JSC “National Company “KazMunayGas”

Interim Condensed Consolidated Financial Statements (unaudited)

As at and for the six months ended June 30, 2009

CONTENTS

Page

ERNST & YOUNG

Ernst & Young LLP
Esentai Tower
Al-Farabi Ave., 77/7
Almaty, Kazakhstan

Tel: +7 (727) 258 5960
Fax: +7 (727) 258 5961
www.ey.com/kazakhstan

ТОО «Эрнст энд Янг»
Казахстан, Алматы
пр. Аль-Фараби, 77/7
Здание «Есентай Тауэр»

Тел.: +7 (727) 258 5960
Факс: +7 (727) 258 5961

REPORT ON REVIEW OF INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

To the Shareholder of JSC "National Company "KazMunayGas":

Introduction

We have reviewed the accompanying interim condensed consolidated financial statements of JSC "National Company "KazMunayGas ("the Company") and its subsidiaries ("the Group") as at 30 June 2009, comprising of the interim consolidated statement of financial position as at 30 June 2009 and the related interim consolidated statements of comprehensive income, 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 interim condensed consolidated 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 interim condensed consolidated financial statements 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 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.

ERNST & YOUNG

Conclusion

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

Ernst & Young LLP

Ernst and Young LLP

Gulmira Turmagambetova
Auditor

Auditor Qualification Certificate
No. 0000374 dated 21 February 1998

Evgeny Zhemaletdinov
General Director
Ernst and 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

15 September 2009

INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION

In thousands of Tenge	**Note**	**June 30, 2009 (unaudited)**	December 31, 2008 (audited) (restated)*
ASSETS			
Non-current assets			
Property, plant and equipment	5	**2,208,380,405**	1,868,732,744
Intangible assets	6	**99,977,933**	75,199,119
Long-term financial assets	7	**122,975,767**	29,694,239
Investments in joint ventures and associates	8	**686,140,603**	527,440,846
Deferred income tax assets		**5,546,867**	4,149,908
Long-term VAT recoverable		**3,936,945**	3,718,369
Advances for non-current assets		**25,247,300**	14,041,878
Note receivable from joint venture		**25,049,158**	18,862,018
Note receivable from associate	4	**16,778,347**	–
Other non-current assets		**11,082,584**	7,151,887
		3,205,115,909	2,548,991,008
Current assets			
Inventories	9	**119,940,407**	99,257,536
VAT recoverable		**43,625,409**	39,927,299
Income taxes prepaid	28	**4,086,190**	7,308,705
Trade accounts receivable	10	**155,639,945**	107,270,204
Short-term financial assets	11	**225,118,382**	550,016,361
Other current assets	10	**65,394,709**	54,913,601
Cash and cash equivalents	12	**825,004,551**	491,343,627
		1,438,809,593	1,350,037,333
Assets classified as held for sale		**43,054**	13,219
		1,438,852,647	1,350,050,552
TOTAL ASSETS		**4,643,968,556**	3,899,041,560

** Certain numbers shown here do not correspond to the 2008 consolidated financial statements and reflect adjustments made as detailed in Note 2.*

INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)

In thousands of Tenge	**Note**	**June 30, 2009 (unaudited)**	December 31, 2008 (audited) (restated)*
EQUITY AND LIABILITIES			
Equity			
Share capital		**158,049,442**	158,049,442
Additional paid-in capital		**9,013,516**	9,013,516
Revaluation due to step acquisitions		**4,816,166**	–
Other equity		**1,380,122**	1,385,035
Currency translation reserve		**192,274,893**	(27,805,814)
Retained earnings		**1,517,961,413**	1,465,123,936
Attributable to equity holders of the parent		**1,883,495,552**	1,605,766,115
Minority interest	13	**454,139,046**	421,815,769
Total equity		**2,337,634,598**	2,027,581,884
Non-current liabilities			
Borrowings	14	**1,211,344,595**	960,115,484
Payable for the acquisition of additional interest in project		**304,799,849**	239,500,799
Payable for acquisition of subsidiary	4	**8,120,760**	–
Provisions	15	**61,073,711**	54,536,134
Deferred income tax liabilities		**83,057,104**	70,340,413
Other non-current liabilities		**23,177,088**	19,212,847
		1,691,573,107	1,343,705,677
Current liabilities			
Borrowings	14	**197,301,938**	188,344,705
Provisions	15	**49,925,066**	40,247,587
Income taxes payable	28	**24,902,242**	57,588,075
Trade accounts payable	16	**168,966,701**	142,140,833
Other taxes payable	17	**78,408,785**	36,496,512
Put option liability	18	**–**	14,895,525
Derivatives		**1,888,222**	105,791
Other current liabilities	16	**93,367,897**	47,934,971
		614,760,851	527,753,999
Total liabilities		**2,306,333,958**	1,871,459,676
TOTAL EQUITY AND LIABILITIES		**4,643,968,556**	3,899,041,560

