

**JSC “National Company
“KazMunayGas”**

Interim Condensed Consolidated Financial Statements (unaudited)

*For the six months ended
June 30, 2012*

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REPORT ON REVIEW OF INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

To the shareholder 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 2012 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.

Conclusion

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

Ernst & Young LLP



Gulmira Turmagambetova
Auditor

Auditor Qualification Certificate
No. 0000374 dated 21 February 1998

20 August 2012



Evgeny Zhemaletdinov
General Director
Ernst & Young LLP

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

INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION

<i>In thousands of Tenge</i>	Note	June 30, 2012 (unaudited)	December 31, 2011 (audited)
ASSETS			
Non-current assets			
Property, plant and equipment	5	3,302,168,882	2,833,619,231
Exploration and evaluation assets	6	170,440,599	160,312,469
Intangible assets	7	197,120,907	197,952,790
Long-term bank deposits	8	4,449,601	9,908,968
Investments in joint ventures and associates	9	890,743,890	919,155,435
Deferred income tax assets		13,351,289	10,605,619
VAT recoverable		23,815,632	49,328,641
Advances for non-current assets		86,306,395	76,785,170
Bonds receivable from related party		36,635,850	36,551,537
Note receivable from a shareholder of a joint venture		18,490,023	18,138,239
Note receivable from associate		19,767,369	19,220,620
Loan due from related party		18,325,595	67,121,199
Other non-current assets		12,852,392	11,738,636
		4,794,468,424	4,410,438,554
Current assets			
Inventories	10	218,099,563	202,833,712
VAT recoverable		78,782,045	39,821,912
Income taxes prepaid		22,825,409	30,735,062
Trade accounts receivable	11	244,803,970	185,599,946
Short-term financial assets	12	778,537,730	503,556,091
Note receivable from a shareholder of a joint venture		2,574,038	1,361,055
Dividends receivable from associate	9	35,149,620	29,383,200
Other current assets	11	125,429,385	188,394,899
Cash and cash equivalents	13	462,383,365	581,912,135
		1,968,585,125	1,763,598,012
Assets classified as held for sale		105,234	138,459
		1,968,690,359	1,763,736,471
TOTAL ASSETS		6,763,158,783	6,174,175,025

INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)

<i>In thousands of Tenge</i>	Note	June 30, 2012 (unaudited)	December 31, 2011 (audited)
EQUITY AND LIABILITIES			
Equity			
Share capital	14	527,760,531	341,393,764
Additional paid-in capital		13,237,994	13,237,994
Other equity		2,076,485	1,966,059
Currency translation reserve		200,453,379	188,573,100
Retained earnings		2,281,147,557	2,033,329,755
Attributable to equity holders of the parent		3,024,675,946	2,578,500,672
Non-controlling interest	14	564,951,074	581,657,604
Total equity		3,589,627,020	3,160,158,276
Non-current liabilities			
Borrowings	15	1,754,892,195	1,634,843,487
Payable for the acquisition of additional interest in North Caspian Project		329,787,098	320,926,724
Payable for acquisition of subsidiary		–	6,383,473
Provisions	16	97,419,303	70,309,372
Deferred income tax liabilities		148,097,139	149,590,052
Other non-current liabilities		18,332,338	12,672,087
		2,348,528,073	2,194,725,195
Current liabilities			
Borrowings	15	314,392,612	282,941,427
Provisions	16	44,213,729	52,606,910
Income taxes payable		4,783,334	2,246,665
Trade accounts payable		224,018,493	242,635,897
Other taxes payable	17	96,721,417	98,897,684
Derivatives		933,726	179,000
Other current liabilities	18	139,940,379	139,783,971
		825,003,690	819,291,554
Total liabilities		3,173,531,763	3,014,016,749
TOTAL EQUITY AND LIABILITIES		6,763,158,783	6,174,175,025

The accounting policies and explanatory notes on pages 7 through 25 form an integral part of these interim condensed consolidated financial statements

Vice Chairman of Management Board on Economy and Finance

Chief Accountant



Kasymbek A.M.

Valentinova N.S.

INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

<i>In thousands of Tenge</i>	<i>Note</i>	For the six months ended June 30, 2012 (unaudited)	For the six months ended June 30, 2011 (unaudited)
Revenue	19	1,447,189,203	1,250,629,231
Cost of sales	20	(1,026,271,714)	(829,201,154)
Gross profit		420,917,489	421,428,077
General and administrative expenses	21	(60,596,723)	(75,763,398)
Transportation and selling expenses	22	(180,995,599)	(194,032,736)
Impairment of property, plant and equipment	5	(573,378)	(209,357)
Impairment of exploration and evaluation assets	6	(3,317,293)	—
Loss on disposal of property, plant and equipment, net		(1,009,247)	(2,346,944)
Other operating income		18,390,082	4,329,100
Other operating expenses		(8,883,328)	(5,026,053)
Operating profit		183,932,003	148,378,689
Net foreign exchange (loss) / gain		(7,452,055)	6,777,971
Finance income	23	17,691,589	24,867,142
Finance costs	24	(78,201,719)	(84,207,187)
Share of income of joint ventures and associates	25	252,072,455	267,943,947
Profit for the period from continuing operations before income tax		368,042,273	363,760,562
Income tax expenses	26	(85,394,353)	(65,364,922)
Profit for the period from continuing operations		282,647,920	298,395,640
Discontinued operation			
Profit after tax for the period from discontinued operations		—	1,255,336
Profit for the period		282,647,920	299,650,976
Attributable to:			
Equity holder of the Company		246,011,261	262,082,898
Non-controlling interest		36,636,659	37,568,078
		282,647,920	299,650,976
Other comprehensive income:			
Foreign currency translation		12,444,321	(11,679,741)
Other comprehensive income / (loss) for the period		12,444,321	(11,679,741)
Total comprehensive income for the period, net of tax		295,092,241	287,971,235
Attributable to:			
Equity holder of the Company		257,891,540	251,510,652
Non-controlling interest		37,200,701	36,460,583
		295,092,241	287,971,235

The accounting policies and explanatory notes on pages 7 through 25 form an integral part of these interim condensed consolidated financial statements

Vice Chairman of Management Board on Economy and Finance

Chief Accountant



Kasymbek A.M.

Valentinova N.S.

INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS

<i>In thousands of Tenge</i>	Note	For the six months ended June 30, 2012 (unaudited)	For the six months ended June 30, 201 (unaudited)
Cash flows from operating activities:			
Profit before income tax for the period from continuing operations		368,042,273	363,760,562
Profit before income tax for the period from discontinued operation		–	1,255,336
Adjustments for:			
Depreciation, depletion and amortization	20, 21, 22	77,429,515	71,210,362
Share of income of joint ventures and associates	25	(252,072,455)	(267,943,947)
Finance costs	24	78,201,719	84,207,187
Finance income	23	(17,691,589)	(24,867,142)
Impairment of property, plant and equipment and exploration and evaluation assets	5, 6	3,890,671	209,357
Loss on disposal of property, plant and equipment		1,009,247	2,346,944
Provisions	16	6,637,930	(1,877,169)
Allowance for doubtful debts	21	934,816	2,417,145
Accrual of provision for obsolete inventory	10	813,449	1,751,956
Recognition of share based payments		803,759	305,508
Loss / (gain) on unrealized foreign exchange		6,467,214	(14,569,352)
Operating profit before working capital changes		274,466,549	218,206,747
Change in inventories		(10,617,252)	(2,618,517)
Change in VAT recoverable		(10,338,986)	(3,750,992)
Change in trade accounts receivable and other assets		25,053,827	(41,131,688)
Change in other taxes payable		(2,183,815)	22,684,409
Change in trade accounts payable		(19,937,285)	(47,599,095)
Change in other liabilities and short-term provisions		(21,220,794)	(15,001,555)
Cash generated from operations		235,222,244	130,789,309
Income taxes paid		(79,186,614)	(72,792,563)
Interest received		6,995,057	10,568,908
Interest paid		(60,767,881)	(39,153,743)
Net cash flow from operating activities		102,262,806	29,411,911
Cash flows from investing activities:			
Bank deposits		(217,372,271)	(41,705,885)
Acquisition of subsidiaries, net of cash acquired		–	(46,831,985)
Loans given to related parties		–	(7,624,447)
Purchase of property, plant and equipment, exploration and evaluation assets, and intangible assets		(223,167,378)	(178,065,327)
Proceeds from sale of property, plant and equipment, exploration and evaluation assets and intangible assets		6,571,287	7,372,413
Distributions received from joint ventures and associates		278,012,163	210,000,658
Acquisition of interest in Karachaganak, net of cash acquired	4	(146,804,042)	–
Acquisition of joint ventures		–	(23,906,835)
Additional contribution into joint ventures		(492,000)	(290,061)
Net cash flow used in investing activities		(303,252,241)	(81,051,469)

INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS

(continued)

<i>In thousands of Tenge</i>	Note	For the six months ended June 30, 2012 (unaudited)	For the six months ended June 30, 2011 (unaudited)
Cash flows from financing activities:			
Proceeds from borrowings		345,412,484	66,947,568
Repayment of borrowings		(209,068,107)	(132,074,311)
Buy back of subsidiaries shares		(17,945,410)	(10,198,758)
Issuance of shares	14	2,000,004	–
Dividends paid to non-controlling interests	14	(34,321,871)	(22,233,141)
Repayment of payables for acquisition of subsidiaries		(6,383,473)	–
Acquisition of non-controlling interest		(526,742)	(78,913)
Other distributions to Shareholder	14	–	(3,900,000)
Net cash flow from / (used in) financing activities		79,166,885	(101,537,555)
Effects of exchange rate changes on cash and cash equivalents		2,293,780	(808,513)
Net decrease in cash and cash equivalents		(119,528,770)	(153,985,626)
Cash and cash equivalents at the beginning of the period	13	581,912,135	637,917,383
Cash and cash equivalents at the end of the period	13	462,383,365	483,931,757

The accounting policies and explanatory notes on pages 7 through 25 form an integral part of these interim condensed consolidated financial statements

Vice Chairman of Management Board on Economy and Finance

Chief Accountant



[Signature]
Kasymbek A.M.

[Signature]
Valentinova N.S.

INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

In thousands of Tenge	Attributable to equity holder of the Company						
	Share capital	Additional paid-in capital	Other equity	Currency translation reserve	Retained earnings	Total	Non-controlling interest
	14	14			14		14
Note							
As at December 31, 2010 (audited)	326,435,861	2,266,580	5,176,205	173,330,751	1,664,778,234	2,171,987,631	559,364,977
Net profit for the period	-	-	-	-	262,082,898	262,082,898	37,568,078
Other comprehensive loss	-	-	-	(10,572,246)	-	(10,572,246)	(1,107,495)
Total comprehensive income for the period	-	-	-	(10,572,246)	262,082,898	251,510,652	36,460,583
Charter contribution	1,785,863	-	-	-	-	1,785,863	-
Discounting of loans from Shareholder	-	10,971,416	-	-	-	10,971,416	-
Other distributions to the Shareholder	-	-	-	-	(3,900,000)	(3,900,000)	-
Dividends	-	-	-	-	(45,796,383)	(45,796,383)	-
Dividends of subsidiaries	-	-	-	-	-	-	(22,233,141)
Recognition of share based payments at subsidiaries	-	-	125,236	-	60,954	186,190	119,318
Acquisition of treasury shares by subsidiary	-	-	-	-	(1,154,987)	(1,154,987)	(9,043,771)
Change in ownership of subsidiaries	-	-	-	-	(1,761,219)	(1,761,219)	1,682,306
As at June 30, 2011 (unaudited)	328,221,724	13,237,996	5,301,441	162,758,505	1,874,309,497	2,383,829,163	566,350,272
As at December 31, 2011 (audited)	341,393,764	13,237,994	1,966,059	188,573,100	2,033,329,755	2,578,500,672	581,657,604
Net profit for the period	-	-	-	-	246,011,261	246,011,261	36,636,659
Other comprehensive income	-	-	-	11,880,279	-	11,880,279	564,042
Total comprehensive income for the period	-	-	-	11,880,279	246,011,261	257,891,540	37,200,701
Charter contribution (Note 14)	186,366,767	-	-	-	-	186,366,767	-
Dividends of subsidiaries (Note 14)	-	-	-	-	-	-	(34,321,871)
Recognition of share based payments at subsidiaries	-	-	110,426	-	-	110,426	693,333
Acquisition of treasury shares by subsidiary (Note 14)	-	-	-	-	2,703,231	2,703,231	(20,648,641)
Change in ownership of subsidiaries	-	-	-	-	(896,690)	(896,690)	369,948
As at June 30, 2012 (unaudited)	527,760,531	13,237,994	2,076,485	200,453,379	2,281,147,557	3,024,675,946	564,951,074
							3,589,627,020

The accounting policies and explanatory notes on pages 7 through 25 form an integral part of these interim condensed consolidated financial statements

Vice Chairman of Management Board on Economy and Finance

Chief Accountant



Kasymbek A.M.

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 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 ("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 "Samruk-Kazyna National Welfare Fund" (the "Parent" or "Samruk-Kazyna"). The Government is the sole shareholder of Samruk-Kazyna.

As of June 30, 2012 the Company has an interest in a 37 companies (2011: 35) (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 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 the designing, 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 Vice Chairman of Management Board on Economy and Finance and the Chief Accountant on August 20, 2012.

2. BASIS OF PREPARATION

The interim condensed consolidated financial statements for the six months ended June 30, 2012 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, 2011.

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

2. BASIS OF PREPARATION (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 the 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 30 June 2012 and 31 December 2011 were 149.42 Tenge and 148.4 to US\$ 1 accordingly. These rates were used for translation of monetary assets and liabilities denominated in US Dollars at 30 June 2012 and 31 December 2011. The currency exchange rate of KASE as at 20 August 2012 was 149.18 Tenge to US\$ 1.

Changes in accounting policies

The accounting policies applied in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended December 31, 2011, except for the adoption of new standards and interpretations as of January 1, 2012, noted below:

- *IAS 12 - Deferred Tax: Recovery of Underlying Assets (Amendment)*. This amendment to IAS 12 includes a rebuttable presumption that the carrying amount of investment property measured using the fair value model in IAS 40 will be recovered through sale and, accordingly, that any related deferred tax should be measured on a sale basis. The presumption is rebutted if the investment property is depreciable and it is held within a business model whose objective is to consume substantially all of the economic benefits in the investment property over time, rather than through sale. Specifically, IAS 12 will require that deferred tax arising from a non-depreciable asset measured using the revaluation model in IAS 16 should always reflect the tax consequences of recovering the carrying amount of the underlying asset through sale. Effective implementation date is for annual periods beginning on or after 1 January 2012.
- *IFRS 7 - Disclosures - Transfers of financial assets (Amendment)*. The IASB issued an amendment to IFRS 7 that enhances disclosures for financial assets. These disclosures relate to assets transferred (as defined under IAS 39). If the assets transferred are not derecognised entirely in the financial statements, an entity has to disclose information that enables users of financial statements to understand the relationship between those assets which are not derecognized and their associated liabilities. If those assets are derecognised entirely, but the entity retains a continuing involvement, disclosures have to be provided that enable users of financial statements to evaluate the nature of, and risks associated with, the entity's continuing involvement in those derecognised assets. Effective implementation date is for annual periods beginning on or after 1 July 2011 with no comparative requirements.

