

**KazMunaiGas Exploration Production
Joint Stock Company**

Condensed Consolidated Interim
Financial Statements (unaudited)

For the six months ended June 30, 2018

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Report on review of interim Financial Information

To the Shareholders and Management of KazMunaiGaz Exploration Production JSC

Introduction

We have reviewed the accompanying consolidated interim condensed financial statements of "KazMunaiGaz Exploration Production" JSC and its subsidiaries (collectively referred as "the Company"), which comprise the consolidated interim statement of financial position as at 30 June 2018 and the related consolidated interim statements of comprehensive income, changes in equity and cash flows for the six-month period then ended and selected explanatory notes (interim financial information). Management is responsible for the preparation and presentation of this interim financial information in accordance with IAS 34, *Interim Financial Reporting*. Our responsibility is to express a conclusion on this interim financial information based on our review.

Scope of review

We conducted our review in accordance with the 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 interim financial information of "KazMunaiGaz Exploration Production" JSC is not prepared, in all material respects, in accordance with IAS 34, *Interim Financial Reporting*.

Ernst & Young LLP



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31 July 2018



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KAZMUNAIGAS EXPLORATION PRODUCTION JOINT STOCK COMPANY

Consolidated Interim Statement of Financial Position (unaudited)

Tenge million

		June 30, 2018	December 31, 2017
	Notes	Unaudited	Audited
ASSETS			
Non-current assets			
Property, plant and equipment	5	412,389	377,160
Intangible assets		18,620	16,296
Investments in joint ventures	6	99,202	127,548
Investments in associate	7	113,717	116,970
Receivable from a jointly controlled entity		13,942	11,519
Loans receivable from a joint venture	6	30,975	28,049
Other financial assets	8	37,340	34,778
Deferred tax asset		50,764	53,215
Other assets and advances		14,819	6,085
Total non-current assets		791,768	771,620
Current assets			
Inventories		34,535	30,697
Income taxes prepaid		1,489	2,483
VAT recoverable, net of allowance		23,247	21,574
Export customs duty and other taxes prepaid		16,569	20,717
Prepaid expenses		20,349	16,190
Trade and other receivables	8	197,119	132,680
Receivable from a jointly controlled entity		27,193	26,496
Other financial assets	8	124,619	889,687
Cash and cash equivalents	8	623,791	421,643
Total current assets		1,068,911	1,562,167
Total assets		1,860,679	2,333,787
EQUITY			
Share capital	9	263,095	263,095
Treasury shares	9	(725,680)	(97,677)
Other capital reserves		2,347	2,347
Retained earnings		1,761,244	1,619,466
Foreign currency translation reserve		325,536	321,488
Total equity		1,626,542	2,108,719
LIABILITIES			
Non-current liabilities			
Borrowings		1,402	1,807
Deferred tax liability		419	138
Other liabilities		1,812	-
Provisions	10	53,204	51,845
Total non-current liabilities		56,837	53,790
Current liabilities			
Borrowings		5,019	5,669
Provisions	10	31,328	31,795
Income taxes payable		6,924	3,888
Mineral extraction tax and rent tax payable		59,681	52,181
Trade and other liabilities		74,348	77,745
Total current liabilities		177,300	171,278
Total liabilities		234,137	225,068
Total liabilities and equity		1,860,679	2,333,787

The notes on pages 5 to 16 are an integral part of these condensed consolidated interim financial statements.

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,	
		2018	2017	2018	2017
Revenue	11	326,362	223,252	596,788	436,978
Share of results of associate and joint ventures	6,7	5,917	6,165	14,499	14,571
Finance income		4,484	7,679	11,873	14,999
Total revenue and other income		336,763	237,096	623,160	466,548
Production expenses	12	(90,871)	(79,464)	(173,979)	(149,543)
Selling, general and administrative expenses	13	(42,069)	(33,723)	(74,051)	(59,203)
Net loss on acquisition of a subsidiary		–	(3,249)	–	(3,249)
Exploration expenses		(8,077)	(168)	(8,452)	(168)
Depreciation, depletion and amortization		(10,693)	(8,553)	(20,920)	(16,909)
Taxes other than on income	14	(101,511)	(61,391)	(189,458)	(126,986)
Reversal of allowance for VAT recoverable, net		1,240	26,414	1,240	26,414
(Loss)/gain on disposal of property, plant and equipment	5	(364)	(200)	(908)	197
Finance costs		(1,148)	(930)	(2,703)	(2,199)
Foreign exchange gain/(loss), net		51,880	26,054	7,948	(32,599)
Profit before tax		135,150	101,886	161,877	102,303
Income tax expense	15	(13,838)	(16,277)	(20,051)	(14,423)
Profit for the period		121,312	85,609	141,826	87,880
Foreign currency translation difference		19,938	15,040	4,048	(14,683)
Other comprehensive income/(loss) for the period to be reclassified to profit and loss in subsequent periods		19,938	15,040	4,048	(14,683)
Total comprehensive income for the period, net of tax		141,250	100,649	145,874	73,197
EARNINGS PER SHARE – Tenge thousands					
Basic and diluted		2.67	1.26	2.74	1.29

