KazMunaiGas Exploration Production
Joint Stock Company

Condensed consolidated interim
financial statements (unaudited)

For the six months ended June 30, 2016

«Эрнст энд Янг» ЖШС
Әл-Фараби д-лы, 77/7
«Есентай Тауэр» ғимараты
Алматы қ., 050060
Қазақстан Республикасы
Тел.: +7 727 258 5960
Факс: +7 727 258 5961
www.ey.com

ТОО «Эрнст энд Янг»
пр. Аль-Фараби, 77/7
здание «Есентай Тауэр»
г. Алматы, 050060
Республика Казахстан
Тел.: +7 727 258 5960
Факс: +7 727 258 5961

Ernst & Young LLP
Al-Farabi ave., 77/7
Esentai Tower
Almaty, 050060
Republic of Kazakhstan
Tel.: +7 727 258 5960
Fax: +7 727 258 5961

Building a better working world

Report on review of condensed consolidated interim financial statements

To the shareholders and management of KazMunaiGas Exploration Production Joint Stock Company

Introduction

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

Scope of review

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

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed consolidated interim financial statements are not prepared, in all material respects, in accordance with IAS 34.

Ernst & Young LLP

Jim Ducker
Audit Partner

Adil Syzdykov
Auditor

Audit Qualification Certificate
No. МФ-0000172 dated 23 December 2013

Evgeny Zhemaletdinov
General Director
Ernst & Young LLP

State audit license for audit activities on the territory of the Republic of Kazakhstan: series МФЮ-2 No. 0000003 issued by the Ministry of Finance of the Republic of Kazakhstan on 15 July 2005

8 August 2016

CONTENTS

Condensed consolidated interim financial statements (unaudited)

CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION (unaudited)

Tenge million

	Notes	June 30, 2016 Unaudited	December 31, 2015 Audited
ASSETS			
Non-current assets			
Property, plant and equipment	5	271,453	234,367
Intangible assets		9,331	9,619
Investments in joint ventures	6	156,515	154,453
Investments in associate	7	148,419	154,241
Receivable from a jointly controlled entity		23,728	21,602
Loans receivable from joint ventures	6	30,373	27,941
Other financial assets	8	36,360	33,760
Deferred tax asset		65,695	71,904
Other assets		5,005	5,717
Total non-current assets		**746,879**	**713,604**
Current assets			
Inventories		21,821	23,102
Income taxes prepaid		50,043	36,225
Taxes prepaid and VAT recoverable		17,907	16,132
Mineral extraction and rent tax prepaid		6,064	6,064
Prepaid expenses		29,426	30,135
Trade and other receivables	8	117,280	105,443
Receivable from a jointly controlled entity		8,801	8,822
Other financial assets	8	658,875	833,912
Cash and cash equivalents	8	380,074	237,310
Total current assets		**1,290,291**	**1,297,145**
Total assets		**2,037,170**	**2,010,749**
EQUITY			
Share capital	9	164,670	163,004
Other capital reserves		3,240	3,945
Retained earnings		1,329,343	1,311,759
Other components of equity		334,024	333,141
Total equity		**1,831,277**	**1,811,849**
LIABILITIES			
Non-current liabilities			
Borrowings		5,095	5,990
Deferred tax liability		240	240
Provisions	10	46,165	45,264
Total non-current liabilities		**51,500**	**51,494**
Current liabilities			
Borrowings		5,572	5,585
Provisions	10	71,818	70,010
Income taxes payable		13	13
Mineral extraction tax and rent tax payable		24,637	22,249
Trade payables and other liabilities		52,353	49,549
Total current liabilities		**154,393**	**147,406**
Total liabilities		**205,893**	**198,900**
Total liabilities and equity		**2,037,170**	**2,010,749**

CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME (unaudited)

