

**JSC “National Company “KazMunayGas”**

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

*For the three and six months ended June 30, 2016*

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## Report on review of interim condensed consolidated financial statements

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

### Introduction

We have reviewed the accompanying interim condensed consolidated financial statements of JSC "National Company "KazMunayGas" and its subsidiaries, comprising the interim consolidated statement of financial position as at 30 June 2016, and the related interim consolidated statements of comprehensive income for the three and six months then ended, statements of changes in equity and cash flows for the six months then ended and explanatory notes. Management is responsible for the preparation and presentation of these interim condensed consolidated financial statements in accordance with International Financial Reporting Standard IAS 34, *Interim Financial Reporting* ("IAS 34"). Our responsibility is to express a conclusion on these interim condensed consolidated financial statements based on our review.

### Scope of review

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



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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" 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

15 August 2016



Evgeny Zhemaletdinov  
General Director  
Ernst and Young LLP

State Audit License for audit activities on the  
territory of the Republic of Kazakhstan: series  
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15 July 2005

**INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

| <i>In thousands of tenge</i>                          | Note | June 30,<br>2016<br>(unaudited) | December 31,<br>2015<br>(audited) |
|---|------|---------------------------------|-----------------------------------|
| <b>Assets</b>   |      |                                 |                                   |
| <b>Non-current assets</b>                             |      |                                 |                                   |
| Property, plant and equipment                         | 5    | 2,815,871,798                   | 2,651,338,456                     |
| Exploration and evaluation assets                     |      | 212,180,305                     | 208,526,063                       |
| Investment property                                   |      | 29,597,585                      | 29,260,917                        |
| Intangible assets                                     |      | 114,720,269                     | 116,514,982                       |
| Long-term bank deposits                               | 6    | 51,039,411                      | 48,808,421                        |
| Investments in joint ventures and associates          | 7    | 3,577,450,405                   | 3,422,939,745                     |
| Deferred income tax assets                            |      | 97,230,282                      | 107,481,291                       |
| VAT receivable  |      | 59,487,332                      | 42,455,417                        |
| Advances for non-current assets                       |      | 110,967,870                     | 133,734,033                       |
| Bonds receivable from the Samruk-Kazyna               |      | 37,537,576                      | 37,400,972                        |
| Note receivable from a shareholder of a joint venture |      | 23,728,148                      | 21,602,249                        |
| Note receivable from associate                        |      | 39,333,666                      | 42,319,688                        |
| Loans and receivable due from related parties         | 9    | 458,585,647                     | 433,410,880                       |
| Other non-current assets                              |      | 25,719,248                      | 26,256,696                        |
|   |      | <b>7,653,449,542</b>            | <b>7,322,049,810</b>              |
| <b>Current assets</b>                                 |      |                                 |                                   |
| Inventories   |      | 120,880,686                     | 125,506,949                       |
| VAT receivable  |      | 81,435,863                      | 88,709,365                        |
| Income tax prepaid                                    |      | 74,186,831                      | 60,482,541                        |
| Trade accounts receivable                             | 8    | 158,999,390                     | 95,261,169                        |
| Short-term bank deposits                              | 6    | 803,213,611                     | 947,909,540                       |
| Bonds receivable from Samruk-Kazyna                   | 22   | 2,220,000                       | 4,440,000                         |
| Loans and receivable due from related parties         | 9    | 132,912,982                     | 113,045,841                       |
| Note receivable from a shareholder of a joint venture |      | 8,800,648                       | 8,821,698                         |
| Other current assets                                  | 8    | 101,000,417                     | 92,945,564                        |
| Cash and cash equivalents                             | 10   | 1,499,562,749                   | 768,576,619                       |
|   |      | <b>2,983,213,177</b>            | <b>2,305,699,286</b>              |
| Assets classified as held for sale                    | 4    | 1,105,663,549                   | 1,081,908,562                     |
|   |      | <b>4,088,876,726</b>            | <b>3,387,607,848</b>              |
| <b>Total assets</b>                                   |      | <b>11,742,326,268</b>           | <b>10,709,657,658</b>             |

*The accounting policies and explanatory notes on pages 9 through 33 form an integral part of these interim condensed consolidated financial statements (unaudited).*

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

| <i>In thousands of tenge</i>  | <b>Note</b> | <b>June 30,<br/>2016<br/>(unaudited)</b> | <b>December 31,<br/>2015<br/>(audited)</b> |
|---|-------------|--|--|
| <b>Equity and liabilities</b>   |             |  |  |
| <b>Equity</b>   |             |  |  |
| Share capital   |             | 696,376,625                              | 696,363,445                                |
| Additional paid-in capital  |             | 243,655,405                              | 243,655,405                                |
| Other components of equity  |             | 1,437,194                                | 3,110,573                                  |
| Currency translation reserve  |             | 1,404,771,135                            | 1,405,325,707                              |
| Retained earnings   | 11          | 3,042,143,698                            | 2,988,542,754                              |
| <b>Attributable to equity holder of the Parent Company</b>              |             | <b>5,388,384,057</b>                     | <b>5,336,997,884</b>                       |
| Non-controlling interest  | 11          | 773,886,086                              | 753,179,913                                |
| <b>Total equity</b>   |             | <b>6,162,270,143</b>                     | <b>6,090,177,797</b>                       |
| <b>Non-current liabilities</b>  |             |  |  |
| Borrowings  | 12          | 2,846,213,014                            | 2,932,323,037                              |
| Provisions  |             | 152,702,474                              | 150,427,821                                |
| Deferred income tax liabilities   |             | 231,759,095                              | 218,369,213                                |
| Financial guarantees  |             | 12,865,720                               | 8,038,985                                  |
| Prepayment on oil supply agreements                                     | 13          | 1,005,079,889                            | –  |
| Other non-current liabilities   |             | 27,961,668                               | 21,186,312                                 |
|   |             | <b>4,276,581,860</b>                     | <b>3,330,345,368</b>                       |
| <b>Current liabilities</b>  |             |  |  |
| Borrowings  | 12          | 297,644,860                              | 296,545,652                                |
| Provisions  |             | 119,207,308                              | 116,508,954                                |
| Income taxes payable  |             | 2,716,297                                | 4,114,767                                  |
| Trade accounts payable  | 14          | 176,007,888                              | 174,016,256                                |
| Other taxes payable   |             | 42,368,900                               | 40,015,053                                 |
| Financial guarantees  |             | 1,211,481                                | 1,121,173                                  |
| Derivatives   |             | 14,141                                   | 174,880                                    |
| Other current liabilities   | 14          | 109,551,714                              | 144,413,935                                |
|   |             | <b>748,722,589</b>                       | <b>776,910,670</b>                         |
| Liabilities directly associated with assets classified as held for sale | 4           | 554,751,676                              | 512,223,823                                |
| <b>Total liabilities</b>  |             | <b>5,580,056,125</b>                     | <b>4,619,479,861</b>                       |
| <b>Total equity and liabilities</b>                                     |             | <b>11,742,326,268</b>                    | <b>10,709,657,658</b>                      |
| <b>Carrying amount per share</b>  |             | <b>10.3517</b>                           | <b>10.2252</b>                             |

Senior vice-president – financial director



Kassymbek A.M.

Chief accountant



Orynbayev Y.Y.

*The accounting policies and explanatory notes on pages 9 through 33 form an integral part of these interim condensed consolidated financial statements (unaudited).*

# **INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**

| <i>In thousands of tenge</i>  | Note | For the three months ended<br>June 30, |                     | For the six months ended<br>June 30, |                      |
|---|------|--|---------------------|--------------------------------------|----------------------|
|   |      | 2016<br>(unaudited)                    | 2015<br>(unaudited) | 2016<br>(unaudited)                  | 2015<br>(unaudited)  |
| Revenue   | 15   | 430,464,744                            | 288,088,605         | 695,110,786                          | 515,905,884          |
| Cost of sales   | 16   | (331,049,243)                          | (256,455,532)       | (632,039,367)                        | (513,780,787)        |
| <b>Gross profit</b>   |      | <b>99,415,501</b>                      | <b>31,633,073</b>   | <b>63,071,419</b>                    | <b>2,125,097</b>     |
| General and administrative expenses   | 17   | (37,800,479)                           | (30,859,848)        | (65,271,876)                         | (64,909,639)         |
| Transportation and selling expenses   | 18   | (47,624,321)                           | (37,952,373)        | (94,844,152)                         | (93,204,225)         |
| Impairment of property, plant and equipment, exploration and evaluation assets and intangible assets, other than goodwill |      | (540,488)                              | (128,048)           | (1,912,153)                          | (365,730)            |
| Loss on disposal of property, plant and equipment, intangible assets and investment property, net                         |      | (4,966,686)                            | (2,411,376)         | (5,366,273)                          | (2,720,058)          |
| Other operating income  |      | 6,394,933                              | 1,006,184           | 9,238,768                            | 5,103,414            |
| Other operating expenses  |      | (5,691,080)                            | (3,962,767)         | (8,205,760)                          | (6,013,141)          |
| <b>Operating profit/(loss)</b>  |      | <b>9,187,380</b>                       | <b>(42,675,155)</b> | <b>(103,290,027)</b>                 | <b>(159,984,282)</b> |
| Net foreign exchange gain/(loss)  |      | (5,936,946)                            | 7,525,001           | (2,916,972)                          | 23,495,795           |
| Finance income  | 19   | 26,741,797                             | 14,531,100          | 50,733,589                           | 35,082,779           |
| Finance costs   | 19   | (55,535,493)                           | (37,460,460)        | (111,452,613)                        | (81,416,256)         |
| Loss from disposal of subsidiary  |      | -                                      | (400,819)           | -                                    | (400,819)            |
| Share in profit of joint ventures and associates, net   | 20   | 51,915,602                             | 58,984,065          | 101,959,817                          | 106,867,231          |
| <b>Profit/(loss) before income tax</b>  |      | <b>26,372,340</b>                      | <b>503,732</b>      | <b>(64,966,206)</b>                  | <b>(76,355,552)</b>  |
| Income tax expense  | 21   | (31,316,467)                           | (27,037,206)        | (67,222,799)                         | (56,932,814)         |
| <b>Loss for the period from continuing operations</b>   |      | <b>(4,944,127)</b>                     | <b>(26,533,474)</b> | <b>(132,189,005)</b>                 | <b>(133,288,366)</b> |
| <b>Discontinued operations</b>  |      |  |                     |                                      |                      |
| Profit after income tax for the period from discontinued operations   | 4    | 78,062,888                             | 95,210,752          | 236,668,466                          | 209,046,048          |
| <b>Net profit for the period</b>  |      | <b>73,118,761</b>                      | <b>68,677,278</b>   | <b>104,479,461</b>                   | <b>75,757,682</b>    |
| <b>Net profit for the period attributable to:</b>   |      |  |                     |                                      |                      |
| Equity holders of the Parent Company  |      | 57,475,522                             | 64,074,387          | 81,707,296                           | 70,520,942           |
| Non-controlling interests   |      | 15,643,239                             | 4,602,891           | 22,772,165                           | 5,236,740            |
|   |      | <b>73,118,761</b>                      | <b>68,677,278</b>   | <b>104,479,461</b>                   | <b>75,757,682</b>    |

*The accounting policies and explanatory notes on pages 9 through 33 form an integral part of these interim condensed consolidated financial statements (unaudited).*

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

|   |             | For the three months ended<br>June 30, |                    | For the six months ended<br>June 30, |                    |
|---|-------------|--|--------------------|--------------------------------------|--------------------|
|   |             | 2016                                   | 2015               | 2016                                 | 2015               |
| <i>In thousands of tenge</i>  | <b>Note</b> | <b>(unaudited)</b>                     | <b>(unaudited)</b> | <b>(unaudited)</b>                   | <b>(unaudited)</b> |
| <b>Other comprehensive income</b>   |             |  |                    |                                      |                    |
| <i>Other comprehensive (loss)/income to be reclassified to profit or loss in subsequent periods</i>     |             |  |                    |                                      |                    |
| Exchange differences on translation of foreign operations   |             | <b>(43,706,316)</b>                    | (2,441,473)        | <b>(474,099)</b>                     | 12,705,872         |
| <b>Other comprehensive (loss)/income to be reclassified to profit or loss in subsequent periods</b>     |             | <b>(43,706,316)</b>                    | (2,441,473)        | <b>(474,099)</b>                     | 12,705,872         |
| <i>Other comprehensive income/(loss) not to be reclassified to profit or loss in subsequent periods</i> |             |  |                    |                                      |                    |
| Actuarial gain on defined benefit plans of the Group  |             | <b>147,046</b>                         | 575,199            | <b>161,359</b>                       | 575,199            |
| Actuarial loss on defined benefit plans of joint ventures   |             | <b>(912,757)</b>                       | –                  | <b>(912,757)</b>                     | –                  |
| <b>Other comprehensive (loss)/income not to be reclassified to profit or loss in subsequent periods</b> |             | <b>(765,711)</b>                       | 575,199            | <b>(751,398)</b>                     | 575,199            |
| <b>Other comprehensive (loss)/income for the period</b>   |             | <b>(44,472,027)</b>                    | (1,866,274)        | <b>(1,225,497)</b>                   | 13,281,071         |
| <b>Total comprehensive income for the period, net of tax</b>  |             | <b>28,646,734</b>                      | 66,811,004         | <b>103,253,964</b>                   | 89,038,753         |
| <b>Total comprehensive income for the period attributable to:</b>                                       |             |  |                    |                                      |                    |
| Equity holders of the Parent Company  |             | <b>17,115,464</b>                      | 61,759,697         | <b>80,400,549</b>                    | 82,832,018         |
| Non-controlling interests   |             | <b>11,531,270</b>                      | 5,051,307          | <b>22,853,415</b>                    | 6,206,735          |
|   |             | <b>28,646,734</b>                      | 66,811,004         | <b>103,253,964</b>                   | 89,038,753         |

Senior vice-president – financial director



Kassymbek A.M.

