

**JSC “National Company
“KazMunayGas”**

Interim Condensed Consolidated Financial Statements (unaudited)

*For the nine months ended
September 30, 2013*

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INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION

<i>In thousands of Tenge</i>	<i>Note</i>	September 30, 2013 (unaudited)	December 31, 2012 (audited)
ASSETS			
Non-current assets			
Property, plant and equipment	7	3,613,044,161	3,423,256,395
Exploration and evaluation assets	8	208,699,496	185,284,168
Investment property	9	28,274,125	—
Intangible assets	10	202,645,337	201,207,926
Long-term bank deposits	11	60,520,185	2,487,515
Investments in joint ventures and associates	12	993,392,297	894,097,039
Deferred income tax assets		33,495,628	34,167,348
VAT recoverable		9,578,634	8,641,358
Advances for non-current assets		87,244,013	117,846,042
Bonds receivable from the Parent		36,871,078	36,725,575
Note receivable from a shareholder of a joint venture		16,697,808	14,326,455
Note receivable from associate		22,079,342	20,721,926
Loan due from related parties		22,927,798	16,637,532
Other non-current assets		30,045,585	30,347,102
		5,365,515,487	4,985,746,381
Current assets			
Inventories	13	203,613,699	203,281,273
VAT recoverable		149,947,516	123,223,688
Income taxes prepaid		58,702,622	42,555,972
Trade accounts receivable	14	247,237,152	219,286,785
Other short-term financial assets	15	770,005,141	659,577,808
Note receivable from a shareholder of a joint venture		1,424,936	3,895,304
Dividends receivable from associate	12	14,813,700	34,820,940
Other current assets	14	96,683,404	135,026,188
Cash and cash equivalents	16	535,762,566	415,085,451
		2,078,190,736	1,836,753,409
Assets classified as held for sale		11,613,512	11,221,633
		2,089,804,248	1,847,975,042
TOTAL ASSETS		7,455,319,735	6,833,721,423

INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)

<i>In thousands of Tenge</i>	<i>Note</i>	September 30, 2013 (unaudited)	December 31, 2012 (audited)
EQUITY AND LIABILITIES			
Equity			
Share capital	17	545,029,854	527,760,531
Additional paid-in capital	17	19,645,866	19,062,712
Other equity		2,184,693	2,180,382
Currency translation reserve		266,847,317	222,112,349
Retained earnings		2,540,361,455	2,241,272,475
Attributable to equity holders of the Parent		3,374,069,185	3,012,388,449
Non-controlling interest	17	570,261,597	581,147,319
Total equity		3,944,330,782	3,593,535,768
Non-current liabilities			
Borrowings	18	2,050,797,829	1,593,704,304
Payable for the acquisition of additional interest in the North Caspian Project		237,321,774	226,366,710
Provisions	19	117,161,487	115,117,818
Deferred income tax liabilities		152,316,756	154,546,429
Other non-current liabilities		14,093,010	26,174,856
		2,571,690,856	2,115,910,117
Current liabilities			
Borrowings	18	266,910,770	469,943,861
Provisions	19	46,616,892	34,598,962
Income taxes payable		48,993,593	48,103,198
Trade accounts payable		217,636,573	227,115,792
Payable for the acquisition of additional interest in the North Caspian Project		118,661,981	113,183,280
Other taxes payable	20	118,740,832	109,435,007
Derivatives		—	372,026
Other current liabilities	21	118,417,179	117,740,857
		935,977,820	1,120,492,983
Liabilities directly associated with the assets classified as held for sale		3,320,277	3,782,555
		939,298,097	1,124,275,538
Total liabilities		3,510,988,953	3,240,185,655
TOTAL EQUITY AND LIABILITIES		7,455,319,735	6,833,721,423

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

Deputy Chairman of Management Board on Economy and Finance



Kasymbek A.M.

Chief Accountant

Valentinova N.S.

INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

<i>In thousands of Tenge</i>	<i>Note</i>	For the nine months ended September 30, 2013 (unaudited)	For the nine months ended September 30, 2012 (unaudited) (restated*)
Revenue	22	2.127.460.318	2.169.440.824
Cost of sales	23	(1.468.783.701)	(1.515.137.804)
Gross profit		658.676.617	654.303.020
General and administrative expenses	24	(110.700.973)	(105.541.958)
Transportation and selling expenses	25	(237.329.835)	(276.034.786)
Impairment of property, plant and equipment, exploration and evaluation assets, intangible assets other than goodwill	7,10	(57.868.344)	(1.423.434)
Loss on disposal of property, plant and equipment, net		(7.035.312)	(1.392.348)
Other operating income		23.210.796	26.903.439
Other operating expenses		(12.754.570)	(8.417.013)
Operating profit		256.198.379	288.396.920
Net foreign exchange loss		(22.912.607)	(11.415.822)
Finance income	26	28.488.520	25.746.312
Finance costs	27	(132.274.474)	(125.641.924)
Share of income of joint ventures and associates	28	364.724.831	358.659.176
Profit for the period from continuing operations before income tax		494.224.649	535.744.662
Income tax expenses	29	(132.418.349)	(141.607.675)
Profit for the period from continuing operations		361.806.300	394.136.987
Discontinued operation			
Loss after income tax for the period from discontinued operations	5	502.711	199.474
Profit for the period		362.309.011	394.336.461
Other comprehensive income:			
Foreign currency translation		46.429.036	18.254.763
Other comprehensive income for the period to be reclassified to profit or loss in subsequent periods		46.429.036	18.254.763
Total comprehensive income for the period, net of tax		408.738.047	412.591.224
Profit for the period attributable to:			
Equity holder of the Parent		330.993.455	338.698.661
Non-controlling interest		31.315.556	55.637.800
		362.309.011	394.336.461
Total comprehensive income for the period, net of tax attributable to:			
Equity holder of the Parent		375.728.423	356.000.650
Non-controlling interest		33.009.624	56.590.574
		408.738.047	412.591.224

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

Deputy Chairman of Management Board on Economy and Finance

Kasymbek A.M.

Chief Accountant

Valentinova N.S.

INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS

<i>In thousands of Tenge</i>	<i>Note</i>	For the six months ended June 30, 2013 (unaudited)	For the six months ended June 30, 2012 (unaudited) (restated*)
Cash flows from operating activities:			
Profit before income tax for the period from continuing operations		321,428,651	368,127,827
Loss before income tax for the period from discontinued operations		(163,820)	(272,010)
Adjustments for:			
Depreciation, depletion and amortization	23, 24, 25	86,913,671	77,334,138
Share of income of joint ventures and associates	28	(245,672,641)	(252,072,455)
Finance costs	27	87,234,741	78,154,373
Finance income	26	(17,280,954)	(17,687,554)
Impairment of property, plant and equipment, exploration and evaluation assets, intangible assets other than goodwill	7, 10	57,859,881	3,890,671
Loss on disposal of property, plant and equipment		1,799,201	1,009,247
Provisions	19	22,108,861	6,637,930
Impairment of trade accounts receivable, other current and non-current assets	24	1,734,101	934,816
Accrual of provision for obsolete inventory	13	1,502,071	813,449
Recognition of share based payments		12,651	803,759
Loss on unrealized foreign exchange		7,138,651	6,467,214
Operating profit before working capital changes		324,615,091	274,141,405
Change in inventories		10,855,191	(10,617,252)
Change in VAT recoverable		(13,879,200)	(10,338,986)
Change in trade accounts receivable and other assets		28,590,871	25,053,827
Change in other taxes payable		(14,418,686)	(2,183,815)
Change in trade accounts payable		(20,118,601)	(19,937,285)
Change in other liabilities and short-term provisions		(22,642,090)	(20,799,338)
Cash generated from operations		293,002,591	235,318,556
Income taxes paid		(125,113,429)	(79,186,614)
Interest received		10,491,171	6,995,057
Interest paid		(44,632,345)	(60,767,881)
Net cash flow from operating activities		133,747,992	102,359,118
Cash flows from investing activities:			
Placement of bank deposits, net		(86,932,479)	(217,372,271)
Purchase of property, plant and equipment, exploration and evaluation assets, intangible assets and investment property		(216,675,786)	(223,167,378)
Proceeds from sale of property, plant and equipment, exploration and evaluation assets, intangible assets and investment property		3,181,661	6,571,287
Dividends received from joint ventures and associates		165,696,101	278,012,163
Acquisition of interest in Karachaganak, net of cash acquired		—	(146,804,042)
Additional contribution into joint ventures		—	(492,000)
Net cash flow used in investing activities		(134,730,500)	(303,252,241)

INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS (continued)

<i>In thousands of Tenge</i>	<i>Note</i>	For the six months ended June 30, 2013 (unaudited)	For the six months ended June 30, 2012 (unaudited) (restated*)
Cash flows from financing activities:			
Proceeds from borrowings		644,597,99	345,412,484
Repayment of borrowings		(264,927,019	(209,068,107)
Buy back of shares by subsidiaries		-	(17,945,410)
Issuance of shares	17	8,916,90	2,000,004
Dividends paid to non-controlling interests		-	(34,321,871)
Repayment of payables for acquisition of subsidiaries		-	(6,383,473)
Acquisition of non-controlling interest		(430,751	(526,742)
Sponsorship provided based on the Parent order	17	(2,554,420	-
Net cash flow from financing activities		385,602,70	79,166,885
Effects of exchange rate changes on cash and cash equivalents		2,659,55	2,293,780
Net change in cash and cash equivalents		387,279,75	(119,432,458)
Cash and cash equivalents at the beginning of the period	16	415,085,45	581,952,313
Cash and cash equivalents at the end of the period	16	802,365,20	462,519,855

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

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

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

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

Deputy Chairman of Management Board on Economy and Finance

Chief Accountant



Kasymbek A.M.

Valentinova N.S.

INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

In thousands of Tenge	Attributable to equity holder of the Parent						Non-controlling interest	Total
	Share capital	Additional paid-in capital	Other equity	Currency translation reserve	Retained earnings	Total		
Note	17	17			17		17	
As at December 31, 2011 (audited) (restated*)	341,393,764	17,314,366	1,966,059	188,573,100	2,033,113,206	2,582,360,495	581,657,604	3,164,018,099
Net profit for the period (restated*)	-	-	-	-	338,698,661	338,698,661	55,637,800	394,336,461
Other comprehensive income (restated*)	-	-	-	17,301,989	-	17,301,989	952,774	18,254,763
Total comprehensive income for the period (restated*)	-	-	-	17,301,989	338,698,661	356,000,650	56,590,574	412,591,224
Contribution (restated*)	186,366,767	(4,076,372)	-	-	-	182,290,395	-	182,290,395
Dividends	-	-	-	-	(143,201,087)	(143,201,087)	(34,321,871)	(177,522,958)
Recognition of share based payments at subsidiaries	-	-	166,645	-	-	166,645	797,967	964,612
Issuance of treasury shares by subsidiary	-	-	-	-	5,284,0004	5,284,0004	(30,682,905)	(25,398,901)
Change in ownership of subsidiaries	-	-	-	-	(974,227)	(974,227)	436,090	(538,137)
As at September 30, 2012 (unaudited) (restated*)	527,760,531	13,237,994	2,132,704	205,875,089	2,232,920,557	2,981,926,875	574,477,459	3,556,404,334
As at December 31, 2012 (audited)	527,760,531	19,062,712	2,180,382	222,112,349	2,241,272,475	3,012,388,449	581,147,319	3,593,535,768
Net profit for the period	-	-	-	-	330,993,455	330,993,455	31,315,556	362,309,011
Other comprehensive income	-	-	-	44,734,968	-	44,734,968	1,694,068	46,429,036
Total comprehensive income for the period	-	-	-	44,734,968	330,993,455	375,728,423	33,009,624	408,738,047
Contribution from the Parent (Note 17)	17,269,323	583,154	-	-	-	17,852,477	-	17,852,477
Dividends (Note 17)	-	-	-	-	(38,961,364)	(38,961,364)	(43,576,318)	(82,537,682)
Other transactions with the Parent, net (Note 17)	-	-	-	-	7,173,045	7,173,045	-	7,173,045
Recognition of share based payments at subsidiaries	-	-	4,311	-	38,504	42,815	(25,464)	17,351
Change in ownership of subsidiaries	-	-	-	-	(154,660)	(154,660)	(293,111)	(447,771)
As at September 30, 2013 (unaudited)	545,029,854	19,645,866	2,184,693	266,847,317	2,540,361,455	3,374,069,185	570,261,597	3,944,330,782

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

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

Deputy Chairman of Management Board on Economy and Finance

Chief Accountant


Kasymbek A.M.

Valentinova N.S.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL

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

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

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

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

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

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

These interim condensed consolidated financial statements of the Group were approved for issue by the Vice Chairman of Management Board on Economy and Finance and the Chief Accountant on November 1, 2013.

2. BASIS OF PREPARATION

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

Foreign currency translation

Functional and presentation currency

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

Transactions and balances

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

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

2. BASIS OF PREPARATION (continued)

Foreign currency translation (continued)

Group Companies

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

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

Exchange rates

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

The currency exchange rates of KASE as at September 30, 2013 and December 31, 2012 were 153.62 Tenge and 150.74 to US\$ 1 accordingly. These rates were used for translation of monetary assets and liabilities denominated in US Dollars at September 30, 2013 and December 31, 2012.