The notes on pages 5 to 16 are an integral part of these condensed consolidated interim financial statements.

KAZMUNAIGAS EXPLORATION PRODUCTION JOINT STOCK COMPANY

Consolidated Interim Statement of Cash Flows (unaudited)

Tenge million

	Notes	Six months ended June 30,	
		2018	2017
Cash flows from operating activities			
Profit before tax		161,877	102,303
Adjustments to add/(deduct) non-cash items			
Depreciation, depletion and amortisation		20,920	16,909
Share of results of associate and joint ventures		(14,499)	(14,571)
Loss/(gain) on disposal of property, plant and equipment (PPE)	5	908	(197)
Forfeiture of share-based payments		–	(13)
Unrealised foreign exchange (gain)/loss on non-operating activities		(4,219)	30,225
Change in provisions		8,295	(2,545)
Reversal of allowance for VAT recoverable, net		(1,240)	(26,414)
Accrual of allowance on doubtful receivables		1,162	–
Net loss on acquisition of a subsidiary		–	3,249
Other non-cash income and expense		3,294	629
Add finance costs		2,703	2,199
Deduct finance income		(11,873)	(14,999)
Working capital adjustments			
Change in other assets		(4,532)	(604)
Change in inventories		(3,838)	617
Change in export customs duty, VAT recoverable and other taxes prepaid		3,715	14,443
Change in prepaid expenses		(4,159)	(7,987)
Change in trade and other receivables		(40,679)	7,724
Change in trade and other payables		(3,287)	(6,170)
Change in mineral extraction and rent tax payable and prepaid		7,426	36,427
Income tax (paid)/refunded		(20,704)	12,096
Net cash generated from operating activities		101,270	153,321
Cash flows from investing activities			
Purchases of PPE and advances paid for PPE	5	(63,321)	(49,951)
Proceeds from sale of PPE		–	496
Purchases of intangible assets		(3,262)	(368)
Loans provided to a joint venture		(387)	(814)
Dividends received from joint ventures and associate, net of withholding tax		26,399	38,159
Withdrawal/(placement) of deposits		746,852	(80,421)
Proceeds from acquisition of a subsidiary		–	181
Interest received		12,751	4,963
Net cash generated from/(used in) investing activities		719,032	(87,755)
Cash flows from financing activities			
Share buyback	9	(628,003)	–
Repayment of borrowings		(1,178)	(1,192)
Dividends paid to Company's shareholders		(119)	(36)
Net cash used in financing activities		(629,300)	(1,228)
Net change in cash and cash equivalents		191,002	64,338
Cash and cash equivalents at the beginning of the period	8	421,643	162,091
Net foreign exchange difference on cash and cash equivalents		11,146	(6,998)
Cash and cash equivalents at the end of the period	8	623,791	219,431

The notes on pages 5 to 16 are an integral part of these condensed consolidated interim financial statements.

