

**KazMunaiGas Exploration Production
Joint Stock Company**

Condensed Consolidated Interim Financial Statements

For the six months ended June 30, 2015

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Consolidated Interim Statement of Financial Position*Tenge million*

		June 30, 2015	December 31, 2014
	Notes	Unaudited	Audited
ASSETS			
Non-current assets			
Property, plant and equipment	5	205,951	156,436
Intangible assets		10,552	10,855
Investments in joint ventures	6	114,336	95,177
Investments in associate	7	113,035	116,054
Receivable from a jointly controlled entity		15,439	13,808
Loans receivable from joint ventures	6	13,944	25,738
Other financial assets	8	19,604	18,567
Deferred tax asset		82,825	84,067
VAT recoverable		43,889	42,300
Other assets		7,898	15,472
Total non-current assets		627,473	578,474
Current assets			
Inventories		20,150	26,357
Income taxes prepaid		40,727	23,916
Taxes prepaid and VAT recoverable		35,499	37,831
Mineral extraction tax and rent tax prepaid		1,264	2,581
Prepaid expenses		21,808	30,011
Trade and other receivables	8	38,485	56,570
Receivable from a jointly controlled entity		4,756	4,658
Loans receivable from joint ventures		8,427	7,692
Other financial assets	8	506,490	535,513
Cash and cash equivalents	8	182,723	180,245
Total current assets		860,329	905,374
Total assets		1,487,802	1,483,848
EQUITY			
Share capital	9	163,004	163,004
Other capital reserves		2,355	2,355
Retained earnings		1,070,979	1,098,170
Other components of equity		77,172	75,587
Total equity		1,313,510	1,339,116
LIABILITIES			
Non-current liabilities			
Borrowings		3,805	4,218
Deferred tax liability		568	569
Provisions	10	43,169	34,929
Total non-current liabilities		47,542	39,716
Current liabilities			
Borrowings		3,120	3,000
Provisions	10	23,978	8,287
Income taxes payable		16	15
Mineral extraction tax and rent tax payable		20,573	34,200
Trade and other payables		79,063	59,514
Total current liabilities		126,750	105,016
Total liabilities		174,292	144,732
Total liabilities and equity		1,487,802	1,483,848

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,	
		2015	2014	2015	2014
Revenue	11	124,373	243,621	241,105	464,445
Share of results of associate and joint ventures	6, 7	(2,647)	22,192	1,907	38,352
Finance income		5,547	5,922	11,735	11,158
Total revenue and other income		127,273	271,735	254,747	513,955
Production expenses	12	(51,208)	(44,691)	(109,172)	(88,484)
Selling, general and administrative expenses	13	(27,005)	(27,176)	(53,445)	(49,420)
Exploration expenses		(128)	(128)	(477)	(386)
Depreciation, depletion and amortization		(6,274)	(12,047)	(10,620)	(27,103)
Taxes other than on income	14	(34,194)	(97,897)	(82,573)	(178,177)
Impairment of property, plant and equipment		(605)	–	(605)	(27,448)
Loss on disposal of property, plant and equipment	5	(3)	(585)	(75)	(808)
Finance costs	6	(850)	(1,166)	(1,931)	(1,972)
Foreign exchange gain, net	2	1,579	5,322	18,634	113,435
Profit before tax		8,585	93,367	14,483	253,592
Income tax expense	15	(7,278)	(6,521)	(11,594)	(43,288)
Profit for the period		1,307	86,846	2,889	210,304
Foreign currency translation difference	2	1,227	3,275	1,585	55,609
Other comprehensive income for the period to be reclassified to profit and loss in subsequent periods		1,227	3,275	1,585	55,609
Total comprehensive income for the period, net of tax		2,534	90,121	4,474	265,913
EARNINGS PER SHARE – Tenge thousands					
Basic and diluted		0.02	1.28	0.04	3.09

KAZMUNAIGAS EXPLORATION PRODUCTION JOINT STOCK COMPANY

Consolidated Interim Statement of Cash Flows (unaudited)