Changes in accounting policies

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2012, except for the adoption of new standards and interpretations effective as of January 1, 2013, noted below:

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

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

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

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

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

2. BASIS OF PREPARATION (continued)**Changes in accounting policies (continued)***IAS 32 Tax Effects of Distributions to Holders of Equity Instruments (Amendment)*

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

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

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

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

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

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

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

IFRS 10 Consolidated Financial Statements and IAS 27 Separate Financial Statements

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

2. BASIS OF PREPARATION (continued)**Changes in accounting policies (continued)***IFRS 11 Joint Arrangements and IAS 28 Investment in Associates and Joint Ventures*

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

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

IFRS 12 Disclosure of Interests in Other Entities

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

IFRS 13 Fair Value Measurement

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

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

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

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

3. SEASONALITY OF OPERATIONS

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

4. ACQUISITIONS*Acquisition of share in Karachaganak Project Consortium*

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

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

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

The other 5% of the interest in Karachaganak was acquired from the Parent for 150,035,141 thousand Tenge using funds obtained under a loan agreement with other partners to Karachaganak project in the amount of 1 billion US Dollars (equivalent to 153,620,000 thousand Tenge as at September 30, 2012).

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

4. ACQUISITIONS (continued)

Acquisition of share in Karachaganak Project Consortium (continued)

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

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

Acquisition of share in Arkagaz JSC (“Arkagaz”)

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

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

5. DISCONTINUED OPERATIONS

“Aysir Turizm ve Inshaat A.S”

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

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

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

	For the nine months ended September 30	
<i>In thousands of Tenge</i>	2013	2012
Revenue	2,533,942	2,316,336
Cost of sales	(1,813,679)	(1,951,760)
Gross loss	720,263	364,576
General and administrative expenses	(111,587)	(251,721)
Other operating income	8,640	10,486
Operating loss	617,316	123,341
Net foreign exchange (loss) / gain	(89,418)	119,572
Finance income	4,157	7,349
Finance costs	(29,344)	(63,496)
Loss before income tax for the period from discontinued operations	502,711	186,766
Income tax expense	–	12,708
Loss after income tax for the period from discontinued operations	502,711	199,474

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

5. DISCONTINUED OPERATIONS (continued)

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

<i>In thousands of Tenge</i>	September 30, 2013	December 31, 2012
ASSETS		
Property, plant and equipment	6,260,388	5,585,278
Intangible assets	2,220,329	3,559,560
Other non-current assets	71,800	–
Inventories	87,940	73,687
Trade accounts receivable	217,511	122,081
VAT recoverable	6,109	143,580
Other current assets	82,811	94,849
Cash and cash equivalents	888,900	539,668
Assets classified as held for sale	9,835,788	10,118,703
Liabilities		
Borrowings	741,077	1,404,942
Deferred income tax liabilities	–	540,540
Other non-current liabilities	1,485,831	1,413,922
Trade accounts payable	216,531	261,951
Other current liabilities	876,838	161,200
Liabilities directly associated with the assets classified as held for sale	3,320,277	3,782,555
Net assets directly associated with the disposal group	6,515,511	6,336,148

The net cash flows incurred by Aysir are as follows:

<i>In thousands of Tenge</i>	For the nine months ended September 30	
	2013	2012
Operating	917,884	724,056
Investing	(109,957)	(90,414)
Financing	(368,996)	(376,437)
Net cash outflow	438,931	257,205

6. RESTATEMENTS

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

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

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

<i>In thousands of Tenge</i>	
Effect on performance for the nine months ended September 30, 2012	
Increase in revenue	636,425
Increase in cost of sales	(566,239)
Increase in general and administrative expenses	92,781
Increase in transportation and selling expenses	(7,320)
Increase in other operating income	428
Increase in other operating expenses	(39)
Increase in net profit for the period from continued operations	(29,526)
Decrease in net profit for the period from discontinued operations (Note 5)	(199,474)

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)**7. 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	Construction in progress	Total
Net book value as at December 31, 2012	1,960,029,016	292,786,187	460,497,374	198,985,648	189,576,02	89,013,754	26,964,076	205,404,317	3,423,256,395
Foreign currency translation	32,324,557	-	6,278,024	1,208,360	498,892	417,473	72,135	138,728	40,938,169
Additions	83,313,116	10,487,744	2,125,528	16,269,129	7,037,633	7,350,705	3,435,668	244,492,028	374,511,551
Disposals	(9,633,069)	(275,157)	(794,424)	(4,631,561)	(1,703,665)	(918,902)	(2,040,358)	(4,189,520)	(24,186,656)
Depreciation charge	(44,080,930)	(11,065,253)	(26,093,387)	(11,404,527)	(23,023,165)	(8,471,458)	(5,873,504)	-	(130,012,224)
Accumulated depreciation and impairment on disposals	6,582,879	230,468	766,705	2,678,390	1,144,115	924,453	1,793,076	754,789	14,874,875
(Impairment provision) / reversal of impairment provision	(49,265,888)	-	100,491	(1,879,651)	(528,897)	(1,962,284)	(401,790)	(3,926,139)	(57,864,158)
Transfers to investment property	(26,826,709)	-	-	-	(20,096)	-	(14,800)	-	(26,861,605)
Transfers to assets classified as held for sale	-	-	184,416	-	-	-	-	-	184,416
Transfers from assets classified as held for sale	(22,374)	-	(218,266)	(1,039,140)	(128)	-	(6,799)	-	(1,286,707)
Transfers to inventories	-	(72,315)	-	(15,162)	(19,624)	-	(1,212)	(44,747)	(153,060)
Transfers to intangible assets	(70,632)	-	-	-	(477)	-	(205)	(285,521)	(356,835)
Transfers and reclassifications	59,920,045	3,132,989	23,358,058	11,278,873	11,410,129	4,781,255	3,870,304	(117,751,653)	-
Net book value as at September 30, 2013	2,012,270,011	295,224,663	466,204,519	211,450,359	184,370,740	91,134,996	27,796,591	324,592,282	3,613,044,161
At cost	2,429,691,013	374,493,988	658,691,322	313,376,600	344,340,412	149,625,036	63,422,356	332,193,906	4,665,834,633
Accumulated depreciation and impairment	(417,421,002)	(79,269,325)	(192,486,803)	(101,926,241)	(159,969,672)	(58,490,040)	(35,625,765)	(7,601,624)	(1,052,790,472)
Net book value as at September 30, 2013	2,012,270,011	295,224,663	466,204,519	211,450,359	184,370,740	91,134,996	27,796,591	324,592,282	3,613,044,161
At cost	2,287,091,863	361,850,426	625,876,778	291,210,707	324,938,523	135,270,824	56,607,869	216,886,899	4,299,733,889
Accumulated depreciation and impairment	(327,062,847)	(69,064,239)	(165,379,404)	(92,225,059)	(135,362,500)	(46,257,070)	(29,643,793)	(11,482,582)	(876,477,494)
Net book value as at December 31, 2012	1,960,029,016	292,786,187	460,497,374	198,985,648	189,576,023	89,013,754	26,964,076	205,404,317	3,423,256,395

For the nine months ended September 30, 2013, the Group capitalized borrowing costs in the amount of 9,396,944 thousand Tenge related to construction of new assets (for the nine months ended September 30, 2012: 4,473,369 thousand Tenge).