KAZMUNAIGAS EXPLORATION PRODUCTION JOINT STOCK COMPANY

Consolidated Interim Statement of Changes in Equity (unaudited)

Tenge million

	Share capital	Treasury shares	Other capital reserves	Retained earnings	Foreign currency translation reserve	Total Equity
As at December 31, 2016 (audited)	263,095	(97,752)	2,448	1,444,351	321,370	1,933,512
Profit for the period	-	-	-	87,880	-	87,880
Other comprehensive loss	-	-	-	-	(14,683)	(14,683)
Total comprehensive income	-	-	-	87,880	(14,683)	73,197
Exercise of employee options	-	60	(69)	9	-	-
Forfeiture of share-based payments	-	-	(13)	-	-	(13)
Dividends (Note 9)	-	-	-	(19,761)	-	(19,761)
As at June 30, 2017 (unaudited)	263,095	(97,692)	2,366	1,512,479	306,687	1,986,935
As at December 31, 2017 (audited)	263,095	(97,677)	2,347	1,619,466	321,488	2,108,719
Profit for the period	-	-	-	141,826	-	141,826
Other comprehensive income	-	-	-	-	4,048	4,048
Total comprehensive income	-	-	-	141,826	4,048	145,874
Share buyback (Note 9)	-	(628,003)	-	-	-	(628,003)
Dividends (Note 9)	-	-	-	(48)	-	(48)
As at June 30, 2018 (unaudited)	263,095	(725,680)	2,347	1,761,244	325,536	1,626,542

The notes on pages 5 to 16 are an integral part of these condensed consolidated interim financial statements.

Notes to the Condensed Consolidated Interim Financial Statements (unaudited)

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 and refined products 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 95% of the Company’s outstanding shares as at June 30, 2018 (December 31, 2017: 63%). The Parent Company is 90% owned by Joint Stock Company Sovereign Welfare Fund Samruk-Kazyna (“Samruk-Kazyna”), 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, an associate and certain other controlling and non-controlling interests in non-core entities. These consolidated 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, 2017.

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, 2018 and December 31, 2017 was 341.08 and 332.33 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.

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, 2017, 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, 2018:

- IFRS 15 *Revenue from Contracts with Customers*
- IFRS 9 *Financial Instruments*
- IFRIC Interpretation 22 *Foreign currency transactions and advance consideration*

Based on the Company's analysis of IFRS 15, its revenue recognition method for contracts does not change with the application of the new standard, and revenue continues to be recorded on a month-by-month basis in accordance with actual invoices.

IFRS 9 brings together all three aspects of the accounting for financial instruments: classification and measurement, impairment and hedge accounting. The Company has applied IFRS 9 on the required effective date of January 1, 2018 and did not restate comparative period information. The completion of a detailed impact assessment of the three aspects of IFRS 9 on the Consolidated Statement of Financial Position as at December 31, 2017 and the Consolidated Statement of Comprehensive Income for the six months ended June 30, 2017 resulted in no material effect.

5. PROPERTY, PLANT AND EQUIPMENT

During the six months ended June 30, 2018 the Company prepaid for and purchased property, plant and equipment with a cost of 63,321 million Tenge (six months ended June 30, 2017: 49,951 million Tenge).

Property, plant and equipment with the net book value of 1,014 million Tenge were disposed by the Company during the six months ended June 30, 2018, resulting in a net loss on disposal of 908 million Tenge (six months ended June 30, 2017: 1,291 million Tenge and net gain on disposal of 197 million Tenge, respectively).

6. INVESTMENTS IN JOINT VENTURES

	Ownership share	June 30, 2018	December 31, 2017
		Unaudited	Audited
Interest in JV Kazgermunai LLP ("Kazgermunai")	50%	21,625	49,517
Interest in JV Ural Group Limited BVI ("UGL")	50%	77,577	78,031
		99,202	127,548

Movement in investment in joint ventures during the period:

	Six months ended June 30,	
	2018	2017
	Unaudited	Unaudited
Carrying amount at January 1	127,548	144,532
Share of total comprehensive income	9,100	11,832
Dividends declared	(39,507)	(40,954)
Foreign currency translation difference	1,806	(3,538)
Share in additional paid in capital	255	590
Carrying amount at June 30	99,202	112,462

Kazgermunai and UGL 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, 2018	December 31, 2017
	Unaudited	Audited
Cash and cash equivalents	49,641	37,914
Other current assets	7,531	8,467
Non-current assets	125,669	135,767
	182,841	182,148
Other current liabilities	105,958	54,424
Non-current liabilities	33,633	28,691
	139,591	83,115
Net assets	43,250	99,033
Proportion of the Company's ownership	50%	50%
Carrying value of the investment	21,625	49,517

	Six months ended June 30,	
	2018	2017
	Unaudited	Unaudited
Revenue	101,313	91,764
Operating expenses	(39,798)	(45,092)
- including depreciation and amortization	(14,599)	(13,373)
- including equity method accounting adjustments	(2,607)	(3,046)
Profit from operations	61,515	46,672
Finance income	674	964
Finance cost	(532)	(508)
Profit before tax	61,657	47,128
Income tax expense	(38,143)	(21,942)
Profit and other comprehensive income for the period	23,514	25,186
Company's share of the comprehensive income for the period	11,757	12,593

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 until April 2040. The exploration license for Fyodorovskoye field was expired in May 2018 and currently an extension is being negotiated with the Ministry of Energy of the Republic of Kazakhstan.