Tenge million

		Six months ended June 30,	
	Notes	2015	2014
Cash flows from operating activities			
Profit before tax		14,483	253,592
Adjustments to add / (deduct) non-cash items			
Depreciation, depletion and amortisation		10,620	27,103
Share of result of associate and joint ventures		(1,907)	(38,352)
Loss on disposal of property, plant and equipment (PPE)	5	75	808
Impairment of PPE and intangible assets		605	27,502
Dry well expense on exploration and evaluation assets		51	46
Forfeiture of share-based payments		–	(46)
Unrealised foreign exchange gain on non-operating activities		(14,412)	(31,318)
Other non-cash income and expense		252	48
Add finance costs		1,931	1,972
Deduct finance income relating to investing activity		(11,735)	(11,158)
Working capital adjustments			
Change in other assets		99	9
Change in inventories		6,138	1,140
Change in taxes prepaid and VAT recoverable		1,536	(2,872)
Change in prepaid expenses		8,204	(4,109)
Change in trade and other receivables		18,510	(23,594)
Change in trade and other payables		(14,116)	(435)
Change in mineral extraction and rent tax payable		(2,782)	7,406
Change in provisions		9,437	(2,023)
Income tax paid		(26,874)	(56,932)
Net cash generated from operating activities		115	148,787
Cash flows from investing activities			
Purchases of PPE	5	(44,086)	(63,704)
Proceeds from sale of PPE		34	247
Purchases of intangible assets		(640)	(552)
Loans provided to the joint ventures		(1,676)	(1,807)
Dividends received from joint ventures and associate, net of withholding tax	6,7	4,626	18,201
Sale of financial assets held-to-maturity, net		35,880	54,671
Repayments of loan receivable from related parties		–	2,206
Proceeds from sale of other financial assets		–	155
Interest received		6,443	7,241
Net cash generated from investing activities		581	16,658
Cash flows from financing activities			
Repayment of borrowings		(595)	(548)
Dividends paid to Company's shareholders		(65)	(128,393)
Net cash used in financing activities		(660)	(128,941)
Net change in cash and cash equivalents		36	36,504
Cash and cash equivalents at the beginning of the period	8	180,245	119,036
Exchange gain on cash and cash equivalents		2,442	–
Cash and cash equivalents at the end of the period	8	182,723	155,540

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, 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	–	4	–	–	–	4
Dividends (Note 9)	–	–	–	(134,683)	–	(134,683)
As at June 30, 2014 (unaudited)	263,095	(100,122)	2,436	1,261,436	78,118	1,504,963
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

**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 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 63.21% of the Company’s outstanding shares as at June 30, 2015 (December 31, 2014: 63.21%). The Parent Company is 100% 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 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, 2014.

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 rate of the Kazakhstan Tenge to the US Dollar at June 30, 2015 and December 31, 2014 was 186.2 and 182.35 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, 2014, except as discussed below.

The following new standards and amendments to standards are mandatory for the first time for the financial year beginning January 1, 2015:

- IAS 19 Defined Benefit Plans: Employee Contributions (Amendments);
- Improvements to IFRSs 2010-2012 cycle;
- Improvements to IFRSs 2011-2013 cycle;

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

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

Tenge million unless otherwise stated

5. PROPERTY, PLANT AND EQUIPMENT

During the six months ended June 30, 2015 the Company prepaid for and purchased property, plant and equipment with a cost of 47,323 million Tenge (during six months ended June 30, 2014: 63,704 million Tenge).

Property, plant and equipment with the net book value of 367 million Tenge were disposed of by the Company during the six months ended June 30, 2015, resulting in a net loss on disposal of 75 million Tenge (during the six months ended June 30, 2014: 1,044 million Tenge and 808 million Tenge, respectively).