As at September 30, 2013, items of property, plant and equipment with the net book value of 996,998,062 thousand Tenge (as at December 31, 2012: 986,599,966 thousand Tenge) are pledged as collateral to secure borrowings and payables of the Group (*Note 18*).

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

7. PROPERTY, PLANT AND EQUIPMENT (continued)

During the nine months ended September 30, 2013, the Group recorded net impairment of 57,864,158 thousand Tenge that is mainly attributable to property, plant and equipment of KMG EP in the amount of 58,637,043 thousand Tenge due to the increase in export duty from April 12, 2013 - from 40 USD per ton to 60 USD per ton. The main assumptions employed for the formal assessment at year end of 2012 remain unchanged. The results of the assessment are sensitive to estimates related to production and pricing. If production profile was assumed to be 5% higher or lower than that used in the assessment, this would have the effect of reducing impairment by more than 50 billion Tenge or increasing impairment by more than 50 billion Tenge, respectively. If Brent crude oil price were assumed to be 5% higher or lower than those used in assessment, this would have the effect of reducing impairment by more than 40 billion Tenge or increasing impairment by more than 40 billion Tenge, respectively.

8. EXPLORATION AND EVALUATION ASSETS

<i>In thousands of Tenge</i>	Tangible assets	Intangible assets	Total
Net book value as at December 31, 2012	123,939,298	61,344,870	185,284,168
Foreign currency translation	694,555	20,476	715,03
Additions	25,996,011	45,617	26,041,62
Disposals	(3,341,331)	-	(3,341,331)
Net book value as at September 30, 2013	147,288,533	61,410,963	208,699,49

As at September 30, 2013, items of exploration and evaluation assets with the net book value of 126,326,251 thousand Tenge (as at December 31, 2012: 43,228,819 thousand Tenge) are pledged as collateral to secure borrowings and payables of the Group (Note 18).

9. INVESTMENT PROPERTY

<i>In thousands of Tenge</i>	Total
Net book value as at December 31, 2012	-
Additions	3,140,079
Depreciation charge	(427,422)
Disposals	(3,373,777)
Accumulated depreciation and impairment on disposals	2,415,880
Transfers from property, plant and equipment	26,861,605
Transfers to assets classified as held for sale	(342,240)
Net book value as at September 30, 2013	28,274,125
At cost	29,090,797
Accumulated depreciation and impairment	(816,672)
Net book value as at September 30, 2013	28,274,125
At cost	-
Accumulated depreciation and impairment	-
Net book value as at December 31, 2012	-

Investment property is mainly represented by office building leased under operating lease terms, Izumrudny Kvartal. The management of the Group believes that the fair value of the building is 38,190,931 thousand Tenge (in 2012 presented within property, plant and equipment - 38,589,019 thousand Tenge).

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

10. INTANGIBLE ASSETS

<i>In thousands of Tenge</i>	Goodwill	Marketing related intangible assets	Software	Other	Total
Net book value as at December 31, 2012	135,026,234	27,434,077	20,145,083	18,602,532	201,207,926
Foreign currency translation	54,587	518,084	76,425	357,277	1,006,373
Additions	–	5,911	1,566,633	4,286,959	5,859,503
Disposals	–	–	(184,107)	(770,643)	(954,750)
Amortization charge	–	–	(3,629,056)	(1,852,263)	(5,481,319)
Accumulated amortization and impairment on disposals	–	–	172,482	482,473	654,955
Impairment provision	–	–	(3,546)	(640)	(4,186)
Transfer from property, plant and equipment	–	–	55,243	301,592	356,835
Transfers and reclassifications	–	–	(4,718)	4,718	–
Net book value as at September 30, 2013	135,080,821	27,958,072	18,194,439	21,412,005	202,645,337
At cost	165,802,515	28,575,277	40,001,358	37,238,834	271,617,984
Accumulated amortization and impairment	(30,721,694)	(617,205)	(21,806,919)	(15,826,829)	(68,972,647)
Net book value as at September 30, 2013	135,080,821	27,958,072	18,194,439	21,412,005	202,645,337
At cost	165,747,928	28,014,773	38,937,207	32,893,451	265,593,359
Accumulated amortization and impairment	(30,721,694)	(580,696)	(18,792,124)	(14,290,919)	(64,385,433)
Net book value as at December 31, 2012	135,026,234	27,434,077	20,145,083	18,602,532	201,207,926

11. LONG-TERM BANK DEPOSITS

As at September 30, 2013, the weighted average interest rate on long-term bank deposits was 2.99% in US Dollars, 2.98% in Tenge (as at December 31, 2012: 2.75% in US Dollars and 2.20% in Tenge).

<i>In thousands of Tenge</i>	September 30, 2013 (unaudited)	December 31, 2012 (audited)
Denominated in US Dollars	38,914,642	215,391
Denominated in Tenge	21,605,543	2,272,124
	60,520,185	2,487,515

Long-term bank deposits as at September 30, 2013 include deposits of 26,892,132 thousand Tenge (as at December 31, 2012: 1,141,416 thousand Tenge) pledged as collateral to secure banking facilities granted to the Group (*Note 18*).

<i>In thousands of Tenge</i>	September 30, 2013 (unaudited)	December 31, 2012 (audited)
Maturities between 1 and 2 years	9,868,481	153,261
Maturities over 2 years	42,166,897	2,334,254
	60,520,185	2,487,515

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

12. INVESTMENTS IN JOINT VENTURES AND ASSOCIATES

<i>In thousands of Tenge</i>	September 30, 2013 (unaudited)		December 31, 2012 (audited)	
	Book value	Ownership share	Book value	Ownership share
<i>Joint Ventures:</i>				
Tengizchevroil LLP	293,970,426	20.00%	264,698,959	20.00%
Mangistau Investments B.V.	205,618,865	50.00%	176,949,392	50.00%
Kazakhoil-Aktobe LLP	81,032,040	50.00%	72,085,480	50.00%
KazRosGas LLP	38,598,727	50.00%	63,423,836	50.00%
Beineu-Shymkent Pipeline LLP	70,704,988	50.00%	71,959,310	50.00%
KazGerMunay LLP	67,446,069	50.00%	55,315,780	50.00%
Ural Group Limited BVI	21,547,770	50.00%	19,066,237	50.00%
Kazakhstan-China Pipeline JSC	21,242,192	50.00%	12,011,596	50.00%
Valsera Holdings B.V.	15,768,782	50.00%	18,511,433	50.00%
Asian Gas Pipeline LLP	16,017,045	50.00%	1,025,067	50.00%
MunayTas JSC	8,335,120	51.00%	7,505,315	51.00%
Other	27,352,656		27,342,980	
<i>Associates:</i>				
PetroKazakhstan Inc. ("PKI")	101,488,039	33.00%	80,909,217	33.00%
Caspian Pipeline Consortium	17,879,455	20.75%	17,274,707	20.75%
Other	6,390,123		6,017,730	
	993,392,297		894,097,039	

During the nine months ended September 30, 2013 the Group recognized its share of income from joint ventures and associates in the amount of 364,724,831 thousand Tenge (September 30, 2012: 358,659,176 thousand Tenge), which increased the carrying value of investments. Dividends declared by joint ventures and associates totaled 273,581,376 thousand Tenge (September 30, 2012: 403,631,458 thousand Tenge) and reduced the carrying value of investments. As at September 30, 2013, dividends receivable from PKI amounted to 14,813,700 thousand Tenge (December 31, 2012: 34,820,940 thousand Tenge). The remaining change in investments is attributable to foreign currency translation adjustment.

