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## INDEPENDENT AUDITORS' REPORT

### TO THE SHAREHOLDERS AND MANAGEMENT OF JOINT STOCK COMPANY KAZMUNAIGAS EXPLORATION PRODUCTION

We have audited the accompanying consolidated financial statements of Joint Stock Company KazMunaiGas Exploration Production and its subsidiaries ("the Company"), which comprise the consolidated statement of financial position as at 31 December 2012 and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

### MANAGEMENT'S RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

### AUDITORS' RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### OPINION

In our opinion, the consolidated financial statements present fairly, in all material respects the financial position of Joint Stock Company KazMunaiGas Exploration Production and its subsidiaries as of 31 December 2012, and their financial performance and their cash flows for the year then ended in accordance with International Financial Reporting Standards.

**Paul Cohn**  
Audit Partner

**Evgeny Zhemaletdinov**  
Auditor / General Director  
Ernst & Young LLP

# CONSOLIDATED FINANCIAL STATEMENTS

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

Tenge million

As at December 31,

	Notes	2012	2011
<b>Assets</b>			
<b>Non-current assets</b>			
Property, plant and equipment	6	325,520	338,860
Intangible assets	7	19,584	26,638
Investments in joint ventures	5, 9	89,252	116,526
Investments in associate	10	118,959	133,228
Receivable from a jointly controlled entity	9	14,326	18,138
Loans receivable from joint ventures	5, 9	13,150	8,494
Other financial assets	8	1,085	188,803
Deferred tax asset	22	31,968	9,450
Other assets		17,200	19,593
<b>Total non-current assets</b>		<b>631,044</b>	<b>859,730</b>
<b>Current assets</b>			
Inventories	11	25,058	22,651
Income taxes prepaid		17,806	9,971
Taxes prepaid and VAT recoverable		56,257	22,738
Mineral extraction tax prepaid		8,073	–
Prepaid expenses		15,539	12,054
Trade and other receivables	8	101,168	84,126
Receivable from a jointly controlled entity	9	3,895	1,361
Other financial assets	8	550,556	321,890
Cash and cash equivalents	8	154,705	206,512
<b>Total current assets</b>		<b>933,057</b>	<b>681,303</b>
<b>Total assets</b>		<b>1,564,101</b>	<b>1,541,033</b>
<b>Equity</b>			
Share capital	12	162,952	198,452
Other capital reserves		2,474	2,124
Retained earnings		1,154,335	1,083,749
Other components of equity		18,009	14,354
<b>Total equity</b>		<b>1,337,770</b>	<b>1,298,679</b>
<b>Liabilities</b>			
<b>Non-current liabilities</b>			
Borrowings	14	4,848	33,034
Deferred tax liability	22	–	2,049
Provisions	15	36,927	37,846
<b>Total non-current liabilities</b>		<b>41,775</b>	<b>72,929</b>
<b>Current liabilities</b>			
Borrowings	14	2,462	54,931
Income taxes payable		32,103	–
Mineral extraction tax and rent tax payable		50,417	50,908
Trade and other payables		82,255	48,680
Provisions	15	17,319	14,906
<b>Total current liabilities</b>		<b>184,556</b>	<b>169,425</b>
<b>Total liabilities</b>		<b>226,331</b>	<b>242,354</b>
<b>Total liabilities and equity</b>		<b>1,564,101</b>	<b>1,541,033</b>

The notes on pages 68 to 96 are an integral part of these consolidated financial statements.

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**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME***Tenge million***For the year ended  
DECEMBER 31,**

	<b>Notes</b>	<b>2012</b>	<b>2011</b>
Revenue	16	797,170	721,194
Share of results of associate and joint ventures	9, 10	67,442	84,276
Finance income	21	34,528	28,843
<b>Total revenue and other income</b>		<b>899,140</b>	<b>834,313</b>
Production expenses	17	(140,362)	(117,465)
Selling, general and administrative expenses	18	(93,088)	(98,520)
Exploration expenses		(6,104)	(5,985)
Depreciation, depletion and amortization	6, 7	(53,747)	(45,494)
Taxes other than on income	19	(274,171)	(284,028)
Impairment of property, plant and equipment	20	(77,012)	(1,653)
Loss on disposal of fixed assets		(3,189)	(4,044)
Finance costs	21	(7,231)	(7,223)
Foreign exchange gain, net		9,513	2,691
<b>Profit before tax</b>		<b>253,749</b>	<b>272,592</b>
Income tax expense	22	(92,926)	(63,661)
<b>Profit for the year</b>		<b>160,823</b>	<b>208,931</b>
Exchange difference on translating foreign operations		3,655	1,978
<b>Other comprehensive income for the year, net of tax</b>		<b>3,655</b>	<b>1,978</b>
<b>Total comprehensive income for the year, net of tax</b>		<b>164,478</b>	<b>210,909</b>
Earnings per share – Tenge thousands			
Basic and diluted	13	2.32	2.95

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# CONSOLIDATED FINANCIAL STATEMENTS