** Certain numbers shown here do not correspond to the 2008 consolidated financial statements and reflect adjustments made as detailed in Note 2.*

The accounting policies and explanatory notes on pages 8 through 32 form an integral part of these interim condensed consolidated financial statements

Chief Financial Officer

Syrgabekova A.N.

Chief Accountant

Valentinova N.S.

INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

In thousands of Tenge	Note	**For the six months ended June 30, 2009 (unaudited)**	For the six months ended June 30, 2008 (unaudited) (restated)*
Revenue	19	**717,620,734**	1,009,160,733
Cost of sales	20	**(465,995,387)**	(598,910,992)
Gross profit		**251,625,347**	410,249,741
General and administrative expenses	21	**(60,515,273)**	(59,466,314)
Transportation and selling expenses	22	**(72,119,157)**	(57,134,654)
Reversal of / (provision for) impairment of property, plant and equipment	5	**438,328**	(2,657,054)
Negative goodwill on acquisition	4	**507,080**	–
Write-off of exploratory dry wells	5	**(563,686)**	–
Gain / (loss) on disposal of property, plant and equipment, net		**22,609,791**	(1,129,180)
Loss of control over subsidiary	23	**(2,713,882)**	–
Other operating income		**8,118,077**	7,662,999
Other operating expenses		**(624,536)**	(4,065,197)
Operating profit		**146,762,089**	293,460,341
Net foreign exchange loss		**(7,387,011)**	(2,537,206)
Finance income	24	**44,324,006**	29,706,417
Finance costs	25	**(63,403,110)**	(47,899,211)
Unrealized loss on crude oil derivative instrument	26	**(9,080,457)**	(1,666,946)
Share of income in joint ventures and associates	27	**59,581,924**	151,586,936
Profit before income tax		**170,797,441**	422,650,331
Income tax expenses	28	**(66,665,962)**	(151,426,592)
Profit for the period		**104,131,479**	271,223,739
Attributable to:			
Equity holder of the Company		**52,816,831**	209,779,063
Minority interest		**51,314,648**	61,444,676
		104,131,479	271,223,739
Other comprehensive income:			
Foreign currency translation		**235,947,936**	2,614,079
Realized loss on available-for sale financial investments reclassified to the profit for the period		**–**	435,886
Other comprehensive income for the period		**235,947,936**	3,049,965
Total comprehensive loss for the period, net of tax		**340,079,415**	274,273,704
Attributable to:			
Equity holder of the Company		**272,897,538**	212,684,910
Minority interest		**67,181,877**	61,588,794
		340,079,415	274,273,704

* *Certain numbers shown here do not correspond to the interim condensed consolidated financial statements for the six months period ended June 30, 2008 and reflect adjustments made as detailed in Note 2.*

The accounting policies and explanatory notes on pages 8 through 32 form an integral part of these interim condensed consolidated financial statements

Chief Financial Officer

Syrgabekova A.N.

Chief Accountant

Valentinova N.S.