The adoption of the above described amendments did not have any impact on the financial position or performance of the Group.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

2. BASIS OF PREPARATION (continued)

Changes in accounting policies (continued)

The following amendments to IFRS standards will not have any impact on the accounting policies, financial position or performance of the Group:

- IFRS 1 - *Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters (Amendment)*. When an entity's date of transition to IFRS is on or after the functional currency normalisation date, the entity may elect to measure all assets and liabilities held before the functional currency normalisation date, at fair value on the date of transition to IFRS. This fair value may be used as the deemed cost of those assets and liabilities in the opening IFRS statement of financial position. However, this exemption may only be applied to assets and liabilities that were subject to severe hyperinflation. Effective implementation date is for annual periods beginning on or after 1 July 2011 with early adoption permitted.

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 in the latter part of the year than in the first six months. These fluctuations are mainly due to the requirement to conduct formal public tenders during the first six months with goods and services being 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 oilfield 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 was assessed as 300,070,282 thousand Tenge as of the date of the transaction. 5% of interest in Karachaganak was contributed by the Shareholder for the total amount of 150,035,141 thousand Tenge. The other 5% of interest in Karachaganak was acquired from the Shareholder with funds obtained under a loan agreement with the participants of Karachaganak for the total amount of 1 billion USD (equivalent to 149,420,000 thousand Tenge as of June 30, 2012) (Note 15).

In accordance with the Joint Operations Agreement ("JOA") amended on June 28, 2012 the Group acquired all rewards and benefits and costs and expenses accruing or resulting from joint operations in proportion to its acquired participating interest. Share in Karachaganak as of June 30, 2012 was represented as follows:

<i>In thousands of Tenge</i>	Fair values recognized on acquisition
Cash	3,231,099
Intangible assets	58,458
Property, plant and equipment	287,868,678
Other current assets	25,448,722
	316,606,957
Provisions	7,237,038
Other current liabilities	9,299,637
	16,536,675
Net assets	300,070,282

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

5. PROPERTY, PLANT AND EQUIPMENT

<i>In thousands of Tenge</i>	Oil and gas assets	Pipelines	Refinery assets	Buildings and improve-ments	Machinery and equipment	Vehicles	Other	Capital work in progress	Total
Net book value as at December 31, 2011 (audited)	1,524,394,482	218,810,533	431,506,995	191,530,217	189,538,440	84,814,739	30,010,651	163,013,174	2,833,619,231
Foreign currency translation	9,344,222	–	2,027,600	687,237	163,915	160,083	(29,845)	70,094	12,423,306
Additions	77,397,888	35,050,303	981,620	436,029	2,149,898	4,487,173	2,266,728	127,279,778	250,039,417
Acquisitions of interest in Karachaganak (Note 4)	287,868,678	–	–	–	–	–	–	–	287,868,678
Disposals	(1,227,551)	(64,552)	(552,889)	(1,773,656)	(506,777)	(377,138)	(376,265)	(3,478,887)	(8,357,715)
Depreciation charge	(18,575,095)	(5,604,758)	(19,368,787)	(6,541,842)	(13,440,972)	(5,258,944)	(5,195,528)	–	(73,985,926)
Accumulated depreciation on disposals (Impairment provision) / reversal of impairment provision	706,273	52,946	225,809	897,198	383,430	339,263	265,809	–	2,870,728
Transfers to inventories	(352,072)	–	–	(82,369)	7,269	(195)	(103,819)	(42,192)	(573,378)
Transfers to intangible assets	(132,854)	(98,714)	10,075	(21)	(5,836)	–	(12)	(79,932)	(307,294)
Transfers and reclassifications	28,928,884	5,061,432	17,612,652	2,351,919	8,796,208	3,994,735	(808,643)	(1,323,082)	(1,428,165)
Net book value as at June 30, 2012 (unaudited)	1,908,342,855	253,207,190	432,443,075	187,504,712	187,039,697	88,159,716	25,969,871	219,501,766	3,302,168,882
At cost	2,142,225,139	315,413,551	580,868,853	273,134,663	309,411,546	127,816,400	54,181,299	225,946,854	4,028,998,305
Accumulated depreciation and impairment	(233,882,284)	(62,206,361)	(148,425,778)	(85,629,951)	(122,371,849)	(39,656,684)	(28,211,428)	(6,445,088)	(726,829,423)
Net book value as at June 30, 2012 (unaudited)	1,908,342,855	253,207,190	432,443,075	187,504,712	187,039,697	88,159,716	25,969,871	219,501,766	3,302,168,882
At cost	1,739,895,397	275,472,476	560,244,737	271,392,432	298,653,695	119,795,393	60,212,321	171,486,124	3,497,152,575
Accumulated depreciation and impairment	(215,500,915)	(56,661,943)	(128,737,742)	(79,862,215)	(109,115,255)	(34,980,654)	(30,201,670)	(8,472,950)	(663,533,344)
Net book value as at December 31, 2011 (audited)	1,524,394,482	218,810,533	431,506,995	191,530,217	189,538,440	84,814,739	30,010,651	163,013,174	2,833,619,231

For the six months ended June 30, 2012, the Group capitalized borrowing costs in the amount of 3,154,207 thousand Tenge related to construction of new assets (for the six-month ended June 30, 2011: 2,730,787 thousand Tenge).

As at June 30, 2012, items of property, plant and equipment with the net book value of 980,236,010 thousand Tenge (as at December 31, 2011: 946,839,813 thousand Tenge) are pledged as collateral to secure borrowings and payables of the Group (Note 15).

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

6. EXPLORATION AND EVALUATION ASSETS

<i>In thousands of Tenge</i>	Tangible assets	Intangible assets	Total
Net book value as at December 31, 2011 (audited)	133,479,700	26,832,769	160,312,469
Foreign currency translation	1,256,701	–	1,256,701
Additions	13,682,015	32,177	13,714,192
Impairment	(3,317,293)	–	(3,317,293)
Disposals	(1,525,470)	–	(1,525,470)
Net book value as at June 30, 2012 (unaudited)	143,575,653	26,864,946	170,440,599

