited)**	For the six months ended June 30, 2012 (unaudited)
Rent tax on crude oil export	**75,614,211**	81,997,270
Transportation	**24,575,312**	56,872,711
Export customs duty	**23,603,936**	20,130,294
Payroll expenses	**7,784,361**	6,708,823
Depreciation and amortization	**5,814,048**	6,882,598
Other	**8,741,506**	8,410,920
	146,133,374	181,002,616

26. FINANCE INCOME

In thousands of Tenge	**For the six months ended June 30, 2013 (unaudited)**	For the six months ended June 30, 2012 (unaudited)
Interest income on bank deposits, loans and bonds	**14,190,311**	14,472,113
Other	**3,090,643**	3,215,441
	17,280,954	17,687,554

27. FINANCE COSTS

In thousands of Tenge	**For the six months ended June 30, 2013 (unaudited)**	For the six months ended June 30, 2012 (unaudited)
Interest on loans and debt securities issued	**66,809,766**	66,096,108
Interest expenses on payable for the acquisition of additional interest in the North Caspian Project	**6,478,178**	6,597,995
Amortization of discount on loans and debt securities issued	**2,628,789**	1,990,180
Discount on assets with non-market interest rate	**2,390,746**	13,260
Unwinding of discount on provisions (*Note 19*)	**1,517,973**	1,044,125
Change of fair value of financial instruments	**–**	354,578
Other	**7,409,292**	2,058,127
	87,234,744	78,154,373

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

28. SHARE OF INCOME OF JOINT VENTURES AND ASSOCIATES

In thousands of Tenge	**For the six months ended June 30, 2013 (unaudited)**	For the six months ended June 30, 2012 (unaudited)
Tengizchevroil LLP	**149,478,673**	141,347,426
Mangistau Investments B.V.	**27,021,018**	33,532,066
KazGerMunay LLP	**20,037,916**	21,349,141
PetroKazakhstan Inc.	**15,036,571**	22,438,167
Asian Gas Pipeline LLP	**11,440,335**	–
KazRosGas JSC	**10,353,928**	21,110,356
Kazakhoil-Aktobe LLP	**6,072,888**	6,863,762
Other	**6,231,312**	5,431,537
	245,672,641	252,072,455

29. INCOME TAX EXPENSE

In thousands of Tenge	**For the six months ended June 30, 2013 (unaudited)**	For the six months ended June 30, 2012 (unaudited)
Current income tax:		
Corporate income tax	**57,959,304**	57,552,015
Excess profit tax	**4,613,616**	12,177,160
Withholding tax on dividends	**18,189,202**	20,284,410
Deferred income tax:		
Income tax benefit	**(9,759,702)**	(5,650,798)
Excess profit tax expense / (benefit)	**4,564,668**	(808,329)
Withholding tax expense	**3,626,310**	1,848,367
Income tax expenses	**79,193,398**	85,402,825

30. RELATED PARTY DISCLOSURES

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

The following table provides the total amount of transactions, which have been entered into with related parties during the six months ended June 30, 2013 and 2012 and the related balances as at June 30, 2013 and December 31, 2012, respectively:

In thousands of Tenge	*For the six months ended*	**Sales to related parties**	**Purchases from related parties**	**Interest earned from related parties**	**Interest incurred to related parties**
Samruk-Kazyna entities	**June 30, 2013**	**18,975,822**	**14,392,795**	**2,711,911**	**3,450,585**
	June 30, 2012	20,316,394	12,791,701	5,688,274	6,178,294
Associates	**June 30, 2013**	**6,204,953**	**2,192**	**295,064**	**143,526**
	June 30, 2012	3,147,719	504,962	237,354	–
Joint ventures in which the Group is a venturer	**June 30, 2013**	**86,399,605**	**82,521,591**	**2,585,712**	**2,458,588**
	June 30, 2012	82,491,687	110,902,195	–	–
Other related parties	**June 30, 2013**	**76,478**	**646,007**	**–**	**5,444,956**
	June 30, 2012	–	–	–	–

