

**JSC “National Company “KazMunayGas”**

Interim condensed consolidated financial statements (unaudited)

*For the three months ended March 31, 2015*

## **Report on review of interim condensed consolidated financial statements**

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

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**INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

<i>In thousands of tenge</i>	<i>Note</i>	<b>March 31, 2015 (unaudited)</b>	<b>December 31, 2014 (audited)</b>
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	3	4,389,609,951	4,296,118,047
Exploration and evaluation assets	4	287,591,181	277,064,868
Investment property	5	27,055,979	27,197,634
Intangible assets	6	181,162,250	182,966,270
Long-term bank deposits	7	100,011,325	97,524,249
Investments in joint ventures and associates	8	1,288,666,511	1,217,661,400
Deferred income tax assets		93,868,595	93,131,484
VAT receivable		84,774,496	79,168,765
Advances for non-current assets		115,349,414	100,705,148
Bonds receivable from the Parent Company		37,211,446	37,145,896
Note receivable from a shareholder of a joint venture		14,712,761	13,807,568
Note receivable from associate		29,173,969	28,237,627
Loans due from related parties		90,388,988	101,900,198
Other non-current assets		33,446,706	34,569,632
		<b>6,773,023,572</b>	<b>6,587,198,786</b>
<b>Current assets</b>			
Inventories	9	183,032,486	194,960,759
VAT receivable		96,369,172	110,052,511
Income taxes prepaid		61,175,999	42,744,212
Trade accounts receivable	10	202,695,982	202,622,353
Short-term financial assets	11	742,258,288	728,577,074
Bonds receivable from the Parent Company		1,110,000	4,440,000
Note receivable from a shareholder of a joint venture		4,742,425	4,658,127
Derivatives		2,133,119	6,427,473
Other current assets	10	87,401,058	98,581,850
Cash and cash equivalents	12	382,910,700	823,031,494
		<b>1,763,829,229</b>	<b>2,216,095,853</b>
Assets classified as held for sale		<b>42,975,134</b>	<b>35,546,227</b>
		<b>1,806,804,363</b>	<b>2,251,642,080</b>
<b>TOTAL ASSETS</b>		<b>8,579,827,935</b>	<b>8,838,840,866</b>

*The accounting policies and explanatory notes on pages 10 through 34 form an integral part of these interim condensed consolidated financial statements.*

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

<i>In thousands of tenge</i>	<b>Note</b>	<b>March 31, 2015 (unaudited)</b>	<b>December 31, 2014 (audited)</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Share capital	13	557,072,340	557,072,340
Additional paid-in capital		226,761,347	226,761,347
Other equity		2,105,737	2,105,737
Currency translation reserve		458,388,220	448,739,927
Retained earnings		2,638,694,685	2,627,270,657
<b>Attributable to equity holder of the Parent Company</b>		<b>3,883,022,329</b>	<b>3,861,950,008</b>
<b>Non-controlling interest</b>	13	<b>556,031,322</b>	<b>555,162,424</b>
<b>Total equity</b>		<b>4,439,053,651</b>	<b>4,417,112,432</b>
<b>Non-current liabilities</b>			
Borrowings	14	2,498,207,540	2,427,190,567
Payable for the acquisition of additional interest in North Caspian Project	15	407,132,492	396,345,201
Provisions	16	193,102,683	183,530,985
Deferred income tax liabilities		202,020,801	194,793,626
Financial guarantee		9,048,517	9,077,566
Other non-current liabilities		12,004,419	12,938,824
		<b>3,321,516,452</b>	<b>3,223,876,769</b>
<b>Current liabilities</b>			
Borrowings	14	304,313,628	670,529,840
Provisions	16	54,151,468	50,329,517
Income taxes payable		3,415,940	2,250,849
Trade accounts payable	17	245,146,004	233,653,734
Other taxes payable		61,511,639	80,534,178
Financial guarantee		768,674	755,010
Derivatives		781,322	277,887
Other current liabilities	17	137,574,404	147,781,512
		<b>807,663,079</b>	<b>1,186,112,527</b>
Liabilities directly associated with assets classified as held for sale		<b>11,594,753</b>	<b>11,739,138</b>
<b>Total liabilities</b>		<b>4,140,774,284</b>	<b>4,421,728,434</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>8,579,827,935</b>	<b>8,838,840,866</b>

\* Certain numbers shown here do not correspond to the interim condensed consolidated financial statements for year ended March 31, 2014 and reflect reclassifications made to conform with the presentation in the interim consolidated statement of financial position as at March 31, 2015.

Managing director for economics and finance



Kassymbek A.M.

Chief accountant

Valentinova N.S.

The accounting policies and explanatory notes on pages 10 through 34 form an integral part of these interim condensed consolidated financial statements.

**INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**

<i>In thousands of tenge</i>	<b>Note</b>	<b>For the three months ended March 31, 2015 (unaudited)</b>	<b>For the three months ended March 30, 2015 (unaudited)*</b>
Revenue	19	569,714,428	804,144,432
Cost of sales	20	(469,115,828)	(566,473,606)
<b>Gross profit</b>		<b>100,598,600</b>	<b>237,670,826</b>
General and administrative expenses	21	(35,937,133)	(32,030,776)
Transportation and selling expenses	22	(66,105,730)	(86,160,590)
Impairment of property, plant and equipment and intangible assets, other than goodwill	3	(237,682)	(24,753,709)
Loss on disposal of property, plant and equipment, intangible assets and investment property, net		(308,682)	(2,541,182)
Other operating income		4,108,678	2,595,651
Other operating expenses		(1,839,733)	(179,592)
<b>Operating profit</b>		<b>278,318</b>	<b>94,600,628</b>
Net foreign exchange gain		20,597,665	72,643,840
Finance income	23	22,350,639	12,445,989
Finance costs	24	(62,001,455)	(52,551,575)
Loss on sale of subsidiary		(400,820)	—
Share in profit of joint ventures and associates, net	25	61,855,247	96,587,249
<b>Profit before income tax</b>		<b>42,679,594</b>	<b>223,726,131</b>
Income tax expense	26	(29,571,749)	(58,623,461)
<b>Profit for the period from continuing operations</b>		<b>13,107,845</b>	<b>165,102,670</b>
<b>Discontinued operations</b>			
(Loss) / gain after income tax for the period from discontinued operations		(1,049,968)	75,595
<b>Net profit for the period</b>		<b>12,057,877</b>	<b>165,178,265</b>
<b>Net profit for the period attributable to:</b>			
Equity holder of the Parent Company		11,424,028	115,017,962
Non-controlling interests		633,849	50,160,303
		<b>12,057,877</b>	<b>165,178,265</b>

The accounting policies and explanatory notes on pages 10 through 34 form an integral part of these interim condensed consolidated financial statements.

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

<i>In thousands of tenge</i>	<b>Note</b>	<b>For the three months ended March 31, 2015 (unaudited)</b>	<b>For the three months ended March 30, 2015 (unaudited)*</b>
<b>Other comprehensive income</b>			
<i>Other comprehensive income to be reclassified to profit or loss in subsequent periods:</i>			
Exchange differences on translation of foreign operations		10,169,872	138,390,391
<b>Other comprehensive income to be reclassified to profit or loss in subsequent periods</b>		<b>10,169,872</b>	<b>138,390,391</b>
<i>Other comprehensive income not to be reclassified to profit or loss in subsequent periods:</i>			
Actuarial loss on defined benefit plans		—	(963,602)
Income tax effect		—	192,722
<b>Other comprehensive loss not to be reclassified to profit or loss in subsequent periods</b>		<b>(1,095,866)</b>	<b>—</b>
Other comprehensive income for the period		10,169,872	137,619,511
<b>Total comprehensive income for the period, net of tax</b>		<b>22,227,749</b>	<b>302,797,776</b>
Total comprehensive income for the period attributable to:			
Equity holder of the Parent Company		21,072,321	232,834,027
Non-controlling interests		1,155,428	69,963,749
		<b>22,227,749</b>	<b>302,797,776</b>

\* Certain numbers shown here do not correspond to the interim condensed consolidated financial statements for year ended March 31, 2014 and reflect reclassifications made to conform with the presentation in the interim consolidated statement of financial position as at March 31, 2015.

Managing director for economics and finance



Kassymbek A.M.

Chief accountant

Valentinova N.S.

The accounting policies and explanatory notes on pages 10 through 34 form an integral part of these interim condensed consolidated financial statements.

**INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS**

<i>In thousands of tenge</i>	<i>Note</i>	<b>For the three months ended March 31, 2015 (unaudited)</b>	<b>For the three months ended March 30, 2015 (unaudited)*</b>
<b>Cash flows from operating activities</b>			
Profit before income tax from continued operations		42,679,594	223,726,131
Loss before income tax from discontinued operations		(936,028)	98,965
		<b>41,743,566</b>	<b>223,825,096</b>
<i>Adjustments for:</i>			
Depreciation, depletion and amortization	20, 21, 22	44,120,334	51,619,899
Share in profit of joint ventures and associates, net	25	(61,855,247)	(96,613,531)
Finance costs	24	62,001,455	52,551,575
Finance income	23	(22,350,639)	(12,445,989)
Unrealised loss / (income) from derivatives		4,229,757	(672,457)
Realized income from derivatives		(1,891,323)	(427,436)
Impairment of property, plant and equipment and intangible assets other than goodwill	3	237,682	24,753,709
Loss on disposal of property, plant and equipment, intangible assets and investment property, net		308,682	2,541,182
Loss on sale of subsidiary		400,820	–
Provisions		10,161,141	1,823,100
Allowance for impairment of trade accounts receivable and other current assets	21	248,679	2,736,869
(Reversal)/ accrual of provision for obsolete and slow- moving inventories	21	(3,165,757)	455,929
Recognition of share based payments		–	235
Unrealized foreign exchange (gain) / loss		(21,616,601)	60,856,912
<b>Operating profit before working capital changes</b>		<b>52,572,549</b>	<b>311,005,094</b>
Change in inventory		15,655,180	(7,814,351)
Change in VAT receivable		8,422,412	(16,444,074)
Change in trade accounts receivable		(154,273)	7,496,337
Change in other current assets		12,252,880	16,199,495
Change in other taxes payable		(19,480,525)	33,131,723
Change in trade accounts payable		25,509,785	34,456,395
Change in other non-current liabilities		(1,885,887)	–
Change in other current liabilities		(18,558,585)	20,031,451
<b>Cash generated from operations</b>		<b>74,333,536</b>	<b>398,062,070</b>
Income taxes paid		(40,556,594)	(71,943,173)
Interest received		14,547,395	8,244,897
Interest paid		(29,610,573)	(25,612,831)
Proceeds from derivatives		2,490,317	–
<b>Net cash flows from operating activities</b>		<b>21,204,081</b>	<b>308,750,963</b>

*The accounting policies and explanatory notes on pages 10 through 34 form an integral part of these interim condensed consolidated financial statements.*



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

<i>In thousands of tenge</i>	<b>Note</b>	<b>For the three months ended March 31, 2015 (unaudited)</b>	<b>For the three months ended March 30, 2015 (unaudited)*</b>
<b>Cash flows from investing activities</b>			
Placement of bank deposits, net		12,709,569	(40,887,618)
Purchase of property, plant and equipment, intangible assets, investment property and exploration and evaluation assets		(110,864,682)	(99,718,735)
Proceeds from sale of property, plant and equipment, intangible assets, investment property and exploration and evaluation assets		179,993	(314,974)
Sale of subsidiary Rauan		313,396	–
Dividends received from joint ventures and associates, net	8	4,626,250	58,526,259
Loans provided to related parties		(17,330,509)	(4,619,754)
Cash and cash equivalents of assets classified as held for sale		(2,259,496)	–
<b>Net cash flows used in investing activities</b>		<b>(112,625,479)</b>	<b>(87,014,822)</b>
<b>Cash flows from financing activities</b>			
Proceeds from borrowings		130,593,478	99,305,295
Repayment of borrowings		(494,269,234)	(130,860,662)
<b>Net cash flows (used in)/from financing activities</b>		<b>(363,675,756)</b>	<b>(31,555,367)</b>
Effects of exchange rate changes on cash and cash equivalents		14,976,360	(4,946,237)
<b>Net change in cash and cash equivalents</b>		<b>(440,120,794)</b>	<b>185,234,537</b>
Cash and cash equivalents, at the beginning of the period	11	823,031,494	407,326,766
<b>Cash and cash equivalents, at the end of the period</b>	<b>11</b>	<b>382,910,700</b>	<b>592,561,303</b>

\* Certain numbers shown here do not correspond to the interim condensed consolidated financial statements for year ended March 31, 2014 and reflect reclassifications made to conform with the presentation in the interim consolidated statement of financial position as at March 31, 2015.

**NON-CASH TRANSACTIONS: SUPPLEMENTAL DISCLOSURE**

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

For the three months ended March 31, 2015 the Group utilized hedging of net investments in certain subsidiaries classified as foreign operations against selected borrowings denominated in US dollar (*Note 15*). Effect of hedging was equal to 41,650,730 thousand tenge which was reclassified from profits and losses to other comprehensive income, under exchange differences on translation of foreign operations (for the three months ended March 31, 2014: 307,658,949).

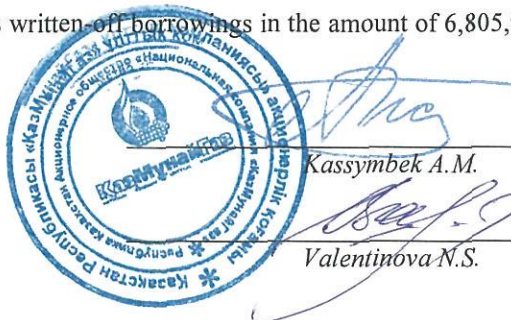
For the three months ended March 31, 2015 the Group capitalized in the carrying amount of property, plant and equipment borrowing costs in the amount of 3,398,641 thousand tenge (for the three months, ended June 30, 2014: 4,423,739 thousand tenge).

For the three months ended March 31, 2015 the Group accounts payable for purchases of property, plant and equipment decreased by 16,897,674 thousand tenge (for the three months, ended March 31, 2014: nil).

For the three months ended March 31, 2015 the Group has written-off borrowings in the amount of 6,805,916 thousand tenge (for the three months, ended March 31, 2014: nil).

Managing director for economics and finance

Chief accountant



Kassymbek A.M.  
Valentinova N.S.

The accounting policies and explanatory notes on pages 10 through 34 form an integral part of these interim condensed consolidated financial statements.



# INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

In thousands of tenge	Attributable to equity holder of the Parent Company						
	Share capital	Additional paid-in capital	Other equity	Currency translation reserve	Retained earnings	Total	Non-controlling interest
As at December 31, 2013 (audited)	546,485,470	19,645,866	2,185,813	269,950,758	2,611,367,993	3,449,635,900	586,555,014
Net profit for the period	-	-	-	-	115,017,962	115,017,962	50,160,303
Other comprehensive income	-	-	-	118,509,857	(693,792)	117,816,065	19,803,446
Total comprehensive income for the period	-	-	-	118,509,857	114,324,170	232,834,027	69,963,749
Recognition of share based payments at subsidiaries	-	-	149	-	-	149	86
Change in ownership of subsidiaries	-	-	-	-	2,005	2,005	(2,005)
As at March 31, 2014 (unaudited)	546,485,470	19,645,866	2,185,962	388,460,615	2,725,694,168	3,682,472,081	656,516,844
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	555,162,424
Net profit for the period	-	-	-	-	11,424,028	11,424,028	633,849
Other comprehensive income	-	-	-	9,648,293	-	9,648,293	521,579
Total comprehensive income for the period	-	-	-	9,648,293	11,424,028	21,072,321	1,155,428
Sale of subsidiary	-	-	-	-	-	-	(286,530)
As at March 31, 2015 (unaudited)	557,072,340	226,761,347	2,105,737	458,388,220	2,638,694,685	3,883,022,329	556,031,322

Managing director for economics and finance

Chief accountant

*The accounting policies and explanatory notes on pages 10 through 34 form an integral part of these interim condensed consolidated financial statements.*

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS****For the three months ended June 30, 2014**

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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”, “Shareholder” or “Parent Company”), now renamed to JSC “Sovereign Wealth Fund Samruk-Kazyna”. The Government is the sole shareholder of Samruk-Kazyna.

As at March 31, 2015, the Company has a direct interest in 38 operating companies (as of December 31, 2014: 39) (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 statements include financial statements of the Company and its controlled subsidiaries.

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

The interim condensed consolidated financial statements for the three months ended March 31, 2015 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, 2014.

**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 consolidated statement of comprehensive income.

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

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

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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); 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 March 31, 2015 and December 31, 2014 were 185.65 and 182.35 tenge to 1 US dollar accordingly. These rates were used for translation of monetary assets and liabilities denominated in US dollars at March 31, 2015 and December 31, 2014.

**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, 2014, except for the adoption of new standards and interpretations effective as of January 1, 2014 described below:

- |                    |   |
|--------------------|---|
| • IAS 19           | Plans with defined benefits: Employee benefits (updates); |
| • IFRS development | 2010-2012 cycle;  |
| • IFRS development | 2011-2013 cycle.  |

These amendments have no impact on the interim condensed consolidated financial statements of the Group.

**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.

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

## 3. PROPERTY, PLANT AND EQUIPMENT

<i>In thousands of tenge</i>	Oil and gas assets	Pipelines	Refinery assets	Buildings and improve- ments	Machinery and equipment	Vehicles	Other	Capital work in progress	Total
<b>Net book value as at December 31, 2014 (audited)</b>	<b>2,330,978,251</b>	<b>538,898,415</b>	<b>464,213,942</b>	<b>239,104,698</b>	<b>274,772,593</b>	<b>72,283,827</b>	<b>28,031,700</b>	<b>347,834,621</b>	<b>4,296,118,047</b>
Foreign currency translation	37,175,872	446,502	5,738,880	262,893	197,671	414,509	70,490	169,479	44,476,296
Additions	31,272,550	279,722	24,212	87,162	537,987	582,090	462,787	59,129,708	92,376,218
Disposals	(666,218)	(21,308)	(86,298)	(146,885)	(216,873)	(291,393)	(298,393)	(122,794)	(1,849,962)
Depreciation charge	(9,491,864)	(5,466,479)	(11,494,185)	(4,067,696)	(7,281,562)	(2,117,504)	(2,003,524)	—	(41,922,814)
Accumulated depreciation and impairment on disposals	440,842	4,978	69,696	116,426	166,849	241,561	259,850	61,980	1,362,182
(Impairment)/reversal of impairment	183,939	—	—	76	—	—	(8,818)	(412,879)	(237,682)
Transfers from exploration and evaluation assets	149,189	—	—	—	—	—	—	—	149,189
Transfers to intangible assets	(11,448)	—	—	—	—	—	—	(172,304)	(183,752)
Transfers to assets classified as held for sale	(2,221)	—	(13,638)	(132,162)	(205,443)	(218,168)	(314,964)	(870,871)	(1,757,467)
Transfers and reclassifications	17,406,551	3,930,636	4,664,321	2,043,452	8,307,987	528,259	1,856,125	(38,737,331)	—
<b>Net book value as at March 31, 2015 (unaudited)</b>	<b>2,407,435,443</b>	<b>538,072,466</b>	<b>463,133,082</b>	<b>237,268,164</b>	<b>276,296,408</b>	<b>71,438,451</b>	<b>28,129,679</b>	<b>367,836,258</b>	<b>4,389,609,951</b>