6. INVESTMENTS IN JOINT VENTURES

	Ownership share	June 30, 2015	December 31, 2014
		Unaudited	Audited
Interest in JV Kazgermunai LLP ("Kazgermunai")	50%	73,541	69,052
Interest in JV Ural Group Limited BVI ("UGL")	50%	40,795	26,125
Interest in JV KS EP Investments BV ("KS EP Investments")	51%	–	–
		114,336	95,177

Movement in investment in joint ventures during the reporting period:

	Six months ended June 30,	
	2015	2014
Carrying amount at 1 January (audited)	95,177	88,967
Share of total comprehensive income and loss	7,141	20,272
Dividends received	(4,626)	(18,201)
Exchange difference and other adjustments	1,712	13,923
Share in additional paid-in-capital	14,932	467
Carrying amount at June 30 (unaudited)	114,336	105,428

Unrecognized share in loss of KS EP Investments amounted to 551 million Tenge for the six months ended June 30, 2015 (the six months ended June 30, 2014: nil).

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

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, 2015	December 31, 2014
	Unaudited	Audited
Cash and cash equivalents	31,206	37,630
Other current assets	21,076	15,425
Non-current assets	135,943	136,167
	188,225	189,222
Current liabilities	18,431	27,694
Non-current liabilities	22,712	23,424
	41,143	51,118
Net assets	147,082	138,104
Proportion of the company's ownership	50%	50%
Carrying value of the investment	73,541	69,052

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

Tenge million unless otherwise stated

6. INVESTMENTS IN JOINT VENTURES (continued)

Kazgermunai (continued)

	Six months ended June 30,	
	2015	2014
	Unaudited	Unaudited
Revenues	69,529	137,725
Operating expenses	(42,635)	(57,423)
- including depreciation and amortization	(8,057)	(6,455)
- including equity method accounting adjustments	1,486	(3,629)
Profit from operations	26,894	80,302
Finance income	290	638
Finance cost	(392)	(339)
Profit before tax	26,792	80,601
Income tax expense	(10,732)	(33,611)
Profit for the period	16,060	46,990
Other comprehensive income	-	-
Total comprehensive income	16,060	46,990
Company's share of the comprehensive income for the period	8,030	23,495

Kazgermunai is unable to distribute its profits unless it obtains consent from both 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 which expires in April 2040.

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

	June 30, 2015	December 31, 2014
	Unaudited	Audited
Cash and cash equivalents	333	214
Other current assets	36	17
Non-current assets	113,940	105,155
	114,309	105,386
Current liabilities	3,370	515
Non-current financial liabilities	26,806	49,942
Non-current liabilities	2,544	2,680
	32,720	53,137
Net assets	81,589	52,249
Proportion of the company's ownership	50%	50%
Carrying value of the investment	40,795	26,125

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

Tenge million unless otherwise stated

6. INVESTMENTS IN JOINT VENTURES (continued)

UGL (continued)

	Six months ended June 30,	
	2015	2014
	Unaudited	Unaudited
Revenues	4	84
Operating expenses	(1,348)	(1,177)
Loss from operations	(1,344)	(1,093)
Finance income	5	4
Finance cost	(447)	(242)
Loss before tax	(1,786)	(1,331)
Income tax expense	9	(9)
Loss for the period	(1,777)	(1,340)
Other comprehensive income	–	–
Total comprehensive loss	(1,777)	(1,340)
Company's share of the comprehensive loss for the period	(889)	(670)

During six months ended June 30, 2015 the Company provided interest free loan in the amount of 9,050 thousand US dollars (1,676 million Tenge) to UGL (six months ended June 30, 2014: 5,000 thousand US dollars or 881 million Tenge). On initial recognition the loan was recognized at the fair value of 2,598 thousand US dollars (481 million Tenge) determined by discounting future cash flows for the loans using a discount rate of 15%. Investments in UGL were adjusted accordingly to recognize effect of discounting.

During six months ended June 30, 2015 the Company extended its expectations regarding repayment of the loans from UGL from 2015-2018 to 2020-2024. Discounting of updated cash flows resulted in decrease of the carrying amount of these loans by 14,141 million Tenge. Effect of discounting was treated by the Company as an increase in investments in UGL. Carrying value of the loans from UGL totaled to 74,887 thousand US dollars (13,944 million Tenge) at June 30, 2015 (December 31, 2014: 141,149 thousand US dollars or 25,738 million Tenge).