7. INTANGIBLE ASSETS

<i>In thousands of Tenge</i>	Goodwill	Marketing related intangible assets	Software	Other	Total
Net book value as at December 31, 2011 (audited)	135,061,655	27,004,212	15,175,881	20,711,042	197,952,790
Foreign currency translation	(15,406)	185,745	9,173	61,860	241,372
Additions	–	–	658,048	486,446	1,144,494
Acquisition of interest in Karachaganak (Note 4)	–	–	–	58,458	58,458
Disposals	–	–	(21,530)	(252,368)	(273,898)
Amortization charge	–	–	(2,069,842)	(1,373,747)	(3,443,589)
Accumulated amortization on disposals	–	–	5,655	7,460	13,115
Transfer from construction in progress	–	–	5,038	1,423,127	1,428,165
Transfers	–	–	330,780	(330,780)	–
Net book value as at June 30, 2012 (unaudited)	135,046,249	27,189,957	14,093,203	20,791,498	197,120,907
At cost	165,578,063	27,729,431	30,708,362	34,596,714	258,612,570
Accumulated amortization and impairment	(30,531,814)	(539,474)	(16,615,159)	(13,805,216)	(61,491,663)
Net book value as at June 30, 2012 (unaudited)	135,046,249	27,189,957	14,093,203	20,791,498	197,120,907
At cost	165,446,556	27,562,193	29,706,453	33,075,410	255,790,612
Accumulated amortization and impairment	(30,384,901)	(557,981)	(14,530,572)	(12,364,368)	(57,837,822)
Net book value as at December 31, 2011 (audited)	135,061,655	27,004,212	15,175,881	20,711,042	197,952,790

8. LONG-TERM BANK DEPOSITS

As at June 30, 2012, the weighted average interest rate for long-term bank deposits was 2.56% in US Dollars, 2.89% in Tenge and 3.09% in EUR (as at December 31, 2011: 5% in US Dollars, 3.01% in Tenge and 4% in EUR).

<i>In thousands of Tenge</i>	June 30, 2012 (unaudited)	December 31, 2011 (audited)
Denominated in US Dollar	232,301	186,255
Denominated in KZT	4,179,720	9,680,853
Denominated in EUR	37,580	41,860
	4,449,601	9,908,968

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

8. LONG-TERM BANK DEPOSITS (continued)

Long-term bank deposits as at June 30, 2012 include cash of 2,458,694 thousand Tenge (as at December 31, 2011: 1,662,649 thousand Tenge) pledged as collateral to secure banking facilities granted to the Group.

<i>In thousands of Tenge</i>	June 30, 2012 (unaudited)	December 31, 2011 (audited)
Maturities between 1 and 2 years	183,549	7,917,541
Maturities over 2 years	4,266,052	1,991,427
	4,449,601	9,908,968

As at June 30, 2012 the credit ratings of the banks, where most of the Group's long-term deposits are placed, did not worsen as compared to December 31, 2011.

9. INVESTMENTS IN JOINT VENTURES AND ASSOCIATES

<i>In thousands of Tenge</i>	June 30, 2012 (unaudited)		December 31, 2011 (audited)	
	Book value	Ownership share	Book value	Ownership share
<i>Joint Ventures:</i>				
Tengizchevroil LLP	249,055,529	20.00%	236,733,082	20.00%
Mangistau Investments B.V.	145,890,252	50.00%	112,313,687	50.00%
KazRosGas JSC	82,446,618	50.00%	164,437,515	50.00%
KazGerMunay LLP	75,823,633	50.00%	83,827,856	50.00%
Beineu-Shymkent Pipeline LLP	70,821,289	50.00%	70,348,225	50.00%
Kazakhoil-Aktobe LLP	67,629,283	50.00%	60,765,521	50.00%
Valsera Holdings B.V.	17,752,594	50.00%	17,654,144	50.00%
Ural Group Limited BVI ("UGL")	17,285,699	50.00%	17,703,117	50.00%
Kazakhstan-China Pipeline LLP	6,794,306	50.00%	3,431,884	50.00%
MunayTas JSC	6,735,017	51.00%	6,121,357	51.00%
JV Caspi Bitum LLP	3,083,548	50.00%	3,305,185	50.00%
Other	21,169,169		20,081,464	
<i>Associates:</i>				
PetroKazakhstan Inc.	103,247,268	33.00%	99,671,202	33.00%
Caspian Pipeline Consortium	17,133,014	20.75%	16,810,919	20.75%
Other	5,876,671		5,950,277	
	890,743,890		919,155,435	

During the six-month period, ended June 30, 2012 the Group recognized its share of income from joint ventures and associates in the amount of 252,072,455 thousand Tenge (June 30, 2011: 267,943,947 thousand Tenge), which resulted in an increase in carrying value of investments. Dividends declared by joint ventures and associates totaled 283,778,583 thousand Tenge (June 30, 2011: 195,534,778 thousand Tenge) and resulted in a respective decrease in the carrying value of investments. As at June 30, 2012, dividends receivable from PKI amounted to 35,149,620 thousand Tenge (December 31, 2011: 29,383,200 thousand Tenge). The remaining change in investments relates to foreign currency translation adjustment.

The following table summarizes the movements in investments in joint ventures and associates during six months of 2012:

<i>In thousands of Tenge</i>	
At January 1,	919,155,435
Contributions	492,000
Share of profits (Note 25)	252,072,455
Dividends declared	(283,778,583)
Foreign currency translation	2,802,583
At June 30,	890,743,890

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

10. INVENTORIES

<i>In thousands of Tenge</i>	June 30, 2012 (unaudited)	December 31, 2011 (audited)
Materials and supplies	94,710,603	83,407,044
Refined products	85,125,121	69,241,137
Crude oil	42,670,645	42,219,938
Gas products	6,956,371	18,515,321
Less: write-down to net realizable value	(11,363,177)	(10,549,728)
	218,099,563	202,833,712

11. TRADE ACCOUNTS RECEIVABLE AND OTHER CURRENT ASSETS

<i>In thousands of Tenge</i>	June 30, 2012 (unaudited)	December 31, 2011 (audited)
Prepayments and deferred expenses	52,511,354	49,103,110
Taxes recoverable	5,055,616	3,910,440
Other current assets	75,026,712	141,679,232
Less: allowance for impairment	(7,164,297)	(6,297,883)
Total other current assets	125,429,385	188,394,899
Trade accounts receivable	256,896,050	197,089,984
Less: allowance for doubtful debts	(12,092,080)	(11,489,938)
Trade accounts receivable	244,803,970	185,599,946

As at June 30, 2012 and December 31, 2011, trade accounts receivable and other current assets were non-interest bearing.

As at June 30, 2012 the Group has pledged trade accounts receivable of approximately 58,394,830 thousand Tenge (as at December 31, 2011: 26,832,204 thousand Tenge) as collateral to secure borrowings and payables of the Group (Note 15).

As of June 30, 2012 other current assets include 25,448,722 thousand Tenge acquired with Karachaganak.

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

<i>In thousands of Tenge</i>	2012	2011
As at January 1 (audited)	17,787,821	15,709,357
Charge for the period	1,190,325	2,997,515
Receivables written off	(109,994)	(775,637)
Foreign currency translation	(376,920)	727,602
Reinstatement	1,020,654	—
Recovered	(255,509)	(580,370)
As at June 30 (unaudited)	19,256,377	18,078,467

12. SHORT-TERM FINANCIAL ASSETS

<i>In thousands of Tenge</i>	June 30, 2012 (unaudited)	December 31, 2011 (audited)
Short-term bank deposits	664,919,239	446,515,495
Loans due from related parties	119,427,184	62,849,289
Less: allowance for doubtful loans to related parties	(5,808,693)	(5,808,693)
	778,537,730	503,556,091

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

12. SHORT-TERM FINANCIAL ASSETS (continued)

As at June 30, 2012, the weighted average interest rate for short-term bank deposits was 4.16% in US Dollars and 3.95% in Tenge (as at December 31, 2011: 4.09% in US Dollars, 3.29% in Tenge and 0.86% in other foreign currency).