Tenge million

		Three months ended June 30,		Six months ended June 30,	
	Notes	**2016**	**2015**	**2016**	**2015**
Revenue	11	192,176	124,373	313,366	241,105
Share of results of associate and joint ventures	6, 7	(3,020)	(2,647)	(6,710)	1,907
Finance income		6,260	5,547	14,275	11,735
Total revenue and other income		**195,416**	**127,273**	**320,931**	**254,747**
Production expenses	12	(68,591)	(51,208)	(123,209)	(109,172)
Selling, general and administrative expenses	13	(32,281)	(27,610)	(62,597)	(54,050)
Exploration expenses		–	(128)	–	(477)
Depreciation, depletion and amortization		(6,728)	(6,274)	(13,349)	(10,620)
Taxes other than on income	14	(45,115)	(34,194)	(79,310)	(82,573)
Allowance for VAT recoverable	17	(6,936)	–	(6,936)	–
Loss on disposal of property, plant and equipment	5	(151)	(3)	(282)	(75)
Finance costs		(925)	(850)	(1,866)	(1,931)
Foreign exchange (loss)/gain, net		(11,864)	1,579	1,449	18,634
Profit before tax		**22,825**	**8,585**	**34,831**	**14,483**
Income tax expense	15	(6,500)	(7,278)	(17,582)	(11,594)
Profit for the period		**16,325**	**1,307**	**17,249**	**2,889**
Foreign currency translation difference	2	(8,548)	1,227	883	1,585
Other comprehensive (loss)/income for the period to be reclassified to profit and loss in subsequent periods		**(8,548)**	**1,227**	**883**	**1,585**
Total comprehensive income for the period, net of tax		**7,777**	**2,534**	**18,132**	**4,474**
Earnings per share – Tenge thousands					
Basic and diluted		0.24	0.02	0.25	0.04

CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS (unaudited)

Tenge million

	Notes	Six months ended June 30, 2016	2015
Cash flows from operating activities			
Profit before tax		34,831	14,483
Adjustments to add/(deduct) non-cash items			
Depreciation, depletion and amortisation		13,349	10,620
Share of result of associate and joint ventures		6,710	(1,907)
Loss on disposal of property, plant and equipment (PPE)	5	282	75
Dry well expense on exploration and evaluation assets		–	51
Recognition of share-based payments		1,350	–
Unrealised foreign exchange gain on non-operating activities		(1,387)	(14,412)
Change in provisions		2,372	9,437
Allowance for VAT recoverable	17	6,936	–
Other non-cash income and expense		348	857
Add finance costs		1,866	1,931
Deduct finance income		(14,275)	(11,735)
Working capital adjustments			
Change in other assets		(3,056)	99
Change in inventories		1,246	6,138
Change in taxes prepaid and VAT recoverable		(9,483)	1,536
Change in prepaid expenses		709	8,204
Change in trade and other receivables		(19,948)	18,510
Change in trade and other payables		4,449	(14,116)
Change in mineral extraction and rent tax payable and prepaid		13,388	(2,782)
Income tax paid		(35,248)	(26,874)
Net cash generated from operating activities		**4,439**	**115**
Cash flows from investing activities			
Purchases of PPE	5	(49,484)	(44,086)
Proceeds from sale of PPE		384	34
Purchases of intangible assets		(430)	(640)
Loans provided to joint ventures		(1,468)	(1,676)
Dividends received from joint ventures and associate, net of withholding tax	6, 7	9,696	4,626
Withdrawals of term deposits, net		166,625	35,880
Interest received		8,576	6,443
Net cash generated from investing activities		**133,899**	**581**
Cash flows from financing activities			
Repayment of borrowings		(924)	(595)
Dividends paid to Company's shareholders		(35)	(65)
Net cash used in financing activities		**(959)**	**(660)**
Net change in cash and cash equivalents		137,379	36
Cash and cash equivalents at the beginning of the period	8	237,310	180,245
Exchange gain on cash and cash equivalents		5,385	2,442
Cash and cash equivalents at the end of the period	8	**380,074**	**182,723**

The accompanying notes on pages 5-16 are the integral part of these condensed consolidated interim financial statements (unaudited).

CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY (unaudited)

Tenge million

	Share capital	Treasury stock	Other capital reserves	Retained earnings	Foreign currency translation reserve	Total equity
As at December 31, 2014 (audited)	**263,095**	**(100,091)**	**2,355**	**1,098,170**	**75,587**	**1,339,116**
Profit for the period	–	–	–	2,889	–	2,889
Other comprehensive income	–	–	–	–	1,585	1,585
Total comprehensive income	**–**	**–**	**–**	**2,889**	**1,585**	**4,474**
Dividends (Note 9)	–	–	–	(30,080)	–	(30,080)
As at June 30, 2015 (unaudited)	**263,095**	**(100,091)**	**2,355**	**1,070,979**	**77,172**	**1,313,510**
As at December 31, 2015 (audited)	**263,095**	**(100,091)**	**3,945**	**1,311,759**	**333,141**	**1,811,849**
Profit for the period	–	–	–	17,249	–	17,249
Other comprehensive income	–	–	–	–	883	883
Total comprehensive income	**–**	**–**	**–**	**17,249**	**883**	**18,132**
Recognition of share-based payments	–	–	1,350	–	–	1,350
Forfeiture of share-based payments	–	–	(2)	–	–	(2)
Exercise of employee options	–	1,666	(2,053)	387	–	–
Dividends (Note 9)	–	–	–	(52)	–	(52)
As at June 30, 2016 (unaudited)	**263,095**	**(98,425)**	**3,240**	**1,329,343**	**334,024**	**1,831,277**