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

30. RELATED PARTY DISCLOSURES (continued)

In thousands of Tenge		Due from related parties	Due to related parties	Cash and deposits placed with related parties	Borrowings payable to related parties
Samruk-Kazyna entities	**June 30, 2013**	**43,678,704**	**40,190,488**	**13,324,286**	**6,874,618**
	December 31, 2012	47,594,452	784,243	15,322,862	259,891,388
Associates	**June 30, 2013**	**8.750,883**	**1,379,784**	**–**	**–**
	December 31, 2012	55,542,866	1,321,554	–	–
Other related parties	**June 30, 2013**	**5,140**	**115,012**	**569,629**	**263,426,884**
	December 31, 2012	–	–	–	–
Joint ventures in which the Group is a venturer	**June 30, 2013**	**60,615,483**	**29,389,885**	**–**	**–**
	December 31, 2012	53,899,492	38,836,399	–	–

Transactions with Samruk-Kazyna, other related parties and joint ventures are mainly represented by transactions of the Group with Development Bank of Kazakhstan JSC, NC Kazakhstan Temir Zholy JSC (railway services), NC Kazakhtelecom JSC (communication services), NAC Kazatomprom JSC (energy services), KEGOK JSC (energy supply), Kazpost JSC (postal services) and Samruk-Energo JSC (energy supply). In addition, the Group sells and purchases crude oil and natural gas, refined products and transportation services from and to Samruk-Kazyna subsidiries, associates and joint ventures.

Total compensation to key management personnel included in general and administrative expenses in the accompanying interim consolidated statement of comprehensive income amounted to 2,564,117 thousand Tenge for the six months ended June 30, 2013 (the six months ended June 30, 2012: 1,833,415 thousand Tenge). Compensation to key management personnel consists of contractual salary and performance bonus based on operating results.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

31. 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 value		Fair value	
In thousands of Tenge	**30 June 2013**	31 December 2012	**30 June 2013**	31 December 2012
Financial assets				
Cash and cash equivalents	**802,365,207**	415,085,451	**802,365,207**	415,085,451
Other short-term financial assets	**693,037,221**	659,577,808	**693,037,221**	659,577,808
Dividends receivable from associate	**22,309,815**	34,820,940	**22,309,815**	34,820,940
Trade accounts receivable	**218,930,599**	219,286,785	**218,930,599**	219,286,785
Note receivable from the shareholder of joint venture (current and non-current portions)	**19,632,078**	18,221,759	**19,632,078**	18,221,759
Note receivable from associate	**21,471,517**	20,721,926	**21,471,517**	20,721,926
Bonds receivable from the Parent	**36,821,061**	36,725,575	**76,017,501**	55,288,271
Loans due from related parties	**20,674,263**	16,637,532	**20,674,263**	16,637,532
Long-term bank deposits	**52,035,378**	2,487,515	**52,035,378**	2,487,515
Financial liabilities				
Borrowings	**2,474,023,345**	2,063,648,165	**2,574,889,884**	2,264,397,146
Payable for the acquisition of additional interest in the North Caspian Project	**348,110,174**	339,549,990	**348,110,174**	339,549,990
Trade accounts payable	**206,997,191**	227,115,792	**206,997,191**	227,115,792
Other current and non-current liabilities (excluding advances received)	**170,797,742**	112,700,906	**170,797,742**	112,700,906

The fair value of bonds receivable from the Parent and borrowings was calculated by discounting the expected future cash flows at prevailing interest rates.

The carrying amount of other financial instruments approximates their fair value due to the fact that these financial instruments are at market interest rates or with short-term maturity.

32. CONTINGENT LIABILITIES AND COMMITMENTS

In addition to the contingent liabilities and commitments disclosed in the annual consolidated financial statement of the Group for the year ended December 31, 2012, the following changes have taken place during the six months ended June 30, 2013.

Tax audit of KMG EP

On July 12, 2012 the Tax Committee of the Ministry of Finance of the Republic of Kazakhstan completed the 2006-2008 comprehensive tax audit of KMG EP. As a result of the tax audit commenced in October 2011, the tax authorities provided a tax assessment to KMG EP in the amount 16,938 million Tenge, including 5,800 million Tenge of principal, 7,160 million Tenge of administrative fines and 3,978 million Tenge of late payment interest. Matters involved in the assessment relate mainly to reallocation of certain revenues and expenditures among the subsoil use contracts, timing of recognition of demurrage expenses, adjustment of revenues based on transfer pricing regulations.