As at June 30, 2012 short-term financial assets in US Dollars include restricted cash of 83,456,656 thousand Tenge (as at December 31, 2011: 31,147,066 thousand Tenge) kept on the blocked account as the security for the payment of loan interest and principal obtained for acquisition of 33% interest in PetroKazakhstan Inc.

As at June 30, 2012 the credit ratings of the banks, where most of the Group's short-term deposits are placed, did not worsen as compared to December 31, 2011.

<i>In thousands of Tenge</i>	June 30, 2012 (unaudited)	December 31, 2011 (audited)
Short-term financial assets in US Dollars	530,011,724	321,111,501
Short-term financial assets in Tenge	248,526,006	176,171,505
Short-term financial assets in other foreign currencies	—	6,273,085
	778,537,730	503,556,091

13. CASH AND CASH EQUIVALENTS

<i>In thousands of Tenge</i>	June 30, 2012 (unaudited)	December 31, 2011 (audited)
Term deposits with banks – US Dollars	91,952,805	222,109,017
Current accounts with banks – US Dollars	115,766,306	105,188,711
Term deposits with banks – Tenge	55,755,748	117,011,743
Current accounts with banks – Tenge	164,628,564	114,055,662
Term deposits with banks – other currencies	9,571,990	7,991,776
Current accounts with banks – other currencies	11,609,134	12,031,208
Cash-on-hand	13,098,818	3,524,018
	462,383,365	581,912,135

Term deposits are made for varying periods of between one day and three months, depending on the current cash requirements of the Group. As at June 30, 2012, the weighted average interest rate for term deposits with banks was 1.3% in US Dollars and 1.76% in Tenge (as at December 31, 2011: 1.33% in US Dollars and 1.17% in Tenge).

As at June 30, 2012 the credit ratings of the banks, where most of the Group's term deposits and current accounts are placed, did not worsen as compared to December 31, 2011.

14. EQUITY

During the six-month period ended June 30, 2012, the Company authorized and issued 102,670,272 common shares, which comprised 30,007,029 common shares with par value of 5,000 Tenge per common share, 72,663,241 common shares with par value of 500 Tenge, one common share with par value of 704 Tenge and one common share with par value of 592 Tenge. During six-month period ended June 30, 2012, the Parent acquired and paid for all issued common shares. As the consideration for these common shares the Company received: cash of 2,000,004 thousand Tenge, gas pipelines with the fair value of 34,331,622 thousand Tenge and 5% interest in Karachaganak with the fair value of 150,035,141 thousand Tenge.

Dividends

During the six-month period ended June 30, 2012, the Group paid dividends of 34,321,871 thousand Tenge to the holders of non-controlling interest in Exploration Production KazMunayGas JCS ("KMG EP") (six months ended June 30, 2011: 22,233,141 thousand Tenge).

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

14. EQUITY (continued)

Non-controlling interest

<i>In thousands of Tenge</i>	June 30, 2012 (unaudited)	December 31, 2011 (audited)
Exploration Production KazMunayGas JSC	495,580,662	502,935,028
Subsidiaries of Cooperative KazMunayGas U.A.	68,512,543	78,251,099
Subsidiaries of KazMunayGas Refinery and Marketing JSC	300,145	277,074
Other	557,724	194,403
	564,951,074	581,657,604

For the six months ended June 30, 2012, KMG EP increased its treasury stock due to share repurchase program (1,100,558 common shares repurchased) for 17,945,410 thousand Tenge (six months ended June 30, 2011: 529,605 preferred shares for 10,198,758 thousand Tenge). The carrying value of the derecognized non-controlling interest was 20,648,641 thousand Tenge as of June 30, 2012. The difference between the amount paid and carrying value of acquired non-controlling interest derecognized of 2,703,231 thousand Tenge was recognized in retained earnings for the six months ended June 30, 2012.

15. BORROWINGS

<i>In thousands of Tenge</i>	June 30, 2012 (unaudited)	December 31, 2011 (audited)
Fixed interest rate borrowings	1,458,916,184	1,363,436,347
Weighted average interest rates	5.72%	8.13%
Variable interest rate borrowings	610,368,623	554,348,567
Weighted average interest rates	3.99%	8.92%
	2,069,284,807	1,917,784,914

<i>In thousands of Tenge</i>	June 30, 2012 (unaudited)	December 31, 2011 (audited)
US Dollar-denominated borrowings	1,762,220,260	1,631,878,747
Tenge-denominated borrowings	239,191,601	250,491,821
Euro-denominated borrowings	67,671,378	35,263,082
Other currency-denominated borrowings	201,568	151,264
	2,069,284,807	1,917,784,914

<i>In thousands of Tenge</i>	June 30, 2012 (unaudited)	December 31, 2011 (audited)
Current portion	314,392,612	282,941,427
Non-current portion	1,754,892,195	1,634,843,487
	2,069,284,807	1,917,784,914

The major changes in borrowings are discussed below:

In June 2012 for the purpose of acquisition of 5% share in Karachaganak (Note 4) through 50% in FPSAIMEC LLP, the Group, Agip Karachaganak B.V., BG Karachaganak Limited, Chevron International Petroleum Company, Lukoil Overseas Karachaganak B.V (further – Consortium) and FPSAIMEC LLP concluded a loan agreement for total the amount of 1 billion US Dollars with the interest rate "Libor" times 1.25 per annum. The principal is repaid in equal monthly installments from cash inflows from the project maturing within 3 years. Under this agreement the Group has undertaken to provide the collateral in the form of 5% share in the Project to the Consortium. The loan is also guaranteed by Samruk-Kazyna. As of 30 June 2012 the loan payable to the Consortium amounted to 149,490,880 thousand Tenge.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

15. BORROWINGS (continued)

In 2012, under the terms of the fixed interest rate credit line agreement between KazMunayGas Refinery and Marketing JSC ("KMG RM") and BNP Paribas (Suisse) SA concluded in 2010, KMG RM received 24,279,296 thousand Tenge of loan proceeds. By June 30, 2012 KMG RM repaid 32,026,887 thousand Tenge of the loan principal. As at June 30, KMG RM's liability with respect to principal amount of the loan and interest accrued amounted to 24,485,754 thousand Tenge (December 31, 2011: 32,078,766 thousand Tenge).

In 2012, KMG RM repaid a short term bank loan with a fixed interest rate of 44,425,800 thousand Tenge obtained from VTB Capital plc. As at December 31, 2011, the principal of the loan payable and interest accrued amounted to 44,559,425 thousand Tenge.

In 2012, under the fixed interest rate credit line agreement concluded with Halyk Bank JSC in 2011, subsidiary of KMG RM, Eurasia Munai Impex LLP ("EMI"), received 47,808,050 thousand Tenge of loan proceeds. By June 30, 2012 EMI repaid 72,995,010 thousand Tenge of the loan principal obtained in 2012 and 2011. As at June 30, 2012 EMI's liability with respect to the loan principal and interest accrued amounted to nil (December 31, 2011: 25,228,000 thousand Tenge).

In 2012 Pavlodar Oil Refinery JSC ("PNHZ"), subsidiary of KMG RM, received 40,461,570 thousand Tenge of loan proceeds under the same credit line agreement between KMG RM and Halyk Bank JSC. By June 30, 2012 PNHZ repaid 21,081,960 thousand Tenge of the loan principal. As at June 30, 2012, KMG RM's liability with respect to principal and interest accrued were 19,683,031 thousand Tenge (December 31, 2011: nil).