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

<i>In thousands of Tenge</i>	
At January 1	894,097,039
Share of profits (Note 28)	364,724,831
Dividends received	(273,581,376)
Foreign currency translation	8,151,803
At September 30	993,392,297

13. INVENTORIES

<i>In thousands of Tenge</i>	September 30, 2013 (unaudited)	December 31, 2012 (audited)
Materials and supplies	97,830,228	86,918,791
Refined products	63,890,079	64,654,236
Crude oil	43,485,022	50,716,508
Gas products	11,279,910	12,865,282
Less: write-down to net realizable value	(12,871,540)	(11,873,544)
	203,613,699	203,281,273

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

14. TRADE ACCOUNTS RECEIVABLE AND OTHER CURRENT ASSETS

<i>In thousands of Tenge</i>	September 30, 2013 (unaudited)	December 31, 2012 (audited)
Trade accounts receivable	271,120,662	238,061,651
Less: allowance for impairment	(23,883,510)	(18,774,866)
Trade accounts receivable	247,237,152	219,286,785
Prepayments and deferred expenses	40,362,507	35,401,526
Taxes recoverable	12,561,251	19,805,144
Other current assets	58,423,336	91,817,051
Less: allowance for impairment	(14,663,690)	(11,997,533)
Total other current assets	96,683,404	135,026,188

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

As at September 30, 2013 the Group has pledged trade accounts receivable of approximately 89,726,984 thousand Tenge (as at December 31, 2012: 91,444,763 thousand Tenge) as collateral to secure borrowings and payables of the Group (Note 18).

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

<i>In thousands of Tenge</i>	2013
As at January 1 (audited)	30,772,399
Charge for the period	2,910,256
Receivables written off	(516,877)
Foreign currency translation	862,502
Reinstatement of allowance	6,235,150
Recovered	(1,716,230)
As at September 30 (unaudited)	38,547,200

15. OTHER SHORT-TERM FINANCIAL ASSETS

<i>In thousands of Tenge</i>	September 30, 2013 (unaudited)	December 31, 2012 (audited)
Short-term bank deposits	768,071,807	633,122,581
Loans due from related parties	7,732,513	32,262,570
Less: allowance for doubtful loans from related parties	(5,799,179)	(5,807,343)
	770,005,141	659,577,808

As at September 30, 2013, weighted average interest rate on short-term bank deposits was 1.75% in US Dollars, 4.12% in Tenge and 0.20% in other foreign currency (as at December 31, 2012: 2.21% in US Dollars, 4.06% in Tenge and 4.00% in other foreign currency).

As at September 30, 2013, short-term bank deposits include 12,243,670 thousand Tenge placed with Temirbank JSC (2012: 6,859,971 thousand Tenge) and 7,052,150 thousand Tenge placed with Alliance Bank (2012: 7,820,846 thousand Tenge) (Note 30).

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

<i>In thousands of Tenge</i>	September 30, 2013 (unaudited)	December 31, 2012 (audited)
Short-term financial assets in US Dollars	531,663,969	413,047,217
Short-term financial assets in Tenge	238,117,087	246,339,253
Short-term financial assets in other foreign currencies	224,085	191,338
	770,005,141	659,577,808

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

16. CASH AND CASH EQUIVALENTS

<i>In thousands of Tenge</i>	September 30, 2013 (unaudited)	December 31, 2012 (audited)
Term deposits with banks – US Dollars	137,097,549	93,134,773
Current accounts with banks – US Dollars	136,258,037	86,329,779
Term deposits with banks – Tenge	122,121,698	120,933,758
Current accounts with banks – Tenge	106,277,583	90,815,360
Term deposits with banks – other currencies	20,849,172	12,058,545
Current accounts with banks – other currencies	10,864,178	7,982,589
Cash-on-hand	2,294,349	3,830,647
	535,762,566	415,085,451

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

17. EQUITY

Contributions from the Parent

During the nine months ended September 30, 2013, the Group authorized and issued 6,907,730 common shares, which comprised 6,907,728 common shares with par value of 2,500 Tenge per common share, one common share with par value of 2,451 Tenge and one common share with par value of 1,000 Tenge. During the nine months ended September 30, 2013, the Parent acquired and paid in high, medium and low pressure gas pipelines and accompanying constructions, located in Zhambyl and West-Kazakhstan regions for the total amount of 8,352,422 thousand Tenge and cash 8,916,901 thousand Tenge for all issued common shares (for the nine months ended 30 September 2012: 2,000,004 thousand Tenge paid in cash, 184,366,763 paid in kind).

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

Other transactions with the Parent

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

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

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

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

17. EQUITY (continued)

Dividends

During the nine months ended September 30, 2013, the Group declared dividends to its Parent of 75.19 Tenge per common share totaling to 38,961,364 thousand Tenge (the nine months ended September 30, 2012: 293.35 Tenge per common share totaling to 143,201,087 thousand Tenge).

During the nine months ended September 30, 2013, the Group declared dividends of 43,567,318 thousand Tenge to the holders of non-controlling interest in Exploration Production KazMunayGas JCS ("KMG EP") and KazTransOil JSC (the nine months ended September 30, 2012: 34,321,910 thousand Tenge).