Notes to the Condensed Consolidated Interim Financial Statements (unaudited) (continued)

Tenge million unless otherwise stated

6. INVESTMENTS IN JOINT VENTURES (continued)

UGL (continued)

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

	June 30, 2018 Unaudited	December 31, 2017 Audited
Cash and cash equivalents	173	47
Other current assets	19	10
Non-current assets	227,784	219,834
	227,976	219,891
Current liabilities	291	188
Non-current financial liabilities	60,446	54,733
Non-current liabilities	12,086	8,908
	72,823	63,829
Net assets	155,153	156,062
Proportion of the Company's ownership	50%	50%
Carrying value of the investment	77,577	78,031

	Six months ended June 30,	
	2018	2017
	Unaudited	Unaudited
Operating expenses	(507)	(463)
Loss from operations	(507)	(463)
Finance income	1	7
Finance cost	(4,077)	(880)
Loss before tax	(4,583)	(1,336)
Income tax expense	(731)	(186)
Loss and other comprehensive loss for the period	(5,314)	(1,522)
Company's share of the comprehensive loss for the period	(2,657)	(761)

During six months ended June 30, 2018 the Company provided interest free loans of 1,186 thousand US dollars (387 million Tenge) to UGL (six months ended June 30, 2017: 2,555 thousand US dollars or 814 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 from UGL totaled 90,816 thousand US dollars (30,975 million Tenge) at June 30, 2018 (December 31, 2017: 84,403 thousand US dollars or 28,049 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%.

Notes to the Condensed Consolidated Interim Financial Statements (unaudited) (continued)

Tenge million unless otherwise stated

7. INVESTMENTS IN ASSOCIATE

		June 30, 2018	December 31, 2017
	Ownership share	Unaudited	Audited
Interest in Petrokazakhstan Inc. ("PKI")	33%	113,717	116,970

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.

Movement in investment in associate during the reporting period:

	Six months ended June 30,	
	2018	2017
	Unaudited	Unaudited
Carrying amount at January 1	116,970	135,633
Share of the total comprehensive income	4,713	5,118
Dividends declared	(11,023)	(10,545)
Foreign currency translation difference	3,057	(4,517)
Carrying amount at June 30	113,717	125,689

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

	June 30, 2018	December 31, 2017
	Unaudited	Audited
Cash and cash equivalents	44,465	45,919
Other current assets	71,329	38,985
Non-current assets	321,509	359,332
	437,303	444,236
Current liabilities	57,642	30,659
Non-current liabilities	35,063	59,122
	92,705	89,781
Net assets	344,598	354,455
Proportion of the Company's ownership	33%	33%
Carrying value of the investment	113,717	116,970

	Six months ended June 30,	
	2018	2017
	Unaudited	Unaudited
Revenue	81,758	67,671
Operating expenses	(61,021)	(60,319)
- including depreciation and amortization	(23,694)	(16,345)
- including equity method accounting adjustments	(9,982)	(11,291)
Income from operations	20,737	7,352
Share in profit of joint ventures	11,348	13,559
Finance income	111	121
Finance cost	(1,251)	(1,602)
Profit before tax	30,945	19,430
Income tax expense	(14,584)	(11,130)
Profit for the period	16,361	8,300
Other comprehensive (loss)/income	(2,078)	7,210
Total comprehensive income	14,283	15,510
Company's share of the comprehensive income for the period	4,713	5,118

Notes to the Condensed Consolidated Interim Financial Statements (unaudited) (continued)

Tenge million unless otherwise stated

8. FINANCIAL ASSETS

Other financial assets

	June 30, 2018	December 31, 2017
	Unaudited	Audited
US dollar denominated held to maturity deposits	34,681	32,100
Tenge denominated held to maturity deposits	2,962	2,678
Allowance for held to maturity deposits	(303)	–
Total non-current other financial assets	37,340	34,778
US dollar denominated term deposits	122,189	887,214
Great Britain pound denominated term deposits	2,479	2,473
Allowance for term deposits	(49)	–
Total current other financial assets	124,619	889,687
	161,959	924,465

As at June 30, 2018 the non-current US dollar denominated held to maturity deposits include restricted deposits in the amount of 34,681 million Tenge (December 31, 2017: 32,100 million Tenge), which are kept in blocked accounts designated as a liquidation fund per requirements of subsoil use contracts.