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

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

<i>In thousands of tenge</i>	Oil and gas assets	Pipelines	Refinery assets	Buildings and improve- ments	Machinery and equipment	Vehicles	Other	Capital work in progress	Total
At cost									
Accumulated depreciation and impairment	3,158,118,454 (750,683,011)	627,483,735 (89,411,269)	787,613,930 (324,480,848)	367,633,133 (130,364,969)	452,755,216 (176,458,808)	145,377,038 (73,938,587)	67,983,348 (39,853,669)	387,788,618 (19,952,360)	5,994,753,472 (1,605,143,521)
Net book value as at March 31, 2015 (unaudited)	2,407,435,443	538,072,466	463,133,082	237,268,164	276,296,408	71,438,451	28,129,679	367,836,258	4,389,609,951
At cost									
Accumulated depreciation and impairment	3,066,391,626 (735,413,375)	622,855,659 (83,957,244)	773,643,803 (309,429,861)	364,916,584 (125,811,886)	444,314,021 (169,541,428)	144,461,202 (72,177,375)	66,895,486 (38,863,786)	373,483,103 (25,648,482)	5,856,961,484 (1,560,843,43)
Net book value as at December 31, 2014 (audited)	2,330,978,251	538,898,415	464,213,942	239,104,698	274,772,593	72,283,827	28,031,700	347,834,621	4,296,118,047

For the three months ended March 31, 2015, the Group capitalized in the carrying amount of property, plant and equipment borrowing costs at the average interest rate of 2.57% in the amount of 3,398,641 thousand tenge which are related to the construction of new assets (for the three months ended March 31, 2014: 4,423,739 thousand tenge at the average interest rate of 3.63%).

As at March 31, 2015, items of property, plant and equipment with the net book value of 1,637,675,122 thousand tenge (as at December 31, 2014: 1,564,259,884 thousand tenge) were pledged as collateral to secure borrowings and payables of the Group (Notes 14 and 15).

For the three months ended March 31, 2015, the Group recorded net impairment loss in the amount of 237,682 thousand tenge (for the three months ended March 31, 2014: 24,753,709 thousand tenge).



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

### 4. EXPLORATION AND EVALUATION ASSETS

<i>In thousands of tenge</i>	<b>Tangible</b>	<b>Intangible</b>	<b>Total</b>
<b>Net book value as at December 31, 2014 (audited)</b>	<b>230,762,313</b>	<b>46,302,555</b>	<b>277,064,868</b>
Foreign currency translation	2,158,334	41,588	2,199,922
Additions	8,325,301	150,279	8,475,580
Transfer to property, plant and equipment (Note 3)	(149,189)	—	(149,189)
<b>Net book value as at March 31, 2015 (unaudited)</b>	<b>241,096,759</b>	<b>46,494,422</b>	<b>287,591,181</b>

As at March 31, 2015, certain exploration and evaluation assets with the carrying amount of 52,688,399 thousand tenge were pledged as collateral to secure payables of the Group (as at December 31, 2014: 51,825,511 thousand tenge).

### 5. INVESTMENT PROPERTY

<i>In thousands of tenge</i>	<b>Total</b>
<b>Net book value as at December 31, 2014 (audited)</b>	<b>27,197,634</b>
Depreciation charge	(148,109)
Transfer to property, plant and equipment (Note 3)	6,454
<b>Net book value as at March 31, 2015 (unaudited)</b>	<b>27,055,979</b>
At cost	28,769,002
Accumulated depreciation and impairment	(1,713,023)
<b>Net book value as at March 31, 2015 (unaudited)</b>	<b>27,055,979</b>
At cost	28,762,548
Accumulated depreciation and impairment	(1,564,914)
<b>Net book value as at December 31, 2014 (audited)</b>	<b>27,197,634</b>

Investment property is mainly represented by Izumrudny Kvartal office building in Astana city leased under operating lease terms.

The management of the Group believes that as at March 31, 2015 and December 31, 2014 the fair value of this building is equal to 31,514,534 thousand tenge.

The fair value of investment property was based on the market price of the property.

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

### 6. INTANGIBLE ASSETS

<i>In thousands of tenge</i>	Goodwill	Marketing related intangible assets	Software	Other	Total
<b>Net book value as at December 31, 2014 (audited)</b>	<b>111,526,414</b>	<b>32,223,795</b>	<b>19,613,047</b>	<b>19,603,014</b>	<b>182,966,270</b>
Foreign currency translation	9,839	576,260	176,838	(410,908)	352,029
Additions	—	—	123,895	80,310	204,205
Disposals	—	—	(251,522)	(2,373)	(253,895)
Amortization charge	—	(4,985)	(1,732,831)	(486,989)	(2,224,805)
Accumulated amortization on disposals	—	—	251,315	1,685	253,000
Transfer to assets held for sale	—	—	(281,372)	(36,934)	(318,306)
Transfer from property, plant and equipment (Note 3)	—	—	171,300	12,452	183,752
Transfers	—	—	4,959	(4,959)	—
<b>Net book value as at March 31, 2015 (unaudited)</b>	<b>111,536,253</b>	<b>32,795,070</b>	<b>18,075,629</b>	<b>18,755,298</b>	<b>181,162,250</b>
At cost	173,693,677	34,305,623	45,364,649	39,693,653	293,057,602
Accumulated amortization and impairment	(62,157,424)	(1,510,553)	(27,289,020)	(20,938,355)	(111,895,352)
<b>Net book value as at March 31, 2015 (unaudited)</b>	<b>111,536,253</b>	<b>32,795,070</b>	<b>18,075,629</b>	<b>18,755,298</b>	<b>181,162,250</b>
At cost	172,992,901	33,802,060	46,192,792	40,311,371	293,299,124
Accumulated amortization and impairment	(61,466,487)	(1,578,265)	(26,579,745)	(20,708,357)	(110,332,854)
<b>Net book value as at December 31, 2014 (audited)</b>	<b>111,526,414</b>	<b>32,223,795</b>	<b>19,613,047</b>	<b>19,603,014</b>	<b>182,966,270</b>

Carrying amount of goodwill is allocated to each of the group of cash-generating units as follows:

<b>Cash-generating unit</b>	<b>March 31, 2015 (unaudited)</b>	<b>December 31, 2014 (audited)</b>
Refining	—	—
Dyneff	—	—
Downstream Romania	6,784,219	6,774,389
Other	2,826,202	2,826,195
<b>Cash generating units of KMG International N.V. (former TRG)</b>	<b>9,610,421</b>	<b>9,600,584</b>
Cash-generating units of PNHZ	88,553,296	88,553,296
Other	13,372,536	13,372,534
<b>Total goodwill</b>	<b>111,536,253</b>	<b>111,526,414</b>

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

### 7. LONG-TERM BANK DEPOSITS

<i>In thousands of tenge</i>	March 31, 2015 (unaudited)	December 31, 2014 (audited)
Denominated in US Dollar	82,165,645	80,337,198
Denominated in KZT	17,845,680	17,187,051
	<b>100,011,325</b>	<b>97,524,249</b>

As at March 31, 2015, the weighted average interest rate for long-term bank deposits was 4.51% in US Dollars and 2.76% in tenge, respectively (as at December 31, 2014: 4.52% in US dollars and 3.31% in tenge, respectively).

<i>In thousands of tenge</i>	March 31, 2015 (unaudited)	December 31, 2014 (audited)
Maturities between 1 and 2 years	35,722,170	36,400,455
Maturities over 2 years	64,289,155	61,123,794
	<b>100,011,325</b>	<b>97,524,249</b>

As at March 31, 2015, long-term bank deposits include cash pledged as collateral in the amount of 43,912,582 thousand tenge (as at December 31, 2014: 44,344,744 thousand tenge).

As at March 31, 2015, long-term bank deposits include an amount of 2,384,264 thousand tenge placed with Forte Bank (Note 27).

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

### 8. INVESTMENTS IN JOINT VENTURES AND ASSOCIATES

In thousands of tenge	Main activity	Place of business	March 31, 2015 (unaudited)		December 31, 2014 (audited)	
			Carrying amount	Percentage ownership	Carrying amount	Percentage ownership
<u>Joint ventures:</u>						
Tengizchevroil LLP	Oil and gas exploration and production	Kazakhstan	549,563,423	20.00%	501,119,245	20.00%
Mangistau Investments B.V.	Oil and gas development and production	Netherlands	195,630,719	50.00%	196,194,403	50.00%
Kazakhoil-Aktobe LLP	Production and sale of crude oil	Kazakhstan	84,345,006	50.00%	85,877,971	50.00%
Beineu-Shymkent Pipeline LLP	Construction and operation of the Beineu-Shymkent gas pipeline	Kazakhstan	63,858,233	50.00%	66,885,166	50.00%
KazRosGas LLP	Processing and sale of natural gas and refined gas products	Kazakhstan	66,018,125	50.00%	62,333,974	50.00%
KazGerMunay LLP	Exploration, production and processing of oil and gas	Kazakhstan	73,708,197	50.00%	67,662,371	50.00%
Other			106,888,447		89,121,304	
<u>Associates:</u>						
PetroKazakhstan Inc. ("PKI")	Exploration, production and processing of oil and gas	Kazakhstan	116,736,339	33.00%	117,103,135	33.00%
Other			31,918,022		31,363,831	
			1,288,666,511		1,217,661,400	