Orynbayev Y.Y.

Chief accountant

*The accounting policies and explanatory notes on pages 9 through 33 form an integral part of these interim condensed consolidated financial statements (unaudited).*

**INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS**

| <i>In thousands of tenge</i>  | <b>Note</b> | <b>For the six months ended June 30,</b> |                    |
|---|-------------|--|--------------------|
|   |             | <b>2016</b>                              | <b>2015</b>        |
|   |             | <b>(unaudited)</b>                       | <b>(unaudited)</b> |
| <b>Cash flows from operating activities</b>   |             |  |                    |
| Loss before income tax from continued operations  |             | (64,966,206)                             | (76,355,552)       |
| Profit before income tax from discontinued operations   |             | 235,884,133                              | 208,436,575        |
|   |             | 170,917,927                              | 132,081,023        |
| <b>Adjustments for:</b>   |             |  |                    |
| Depreciation, depletion and amortization  |             | 85,687,623                               | 71,200,067         |
| Depreciation, depletion and amortization from discontinued operation  |             | -  | 17,604,122         |
| Share in profit of joint ventures and associates, net   | 20          | (101,959,817)                            | (106,867,231)      |
| Share in profit of joint ventures and associates from discontinued operation, net                                 | 4           | (1,052,055)                              | (47,239)           |
| Finance costs   | 19          | 111,452,613                              | 81,416,256         |
| Finance costs from discontinued operation   | 4           | 6,670,471                                | 5,538,790          |
| Finance income  | 19          | (50,733,589)                             | (35,082,779)       |
| Finance income from discontinued operation  | 4           | (1,775,501)                              | (445,029)          |
| Unrealized loss from derivatives on petroleum products  |             | (98,828)                                 | 5,095,634          |
| Realized gain from derivatives on petroleum products  |             | (626,974)                                | (1,186,823)        |
| Impairment of property, plant and equipment and intangible assets other than goodwill                             |             | 1,912,153                                | 365,730            |
| Impairment of property, plant and equipment and intangible assets other than goodwill from discontinued operation |             | -  | (1,482)            |
| Impairment loss recognized on the re-measurement to fair value less costs to sell                                 | 4           | 27,482,877                               | -                  |
| Impairment of VAT receivable  | 17          | 6,936,323                                | -                  |
| Loss on disposal of property, plant and equipment, intangible assets and investment property, net                 |             | 5,366,273                                | 2,720,058          |
| Provisions  |             | 2,909,865                                | 22,940,617         |
| Allowance for impairment of trade accounts receivable and other current and non-current assets                    | 17          | 3,021,844                                | 384,087            |
| Allowance for impairment of trade accounts receivable and other current assets from discontinued operation        |             | 199,308                                  | 259,721            |
| Provision for obsolete and slow-moving inventories  | 17          | 9,797                                    | 395,998            |
| Provision for obsolete and slow-moving inventories from discontinued operation                                    |             | 379,339                                  | (1,346,953)        |
| Recognition of share based payments   |             | 1,347,560                                | -                  |
| Loss on sale of subsidiary  |             | -  | 400,819            |
| Change of share in subsidiaries   |             | (9,549)                                  | -                  |
| Unrealized foreign exchange gain  |             | (19,399,406)                             | (59,062,147)       |
| <b>Operating profit before working capital changes</b>  |             | <b>248,638,254</b>                       | <b>136,363,239</b> |
| Change in inventory   |             | 4,264,736                                | 12,270,713         |
| Change in VAT receivable  |             | (18,175,927)                             | 9,888,717          |
| Change in trade accounts receivable and other assets  |             | (47,217,429)                             | 11,026,229         |
| Change in other taxes payable   |             | 2,852,803                                | (19,673,809)       |
| Change in prepayment on oil supply agreements   | 13          | 1,024,904,887                            | -                  |
| Change in trade accounts payable  |             | (15,498,379)                             | 20,733,395         |
| Change in other liabilities   |             | (1,301,605)                              | (17,356,203)       |
| <b>Cash generated from operating activities</b>   |             | <b>1,198,467,340</b>                     | <b>153,252,281</b> |
| Income taxes paid   |             | (58,837,901)                             | (56,893,487)       |
| Interest received   |             | 30,468,423                               | 18,001,582         |
| Interest paid   |             | (76,817,257)                             | (90,296,242)       |
| Proceeds from derivatives   |             | 317,059                                  | 1,920,821          |
| <b>Net cash flows from operating activities</b>   |             | <b>1,093,597,664</b>                     | <b>25,984,955</b>  |

*The accounting policies and explanatory notes on pages 9 through 33 form an integral part of these interim condensed consolidated financial statements (unaudited).*

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

| <i>In thousands of tenge</i>   | Note | For the six months ended June 30, |                      |
|--|------|-----------------------------------|----------------------|
|  |      | 2016<br>(unaudited)               | 2015<br>(unaudited)  |
| <b>Cash flows from investing activities</b>  |      |                                   |                      |
| Withdrawal of bank deposits, net   |      | 132,040,296                       | 88,523,657           |
| Purchase of property, plant and equipment, intangible assets,<br>investment property and exploration and evaluation assets           |      | (166,019,365)                     | (218,049,517)        |
| Proceeds from sale of property, plant and equipment, intangible<br>assets, investment property and exploration and evaluation assets |      | 301,354                           | 1,056,013            |
| Dividends received from joint ventures and associates  |      | 12,560,016                        | 46,441,921           |
| Sale of subsidiary   |      | -                                 | 313,396              |
| Acquisition of and contribution to joint ventures  |      | (54,662,631)                      | (925,098)            |
| Loans to related parties, net  |      | (62,480,253)                      | (15,685,179)         |
| <b>Net cash flows used in investing activities</b>   |      | <b>(138,260,583)</b>              | <b>(98,324,807)</b>  |
| <b>Cash flows from financing activities</b>  |      |                                   |                      |
| Proceeds from borrowings   |      | 249,999,814                       | 182,901,409          |
| Repayment of borrowings  |      | (457,230,778)                     | (519,715,673)        |
| Distributions to Samruk-Kazyna   |      | (2,202,898)                       | -                    |
| Dividends paid to Samruk-Kazyna and National Bank of RK  |      | (31,104,442)                      | (6,768,531)          |
| Dividends paid to non-controlling interests  |      | (5,150,989)                       | (5,870,468)          |
| Issue of shares  |      | 1                                 | 12,700,436           |
| <b>Net cash flows used in financing activities</b>   |      | <b>(245,689,292)</b>              | <b>(336,752,827)</b> |
| Effects of exchange rate changes on cash and cash equivalents  |      | 10,352,403                        | 13,647,771           |
| <b>Net change in cash and cash equivalents</b>   |      | <b>720,000,192</b>                | <b>(395,444,908)</b> |
| Cash and cash equivalents, at the beginning of the period  |      | 808,434,139                       | 826,443,718          |
| <b>Cash and cash equivalents, at the end of the period</b>   |      | <b>1,528,434,331</b>              | <b>430,998,810</b>   |

*The accounting policies and explanatory notes on pages 9 through 33 form an integral part of these interim condensed consolidated financial statements (unaudited).*

**INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (continued)****NON-CASH TRANSACTIONS: SUPPLEMENTAL DISCLOSURE**

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

**Hedge of income on translation of borrowings denominated in US dollar**

For the six months ended June 30, 2016 the Group utilized hedging of net investments in certain subsidiaries classified as foreign operations against selected borrowings denominated in US dollar (*Note 12*). Effect of income hedging was equal to 684,237 thousand tenge which was reclassified from profits and losses to other comprehensive income, under exchange differences on translation of foreign operations (effect of loss hedging for the six months ended June 30, 2015: 48,165,854 thousand tenge).

**Capitalization of borrowing costs**

For the six months ended June 30, 2016 the Group capitalized in the carrying amount of property, plant and equipment borrowing costs in the amount of 12,315,878 thousand tenge (for the six months ended June 30, 2015: 9,119,456 thousand tenge) (*Note 5*).

**Accounts payable for non-current assets**

For the six months ended June 30, 2016 accounts payable for purchases of property, plant and equipment decreased by 31,046,987 thousand tenge (for the six months ended June 30, 2015: 22,135,056 thousand tenge).

**Advances paid for non-current assets**

Acquisition of property plant and equipment and intangible assets include advances paid for non-current assets in the amount of 8,911,218 thousand tenge (for the six months ended June 30, 2015: 15,691,528 thousand tenge).

**Accounts payable for non-current assets repayment**

For the six months ended June 30, 2016 accounts payable for purchases of property, plant and equipment was repaid with the use of the loans from The Export-Import Bank of China and Japan Bank for International Cooper in the total amount 68,242,873 thousand tenge (for the six months ended June 30, 2015: 938,276 thousand tenge).

Senior vice-president – financial director



Kassymbek A.M.

Chief accountant



Orynbayev Y.Y.

*The accounting policies and explanatory notes on pages 9 through 33 form an integral part of these interim condensed consolidated financial statements (unaudited).*

## INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

| In thousands of tenge                            | Attributable to equity holder of the Parent Company |                            |              |                              |                   | Non-controlling interest | Total         |
|--|---|----------------------------|--------------|------------------------------|-------------------|--------------------------|---------------|
|  | Share capital                                       | Additional paid-in capital | Other equity | Currency translation reserve | Retained earnings |                          |               |
| As at December 31, 2014 (audited)                | 557,072,340   | 226,761,347                | 2,105,737    | 448,739,927                  | 2,627,270,657     | 3,861,950,008            | 4,417,112,432 |
| Net profit for the period                        | -   | -                          | -            | -                            | 70,520,942        | 70,520,942               | 75,757,682    |
| Other comprehensive income                       | -   | -                          | -            | 11,737,158                   | 573,918           | 12,311,076               | 13,281,071    |
| Total comprehensive income for the period        | -   | -                          | -            | 11,737,158                   | 71,094,860        | 82,832,018               | 89,038,753    |
| Issue of share capital                           | 139,291,105   | 3,518,718                  | -            | -                            | -                 | 142,809,823              | 142,809,823   |
| Dividends  | -   | -                          | -            | -                            | (24,335,911)      | (24,335,911)             | (40,112,893)  |
| Other transactions with the Samruk-Kazyna        | -   | -                          | -            | -                            | (1,252,443)       | (1,252,443)              | (1,252,443)   |
| Sale of subsidiary                               | -   | -                          | -            | -                            | -                 | -                        | (286,530)     |
| As at June 30, 2015 (unaudited)                  | 696,363,445   | 230,280,065                | 2,105,737    | 460,477,085                  | 2,672,777,163     | 4,062,003,495            | 4,607,309,142 |
| As at December 31, 2015 (audited)                | 696,363,445   | 243,655,405                | 3,110,573    | 1,405,325,707                | 2,988,542,754     | 5,336,997,884            | 6,090,177,797 |
| Net profit for the period                        | -   | -                          | -            | -                            | 81,707,296        | 81,707,296               | 104,479,461   |
| Other comprehensive income                       | -   | -                          | -            | (554,572)                    | (752,175)         | (1,306,747)              | (1,225,497)   |
| Total comprehensive (loss)/income for the period | -   | -                          | -            | (554,572)                    | 80,955,121        | 80,400,549               | 103,253,964   |
| Issue of share capital                           | 13,180  | -                          | -            | -                            | -                 | 13,180                   | 13,180        |
| Dividends (Note 11)                              | -   | -                          | -            | -                            | -                 | -                        | (5,167,225)   |
| Distributions to Samruk-Kazyna (Note 11)         | -   | -                          | -            | -                            | (4,328,814)       | (4,328,814)              | (4,328,814)   |
| Recognition of share-based payments              | -   | -                          | 851,820      | -                            | -                 | 851,820                  | 1,347,560     |
| Transactions with Samruk-Kazyna (Note 11)        | -   | -                          | -            | -                            | (23,016,770)      | (23,016,770)             | (23,016,770)  |
| Execution of share-based payments                | -   | -                          | (2,525,199)  | -                            | -                 | (2,525,199)              | -             |
| Change of share in subsidiaries                  | -   | -                          | -            | -                            | (8,593)           | (8,593)                  | (9,549)       |
| As at June 30, 2016 (unaudited)                  | 696,376,625   | 243,655,405                | 1,437,194    | 1,404,771,135                | 3,042,143,698     | 5,388,384,057            | 6,162,270,143 |

Senior vice-president – financial director

Chief accountant

Kassymbek A.M.

Orynbayev Y.Y.

The accounting policies and explanatory notes on pages 9 through 33 form an integral part of these interim condensed consolidated financial statements (unaudited).

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

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**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 and National Company Transport Nefti i Gaza CJSC. As the result of the merger, all assets and liabilities, including ownership interest in all entities owned by these companies, have been transferred to KazMunayGas. The Company was reregistered as a joint stock company in accordance with the legislation of the Republic of Kazakhstan in March 2004.

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

As at June 30, 2016, the Company has a direct interest in 38 operating companies (as of December 31, 2015: 37) (jointly the “Group”).