INTERIM CONSOLIDATED CASH FLOW STATEMENT

In thousands of Tenge	Note	**For the six months ended June 30, 2009 (unaudited)**	For the six months ended June 30, 2008 (unaudited) (restated)*
Cash flows from operating activities:			
Profit before income tax		**170,797,441**	422,650,331
Adjustments for:			
Depreciation, depletion and amortization	20,21,22	**54,267,374**	47,798,940
Share of income in joint ventures and associates	27	**(59,581,924)**	(151,586,936)
Finance costs	25	**63,403,110**	47,899,211
Finance income	24	**(44,324,006)**	(29,706,417)
Reversal of / (provision for) Impairment of property, plant and equipment	5	**(438,328)**	2,657,054
Negative goodwill on acquisition	4	**(507,080)**	–
Write-off of exploratory dry wells	5	**563,686**	–
Unrealized loss on derivatives	26	**9,080,457**	1,666,946
Gain / (loss) on disposal of property, plant and equipment		**(22,609,791)**	1,129,180
Loss of control over subsidiary	23	**2,713,882**	–
Provisions	15	**12,281,429**	5,665,299
Allowance for doubtful debts	21	**2,366,143**	1,939,117
Provision for obsolete inventory		**(3,334,330)**	(642,122)
Unrealized foreign exchange loss		**17,131,721**	813,885
Operating profit before working capital changes		**201,809,784**	350,284,488
Change in inventories		**(20,651,352)**	(55,875,311)
Change in VAT recoverable		**(3,916,686)**	13,435,383
Change in trade accounts receivable		**(54,623,302)**	(23,945,150)
Change in other current assets		**(11,017,278)**	(7,332,804)
Change in other taxes payable		**34,609,180**	851,524
Change in trade accounts payable		**17,349,886**	18,271,102
Change in other current liabilities		**34,822,458**	2,613,951
Cash generated from operations		**198,382,690**	298,303,183
Income taxes paid		**(97,049,060)**	(137,392,243)
Interest received		**40,032,745**	28,464,473
Interest paid		**(30,986,979)**	(29,519,241)
Cash proceeds from payments for derivatives		**828,342**	–
Net cash flow from operating activities		**111,207,738**	159,856,172
Cash flows from investing activities:			
Collection / (placement) of bank deposits and other financial assets		**312,227,018**	(155,556,692)
Acquisition of subsidiaries, net of cash acquired	4	**(4,837,272)**	(37,718,595)
Acquisition of associate, net of cash acquired	4	**(8,192,548)**	–
Acquisition of minority interest		**(16,709,523)**	(1,059,682)
Purchase of property, plant and equipment and intangible assets		**(153,976,296)**	(102,653,763)
Proceeds from sale of property, plant and equipment and intangible assets		**31,281,198**	3,989,945
Distributions received from joint ventures and associates		**17,103,618**	108,535,350
Cash of subsidiary where Group lost control	23	**(338,479)**	–
Cash of subsidiary being reclassified as held for sale		**–**	105,033
Net cash flow from / (used in) investing activities		**176,557,716**	(184,358,404)

* *Certain numbers shown here do not correspond to the interim condensed consolidated financial statements for the six months period ended June 30, 2008 and reflect adjustments made as detailed in Note 2.*

INTERIM CONSOLIDATED CASH FLOW STATEMENT (continued)

In thousands of Tenge	Note	**For the six months ended June 30, 2009 (unaudited)**	For the six months ended June 30, 2008 (unaudited) (restated)*
Cash flows from financing activities:			
Proceeds from borrowings		**43,038,943**	29,759,254
Repayment of borrowings		**(68,728,036)**	(57,223,022)
Subsidiary's purchase of its treasury shares		**(14,264,036)**	–
Dividends paid to minorities		**(19,888,586)**	(17,427,712)
Other distributions		**–**	(1,120,851)
Net cash flow used in financing activities		**(59,841,715)**	(46,012,331)
Effects of exchange rate changes on cash and cash equivalents		**105,737,185**	749,338
Net increase / (decrease) in cash and cash equivalents		**333,660,924**	(69,765,225)
Cash and cash equivalents at the beginning of the period	12	**491,343,627**	358,248,584
Cash and cash equivalents at the end of the period	12	**825,004,551**	288,483,359

** Certain numbers shown here do not correspond to the interim condensed consolidated financial statements for the six months period ended June 30, 2008 and reflect adjustments made as detailed in Note 2.*

The information on significant non-cash transactions of the Group for the period is presented in the note 28 to these interim condensed consolidated financial statements.

The accounting policies and explanatory notes on pages 8 through 32 form an integral part of these interim condensed consolidated financial statements

Chief Financial Officer

Syrgabekova A.N.

Chief Accountant

Valentinova N.S.

INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to equity holder of the Company								
In thousands of Tenge	Share capital	Additional paid-in capital	Revaluation due to step acquisitions	Other equity	Currency translation reserve	Retained earnings	Total	Minority interest	Tota
Note								13	
As at December 31, 2007 (audited) (restated)*	**158,049,442**	**9,013,516**	**–**	**1,465,300**	**(30,804,398)**	**1,200,593,549**	**1,338,317,409**	**350,130,443**	**1,688,447,85**
Net profit for the period	–	–	–	–	–	209,779,063	209,779,063	61,444,676	**271,223,73**
Other comprehensive income	–	–	–	435,886	2,469,961	–	2,905,847	144,118	**3,049,96**
Total comprehensive income for the period	–	–	–	435,886	2,469,961	209,779,063	212,684,910	61,588,794	**274,273,70**
Dividends of subsidiaries	–	–	–	–	–	–	–	(17,427,712)	**(17,427,71**
Recognition of share based payments at subsidiaries	–	–	–	1,172,352	–	–	1,172,352	–	**1,172,35**
Execution of share based options at subsidiaries	–	–	–	(1,832,682)	–	863,932	(968,750)	643,225	**(325,52**
Other distributions	–	–	–	–	–	(1,120,851)	(1,120,851)	–	**(1,120,85**
Change in ownership of subsidiaries	–	–	–	–	–	–	–	(1,059,682)	**(1,059,68**
As at June 30, 2008 (unaudited) (restated)*	**158,049,442**	**9,013,516**	–	**1,240,856**	**(28,334,437)**	**1,410,115,693**	**1,550,085,070**	**393,875,068**	**1,943,960,13**