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (unaudited)

For the six month ended June 30, 2016

Tenge million unless otherwise stated

1. CORPORATE INFORMATION AND PRINCIPAL ACTIVITIES

KazMunaiGas Exploration Production Joint Stock Company (the "Company") is incorporated in the Republic of Kazakhstan and is engaged in the acquisition, exploration, development, production, processing and export of hydrocarbons with its core operations of oil and gas properties located in the Pre-Caspian and Mangystau basins of western Kazakhstan. The Company's direct majority shareholder is Joint Stock Company National Company KazMunaiGas ("NC KMG" or the "Parent Company"), which represents the state's interests in the Kazakh oil and gas industry and which holds 63.07% of the Company's outstanding shares as at June 30, 2016 (December 31, 2015: 63.21%). The Parent Company is 90% owned by Joint Stock Company Samruk-Kazyna Sovereign Welfare Fund ("Samruk-Kazyna SWF"), which is in turn 100% owned by the Government of the Republic of Kazakhstan (the "Government").

The Company conducts its principal operations through the wholly owned subsidiaries JSC "Ozenmunaigas" and JSC "Embamunaigas". In addition the Company has oil and gas interests in the form of wholly owned subsidiaries, jointly controlled entities, associate and certain other controlling and non-controlling interests in non-core entities. These condensed consolidated interim financial statements reflect the financial position and results of operations of all of the above interests.

2. BASIS OF PREPARATION

These condensed consolidated interim financial statements have been prepared in accordance with International Accounting Standard No. 34, *Interim Financial Reporting* (IAS 34) and should be read in conjunction with the Company's annual consolidated financial statements for the year ended December 31, 2015.

These condensed consolidated interim financial statements are presented in Tenge and all values are rounded to the nearest million unless otherwise stated.

Exchange rates

The official exchange rate of the Kazakhstan Tenge to the US dollar at June 30, 2016 and December 31, 2015 was 338.66 and 339.47 Tenge to the US dollar, respectively. Any translation of Tenge amounts to US dollar or any other hard currency should not be construed as a representation that such Tenge amounts have been, could be or will in the future be converted into hard currency at the exchange rate shown or at any other exchange rate.

3. SEASONALITY OF OPERATIONS

The Company's operating costs are subject to seasonal fluctuations, with higher capital expenditures and expenses for materials and repair, maintenance and other services usually expected in the later part of the year than in the first half of the year. These fluctuations are mainly due to the requirement to conduct formal public tenders in accordance with procurement rules set by Samruk-Kazyna SWF.

4. ACCOUNTING POLICIES

The accounting policies applied in the preparation of these condensed consolidated interim financial statements are consistent with those applied in the preparation of the annual consolidated financial statements for the year ended December 31, 2015, except as discussed below.

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

Tenge million unless otherwise stated

4. ACCOUNTING POLICIES (continued)

The following new standards and amendments to standards are mandatory for the first time for the financial year beginning January 1, 2016:

- IFRS 11 — *Accounting for Acquisitions of Interests in Joint Operations (Amendments)*
- IFRS 14 — *Regulatory Deferral Accounts*
- IAS 16 and IAS 38 — *Clarification of Acceptable Methods of Depreciation and Amortisation (Amendments)*
- IAS 27 — *Equity Method in Separate Financial Statements (Amendments)*
- IAS 1 — *Disclosure Initiative (Amendments)*
- IFRS 10, IFRS 12 and IAS 2 — *Investment Entities: Applying the Consolidation Exception (Amendments)*
- IFRS 10 and IAS 28 — *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments)*
- Improvements to IFRSs 2012-2014 cycle

The adoption of these standards and amendments did not have any impact on the financial position or performance of the Company.

5. PROPERTY, PLANT AND EQUIPMENT

During the six months ended June 30, 2016 the Company prepaid for and purchased property, plant and equipment with a cost of 49,484 million Tenge (during six months ended June 30, 2015: 44,086 million Tenge).