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

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

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

These interim condensed consolidated financial statement of the Group was approved by the Senior vice-president – financial director and the Chief accountant on August 15, 2016.

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

The interim condensed consolidated financial statements for the three and six months ended June 30, 2016 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, 2015.

**Foreign currency translation***Functional and presentation currency*

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

*Transactions and balances*

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

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

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

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**2. BASIS OF PREPARATION AND CHANGES TO THE GROUP'S ACCOUNTING POLICIES (continued)****Foreign currency translation (continued)***Transactions and balances (continued)*

Differences arising on settlement or translation of monetary items are recognised in profit or loss with the exception of monetary items that are designated as part of the hedge of the Group's net investment in foreign operations. These are recognised in other comprehensive income until the net investment is disposed of, at which time, the cumulative amount is reclassified to profit or loss. Tax charges and credits attributable to exchange differences on those monetary items are also recorded in other comprehensive income.

*Group Companies*

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

- assets and liabilities for each statement of financial position presented are translated at the closing rate at that reporting date;
- income and expenses for each statement of comprehensive income are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions);
- 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, 2016 and December 31, 2015 were 338.66 and 340.01 tenge to 1 US dollar accordingly. These rates were used for translation of monetary assets and liabilities denominated in US dollars at June 30, 2016 and December 31, 2015. The currency exchange rate of KASE as at August 15, 2016 was 343.39 tenge to 1 US dollar.

**New and amended standards and interpretations**

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended December 31, 2015, except for the adoption of new standards and interpretations effective as of January 1, 2016. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

The nature and the effect of these changes are disclosed below. Although these new standards and amendments apply for the first time in 2016, they do not have a material impact on the annual consolidated financial statements of the Group or the interim condensed consolidated financial statements of the Group. The nature and the impact of each new standard or amendment is described below:

*IFRS 14 Regulatory Deferral Accounts*

IFRS 14 is an optional standard that allows an entity, whose activities are subject to rate-regulation, to continue applying most of its existing accounting policies for regulatory deferral account balances upon its first-time adoption of IFRS. Entities that adopt IFRS 14 must present the regulatory deferral accounts as separate line items on the statement of financial position and present movements in these account balances as separate line items in the statement of profit or loss and other comprehensive income. The standard requires disclosure of the nature of, and risks associated with, the entity's rate-regulation and the effects of that rate-regulation on its financial statements. IFRS 14 is effective for annual periods beginning on or after January 1, 2016. The Group is an existing IFRS preparer and does not apply this standard.

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

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**2. BASIS OF PREPARATION AND CHANGES TO THE GROUP'S ACCOUNTING POLICIES (continued)****New and amended standards and interpretations (continued)***Amendments to IFRS 11 Joint Arrangements: Accounting for Acquisitions of Interests*

The amendments to IFRS 11 require that a joint operator accounting for the acquisition of an interest in a joint operation, in which the activity of the joint operation constitutes a business, must apply the relevant IFRS 3 *Business Combinations* principles for business combination accounting. The amendments also clarify that a previously held interest in a joint operation is not remeasured on the acquisition of an additional interest in the same joint operation if joint control is retained. In addition, a scope exclusion has been added to IFRS 11 to specify that the amendments do not apply when the parties sharing joint control, including the reporting entity, are under common control of the same ultimate controlling party. The amendments apply to both the acquisition of the initial interest in a joint operation and the acquisition of any additional interests in the same joint operation and are prospectively effective for annual periods beginning on or after January 1, 2016, with early adoption permitted. These amendments do not have any impact on the Group as there has been no interest acquired in a joint operation during the period.

*Amendments to IAS 16 and IAS 38 Clarification of Acceptable Methods of Depreciation and Amortization*

The amendments clarify the principle in IAS 16 *Property, Plant and Equipment* and IAS 38 *Intangible Assets* that revenue reflects a pattern of economic benefits that are generated from operating a business (of which the asset is a part) rather than the economic benefits that are consumed through use of the asset. As a result, a revenue-based method cannot be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortise intangible assets. The amendments are effective prospectively for annual periods beginning on or after January 1, 2016. These amendments do not have any impact to the Group given that the Group has not used a revenue-based method to depreciate its non-current assets.

*Amendments to IAS 16 and IAS 41 Agriculture: Bearer Plants*

The amendments change the accounting requirements for biological assets that meet the definition of bearer plants. Under the amendments, biological assets that meet the definition of bearer plants will no longer be within the scope of IAS 41 *Agriculture*. Instead, IAS 16 will apply. After initial recognition, bearer plants will be measured under IAS 16 at accumulated cost (before maturity) and using either the cost model or revaluation model (after maturity). The amendments also require that produce that grows on bearer plants will remain in the scope of IAS 41 measured at fair value less costs to sell. For government grants related to bearer plants, IAS 20 *Accounting for Government Grants and Disclosure of Government Assistance* will apply. The amendments are retrospectively effective for annual periods beginning on or after January 1, 2016. These amendments do not have any impact to the Group as the Group does not have any bearer plants.

*Amendments to IAS 27 Equity Method in Separate Financial Statements*

The amendments will allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements. Entities already applying IFRS and electing to change to the equity method in their separate financial statements will have to apply that change retrospectively. First-time adopters of IFRS electing to use the equity method in their separate financial statements will be required to apply this method from the date of transition to IFRS. The amendments are effective for annual periods beginning on or after January 1, 2016. These amendments do not have any impact on the Group's interim condensed consolidated financial statements.

*Annual improvements 2012-2014 cycle*

These improvements are effective for annual periods beginning on or after January 1, 2016. They include:

*IFRS 5 Non-current Assets Held for Sale and Discontinued Operation*

Assets (or disposal groups) are generally disposed of either through sale or distribution to owners. The amendment clarifies that changing from one of these disposal methods to the other would not be considered a new plan of disposal, rather it is a continuation of the original plan. There is, therefore, no interruption of the application of the requirements in IFRS 5. This amendment must be applied prospectively.

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

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**2. BASIS OF PREPARATION AND CHANGES TO THE GROUP'S ACCOUNTING POLICIES (continued)****New and amended standards and interpretations (continued)***Annual improvements 2012-2014 cycle (continued)**IFRS 7 Financial Instruments: Disclosures**(i) Servicing contracts*

The amendment clarifies that a servicing contract that includes a fee can constitute continuing involvement in a financial asset. An entity must assess the nature of the fee and the arrangement against the guidance for continuing involvement in IFRS 7 in order to assess whether the disclosures are required. The assessment of which servicing contracts constitute continuing involvement must be done retrospectively. However, the required disclosures would not need to be provided for any period beginning before the annual period in which the entity first applies the amendments.

*(ii) Applicability of the amendments to IFRS 7 to condensed interim financial statements*

The amendment clarifies that the offsetting disclosure requirements do not apply to condensed interim financial statements, unless such disclosures provide a significant update to the information reported in the most recent annual report. This amendment must be applied retrospectively.

*IAS 19 Employee Benefits*

The amendment clarifies that market depth of high quality corporate bonds is assessed based on the currency in which the obligation is denominated, rather than the country where the obligation is located. When there is no deep market for high quality corporate bonds in that currency, government bond rates must be used. This amendment must be applied prospectively.

*IAS 34 Interim Financial Reporting*

The amendment clarifies that the required interim disclosures must either be in the interim financial statements or incorporated by cross-reference between the interim financial statements and wherever they are included within the interim financial report (e.g., in the management commentary or risk report). The other information within the interim financial report must be available to users on the same terms as the interim financial statements and at the same time. This amendment must be applied retrospectively.

These amendments do not have any impact on the Group.

*Amendments to IAS 1 Disclosure Initiative*

The amendments to IAS 1 clarify, rather than significantly change, existing IAS 1 requirements. The amendments clarify:

- the materiality requirements in IAS 1;
- that specific line items in the statement(s) of profit or loss and other comprehensive income and the statement of financial position may be disaggregated;
- that entities have flexibility as to the order in which they present the notes to financial statements;
- that the share of other comprehensive income of associates and joint ventures accounted for using the equity method must be presented in aggregate as a single line item, and classified between those items that will or will not be subsequently reclassified to profit or loss.

Furthermore, the amendments clarify the requirements that apply when additional subtotals are presented in the statement of financial position and the statement(s) of profit or loss and other comprehensive income. These amendments are effective for annual periods beginning on or after January 1, 2016, with early adoption permitted. These amendments do not have any impact on the Group.

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

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**2. BASIS OF PREPARATION AND CHANGES TO THE GROUP'S ACCOUNTING POLICIES (continued)****New and amended standards and interpretations (continued)***Annual improvements 2012-2014 cycle (continued)**Amendments to IFRS 10, IFRS 12 and IAS 28 Investment Entities: Applying the Consolidation Exception*

The amendments address issues that have arisen in applying the investment entities exception under IFRS 10 *Consolidated Financial Statements*. The amendments to IFRS 10 clarify that the exemption from presenting consolidated financial statements applies to a parent entity that is a subsidiary of an investment entity, when the investment entity measures all of its subsidiaries at fair value.

Furthermore, the amendments to IFRS 10 clarify that only a subsidiary of an investment entity that is not an investment entity itself and that provides support services to the investment entity is consolidated. All other subsidiaries of an investment entity are measured at fair value. The amendments to IAS 28 *Investments in Associates and Joint Ventures* allow the investor, when applying the equity method, to retain the fair value measurement applied by the investment entity associate or joint venture to its interests in subsidiaries.

These amendments must be applied retrospectively and are effective for annual periods beginning on or after January 1, 2016, with early adoption permitted. These amendments do not have any impact on the Group as the Group does not apply the consolidation exception.

**3. SEASONALITY OF OPERATIONS**

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

**4. DISCONTINUED OPERATIONS AND ASSETS CLASSIFIED AS HELD FOR SALE**

In accordance with the Governmental plan on the privatization of state owned companies in 2016-2020, the Group considers certain assets as the discontinued operations. The Group considered assets to meet the criteria to be classified as discontinued operations and assets classified as held for sale at June 30, 2016 for the following reasons:

- assets are available for immediate sale and can be sold in its current condition;
- the actions to complete the sale were initiated and expected to be completed within one year.

With respect of Aysir Turizm ve Inshaat A.S. and EurasiaAir for six months ended June 30, 2016, the market conditions that existed at the date the assets were classified initially as held for sale changed and, as a result, the assets are not sold on the June 30, 2016. During six months ended June 30, 2016, the Group marketed but did not receive any reasonable offers to purchase the assets. The assets continues to be actively marketed at prices that are reasonable given the change in market conditions, and management of the Group believes that the criteria regarding availability for immediate sale which is highly probable are therefore met.

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (unaudited) (continued)

### 4. DISCONTINUED OPERATIONS AND ASSETS CLASSIFIED AS HELD FOR SALE (continued)

The assets and liabilities, classified as discontinued operations and assets classified as held for sale as at June 30, 2016 and the results for six months ended June 30, 2016 are as follows:

|                              | June 30, 2016<br>(unaudited)             |   |  | Profit/(loss) after<br>income tax for<br>the the six<br>months ended<br>June 30, 2016<br>from<br>discontinued<br>operation<br>(unaudited) |
|------------------------------|--|---|--|---|
|                              | Assets<br>classified<br>as held for sale | Liabilities directly<br>associated with<br>the assets<br>classified<br>as held for sale | Net assets<br>directly<br>associated with<br>the disposal<br>group |   |
| <i>In thousands of tenge</i> |  |   |  |   |
| KMG International N.V.       | 1,063,540,912                            | 540,445,486   | 523,095,426  | 236,714,979   |
| Aysir Turizm ve Inshaat A.S. | 13,813,176                               | 3,658,404   | 10,154,772   | (821,173)   |
| EurasiaAir                   | 26,377,897                               | 10,622,277  | 15,755,620   | 823,739   |
| Altyn Tolkyin                | 1,628,772                                | 25,509  | 1,603,263  | (49,079)  |
| Other assets                 | 302,792                                  | -   | 302,792  | -   |
| <b>Total</b>                 | <b>1,105,663,549</b>                     | <b>554,751,676</b>  | <b>550,911,873</b>   | <b>236,668,466</b>  |

#### KMG International N.V. (KMG I)

In December 2015, the Group decided to sell its 51% interest in KMG I. The disposal of KMG I is due to be completed in 2016 and, as at June 30, 2016, negotiations for the sale were in progress. The Group estimated fair value of the 51% share in KMG I at 680,000 thousand US dollars (equivalent of 230,288,800 thousand tenge).