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

The following table summarizes the movements in equity investments in joint ventures and associates during the three months ended March 31, 2015:

<i>In thousands of tenge</i>	
At January 1, 2014 (audited)	1,217,661,400
Share in profits of joint ventures and associates, net (Note 26)	61,855,247
Share in other changes in equity of joint ventures and associates	10,241,430
Dividends received	(4,626,250)
Transfer to assets held for sale	(85,391)
Acquisition	98
Foreign currency translation	3,619,977
At March 31, 2015 (unaudited)	1,288,666,511

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

### 9. INVENTORIES

<i>In thousands of tenge</i>	March 31, 2015 (unaudited)	December 31, 2014 (audited)
Materials and supplies	84,336,557	88,623,744
Refined products	73,039,648	75,457,717
Crude oil	24,596,145	29,445,423
Gas products	10,225,172	13,853,302
Less: provision for obsolete inventory	(9,165,036)	(12,419,427)
	183,032,486	194,960,759

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

<i>In thousands of tenge</i>	March 31, 2015 (unaudited)	December 31, 2014 (audited)
Prepaid and deferred expenses	38,557,166	45,047,301
Taxes receivable	18,635,958	31,057,762
Other current assets	45,888,125	38,329,752
Less: allowance for impairment	(15,680,191)	(15,852,965)
<b>Total other current assets</b>	<b>87,401,058</b>	<b>98,581,850</b>
Trade accounts receivable	229,110,007	230,383,348
Less: allowance for impairment	(26,414,025)	(27,760,995)
<b>Trade accounts receivable</b>	<b>202,695,982</b>	<b>202,622,353</b>

As at March 31, 2015 and at December 31, 2014 the above assets were non-interest bearing.

As at March 31, 2015 the Group has trade accounts receivable in the amount of 44,858,238 thousand tenge pledged as loan collateral (as at December 31, 2014: 32,332,843 thousand tenge).

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

<i>In thousands of tenge</i>	March 31, 2015 (unaudited)
<b>As at December 31, 2014 (audited)</b>	<b>43,613,960</b>
Charge for the period	390,049
Write-off	(133,479)
Foreign currency translation	(1,567,241)
Transfer to assets held for sale	(67,698)
Recovered	(141,375)
<b>As at March 31, 2015</b>	<b>42,094,216</b>

As at March 31, 2015 and December 31, 2014 the ageing analysis of trade accounts receivable is as follows:

<i>In thousands of US Dollars</i>	Total	Neither past due nor impaired	Past due but not impaired				
			<30 days	30–60 days	61–90 days	91–120 days	>120 days
<b>March 31, 2015 (unaudited)</b>	202,695,982	144,711,304	11,881,539	9,479,354	8,352,546	6,618,485	21,652,754
<b>December 31, 2014 (audited)</b>	202,622,353	145,008,510	11,304,949	13,693,787	7,119,467	6,457,764	19,037,876



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

### 11. SHORT-TERM FINANCIAL ASSETS

<i>In thousands of tenge</i>	March 31, 2015 (unaudited)	December 31, 2014 (audited)
Short-term bank deposits	689,632,326	693,879,434
Loans due from related parties	52,698,633	34,769,019
Less: allowance for impairment of loans to related parties	(72,671)	(71,379)
	<b>742,258,288</b>	<b>728,577,074</b>

<i>In thousands of tenge</i>	March 31, 2015 (unaudited)	December 31, 2014 (audited)
Short-term financial assets in US Dollars	660,670,963	632,022,609
Short-term financial assets in tenge	77,696,651	94,765,444
Short-term financial assets in other foreign currencies	3,890,674	1,789,021
	<b>742,258,288</b>	<b>728,577,074</b>

As at March 31, 2015, the weighted average interest rate for short-term bank deposits was 1.67% in US dollars, 8.45% in tenge and 1.15% in other foreign currencies, respectively (as at December 31, 2014: 1.82% in US dollars, 7.6% in tenge and 1.08% in other foreign currencies, respectively).

### 12. CASH AND CASH EQUIVALENTS

<i>In thousands of tenge</i>	March 31, 2015 (unaudited)	December 31, 2014 (audited)
Term deposits with banks – US Dollars	157,100,752	549,569,558
Term deposits with banks – tenge	95,199,740	125,409,276
Current accounts with banks – US Dollars	91,729,877	110,485,878
Current accounts with banks – tenge	26,904,084	19,530,382
Current accounts with banks – other currencies	5,668,794	10,058,713
Term deposits with banks – other currencies	3,789,442	4,620,202
Cash-on-hand	2,518,011	3,357,485
	<b>382,910,700</b>	<b>823,031,494</b>

Cash and cash equivalents are represented by current accounts and short-term deposits with maturity from 3 days to 3 months.

As at March 31, 2015 cash and cash equivalents in the amount of 841,180 thousand tenge were pledged as collateral (as at December 31, 2014: 1,007,301 thousand tenge).

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

### 13. EQUITY

Share capital	December 31, 2013	Issued in 2014	December 31, 2014	Issued in 2015	March 31, 2015
<b>Number of shares issued and paid, including</b>	<b>525,647,776</b>	<b>2,843,247</b>	<b>528,491,023</b>	<b>–</b>	<b>528,491,023</b>
Par value of 27,726.63 tenge	–	137,900	137,900	–	137,900
Par value of 500 tenge	458,450,766	–	458,450,766	–	458,450,766
Par value of 5,000 tenge	59,707,029	–	59,707,029	–	59,707,029
Par value of 838 tenge	1	–	1	–	1
Par value of 858 tenge	1	–	1	–	1
Par value of 704 tenge	1	–	1	–	1
Par value of 592 tenge	1	–	1	–	1
Par value of 2,500 tenge	7,489,974	2,705,347	10,195,321	–	10,195,321
Par value of 2,451 tenge	1	–	1	–	1
Par value of 921 tenge	1	–	1	–	1
Par value of 1,000 tenge	1	–	1	–	1
<b>Share capital (000 tenge)</b>	<b>546,485,470</b>	<b>10,586,870</b>	<b>557,072,340</b>	<b>–</b>	<b>557,072,340</b>
Par value of 27,726.63 tenge	–	3,823,502	3,823,502	–	3,823,502
Par value of 500 tenge	229,225,382	–	229,225,382	–	229,225,382
Par value of 5,000 tenge	298,535,145	–	298,535,145	–	298,535,145
Par value of 838 tenge	1	–	1	–	1
Par value of 858 tenge	1	–	1	–	1
Par value of 704 tenge	1	–	1	–	1
Par value of 592 tenge	1	–	1	–	1
Par value of 2,500 tenge	18,724,935	6,763,368	25,488,303	–	25,488,303
Par value of 2,451 tenge	2	–	2	–	2
Par value of 921 tenge	1	–	1	–	1
Par value of 1,000 tenge	1	–	1	–	1

#### Currency translation reserves

The currency translation reserve is used to record exchange differences arising from the translation of financial statements of subsidiaries, joint ventures and associates whose functional currency is not kazakhstani tenge and whose financial results are included in these interim condensed consolidated financial statements.

#### Non-controlling interest

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

	Country of incorporation and operation	March 31, 2015 (unaudited)		December 31, 2014 (audited)	
		Share	Carrying value	Share	Carrying value
KazMunayGas Exploration Production JSC	Kazakhstan	36.79%	493,347,018	36.79%	492,633,617
KazTransOil JSC	Kazakhstan	10.00%	38,396,632	10.00%	36,194,881
Rompetrol Rafinare S.A.	Romania	45.37%	(31,643)	45.37%	140,399
Rompetrol Downstream S.R.L.	Romania	45.37%	11,117,376	45.37%	24,793,352
Rompetrol Petrochemicals S.R.L.	Romania	45.37%	3,075,096	45.37%	7,382,722
Rompetrol Vega	Romania	45.37%	(5,845,889)	45.37%	(12,400,519)
Other			15,972,732		6,417,972
			<b>556,031,322</b>		<b>555,162,424</b>

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

### 14. BORROWINGS

<i>In thousands of tenge</i>	March 31, 2015 (unaudited)	December 31, 2014 (audited)
Fixed interest rate borrowings	2,003,465,219	2,284,707,172
Weighted average interest rates	6.55%	7.12%
Variable interest rate borrowings	799,055,949	813,013,235
Weighted average interest rates	4.07%	9.00%
	<b>2,802,521,168</b>	<b>3,097,720,407</b>

<i>In thousands of tenge</i>	March 31, 2015 (unaudited)	December 31, 2014 (audited)
US dollar – denominated borrowings	2,484,515,484	2,744,878,020
Tenge – denominated borrowings	276,828,143	310,855,387
Euro – denominated borrowings	25,931,406	29,588,111
Other currency – denominated borrowings	15,246,135	12,398,889
	<b>2,802,521,168</b>	<b>3,097,720,407</b>

<i>In thousands of tenge</i>	March 31, 2015 (unaudited)	December 31, 2014 (audited)
Current portion	304,313,628	670,529,840
Non-current portion	2,498,207,540	2,427,190,567
	<b>2,802,521,168</b>	<b>3,097,720,407</b>

As at March 31, 2015 the Group's property, plant and equipment with carrying value of 715,970,770 thousand tenge (December 31, 2014: 666,834,753 thousand tenge) (*Note 3*), inventories of 46,295,912 thousand tenge (as at December 31, 2014: 53,784,680 thousand tenge) and trade accounts receivable of 44,858,238 thousand tenge (as at December 31, 2014: 32,332,843 thousand tenge) were pledged as loan collateral.