As at June 30, 2018 the Company accrued 352 million Tenge of provision for expected credit loss on held to maturity and term deposits.

Trade and other receivables

	June 30, 2018	December 31, 2017
	Unaudited	Audited
Trade receivables	171,765	131,272
Dividends receivable	25,935	1,121
Other	1,107	1,291
Allowance for doubtful receivables	(1,688)	(1,004)
	197,119	132,680

As at June 30, 2018 the Company's trade receivables included receivables from sales of crude oil to KazMunaiGaz Trading AG ("KMG Trading"), subsidiary of the Parent Company, amounting to 117,741 million Tenge (December 31, 2017: 90,323 million Tenge).

As at June 30, 2018 the Company's trade receivables also included receivables from sales of refined products to KazMunaiGas Onimderly LLP ("KMG Onimderly"), subsidiary of the Parent Company, amounting to 47,906 million Tenge (December 31, 2017: 36,874 million Tenge). Trade receivables from KMG Onimderly included 22,450 million Tenge that is overdue (December 31, 2017: 22,714 million Tenge).

As at June 30, 2018 the Company accrued 1,162 million Tenge of additional provision for expected credit loss on trade and other receivables. During the six months of 2018 the Company also written off fully provided trade and other receivables in the amount of 477 million Tenge.

Cash and cash equivalents

	June 30, 2018	December 31, 2017
	Unaudited	Audited
US dollar denominated term deposits with banks	301,092	392,350
Tenge denominated term deposits with banks	49,873	19,613
US dollar denominated cash in banks and on hand	268,831	8,724
Tenge denominated cash in banks and on hand	2,668	294
Other currency denominated cash in banks and on hand	1,327	662
	623,791	421,643

Notes to the Condensed Consolidated Interim Financial Statements (unaudited) (continued)

Tenge million unless otherwise stated

9. SHARE CAPITAL

	Shares outstanding	
	Number of shares	Tenge million
As at January 1, 2017	68,371,867	165,343
Reduction of treasury stock due to exercise of share options	6,673	75
As at December 31, 2017	68,378,540	165,418
Increase of treasury stock due to share buyback	(23,194,950)	(628,003)
As at June 30, 2018	45,183,590	(462,585)

Shares outstanding

During the six months ended June 30, 2018 the weighted average number of all shares outstanding amounted to 51,848,177 shares (six months ended June 30, 2017: 68,373,916 shares).

On December 8, 2017 the Company announced the launch of a conditional tender offer (the "Tender Offer") to repurchase all of its outstanding GDRs at a price of 14.00 US dollars per GDR. On January 23, 2018 the Company also announced the launch of an offer to repurchase all of its common shares (the "Share Offer") placed on Kazakhstan Stock Exchange at a price of 84.00 US dollars per a common share. The Company acquired 134,070,054 GDRs and 320,688 common shares on February 19, 2018 the first settlement date of the Tender Offer and the Share Offer. On April 5, 2018, the final settlement under the Tender and the Share Offers, 1,384,856 GDRs and 15,896 common shares were acquired.

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, 2018 the amount per share outstanding is 35,925 Tenge (December 31, 2017: 30,790 Tenge).

Dividends declared

On May 22, 2018 the Company held an Annual General Meeting, where shareholders approved the annual dividend in the amount of 25 Tenge per one preferred share (six months ended June 30, 2017: 289 Tenge per one ordinary and preferred share) with a record date of June 1, 2018.