KMG EP disagreed with the above tax assessments and filed an appeal to the Ministry of Finance. The management of KMG EP believes its interpretations of the tax legislation were appropriate. However, as management believes the outcome of the dispute is uncertain and further believes that it is more likely than not that KMG EP may not be entirely successful in its appeals, due to the ambiguity contained in the tax legislation and a history of varying interpretations and inconsistent opinions of the authorities and courts, management has accrued for certain matters included in the assessment. As at June 30, 2013, existing tax provision includes 15,556 million Tenge, including principal of 7,304 million Tenge, fines of 3,067 million Tenge and late payment interest of 5,185 million Tenge. The management believes that KMG EP will be successful in appealing the remaining balances of principal, fines, and late payment interest of the assessments.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

32. CONTINGENT LIABILITIES AND COMMITMENTS (continued)

Mineral extraction tax (KMG EP)

On July 2, 2013 the Tax Committee of Yessil district of Astana provided a notification to KMG EP of 8,785 million Tenge for discrepancies identified between data reported in KMG EP MET tax returns and data provided by the Ministry of Oil and Gas of Republic of Kazakhstan for the period from 2009 to 2012. These discrepancies were caused by the fact that 2012 MET tax returns included amounts for the period when KMG EP was a party to the subsoil use contracts (when KMG EP carried out its activities on the license area through its production branches), whereas the information provided by the Ministry of Oil and Gas of Republic of Kazakhstan included production volumes of KMG EP and its subsidiaries JSC "Ozenmunaigas" and JSC "Embamunaigas" combined.

According to the tax authorities, KMG EP should have included in 2012 calculations of the MET rate the production volumes of JSC "Ozenmunaigas" and JSC "Embamunaigas" as well, even though transfer of subsoil use contracts took place during 2012. However, based on norms stipulated in the Kazakhstan tax legislation KMG EP believes that the obligation to pay MET should be calculated based upon only the period when it was a party to subsoil use contracts itself.

KMG EP disagrees with the above notification and plans to appeal it with respective government authorities. As management believes that it is more likely than not that KMG EP will be successful in its appeal, no provisions in relation to this matter have been made in the interim condensed consolidated financial statements as at June 30, 2013.

Ozenmunaigas environmental audit

On January 25, 2013 JSC "Ozenmunaigas", KMG EP subsidiary, received a notification from the Environmental Protection Department of Mangystau Region to pay 59,345 million Tenge in fines for environmental damage to the state budget. Total amount was determined as a result of an audit that covered the period from August 27, 2011 to November 12, 2012. JSC "Ozenmunaigas" disagreed with this notification and on February 26, 2013 filed an appeal to the Specialized Interregional Economic Court of Mangystau Region stating that the act was illegal and that calculations were not reliable. On March 7, 2013 the Environmental Protection Department of Mangystau Region filed a claim with the same Court for the forced payment of the fines.

On May 22, 2013 the Court satisfied the appeal of JSC "Ozenmunaigas" in full. The Court ruled the inspection carried out by the Environmental Protection Department of Mangystau Region to be invalid, and the act, instructions on corrective actions and calculations illegal. The Court rejected the claim of the Environmental Protection Department of Mangystau Region for the forced payment of the fines. On June 6, 2013 the Environmental Protection Department of Mangystau Region filed an appeal to the Judicial Panel of Appeals on Civil and Administrative Cases of Mangystau Regional Court. This appeal was rejected by the Judicial Panel of Appeals on July 9, 2013. The Group expects that the Environmental Protection Department of Mangystau Region will file further appeals to courts of higher authority.

Management believes that JSC "Ozenmunaigas" has a strong position on this issue, as the audit was carried out with gross violations of the laws of the Republic of Kazakhstan in relation to procedure for the audit process, and the Environmental Protection Department of Mangystau Region has no reliable evidence confirming the damage to the environment, as required by the civil procedure and Environmental Code of the Republic of Kazakhstan.

KMG EP believes that it will continue to successfully appeal the results of the audit and the request for payment for damages to the environment, and therefore no provision has been accrued for this matter as at June 30, 2013 in the interim condensed consolidated financial statements.