The results of KMG I for the six month ended June 30, 2016 and 2015 are presented below:

|  | For the three months<br>ended June 30, |                      | For the six months<br>ended June 30, |                      |
|--|--|----------------------|--------------------------------------|----------------------|
|  | 2016*<br>(unaudited)                   | 2015*<br>(unaudited) | 2016*<br>(unaudited)                 | 2015*<br>(unaudited) |
| <i>In thousands of tenge</i>   |  |                      |                                      |                      |
| Revenue  | 421,382,040                            | 530,462,144          | 812,732,985                          | 872,359,293          |
| Cost of sales  | (299,803,371)                          | (406,283,825)        | (499,283,944)                        | (618,074,398)        |
| <b>Gross profit</b>  | <b>121,578,669</b>                     | <b>124,178,319</b>   | <b>313,449,041</b>                   | <b>254,284,895</b>   |
| General and administrative expenses  | 1,157,874                              | (6,733,110)          | (13,465,184)                         | (8,619,780)          |
| Transportation and selling expenses  | (12,791,803)                           | (10,572,693)         | (24,800,529)                         | (21,426,571)         |
| Impairment of property, plant and equipment<br>and intangible assets other than goodwill | -                                      | 1,482                | -                                    | 1,482                |
| Impairment loss recognized on the<br>re-measurement to fair value less costs to sell     | (21,541,732)                           | -                    | (27,482,877)                         | -                    |
| Other operating income   | 498,097                                | 13,931               | 622,893                              | 25,379               |
| Other operating losses   | (7,774,406)                            | (59,168)             | (8,104,580)                          | (249,347)            |
| <b>Operating profit</b>  | <b>81,126,699</b>                      | <b>106,828,761</b>   | <b>240,218,764</b>                   | <b>224,016,058</b>   |
| Net foreign exchange (loss)/gain, net  | (427,656)                              | 110,498              | (803,114)                            | (234,304)            |
| Finance income   | 991,069                                | 264,120              | 1,775,501                            | 445,029              |
| Finance costs  | (3,369,082)                            | (3,083,263)          | (6,670,471)                          | (5,538,790)          |
| Share in profit of associates, net   | 683,015                                | 47,239               | 1,052,055                            | 47,239               |
| <b>Profit before income tax for the period from<br/>discontinued operations</b>          | <b>79,004,045</b>                      | <b>104,167,355</b>   | <b>235,572,735</b>                   | <b>218,735,232</b>   |
| Income tax (expense)/benefit   | (822,292)                              | 285,614              | 1,142,244                            | 609,473              |
| <b>Profit after income tax for the period from<br/>discontinued operations</b>           | <b>78,181,753</b>                      | <b>104,452,969</b>   | <b>236,714,979</b>                   | <b>219,344,705</b>   |

\* The results are presented after eliminations of intergroup transactions.

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (unaudited) (continued)

### 4. DISCONTINUED OPERATIONS AND ASSETS CLASSIFIED AS HELD FOR SALE (continued)

#### KMG International N.V. (KMG I) (continued)

The major classes of assets and liabilities of KMG I, classified as held for sale as at June 30, 2016 and December 31, 2015 are as follows:

| <i>In thousands of tenge</i>   | June 30,<br>2016*<br>(unaudited) | December 31,<br>2015*<br>(audited) |
|--|----------------------------------|------------------------------------|
| <b>Assets</b>  |                                  |                                    |
| Property, plant and equipment  | 618,084,345                      | 632,565,455                        |
| Intangible assets  | 72,856,805                       | 78,832,132                         |
| Investment in associate  | 12,899,559                       | 11,496,830                         |
| Deferred tax asset   | 33,923,572                       | 39,488,816                         |
| Inventories  | 120,607,663                      | 86,794,671                         |
| Trade accounts receivable  | 134,645,359                      | 90,336,362                         |
| Other non-current assets   | 3,681,234                        | 3,931,742                          |
| Other current assets   | 42,982,085                       | 62,551,082                         |
| Cash and cash equivalents  | 23,860,290                       | 34,491,849                         |
| <b>Assets classified as held for sale</b>  | <b>1,063,540,912</b>             | <b>1,040,488,939</b>               |
| <b>Liabilities</b>   |                                  |                                    |
| Borrowings   | 205,644,173                      | 230,088,353                        |
| Deferred income tax liabilities  | 76,331,593                       | 78,194,199                         |
| Provisions   | 54,135,817                       | 53,394,218                         |
| Trade accounts payable   | 111,600,329                      | 40,766,952                         |
| Other taxes payable  | 20,189,216                       | 18,351,748                         |
| Other non-current liabilities  | 473,447                          | 555,713                            |
| Other current liabilities  | 72,070,911                       | 75,993,465                         |
| <b>Liabilities directly associated with the assets classified as held for sale</b> | <b>540,445,486</b>               | <b>497,344,648</b>                 |
| <b>Net assets directly associated with the disposal group*</b>                     | <b>523,095,426</b>               | <b>543,144,291</b>                 |

\* Assets and liabilities are presented after eliminations of intergroup transactions.

The net cash flows incurred by KMG I are as follows:

| <i>In thousands of tenge</i> | For the six months ended June 30, |                      |
|------------------------------|-----------------------------------|----------------------|
|                              | 2016*<br>(unaudited)              | 2015*<br>(unaudited) |
| Operating                    | 347,460,042                       | 254,825,496          |
| Investing                    | (22,641,181)                      | (5,464,958)          |
| Financing                    | (23,660,970)                      | (11,174,283)         |
| <b>Net cash inflow</b>       | <b>301,157,891</b>                | <b>238,186,255</b>   |

\* The net cash flows are presented after eliminations of intergroup transactions.

As at June 30, 2016, items of property, plant and equipment with the net book value of 392,565,633 thousand tenge related to discontinued operations (as at December 31, 2015: 395,631,917 thousand tenge) were pledged as collateral to secure borrowings and payables of the Group.

As at June 30, 2016 the Group has pledged trade accounts receivable of approximately 102,787,814 thousand tenge as a collateral under its borrowings (as at December 31, 2015: 95,357,123 thousand tenge) related to discontinued operations.

As at June 30, 2016 the initial cost and correspondingly accumulated depreciation of fully depreciated but still in use property, plant and equipment were 174,551,836 thousand tenge (as at December 31, 2015: 176,319,465 thousand tenge).

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (unaudited) (continued)

## 5. PROPERTY, PLANT AND EQUIPMENT

| <i>In thousands of tenge</i>                         | Oil and gas assets | Pipelines     | Refinery assets | Buildings and improvements | Machinery and equipment | Vehicles     | Other        | Capital work in progress | Total           |
|--|--------------------|---------------|-----------------|----------------------------|-------------------------|--------------|--------------|--------------------------|-----------------|
| Net book value as at December 31, 2015 (audited)     | 879,613,848        | 606,283,140   | 247,532,399     | 176,637,342                | 259,761,443             | 75,998,034   | 22,533,944   | 382,978,306              | 2,651,338,456   |
| Foreign currency translation                         | (1,270,066)        | (26,903)      | -               | 45,065                     | 52,437                  | (20,440)     | 7,907        | (14,358)                 | (1,226,358)     |
| Change in estimate                                   | 2,768,021          | (4,719,865)   | -               | (26,547)                   | -                       | -            | -            | -                        | (1,978,391)     |
| Additions  | 15,520,330         | 412,516       | 84,273          | 41,134                     | 900,370                 | 1,894,128    | 681,798      | 239,655,832              | 259,190,381     |
| Disposals  | (3,235,788)        | (421,307)     | (475,791)       | (610,485)                  | (1,170,968)             | (586,643)    | (964,763)    | (31,119)                 | (7,496,844)     |
| Depreciation charge                                  | (31,780,992)       | (11,624,751)  | (12,942,344)    | (7,627,013)                | (11,444,636)            | (4,098,680)  | (3,177,867)  | -                        | (82,696,283)    |
| Accumulated depreciation and impairment on disposals | 3,174,761          | 401,061       | 420,891         | 354,868                    | 892,246                 | 518,731      | 898,429      | 177                      | 6,661,164       |
| Impairment   | (2,101)            | (80,040)      | -               | -                          | (19,477)                | (424,875)    | (57,822)     | (1,295,289)              | (1,879,604)     |
| Transfers to exploration and evaluation assets       | -                  | -             | -               | -                          | -                       | -            | -            | -                        | -               |
| Transfers from/(to) inventory, net                   | -                  | (67,213)      | 8,172           | (79)                       | 13,856                  | 7,302        | 5,202        | (5,293,907)              | (5,293,907)     |
| Transfers from/(to) intangible assets                | 3,973              | -             | -               | -                          | -                       | -            | -            | 254,645                  | 221,885         |
| Transfers to assets classified as held for sale      | (19,911)           | -             | (4,536)         | (1,238)                    | -                       | (9,463)      | -            | (259,420)                | (255,447)       |
| Transfers to investment property                     | -                  | -             | -               | (200,042)                  | -                       | -            | (51)         | (477,728)                | (35,433)        |
| Transfers and reclassifications                      | 408,197            | 37,413,797    | 4,682,625       | 1,525,371                  | 18,317,316              | 751,711      | 3,114,288    | (66,213,305)             | (677,821)       |
| Net book value as at June 30, 2016 (unaudited)       | 865,180,272        | 627,670,435   | 239,305,689     | 170,138,396                | 267,302,587             | 74,029,805   | 23,041,065   | 549,303,549              | 2,815,871,798   |
| At cost  | 1,749,550,226      | 751,198,339   | 383,713,617     | 303,471,363                | 449,274,259             | 165,215,141  | 66,305,227   | 570,770,633              | 4,439,498,805   |
| Accumulated depreciation and impairment              | (884,369,954)      | (123,627,904) | (144,407,928)   | (133,332,967)              | (181,971,672)           | (91,185,336) | (43,264,162) | (21,467,084)             | (1,623,627,007) |
| Net book value as at June 30, 2016 (unaudited)       | 865,180,272        | 627,670,435   | 239,305,689     | 170,138,396                | 267,302,587             | 74,029,805   | 23,041,065   | 549,303,549              | 2,815,871,798   |
| At cost  | 1,746,242,742      | 718,921,016   | 379,475,290     | 301,171,033                | 429,780,561             | 163,345,292  | 65,179,163   | 405,590,234              | 4,209,705,331   |
| Accumulated depreciation and impairment              | (866,628,894)      | (112,637,876) | (131,942,891)   | (124,533,691)              | (170,019,118)           | (87,347,258) | (42,645,219) | (22,611,928)             | (1,558,366,875) |
| Net book value as at December 31, 2015 (audited)     | 879,613,848        | 606,283,140   | 247,532,399     | 176,637,342                | 259,761,443             | 75,998,034   | 22,533,944   | 382,978,306              | 2,651,338,456   |

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (unaudited) (continued)

### 5. PROPERTY, PLANT AND EQUIPMENT (continued)

For the six months ended June 30, 2016, the Group capitalized in the carrying amount of property, plant and equipment borrowing costs at the average interest rate of 0.71% in the amount of 12,315,878 thousand tenge which are related to the construction of new assets (for the six months ended June 30, 2015: 9,119,456 thousand tenge at the average interest rate of 4.95%).

As at June 30, 2016, items of property, plant and equipment with the net book value of 475,452,828 thousand tenge (as at December 31, 2015: 386,385,948 thousand tenge) were pledged as collateral to secure borrowings and payables of the Group (Note 12).

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

As at June 30, 2016 the cost of fully depreciated but still in use property, plant and equipment were 75,052,789 thousand tenge (as at December 31, 2015: 77,608,360 thousand tenge).

### 6. BANK DEPOSITS

| <i>In thousands of tenge</i>  | June 30,<br>2016<br>(unaudited) | December 31,<br>2015<br>(audited) |
|-------------------------------|---------------------------------|-----------------------------------|
| Denominated in US dollar      | 813,174,991                     | 962,456,681                       |
| Denominated in tenge          | 38,423,795                      | 31,416,852                        |
| Denominated in other currency | 2,654,236                       | 2,844,428                         |
|                               | <b>854,253,022</b>              | <b>996,717,961</b>                |

As at June 30, 2016, the weighted average interest rate for long-term bank deposits was 1.15% in US dollars and 3.14% in tenge, respectively (as at December 31, 2015: 1.01% in US dollars and 2.31% in tenge, respectively).

As at June 30, 2016, the weighted average interest rate for short-term bank deposits was 0.95% in US dollars, 13.03% in tenge and 0.30% in other foreign currencies, respectively (as at December 31, 2015: 1.32% in US dollars, 9.42% in tenge and 1.19% in other foreign currencies, respectively).

| <i>In thousands of tenge</i>     | June 30,<br>2016<br>(unaudited) | December 31,<br>2015<br>(audited) |
|----------------------------------|---------------------------------|-----------------------------------|
| Maturities under 1 year          | 803,213,611                     | 947,909,540                       |
| Maturities between 1 and 2 years | 810,134                         | 27,113                            |
| Maturities over 2 years          | 50,229,277                      | 48,781,308                        |
|                                  | <b>854,253,022</b>              | <b>996,717,961</b>                |

As at June 30, 2016, bank deposits include cash pledged as collateral in the amount of 111,858,895 thousand tenge (as at December 31, 2015: 109,580,052 thousand tenge). The change is mainly due to foreign exchange difference on bank deposits denominated in US dollars.