** Certain numbers shown here do not correspond to the interim condensed consolidated financial statements for the six months period ended June 30, 2008 and reflect adjustments made as detailed in Note 2.*

INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (continued)

	Attributable to equity holder of the Company								
In thousands of Tenge	**Share capital**	**Additional paid-in capital**	**Revaluation due to step acquisitions**	**Other equity**	**Currency translation reserve**	**Retained earnings**	**Total**	**Minority interest**	**Tota**
Note								13	
As at December 31, 2008 (audited) (restated)*	**158,049,442**	**9,013,516**	**–**	**1,385,035**	**(27,805,814)**	**1,465,123,936**	**1,605,766,115**	**421,815,769**	**2,027,581,88**
Net profit for the period	–	–	–	–	–	52,816,831	52,816,831	51,314,648	**104,131,479**
Other comprehensive income	–	–	–	–	220,080,707	–	220,080,707	15,867,229	**235,947,930**
Total comprehensive income for the period	–	–	–	–	220,080,707	52,816,831	272,897,538	67,181,877	**340,079,415**
Dividends of subsidiaries	–	–	–	–	–	–	–	(19,888,586)	**(19,888,586**
Recognition of share based payments at subsidiaries	–	–	–	141,199	–	–	141,199	–	**141,199**
Forfeiture of share based payments at subsidiaries	–	–	–	(146,112)	–	–	(146,112)	–	**(146,112**
Execution of share based options at subsidiaries	–	–	–	–	–	20,646	20,646	–	**20,646**
Shares buy back by subsidiaries	–	–	–	–	–	–	–	(14,264,036)	**(14,264,036**
Revaluation due to step acquisitions	–	–	4,816,166	–	–	–	4,816,166	–	**4,816,166**
Change in ownership of subsidiaries	–	–	–	–	–	–	–	(705,978)	**(705,978**
As at June 30, 2009 (unaudited)	**158,049,442**	**9,013,516**	**4,816,166**	**1,380,122**	**192,274,893**	**1,517,961,413**	**1,883,495,552**	**454,139,046**	**2,337,634,59**

** Certain numbers shown here do not correspond to the interim condensed consolidated financial statements for the six months period ended June 30, 2008 and reflect adjustments made as detailed in Note 2.*

The accounting policies and explanatory notes on pages 8 through 32 form an integral part of these interim condensed consolidated financial statements

Chief Financial Officer

Syrgabekova A.N.

Chief Accountant

Valentinova N.S.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (unaudited)

1. GENERAL

JSC “National Company “KazMunayGas” (the “Company” or “KazMunayGas”) is a wholly owned state oil and gas enterprise of the Republic of Kazakhstan (the “Government”), which was established on February 27, 2002 as a closed joint stock company pursuant to Decree No. 811 of the President of the Republic of Kazakhstan dated February 20, 2002 and the resolution of the Government of the Republic of Kazakhstan No. 248, dated February 25, 2002. The Company was formed as a result of the merger of National Oil and Gas Company Kazakhoil CJSC (“Kazakhoil”) and National Company Transport Nefti i Gaza CJSC (“TNG”). As the result of the merger, all assets and liabilities, including ownership interest in all entities owned by these companies, have been transferred to KazMunayGas. The Company was reregistered as a joint stock company in accordance with the legislation of the Republic of Kazakhstan in March 2004.

Starting from June 8, 2006, the sole shareholder of the Company is JSC “Kazakhstan Holding Company for State Assets Management “Samruk” (“Samruk”), which in October 2008 was merged with the Government owned Sustainable Development Fund «Kazyna» and formed JSC “Samruk-Kazyna National Welfare Fund” (“Samruk-Kazyna”). The Government is the sole shareholder of Samruk-Kazyna.