Non-controlling interest

<i>In thousands of Tenge</i>	September 30, 2013 (unaudited)	December 31, 2012 (audited)
Exploration Production KazMunayGas JSC	487,567,261	492,114,355
Subsidiaries of Cooperative KazMunayGas U.A.	48,736,927	59,322,890
KazTransOil JSC	32,889,737	29,178,181
Subsidiaries of KazMunayGas Refinery and Marketing JSC	348,752	288,568
Other	718,920	243,325
	570,261,597	581,147,319

18. BORROWINGS

<i>In thousands of Tenge</i>	September 30, 2013 (unaudited)	December 31, 2012 (audited)
Fixed interest rate borrowings	1,688,681,809	1,560,512,307
Weighted average interest rates	7.36%	8.01%
Variable interest rate borrowings	629,026,790	503,135,858
Weighted average interest rates	4.94%	4.89%
	2,317,708,599	2,063,648,165

<i>In thousands of Tenge</i>	September 30, 2013 (unaudited)	December 31, 2012 (audited)
US Dollar denominated borrowings	2,050,277,772	1,760,318,824
Tenge denominated borrowings	230,143,412	265,733,278
Euro denominated borrowings	34,911,835	36,642,633
Other currency denominated borrowings	2,375,580	953,430
	2,317,708,599	2,063,648,165

<i>In thousands of Tenge</i>	September 30, 2013 (unaudited)	December 31, 2012 (audited)
Current portion	266,910,770	469,943,861
Non-current portion	2,050,797,829	1,593,704,304
	2,317,708,599	2,063,648,165

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

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

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

19. PROVISIONS

<i>In thousands of Tenge</i>	Asset retirement obligations	Provision for environmental liability	Provision for taxes	Other	Total
Provision as at December 31, 2012	59,443,369	33,642,799	8,703,807	47,926,805	149,716,780
Foreign currency translation	570,528	311,55	3,332	101,389	986,802
Change in estimate	1,030,724	-	-	-	1,030,724
Unwinding of discount	1,146,119	1,029,16	-	-	2,175,279
Provision for the period	2,828,955	209,98	17,447,255	7,003,278	27,489,470
Unused amounts reversed	-	(183,551	-	(1,328,056)	(1,511,607)
Reversed	(127,622)	(117,252	-	(1,699)	(246,573)
Use of provision	(661,992)	(282,290	(6,048,108)	(8,870,106)	(15,862,496)
Provision as at September 30, 2013	64,230,081	34,610,40	20,106,286	44,831,611	163,778,379

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

<i>In thousands of Tenge</i>	Asset retirement obligations	Provision for environmental liability	Provision for taxes	Other	Total
<i>As at September 30, 2013</i>					
Current portion	926,862	2,920,674	20,106,286	22,663,070	46,616,892
Long-term portion	63,303,219	31,689,727	-	22,168,541	117,161,487
Provision as at September 30, 2013	64,230,081	34,610,401	20,106,286	44,831,611	163,778,379
<i>As at December 31, 2012</i>					
Current portion	971,466	3,489,231	8,703,807	21,434,458	34,598,962
Long-term portion	58,471,903	30,153,568	-	26,492,347	115,117,818
Provision as at December 31, 2012	59,443,369	33,642,799	8,703,807	47,926,805	149,716,780

20. OTHER TAXES PAYABLE

<i>In thousands of Tenge</i>	September 30, 2013 (unaudited)	December 31, 2012 (audited)
Rent tax on export of crude oil	44,357,011	38,775,752
Mineral extraction tax	22,809,093	11,644,041
Excise tax	14,826,662	10,563,717
VAT	17,003,960	24,421,260
Special fund on petroleum products	1,281,037	1,237,425
Other	18,463,069	22,792,812
	118,740,832	109,435,007

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

21. OTHER CURRENT LIABILITIES

<i>In thousands of Tenge</i>	September 30, 2013 (unaudited)	December 31, 2012 (audited)
Dividends payable	1,776,262	1,299,726
Due to employees	32,703,403	25,917,030
Advances received	39,632,900	31,214,807
Other	44,304,614	59,309,294
	118,417,179	117,740,857

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

22. REVENUE

<i>In thousands of Tenge</i>	For the nine months ended September 30, 2013 (unaudited)	For the nine months ended September 30, 2012 (unaudited)
Sales of refined products	1,302,089,466	1,489,826,391
Sales of crude oil	530,982,420	440,683,676
Transportation fee	193,537,505	164,240,803
Sales of gas products	159,143,274	147,566,184
Other revenue	149,842,516	108,428,173
Less: sales taxes and commercial discounts	(208,134,863)	(181,304,403)
	2,127,460,318	2,169,440,824

23. COST OF SALES

<i>In thousands of Tenge</i>	For the nine months ended September 30, 2013 (unaudited)	For the nine months ended September 30, 2012 (unaudited)
Materials and supplies	968,682,613	1,106,931,629
Payroll expenses	144,374,077	134,981,490
Depreciation, depletion and amortization	114,551,118	97,917,392
Mineral extraction tax	62,069,114	64,702,447
Taxes other than on income	24,783,743	8,883,156
Repair and maintenance	23,170,743	11,366,872
Other	131,152,293	90,354,818
	1,468,783,701	1,515,137,804

24. GENERAL AND ADMINISTRATIVE EXPENSES

<i>In thousands of Tenge</i>	For the nine months ended September 30, 2013 (unaudited)	For the nine months ended September 30, 2012 (unaudited)
Payroll expenses	36,643,896	39,082,091
Taxes other than income tax	11,425,764	7,699,805
Depreciation and amortization	12,370,511	10,564,051
Provision / (reversal of provision for taxes)	7,245,984	(7,476,305)
Charitable donations	7,391,971	13,663,653
Fines and penalties	5,616,025	120,115
Consulting services	5,950,429	6,236,062
Allowance for impairment of trade accounts receivable and other current assets	(32,401)	2,023,114
Impairment of non-current assets	1,288,143	2,144,794
Other	22,800,651	31,484,578
	110,700,973	105,541,958

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

25. TRANSPORTATION AND SELLING EXPENSES

<i>In thousands of Tenge</i>	For the nine months ended September 30, 2013 (unaudited)	For the nine months ended September 30, 2012 (unaudited)
Rent tax on crude oil export	121,083,341	123,088,229
Transportation	42,535,954	88,168,981
Export customs duty	38,913,138	31,121,759
Payroll expenses	12,343,189	10,573,689
Depreciation and amortization	8,721,720	9,885,655
Other	13,732,493	13,196,473
	237,329,835	276,034,786

26. FINANCE INCOME

<i>In thousands of Tenge</i>	For the nine months ended September 30, 2013 (unaudited)	For the nine months ended September 30, 2012 (unaudited)
Interest income on bank deposits, loans and bonds	23,530,381	20,137,217
Other	4,958,139	5,609,095
	28,488,520	25,746,312

27. FINANCE COSTS

<i>In thousands of Tenge</i>	For the nine months ended September 30, 2013 (unaudited)	For the nine months ended September 30, 2012 (unaudited)
Interest on loans and debt securities issued	98,728,999	92,965,249
Interest expenses on payable for the acquisition of additional interest in the North Caspian Project	9,814,341	10,004,317
Amortization of discount on loans and debt securities issued	3,990,591	7,080,075
Discount on assets with non-market interest rate	3,173,119	158
Unwinding of discount on provisions (Note 19)	2,175,279	940,752
Change of fair value of financial instruments	–	947,494
Other	14,392,145	13,703,879
	132,274,474	125,641,924

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

28. SHARE OF INCOME OF JOINT VENTURES AND ASSOCIATES

<i>In thousands of Tenge</i>	For the nine months ended September 30, 2013 (unaudited)	For the nine months ended September 30, 2012 (unaudited)
Tengizchevroil LLP	221,367,917	185,579,915
Mangistau Investments B.V.	47,035,367	53,719,565
KazGerMunay LLP	30,099,885	34,553,168
PetroKazakhstan Inc.	18,555,044	36,421,012
Asian Gas Pipeline LLP	14,991,978	–
KazRosGas JSC	14,893,496	29,198,193
Kazakhoil-Aktobe LLP	8,946,560	9,980,874
Other	8,834,584	9,206,449
	364,724,831	358,659,176