During the six-month period ended June 30, 2012, the Rompetrol Group ("TRG") entered into a loan agreement with 4 banks (JP Morgan, Citibank, Unicredit and RBS) for a total amount of 200,000 thousand US Dollars (equivalent to 29,630,000 thousand Tenge). As at June 30, 2012, TRG's liability with respect to principal and interest accrued amounted to 29,866,682 thousand Tenge (December 31, 2011: nil).

16. PROVISIONS

<i>In thousands of Tenge</i>	Asset retirement obligations	Provision for environmental liability	Provision for taxes	Other	Total
Provision as at December 31, 2011 (audited)	27,336,165	27,332,206	22,936,104	45,311,807	122,916,282
Foreign currency translation	1,047,179	50,484	1,566	(425,137)	674,092
Change in estimate	15,072,552	—	—	(21,184)	15,051,368
Unwinding of discount	627,122	—	—	—	627,122
Provision for the period	1,628,052	344,372	9,769,598	5,532,680	17,274,702
Recovered	—	—	—	(192,015)	(192,015)
Unused amounts reversed	—	(99,415)	(8,347,824)	(103,325)	(8,550,564)
Acquisition of interest in Karachaganak (Note 4)	7,237,038	—	—	—	7,237,038
Use of provision	(146,915)	(201,436)	(7,548)	(13,049,094)	(13,404,993)
Provision as at June 30, 2012 (unaudited)	52,801,193	27,426,211	24,351,896	37,053,732	141,633,032

During the six months ended June 30, 2012, KMG RM reversed a provision of 7,794,348 thousand Tenge recorded during 2011 to cover probable losses relating to claims from the Agency of Republic of Kazakhstan on Competition protection with respect to non-compliance with requirement of the Competition legislation at Refinery Company RT LLP.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

16. PROVISIONS (continued)

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

<i>In thousands of Tenge</i>	Asset retirement obligations	Provision for environmental liability	Provision for taxes	Other	Total
As at June 30, 2012 (unaudited)					
Current portion	748,184	1,994,756	24,351,896	17,118,893	44,213,729
Long-term portion	52,053,009	25,431,455	–	19,934,839	97,419,303
Provision as at June 30, 2012 (unaudited)	52,801,193	27,426,211	24,351,896	37,053,732	141,633,032
As at December 31, 2011 (audited)					
Current portion	748,184	1,966,747	22,344,507	27,547,472	52,606,910
Long-term portion	26,587,981	25,365,459	591,597	17,764,335	70,309,372
Provision as at December 31, 2011 (audited)	27,336,165	27,332,206	22,936,104	45,311,807	122,916,282

17. OTHER TAXES PAYABLE

<i>In thousands of Tenge</i>	June 30, 2012 (unaudited)	December 31, 2011 (audited)
Rent tax on export of crude oil	37,951,275	34,583,219
Mineral extraction tax	18,596,220	16,330,085
Excise tax	13,648,646	14,056,049
VAT	10,309,354	9,605,120
Special fund on petroleum products	1,164,579	8,950,228
Other	15,051,343	15,372,983
	96,721,417	98,897,684

18. OTHER CURRENT LIABILITIES

<i>In thousands of Tenge</i>	June 30, 2012 (unaudited)	December 31, 2011 (audited)
Advances received	50,749,217	82,900,875
Due to employees	28,814,829	19,738,407
Other	60,376,333	37,144,689
	139,940,379	139,783,971

As at June 30, 2012 and December 31, 2011, other current liabilities were non-interest bearing.

As at June 30, 2012 other current liabilities include 9,299,637 thousand Tenge acquired with Karachaganak (Note 4).

19. REVENUE

<i>In thousands of Tenge</i>	For the six months ended June 30, 2012 (unaudited)	For the six months ended June 30, 2011 (unaudited)
Sales of refined products	985,043,574	862,693,372
Sales of crude oil	278,135,475	252,058,306
Transportation fee	112,561,012	111,250,259
Sales of gas products	108,319,959	99,383,624
Other revenue	83,700,309	63,457,867
Less: sales taxes and commercial discounts	(120,571,126)	(138,214,197)
	1,447,189,203	1,250,629,231

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

20. COST OF SALES

<i>In thousands of Tenge</i>	For the six months ended June 30, 2012 (unaudited)	For the six months ended June 30, 2011 (unaudited)
Materials and supplies	755,811,027	575,240,026
Payroll expenses	85,768,561	65,894,045
Depreciation, depletion and amortization	63,998,345	58,273,612
Mineral extraction tax	41,491,313	41,524,985
Repair and maintenance	10,138,346	20,223,593
Taxes other than on income	8,044,682	5,302,857
Other	61,019,440	62,742,036
	1,026,271,714	829,201,154

21. GENERAL AND ADMINISTRATIVE EXPENSES

<i>In thousands of Tenge</i>	For the six months ended June 30, 2012 (unaudited)	For the six months ended June 30, 2011 (unaudited)
Payroll expenses	26,117,497	24,325,567
Charitable donations	6,980,891	11,800,091
Depreciation and amortization	6,548,572	7,206,700
Taxes other than on income	5,796,499	1,156,357
Fines and penalties	5,612,401	13,545,892
Consulting services	2,976,262	2,960,204
Bad debt expenses	934,816	2,417,145
Other	5,629,785	12,351,442
	60,596,723	75,763,398

22. TRANSPORTATION AND SELLING EXPENSES

<i>In thousands of Tenge</i>	For the six months ended June 30, 2012 (unaudited)	For the six months ended June 30, 2011 (unaudited)
Rent tax on exporting crude oil	81,997,270	85,402,247
Transportation	56,865,694	51,337,215
Export customs duty	20,130,294	34,746,736
Payroll expenses	6,708,823	8,476,985
Depreciation and amortization	6,882,598	5,730,050
Other	8,410,920	8,339,503
	180,995,599	194,032,736

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

23. FINANCE INCOME

<i>In thousands of Tenge</i>	For the six months ended June 30, 2012 (unaudited)	For the six months ended June 30, 2011 (unaudited)
Interest income on bank deposits, loans and bonds	14,476,148	23,518,561
Other	3,215,441	1,348,581
	17,691,589	24,867,142

24. FINANCE COSTS

<i>In thousands of Tenge</i>	For the six months ended June 30, 2012 (unaudited)	For the six months ended June 30, 2011 (unaudited)
Interest on loans and debt securities issued	66,143,454	70,422,037
Interest expenses on payable for the acquisition of additional interest in North Caspian Project	6,597,995	5,704,346
Change of fair value of financial instruments	354,578	—
Unwinding of discount on provisions	627,122	979,796
Other	4,478,570	7,101,008
	78,201,719	84,207,187

25. SHARE OF INCOME OF JOINT VENTURES AND ASSOCIATES

<i>In thousands of Tenge</i>	For the six months ended June 30, 2012 (unaudited)	For the six months ended June 30, 2011 (unaudited)
TengizChevroil LLP	141,347,426	148,319,239
Mangistau Investments B.V.	33,532,066	36,681,813
PetroKazakhstan Inc.	22,438,167	26,211,047
KazGerMunay LLP	21,349,141	24,072,416
KazRosGas JSC	21,110,356	21,557,192
KazakhOil-Aktobe LLP	6,863,762	7,286,106
Other	5,431,537	3,816,134
	252,072,455	267,943,947