As of June 30, 2009 and December 31, 2008 the Company had interests in a number of operating companies (together – the “Group”). The list of significant subsidiaries is disclosed in Note 31.

The Company has its registered office in the Republic of Kazakhstan, Astana, 22, Kabanbay Batyr Avenue.

The principal objective of the Group includes, but is not limited to, the following:

- participation in the state policy relating to the oil and gas sector;
- representation of the state interests in subsoil use contracts through equity participation in those contracts; and
- corporate governance and monitoring of exploration, development, production, processing, transportation and sale of hydrocarbons and the designing, construction and maintenance of oil-and-gas pipeline and field infrastructure.

These interim condensed consolidated financial statements of the Group were approved for issue by the Chief Financial Officer and the Chief Accountant on September 15, 2009.

Operating environment

The Republic of 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.

The Kazakhstan economy is vulnerable to market downturns and economic slowdowns elsewhere in the world. The ongoing global financial crisis has resulted in capital markets instability, significant deterioration of liquidity in the banking sector, and tighter credit conditions within the Republic of Kazakhstan. While the Kazakhstan Government has introduced a range of stabilization measures aimed at providing liquidity and supporting debt refinancing for Kazakhstan banks and companies, there continues to be uncertainty regarding the access to capital and cost of capital for the Group and its counterparties, which could affect the Group’s financial position, results of operations and business prospects.

While management believes it is taking appropriate measures to support the sustainability of the Group’s business in the current circumstances, unexpected further deterioration in the areas described above could negatively affect the Group’s results and financial position in a manner not currently determinable.

2. BASIS OF PREPARATION

The interim condensed consolidated financial statements for the six months ended June 30, 2009 have been prepared in accordance with IAS 34 Interim Financial Reporting (IAS 34). These interim condensed consolidated financial statements do not include all the information and disclosures required in the annual consolidated financial statements, and should be read in conjunction with the Group’s annual consolidated financial statements for the year ended December 31, 2008.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

2. BASIS OF PREPARATION (continued)

Foreign currency translation

Functional and presentation currency

Items included in these interim condensed consolidated financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The interim condensed consolidated financial statements are presented in Kazakhstan Tenge ("Tenge" or "KZT") ("presentation currency").

Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at interim reporting date exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the interim consolidated statement of comprehensive income.

Subsidiaries, joint ventures and associates

The results and financial position of all of the Group's subsidiaries, joint ventures and associates (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each set of financial position presented are translated at the closing rate at the date of that financial position;
- income and expenses for each statement of comprehensive income are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and
- all resulting exchange differences are recognized as a separate component of equity.

Exchange rates

Weighted average currency exchange rates established by the Kazakhstan Stock Exchange ("KASE") are used as official currency exchange rates in the Republic of Kazakhstan.

The currency exchange rate of KASE as at June 30, 2009 and December 31, 2008 was 150.41 and 120.77 Tenge to USD 1, respectively. These rates were used to translate monetary assets and liabilities denominated in US Dollars as at June 30, 2009 and December 31, 2008.

Significant accounting policies

The accounting policies applied in the preparation of these interim condensed consolidated financial statements are consistent with those applied in the preparation of the annual consolidated financial statements for the year ended December 31, 2008, except for the adoption of new standards and interpretations as of January 1, 2009 noted below:

New accounting developments

IFRS 2 – Share-based Payments – Vesting Conditions and Cancellation. The standard has been amended to clarify the definition of vesting conditions and to prescribe the accounting treatment of an award that is effectively cancelled because a non-vesting condition is not satisfied. The adoption of this amendment did not have any impact on the financial position or performance of the Group.

IFRS 7 – *Financial Instruments: Disclosures.* The amended standard requires additional disclosure about fair value measurement and liquidity risk. Fair value measurements are to be disclosed by source of inputs using a three level hierarchy for each class of financial instrument. In addition, a reconciliation between the beginning and ending balance for level 3 fair value measurements is now required, as well transfers between as Level 1 and Level 2 fair value measurements. The amendments also clarify the requirements for liquidity risk disclosures. Group's assets and liabilities are measured at fair value as disclosed in related notes to interim condensed consolidated financial statements, and liquidity risk disclosures are not significantly affected by the amendments.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

2. BASIS OF PREPARATION (continued)

New accounting developments (continued)

IFRS 8 – *Operating Segments.* This standard requires disclosure of information about the Group's operating segments and replaces the requirement to determine primary (business) and secondary (geographical) reporting segments of the Group. The Group made early adoption of this IFRS 8 in prior years. Adoption of this Standard did not have any affect on the financial position or performance of the Group.