For the three months ended March 31, 2015 the Group placed bonds and received borrowings in the total amount of 130,593,478 thousand tenge. Particularly, KTG obtained a borrowing from the following syndicate of banks Citibank N.A., Natixis, ING Bank in the total amount of 74,140,000 thousand tenge with interest rate of Libor 3m +1.5% with maturity of February 26, 2018 for the purpose of refinancing of the current borrowings. The remaining borrowings mainly represent short-term loans, obtained for working capital purposes with weighted average effective interest rate of Libor +3.05%.

For the three months ended March 31, 2015 the Group settled borrowings in the amount of 494,269,234 thousand tenge. Particularly, the Group settled its bonds, quoted at LSE in the amount of 1,500 million US Dollars (276,150,000 thousand tenge as of settlement date), additionally borrowings from ING Bank and VTB Bank in the amounts of 200 million US Dollars (equivalent to 36,710,000 thousand tenge as of settlement date) and 250 million US Dollars (equivalent to 46,337,500 thousand tenge as of settlement date), correspondingly. Other settlements in the amount of 96,246,733 thousand tenge represent redemption of trade credits obtained for working capital purposes within the framework of credit lines from various banks of the second tie with the weighted average effective interest rate of Libor +3.24%.

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

As at March 31, 2015 certain borrowings denominated in foreign currency were designated as hedge instrument for the net investment in the foreign operations. For the three months ended March 31, 2015, losses of 41,650,730 thousand tenge on the translation of these borrowings were transferred to other comprehensive income and offset the gains on translation of the net investments in the foreign operations.

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

### 15. PAYABLE FOR THE ACQUISITION OF ADDITIONAL INTEREST IN NORTH CASPIAN PROJECT ("NCP")

On October 31, 2008, all participants of the NCP signed an agreement according to which all project participants except for KMG Kashagan B.V., 100% subsidiary of the Group, agreed to partially sell their interest in this project on a proportional basis to increase the interest of KMG Kashagan B.V. in the NCP from 8.33% to 16.81% retrospectively from January 1, 2008. The acquisition cost was equal to 1.78 billion US Dollars plus annual compound interest at LIBOR + 3%. Interest acquired of 8.48% was pledged as collateral for this liability.

As at March 31, 2015, the amortized cost of this payable was 407,132,492 thousand tenge (2012: 396,345,201 thousand tenge). As at March 31, 2015, the carrying value of pledged assets (property, plant and equipment and exploration and evaluation assets) equal to 974,392,751 thousand tenge (2012: 949,250,642 thousand tenge).

### 16. PROVISIONS

<i>In thousands of tenge</i>	Asset retirement obligations	Provision for environmental obligation	Provision for taxes	Provision for gas transportation	Employee benefit obligations	Other	Total
<b>As at December 31, 2014 (audited)</b>	<b>114,024,291</b>	<b>39,623,445</b>	<b>15,717,351</b>	<b>13,328,668</b>	<b>27,590,340</b>	<b>23,576,407</b>	<b>233,860,502</b>
Foreign currency translation	(891,903)	197,334	206,719	—	(126,438)	140,359	(473,929)
Change in estimate	2,183,387	(82,003)	—	—	—	(22,157)	2,079,227
Unwinding of discount	477,850	298,957	—	—	—	—	776,807
Provision for the year	909,140	679,171	5,750,385	—	5,316,383	676,049	13,331,128
Unused amounts reversed	—	(119,860)	—	—	—	(1,649,070)	(1,768,930)
Use of provision	—	(13,234)	(419)	—	—	(149,244)	(162,897)
<b>As at March 31, 2015 (unaudited)</b>	<b>116,702,765</b>	<b>40,579,663</b>	<b>21,290,426</b>	<b>13,328,668</b>	<b>32,780,285</b>	<b>22,572,344</b>	<b>247,254,151</b>

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

<i>In thousands of tenge</i>	Asset retirement obligations	Provision for environmental obligation	Provision for taxes	Provision for gas transportation	Employee benefit obligations	Other	Total
<b>As at March 31, 2015</b>							
Current portion	605,800	9,320,639	11,274,608	13,328,668	1,772,724	17,849,029	54,151,468
Long-term portion	116,096,965	31,259,024	10,015,818	—	31,007,561	4,723,315	193,102,683
<b>Provision as at March 31, 2015</b>	<b>114,024,291</b>	<b>39,623,445</b>	<b>15,717,351</b>	<b>13,328,668</b>	<b>27,590,340</b>	<b>23,576,407</b>	<b>233,860,502</b>
<b>As at December 31, 2014</b>							
Current portion	963,674	9,147,849	5,879,568	13,328,668	1,745,170	19,264,588	50,329,517
Long-term portion	113,060,617	30,475,596	9,837,783	—	25,845,170	4,311,819	183,530,985
<b>As at December 31, 2014</b>	<b>114,024,291</b>	<b>39,623,445</b>	<b>15,717,351</b>	<b>13,328,668</b>	<b>27,590,340</b>	<b>23,576,407</b>	<b>233,860,502</b>

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

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

<i>In thousands of tenge</i>	March 31, 2015 (unaudited)	December 31, 2014 (audited)
Advances received	30,349,967	28,636,744
Due to employees	28,675,428	34,067,977
Other	78,549,009	85,076,791
Total other current liabilities	137,574,404	147,781,512
Trade accounts payable	245,146,004	233,653,734

Trade accounts payable are denominated in the following currencies as at March 31, 2015 and as at December 31, 2014:

<i>In thousands of tenge</i>	March 31, 2015 (unaudited)	December 31, 2014 (audited)
Tenge	113,370,528	99,551,276
US dollars	109,526,565	93,136,154
Euro	11,527,124	14,452,671
Other currency	10,721,787	26,513,633
Total	245,146,004	233,653,734

As at March 31, 2015 and December 31, 2014, trade accounts payable and other current liabilities were not interest bearing.

### 18. OTHER TAXES PAYABLE

<i>In thousands of tenge</i>	March 31, 2015 (unaudited)	December 31, 2014 (audited)
Rent tax on crude oil export	10,367,188	18,621,215
Mineral extraction tax	13,664,343	15,873,564
Excise tax	8,907,208	13,306,668
VAT	13,115,752	13,545,045
Special fund on petroleum products	1,246,083	1,363,249
Other	14,211,065	17,824,437
	61,511,639	80,534,178

### 19. REVENUE

<i>In thousands of tenge</i>	For the three months ended March 31, 2015 (unaudited)	For the three months ended March 31, 2014 (unaudited) (restated)
Sales of refined products	307,236,625	475,719,139
Sales of crude oil	132,921,213	196,705,369
Transportation fee	73,668,071	68,337,006
Sales of gas and gas products	66,164,055	79,395,893
Other revenue	58,573,581	59,698,816
Less: sales taxes and commercial discounts	(68,849,117)	(75,711,791)
	569,714,428	804,144,432

Revenues are generated from the Group's principal operations, which essentially represent upstream production of hydrocarbons and transportation of oil and gas within Kazakhstan, and marketing and sales of oil, gas and oil products in Kazakhstan, Europe and Far East.



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

### 20. COST OF SALES

<i>In thousands of tenge</i>	For the three months ended March 31, 2015 (unaudited)	For the three months ended March 31, 2014 (unaudited) (restated)
Materials and supplies	274,257,516	382,812,592
Payroll	67,166,525	57,618,425
Depreciation, depletion and amortization	37,163,643	44,607,646
Mineral extraction tax	14,176,463	22,916,340
Electricity	12,590,888	12,914,972
Repair and maintenance	4,807,802	6,789,311
Other taxes	10,657,438	5,034,121
Realized income from derivatives	(1,891,323)	(672,457)
Unrealised loss / (income) from derivatives	4,229,757	(427,436)
Other	45,957,119	34,880,092
	<b>469,115,828</b>	<b>566,473,606</b>

### 21. GENERAL AND ADMINISTRATIVE EXPENSES

<i>In thousands of tenge</i>	For the three months ended March 31, 2015 (unaudited)	For the three months ended March 31, 2014 (unaudited) (restated)
Payroll	13,841,734	13,896,576
Other taxes	1,973,743	888,024
Depreciation and amortization	3,601,304	3,913,749
Consulting services	2,159,958	1,554,364
Charitable donations and sponsorship	5,588,370	4,797,662
Fines and penalties	3,268,337	315,390
Social payments	1,542,184	569,839
Allowance for impairment of trade accounts receivable	249,064	2,380,559
(Reversal) / allowance for impairment of other current assets	(385)	356,310
Reversal of provision for obsolete and slow-moving inventories	(3,165,757)	(956,187)
Other	6,878,581	4,314,491
	<b>35,937,133</b>	<b>32,030,776</b>

### 22. TRANSPORTATION AND SELLING EXPENSES

<i>In thousands of tenge</i>	For the three months ended March 31, 2015 (unaudited)	For the three months ended March 31, 2014 (unaudited) (restated)
Rent tax on crude oil export	12,170,638	41,201,664
Customs duty	26,727,434	19,179,773
Transportation	12,739,063	12,353,322
Payroll	4,061,371	4,703,912
Depreciation and amortization	3,315,668	3,007,614
Other	7,091,556	5,714,305
	<b>66,105,730</b>	<b>86,160,590</b>

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

### 23. FINANCE INCOME

<i>In thousands of tenge</i>	For the three months ended March 31, 2015 (unaudited)	For the three months ended March 31, 2014 (unaudited) (restated)
Interest income on bank deposits, loans and bonds	8,924,664	10,842,857
Borrowing write-off	6,805,916	–
Other	6,620,059	1,603,132
	<b>22,350,639</b>	<b>12,445,989</b>