26. INCOME TAX EXPENSE

<i>In thousands of Tenge</i>	For the six months ended June 30, 2012 (unaudited)	For the six months ended June 30, 2011 (unaudited)
Current Income tax:		
Corporate income tax	57,552,015	42,978,651
Excess profit tax	12,177,160	5,770,564
Withholding tax on dividends	20,284,410	23,499,566
Deferred Income Tax:		
Corporate income tax benefit	(5,659,270)	(2,324,244)
Excess profit tax benefit	(808,329)	(504,040)
Withholding tax expense / (benefit) on dividends	1,848,367	(4,055,575)
Income Tax Expenses	85,394,353	65,364,922

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

27. RELATED PARTY DISCLOSURES

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

The following table provides the total amount of transactions, which have been entered into with related parties during the six months of 2012 and 2011 and the related balances as at June 30, 2012 and December 31, 2011, respectively:

<i>In thousands of Tenge</i>	<i>For the six months ended</i>	Sales to related parties	Purchases from related parties	Interest earned from related parties	Interest incurred to related parties
Samruk-Kazyna entities	June 30, 2012	20,316,394	12,791,701	5,688,274	6,178,294
	June 30, 2011	13,373,731	8,723,192	12,210,130	7,520,678
Associates	June 30, 2012	3,147,719	504,962	237,354	–
	June 30, 2011	5,676,556	–	–	–
Other related parties	June 30, 2012	–	–	–	–
	June 30, 2011	192,105	1,252,553	–	62,285
Joint ventures in which the Group is a venturer	June 30, 2012	82,491,687	110,902,195	–	–
	June 30, 2011	33,797,380	75,023,629	43,996	–

<i>In thousands of Tenge</i>		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, 2012	155,288,548	1,316,373	638,860	203,675,414
	December 31, 2011	149,674,570	1,343,514	364,818,457	260,618,595
Associates	June 30, 2012	6,281,976	550,878	46,419,284	–
	December 31, 2011	225,887	1,077	2,000,000	–
Joint ventures in which the Group is a venturer	June 30, 2012	29,428,432	83,682,635	–	–
	December 31, 2011	16,088,718	62,507,607	–	–

Transactions with (purchases from) Samruk-Kazyna, other state-controlled entities and joint ventures are mainly represented by transactions of the Group with NC Kazakhstan Temir Zholy JSC (railway services), NC Kazakhtelecom JSC (communication services), NAC Kazatomprom JSC (energy services), KEGOK JSC (energy supply), Kazpost JSC (postage 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 entities, associates and joint ventures.

Halyk Bank JSC is not considered as a related party from January 6, 2012 as the ultimate controlling party of Halyk Bank JSC resigned from the key management position within the Group.

Total compensation to key management personnel included in general and administrative expenses in the accompanying interim consolidated statement of comprehensive income amounted to 1,833,415 thousand Tenge for the six months ended June 30, 2012 (six months ended June 30, 2011: 1,463,273 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)

28. 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, 2011, the following changes happened during the six months ended June 30, 2012.

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, which was commenced in October 2011, the tax authorities provided a tax assessment to KMG EP of 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 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 that arose in the assessment. As at June 30, 2012, existing provision for tax has been increased by 9,248 million Tenge, including principal of 4,159 million Tenge, fines of 2,307 million Tenge and late payment interest of 2,782 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.

Tax audit of KMG RM

On June 5, 2012, the Tax Committee of the Ministry of Finance of the Republic of Kazakhstan completed a comprehensive tax audit of KMG RM for the period from 2006 through 2010 and assessed additional: a) CIT of 2,980,118 thousand Tenge with corresponding penalty for late payment of 1,599,317 thousand Tenge and; b) VAT of 693,464 thousand Tenge with corresponding penalty for late payment of 332,106 thousand Tenge. In addition, 1,490,059 thousand Tenge of administrative fine for CIT and 346,732 thousand Tenge for VAT might also be assessed. Additional CIT and VAT were assessed based on the article 82 of the Tax Code of the Republic of Kazakhstan effective as at January 1, 2008 and related to calculation of gain on disposal of KazMunaiGaz PKOP Investment B.V. and KazMunaiGaz PKOP Finance B.V. On July 17, 2012 KMG RM appealed the results of the tax audit to the Tax Committee of the Ministry of Finance of the Republic of Kazakhstan. Management believes that the tax liability and late payment interest were assessed as a result of an incorrect interpretation of laws in force and it is not probable that the outflow of resources will be required to settle the obligation and therefore no tax provision has been made in these interim condensed consolidated financial statements.

Tax risks of TRG

On June 20, 2012 the National Customs Authority and the Excise Supervision and Customs Operations Department issued a Minutes by which it imposed on Rompetrol Rafinare S.A ("RR") payment of RON 108 million (USD 30.6 million or 4,572 million Tenge), representing antidumping and countervailing duties, VAT and related interests and penalties with respect to imports of biodiesel made between 2009 and 2010.

The Minutes were issued by the Romanian Customs Authorities based on a special request from OLAF (European Antifraud Office), which performed an investigation in Canada in cooperation with Canadian customs authorities (CBSA) regarding the export of Canadian biodiesel into the European Union. Based on the preliminary results of the investigation, OLAF concluded that biodiesel exported into the European Union had the origin of USA instead of Canada as it was imported by various means from USA to Canada before exporting to the European Union.

On July 20, 2012 RR submitted a contestation against the findings of the tax inspection for the entire amount of RON 108 million (USD 30.6 million or 4,572 million Tenge), which is currently under the analysis of the National Agency for Fiscal Administration – General Directorate of Solving Contestations ("ANAF – DGSC").

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

28. CONTINGENT LIABILITIES AND COMMITMENTS (continued)

Tax risks of TRG (continued)

RR management believes that RR has strong grounds to have a favorable outcome of its contestation from ANAF-DGSC based on procedural aspects. More specifically, RR management believes that ANAF-DGSC will annul the Tax Inspection Minute and Tax Decision and will initiate a new inspection.

In order to avoid triggering additional tax risks for RR (i.e. cancellation of VAT deferment certificate, cancellation of reduction of the guarantee for tax warehouse, etc.) RR has paid an amount of RON 58 million (USD 16.4 million or 2,450 million Tenge) representing antidumping and countervailing taxes. For the remaining amount of RON 50 million (USD 14.2 million or 2,122 million Tenge), RR started legal proceedings to get approval for rescheduling of the payment from tax authorities.

RR booked a provision for RON 54 million (USD 15.3 million or 2,286 million Tenge) as of June 30, 2012 for countervailing taxes and related late payment interest and penalties. The amount of RON 54 million (USD 15.3 million or 2,286 million Tenge) represents a possible contingent liability as of June 30, 2012.

Environmental commitments

The principal activity of RR is refining of petroleum products and the activity of Rompetrol Petrochemicals has inherent effects on the environment in term of emission into the ground, water and air. The environmental effects of the RR's activities are monitored by local authorities and the management of RR.

As of June 30, 2012 RR has environmental commitments of USD 40.6 million to conform to the Integrated Environmental Authorisation.

Commitments related to Special Fund for Petroleum Products

As of June 30, 2012 Rompetrol Rafinare has an unresolved tax dispute related to taxation of the amounts released from Special Fund for Petroleum Products. As of June 30, 2012, there is no action being taken by the tax authorities on the issue and it is a matter of interpretation as to whether the tax amounts will be claimed by the tax authorities. As of June 30, 2012 the contingent liability comprises 48 million US Dollars (7,217 million Tenge).

