

**KazMunaiGas Exploration Production
Joint Stock Company**

Condensed Consolidated Interim Financial Statements

For the six months ended June 30, 2014

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Consolidated Interim Statement of Financial Position*Tenge million*

| | | June 30, 2014 | December 31, 2013 |
|---|--------------|----------------------|--------------------------|
| | Notes | Unaudited | Audited |
| ASSETS | | | |
| Non-current assets | | | |
| Property, plant and equipment | 6 | 352,940 | 350,675 |
| Intangible assets | | 11,380 | 12,064 |
| Investments in joint ventures | 7 | 105,428 | 88,967 |
| Investments in associate | 8 | 142,646 | 107,095 |
| Receivable from a jointly controlled entity | | 17,381 | 13,222 |
| Loans receivable from joint ventures | | 24,033 | 18,402 |
| Other financial assets | 9 | 19,051 | 21,711 |
| Deferred tax asset | | 45,881 | 34,356 |
| Other assets | | 14,038 | 19,542 |
| Total non-current assets | | 732,778 | 666,034 |
| Current assets | | | |
| Inventories | | 26,635 | 27,422 |
| Income taxes prepaid | | 32,126 | 43,684 |
| Taxes prepaid and VAT recoverable | | 76,642 | 72,169 |
| Mineral extraction tax and rent tax prepaid | | 2,581 | 1,967 |
| Prepaid expenses | | 26,173 | 22,067 |
| Trade and other receivables | 9 | 176,817 | 153,219 |
| Receivable from a jointly controlled entity | | 2,445 | 3,969 |
| Loans receivable from joint ventures | | 5,985 | 3,933 |
| Other financial assets | 9 | 477,716 | 482,006 |
| Cash and cash equivalents | 9 | 155,540 | 119,036 |
| Total current assets | | 982,660 | 929,472 |
| Total assets | | 1,715,438 | 1,595,506 |
| EQUITY | | | |
| Share capital | 10 | 162,973 | 162,969 |
| Other capital reserves | | 2,436 | 2,482 |
| Retained earnings | | 1,261,436 | 1,185,815 |
| Other components of equity | | 78,118 | 22,509 |
| Total equity | | 1,504,963 | 1,373,775 |
| LIABILITIES | | | |
| Non-current liabilities | | | |
| Borrowings | | 4,705 | 4,291 |
| Deferred tax liability | | 544 | 881 |
| Provisions | 11 | 34,568 | 34,203 |
| Total non-current liabilities | | 39,817 | 39,375 |
| Current liabilities | | | |
| Borrowings | | 3,037 | 2,503 |
| Provisions | 11 | 17,066 | 20,067 |
| Income taxes payable | | 19,944 | 29,341 |
| Mineral extraction tax and rent tax payable | | 68,176 | 61,956 |
| Trade and other payables | | 62,435 | 68,489 |
| Total current liabilities | | 170,658 | 182,356 |
| Total liabilities | | 210,475 | 221,731 |
| Total liabilities and equity | | 1,715,438 | 1,595,506 |

KAZMUNAIGAS EXPLORATION PRODUCTION JOINT STOCK COMPANY

Consolidated Interim Statement of Comprehensive Income (unaudited)

Tenge million

| | Notes | Three months ended June 30, | | Six months ended June 30, | |
|--|-------|-----------------------------|----------------|---------------------------|----------------|
| | | 2014 | 2013 | 2014 | 2013 |
| Revenue | 12 | 243,621 | 181,652 | 464,445 | 383,837 |
| Share of results of associate and joint ventures | 7, 8 | 22,192 | 8,448 | 38,352 | 29,148 |
| Finance income | | 5,922 | 5,734 | 11,158 | 11,547 |
| Total revenue and other income | | 271,735 | 195,834 | 513,955 | 424,532 |
| Production expenses | 13 | (44,691) | (39,527) | (88,484) | (82,328) |
| Selling, general and administrative expenses | 14 | (27,176) | (24,069) | (49,420) | (46,127) |
| Exploration expenses | | (128) | (292) | (386) | (6,912) |
| Depreciation, depletion and amortization | | (12,047) | (9,597) | (27,103) | (21,997) |
| Taxes other than on income | 15 | (97,897) | (66,905) | (178,177) | (143,144) |
| Impairment of property, plant and equipment | 6 | – | (1,328) | (27,448) | (58,492) |
| Loss on disposal of fixed assets | 6 | (585) | (1,260) | (808) | (1,916) |
| Finance costs | | (1,166) | (2,158) | (1,972) | (4,112) |
| Foreign exchange gain, net | 2 | 5,322 | 3,264 | 113,435 | 4,140 |
| Profit before tax | | 93,367 | 53,962 | 253,592 | 63,644 |
| Income tax expense | 16 | (6,521) | (14,499) | (43,288) | (24,841) |
| Profit for the period | | 86,846 | 39,463 | 210,304 | 38,803 |
| Exchange difference on translating foreign operations | 2 | 3,275 | 1,495 | 55,609 | 1,655 |
| Other comprehensive income for the period to be reclassified to profit and loss in subsequent periods | | 3,275 | 1,495 | 55,609 | 1,655 |
| Total comprehensive income for the period, net of tax | | 90,121 | 40,958 | 265,913 | 40,458 |
| EARNINGS PER SHARE – Tenge thousands | | | | | |
| Basic and diluted | | 1.28 | 0.58 | 3.09 | 0.57 |