## CONSOLIDATED STATEMENT OF CASH FLOWS

Tenge million

For the year ended  
December 31,

	Notes	2012	2011
<b>Cash flows from operating activities</b>			
Profit before tax		253,749	272,592
Adjustments to add / (deduct) non-cash items			
Depreciation, depletion and amortization	6, 7	53,747	45,494
Share of result of associate and joint ventures	9, 10	(67,442)	(84,276)
Loss on disposal of property, plant and equipment (PPE)		3,189	4,044
Impairment of PPE and intangible assets	6, 7	77,012	2,439
Dry well expense on exploration and evaluation assets	7	4,321	2,586
Recognition of share-based payments		354	408
Forfeiture of share-based payments		(4)	(24)
Unrealised foreign exchange gain on non-operating activities		(6,835)	(2,306)
Other non-cash income and expense		420	4,591
Add finance costs	21	7,231	7,223
Deduct finance income	21	(34,528)	(28,843)
Working capital adjustments			
Change in other assets		101	(817)
Change in inventories		(2,267)	(4,822)
Change in taxes prepaid and VAT recoverable		(33,519)	(2,105)
Change in prepaid expenses		(3,577)	15,839
Change in trade and other receivables		(16,599)	(18,487)
Change in trade and other payables		13,925	(3,600)
Change in mineral extraction and rent tax payable		(8,564)	4,854
Change in provisions		10,663	7,621
Income tax paid		(96,498)	(74,201)
<b>Net cash generated from operating activities</b>		<b>154,879</b>	<b>148,210</b>
<b>Cash flows from investing activities</b>			
Purchases of PPE		(99,240)	(92,760)
Proceeds from sale of PPE		1,054	753
Purchases of intangible assets		(8,874)	(12,218)
Acquisition of share in a joint venture	9	–	(23,907)
Loans provided to the joint ventures	5, 9	(5,081)	(1,923)
Dividends received from joint ventures and associate, net of withholding tax	9, 10	114,207	89,795
Interest received from investment in Debt Instruments of JSC NC KMG		11,280	13,006
(Purchase) / sale of financial assets held to maturity		(85,257)	56,836
Proceeds from sale of other financial assets		5,546	–
Repayments of loans receivable from related parties		7,657	3,940
Proceeds from disposal / (acquisition) of subsidiary, net of cash acquired	5	3,601	(8,799)
Interest received		2,976	9,603
<b>Net cash (used in) / generated from investing activities</b>		<b>(52,131)</b>	<b>34,326</b>
<b>Cash flows from financing activities</b>			
Share buy back	12	(36,203)	(15,763)
Repayment of borrowings	14	(81,406)	(35,219)
Dividends paid to Company's shareholders	3, 12	(33,971)	(19,287)
Interest paid	14	(2,975)	(4,665)
<b>Net cash used in financing activities</b>		<b>(154,555)</b>	<b>(74,934)</b>
<b>Net change in cash and cash equivalents</b>		<b>(51,807)</b>	<b>107,602</b>
Cash and cash equivalents at the beginning of the year	8	206,512	98,520
Exchange gain on cash and cash equivalents		–	390
<b>Cash and cash equivalents at the end of the year</b>	<b>8</b>	<b>154,705</b>	<b>206,512</b>

The notes on pages 68 to 96 are an integral part of these consolidated financial statements.

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

<i>В миллионах тенге</i>	Share capital	Treasury stock	Other capital reserves	Retained earnings	Foreign currency translation reserve	Total Equity
<b>As at December 31, 2010</b>	<b>263,095</b>	<b>(49,013)</b>	<b>1,740</b>	<b>931,455</b>	<b>12,376</b>	<b>1,159,653</b>
Profit for the year	–	–	–	208,931	–	208,931
Other comprehensive income	–	–	–	–	1,978	1,978
<b>Total comprehensive income</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>208,931</b>	<b>1,978</b>	<b>210,909</b>
Recognition of share-based payments (Note 12)	–	–	408	–	–	408
Forfeiture of share-based payments (Note 12)	–	–	(24)	–	–	(24)
Exercise of employee options (Note 12)	–	133	–	–	–	133
Share buy back (Note 12)	–	(15,763)	–	–	–	(15,763)
Dividends (Note 12)	–	–	–	(56,637)	–	(56,637)
<b>As at December 31, 2011</b>	<b>263,095</b>	<b>(64,643)</b>	<b>2,124</b>	<b>1,083,749</b>	<b>14,354</b>	<b>1,298,679</b>
Profit for the year	–	–	–	160,823	–	160,823
Other comprehensive income	–	–	–	–	3,655	3,655
<b>Total comprehensive income</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>160,823</b>	<b>3,655</b>	<b>164,478</b>
Recognition of share-based payments (Note 12)	–	–	354	–	–	354
Forfeiture of share-based payments (Note 12)	–	–	(4)	–	–	(4)
Exercise of employee options (Note 12)	–	703	–	–	–	703
Share buy back (Note 12)	–	(36,203)	–	–	–	(36,203)
Dividends (Note 12)	–	–	–	(90,237)	–	(90,237)
<b>As at December 31, 2012</b>	<b>263,095</b>	<b>(100,143)</b>	<b>2,474</b>	<b>1,154,335</b>	<b>18,009</b>	<b>1,337,770</b>

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