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (unaudited) (continued)

## 7. INVESTMENTS IN JOINT VENTURES AND ASSOCIATES

| In thousands of tenge        | Main activity   | Place of business | June 30, 2016<br>(unaudited) |                      | December 31, 2015<br>(audited) |                      |
|------------------------------|---|-------------------|------------------------------|----------------------|--------------------------------|----------------------|
|                              |   |                   | Carrying amount              | Percentage ownership | Carrying amount                | Percentage ownership |
| <b>Joint ventures</b>        |   |                   |                              |                      |                                |                      |
| Kashagan B.V.                | Oil and gas exploration and development                     | Kazakhstan        | 1,665,739,513                | 50.00%               | 1,624,696,293                  | 50.00%               |
| Tengizchevroil LLP           | Oil and gas exploration and production                      | Kazakhstan        | 1,118,179,303                | 20.00%               | 1,028,085,031                  | 20.00%               |
| Mangistau Investments B.V.   | Oil and gas development and production                      | Kazakhstan        | 222,885,414                  | 50.00%               | 206,541,978                    | 50.00%               |
| KazRosGas LLP                | Processing and sale of natural gas and refined gas products | Kazakhstan        | 102,447,409                  | 50.00%               | 97,406,849                     | 50.00%               |
| KazGerMunay LLP              | Exploration and production of oil and gas                   | Kazakhstan        | 85,170,750                   | 50.00%               | 82,409,608                     | 50.00%               |
| KazakhOil-Aktobe LLP         | Production of crude oil                                     | Kazakhstan        | 55,505,950                   | 50.00%               | 57,773,742                     | 50.00%               |
| Other                        |   |                   | 118,751,674                  |                      | 114,700,338                    |                      |
| <b>Associates</b>            |   |                   |                              |                      |                                |                      |
| PetroKazakhstan Inc. ("PKI") | Exploration, production and processing of oil and gas       | Kazakhstan        | 159,271,418                  | 33.00%               | 163,616,692                    | 33.00%               |
| Other                        |   |                   | 49,498,974                   |                      | 47,709,214                     |                      |
|                              |   |                   | 3,577,450,405                |                      | 3,422,939,745                  |                      |

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (unaudited) (continued)

### 7. INVESTMENTS IN JOINT VENTURES AND ASSOCIATES (continued)

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

As at June 30, 2016 the Group's share in unrecognized losses of joint ventures and associates was equal to 440,112,824 thousand tenge (as at December 31, 2015: 532,305,115 thousand tenge). Decrease in unrecognized losses mainly attributable to the net profit of Asia Gas Pipeline LLP of 79,041,040 thousand tenge. The following table summarizes the movements in equity investments in joint ventures and associates during the six months ended June 30, 2016:

*In thousands of tenge*

|  |               |
|--|---------------|
| At January 1, 2016 (audited)                                     | 3,422,939,745 |
| Share in profits of joint ventures and associates, net (Note 20) | 101,959,817   |
| Additional contributions without change in ownership             | 59,753,320    |
| Dividends received   | (12,560,016)  |
| Change in dividends receivable                                   | 10,021,258    |
| Other changes in the equity of the joint venture                 | 2,511,531     |
| Foreign currency translation                                     | (7,175,250)   |
| At June 30, 2016 (unaudited)                                     | 3,577,450,405 |

Additional contributions without change in ownership mainly relates to the cash calls for Kashagan project (56,036,008 thousand tenge or 162,193 thousand US dollars).

### 8. TRADE ACCOUNTS RECEIVABLE AND OTHER CURRENT ASSETS

|                                    | June 30,<br>2016<br>(unaudited) | December 31,<br>2015<br>(audited) |
|------------------------------------|---------------------------------|-----------------------------------|
| <i>In thousands of tenge</i>       |                                 |                                   |
| Advances paid and prepaid expenses | 56,357,316                      | 31,391,070                        |
| Taxes receivable                   | 20,239,696                      | 24,516,318                        |
| Other current assets               | 29,148,964                      | 41,725,829                        |
| Less: allowance for impairment     | (4,745,559)                     | (4,687,653)                       |
| <b>Total other current assets</b>  | <b>101,000,417</b>              | <b>92,945,564</b>                 |
| Trade accounts receivable          | 168,646,238                     | 104,176,270                       |
| Less: allowance for impairment     | (9,646,848)                     | (8,915,101)                       |
| <b>Trade accounts receivable</b>   | <b>158,999,390</b>              | <b>95,261,169</b>                 |

As at June 30, 2016 and at December 31, 2015 the above assets were non-interest bearing.

### 9. LOANS AND RECEIVABLE DUE FROM RELATED PARTIES

|  | June 30,<br>2016<br>(unaudited) | December 31,<br>2015<br>(audited) |
|--|---------------------------------|-----------------------------------|
| <i>In thousands of tenge</i>                                     |                                 |                                   |
| Loans due from related parties                                   | 512,176,759                     | 469,041,982                       |
| Receivable due from related parties                              | 90,339,513                      | 88,512,853                        |
| Less: allowance for impairment of loans due from related parties | (11,017,643)                    | (11,098,114)                      |
|  | 591,498,629                     | 546,456,721                       |
|  |                                 |                                   |
|  | June 30,<br>2016<br>(unaudited) | December 31,<br>2015<br>(audited) |
| <i>In thousands of tenge</i>                                     |                                 |                                   |
| Loans due from related parties in US dollars                     | 208,631,968                     | 226,092,770                       |
| Receivable due from related parties in US dollars                | 90,339,513                      | 88,512,853                        |
| Loans due from related parties in tenge                          | 291,295,780                     | 230,915,858                       |
| Loans due from related parties in other foreign currencies       | 1,231,368                       | 935,240                           |
|  | 591,498,629                     | 546,456,721                       |

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (unaudited) (continued)

### 9. LOANS AND RECEIVABLE DUE FROM RELATED PARTIES (continued)

|                              | June 30,<br>2016<br>(unaudited) | December 31,<br>2015<br>(audited) |
|------------------------------|---------------------------------|-----------------------------------|
| <i>In thousands of tenge</i> |                                 |                                   |
| Current portion              | 132,912,982                     | 113,045,841                       |
| Non-current portion          | 458,585,647                     | 433,410,880                       |
|                              | 591,498,629                     | 546,456,721                       |

### 10. CASH AND CASH EQUIVALENTS

|   | June 30,<br>2016<br>(unaudited) | December 31,<br>2015<br>(audited) |
|---|---------------------------------|-----------------------------------|
| <i>In thousands of tenge</i>                                      |                                 |                                   |
| Term deposits with banks – US dollars                             | 1,030,361,219                   | 499,438,041                       |
| Term deposits with banks – tenge                                  | 143,098,436                     | 76,341,941                        |
| Current accounts with banks – US dollars                          | 265,855,475                     | 159,107,357                       |
| Current accounts with banks – tenge                               | 55,688,370                      | 12,067,939                        |
| Current accounts with banks – other currencies                    | 2,668,422                       | 17,452,944                        |
| Term deposits with banks – other currencies                       | 40,978                          | 3,746,773                         |
| Cash-on-hand  | 1,849,849                       | 421,624                           |
|   | 1,499,562,749                   | 768,576,619                       |
| Cash and cash equivalents attributable to discontinued operations | 28,871,582                      | 39,857,520                        |
|   | 1,528,434,331                   | 808,434,139                       |

Term deposits with banks are made for various periods of between one day and three months, depending on the immediate cash requirements of the Group. As at June 30, 2016 the weighted average interest rate for time deposits with banks was 0.54% in US dollars and 11.13% in tenge, respectively (as at December 31, 2015: 0.58% in US dollars and 25.31% in tenge, respectively).

### 11. EQUITY

#### Transactions with Samruk-Kazyna

For the six months ended June 30, 2016 the Company provided interest free loan to Samruk-Kazyna (Note 22). The difference between fair value and nominal value of the loan amounting 23,016,770 thousand tenge recognized as transaction with Samruk-Kazyna in the interim consolidated statement of changes in equity.

#### Distributions to Samruk-Kazyna

As at June 30, 2016 distributions to Samruk-Kazyna includes: accrual of provision for construction of the kindergarten in Astana city in the amount of 303,146 thousand tenge (for the six months ended June 30, 2015: nil), accrual of provision for reconstruction of the trade and exhibition center in Moscow in the amount of 100,724 thousand tenge (for the six months ended June 30, 2015: nil), the sponsorship expenses for conducting of International Exhibition Astana EXPO-2017 in the amount of 2,144,808 thousand tenge and the results of operations of PSA LLP (subsidiary of the Group) in the total amount of 1,780,136 thousand tenge (for the six months ended June 30, 2015: 1,252,443 thousand tenge).

#### Dividends

For the six months ended June 30, 2016 the Group declared dividends in the total of 5,167,225 thousand tenge to the holders of non-controlling interest in KMG EP and KTO (subsidiaries of the Group) (for the six months ended June 30, 2015: 15,776,982 thousand tenge).

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (unaudited) (continued)

## 11. EQUITY (continued)

### Non-controlling interest

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

|                                 | Country of<br>incorporation<br>and operation | June 30, 2016<br>(unaudited) |                   | December 31, 2015<br>(audited) |                   |
|---------------------------------|--|------------------------------|-------------------|--------------------------------|-------------------|
|                                 |  | Share                        | Carrying<br>value | Share                          | Carrying<br>value |
| KazMunayGas Exploration         |  |                              |                   |                                |                   |
| Production JSC                  | Kazakhstan                                   | 36.79%                       | 676,181,588       | 36.79%                         | 666,542,230       |
| KazTransOil JSC                 | Kazakhstan                                   | 10.00%                       | 39,682,723        | 10.00%                         | 40,542,082        |
| Rompetrol Rafinare S.A.         | Romania                                      | 45.37%                       | 12,381,990        | 45.37%                         | 4,350,577         |
| Rompetrol Downstream S.R.L.     | Romania                                      | 45.37%                       | 43,721,713        | 45.37%                         | 40,689,678        |
| Rompetrol Petrochemicals S.R.L. | Romania                                      | 45.37%                       | 12,241,164        | 45.37%                         | 11,931,434        |
| Rompetrol Vega                  | Romania                                      | 45.37%                       | (22,012,783)      | 45.37%                         | (22,799,241)      |
| Other                           |  |                              | 11,689,691        |                                | 11,923,153        |
|                                 |  |                              | 773,886,086       |                                | 753,179,913       |

## 12. BORROWINGS

|                                   | June 30,<br>2016<br>(unaudited) | December 31,<br>2015<br>(audited) |
|-----------------------------------|---------------------------------|-----------------------------------|
| <i>In thousands of tenge</i>      |                                 |                                   |
| Fixed interest rate borrowings    | 2,158,704,471                   | 2,185,653,220                     |
| Weighted average interest rates   | 7.04%                           | 7.82%                             |
| Floating interest rate borrowings | 985,153,403                     | 1,043,215,469                     |
| Weighted average interest rates   | 5.20%                           | 4.40%                             |
|                                   | 3,143,857,874                   | 3,228,868,689                     |

|                                    | June 30,<br>2016<br>(unaudited) | December 31,<br>2015<br>(audited) |
|------------------------------------|---------------------------------|-----------------------------------|
| <i>In thousands of tenge</i>       |                                 |                                   |
| US dollar – denominated borrowings | 2,921,195,028                   | 3,007,519,468                     |
| Tenge – denominated borrowings     | 222,662,846                     | 221,349,221                       |
|                                    | 3,143,857,874                   | 3,228,868,689                     |

|                              | June 30,<br>2016<br>(unaudited) | December 31,<br>2015<br>(audited) |
|------------------------------|---------------------------------|-----------------------------------|
| <i>In thousands of tenge</i> |                                 |                                   |
| Current portion              | 297,644,860                     | 296,545,652                       |
| Non-current portion          | 2,846,213,014                   | 2,932,323,037                     |
|                              | 3,143,857,874                   | 3,228,868,689                     |

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (unaudited) (continued)

## 12. BORROWINGS (continued)

As at June 30, 2016 and December 31, 2015, the debt securities issued and loans comprised:

| Bonds                       | Issuance amount   | Redemption date | Interest        | June 30, 2016 (unaudited) | December 31, 2015 (audited) |
|-----------------------------|-------------------|-----------------|-----------------|---------------------------|-----------------------------|
| Bonds LSE 2008              | 1.6 billion USD   | 2018            | 9.125%          | 562,010,480               | 537,528,897                 |
| Bonds LSE 2010              | 1.5 billion USD   | 2020            | 7.00%           | 459,878,444               | 459,835,697                 |
| Bonds LSE 2010              | 1.25 billion USD  | 2021            | 6.375%          | 380,307,591               | 380,467,835                 |
| Bonds LSE 2013              | 2 billion USD     | 2043            | 5.75%           | 169,593,872               | 169,911,347                 |
| Bonds LSE 2013              | 1 billion USD     | 2023            | 4.4%            | 136,370,583               | 136,531,343                 |
| Bonds LSE 2014              | 0.5 billion USD   | 2025            | 4.875%          | 41,167,059                | 41,220,808                  |
| Bonds LSE 2014              | 1 billion USD     | 2044            | 6.00%           | 9,886,174                 | 9,902,685                   |
| Bonds KASE 2009             | 120 billion tenge | 2017            | 6M Libor + 8.5% | 131,047,369               | 150,176,515                 |
| Bonds KASE 2010             | 100 billion tenge | 2017            | 0%              | 91,340,479                | 88,302,174                  |
| The Bank of New York Mellon | 600 million USD   | 2017            | 6.375%          | 43,605,601                | 92,311,615                  |
| Others                      |                   |                 |                 | 12,823,381                | 12,781,662                  |
| <b>Total</b>                |                   |                 |                 | <b>2,038,031,033</b>      | <b>2,078,970,578</b>        |

  

| Loans                                    | Issuance amount  | Redemption date                          | Interest                       | June 30, 2016 (unaudited) | December 31, 2015 (audited) |
|--|--|--|--------------------------------|---------------------------|-----------------------------|
| Development bank of Kazakhstan JSC       | 884 million USD  | 2023                                     | 4.5% + 6M Libor - 7.72%        | 344,406,620               | 360,850,249                 |
| The Export-Import Bank of China          | 1 billion USD  | 2027                                     | Libor + 4.1%                   | 191,135,160               | 151,844,361                 |
| Sberbank Russia                          | 400 million USD  | 2024                                     | 12M Libor + 3.5%               | 136,623,065               | 137,067,428                 |
| Development bank of Kazakhstan JSC       | 71 billion tenge   | 2022-2025                                | 7%-9%                          | 105,355,038               | 106,013,401                 |
| Loan from partners (Project Pearl)       | Financing of share of KMT's costs in execution of subsoil use contract | From beginning of commercial exploration | 6M Libor + 1%                  | 84,783,502                | 83,776,032                  |
| Loan from partners (Project Zhambyl)     | Financing of share of KMT's costs in execution of subsoil use contract | From beginning of commercial exploration | 12M Libor + 1%                 | 63,391,623                | 62,827,375                  |
| The Syndicate of banks                   | 604 thousand US dollars  | 2016                                     | 1M Libor + 2.0%                | 47,421,324                | -                           |
| Japan Bank for International Cooperation | 298 million USD  | 2025                                     | CIRR + 2.19%, 6M Libor + 1.10% | 43,682,970                | 20,757,136                  |
| Loan from partners (Project Satpayev)    | Financing of share of KMT's costs in execution of subsoil use contract | From beginning of commercial exploration | 12M Libor + 1.5%               | 26,993,103                | 26,291,533                  |
| Halyk bank JSC                           | 72 million USD   | 2016                                     | 6%                             | 23,764,972                | 23,762,900                  |
| Halyk bank JSC                           | 18 billion tenge   | 2016                                     | 5.5%-10%                       | 4,419,569                 | 5,705,273                   |
| ING BANK                                 | 1 billion USD  | 2016                                     | 3M Libor + 2.1%                | -                         | 135,461,430                 |
| Other                                    | -  | -  | -                              | 33,849,895                | 35,540,993                  |
| <b>Total</b>                             |  |  |                                | <b>1,105,826,841</b>      | <b>1,149,898,111</b>        |

As at June 30, 2016 the Group's property, plant and equipment with carrying value of 475,452,828 thousand tenge (December 31, 2015: 386,385,948 thousand tenge) (Note 5) was pledged as loan collateral.