### 24. FINANCE COSTS

<i>In thousands of tenge</i>	For the three months ended March 31, 2015 (unaudited)	For the three months ended March 31, 2014 (unaudited)
Interest on loans and debt securities issued	37,282,228	36,571,460
Interest on payable for the acquisition of additional interest in North Caspian Project	3,594,941	3,508,032
Amortization of discount on loans and debt securities issued	1,674,082	1,423,090
Unwinding of discount on asset retirement obligations	1,989,366	559,693
Discount on assets with non-market interest rate	14,291,383	31,457
Other	3,169,455	10,457,843
	<b>62,001,455</b>	<b>52,551,575</b>

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

<i>In thousands of tenge</i>	For the three months ended March 31, 2015 (unaudited)	For the three months ended March 31, 2014 (unaudited) (restated)
Tengizchevroil LLP	39,161,219	88,522,321
Mangistau Investments B,V,	(563,685)	24,948,746
KazGerMunay LLP	9,731,605	10,884,825
PetroKazakhstan Inc,	(2,342,180)	8,108,172
KazRosGas LLP	2,541,205	11,042,034
Kazakhoil-Aktobe LLP	(1,532,965)	3,557,264
Asian Gas Pipeline LLP	–	(23,860,614)
Beineu Shymkent LLP	(3,026,933)	(12,638,343)
Ural Group Limited	13,704,897	(426,249)
Share in profit/ (loss) of other joint ventures and associates	4,182,084	(13,550,907)
	<b>61,855,247</b>	<b>96,587,249</b>

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

### 26. INCOME TAX EXPENSE

<i>In thousands of tenge</i>	For the three months ended March 31, 2015 (unaudited)	For the three months ended March 31, 2014 (unaudited)
<b>Current income tax:</b>		
Corporate income tax	22,493,438	50,573,679
Excess profit tax	556,430	3,817,186
Withholding tax on dividends and interest income	493,845	9,456,894
<b>Deferred income tax:</b>		
Corporate income tax	(1,340,147)	(5,612,209)
Excess profit tax	(12,384)	(4,294,374)
Withholding tax on dividends and interest income	7,266,627	4,705,655
<b>Income tax expense</b>	<b>29,457,809</b>	<b>58,646,831</b>
<b>Income tax expense from continued operations</b>	<b>29,571,749</b>	<b>58,623,461</b>
<b>Income tax (expense)/benefit from discontinued operations</b>	<b>(113,940)</b>	<b>23,370</b>
	<b>29,457,809</b>	<b>58,646,831</b>

### 27. RELATED PARTY DISCLOSURES

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

The following table provides the balances of transactions with related parties as at March 31, 2015 and December 31, 2014:

<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	<b>March 31, 2015</b>	48,287,196	14,345,200	28,685	7,215,378
	December 31, 2014	50,917,876	14,463,719	42,440	7,192,220
Associates	<b>March 31, 2015</b>	1,748,003	640,711	–	–
	December 31, 2014	32,518,279	959,303	–	–
Other related parties	<b>March 31, 2015</b>	422,879	–	–	365,237,103
	December 31, 2014	222,000	7,043,212	2,900,878	376,939,528
Joint ventures in which the Group is a venturer	<b>March 31, 2015</b>	179,060,602	46,369,099	–	–
	December 31, 2014	177,799,485	37,412,654	–	–

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

### 27. RELATED PARTY DISCLOSURES (continued)

<i>In thousands of tenge</i>		Sales to related parties	Purchases from related parties	Interest earned from related parties	Interest incurred to related parties
Samruk-Kazyna entities	March 31, 2015	15,476,594	6,043,844	1,175,550	136,246
	March 31, 2014	15,969,750	7,659,331	1,532,663	135,767
Associates	March 31, 2015	1,849,368	4,025,090	—	—
	March 31, 2014	369,015	697,638	—	—
Other related parties	March 31, 2015	29,643	1,768,832	168,366	2,936,065
	March 31, 2014	—	17,228,316	101,453	2,385,006
Joint ventures in which the Group is a venturer	March 31, 2015	49,816,000	34,217,209	2,235,729	—
	March 31, 2014	46,007,853	39,530,079	736,962	—

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.

#### *Key management employee compensation*

Total compensation to key management personnel included in general and administrative expenses in the accompanying interim consolidated statement of comprehensive income was equal to 1,633,266 thousand tenge and 1,082,888 thousand tenge for the three months ended March 31, 2015 and March 31, 2014, respectively. Compensation to key management personnel consists of contractual salary and performance bonus based on operating results.

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)****28. FINANCIAL INSTRUMENTS****Fair values of financial instruments**

The carrying amount of the Group financial instruments as at March 31, 2015 and December 31, 2014 are reasonable approximation of their fair value, except for the financial instruments disclosed below:

		March 31, 2015 (unaudited)			
		Fair value by level of assessment		Based on the	
<i>In thousands of tenge</i>	Carrying amount	Fair value	Quotations in an active market (Level 1)	From the observed market (Level 2)	significant amount of unobserved (Level 3)
Bonds receivable from the Parent Company	38,321,446	71,623,197	–	71,623,197	–
Fixed interest rate borrowings	2,003,465,219	2,004,441,200	1,783,632,122	220,809,078	–
Financial guarantee	9,817,191	9,817,191	–	9,817,191	–
Derivatives	1,351,797	1,351,797	–	1,351,797	–
Investment property	26,382,412	31,290,323	–	31,290,323	–

		December 31, 2014 (audited)			
		Fair value by level of assessment		Based on the	
<i>In thousands of tenge</i>	Carrying amount	Fair value	Quotations in an active market (Level 1)	From the observed market (Level 2)	significant amount of unobserved (Level 3)
Bonds receivable from the Parent Company	41,585,896	74,754,137	–	74,754,137	–
Fixed interest rate borrowings	2,284,707,172	2,306,596,659	1,937,379,432	369,217,227	–
Financial guarantee	9,832,576	9,832,576	–	9,832,576	–
Derivatives	6,149,586	6,149,586	–	6,149,586	–
Investment property	27,197,634	31,972,501	–	31,972,501	–

The fair value of bonds receivable from the Parent Company and fixed-rate borrowings have been calculated using quotations in an active market.

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  
(continued)**

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**29. CONTINGENT LIABILITIES AND COMMITMENTS**

In addition to information in the consolidated financial statements for the year ended December 31, 2014 the following contractual and contingent liabilities are presented for three months ended March 31, 2015:

**Environment**

Environmental regulations in Kazakhstan are evolving and subject to ongoing changes. Penalties for violations of Kazakhstan's environmental laws can be severe. Potential liabilities which may arise as a result of stricter enforcement of existing regulations, civil litigation or changes in legislation cannot be reasonably estimated. Management believes that, other than those accrued and disclosed below in these consolidated financial statements, there are no further probable or possible environmental liabilities which could have a material adverse effect on the Group's consolidated statement of financial position, consolidated statement of comprehensive income and consolidated statement of cash flows other than those amounts provided in Note 16.

**ANPZ environmental audit (KMG RM)**

In 2014, the Department of ecology of Atyrau oblast has ordered ANPZ to pay an environmental fine of 23.7 billion tenge. The appeal deadline is March 2015 for the Decision of the Appellation court. As of today there is still a possibility that the court decision is to be appealed up until September 2015.

**OMG environmental audit 2012-2013 (KMG EP)**

On January 24, 2014 JSC "Ozenmunaigas", a subsidiary of KMG EP, received a notification from the Department of Ecology of Mangystau Region to pay a fine of 212,625 million Tenge for environmental damage caused by the disposal of excessive waste to the environment in 11 waste collectors. The total amount was determined as a result of an inspection that covered 2012 and 2013. These wastes have historical origins. According to the current legislation of the Republic Kazakhstan, the environmental permit is issued for a newly formed and disposed waste. In accordance with the above, on February 7, 2014 JSC "Ozenmunaigas" filed a claim and on February 21, 2014 Specialized Administrative Court of Mangystau region satisfied in full in favor of KMG EP. This decision is not appealable, but may be challenged by the General Prosecutor offices.

In addition, on February 19, 2014 the Department of Ecology of Mangystau Region claimed an administrative fine for environmental damage of 327,880 million Tenge.

JSC "Ozenmunaigas" appealed the claim in the Specialized Interdistrict Economic Court of Mangystau Region that concluded on March 6, 2014 that the act of inspection was illegal and the administrative fine was fully cancelled. On April 22, 2014 the Judicial Panel of Appeals of Mangystau Regional Court rejected an appeal of the Department of Ecology of Mangystau Region against the decision of the Specialized Interdistrict Economic Court of Mangystau Region.

On June 25, 2014 by the resolution of the Judicial Panel of Cassation of Mangystau Regional Court, decisions of Specialized Administrative Court of Mangystau region dated on March 6, 2014 and the Judicial Panel of Appeals of Mangystau Regional Court dated April 22, 2014, were upheld.

Management of the Group believes that JSC "Ozenmunaigas" will successfully defend its position in further appeals by the Ecology Department on this matter, and therefore no provision was accrued for this matter as at March 31, 2015.

**Taxation**

Kazakhstan's tax legislation and regulations are subject to ongoing changes and varying interpretations. Instances of inconsistent opinions between local, regional and national tax authorities are not unusual. The current regime of penalties and interest related to reported and discovered violations of Kazakhstan's tax laws are severe. Penalties are generally 50% of the taxes additionally assessed and interest is assessed at the refinancing rate established by the National Bank of the Republic of Kazakhstan multiplied by 2.5. As a result, penalties and interest can amount to multiples of any assessed taxes. Fiscal periods remain open to review by tax authorities for 5 (five) calendar years preceding the year of review. Under certain circumstances reviews may cover longer periods. Because of the uncertainties associated with Kazakhstan's tax system, the ultimate amount of taxes, penalties and interest, if any, may be in excess of the amount expensed to date and accrued at March 31, 2015.