7. INVESTMENTS IN ASSOCIATE

	Ownership share	June 30, 2015	December 31, 2014
		Unaudited	Audited
Interest in Petrokazakhstan Inc. ("PKI")	33%	113,035	116,054

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.

Movement in investment in associate during the reporting period:

	Six months ended June 30,	
	2015	2014
Carrying amount at 1 January (audited)	116,054	107,095
Share of the total comprehensive (loss)/ income	(5,440)	14,242
Exchange difference and other adjustments	2,421	21,309
Carrying amount at June 30 (unaudited)	113,035	142,646

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

Tenge million unless otherwise stated

7. INVESTMENTS IN ASSOCIATE (continued)

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

	June 30, 2015	December 31, 2014
	Unaudited	Audited
Cash and cash equivalents	32,283	23,371
Other current assets	55,405	73,831
Non-current assets	411,184	416,493
	498,872	513,695
Current liabilities	83,516	86,751
Non-current liabilities	72,827	75,266
	156,343	162,017
Net assets	342,529	351,678
Proportion of the company's ownership	33%	33%
Carrying value of the investment	113,035	116,054
	Six months ended June 30,	2014
	2015	Unaudited
	Unaudited	Unaudited
Revenues	60,395	143,850
Operating expenses	(80,111)	(91,766)
- including depreciation and amortization	(17,754)	(15,556)
- including equity method accounting adjustments	(9,185)	(8,321)
(Loss)/ profit from operations	(19,716)	52,084
Share in profit of joint ventures	8,636	23,420
Finance income	102	416
Finance cost	(2,841)	(1,797)
(Loss)/ profit before tax	(13,819)	74,123
Income tax expense	(2,045)	(20,889)
(Loss)/ profit for the period	(15,864)	53,234
Other comprehensive loss	(624)	(10,077)
Total comprehensive (loss)/ income	(16,488)	43,157
Company's share of the comprehensive (loss) / income for the period	(5,440)	14,242

8. FINANCIAL ASSETS

Other financial assets

	June 30, 2015	December 31, 2014
	Unaudited	Audited
US dollar denominated held to maturity deposits	17,295	16,848
Tenge denominated held to maturity deposits	2,306	1,717
Other	3	2
Total non-current	19,604	18,567
US dollar denominated term deposits	504,878	525,277
Tenge denominated term deposits	-	8,632
Great Britain pound denominated term deposits	1,612	1,571
Euro denominated term deposits	-	33
Total current	506,490	535,513
	526,094	554,080

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

Tenge million unless otherwise stated

8. FINANCIAL ASSETS (continued)

Other financial assets (continued)

As at June 30, 2015 the non-current US dollar denominated held to maturity deposits include restricted deposits in the amount of 17,295 million Tenge (December 31, 2014: 16,719 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, 2015	December 31, 2014
	Unaudited	Audited
Trade receivables	38,525	56,633
Other	945	1,022
Allowance for doubtful receivables	(985)	(1,085)
	38,485	56,570

As at June 30, 2015 the Company's trade receivables included receivables from sales of crude oil to KazMunaiGaz Trading AG ("KMG Trading"), a subsidiary of the Parent Company, of 30,647 million Tenge (December 31, 2014: 45,133 million Tenge). Of this amount none is overdue (December 31, 2014: nil).

Cash and cash equivalents

	June 30, 2015	December 31, 2014
	Unaudited	Audited
Tenge denominated term deposits with banks	53,972	29,401
US dollar denominated term deposits with banks	45,717	77,519
US dollar denominated cash in banks and on hand	77,677	67,355
Tenge denominated cash in banks and on hand	5,336	5,951
Great Britain pound denominated cash in bank and on hand	21	19
	182,723	180,245

9. SHARE CAPITAL

Shares outstanding

During the six months ended June 30, 2015 the weighted average number of all shares outstanding amounted to 68,162,635 shares (six months ended June 30, 2014: 68,159,417 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, 2015 the amount per outstanding share is 19,227 Tenge (December 31, 2014: 19,598 Tenge).