Property, plant and equipment with the net book value of 927 million Tenge were disposed of by the Company during the six months ended June 30, 2016, resulting in a net loss on disposal of 282 million Tenge (six months ended June 30, 2015: 367 million Tenge and 75 million Tenge, respectively).

6. INVESTMENTS IN JOINT VENTURES

	Ownership share	June 30, 2016 Unaudited	December 31, 2015 Audited
Interest in JV Kazgermunai LLP ("Kazgermunai")	50%	85,986	83,752
Interest in JV Ural Group Limited BVI ("UGL")	50%	70,529	70,701
Interest in JV KS EP Investments BV ("KS EP Investments")	51%	–	–
		156,515	**154,453**

Movement in investment in joint ventures during the period:

	Six months ended June 30,	
	2016	2015
	Unaudited	Unaudited
Carrying amount at 1 January (audited)	**154,453**	**95,177**
Share of total comprehensive income	1,722	7,141
Dividends declared	–	(4,626)
Foreign currency translation difference	(418)	1,712
Share in additional paid in capital	758	14,932
Carrying amount at June 30 (unaudited)	**156,515**	**114,336**

Unrecognized share in loss of KS EP Investments amounted to 56 million Tenge for the six months ended June 30, 2016 (the six months ended June 30, 2015: 551 million Tenge).

Kazgermunai, UGL and KS EP Investments are non-listed companies and there is no quoted market price available for their shares.

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

Tenge million unless otherwise stated

6. INVESTMENTS IN JOINT VENTURES (continued)

Kazgermunai

On April 24, 2007 the Company acquired from NC KMG a 50% participation interest in Kazgermunai, which is involved in oil and natural gas production in south central Kazakhstan.

The following table illustrates the summarized financial information of Kazgermunai based on its IFRS financial statements reflecting equity method accounting adjustments:

	June 30, 2016	December 31, 2015
	Unaudited	Audited
Cash and cash equivalents	34,163	32,656
Other current assets	14,644	17,712
Non-current assets	178,779	198,757
	227,586	**249,125**
Dividends payable	6,773	25,460
Other current liabilities	11,599	11,689
Non-current liabilities	37,242	44,472
	55,614	**81,621**
Net assets	**171,972**	**167,504**
Proportion of the company's ownership	**50%**	**50%**
Carrying value of the investment	**85,986**	**83,752**

	Six months ended June 30,	
	2016	2015
	Unaudited	Unaudited
Revenues	63,257	69,529
Operating expenses	(57,186)	(42,635)
- including depreciation and amortization	*(18,991)*	*(8,057)*
- including equity method accounting adjustments	*(4,172)*	*1,486*
Profit from operations	**6,071**	**26,894**
Finance income	406	290
Finance cost	(560)	(392)
Profit before tax	**5,917**	**26,792**
Income tax expense	(952)	(10,732)
Profit for the period	**4,965**	**16,060**
Other comprehensive income	–	–
Total comprehensive income	**4,965**	**16,060**
Company's share of the comprehensive income for the period	**2,483**	**8,030**

Kazgermunai cannot distribute its profits until it obtains consent from the two venture partners.

UGL

On April 15, 2011 the Company acquired from Exploration Venture Limited (EVL) 50% of the common shares of UGL. UGL holds 100% equity interest in Ural Oil and Gas LLP (UOG), which is involved in oil and gas exploration in west Kazakhstan. In April 2015 UOG obtained a production license for the Rozhkovskoye field. The production license is valid for 25 years.

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

Tenge million unless otherwise stated

6. INVESTMENTS IN JOINT VENTURES (continued)

UGL (countinued)

The following table illustrates the summarized financial information of UGL reflecting equity method accounting adjustments:

	June 30, 2016	December 31, 2015
	Unaudited	**Audited**
Cash and cash equivalents	1,846	921
Other current assets	62	54
Non-current assets	211,787	207,323
	213,695	**208,298**
Current liabilities	3,923	3,118
Non-current financial liabilities	58,392	53,901
Non-current liabilities	10,322	9,877
	72,637	**66,896**
Net assets	**141,058**	**141,402**
Proportion of the company's ownership	**50%**	**50%**
Carrying value of the investment	**70,529**	**70,701**

	Six months ended June 30,	
	2016	**2015**
	Unaudited	**Unaudited**
Revenues	–	4
Operating expenses	(528)	(1,348)
Loss from operations	(528)	(1,344)
Finance income	9	5
Finance cost	(771)	(447)
Loss before tax	**(1,290)**	**(1,786)**
Income tax (expense)/benefit	(234)	9
Loss and other comprehensive loss for the period	**(1,524)**	**(1,777)**
Company's share of the comprehensive loss for the period	**(762)**	**(889)**

During six months ended June 30, 2016 the Company provided interest free loans to UGL for the amount of 4,250 thousand US dollars or 1,468 million Tenge (six months ended June 30, 2015: 9,050 thousand US dollars or 1,676 million Tenge). On initial recognition the loans are recognized at the fair value determined by discounting future cash flows. Investments in UGL are adjusted accordingly to recognize effect of discounting.