As at March 31, 2015, Management believes that its interpretation of the relevant legislation is appropriate and that it is probable that the Group's tax positions will be sustained, except as provided for or otherwise disclosed in these consolidated financial statements.

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
(continued)****29. CONTINGENT LIABILITIES AND COMMITMENTS (continued)****Tax audit of KMG EP**

As a result of the limited scope tax audit conducted in February 2014 the final notification of 2006-2008 tax audit was issued by the Tax Committee of the Ministry of Finance in March 2014. Total tax assessments amounted to 12,136 million Tenge, including 4,568 million Tenge of principal, 4,645 million Tenge of administrative fines and 2,923 million Tenge of late payment interest.

Cassation panel procedure required KMG EP to pay 12,136 million Tenge in order to have the right to appeal to the Supreme Court by July 2015. KMG EP is planning to appeal to the Supreme Court of the Republic of Kazakhstan within the stated period and correspondingly paid the above amount in October of 2014.

In September 2014 a complex tax audit covering the period of 2009-2012 was initiated. On December 26, 2014 and December 30, 2014 KMG EP received notifications for the above mentioned periods with respect to local taxes related to Ozenmunaigas and Embamunaigas Production Branches, respectively.

The tax authorities have claimed to pay 496 million Tenge of various local taxes and 437 million Tenge of administrative fines and late payment fees. As of March 31, 2015 KMG EP has not received final notification.

**Turgai Petroleum comprehensive tax audits (KMG EP)**

In September to December 2013, Kyzylorda Tax department of the Tax Committee of the Ministry of Finance (the "Tax department") conducted a complex tax audit of Turgai Petroleum (50% joint venture of PKI) for 2009-2012. As a result of the complex tax audit the Tax department assessed additional corporate income tax of 3,562 million Tenge including transfer pricing effect of 2,733 million Tenge, additional excess profit tax of 8,793 million Tenge including transfer pricing effect of 5,275 million Tenge, additional other taxes of 117 million Tenge and aggregate late payment interest of 5,228 million Tenge.

Turgai Petroleum disagreed with the complex tax audit results and filed a claim with the Tax Committee of the Ministry of Finance. Management of PKI believes that Turgai Petroleum has a strong position on this issue except for the transfer pricing effect of 8,008 million Tenge and related late payment interest of 3,568 million Tenge. Therefore PKI recognized a provision of 5,788 million Tenge in its financial statements in its 2013 financial statements. As of December 31, 2014 no significant changes took place. KMG EP is not consent with this claim and filed its written disagreement. Tax authorities have not yet performed tax audit on this matter. Nevertheless, in case if the tax audit is performed, KMG EP is consent that it will be able to prove its position. The management of KMG EP claims that the possibility of the successful appellation of the claim is probable, no accruals of provisions were made as of March 31, 2015.

**Mineral extraction tax (KMG EP)**

On July 2, 2013 the Tax Committee of Yessil district of Astana provided a notification to the Company of 8,785 million Tenge for alleged discrepancies between data reported in the Company's MET tax returns and data supplied by the Ministry of Oil and Gas of the Republic of Kazakhstan for the period from 2009 to 2012. These alleged discrepancies were caused by the fact that the sliding rates of tax in 2012 MET tax returns were determined based on volumes of production for the period when subsoil use contracts belonged to the Company (when the Company carried out its activities on the license area through its production branches), whereas the information provided by the Ministry of Oil and Gas of the Republic of Kazakhstan included production volumes of the Company and its subsidiaries JSC "Ozenmunaigas" and JSC "Embamunaigas" combined. According to the tax authorities, for the purposes of determination of the sliding tax rate the Company should have included 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 Kazakh tax legislation the Company believes that the MET rate should be determined based upon production for the period when it directly owned the subsoil use contracts. KMG EP disagrees with the above notification and has provided the written explanations of its position. The tax authorities have not yet audited KMG EP on this matter and hence no tax assessment was done yet. Should the tax authorities audit KMG EP and assess additional MET liabilities, KMG EP will appeal such assessment. 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 consolidated financial statements as at March 31, 2015.

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

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**29. CONTINGENT LIABILITIES AND COMMITMENTS (continued)***Tax Assessments received by Rompetrol Rafinare S.A. (KMG I)*

Rompetrol Rafinare SA received the results of the tax inspection covering the period 2007-2010 with the total amount of additional tax claims and late payment interest of 15 million US Dollars (2,735,250 thousand tenge).

Both Rompetrol Rafinare and the Romanian tax authorities filed appeals to the Romanian Supreme court of justice. These final appeals are still with the Romanian Supreme court of justice. The Group considers the risk of losses as possible and no provisions relating to this tax assessment were accrued as of March 31, 2015.

**Cost recovery audits**

Under the base principles of the production sharing agreements, the Government transferred to contractors the exclusive rights to conduct activities in the subsurface use area, but did not transfer rights to this subsurface use area either to ownership or lease. Thus, all extracted and processed oil (i.e. the hydrocarbons produced) are the property of the Government. Works are carried out on the basis of compensation and the Government pays the contractors not in cash but in the form of the portion of oil production, thereby allowing the contractors to recover their costs and earn profit.

In accordance with the production sharing agreements not all costs incurred by the contractors could be reimbursed. Certain expenditures need to be approved by the authorized bodies. The authorized bodies conduct the cost recovery audits. In accordance with the costs recovery audits completed prior to December 31, 2014 certain amounts of the costs incurred by contractors were assessed as non-recoverable. The parties to the production sharing agreements are in negotiations with respect to the recoverability of those costs.

As of March 31, 2015 the Group's share in the total disputed amounts of the non-recoverable costs is 65,449 million tenge (2014: 64,286 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.

**Convertible debt instrument and related litigations (KMG I)**

As at December 31, 2009 the Group had an outstanding balance of 3,353,168 thousand tenge of a convertible debt instrument issued by a significant subsidiary of KMG I – 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 KMG I and/or Rompetrol Rafinare S.A.

During the first half of 2010 in order to increase its interest in Rompetrol Rafinare S.A. the Group 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 (78 million Euros at the date of subscription), all of which were subscribed and fully paid for by KMG I, 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 (10,463,778 thousand tenge) out of the total debt of 570.3 million Euros 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 Euros (3,314,915 thousand tenge), leading to a nil balance of the liability component of the convertible debt instrument.

On September 30, 2010 the Extraordinary General Meeting (GMS) 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)**

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**29. CONTINGENT LIABILITIES AND COMMITMENTS (continued)****Convertible debt instrument and related litigations (KMG I) (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 it did not have the capacity of shareholder when such acts were adopted, (b) for some of the annulment reasons considering that they 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 Euros and, at the exchange rate as at December 31, 2010 is 100,797,249 thousand tenge) as a result of the Romanian Authorities disagreement with the decision of the Group 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 could 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 the Group. 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.

On January 22, 2014, the Memorandum of Understanding was approved by the Romanian Government's Decision pursuant to which the Ministry of public finance of Romania was authorized and mandated to pursue all procedural actions required for the withdrawal of the claims and the termination of all litigations. The Memorandum of Understanding includes the following key aspects:

- OPSPI will sell and the Group will acquire shares owned by OPSPI and representing 26.6959% of RRC's share capital for a cash consideration of 200 million US Dollars (36,470 million tenge);
- The Group will consider investment in energy projects related to its core activities in the amount estimated at 1 billion US Dollars (182.4 billion tenge) over 7 (seven) years;
- The Ministry of public finance will drop all cases against the GMS decisions related to the conversion and will cancel the forced execution title.

This court case was closed following the last hearing in March 2014 and the renouncement by the Ministry of finance of Romania. KMG I submitted to the Romanian authorities a request for the annulment of the seizure. As such the Group's management believes that the seizure of the assets will be removed.

**Litigation regarding CO2 emission allowances (KMG I)**

On February 28, 2011 Rompetrol Rafinare S.A. won the court case against The Romanian Government and The Ministry of Environment which required the Romanian authorities to allocate to Rompetrol Rafinare an additional number of 2.577.938 CO2 emission certificates for the entire period 2008-2012. This first decision issued by the Constanta Court of Appeal was challenged by the The Ministry of Environment and The Romanian Government but the appeals were rejected by the Supreme Court of Justice on October 30, 2012 and the first court decision became final.

Considering that the Ministry of Environment and the Romanian Government did not fulfill with the Court decision according to the deadline, Rompetrol Rafinare SA started a court claim against them, having as object damages in amount of Euro 36 million is pending (6.6 billion tenge as of December 31, 2014).

On April 24, 2014 the court rejected the Rompetrol's claim. On August 6, 2014 Rompetrol appealed the Decision in front of the Supreme Court. The first hearing is not yet been set by the Supreme Court.

Additionally Rompetrol Rafinare launched a new legal enforcement procedure in front of the Constanta Court of Appeal, based on some new and much clearer provisions of law. This procedure is also still pending; the first hearing took place on March 2nd 2015, the next hearing will be on May 4, 2015.

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

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**29. CONTINGENT LIABILITIES AND COMMITMENTS (continued)****KazMunayGas Trading AG (former – Vector Energy AG) litigations with SC Bioromoil SRL (KMGI)**

As of March 31, 2015 and 2014, 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 19.4 billion tenge as of March 31, 2015 (December 31, 2014: 9.1 billion tenge).

As of March 31, 2015 no provision was recorded for this claim as the Group considers the risk as possible.