Tax risks of TRG

As at December 31, 2009 TRG had an outstanding balance of 3,353,168 thousand Tenge of a convertible debt instrument issued by a significant subsidiary of TRG – Rompetrol Rafinare S.A. to the Romanian State. The nominal value of liabilities equaled to 570.3 million Euros. The instrument had seven years maturity and expired on September 30, 2010. Fair value of the debt component at the initial recognition was determined as the discounted future contractual cash payments under the instrument. Under the share ownership as at December 31, 2009 the Group would have lost control over Rompetrol Rafinare S.A., if the entire debt instrument was settled at September 30, 2010 by issuance of new shares to the Romanian State, without any further action by TRG and/or Rompetrol Rafinare S.A.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

32. CONTINGENT LIABILITIES AND COMMITMENTS (continued)

Tax risks of TRG (continued)

During the first half of 2010 in order to increase its interest in Rompetrol Rafinare S.A. TRG was required to make a public offer to all shareholders. In August 2010 Rompetrol Rafinare S.A. increased its share capital by issuance of new shares amounting to RON 329.4 million (equivalent of 78 million Euro at the date of subscription), all of which were subscribed and fully paid for by TRG, further increasing the Group's interest in Rompetrol Rafinare S.A. Of these proceeds from the share issuance, during the same month, Rompetrol Rafinare S.A. repaid 54 million Euros (equivalent to 10,463,778 thousand Tenge) out of the total debt of 570.3 million Euro in relation to the convertible debt instrument to the Romanian State. In September 2010, Rompetrol Rafinare S.A. paid the last coupon, amounting to 17 million Euro (equivalent to 3,314,915 thousand Tenge), leading to a nil balance of the liability component of the instrument.

On September 30, 2010 the Extraordinary General Meeting of the shareholders of Rompetrol Rafinare S.A. approved the conversion of the unredeemed convertible debt instrument into shares, the corresponding share capital increase and the exact numbers of shares to be received by the Romanian State for the convertible debt it held, calculated based on the exchange rate in force on such date, together with a share premium calculated as a difference of the exchange rate valid on September 30, 2010 and issuance date on September 30, 2003. This resulted in a non-controlling position of the Romanian State in Rompetrol Rafinare S.A. of 44.6959%.

These transactions resulted in a decrease of retained earnings by 113,467,108 thousand Tenge and increase of non-controlling interest by 103,003,330 thousand Tenge in 2010.

In 2010, the Romanian State, represented by the Ministry of Public Finance of the Romanian State (MFP), initiated a legal action against the decision of Rompetrol Rafinare S.A. to increase the share capital and convert the convertible debt instrument partially in cash and partially by issuance of shares.

Constanta Tribunal dismissed the Romanian State request: (a) for some of the annulment reasons considering that the Romanian State lacks the capacity to stand trial, arguing that same did not have the capacity of shareholder when such acts were adopted, (b) for some of the annulment reasons considering that there were not grounded.

Furthermore, on November 17, 2010 the Ministry of Public Finance of the Romanian State issued a Summons and Forced Execution Title for the amount of RON 2,205,592,436 (for presentation purposes 516.3 million Euro and, at the exchange rate as of December 31, 2010 is 100,797,249 thousand Tenge) as a result of the Romanian Authorities disagreement with the decision of TRG to partially settle the instrument by issuance of shares. Rompetrol Rafinare S.A. filed a claim against a forced execution requesting cancelation of the Summons and Forced Execution Title. The hearing of the case had been suspended in June 2012 and can be resumed during one year period, until June 6, 2013.

In addition, on September 10, 2010 the Romanian authorities, represented by The National Agency for Fiscal Administration (ANAF), issued a decision for a precautionary seizure on all the participations held by Rompetrol Rafinare S.A. in its affiliates as well as on all movable and immovable assets of Rompetrol Rafinare S.A. except for inventories. This measure is still in force and being challenged by TRG. As of the reporting date this seizure has not been enforced as the Romanian authorities did not initiate forced execution procedures. Management believes that the enforcement of the seizure by the authorities would not be practicable.