Carrying value of the loans receivable from UGL totaled to 89,687 thousand US dollars (30,373 million Tenge) at June 30, 2016 (December 31, 2015: 82,309 thousand US dollars or 27,941 million Tenge).

The fair value on initial and additional shareholder loans, which are given on an interest free basis, is determined by discounting future cash flows for the loan using a discount rate of 15%.

7. INVESTMENTS IN ASSOCIATE

		June 30, 2016	December 31, 2015
	Ownership share	**Unaudited**	**Audited**
Interest in Petrokazakhstan Inc. ("PKI")	33%	148,419	154,241

PKI is a non-listed company and there is no quoted market price available for its shares. PKI is involved in field exploration and development, oil and gas production, acquisition of oil fields and selling of crude oil and oil products. PKI's main oil and natural gas production assets are located in south central Kazakhstan. The Company acquired a 33 percent stake in PKI in December 2009.

The associate's reporting period of the financial statements is the same as Company's reporting period.

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

Tenge million unless otherwise stated

7. INVESTMENTS IN ASSOCIATE (continued)

Movement in investment in associate during the reporting period:

	Six months ended June 30,	
	2016	**2015**
Carrying amount at 1 January	**154,241**	**116,054**
Share of the total comprehensive loss	(5,561)	(5,440)
Foreign currency translation difference	(261)	2,421
Carrying amount at June 30 (unadited)	**148,419**	**113,035**

The following table illustrates the summarized financial information of PKI and reconciliation with the Company's carrying value of investment:

	June 30, 2016	**December 31, 2015**
	Unaudited	**Audited**
Cash and cash equivalents	40,390	48,568
Other current assets	60,475	78,268
Non-current assets	524,387	556,382
	625,252	**683,218**
Current liabilities	53,794	132,525
Non-current liabilities	121,702	83,297
	175,496	**215,822**
Net assets	**449,756**	**467,396**
Proportion of the company's ownership	**33%**	**33%**
Carrying value of the investment	**148,419**	**154,241**

	Six months ended June 30,	
	2016	**2015**
	Unaudited	**Unaudited**
Revenues	58,695	60,395
Operating expenses	(81,794)	(80,111)
- *including depreciation and amortization*	*(27,026)*	*(17,754)*
- *including equity method accounting adjustments*	*(16,894)*	*(9,185)*
Loss from operations	**(23,099)**	**(19,716)**
Share in profit of joint ventures	5,022	8,636
Finance income	150	102
Finance cost	(2,971)	(2,841)
Loss before tax	**(20,898)**	**(13,819)**
Income tax expense	(4,653)	(2,045)
Loss for the period	**(25,551)**	**(15,864)**
Other comprehensive income/(loss)	8,698	(624)
Total comprehensive loss	**(16,853)**	**(16,488)**
Company's share of the comprehensive loss for the period	**(5,561)**	**(5,440)**

8. FINANCIAL ASSETS

Other financial assets

	June 30, 2016 Unaudited	December 31, 2015 Audited
US dollar denominated term deposits	33,380	31,680
Tenge denominated term deposits	2,977	2,077
Other	3	3
Total non-current	**36,360**	**33,760**
US dollar denominated term deposits	656,336	831,122
Great Britain pound denominated term deposits	2,539	2,790
Total current	**658,875**	**833,912**
	695,235	**867,672**

As at June 30, 2016 the non-current US dollar denominated term deposits include restricted deposits in the amount of 33,240 million Tenge (December 31, 2015: 31,405 million Tenge), which are kept in blocked accounts designated as a liquidation fund per requirements of subsoil use contracts.