10. PROVISIONS

	June 30, 2018	December 31, 2017
	Unaudited	Audited
Environmental remediation	23,493	22,824
Asset retirement obligation	20,178	19,942
Taxes and related fines and penalties (Note 17)	17,621	22,936
Employee benefit liability	17,941	17,938
Ecology damage and related fines (Note 17)	5,299	–
	84,532	83,640

11. REVENUE

	Three months ended June 30,		Six months ended June 30,	
	2018	2017	2018	2017
	Unaudited	Unaudited	Unaudited	Unaudited
Export				
Crude oil	227,358	160,141	420,611	311,762
Refined products	14,862	17,590	39,203	36,239
Gas products	–	3	–	125
Domestic (Note 17)				
Gas products	3,197	2,469	6,048	4,560
Refined products	77,210	40,048	125,826	79,003
Other sales and services	3,735	3,001	5,100	5,289
	326,362	223,252	596,788	436,978

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,	
	2018	2017	2018	2017
	Unaudited	Unaudited	Unaudited	Unaudited
Employee benefits	40,872	39,301	84,203	80,675
Refinery processing costs	22,352	15,159	42,130	28,119
Repairs and maintenance	9,119	8,586	16,729	12,950
Energy	5,275	5,190	10,968	10,822
Materials and supplies	6,626	3,402	10,946	8,668
Transportation services	2,053	1,882	3,943	3,335
Change in crude oil balance	1,894	3,887	417	310
Other	2,680	2,057	4,643	4,664
	90,871	79,464	173,979	149,543

13. SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

	Three months ended June 30,		Six months ended June 30,	
	2018	2017	2018	2017
	Unaudited	Unaudited	Unaudited	Unaudited
Transportation expenses	26,131	25,976	50,956	49,689
Employee benefits	5,475	4,492	9,930	8,631
Net accrual/(reversal) of fines and penalties (Note 17)	4,715	1,044	5,017	(2,891)
Consulting and audit services	1,222	445	1,907	904
Allowance/(reversal of allowance) for doubtful receivables	(7)	(11)	1,162	(11)
Repairs and maintenance	298	246	449	474
Sponsorship	130	178	169	242
Other	4,105	1,353	4,461	2,165
	42,069	33,723	74,051	59,203

14. TAXES OTHER THAN ON INCOME

	Three months ended June 30,		Six months ended June 30,	
	2018	2017	2018	2017
	Unaudited	Unaudited	Unaudited	Unaudited
Rent tax	36,748	12,227	65,009	29,951
Mineral extraction tax	31,859	19,874	57,029	41,300
Export customs duty	27,607	25,429	56,114	48,897
Property tax	1,552	1,662	3,261	3,127
Other taxes	3,745	2,199	8,045	3,711
	101,511	61,391	189,458	126,986

15. INCOME TAX EXPENSE

	Three months ended June 30,		Six months ended June 30,	
	2018	2017	2018	2017
	Unaudited	Unaudited	Unaudited	Unaudited
Corporate income tax	14,785	16,335	20,973	13,548
Excess profit tax	(451)	1,113	(3,654)	(575)
Current income tax	14,334	17,448	17,319	12,973
Corporate income tax	(496)	(1,383)	1,246	1,238
Excess profit tax	-	212	1,486	212
Deferred income tax	(496)	(1,171)	2,732	1,450
Income tax expense	13,838	16,277	20,051	14,423

Notes to the Condensed Consolidated Interim Financial Statements (unaudited) (continued)

Tenge million unless otherwise stated

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.

Sales and purchases with related parties during the six months ended June 30, 2018 and 2017 and the balances with related parties at June 30, 2018 and December 31, 2017 are as follows:

	Six months ended June 30,	
	2018	2017
	Unaudited	Unaudited
Revenue and other income		
Entities under common control	517,247	376,563
Joint ventures	2,815	2,410
Associate	11	11
Other state controlled entities	41	2
Purchases of goods and services		
Entities under common control	67,058	53,410
Other state controlled entities	8,377	10,981
Joint ventures	645	554
Interest earned on financial assets		
Interest earned on loans to a Joint venture	1,975	2,050
Average nominal interest rate on loans to a Joint venture	0.00%	0.00%
Salaries and other short-term benefits		
Members of the Board of Directors	114	142
Members of the Management Board	578	307

	June 30, 2018	December 31, 2017
	Unaudited	Audited
Trade and other receivables, prepaid expenses		
Entities under common control	178,864	134,513
Joint ventures	99,916	67,898
Other state controlled entities	1,893	1,611
Associate	6	5
Trade payables		
Entities under common control	5,433	3,308
Other state controlled entities	349	695
Joint ventures	786	781

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. 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.