For the six months ended June 30, 2016 the Group received borrowings in the total amount of 249,999,814 thousand tenge. Particularly, KTG (subsidiary of the Group) obtained a borrowing from the following syndicate of banks Citibank N.A., Natixis, ING Bank ("the Syndicate of banks") in the total amount of 207,547,600 thousand tenge with interest rate of Libor 1m + 2% for the purpose of refinancing of the current borrowings. The remaining borrowings mainly represent short-term loans, obtained for working capital purposes.

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (unaudited) (continued)

### 12. BORROWINGS (continued)

For the six months ended June 30, 2016 the Group redeemed borrowings in the amount of 457,230,778 thousand tenge. Particularly, the Group redeemed borrowings from the Syndicate of banks in the total amount of 158,044,920 thousand tenge, additionally borrowings from ING Bank and The Bank of New York Mellon in the amounts of 400 million US dollars (equivalent to 138,136,000 thousand tenge as of settlement date) and 142 million US dollars (equivalent to 48,368,990 thousand tenge as of settlement date), respectively. Other settlements represent redemption of trade credits obtained for working capital purposes within the framework of credit lines from banks.

#### Hedge of net investment in the foreign operations

As at June 30, 2016 certain borrowings denominated in foreign currency were designated as hedge instrument for the net investment in the foreign operations. For the six months ended June 30, 2016, income of 684,237 thousand tenge (for the six months ended June 30, 2015, losses of 48,165,854 thousand tenge) on the translation of these borrowings were transferred to other comprehensive income and offset the gains on translation of foreign operations.

### 13. OIL SUPPLY AGREEMENT

During six months ended June 30, 2016 the Group entered into long-term crude oil and liquefied petroleum gas ("LPG") supply agreement. The total minimum delivery volume approximates 30 million tons of crude oil and 1 million tons of LPG in the period from the date of the contract to March 2020 from Tengizchevroil LLP ("Tengizchevroil"), Mangistaumunaigaz JSC and Karazhanbasmunai JSC oil production.

As part of this transaction, the Group received prepayment of 3,000 million US dollars (equivalent of 1,012,020 million tenge at the date of transaction), which to be discharged by oil supply from Tengizchevroil (joint venture of the Group) starting from April 2017.

The agreement stipulates pricing calculation with reference to market quotes and prepayments are settled through physical deliveries of crude oil and LPG.

According to the agreement the Group shall ensure that the crude oil and LPG volumes required to be delivered are unencumbered.

The delivery of oil under this agreement commenced from April 2016. The Group considers this agreement to be regular way agreement to deliver non-financial items in accordance with the Group's expected sale requirements.

The outstanding balance of prepayment is subject to interest at LIBOR + 1.85% per annum.

### 14. TRADE ACCOUNTS PAYABLE AND OTHER CURRENT LIABILITIES

|  | June 30,<br>2016<br>(unaudited) | December 31,<br>2015<br>(audited) |
|--|---------------------------------|-----------------------------------|
| <i>In thousands of tenge</i>           |                                 |                                   |
| Advances received                      | 33,627,752                      | 30,276,485                        |
| Due to employees                       | 25,370,617                      | 30,227,320                        |
| Other                                  | 50,553,345                      | 83,910,130                        |
| <b>Total other current liabilities</b> | <b>109,551,714</b>              | <b>144,413,935</b>                |
| <b>Trade accounts payable</b>          | <b>176,007,888</b>              | <b>174,016,256</b>                |

Trade accounts payable are denominated in the following currencies as at June 30, 2016 and as at December 31, 2015:

|                              | June 30,<br>2016<br>(unaudited) | December 31,<br>2015<br>(audited) |
|------------------------------|---------------------------------|-----------------------------------|
| <i>In thousands of tenge</i> |                                 |                                   |
| Tenge                        | 147,922,745                     | 138,525,047                       |
| US dollars                   | 23,158,436                      | 34,652,490                        |
| Euro                         | 211,287                         | 673,149                           |
| Other currency               | 4,715,420                       | 165,570                           |
| <b>Total</b>                 | <b>176,007,888</b>              | <b>174,016,256</b>                |

As at June 30, 2016 and December 31, 2015, trade accounts payable and other current liabilities were not interest bearing.

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (unaudited) (continued)

## 15. REVENUE

|                               | For the three months ended<br>June 30, |                     | For the six months ended<br>June 30, |                     |
|-------------------------------|--|---------------------|--------------------------------------|---------------------|
|                               | 2016<br>(unaudited)                    | 2015<br>(unaudited) | 2016<br>(unaudited)                  | 2015<br>(unaudited) |
| <i>In thousands of tenge</i>  |  |                     |                                      |                     |
| Sales of crude oil            | 176,443,765                            | 77,787,169          | 179,523,164                          | 87,516,638          |
| Transportation fee            | 78,702,616                             | 68,004,772          | 161,523,964                          | 141,418,778         |
| Sales of gas and gas products | 43,216,234                             | 50,207,677          | 136,364,165                          | 116,371,732         |
| Sales of refined products     | 78,491,130                             | 57,461,981          | 126,835,932                          | 97,001,995          |
| Quality bank for crude oil    | (5,399,979)                            | (2,454,084)         | (9,417,519)                          | (7,225,246)         |
| Other revenue                 | 59,010,978                             | 37,081,090          | 100,281,080                          | 80,821,987          |
|                               | <b>430,464,744</b>                     | <b>288,088,605</b>  | <b>695,110,786</b>                   | <b>515,905,884</b>  |

Sales of crude oil to the market is performed through KMG I except sales under oil supply agreement (Note 13).

## 16. COST OF SALES

|  | For the three months ended<br>June 30, |                     | For the six months ended<br>June 30, |                     |
|--|--|---------------------|--------------------------------------|---------------------|
|  | 2016<br>(unaudited)                    | 2015<br>(unaudited) | 2016<br>(unaudited)                  | 2015<br>(unaudited) |
| <i>In thousands of tenge</i>             |  |                     |                                      |                     |
| Materials and supplies                   | 35,718,713                             | 108,469,175         | 147,121,474                          | 196,735,126         |
| Payroll                                  | 60,016,624                             | 61,635,158          | 125,367,351                          | 126,495,345         |
| Crude oil for resale                     | 119,435,148                            | -                   | 119,435,148                          | -                   |
| Depreciation, depletion and amortization | 37,955,198                             | 31,604,066          | 79,023,486                           | 62,759,893          |
| Mineral extraction tax                   | 17,598,381                             | 11,899,173          | 32,832,295                           | 26,075,636          |
| Other taxes                              | 11,495,261                             | 6,718,149           | 23,206,422                           | 17,126,138          |
| Electricity                              | 8,843,092                              | 876,397             | 19,042,648                           | 10,012,117          |
| Repair and maintenance                   | 7,773,825                              | 16,572,777          | 12,846,803                           | 21,216,249          |
| Other                                    | 32,213,001                             | 18,680,637          | 73,163,740                           | 53,360,283          |
|  | <b>331,049,243</b>                     | <b>256,455,532</b>  | <b>632,039,367</b>                   | <b>513,780,787</b>  |

## 17. GENERAL AND ADMINISTRATIVE EXPENSES

|  | For the three months ended<br>June 30, |                     | For the six months ended<br>June 30, |                     |
|--|--|---------------------|--------------------------------------|---------------------|
|  | 2016<br>(unaudited)                    | 2015<br>(unaudited) | 2016<br>(unaudited)                  | 2015<br>(unaudited) |
| <i>In thousands of tenge</i>                                     |  |                     |                                      |                     |
| Payroll  | 11,054,679                             | 11,640,044          | 23,460,661                           | 23,791,953          |
| Impairment of VAT receivable                                     | 6,936,323                              | -                   | 6,936,323                            | -                   |
| Consulting services  | 3,025,280                              | 1,016,213           | 4,732,156                            | 2,767,838           |
| Other taxes  | 1,800,080                              | (59,072)            | 3,690,296                            | 1,620,539           |
| Social payments  | 1,912,908                              | 1,889,539           | 3,334,513                            | 3,408,089           |
| Depreciation and amortization                                    | 1,596,032                              | 2,325,830           | 3,256,574                            | 4,636,685           |
| Fines and penalties  | 1,167,260                              | 5,466,913           | 1,969,866                            | 8,735,250           |
| Charitable donations and sponsorship                             | 474,108                                | 803,966             | 551,605                              | 6,378,303           |
| VAT that cannot be offset  | 5,003                                  | 479,950             | 381,909                              | 720,866             |
| Allowance for impairment of other non-current assets             | 1,775,372                              | -                   | 2,000,000                            | -                   |
| Allowance for impairment of trade accounts receivable            | 334,720                                | (72,425)            | 947,814                              | 255,480             |
| Allowance for impairment of other current assets                 | 43,902                                 | 122,561             | 74,030                               | 120,514             |
| Allowance for provision for obsolete and slow-moving inventories | (62,091)                               | 462,388             | 9,797                                | 395,998             |
| Allowance for provision for loans from related parties           | -                                      | 8,093               | -                                    | 8,093               |
| Other  | 7,736,903                              | 6,775,848           | 13,926,332                           | 12,070,031          |
|  | <b>37,800,479</b>                      | <b>30,859,848</b>   | <b>65,271,876</b>                    | <b>64,909,639</b>   |

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (unaudited) (continued)

## 18. TRANSPORTATION AND SELLING EXPENSES

|                               | For the three months ended<br>June 30, |                     | For the six months ended<br>June 30, |                     |
|-------------------------------|--|---------------------|--------------------------------------|---------------------|
|                               | 2016<br>(unaudited)                    | 2015<br>(unaudited) | 2016<br>(unaudited)                  | 2015<br>(unaudited) |
| <i>In thousands of tenge</i>  |  |                     |                                      |                     |
| Customs duty                  | 16,043,734                             | 13,074,709          | 39,629,060                           | 39,802,143          |
| Transportation                | 16,130,824                             | 10,233,372          | 32,754,980                           | 19,056,590          |
| Rent tax on crude oil export  | 9,817,700                              | 10,611,394          | 9,817,700                            | 22,782,032          |
| Depreciation and amortization | 1,568,894                              | 1,697,331           | 3,232,259                            | 3,348,839           |
| Payroll                       | 1,420,429                              | 1,856,733           | 2,947,534                            | 3,731,043           |
| Other                         | 2,642,740                              | 478,834             | 6,462,619                            | 4,483,578           |
|                               | 47,624,321                             | 37,952,373          | 94,844,152                           | 93,204,225          |

## 19. FINANCE INCOME / FINANCE COSTS

### Finance income

|   | For the three months ended<br>June 30, |                     | For the six months ended<br>June 30, |                     |
|---|--|---------------------|--------------------------------------|---------------------|
|   | 2016<br>(unaudited)                    | 2015<br>(unaudited) | 2016<br>(unaudited)                  | 2015<br>(unaudited) |
| <i>In thousands of tenge</i>                      |  |                     |                                      |                     |
| Interest income on bank deposits, loans and bonds | 20,707,653                             | 11,416,210          | 37,964,839                           | 20,159,965          |
| Amortization of discount                          | 5,310,594                              | 2,456,414           | 10,082,734                           | 4,999,899           |
| Derecognition of liabilities                      | –                                      | –                   | –                                    | 7,082,293           |
| Other   | 723,550                                | 658,476             | 2,686,016                            | 2,840,622           |
|   | 26,741,797                             | 14,531,100          | 50,733,589                           | 35,082,779          |