**Civil litigation (KMGI)**

On October 7, 2014 the Romanian court of appeal partially granted a civil action filed by the Romanian state for the amount of 58.5 million US Dollars (10,668 million tenge) representing damages to be paid to the Ministry of Finance of Romania, plus related legal interest from 5 January 2001 to the actual payment date. Under this civil action Rompetrol SA and individuals are severally held liable.

The decision of this court of appeal may be challenged by way of extraordinary judicial remedies: the appeal for annulment, the revision and the appeal for cassation (the latter even more limited, solely to points of law). The actual manner in which the enforcement of the decision takes place may also be challenged.

The Group already submitted the two extraordinary appeals against the decision of the Romanian court of appeal, the hearing will take place on May 12, 2015..

The Group considers that the important legal steps have been initiated to challenge the decision of the Romanian court of appeal. Management assessed the risk of losses as possible and no provisions relating to this court decision has been accrued as of March 31, 2015.

**Litigation with business-partner BNT**

On February 26, 2015 the Group received a notification from the Tbilisi city court on the seizure of 100% shares of LLC Batumi Oil Terminal, the exclusive management right over 100% shares of LLC Batumi Sea Port and the immovable property of LLC Batumi Oil Terminal. This is as a result of a court application by certain customers of LLC Batumi Sea Port, who has filed a commercial dispute against LLC Batumi Oil Terminal related to uncompetitive behaviour. The total amount claimed is 62 million US Dollars (11,284 million tenge).

April 23, 2015 the subsidiary of BTL Group – BNT – BNT and Petrotrans Ltd and claimants signed Consent Acts. These acts were submitted to Tbilisi and Batumi city courts and provide that the claims are to be mutually annulled and cancellation of arrests.

**Kazakhstan local market obligation**

The Government requires oil companies in the Republic of Kazakhstan to supply a portion of the products to meet the Kazakhstan domestic energy requirement on an annual basis, mainly to maintain oil products supply balance on the local market and to support agricultural producers during the spring and autumn sowing and harvest campaigns.

Kazakhstan local market oil prices are significantly lower than export prices and even lower than the normal domestic market prices determined in an arm-length transaction. If the Government does require additional crude oil to be delivered over and above the quantities currently supplied by the Group, such supplies will take precedence over market sales and will generate substantially less revenue than crude oil sold on the export market, which may materially and adversely affect the Group's business, prospects, consolidated financial position and results of operations.

In three months ended March 31, 2015, in accordance with its obligations, the Group delivered 993,623 tons of crude oil (three months ended March 31, 2014: 934.422 tons), including joint ventures, to the Kazakhstan market.

**Other contractual commitments**

As at March 31, 2015, the Group had other capital commitments of approximately 632 billion tenge (as at December 31, 2014: 832 billion tenge), including joint ventures, related to acquisition and construction of property, plant and equipment.

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)****30. 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, The Group's activity consists of four main operating segments: exploration and production of oil and gas, transportation of oil, transportation of gas, refining and trading of crude oil and refined products, The remaining operating segments have been aggregated and presented as other operating segment due to their insignificance,

The following represents information about operating segments of the Group as at March 31, 2015 and for the three months then ended:

<i>In thousands of tenge</i>	Exploration and production of oil and gas	Oil transportation	Gas transportation	Refining and trading of crude oil and refined products	Other	Elimination	Total
Revenues from sales to external customers	6,029,699	48,335,084	93,368,758	403,392,517	18,588,370	–	569,714,428
Revenues from sales to other segments	(129,951,838)	(10,213,395)	(497,118)	(2,439,680)	(4,886,268)	147,988,299	–
<b>Total revenue</b>	<b>(123,922,139)</b>	<b>38,121,689</b>	<b>92,871,640</b>	<b>400,952,837</b>	<b>13,702,102</b>	<b>147,988,299</b>	<b>569,714,428</b>
<b>Gross profit</b>	<b>48,690,739</b>	<b>29,570,287</b>	<b>12,515,738</b>	<b>27,347,464</b>	<b>(5,063,954)</b>	<b>(12,461,674)</b>	<b>100,598,600</b>
Finance income	15,660,351	1,243,723	3,711,450	764,766	7,722,787	(6,752,638)	22,350,639
Finance costs	(19,747,749)	(696,829)	(4,313,789)	(4,518,414)	(37,190,643)	4,465,969	(62,001,455)
Depreciation, depletion and amortization	(11,269,934)	(6,535,645)	(7,891,846)	(15,840,072)	(2,620,357)	37,520	(44,120,334)
Impairment of property, plant and equipment, exploration and evaluation assets and intangible assets other than goodwill	(226,647)	–	–	–	(11,035)	–	(237,682)
Share in profit of joint ventures and associates, net	46,257,948	(207,488)	13,096,243	2,653,576	54,968	–	61,855,247
Income tax expenses	(16,883,510)	(5,851,220)	(6,006,006)	(574,160)	(256,853)	–	(29,571,749)
<b>Net profit for the period</b>	<b>35,149,015</b>	<b>24,360,605</b>	<b>(755,606)</b>	<b>(5,741,552)</b>	<b>(39,643,325)</b>	<b>(1,311,260)</b>	<b>12,057,877</b>
<b>Other segment information</b>							
Investments in joint ventures and associates	1,045,518,042	52,325,046	105,697,228	37,670,219	47,455,976	–	1,288,666,511
Capital expenditures	66,543,299	14,075,343	7,947,160	6,849,193	6,609,246	(968,238)	101,056,003
Allowances for obsolete inventories, doubtful accounts receivable, advances paid, and other assets	(3,579,421)	(746,217)	(4,411,813)	(41,053,781)	(1,540,691)	–	(51,331,923)
<b>Assets of the segment</b>	<b>5,016,652,685</b>	<b>609,419,085</b>	<b>1,036,098,915</b>	<b>2,148,489,993</b>	<b>253,732,671</b>	<b>(484,565,414)</b>	<b>8,579,827,935</b>
<b>Liabilities of the segment</b>	<b>875,075,200</b>	<b>132,514,150</b>	<b>407,565,078</b>	<b>845,152,921</b>	<b>2,332,265,744</b>	<b>(451,798,809)</b>	<b>4,140,774,284</b>

Eliminations represent the exclusion of intra-group turnovers,

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)****30. SEGMENT REPORTING (continued)**

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,

The following represents information about operating segments of the Group as at December 31, 2014 and for the three months ended March 31, 2014:

<i>In thousands of tenge</i>	<i>Exploration and production of oil and gas</i>	<i>Oil transport-tation</i>	<i>Gas transport-tation</i>	<i>Refining and trading of crude oil and refined products</i>	<i>Other</i>	<i>Elimination</i>	<i>Total</i>
Revenues from sales to external customers	2,051,426	42,757,358	94,947,009	646,791,481	17,597,158	-	804,144,432
Revenues from sales to other segments	247,586,937	8,709,339	405,868	1,239,556	4,696,207	(262,637,907)	-
<b>Total revenue</b>	<b>249,638,363</b>	<b>51,466,697</b>	<b>95,352,877</b>	<b>648,031,037</b>	<b>22,293,365</b>	<b>(262,637,907)</b>	<b>804,144,432</b>
<b>Gross profit</b>	160,347,459	25,567,451	26,545,856	38,875,404	(1,828,044)	(11,837,300)	237,670,826
Finance income	6,628,543	1,661,375	263,503	650,191	8,108,508	(4,866,131)	12,445,989
Finance costs	(10,969,340)	(578,952)	(3,456,947)	(4,027,101)	(37,964,774)	4,445,539	(52,551,575)
Depreciation, depletion and amortization	(19,612,433)	(5,530,430)	(6,774,231)	(16,544,520)	(3,145,755)	-	(51,607,369)
Impairment of property, plant and equipment, exploration and evaluation assets and intangible assets other than goodwill	(24,571,177)	-	-	(182,532)	-	-	(24,753,709)
Share in profit of joint ventures and associates, net	134,785,514	(12,529,620)	(25,446,122)	(702,880)	480,357	-	96,587,249
Income tax expenses	(47,629,875)	(5,251,487)	(1,848,630)	(1,176,767)	(2,716,702)	-	(58,623,461)
<b>Net profit for the period</b>	<b>166,519,993</b>	<b>6,539,409</b>	<b>(27,301,790)</b>	<b>(28,001,271)</b>	<b>42,973,908</b>	<b>4,448,016</b>	<b>165,178,265</b>
<b>Other segment information</b>							
Investments in joint ventures and associates	979,237,624	22,833,273	123,453,073	35,339,132	56,798,298	-	1,217,661,400
Capital expenditures	55,692,795	4,752,200	8,676,336	17,188,867	1,809,434	(238,406)	87,881,224
Allowances for obsolete inventories, doubtful accounts receivable, advances paid, and other assets	(4,984,925)	(753,697)	(2,656,080)	(51,383,255)	(7,356,969)	-	(67,134,926)
<b>Assets of the segment</b>	<b>4,891,145,676</b>	<b>582,719,545</b>	<b>1,016,388,070</b>	<b>2,148,431,600</b>	<b>672,208,055</b>	<b>(472,052,080)</b>	<b>8,838,840,866</b>
<b>Liabilities of the segment</b>	<b>859,017,443</b>	<b>135,506,786</b>	<b>383,061,495</b>	<b>833,462,861</b>	<b>2,652,790,651</b>	<b>(442,110,802)</b>	<b>4,421,728,434</b>

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

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**31. SUBSEQUENT EVENTS**

April 17, 2015 dividends payable for 2013 of the Group to the Parent Company was decreased from 83,114,547 thousand tenge to 76,346,016 thousand tenge,

April 29, 2015 Tengizchevroil LLP declared dividends to the Group for the amount of 144,400 thousand US Dollars (equivalent to 26,829,520 thousand tenge as of declaration date), including withholding tax,