Starting from April 1, 2016 the Company ceased sales of crude oil to KMG its Parent Company to meet its local market obligation and started tolling crude oil at Atyrau Refinery ("ANPZ") and Pavlodar Refinery ("PNHZ"), who are under the ownership and control of the Parent Company, and selling refined products on its own account. Starting from July 1, 2018 the Company ceased tolling and reverted to selling crude oil directly to the Parent Company (Note 18).

In regards to refined products, the Kazakhstan government also requires to supply a major portion of oil products, specifically light distillates, to meet domestic fuel requirements and to support agricultural producers during spring and autumn sowing campaigns. This is achieved by either refusal to allow export of light distillates or by issuing quotas to supply agricultural producers. Local market oil products prices are significantly lower than international market prices and domestic prices for some of the refined products are regulated by the Committee for the Regulation of Natural Monopolies.

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. Due to 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, 2018.

The Company's management believes its interpretations of the tax legislation are appropriate and that the Company has justifiable arguments for its tax positions.

2012-2015 Comprehensive tax audit of JSC "Ozenmunaigas"

On June 5, 2018 JSC "Ozenmunaigas" received the final tax assessment related to the 2012-2015 Comprehensive tax audit for the amount of 7,913 million Tenge, including additional taxes of 4,137 million Tenge, 1,684 million Tenge of penalty and 2,092 million Tenge of fine. JSC "Ozenmunaigas" does not agree with the results of the tax audit and has sent an appeal of the additional charges to the Ministry of Finance of the Republic of Kazakhstan on July 5, 2018. Pending the results of the appeal management of JSC "Ozenmunaigas" will consider further actions including but not limited to appealing to appropriate courts. Entire amount of claim was fully provided for in these financial statements (Note 10).

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.

JSC "Embamunaigas" environmental audit

On July 23, 2018 JSC "Embamunaigas" received a notification from the Department of Ecology of Atyrau region to pay a fine of 8,908 million Tenge for violations of ecology law that were identified during an ad hoc environmental audit conducted during April – June 2018. The fine was related to emissions of harmful substances above the established norms as a result of gas flaring during the period from November 1, 2017 to June 12, 2018.

The Company has accepted that 3,974 million Tenge of the claim is justified. The authorities also have the ability to assess additional amounts for ecological damage and the Company expects the additional amount of 1,325 million Tenge to be assessed. The Company has accrued a provision of 5,299 million Tenge in these financial statements (Note 10).

Notes to the Condensed Consolidated Interim Financial Statements (unaudited) (continued)

Tenge million unless otherwise stated

17. COMMITMENTS AND CONTINGENCIES (continued)

JSC "Embamunaigas" environmental audit (continued)

The Company's management believes that the balance of the claim is without legal merits and will appeal through the appropriate bodies, therefore no additional amounts beyond 5,299 million Tenge related to the environmental audit have been accrued.

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
2018 (remaining)	86,066	2,278
2019	15,454	3,762
2020	9,188	3,714
2021-2048	13,094	17,091
	123,802	26,845

Commitments of Kazgermunai

The Company's share in the commitments of Kazgermunai is as follows as at June 30, 2018:

Year	Capital expenditures	Operational expenditures
2018 (remaining)	4,325	2,849

Commitments of UGL

The Company's share in the commitments of UGL is as follows as at June 30, 2018:

Year	Capital expenditures	Operational expenditures
2018 (remaining)	547	422

**Notes to the Condensed Consolidated Interim Financial Statements (unaudited)
(continued)**

Tenge million unless otherwise stated

17. COMMITMENTS AND CONTINGENCIES (continued)

Commitments of PKI

The Company's share in the commitments of PKI is as follows as at June 30, 2018:

Year	Capital expenditures
2018 <i>(remaining)</i>	2,579

18. SUBSEQUENT EVENTS

Cessation of crude oil processing on own account

Starting from July 1, 2018 the Company ceased tolling crude oil at ANPZ and PNHZ and started to sell crude oil to the Parent Company.

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 July 31, 2018:

Chief Executive Officer

Iskaziyev K. O.

Chief Financial Officer

Abdulgafarov D.E.

Financial Director – Financial Controller

Drader S.A., CA

Chief Accountant

Koichubayeva U.M., DipIFR

Contact information

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