### Finance costs

|  | For the three months ended<br>June 30, |                     | For the six months ended<br>June 30, |                     |
|--|--|---------------------|--------------------------------------|---------------------|
|  | 2016<br>(unaudited)                    | 2015<br>(unaudited) | 2016<br>(unaudited)                  | 2015<br>(unaudited) |
| <i>In thousands of tenge</i>                                 |  |                     |                                      |                     |
| Interest on loans and debt securities issued                 | 40,810,183                             | 32,266,016          | 85,936,721                           | 68,566,513          |
| Amortization of discount on loans and debt securities issued | 3,197,160                              | 1,858,388           | 5,785,862                            | 3,532,470           |
| Unwinding of discount on asset retirement obligations        | 2,314,506                              | 1,792,718           | 4,706,722                            | 3,782,084           |
| Other  | 9,213,644                              | 1,543,338           | 15,023,308                           | 5,535,189           |
|  | 55,535,493                             | 37,460,460          | 111,452,613                          | 81,416,256          |

## 20. SHARE IN PROFIT OF JOINT VENTURES AND ASSOCIATES, NET

|   | For the three months ended<br>June 30, |                     | For the six months ended<br>June 30, |                     |
|---|--|---------------------|--------------------------------------|---------------------|
|   | 2016<br>(unaudited)                    | 2015<br>(unaudited) | 2016<br>(unaudited)                  | 2015<br>(unaudited) |
| <i>In thousands of tenge</i>                                  |  |                     |                                      |                     |
| Tengizchevroil LLP  | 51,571,820                             | 41,249,445          | 93,859,387                           | 80,410,664          |
| Mangistau Investments B.V.                                    | 10,491,899                             | 5,985,644           | 17,256,193                           | 5,421,959           |
| KazRosGas LLP   | 2,373,729                              | 14,361,508          | 5,356,915                            | 16,902,713          |
| KazGerMunay LLP   | 2,243,767                              | (2,024,189)         | 3,010,129                            | 7,707,416           |
| Beineu-Shymkent Gas Pipeline                                  | (5,347,172)                            | (677,714)           | (8,009,938)                          | (3,704,647)         |
| PetroKazakhstan Inc.  | (4,415,450)                            | (2,232,163)         | (6,908,635)                          | (4,574,343)         |
| Kazakhoil-Aktobe LLP  | (1,019,400)                            | (1,766,337)         | (2,267,792)                          | (3,299,302)         |
| Ural Group Limited  | (471,746)                              | (1,025,127)         | (761,713)                            | (1,292,311)         |
| Share in profit/(loss) of other joint ventures and associates | (3,511,845)                            | 5,112,998           | 425,271                              | 9,295,082           |
|   | 51,915,602                             | 58,984,065          | 101,959,817                          | 106,867,231         |

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (unaudited) (continued)

### 21. INCOME TAX EXPENSE

| <i>In thousands of tenge</i>                     | For the three months ended<br>June 30, |                     | For the six months ended<br>June 30, |                     |
|--|--|---------------------|--------------------------------------|---------------------|
|  | 2016<br>(unaudited)                    | 2015<br>(unaudited) | 2016<br>(unaudited)                  | 2015<br>(unaudited) |
| <b>Current income tax</b>                        |  |                     |                                      |                     |
| Corporate income tax                             | 17,936,253                             | 15,432,984          | 39,423,304                           | 37,859,046          |
| Excess profit tax                                | 65,374                                 | 4,882,517           | 65,176                               | 5,438,947           |
| Withholding tax on dividends and interest income | 3,650,326                              | 7,402,742           | 4,203,779                            | 7,896,587           |
| <b>Deferred income tax</b>                       |  |                     |                                      |                     |
| Corporate income tax                             | 4,143,165                              | 3,027,541           | 10,011,018                           | 2,192,569           |
| Excess profit tax                                | 5,381                                  | 207,461             | 5,381                                | 195,077             |
| Withholding tax on dividends and interest income | 5,515,968                              | (3,916,039)         | 13,514,141                           | 3,350,588           |
| <b>Income tax expense</b>                        | <b>31,316,467</b>                      | <b>27,037,206</b>   | <b>67,222,799</b>                    | <b>56,932,814</b>   |

### 22. RELATED PARTY DISCLOSURES

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

The following table provides the balances of transactions with related parties as at June 30, 2016 and December 31, 2015:

| <i>In thousands of tenge</i>                       |                   | Due from<br>related parties | Due to<br>related parties | Cash and<br>deposits<br>placed with<br>related parties | Borrowings<br>payable to<br>related parties |
|--|-------------------|-----------------------------|---------------------------|--|---|
| Samruk-Kazyna entities                             | June 30, 2016     | 136,436,901                 | 837,871                   | 197,306  | 7,705,378                                   |
|  | December 31, 2015 | 86,673,893                  | 28,779,665                | 38,349   | 7,527,711                                   |
| Associates   | June 30, 2016     | 222,114,110                 | 3,913,760                 | -  | -   |
|  | December 31, 2015 | 238,975,765                 | 2,740,195                 | -  | -   |
| Other related parties                              | June 30, 2016     | -                           | 9,307,977                 | 316,665  | 586,750,999                                 |
|  | December 31, 2015 | -                           | 12,943,081                | 274,253  | 622,971,826                                 |
| Joint ventures in which<br>the Group is a venturer | June 30, 2016     | 411,566,456                 | 104,460,115               | -  | -   |
|  | December 31, 2015 | 386,156,435                 | 71,317,430                | -  | -   |

#### Due from related parties

For the six months ended June 30, 2016 the Company provided the additional interest free loan to the Samruk-Kazyna in the amount of 73,547,408 thousand tenge. The difference between fair value and nominal value of the loan amounting 23,016,770 thousand tenge was recognized as transaction with Samruk-Kazyna in the interim consolidated statement of changes in equity.

As at June 30, 2016 changes in due from associates mainly related to the repayment of principal and interest on the right to claim payments under "Kazakhstan Note" in the amount of 18,374,694 thousand tenge and 5,822,050 thousand tenge, respectively.

Increase in due from joint ventures is mainly due to prepayment to Tengizchevroil for oil supply in the amount of 18,255,806 thousand tenge. Changes of due from joint ventures also include accrual of interest on loan given to PetroKazakhstanOilProducts LLP and BeineuShymkent Pipelines LLP in the amount of 3,855,598 thousand tenge and 3,658,489 thousand tenge, respectively. The Group provided additional interest free loan to the BeineuShymkent Pipelines LLP in the amount of 5,590,207 thousand tenge.

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (unaudited) (continued)

### 22. RELATED PARTY DISCLOSURES (continued)

#### Due to related parties

For the six months ended June 30, 2016 the Company paid dividends to Samruk-Kazyna and National Bank of RK in the amount of 27,993,998 thousand tenge and 3,110,444 thousand tenge, respectively.

As at June 30, 2016 changes of due to joint ventures mainly include increase of trade payable for goods and services to KazRosGas LLP, BeineuShymkent Pipelines LLP and Tengizchevroil in the amount of 16,690,512 thousand tenge, 15,721,290 thousand tenge and 4,662,201 thousand tenge, respectively.

#### Borrowings payable to related parties

For the six months ended June 30, 2016 the Group redeemed bonds and loans payable to DBK in the total amount of 61,513,065 thousand tenge including interest.

The following table provides the total amount of transactions, which have been entered into with related parties during six months ended June 30, 2016 and 2015:

| <i>In thousands of tenge</i>                       |               | Sales to<br>related parties | Purchases<br>from related<br>parties | Interest<br>earned from<br>related parties | Interest<br>incurred to<br>related parties |
|--|---------------|-----------------------------|--------------------------------------|--|--|
| Samruk-Kazyna entities                             | June 30, 2016 | 32,588,374                  | 15,694,717                           | 5,130,839                                  | 290,755                                    |
|  | June 30, 2015 | 25,994,749                  | 12,528,967                           | 2,346,759                                  | 276,058                                    |
| Associates   | June 30, 2016 | 12,623,213                  | 31,606,853                           | 8,999,486                                  | 3,615,886                                  |
|  | June 30, 2015 | 7,076,821                   | 9,067,751                            | 1,413,121                                  | 236,599                                    |
| Other related parties                              | June 30, 2016 | –                           | 3,228,365                            | 524,660                                    | 12,348,133                                 |
|  | June 30, 2015 | 29,643                      | 1,768,832                            | 168,366                                    | 2,936,065                                  |
| Joint ventures in which<br>the Group is a venturer | June 30, 2016 | 116,504,635                 | 270,762,358                          | 14,027,299                                 | 978,457                                    |
|  | June 30, 2015 | 103,702,803                 | 54,536,301                           | 6,504,902                                  | –  |

Purchase transactions with Samruk-Kazyna, other state-controlled entities and joint ventures are mainly represented by transactions of the Group with NC Kazakhstan Temir Zholy JSC (railway services), NC Kazakhtelecom JSC (telecommunication services), NAC Kazatomprom JSC (energy services), KEGOC JSC (energy supply), Kazpost JSC (postal services) and Samruk-Energo JSC (energy supply). In addition, the Group sells and purchases crude oil and natural gas, refined products and provides transportation services to and from Samruk-Kazyna entities, associates and joint ventures. Increase in purchases from joint ventures is mainly due to acquisition of oil from Tengizchevroil as part of oil supply agreement (Note 13).

#### Key management employee compensation

Total compensation to key management personnel, including key management personnel of subsidiaries, in the accompanying interim consolidated statement of comprehensive income was equal to 4,853,823 thousand tenge and 4,168,954 thousand tenge for the six months ended June 30, 2016 and June 30, 2015, respectively. Compensation to key management personnel consists of contractual salary and performance bonus based on operating results.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (unaudited) (continued)****23. FINANCIAL INSTRUMENTS AND INVESTMENT PROPERTY****Fair values of financial instruments and investment property**

The carrying amount of the Group financial instruments as at June 30, 2016 and December 31, 2015 are reasonable approximation of their fair value, except for the financial instruments disclosed below:

|   | Fair value by level of assessment |               |  |   |
|---|-----------------------------------|---------------|--|---|
|   | Carrying amount                   | Fair value    | Quotations in an active market (Level 1) | Inputs from the observed market (Level 2)<br>Inputs based on the significant amount of unobserved (Level 3) |
| <i>In thousands of tenge</i>            |                                   |               |  |   |
| <b>As at June 30, 2016 (unaudited)</b>  |                                   |               |  |   |
| Bonds receivable from the Samruk-Kazyna | 39,757,576                        | 70,517,885    | -  | 70,517,885  |
| Fixed interest rate borrowings          | 2,158,704,471                     | 2,127,999,693 | 1,879,204,580                            | 248,795,113   |
| Financial guarantee                     | 14,077,201                        | 14,077,201    | -  | 14,077,201  |
| Derivatives, net                        | (14,141)                          | (14,141)      | -  | (14,141)  |
| Investment property                     | 29,597,585                        | 30,229,129    | -  | 30,229,129  |

|  | Fair value by level of assessment |               |  |   |
|--|-----------------------------------|---------------|--|---|
|  | Carrying amount                   | Fair value    | Quotations in an active market (Level 1) | Inputs from the observed market (Level 2)<br>Inputs based on the significant amount of unobserved (Level 3) |
| <i>In thousands of tenge</i>             |                                   |               |  |   |
| <b>As at December 31, 2015 (audited)</b> |                                   |               |  |   |
| Bonds receivable from the Samruk-Kazyna  | 41,840,972                        | 93,722,183    | -  | 93,722,183  |
| Fixed interest rate borrowings           | 2,185,653,220                     | 2,230,487,370 | 1,960,846,551                            | 269,640,819   |
| Financial guarantee                      | 9,160,158                         | 9,160,158     | -  | 9,160,158   |
| Derivatives, net                         | (174,880)                         | (174,880)     | -  | (174,880)   |
| Investment property                      | 29,260,917                        | 32,496,894    | -  | 32,496,894  |

The fair value of bonds receivable from the Parent Company and fixed-rate borrowings have been calculated by discounting the expected future cash flows at market interest rates. During the reporting period no transfers between Level 1 and Level 2 of the fair value assessment were made.

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (unaudited) (continued)

### 24. CONTINGENT LIABILITIES AND COMMITMENTS

In addition to the contingent liabilities and commitments disclosed in the Group annual consolidated financial statements of the Group for the year ended December 31, 2015, the following changes have taken place during the six months ended June 30, 2016:

#### Cost recovery audits

As of June 30, 2016 the Group's share in the total disputed amounts of the non-recoverable costs is 229,478 million tenge (as of December 31, 2015: 217,166 million tenge). The Group and its partners under the production sharing agreements are in negotiation with the Government with respect to the recoverability of these costs.

#### Oil supply commitments

As of June 30, 2016 the Group had commitments under the oil supply agreement in the amount of 28.5 million ton to be delivered till March 2020.

#### KazMunayGas Trading AG (former – Vector Energy AG) litigations with SC Bioromoil SRL (KMGI)

As of June 30, 2016 KazMunayGas Trading AG is engaged in litigations with SC Bioromoil SRL. SC Bioromoil SRL was seeking to recover the costs related to the Romanian customs duties in relation to the sale of biodiesel in 2009 and 2010 and compensation for lost profits. The total amount of claims amounted to 26.9 million US dollar (9,110 million tenge) as of June 30, 2016.

As of June 30, 2016 the Group has recorded provision for this claim in the amount 22 million US dollars (7,451 million tenge) (as of December 31, 2015: nil).