Dividends declared

On May 19, 2015 the Company held an Annual General Meeting, where shareholders approved the annual dividend in the amount of 440 Tenge per one ordinary and preferred share (six months ended June 30, 2014: 1,976 Tenge per one ordinary and preferred share) with a record date of June 1, 2015.

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

Tenge million unless otherwise stated

10. PROVISIONS

	June 30, 2015	December 31, 2014
	Unaudited	Audited
Asset retirement obligation	18,454	16,613
Environmental remediation	18,274	17,450
Taxes	16,711	932
Other	13,708	8,221
	67,147	43,216

Tax provision as at June 30, 2015 mostly relates to Comprehensive Tax audit of the Company for 2009-2012 years. Upon discussion with Tax authorities in respect to this Tax audit, Management of the Company has determined that it is more probable than not that the Company will ultimately be unsuccessful in defending previously established tax positions. These amounts relate to Corporate Income Tax and Excess Profit Tax in addition to fines and penalties.

11. REVENUE

	Three months ended June 30,		Six months ended June 30,	
	2015	2014	2015	2014
	Unaudited	Unaudited	Unaudited	Unaudited
Export:				
Crude oil	74,503	211,515	172,366	401,670
Gas products	238	527	603	1,435
Domestic:				
Crude oil	45,336	24,435	58,865	48,495
Gas products	1,440	2,981	3,082	5,148
Refined products	568	862	810	1,796
Other sales and services	2,288	3,301	5,379	5,901
	124,373	243,621	241,105	464,445

12. PRODUCTION EXPENSES

	Three months ended June 30,		Six months ended June 30,	
	2015	2014	2015	2014
	Unaudited	Unaudited	Unaudited	Unaudited
Employee benefits	34,116	30,024	75,651	56,331
Materials and supplies	4,524	4,291	9,731	8,683
Energy	4,356	3,827	9,166	8,183
Repairs and maintenance	5,385	5,727	8,523	10,380
Change in crude oil balance	2,030	(714)	5,208	317
Transportation services	1,164	1,560	2,455	2,824
Processing expenses	272	210	390	446
Change in estimate of environmental remediation obligation	(39)	(2,096)	287	(2,096)
Decrease in asset retirement obligation in excess of capitalized asset	(62)	-	(3,913)	-
Other	(538)	1,862	1,674	3,416
	51,208	44,691	109,172	88,484

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

Tenge million unless otherwise stated

13. SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

	Three months ended June 30,		Six months ended June 30,	
	2015	2014	2015	2014
	Unaudited	Unaudited	Unaudited	Unaudited
Transportation expenses	14,805	17,808	31,787	33,881
Employee benefits	4,205	4,240	8,730	7,525
Fines and penalties (Note 17)	5,190	2,105	7,583	2,365
Management fees and commissions	1,113	1,113	2,226	2,226
Consulting and audit services	546	746	888	1,051
Repairs and maintenance	202	227	375	394
Sponsorship	123	134	188	278
Other	821	803	1,668	1,700
	27,005	27,176	53,445	49,420

14. TAXES OTHER THAN ON INCOME

	Three months ended June 30,		Six months ended June 30,	
	2015	2014	2015	2014
	Unaudited	Unaudited	Unaudited	Unaudited
Export customs duty	10,338	21,461	31,377	35,769
Mineral extraction tax	11,704	25,574	25,632	48,474
Rent tax	10,139	47,436	21,962	88,638
Property tax	1,622	1,449	2,806	2,821
Other taxes	391	1,977	796	2,475
	34,194	97,897	82,573	178,177

15. INCOME TAX EXPENSE

	Three months ended June 30,		Six months ended June 30,	
	2015	2014	2015	2014
	Unaudited	Unaudited	Unaudited	Unaudited
Corporate income tax	1,054	9,715	5,841	46,234
Excess profit tax	4,455	4,953	4,512	8,916
Current income tax	5,509	14,668	10,353	55,150
Corporate income tax	1,539	(6,961)	958	(10,407)
Excess profit tax	230	(1,186)	283	(1,455)
Deferred income tax	1,769	(8,147)	1,241	(11,862)
Income tax expense	7,278	6,521	11,594	43,288

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 SWF.