Other contractual commitments

As at June 30, 2012 the Group had other capital commitments of approximately 357 billion Tenge related to acquisition and construction of property, plant and equipment mainly represented by the aromatic hydrocarbons plant and the advanced oil processing plant. In addition, the Group had obligations related to purchase of inventory and other services for the amount of approximately 35 billion Tenge.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

29. SEGMENT REPORTING

The following represents information about profit and loss of operating segments of the Group for the six months ended June 30, 2012:

<i>In thousands of Tenge</i>	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	136,974,265	1,198,959,223	37,516,958	–	1,447,189,203
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	137,114,442	1,372,348,065	44,676,830	(585,388,803)	1,447,189,203
Gross profit	268,246,404	26,060,180	44,168,844	92,883,567	4,112,104	(14,553,610)	420,917,489
Finance income	10,103,275	1,767,264	915,965	2,063,542	15,160,135	(12,318,592)	17,691,589
Finance costs	(10,762,509)	(771,306)	(3,285,923)	(7,294,376)	(69,068,189)	12,980,584	(78,201,719)
Depreciation, depletion and amortization	(25,679,939)	(10,710,630)	(10,092,036)	(29,839,615)	(1,107,295)	–	(77,429,515)
Impairment of property, plant and equipment and exploration and evaluation assets	(3,849,276)	(887)	–	42,370	(82,878)	–	(3,890,671)
Share of profit of joint ventures and associates, net	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)	(24,363,022)	–	(85,394,353)
Net profit for the period	113,952,753	21,917,602	27,562,824	11,125,108	109,749,769	(1,660,136)	282,647,920
Other segment information							
Investments in joint ventures and associates	658,931,664	30,662,337	70,821,289	100,199,212	30,129,388	–	890,743,890
Allowances for obsolete inventories, doubtful accounts receivable, advances paid, and other assets	(3,779,878)	(609,769)	(3,561,477)	(22,322,200)	(6,154,923)	–	(36,428,247)
Assets of the segment	3,461,667,787	448,989,584	570,462,521	1,482,256,711	1,546,354,695	(746,572,515)	6,763,158,783
Liabilities of the segment	827,682,016	84,129,040	176,820,101	708,372,618	2,107,460,598	(730,932,610)	3,173,531,763

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

29. SEGMENT REPORTING (continued)

The following represents information about profit and loss of operating segments of the Group for the six months ended June 30, 2011:

<i>In thousands of Tenge</i>	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	6,587,483	66,857,583	126,341,888	1,044,444,648	6,397,629	–	1,250,629,231
Revenues from sales to other segments	396,723,998	12,970,182	113,118	13,199,933	9,979,216	(432,986,447)	–
Total revenue	403,311,481	79,827,765	126,455,006	1,057,644,581	16,376,845	(432,986,447)	1,250,629,231
Gross profit	277,335,331	32,369,818	41,909,159	80,871,118	6,141,419	(17,198,768)	421,428,077
Finance income	15,784,042	2,539,947	2,479,435	1,318,894	50,515,461	(47,770,637)	24,867,142
Finance costs	(10,460,370)	(784,480)	(4,124,378)	(17,766,965)	(63,101,422)	12,030,428	(84,207,187)
Depreciation, depletion and amortization	(21,826,925)	(11,341,922)	(9,879,689)	(26,853,681)	(1,308,145)	–	(71,210,362)
Impairment of property, plant and equipment and exploration and evaluation assets	(140,076)	–	177,016	(151,606)	(94,691)	–	(209,357)
Share of profit of joint ventures and associates, net	228,120,088	662,363	–	1,759,875	37,401,621	–	267,943,947
Income tax expenses	(29,284,945)	(6,031,492)	(6,778,326)	(729,256)	(22,540,903)	–	(65,364,922)
Net profit for the period	109,821,634	27,204,444	25,016,008	(9,685,021)	183,119,392	(35,825,481)	299,650,976
Other segment information							
Investments in joint ventures and associates	621,036,398	26,364,160	235,244,311	29,447,815	7,062,751	–	919,155,435
Allowances for obsolete inventories, doubtful accounts receivable, advances paid, and other assets	(2,689,979)	(171,044)	(3,307,169)	(20,503,481)	(7,474,569)	–	(34,146,242)
Assets of the segment	2,333,593,180	347,222,289	586,896,571	683,722,253	3,064,680,310	(841,939,578)	6,174,175,025
Liabilities of the segment	715,553,134	91,552,256	201,862,043	793,461,468	1,925,768,971	(714,181,123)	3,014,016,749

30. SUBSEQUENT EVENTS

Law on gas and gas supply

Based on the Government Resolution of the Republic of Kazakhstan No.914 dated July 5, 2012, KazTransGas JSC ("KTG") is appointed the national operator in the gas sector and gas supply industry. Being the national operator, main activity of KTG will aim to ensure reliable supply of gas to meet the domestic demand in Kazakhstan.

As a result of the Resolution and new status to KTG, restructuring and changes in organizational structure are supposed to take place.

Declaration of dividends

Based on the decision of the Management Board of Samruk-Kazyna dated 7 August 2012, the Company declared dividends to the Shareholder in the amount of 143,201,087 thousand Tenge.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

30. SUBSEQUENT EVENTS (continued)

Law on major pipelines

On 4 July 2012 the "Law on major pipelines" of the Republic of Kazakhstan came into force, in accordance to which the owner of the major pipeline should bring the pipeline into safe condition and perform environmental rehabilitation procedures, including land recultivation measures, upon retirement of the pipeline from service.

As of the date of these interim condensed consolidated financial statements the Group was not able to estimate future expenditures on dismantlement and liquidation of the pipelines as well as expenditures related to environmental rehabilitation procedures and estimate the likelihood of the potential obligations.

Full repayment of KMG PKI Finance notes

On July 5, 2012 KMG EP fully repaid remaining principal and accrued interest of the KMG PKI Finance notes in the amount of 538.2 million US Dollars (80,479 million Tenge) and 20 million US Dollars (2,992 million Tenge), respectively.

Conclusion of Share Purchase Agreement (SPA) for the sale of 49% of shares in JSC Karpovskiy Severniy

On July 13, 2012 KMG EP signed a SPA with MOL Hungarian Oil and Gas Plc. on sale of 49% of shares in the subsidiary of KMG EP, JSC Karpovskiy Severniy. The deal was approved on June 26, 2012 by the Board of Directors of KMG EP.

The transaction is subject to the concept of the Ministry of Oil and Gas in Kazakhstan, the waiver of state priority and approval of the Kazakhstan and European Union antimonopoly bodies.

Acquisition of common shares on KASE and Global Depositary Receipts (GDR) on LSE

As part of its common share and GDR buyback program, between June 30, 2012 and August 6, 2012, KMG EP purchased 1,253,450 GDR's and 811 of its common shares at an aggregate value of 3,365 million Tenge. Under this common share and GDR buyback program as at August 6, 2012 KMG EP has repurchased a total of 9,027,737 and 17,070 GDR's and common shares, respectively, for an aggregate value of 24,251 million Tenge.

Loan agreement with Development Bank of Kazakhstan and Japanese Bank of International Cooperation

Atyrau Refinery LLP, a subsidiary of KMG RM, signed a loan agreement for 252 million US Dollars with Development Bank of Kazakhstan to finance construction of a deep conversion facility. The loan will mature in 13 years. The total cost of project is 1,679.9 million US Dollars.

In addition, Atyrau Refinery LLP signed a contract with the Japanese Bank of International Cooperation for the amount of 297.5 million US Dollars for the purpose of financing of the same project.