29. INCOME TAX EXPENSE

<i>In thousands of Tenge</i>	For the nine months ended September 30, 2013 (unaudited)	For the nine months ended September 30, 2012 (unaudited)
Current income tax:		
Corporate income tax	87,724,355	92,333,550
Excess profit tax	7,255,200	14,601,109
Withholding tax on dividends	39,956,544	29,431,715
Deferred income tax:		
Income tax benefit	(10,201,913)	2,117,380
Excess profit tax expense / (benefit)	4,057,853	1,275,554
Withholding tax expense	3,626,310	1,848,367
Income tax expenses	132,418,349	141,607,675

30. RELATED PARTY DISCLOSURES

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

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

<i>In thousands of Tenge</i>	<i>For the nine months ended</i>	<i>Sales to related parties</i>	<i>Purchases from related parties</i>	<i>Interest earned from related parties</i>	<i>Interest incurred to related parties</i>
Samruk-Kazyna entities	September 30, 2013	26,579,498	22,492,235	4,112,110	3,583,835
	September 30, 2012	27,606,714	17,827,755	7,927,366	9,210,235
Associates	September 30, 2013	10,138,972	18,318	531,882	–
	September 30, 2012	5,600,724	–	–	–
Joint ventures in which the Group is a venturer	September 30, 2013	134,670,727	125,025,147	2,482,717	2,430,190
	September 30, 2012	60,589,929	128,862,286	–	–
Other related parties	September 30, 2013	76,478	646,007	–	5,444,956
	September 30, 2012	–	–	–	–

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

30. RELATED PARTY DISCLOSURES (continued)

<i>In thousands of Tenge</i>		Due from related parties	Due to related parties	Cash and deposits placed with related parties	Borrowings payable to related parties
Samruk-Kazyna entities	September 30, 2013	44,718,189	996,927	20,877,247	6,894,273
	December 31, 2012	47,594,452	784,243	15,322,862	259,891,388
Associates	September 30, 2013	9,099,249	1,466,388	50,362	–
	December 31, 2012	55,542,866	1,321,554	–	–
Other related parties	September 30, 2013	5,140	115,012	569,629	263,426,884
	December 31, 2012	–	–	–	–
Joint ventures in which the Group is a venturer	September 30, 2013	61,801,730	27,634,812	–	–
	December 31, 2012	53,899,492	38,836,399	–	–

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

Total compensation to key management personnel included in general and administrative expenses in the accompanying interim consolidated statement of comprehensive income amounted to 4,727,298 thousand Tenge for the nine months ended September 30, 2013 (the nine months ended September 30, 2012: 3,870,069 thousand Tenge). Compensation to key management personnel consists of contractual salary and performance bonus based on operating results.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

31. FINANCIAL INSTRUMENTS

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

<i>In thousands of Tenge</i>	Carrying value		Fair value	
	30 September 2013	31 December 2012	30 September 2013	31 December 2012
Financial assets				
Cash and cash equivalents	535,762,566	415,085,451	535,762,566	415,085,451
Other short-term financial assets	770,005,141	659,577,808	770,005,141	659,577,808
Dividends receivable from associate	14,813,700	34,820,940	14,813,700	34,820,940
Trade accounts receivable	247,237,152	219,286,785	247,237,152	219,286,785
Note receivable from the shareholder of joint venture (current and non-current portions)	18,122,744	18,221,759	18,122,744	18,221,759
Note receivable from associate	22,079,342	20,721,926	22,079,342	20,721,926
Bonds receivable from the Parent	40,201,078	36,725,575	40,201,078	55,288,271
Loans due from related parties	22,927,798	16,637,532	22,927,798	16,637,532
Long-term bank deposits	60,520,185	2,487,515	60,520,185	2,487,515
Financial liabilities				
Borrowings	2,317,708,599	2,063,648,165	2,317,708,599	2,264,397,146
Payable for the acquisition of additional interest in the North Caspian Project	355,983,755	339,549,990	355,983,755	339,549,990
Trade accounts payable	217,636,573	227,115,792	217,636,573	227,115,792
Other current and non-current liabilities (excluding advances received)	92,877,289	112,700,906	92,877,289	112,700,906

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

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

32. CONTINGENT LIABILITIES AND COMMITMENTS

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

Tax audit of KMG EP

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

KMG EP disagreed with the above tax assessments and filed an appeal to the Ministry of Finance. The management of KMG EP believes its interpretations of the tax legislation were appropriate. However, as management believes the outcome of the dispute is uncertain and further believes that it is more likely than not that KMG EP may not be entirely successful in its appeals, due to the ambiguity contained in the tax legislation and a history of varying interpretations and inconsistent opinions of the authorities and courts, management has accrued for certain matters included in the assessment. As at September 30, 2013, existing tax provision includes 15,791 million Tenge, including principal of 7,305 million Tenge, fines of 3,067 million Tenge and late payment interest of 5,419 million Tenge. The management believes that KMG EP will be successful in appealing the remaining balances of principal, fines, and late payment interest of the assessments.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

32. CONTINGENT LIABILITIES AND COMMITMENTS (continued)*Mineral extraction tax (KMG EP)*

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

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

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

Ozenmunaigas environmental audit

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

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

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

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

32. CONTINGENT LIABILITIES AND COMMITMENTS (continued)*Embamunaigas environmental audit*

The Department of Ecology of Atyrau Region of the Committee of Ecological Regulation and Control of the Ministry of Environment and Water Resources of the Republic of Kazakhstan conducted an off-schedule inspection from June 1 to July 4, 2013 to determine whether production activities of JSC "Embamunaigas" comply with ecological requirements, including associated gas utilization requirements.

The inspection report stated that gas utilization on three oilfields is not being handled in accordance with the approved technological development plans. Based on this the Committee of Ecological Regulation and Control recalled its previous positive conclusions to the environmental protection sections of these approved technological development plans. In addition, the Department of Ecology of Atyrau Region recalled positive conclusions to maximum allowable emission targets for East Makat, South-East Novobagatinsk and East Zhanatalap oilfields of JSC "Embamunaigas" and filed a court claim requesting the suspension of commercial development of these oilfields.

In a decision on September 24, 2013 the Specialized Interregional Economic Court of Atyrau Region ruled to suspend commercial development of these three oilfields until violations of ecological norms are eliminated and a positive state ecological conclusion is obtained. On October 21, 2013 JSC "Embamunaigas" filed an appeal to the Atyrau Regional Court to request the cancellation of this decision.