Trade and other receivables

	June 30, 2016 Unaudited	December 31, 2015 Audited
Trade receivables	113,782	93,027
Dividend receivable	3,387	12,730
Other	1,093	852
Allowance for doubtful receivables	(982)	(1,166)
	117,280	**105,443**

As at June 30, 2016 the Company's trade receivables included receivables from sales of crude oil to KazMunaiGaz Trading AG ("KMG Trading") and KazMunaiGas Refinery and Marketing ("KMG RM"), both subsidiaries of the Parent Company, amounting to 55,077 million Tenge (December 31, 2015: 36,824 million Tenge) and 43,941 million Tenge (December 31, 2015: 52,137 million Tenge), respectively. Trade receivables from KMG RM includes 43,863 million Tenge that is overdue (December 31, 2015: nil). On July 5, 2016 the full amount of this overdue trade receivable was paid by KMG RM (Note 18).

As at June 30, 2016 the Company's trade receivables also included receivables from sales of refined products to KazMunaiGaz Onimdery ("KMG Onimdery"), subsidiary of KMG RM, amounting to 12,078 million Tenge (December 31, 2015: nil). Trade receivables from KMG Onimdery includes 1,357 million Tenge that is overdue (December 31, 2015: nil). No provisions were accrued for these amounts.

Cash and cash equivalents

	June 30, 2016 Unaudited	December 31, 2015 Audited
US dollar denominated term deposits with banks	239,988	207,440
Tenge denominated term deposits with banks	38,627	12,370
US dollar denominated cash in banks and on hand	96,530	15,488
Tenge denominated cash in banks and on hand	4,706	1,767
Great Britain pound denominated cash in bank and on hand	223	245
	380,074	**237,310**

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

Tenge million unless otherwise stated

9. SHARE CAPITAL

Shares outstanding

During the six months ended June 30, 2016 the weighted average number of all shares outstanding amounted to 68,221,056 shares (six months ended June 30, 2015: 68,162,635 shares).

Book value per share

The Kazakhstan Stock Exchange has enacted on October 11, 2010 a requirement for disclosure of the total equity less other intangible assets per shares outstanding as at period end. As at June 30, 2016 the amount per outstanding share is 26,774 Tenge (December 31, 2015: 26,544 Tenge).

Dividends

Total dividends per share recognised as distributions to equity holders during 2016 amounted to 25 Tenge per share for preferred shares only (2015: 440 Tenge per share for both outstanding ordinary and preferred shares) as at June 30, 2016.

10. PROVISIONS

	June 30, 2016	December 31, 2015
	Unaudited	**Audited**
Taxes and related fines and penalties	60,939	60,086
Asset retirement obligation	22,249	21,322
Environmental remediation	17,909	17,610
Other	16,886	16,256
	117,983	**115,274**

11. REVENUE

	Three months ended June 30,		Six months ended June 30,	
	2016	**2015**	**2016**	**2015**
	Unaudited	**Unaudited**	**Unaudited**	**Unaudited**
Export				
Crude oil	133,338	74,503	234,678	172,366
Refined products	16,699	–	16,699	–
Gas products	4	238	162	603
Domestic (Note 17)				
Refined products	38,361	568	38,677	810
Crude oil	5	45,336	15,393	58,865
Gas products	1,655	1,440	2,899	3,082
Other sales and services	2,114	2,288	4,858	5,379
	192,176	**124,373**	**313,366**	**241,105**

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

Tenge million unless otherwise stated

12. PRODUCTION EXPENSES

	Three months ended June 30,		Six months ended June 30,	
	2016	**2015**	**2016**	**2015**
	Unaudited	**Unaudited**	**Unaudited**	**Unaudited**
Employee benefits	33,188	34,116	70,360	75,651
Refinery processing costs	15,970	272	15,970	390
Energy	4,943	4,356	10,421	9,166
Repairs and maintenance	5,323	5,385	9,782	8,523
Materials and supplies	4,206	4,524	9,089	9,731
Transportation services	1,276	1,164	2,454	2,455
Change in crude oil balance	1,389	2,030	1,086	5,208
Change in estimate of environmental remediation obligation	–	(39)	–	287
Decrease in asset retirement obligation in excess of capitalized asset	–	(62)	–	(3,913)
Other	2,296	(538)	4,047	1,674
	68,591	**51,208**	**123,209**	**109,172**

13. SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

	Three months ended June 30,		Six months ended June 30,	
	2016	**2015**	**2016**	**2015**
	Unaudited	**Unaudited**	**Unaudited**	**Unaudited**
Transportation expenses	22,078	14,805	45,953	31,787
Employee benefits	4,138	4,205	8,019	8,730
Agency fee (Note 17)	1,802	–	1,802	–
Fines and penalties	811	5,190	1,428	7,583
Sponsorship	1,080	123	1,151	188
Consulting and audit services	715	546	1,054	888
Repairs and maintenance	237	202	407	375
Management fees	–	1,113	–	2,226
Other	1,420	1,426	2,783	2,273
	32,281	**27,610**	**62,597**	**54,050**