Consolidated Interim Statement of Cash Flows (unaudited)*Tenge million*

| | | Six months ended June 30, | |
|--|--------------|----------------------------------|----------------|
| | Notes | 2014 | 2013 |
| Cash flows from operating activities | | | |
| Profit before tax | | 253,592 | 63,644 |
| Adjustments to add / (deduct) non-cash items | | | |
| Depreciation, depletion and amortisation | | 27,103 | 21,997 |
| Share of result of associate and joint ventures | | (38,352) | (29,148) |
| Loss on disposal of property, plant and equipment (PPE) | 6 | 808 | 1,916 |
| Impairment of PPE and intangible assets | | 27,502 | 58,502 |
| Dry well expense on exploration and evaluation assets | | 46 | 6,471 |
| Recognition of share-based payments | | – | 140 |
| Forfeiture of share-based payments | | (46) | (136) |
| Unrealised foreign exchange gain on non-operating activities | | (31,318) | (2,615) |
| Other non-cash income and expense | | 48 | 892 |
| Add finance costs | | 1,972 | 4,112 |
| Deduct finance income relating to investing activity | | (11,158) | (11,547) |
| Working capital adjustments | | | |
| Change in other assets | | 9 | 245 |
| Change in inventories | | 1,140 | 5,796 |
| Change in taxes prepaid and VAT recoverable | | (2,872) | (5,004) |
| Change in prepaid expenses | | (4,109) | (4,536) |
| Change in trade and other receivables | | (23,594) | (3,500) |
| Change in trade and other payables | | (435) | (13,860) |
| Change in mineral extraction and rent tax payable | | 7,406 | 2,379 |
| Change in provisions | | (2,023) | 1,810 |
| Income tax paid | | (56,932) | (65,032) |
| Net cash generated from operating activities | | 148,787 | 32,526 |
| Cash flows from investing activities | | | |
| Purchases of PPE | 6 | (63,704) | (55,671) |
| Proceeds from sale of PPE | | 247 | 34 |
| Purchases of intangible assets | | (552) | (3,458) |
| Loans provided to the joint ventures | | (1,807) | (5,190) |
| Dividends received from joint ventures and associate, net of withholding tax | 7,8 | 18,201 | 19,450 |
| Interest received from investment in Debt Instruments of NC KMG | | – | 4,734 |
| Proceeds from repayment of investment in Debt Instruments of NC KMG | | – | 135,243 |
| Sale / (purchase) of financial assets held-to-maturity, net | | 54,671 | (8,733) |
| Repayments of loan receivable from related parties | | 2,206 | – |
| Proceeds from sale of other financial assets | | 155 | – |
| Interest received | | 7,241 | 4,622 |
| Net cash generated from investing activities | | 16,658 | 91,031 |
| Cash flows from financing activities | | | |
| Repayment of borrowings | | (548) | (537) |
| Dividends paid to Company's shareholders | | (128,393) | (7) |
| Net cash used in financing activities | | (128,941) | (544) |
| Net change in cash and cash equivalents | | 36,504 | 123,013 |
| Cash and cash equivalents at the beginning of the period | 9 | 119,036 | 154,705 |
| Exchange gain on cash and cash equivalents | | – | 137 |
| Cash and cash equivalents at the end of the period | 9 | 155,540 | 277,855 |

KAZMUNAIGAS EXPLORATION PRODUCTION JOINT STOCK COMPANY

Consolidated Interim Statement of Changes in Equity

Tenge million

| | Share capital | Treasury stock | Other capital reserves | Retained earnings | Foreign currency translation reserve | Total Equity |
|--|----------------|------------------|------------------------|-------------------|--------------------------------------|------------------|
| As at December 31, 2012 (audited) | 263,095 | (100,143) | 2,474 | 1,154,335 | 18,009 | 1,337,770 |
| Profit for the period | - | - | - | 38,803 | - | 38,803 |
| Other comprehensive income | - | - | - | - | 1,655 | 1,655 |
| Total comprehensive income | - | - | - | 38,803 | 1,655 | 40,458 |
| Recognition of share-based payments | - | - | 140 | - | - | 140 |
| Forfeiture of share-based payments | - | - | (136) | - | - | (136) |
| Exercise of employee options (Note 10) | - | 10 | - | - | - | 10 |
| Dividends (Note 10) | - | - | - | (110,349) | - | (110,349) |
| As at June 30, 2013 (unaudited) | 263,095 | (100,133) | 2,478 | 1,082,789 | 19,664 | 1,267,893 |
| As at December 31, 2013 (audited) | 263,095 | (100,126) | 2,482 | 1,185,815 | 22,509 | 1,373,775 |
| Profit for the period | - | - | - | 210,304 | - | 210,304 |
| Other comprehensive income | - | - | - | - | 55,609 | 55,609 |
| Total comprehensive income | - | - | - | 210,304 | 55,609 | 265,913 |
| Forfeiture of share-based payments | - | - | (46) | - | - | (46) |
| Exercise of employee options (Note 10) | - | 4 | - | - | - | 4 |
| Dividends (Note 10) | - | - | - | (134,683) | - | (134,683) |
| As at June 30, 2014 (unaudited) | 263,095 | (100,122) | 2,436 | 1,261,436 | 78,118 | 1,504,963 |