Sales and purchases with related parties during the six months ended June 30, 2015 and 2014 and the balances with related parties at June 30, 2015 and December 31, 2014 are as follows:

	Six months ended June 30,	
	2015	2014
	Unaudited	Unaudited
Revenue and other income		
Entities under common control	234,060	480,414
Joint ventures	2,628	2,816
Parent Company	–	155
Other state controlled entities	27	12
Purchases of goods and services		
Entities under common control	20,226	17,480
Other state controlled entities	9,316	8,461
Parent Company	2,226	2,226
Joint ventures	32	12
Interest earned on financial assets		
Interest earned on loans to Joint ventures	1,955	1,867
Average interest rate on loans to Joint ventures	1.09%	0.88%
Salaries and other short-term benefits		
Members of the Board of Directors	96	82
Members of the Management Board	232	172

	June 30, 2015	December 31, 2014
	Unaudited	Audited
Prepaid expenses and trade and other receivables		
Entities under common control	40,338	58,305
Joint ventures	42,976	52,677
Other state-controlled entities	2,252	2,274
Associates	22	15
Trade and dividend payables		
Parent Company	21,240	27
Entities under common control	900	1,907
Other state controlled entities	532	454

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 and sales

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 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.

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

Tenge million unless otherwise stated

17. COMMITMENTS AND CONTINGENCIES (continued)

Local market obligation and sales (continued)

The Company supplies oil and gas products to the local market by selling to JSC “KazMunaiGas Refinery and Marketing”, a subsidiary of the Parent Company. Prices for local market sales are determined through an annual negotiation process with JSC “KazMunaiGas Refinery and Marketing” and the Parent Company. These prices are finally approved by the Independent Non-Executive Directors of the Company (“INEDs”), as required by the Charter of the Company.

In December 2014 the Company concluded contracts with JSC “KazMunaiGas Refinery and Marketing” for crude oil supply to Atyrau Oil Refinery Plant (“ANPZ”) at 52,000 Tenge per ton and to Pavlodar Oil Refinery Plant (“PNHZ”) at 59,000 Tenge per ton during 2015. On February 11, 2015 the Company received a letter from NC KMG with instructions to reduce domestic prices to 22,400 Tenge per ton for ANPZ and 30,000 Tenge per ton for PNHZ for the 2015 calendar year.

The Company’s INEDs have not agreed to lower the prices, therefore addendums to the sales contracts are not enacted. JSC “KazMunaiGas Refinery and Marketing” has been paying at the rates established in the letter from NC KMG from January 1, 2015 to the date of these financial statements.

The Company’s management made a decision to recognize revenue in the financial statements at the prices set in NC KMG’s letter until actual signing of the addendum to the crude oil sales contract with JSC “KazMunaiGas Refinery and Marketing”.

On June 24, 2015 the Company received a new letter from NC KMG specifying domestic crude oil sale prices for the period starting from 1 July 2015 until the end of the year. According to these instructions the prices for ANPZ will be 24,000 Tenge per ton and 32,000 Tenge per ton for PNHZ.

Russian Federation market obligation

According to an inter-governmental agreement between Kazakhstan and the Russian Federation, Kazakhstan fulfills counter deliveries to the Russian Federation. JSC “KazMunaiGas Refinery and Marketing”, a related party, was determined as an operator and the Company was determined as one of the suppliers through governmental quotas. Based on this inter-governmental agreement in September 2014 the Company has concluded a contract with JSC “KazMunaiGas Refinery and Marketing” to supply crude oil to the Russian Federation. The contract was valid until December 31, 2014 without pre-determined volumes. In March 2015 the Company has concluded an additional contract for 2015. During the six months ended June 30, 2015 the Company has counter delivered 566 thousand tons of crude oil (six months ended June 30, 2014: nil). These supplies are additional to the obligation of the Company to supply crude oil to the local market.