14. TAXES OTHER THAN ON INCOME

	Three months ended June 30,		Six months ended June 30,	
	2016	**2015**	**2016**	**2015**
	Unaudited	**Unaudited**	**Unaudited**	**Unaudited**
Export customs duty	16,389	10,338	33,463	31,377
Mineral extraction tax	17,349	11,704	32,267	25,632
Rent tax	9,643	10,139	9,643	21,962
Property tax	1,643	1,622	3,324	2,806
Other taxes	91	391	613	796
	45,115	**34,194**	**79,310**	**82,573**

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

Tenge million unless otherwise stated

15. INCOME TAX EXPENSE

	Three months ended June 30,		Six months ended June 30,	
	2016	2015	2016	2015
	Unaudited	Unaudited	Unaudited	Unaudited
Corporate income tax	4,058	1,054	11,384	5,841
Excess profit tax	8	4,455	8	4,512
Current income tax	**4,066**	**5,509**	**11,392**	**10,353**
Corporate income tax	2,434	1,539	6,190	958
Excess profit tax	–	230	–	283
Deferred income tax	**2,434**	**1,769**	**6,190**	**1,241**
Income tax expense	**6,500**	**7,278**	**17,582**	**11,594**

16. RELATED PARTY TRANSACTIONS

The category ‘entities under common control’ comprises entities controlled by the Parent Company. The category ‘other state controlled entities’ comprises entities controlled by Samruk-Kazyna SWF.

Sales and purchases with related parties during the six months ended June 30, 2016 and 2015 and the balances with related parties at June 30, 2016 and December 31, 2015 are as follows:

	Six months ended June 30,	
	2016	2015
	Unaudited	Unaudited
Revenue and other income		
Entities under common control	281,824	234,060
Joint ventures	2,580	2,628
Other state controlled entities	163	27
Associates	23	6
Purchases of goods and services		
Entities under common control	41,701	20,226
Other state controlled entities	10,596	9,316
Parent Company	–	2,226
Joint ventures	43	32
Interest earned on financial assets		
Interest earned on loans to Joint ventures	2,059	1,955
Average interest rate on loans to Joint ventures	1.04%	1.09%
Salaries and other short-term benefits		
Members of the Board of Directors	158	96
Members of the Management Board	344	232
Share based payments		
Members of the Management Board	914	–

	June 30, 2016	December 31, 2015
	Unaudited	Audited
Prepaid expenses and trade and other receivables		
Entities under common control	117,430	95,516
Joint ventures	66,735	72,306
Other state-controlled entities	2,888	2,796
Associates	23	7
Trade and dividend payables		
Entities under common control	3,485	2,530
Other state controlled entities	332	327
Joint ventures	40	28

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

Tenge million unless otherwise stated

17. COMMITMENTS AND CONTINGENCIES

Operating environment

Kazakhstan continues economic reforms and development of its legal, tax and regulatory frameworks as required by a market economy. The future stability of the Kazakhstan economy is largely dependent upon these reforms and developments and the effectiveness of economic, financial and monetary measures undertaken by the Government.

Local market obligation

The Kazakhstan government requires oil producers to supply a portion of their crude oil production to meet domestic energy requirements. The price for such supplies of crude oil is subject to agreement with the Parent Company and this price may be materially below international market prices. If the Government does require additional crude oil to be delivered over and above the quantities currently supplied by the Company, 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 Company’s business, prospects, financial condition and results of operations.

Prior to April 1, 2016 the Company supplied crude oil to the local market by selling to KMG RM, a subsidiary of the Parent Company. Prices for local market sales were previously determined through an annual negotiation process with KMG RM and the Parent Company. In first quarter of 2016 KMG RM unilaterally set the domestic price. These prices have not been agreed by the Company’s Management nor have they been approved by the Independent Non-Executive Directors of the Company (“INEDs”), as required by the Charter of the Company.

The Company’s management made a decision to recognize revenue for the sales of crude oil during first quarter of 2016 in the financial statements at the value of the consideration received and receivable.

Starting from April 1, 2016 the Company ceased sales of crude oil to KMG RM and started tolling crude oil at Atyrau Refinery (“ANPZ”) and Pavlodar Refinery (“PNHZ”) and selling refined products on its own account using KMG RM as a sales agent.

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. 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 June 30, 2016.