On February 15, 2013, Rompetrol Rafinare S.A. and the Office of State Ownership and Privatisation in Industry (OPSPI), representing the Romanian State, signed a memorandum of understanding whereby they agreed the amiable settlement of the dispute over the conversion of the convertible debt instrument, including the following key aspects:

- OPSPI will sell and the Rompetrol Rafinare S.A. will acquire shares owned by OPSPI and representing 26.6959% of Rompetrol Rafinare S.A.'s share capital for a cash consideration of 200 million US Dollars;
- TRG will invest in energy project related to its core activities an amount estimated at 1 billion US Dollars over 7 years;
- Ministry of Public Finance will drop all cases against the General Meeting of Shareholders decisions related to the conversion and will cancel the forced execution title.

The agreement is subject to proper approvals of each party's governing bodies.

As a result of the memorandum, the parties agreed the suspension of the court proceedings, in order to allow the time to implement the memorandum, which was acknowledged by the court on February 18, 2013.

32. CONTINGENT LIABILITIES AND COMMITMENTS (continued)

Tax risks of TRG (continued)

During end of May and beginning of June, the Romanian Parliament passed the law to approve the Memorandum of Understanding signed on February 15, 2013 by the Office of State Ownership and Privatization in Industry ("OPSPI"), representing the Romanian State and The Rompetrol Group. The Constitutional Court rejected the challenge of unconstitutional matter submitted by a numbers of MPs (the decision has been issued within the Official Gazette dated July 31, 2013). Therefore the law has been submitted to the President for promulgation. The President exercised his constitutional right and asked the Parliament to review again the law. Further technical interpretations are expected to be clarified in the next period. As a result, Management of the Group believes that the matter will be resolved on the basis as outlined in the Memorandum of Understanding.

Litigations related to TRG

As at June 30, 2013 TRG was engaged in litigations against the Competition Council of the European Union and SC Bioromoil SRL in the amount of 7.6 billion Tenge and 4.7 billion Tenge, respectively. On February 12, 2013 a court hearing was held, where SC Bioromoil SRL was did not provide substantive evidence to support its position. On February 14, 2013, the London Court of International Arbitration (LCIA) granted a 2-week period for further evidence presentation regarding the origin of the biodiesel. On July 7, 2013 LCIA issued a partial award which held that the TRG is liable in principal to Bioromoil for the amount of Bioromoil's liability to the tax authorities; however, no order was made to TRG to pay to Bioromoil. Per representation obtained from lawyers of TRG, Management of the Group believes that it has a strong ground to win the mentioned litigations and assessed the risks relating to these issues as possible, and thus, no provision has been recognized in these interim condensed consolidated financial statements.

Cost recovery audit (KMG Kashagan)

Under the base principles of the North Caspian Production Sharing Agreement («NCPSA»), the state transferred to the contractors exclusive rights to conduct activity involving a subsoil area, but did not transfer rights to such subsoil area into either ownership or lease. Therefore, all extracted and processed hydrocarbons (i.e. production) are the property of the state. The work is carried out on a compensation basis, with the state paying the contractors not in cash, but with a portion of the oil production, thus allowing the contractors to recover their costs and earn profits. This is so-called production sharing, i.e., the sharing of the results of the work carried out by the investor.

Under the NCPSA not all the costs incurred by the contractors may be recovered. All expenditures need to be approved by the Management Committee («ManCom») for recovery.

The Group considers that all recoverable expenditures of the Operator are appropriately classified in accordance with the NCPSA and that those identified as recoverable expenditures are eligible for recovery as at 30 June 2013.

However, certain expenditures have not been approved by the ManCom in accordance with Sections 13 and 14 of the NCPSA. These expenditures are deemed to be non-recoverable costs for KMG Kashagan until the ManCom approves them. Negotiations continue with the Competent Authority to resolve these issues.

As a result of cost recovery audits performed for the period from 2001 to 2008 expenditures in the amount of 7,974,680 thousand US Dollars were disallowed from cost recovery. KMG Kashagan's share in the expenditures was 1,340,336 thousand US Dollars. As a result of the work performed by the Contractors to resolve the comments, on 28 November 2011 the Competent Authority (PSA LLP) and the Contractors signed the resolution, according to which the disallowed for recovery costs were reduced to 2,958,634 thousand US Dollars with KMG Kashagan's share amounting to 497,249 thousand US Dollars. Within the framework of the Settlement Agreement further negotiations with the Competent Authority were concluded and resulted in the downward revision of the costs disallowed for recovery to 229,900 thousand US Dollars with the KMG Kashagan's share amounting to 38,639 thousand US Dollars.