Tax risks of TRG

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

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

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

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

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

32. CONTINGENT LIABILITIES AND COMMITMENTS (continued)*Tax risks of TRG (continued)*

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

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

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

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

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

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

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

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

Litigations related to TRG

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

32. CONTINGENT LIABILITIES AND COMMITMENTS (continued)*Cost recovery audit (KMG Kashagan)*

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

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

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

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

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

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

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

33. SEGMENT REPORTING

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

<i>In thousands of Tenge</i>	Exploration and production of oil and gas	Transportation of oil	Transportation of gas	Refining and trading of crude oil and refined products	Other	Elimination	Total
Revenues from sales to external customers	18,907,069	130,392,824	200,965,397	1,712,297,011	64,898,017	–	2,127,460,318
Revenues from sales to other segments	666,561,862	24,129,394	656,282	2,754,161	14,746,949	(708,848,648)	–
Total revenue	685,468,931	154,522,218	201,621,679	1,715,051,172	79,644,966	(708,848,648)	2,127,460,318
Gross profit	439,348,551	73,494,613	66,858,857	104,320,130	6,554,582	(31,900,116)	658,676,617
Finance income	18,180,466	3,733,641	1,120,677	1,323,506	17,864,884	(13,734,654)	28,488,520
Finance costs	(17,737,446)	(1,989,591)	(5,165,243)	(11,240,892)	(109,314,313)	13,173,011	(132,274,474)
Depreciation, depletion and amortization	(48,800,673)	(17,810,494)	(17,728,892)	(43,786,686)	(7,794,220)	–	(135,920,965)
Impairment of property, plant and equipment, exploration and evaluation assets and intangible assets other than goodwill	(58,641,229)	(49,767)	(450,139)	1,001,453	271,338	–	(57,868,344)
Share of profit of joint ventures and associates, net	327,804,406	10,699,451	28,562,046	(2,838,140)	497,068	–	364,724,831
Income tax expenses	(64,915,920)	(14,382,027)	(10,453,197)	(5,680,790)	(36,986,415)	–	(132,418,349)
Net profit for the year	413,049,512	66,423,637	66,221,888	(9,613,858)	(172,420,020)	(1,352,148)	362,309,011
Other segment information							
Investments in joint ventures and associates	772,667,619	47,440,305	126,107,248	24,077,474	23,099,651	–	993,392,297
Capital expenditures	183,662,942	27,476,505	66,083,437	97,341,139	29,129,235	–	403,693,258
Allowances for obsolete inventories, doubtful accounts receivable, advances paid, and other assets	(4,941,287)	(672,068)	(2,756,204)	(41,422,563)	(7,425,797)	–	(57,217,919)
Assets of the segment	4,225,091,134	530,253,987	691,303,116	2,000,476,439	431,899,430	(423,704,371)	7,455,319,735
Liabilities of the segment	770,500,053	128,333,285	211,671,906	707,662,769	2,107,613,891	(414,792,951)	3,510,988,953

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

33. SEGMENT REPORTING (continued)

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

<i>In thousands of Tenge</i>	Exploration and production of oil and gas	Transportation of oil	Transportation of gas	Refining and trading of crude oil and refined products	Other	Elimination	Total
Revenues from sales to external customers	23,045,211	101,414,368	186,005,521	1,799,383,278	59,592,446	–	2,169,440,824
Revenues from sales to other segments	613,300,646	18,359,977	229,699	200,057,905	11,709,511	(843,657,738)	–
Total revenue	636,345,857	119,774,345	186,235,220	1,999,441,183	71,301,957	(843,657,738)	2,169,440,824
Gross profit	432,506,706	39,509,667	57,933,660	137,463,601	7,052,660	(20,163,274)	654,303,020
Finance income	17,958,872	2,603,946	1,118,140	2,639,068	19,117,257	(17,690,971)	25,746,312
Finance costs	(17,050,456)	(1,117,839)	(4,862,061)	(16,266,544)	(105,385,863)	19,040,839	(125,641,924)
Depreciation, depletion and amortization	(32,615,849)	(15,808,392)	(15,263,342)	(44,648,469)	(9,715,111)	–	(118,051,163)
Impairment of property, plant and equipment, exploration and evaluation assets, intangible assets other than goodwill	(507,538)	(648,567)	(220,853)	44,601	(91,077)	–	(1,423,434)
Share of profit of joint ventures and associates	321,882,953	6,563,752	29,383,732	530,727	298,012	–	358,659,176
Income tax expenses	(90,413,621)	(6,657,351)	(7,797,625)	(6,404,555)	(30,334,523)	–	(141,607,675)
Net profit for the period	439,976,611	32,232,464	64,597,666	5,011,738	(144,505,911)	(2,976,107)	394,336,461
Other segment information							
Investments in joint ventures and associates	680,488,873	36,791,618	137,288,807	29,018,388	10,509,353	–	894,097,039
Capital expenditures	201,881,700	10,681,852	76,832,277	49,766,442	47,574,828	–	386,737,099
Allowances for obsolete inventories, doubtful accounts receivable, advances paid, and other assets	(3,994,547)	(689,908)	(3,361,481)	(39,800,288)	(607,062)	–	(48,453,286)
Assets of the segment	3,988,886,267	461,461,754	661,797,622	1,955,948,005	312,408,275	(546,780,500)	6,833,721,423
Liabilities of the segment	756,643,626	113,117,992	209,237,824	654,257,515	2,047,865,873	(540,937,175)	3,240,185,655

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

34. SUBSEQUENT EVENTS*The North Caspian Production Sharing Agreement*

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

On July 11, 2013 a purchase-sale agreement for 8.40% interest in the NCPSA between the Company (as buyer) and ConocoPhillips North Caspian Ltd. (as seller) was signed. At the same date a purchase-sale agreement for 8.40% interest in the NCPSA between the Company (as seller) and KMG Kashagan B. V. (as buyer) was signed. At the same time a purchase-sale agreement for 8.33% interest in the NCPSA between the KMG Kashagan B. V. (as seller) and CNPC Kazakhstan B. V. (as buyer) was signed.

At the October 31, 2013 all transactions were closed. The purchase prices of these transactions were:

- 5,370 million US Dollars related to the purchase-sale agreement for 8.40% interest in the NCPSA between the Company (as buyer) and ConocoPhillips North Caspian Ltd. (as seller)
- 5,141 million US Dollars related to the purchase-sale agreement for 8.40% interest in the NCPSA between the Company (as seller) and KMG Kashagan B. V. (as buyer)
- 5,141 million US Dollars related to the purchase-sale agreement for 8.33% interest in the NCPSA between the KMG Kashagan B. V. (as seller) and CNPC Kazakhstan B. V. (as buyer).

Furthermore, on October 31, 2013 was signed Supplemental Agreement to the NCPSA. According to these Agreement the interest of KMG Kashagan B. V. in NCPSA is 16.88%.

Dividends paid and received

On October 1, 2013 Tengizchevroil LLP paid out dividends to the Company in the total amount of 7,690,562 thousand Tenge.