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, 2015.

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

Value-added-tax (VAT) recoverability

As at June 30, 2015 total recoverable VAT related to the Company’s sale of assets to JSC “Ozenmunaigas” and JSC “Embamunaigas” in 2012 is 46,558 million Tenge. The tax authorities have conducted various audits and have repeatedly denied the Company’s requests to have these VAT amounts recognized as recoverable. The Company disagrees with the tax authorities position and has initiated court proceedings.

Upon consideration of the complaint of the JSC “Ozenmunaigas” by the court of first instance, court of appeal and cassation of Mangistau region a positive decision was received. The court rulings have not been complied with by the tax authorities.

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

Tenge million unless otherwise stated

17. COMMITMENTS AND CONTINGENCIES (continued)

Value-added-tax (VAT) recoverability (continued)

On July 28, 2015 the Tax authorities filed an appeal of the court of first instance's judgment to the Supreme court. At the same time as the appeal was filed with the Supreme court the tax authorities issued the JSC "Ozenmunaigas" with a revised notification, backdated to August 27, 2014, of the original tax assessment to only include the amounts of VAT related to the original asset sale, 31,955 million Tenge, as being rejected. The JSC "Ozenmunaigas" has applied to the court on procedural grounds to have this backdated notification dismissed by the court. As at the date of approval of these financial statements a final decision on the revocation of the notification has not been received from the court.

As a result of the complaint by the JSC "Embamunaigas" on January 29, 2015 the Specialized Interdistrict Economic Court of Atyrau region ruled to dismiss the complaint in its entirety. On July 31, 2015 JSC "Embamunaigas" filed an appeal to the Cassation Panel.

Management believes that they will ultimately be successful in each of the above cases and has not provided for any allowances for uncollectability. Based on expectations with respect to the ultimate timing of the receipt of the VAT amounts the receivable has been classified as a long term asset and discounted at 7.93%.

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.

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.

On February 25, 2015 JSC "Embamunaigas" and on July 9, 2015 JSC "Ozenmunaigas" received the extensions of their licenses.

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
2015 (remaining)	44,964	4,411
2016	77,591	3,404
2017	3,026	3,324
2018	817	3,324
2019-2048	–	6,641
	126,398	21,104

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

Tenge million unless otherwise stated

17. COMMITMENTS AND CONTINGENCIES (continued)

Crude oil supply commitments

The Company has obligations to supply oil and oil products to the local market under government directives.

Commitments of Kazgermunai

The Company's share in the commitments of Kazgermunai is as follows as at June 30, 2015:

Year	Capital expenditures	Operational expenditures
2015 (remaining)	7,578	2,653

Commitments of UGL

The Company's share in the commitments of UGL is as follows as at June 30, 2015:

Year	Capital expenditures	Operational expenditures
2015 (remaining)	4,921	315

Commitments of PKI

The Company's share in the commitments of PKI is as follows as at June 30, 2015:

Year	Capital expenditures
2015 (remaining)	1,675

18. SUBSEQUENT EVENTS

Expansion of Tenge to US Dollar exchange rate corridor

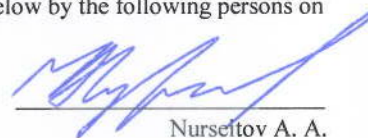
On July 15, 2015 the National Bank of Kazakhstan has made a decision to expand the Tenge to US Dollar exchange rate corridor to 185 +13/-15 Tenge.

Guaranteed payment received

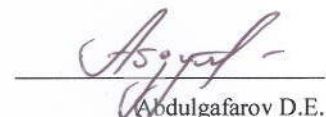
On July 8, 2015 the Company received a cash payment of 13.40 million US dollars from CITIC Canada Energy Limited, which represents a partial repayment of the annual guaranteed payment of 26.87 million US dollars under the terms of the purchase agreement.

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 11, 2015:

Chief Executive Officer


Nursetov A. A.

Chief Financial Officer


Abdulgafarov D.E.

KAZMUNAIGAS EXPLORATION PRODUCTION JOINT STOCK COMPANY

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