Cost recovery audit for 2009 was completed in 2012. As a result of the audit performed costs in the amount of US Dollars 875,000 thousand were disallowed for recovery, with KMG Kashagan's share amounting to 147,060 thousand US Dollars. As a result of the cost recovery audit for 2010 costs in the amount 1,335,537 thousand US Dollars were disallowed for recovery, with KMG Kashagan's share amounting to 224,460 thousand US Dollars.

Further negotiations are conducted to resolve the issue in favour of the contractors.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

33. SEGMENT REPORTING

The following represents information about operating segments of the Group as at June 30, 2013 and for the six months then ended:

In thousands of Tenge	Exploration and production of oil and gas	Transportation of oil	Transportation of gas	Refining and trading of crude oil and refined products	Other	Elimination	Total
Revenues from sales to external customers	16,416,551	85,413,213	148,864,435	1,125,357,102	42,039,505	–	1,418,090,806
Revenues from sales to other segments	417,488,887	15,457,166	530,758	1,697,648	9,571,309	(444,745,768)	–
Total revenue	**433,905,438**	**100,870,379**	**149,395,193**	**1,127,054,750**	**51,610,814**	**(444,745,768)**	**1,418,090,806**
Gross profit	277,194,727	49,719,594	51,997,580	65,632,854	4,342,833	(20,941,251)	427,946,337
Finance income	12,583,510	2,433,071	699,149	897,461	11,645,876	(10,978,113)	17,280,954
Finance costs	(12,127,955)	(1,289,656)	(3,381,195)	(6,240,188)	(75,043,743)	10,847,993	(87,234,744)
Depreciation, depletion and amortization	(30,068,823)	(11,548,189)	(11,646,532)	(29,119,662)	(4,530,464)	–	(86,913,670)
Impairment of property, plant and equipment, exploration and evaluation assets, intangible assets other than goodwill	(58,592,491)	(49,761)	(450,138)	961,169	271,338	–	(57,859,883)
Share of profit of joint ventures and associates	219,851,767	7,290,686	21,301,796	(2,904,824)	133,216	–	245,672,641
Income tax expenses	(40,588,271)	(9,662,425)	(9,173,172)	(3,807,820)	(15,961,710)	–	(79,193,398)
Net profit for the period	108,559,441	44,865,531	53,309,539	(7,333,721)	42,464,540	206,105	242,071,435
Other segment information							
Investments in joint ventures and associates	742,269,700	43,744,735	159,003,063	23,815,176	22,545,970	–	991,378,644
Capital expenditures	125,677,941	8,101,613	29,839,622	56,962,219	20,223,197	–	240,804,592
Allowances for obsolete inventories, doubtful accounts receivable, advances paid, and other assets	(4,648,034)	(658,565)	(2,885,014)	(40,916,963)	(7,421,524)	–	(56,530,100)
Assets of the segment	**4,151,023,051**	**525,763,712**	**697,844,013**	**1,930,090,757**	**652,556,196**	**(482,965,807)**	**7,474,311,922**
Liabilities of the segment	**838,392,691**	**146,519,400**	**190,969,088**	**639,222,260**	**2,352,251,771**	**(479,429,687)**	**3,687,925,523**

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

33. SEGMENT REPORTING (continued)

The following represents information about operating segments of the Group as at December 31, 2012 and for the six months ended June 30, 2012:

In thousands of Tenge	Exploration and production of oil and gas	Transportation of oil	Transportation of gas	Refining and trading of crude oil and refined products	Other	Elimination	Total
Revenues from sales to external customers	6,139,594	67,599,163	137,548,391	1,198,959,223	36,742,797	–	1,446,989,168
Revenues from sales to other segments	392,405,580	12,294,332	140,177	173,388,842	7,159,872	(585,388,803)	–
Total revenue	**398,545,174**	**79,893,495**	**137,688,568**	**1,372,348,065**	**43,902,669**	**(585,388,803)**	**1,446,989,168**
Gross profit	268,246,404	26,060,180	44,267,693	92,883,567	4,278,230	(14,553,610)	421,182,464
Finance income	10,103,275	1,767,264	915,965	2,063,542	15,156,100	(12,318,592)	17,687,554
Finance costs	(10,762,509)	(771,306)	(3,285,923)	(7,294,376)	(69,020,843)	12,980,584	(78,154,373)
Depreciation, depletion and amortization	(25,679,939)	(10,710,630)	(10,140,305)	(29,839,615)	(963,649)	–	(77,334,138)
Impairment of property, plant and equipment, exploration and evaluation assets, intangible assets other than goodwill	(3,849,276)	(887)	–	42,370	(82,878)	–	(3,890,671)
Share of profit of joint ventures and associates	42,136,903	3,974,396	(65,564)	20,962	206,005,758	–	252,072,455
Income tax expenses	(44,818,201)	(4,357,491)	(6,543,210)	(5,312,429)	(24,371,494)	–	(85,402,825)
Net profit for the period	113,952,753	21,917,602	27,593,159	11,125,108	109,524,506	(1,660,136)	282,452,992
Other segment information							
Investments in joint ventures and associates	680,488,873	36,791,618	137,288,807	29,018,388	10,509,353	–	894,097,039
Capital expenditures	413,105,891	11,908,413	58,881,427	26,963,355	40,763,201	–	551,622,287
Allowances for obsolete inventories, doubtful accounts receivable, advances paid, and other assets	(3,994,547)	(689,908)	(3,361,481)	(39,800,288)	(607,062)	–	(48,453,286)
Assets of the segment	**3,988,886,267**	**461,461,754**	**661,797,622**	**1,955,948,005**	**312,408,275**	**(546,780,500)**	**6,833,721,423**
Liabilities of the segment	**756,643,626**	**113,117,992**	**209,237,824**	**654,257,515**	**2,047,865,873**	**(540,937,175)**	**3,240,185,655**

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

34. SUBSEQUENT EVENTS

The North Caspian Production Sharing Agreement

In accordance with the Second Supplemental Agreement to the NCPSA requirements, on November 26, 2012 ConocoPhillips North Caspian Ltd. notified the NCPSA Contractors on its intention to dispose its interest in the NCPSA of 8.40% to ONGC Videsh Limited. The Republic of Kazakhstan as represented by the Company exercised its preemptive right under the NCPSA to acquire this interest with further transfer to KMG Kashagan B.V. In its turn, the KMG Kashagan B.V. intends to sell its existing interest of 8.33% to CNPC Kazakhstan B.V.

On July 11, 2013 a purchase-sale agreement for 8.40% interest in the NCPSA between the Company (as buyer) and ConocoPhillips North Caspian Ltd. (as seller) was signed. At the same date a purchase-sale agreement for 8.40% interest in the NCPSA between the Company (as seller) and KMG Kashagan B. V. (as buyer) was signed. The purchase price of these transactions depends on the date of closure. If the transactions are closed by the end of September 2013, the estimated purchase price approximates 5.4 billion US dollars.

Borrowings

On July 24, 2013 KMG RM and PNHZ entered in a credit line agreement in the amount of 100 million US Dollars with Natixis for one year. The purpose of the loan is to finance working capital. Interest rate is Libor (1month/2months/3months) + 2.15% annually. Borrowers pledged cash and cash equivalents of TH KazMunaiGas NV in the amount of 18 million US Dollars under the loan agreement.

Major part of cash received from the bonds issued in the amount of 3 billion US Dollars in 2013 *(Note 18)*, the Group used for the repayment of bonds and loans, issued and received previously:

- the repayment of 1.4 billion US Dollars Eurobonds issued in 2008;
- a partial redemption of bonds payable to Development Bank of Kazakhstan (quantity of 8 million bonds) in the amount of 8,113,573 thousand Tenge.

Dividends paid and received

On July 30, 2013 the Company paid out dividends to the Shareholder in the amount of 38,961,364 thousand Tenge.

On August 8, 2013 KazRosGaz JSC paid out dividends to the Company in the amount of 40,891,107 thousand Tenge.

In July and August 2013 Tengizchevroil LLP paid out dividends to the Company in the total amount of 19,826,145 thousand Tenge.