#### Civil litigation (KMGI)

According to a Decree issued April 22, 2016, prosecutors of Romania with the General Headquarters of the Department for Fight Against Organized Crime and Terrorism (DIICOT) have ordered a reclassification and continued investigation of the case against 26 suspects under charges of organized crime (14 of them were employees of KMG I). In accordance to the same Decree, several civil responsible parties were added to the case, which include KMG I, SC Oilfield Exploration Business Solutions SA and SC Rompetrol Rafinare S.A. (KMG I subsidiaries). The amount of claims of the civil action is RON 1,724,168,825, USD 290,786,616 and EUR 34,941,924 (equivalent of 760 million US dollar or 257,382 million tenge). By Decree issued on May 6, 2016, the DIICOT have applied a prejudgment seizure on KMGI, SC Oilfield Exploration Business Solutions SA and SC Rompetrol Rafinare S.A. movable and immovable assets except for bank accounts, receivables and inventories. Prescribed seizure does not impact the operational activity of the companies. KMG I appealed the seizure orders in domestic courts and international arbitration. The hearing of Supreme Court was on June 13, 2016. The Supreme Court rejected in full the appeal. The investigation is ongoing and court trial is expected after investigation is finished. The management of the Group believes that until the investigation is complete and full details of the claims are provided, no provision for claims is required.

#### Kazakhstan local market obligation

During six months ended June 30, 2016, in accordance with its obligations, the Group delivered 2,657,903 tons of crude oil (six months ended June 30, 2015: 2,922,004 tons), including joint ventures, to the Kazakhstan market.

#### Commitments under subsoil use contracts

As at June 30, 2016 the Group had the following commitments related to minimal working program in accordance with terms of licenses, production sharing agreements and subsoil use contracts, signed with the Government:

| Year         | Capital expenditures | Operational expenditures |
|--------------|----------------------|--------------------------|
| 2016         | 57,038,656           | 5,508,000                |
| 2017         | 23,819,378           | 4,048,862                |
| 2018         | 18,273,859           | 4,999,039                |
| 2019         | 13,334,184           | 5,430,221                |
| 2020-2048    | 17,070,461           | 21,074,954               |
| <b>Total</b> | <b>129,536,538</b>   | <b>41,061,076</b>        |

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

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**24. CONTINGENT LIABILITIES AND COMMITMENTS (continued)****Other contractual commitments**

As at June 30, 2016, the Group had other capital commitments of approximately 1,115 billion tenge (as at December 31, 2015: 954 billion tenge), including joint ventures, related to acquisition and construction of property, plant and equipment.

**25. SEGMENT REPORTING**

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

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

During six month, ended June 30, 2016 there were changes in a sale's process and activities of certain subsidiaries of the Group. Therefore there were changes in the name of segments.

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (unaudited) (continued)****25. SEGMENT REPORTING (continued)**

The following represents information about operating segments of the Group as at June 30, 2016 and for the six months then ended:

| <i>In thousands of tenge</i>   | Exploration and production of oil and gas and trading of own refined products | Oil transportation | Gas transportation and trading | Refining and trading of crude oil and refined products | Other                | Elimination            | Total                 |
|--|---|--------------------|--------------------------------|--|----------------------|------------------------|-----------------------|
| Revenues from sales to external customers  | 32,413,030  | 95,799,501         | 211,021,454                    | 321,250,083  | 34,626,718           | -                      | 695,110,786           |
| Revenues from sales to other segments  | 334,195,188   | 23,011,558         | 760,324                        | 20,627,361   | 13,979,966           | (392,574,397)          | -                     |
| <b>Total revenue</b>   | <b>366,608,218</b>  | <b>118,811,059</b> | <b>211,781,778</b>             | <b>341,877,444</b>                                     | <b>48,606,684</b>    | <b>(392,574,397)</b>   | <b>695,110,786</b>    |
| <b>Gross profit</b>  | <b>158,005,471</b>  | <b>55,714,048</b>  | <b>51,401,206</b>              | <b>70,366,016</b>                                      | <b>(6,742,091)</b>   | <b>(265,673,231)</b>   | <b>63,071,419</b>     |
| Finance income   | 17,503,880  | 5,368,903          | 6,293,406                      | 11,101,932   | 33,044,211           | (22,578,743)           | 50,733,589            |
| Finance costs  | (9,446,749)   | (1,916,674)        | (14,637,723)                   | (14,918,636)   | (92,025,461)         | 21,492,630             | (111,452,613)         |
| Depreciation, depletion and amortization   | (35,612,947)  | (16,471,347)       | (13,934,952)                   | (16,678,429)   | (2,976,494)          | -                      | (85,674,169)          |
| Impairment of property, plant and equipment, intangible assets and evaluation assets and intangible assets other than goodwill | (163,865)   | (80,040)           | (1,020,753)                    | 5  | (647,500)            | -                      | (1,912,153)           |
| Share in profit of joint ventures and associates, net  | 95,659,713  | 4,260,148          | (2,912,616)                    | 4,978,877  | (26,305)             | -                      | 101,959,817           |
| Income tax expenses  | (38,821,587)  | (7,707,142)        | (7,697,371)                    | (8,369,823)  | (4,626,876)          | -                      | (67,222,799)          |
| <b>Net profit for the period</b>   | <b>92,565,408</b>   | <b>48,833,618</b>  | <b>20,853,025</b>              | <b>38,139,039</b>                                      | <b>(92,918,844)</b>  | <b>(2,992,785)</b>     | <b>104,479,461</b>    |
| <b>Other segment information</b>   |   |                    |                                |  |                      |                        |                       |
| Investments in joint ventures and associates   | 3,385,727,279   | 87,856,682         | 73,596,825                     | 28,113,709   | 2,155,910            | -                      | 3,577,450,405         |
| Capital expenditures   | 89,606,871  | 13,543,883         | 24,475,801                     | 129,307,250  | 6,107,922            | -                      | 263,041,727           |
| Allowances for obsolete inventories, doubtful accounts receivable, advances paid, and other assets                             | (15,628,002)  | (840,887)          | (6,561,456)                    | (6,558,852)  | (1,977,646)          | -                      | (31,566,843)          |
| <b>Assets of the segment</b>   | <b>6,137,088,548</b>  | <b>712,377,619</b> | <b>1,150,075,496</b>           | <b>3,470,881,918</b>                                   | <b>1,835,573,932</b> | <b>(1,563,671,245)</b> | <b>11,742,326,268</b> |
| <b>Liabilities of the segment</b>  | <b>610,680,604</b>  | <b>154,067,380</b> | <b>558,669,375</b>             | <b>2,622,244,492</b>                                   | <b>3,171,541,619</b> | <b>(1,537,147,345)</b> | <b>5,580,056,125</b>  |

Eliminations represent the exclusion of intra-group turnovers.

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

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (unaudited) (continued)****25. SEGMENT REPORTING (continued)**

The following represents information about operating segments of the Group as at December 31, 2015 and for the six months ended June 30, 2015:

| <i>In thousands of tenge</i>   | Exploration and<br>production of oil<br>and gas | Oil transport-<br>tation | Gas transport-<br>tation | Refining and<br>trading of crude<br>oil and refined<br>products | Other                | Elimination          | Total                 |
|--|---|--------------------------|--------------------------|---|----------------------|----------------------|-----------------------|
| Revenues from sales to external customers  | 10,505,370                                      | 95,891,626               | 157,607,990              | 212,030,513   | 39,870,385           | -                    | 515,905,884           |
| Revenues from sales to other segments  | 273,830,509                                     | 21,594,145               | 762,033                  | 2,646,847   | 9,826,414            | (308,659,948)        | -                     |
| <b>Total revenue</b>   | <b>284,335,879</b>                              | <b>117,485,771</b>       | <b>158,370,023</b>       | <b>214,677,360</b>  | <b>49,696,799</b>    | <b>(308,659,948)</b> | <b>515,905,884</b>    |
| <b>Gross profit</b>  | <b>111,317,199</b>                              | <b>59,504,938</b>        | <b>30,435,538</b>        | <b>46,660,527</b>   | <b>(4,240,976)</b>   | <b>(241,552,129)</b> | <b>2,125,097</b>      |
| Finance income   | 21,453,778                                      | 2,494,314                | 3,959,392                | 2,663,414   | 15,724,981           | (11,213,100)         | 35,082,779            |
| Finance costs  | (5,095,321)                                     | (1,406,969)              | (9,419,325)              | (3,704,530)   | (72,909,710)         | 11,119,599           | (81,416,256)          |
| Depreciation, depletion and amortization   | (22,751,686)                                    | (13,021,598)             | (15,707,256)             | (13,694,348)  | (5,719,674)          | -                    | (70,894,562)          |
| Impairment of property, plant and equipment,<br>exploration and evaluation assets and<br>intangible assets other than goodwill | (302,956)                                       | (38,162)                 | (5,278)                  | 154   | (19,486)             | -                    | (365,730)             |
| Share in profit of joint ventures and associates,<br>net   | 84,775,069                                      | 3,460,155                | 13,048,292               | 5,932,988   | (349,273)            | -                    | 106,867,231           |
| Income tax expenses  | (27,694,505)                                    | (11,163,457)             | (6,044,918)              | (4,347,788)   | (7,682,146)          | -                    | (56,932,814)          |
| <b>Net profit for the period</b>   | <b>80,911,377</b>                               | <b>47,666,188</b>        | <b>21,625,632</b>        | <b>10,466,276</b>   | <b>(83,274,692)</b>  | <b>(1,637,099)</b>   | <b>75,757,682</b>     |
| <b>Other segment information</b>   |   |                          |                          |   |                      |                      |                       |
| Investments in joint ventures and associates   | 3,243,334,533                                   | 60,522,184               | 92,468,369               | 23,445,191  | 3,169,468            | -                    | 3,422,939,745         |
| Capital expenditures   | 119,523,351                                     | 31,681,225               | 20,000,215               | 21,493,126  | 14,142,499           | -                    | 206,840,416           |
| Allowances for obsolete inventories, doubtful<br>accounts receivable, advances paid, and other<br>assets                       | (11,602,749)                                    | (855,459)                | (5,862,523)              | (6,614,583)   | (5,863,282)          | -                    | (30,798,596)          |
| <b>Assets of the segment</b>   | <b>6,613,126,707</b>                            | <b>713,980,295</b>       | <b>1,087,756,149</b>     | <b>2,212,877,178</b>  | <b>822,587,426</b>   | <b>(740,670,097)</b> | <b>10,709,657,658</b> |
| <b>Liabilities of the segment</b>  | <b>568,163,254</b>                              | <b>172,158,449</b>       | <b>517,619,492</b>       | <b>1,495,561,554</b>  | <b>2,552,194,461</b> | <b>(686,217,349)</b> | <b>4,619,479,861</b>  |

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

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**26. SUBSEQUENT EVENTS**

In July and August 2016 the Company has provided the additional interest free loan to Samruk-Kazyna in the total amount 18,583,614 thousand tenge.

On July 1, 2016 the Group made a interest repayment of the Eurobonds in the total amount of 73,000 thousand US dollars (equivalent to 24,722,180 thousand tenge on the due date).

On July 18, 2016 Kazakhoil Aktobe LLP made a payment of dividends to the Company in the amount of 6,734,600 thousand tenge.

On July 19, 2016 the Group made a repayment of issued bonds held by Development Bank of Kazakhstan JSC in the amount of 23,860,701 thousand tenge, including accrued interest of 5,882,726 thousand tenge.

On July 20, 2016 the Supreme Court of the Republic of Kazakhstan has made a decision that the tax authorities will not be required to immediately refund the KMG EP's VAT claims in the amount 31,955 million tenge that relate to sale of assets to JSC "Ozenmunaigas" in 2012. These amounts will be allowed to offset against future VAT payables from operating activities. The full amount of this VAT claim was provided for in 2015, as current operating activities do not allow for realization of this amount in the foreseeable future. If and when VAT amounts that relates to this claim, are offset in the future, they will be charged to income as received.

On July 21, 2016 the Group paid principal and interest on loans received from DBK JSC in the amount of 63,625 thousand US dollars (equivalent to 21,626,147 thousand tenge).

On July 22, 2016 the Company and KMGI submitted to the Romanian authorities the Notice of Investment Dispute based on the Agreement between the Government of Romania and the Government of the Republic of Kazakhstan, the Agreement between the Government of the Kingdom of the Netherlands and the Government of Romania and the Energy Charter Treaty. The submission of the aforementioned Notice represents the first procedural step that might give rise to an arbitration dispute between an investor and the country where the investment was made. If a settlement between the Group and Romanian authorities fail to be reached, the case will be referred to and settled by the International Centre for Settlement of Investment Disputes under World Bank or to the Arbitration Institute of the Stockholm Chamber of Commerce.

On July 26, 2016 the Group entered into a loan agreement with the European Bank for Reconstruction and Development for general corporate purposes in the amount 140 million US dollars with interest 3M Libor + 3.15% per annum. The maturity date is February 20, 2026.

On July 29, 2016 the Group fully repaid the loan from the Syndicate of banks in the amount 140 million US dollars for general corporate purposes at interest 1M Libor + 2% per annum.

On June 17, 2016 the Group made the Purchase Offer of the shares of KMG EP, which could enter into force in case of approval by the independent shareholders of making certain changes and amendments to the Relationship Agreement and Charter of KMG EP. On August 3, 2016 there was held Extraordinary General Meeting of shareholders at which the changes did not endorsed. Thus, the Purchase Offer of shares of KMG EP did not enter into force.

On 11 August, 2016 the Company declared dividends on the results of 2015 in the amount 102.27 tenge per one ordinary share, in the total amount 59,748,893 thousand tenge.