Value-added-tax (VAT) recoverability

Total VAT claim related to the Company’s sale of assets to JSC “Ozenmunaigas” and JSC “Embamunaigas” in 2012 amounted to 46,558 million Tenge. The tax authorities have conducted various audits and have repeatedly denied the Company’s requests to have these VAT amounts recognised as currently recoverable. The full amount of this VAT claim has been provided for in 2015.

In light of recent tax audit results and tax authority rulings the Company assessed the amount of VAT paid in its operating activities that more likely than not will be nonrecoverable from the Government and provided an additional allowance in an amount of 5,923 million Tenge and 1,014 million Tenge in JSC “Ozenmunaigas” and JSC “Embamunaigas”, respectively.

Environment

Environmental regulation in Kazakhstan is evolving and subject to ongoing changes. Penalties for violations of Kazakhstan’s environmental laws can be severe. Other than those amounts provided for in provisions (Note 10) management believes that there are no probable environmental liabilities, which could have a material adverse effect on the Company’s financial position, statement of comprehensive income or cash flows.

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

Tenge million unless otherwise stated

17. COMMITMENTS AND CONTINGENCIES (continued)

Oilfield licenses

The Company is subject to periodic reviews of its activities by governmental authorities with respect to the requirements of its oilfield licenses and related subsoil use contracts. Management cooperates with governmental authorities to agree on remedial actions necessary to resolve any findings resulting from these reviews. Failure to comply with the terms of a license could result in fines, penalties, license limitation, suspension or revocation. The Company's management believes that any issues of non-compliance will be resolved through negotiations or corrective actions without any material effect on the Company's financial position, statement of income or statement of cash flows.

The Company's oil and gas fields are located on land belonging to the Mangistau and Atyrau regional administrations. Licenses were issued by the Ministry of Oil and Gas of the Republic of Kazakhstan. The Company pays mineral extraction and excess profits tax to explore and produce oil and gas from these fields.

The principle licenses of the Company and their expiry dates are:

Field	Contract	Expiry date
Uzen (8 fields)	No. 40	2036
Emba (1 field)	No. 37	2041
Emba (1 field)	No. 61	2048
Emba (23 fields)	No. 211	2037
Emba (15 fields)	No. 413	2043

Commitments arising from oilfield licenses

Year	Capital expenditures	Operational expenditures
2016 (remaining)	38,086	2,037
2017	13,641	4,024
2018	9,513	3,992
2019	8,077	3,486
2020-2048	2,334	19,073
	71,651	**32,612**

Commitments of Kazgermunai

The Company's share in the commitments of Kazgermunai is as follows as at June 30, 2016:

Year	Capital expenditures	Operational expenditures
2016 (remaining)	3,159	2,730

Commitments of UGL

The Company's share in the commitments of UGL is as follows as at June 30, 2016:

Year	Capital expenditures	Operational expenditures
2016 (remaining)	2,567	741

Commitments of PKI

The Company's share in the commitments of PKI is as follows as at June 30, 2016:

Year	Capital expenditures
2016 (remaining)	313

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

Tenge million unless otherwise stated

18. SUBSEQUENT EVENTS

Repayment of overdue trade receivable by KMG RM

On July 5, 2016 the Company has received 44 billion Tenge of overdue trade receivable from KMG RM for 2015 crude oil sales (Note 8).

Supreme Court decision on VAT receivable

On July 20, 2016 the Supreme Court of the Republic of Kazakhstan has made a decision that the tax authorities will not be required to immediately refund the Company's VAT claims in the amount of 31,955 million Tenge (Note 17) that relate to sale of assets to JSC "Ozenmunaigas" in 2012. These amounts will be allowed to offset against future VAT payables from operating activities. The full amount of this VAT claim was provided for in 2015, as current operating activities do not allow for realization of this amount in the foreseeable future. If and when VAT amounts that relates to this claim, are offset in the future, they will be charged to income as received.

These condensed consolidated interim financial statements have been signed below by the following persons on behalf of the Company and in the capacities indicated on August 8, 2016:

Chief Executive Officer	Iskaziyev K.O.
Chief Financial Officer	Abdulgafarov D.E.
Financial Director – Financial Controller	Drader Sh., CA
Chief Accountant	Zainelova A.A., CPA

Contact information

The Company’s registered office is:

KazMunaiGas Exploration Production Joint Stock Company
Left Bank, Kabanbay Batyr ave., Building 17
Astana 010000
Republic of Kazakhstan

Telephone: +7 (7172) 975 433
Fax: +7 (7172) 975 445

www.kmgep.kz