IAS 1 – *Revised Presentation of Financial Statements.* The revised Standard separates owner and non-owner changes in equity. The statement of changes in equity includes only details of transactions with owners, with non-owner changes in equity presented as single line. In addition, the Standard introduces the statement of comprehensive income: it presents all items of recognised income and expense, either in one single statement, or in two linked statements. The Group selected to present one statement.

IAS 32 – *Financial Instruments: Presentation and IAS 1 "Puttable Financial Instruments and Obligations Arising on Liquidation* – The standards have been amended to allow a limited scope exception for puttable financial instruments to be classified as equity if they fulfil a number of specified criteria. The adoption of these amendments did not have any impact on the financial position or performance of the Group.

IFRIC 13 – *Customer Loyalty Programmes*. This interpretation requires customer loyalty credits to be accounted for as separate component of the sales transaction in which they are granted. A portion of the fair value of the consideration received is allocated to the award credits and deferred. Since the Group does not have customer loyalty programs, the adoption of this interpretation did not have any affect on the financial position or performance of the Group.

IFRIC 9 – *Reassessment of Embedded Derivatives and IAS 39 Financial Instruments: Recognition and Measurement.* These amendments to IFRIC 9 require an entity to assess whether an embedded derivative must be separated from a host contract when the entity reclassifies a hybrid financial asset out of the fair value through profit or loss category. This assessment is to be made based on circumstances that existed on the later of the date the entity first became a party to the contract and the date of any contract amendments that significantly change the cash flow of the contracts. IAS 39 now states that if an embedded derivative cannot be reliably measured, the entire hybrid instrument must remain classified as at fair value through profit or loss. The adoption of these amendments did not have any impact on the financial position and performance of the Group.

IFRIC 16 – *Hedges of a Net Investment in Foreign Operations.* The interpretation is to be applied prospectively. IFRIC 16 provides guidance on the accounting for a hedge of a net investment. As such it provides guidance on identifying the foreign currency risks that qualify for a hedge accounting in the hedge of a net investment, where within the group the hedging instruments can be held in the hedge of a net investment and how an entity should determine the amount of foreign currency gain or loss, relating to both the net investment and the hedging instrument, to be recycled on disposal of the net investment. Interpretation had no impact on the financial position or results of the Group.

Change in accounting policy and finalization of acquisition accounting

In 2009 the Group changed its accounting policy with respect to the accounting of its interests in joint ventures from the proportionate consolidation method to the equity method of accounting. Management of the Group believes that the equity method of accounting for interest in joint ventures provides reliable and more relevant information and is consistent with the policy of the Parent Company.

This change in accounting policy has been accounted for retrospectively, and, as a result, the related comparative statements as of December 31, 2008 and for the six months period ended June 30, 2008 have been restated. The effect of the change on comparative data is tabulated below.

In addition, the Group finalized acquisition accounting for Batumi Industrial Holdings Limited, Rompetrol Group N.V. and Valsera Holdings B.V., which affected the Group performance for the six months period ended June 30, 2008. The consolidated statement of financial position as of December 31, 2008 was not affected by finalization of acquisition accounting since it was already restated in annual consolidated financial statements for 2008.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

2. BASIS OF PREPARATION (continued)

Change in accounting policy and finalization of acquisition accounting (continued)

Effect on financial position as of December 31, 2008:	
Decrease in property, plant and equipment	(861,675,017)
Decrease in intangible assets	(1,595,837)
Decrease in long-term financial assets	(364,593)
Decrease in deferred income tax assets	(2,262,672)
Decrease in VAT recoverable	(10,522,124)
Decrease in advances for non-current assets	(25,407,072)
Increase in note receivable from joint venture	9,431,009
Decrease in other non-current assets	(1,393,974)
Decrease in non–current assets	**(893,790,280)**
Decrease in inventories	(19,824,358)
Decrease in VAT recoverable	(16,167,733)
Decrease in income taxes prepaid	(8,603,161)
Decrease in trade accounts receivable	(21,294,104)
Decrease in short-term financial assets	(15,315,264)
Decrease in other current assets	(30,716,549)
Decrease in cash and cash equivalents	(76,221,696)
Decrease in current assets	**(188,142,865)**
Decrease in assets classified as held for sale	(888,805)
Decrease in total assets	**(1,082,821,950)**
Decrease in borrowings	(308,630,452)
Decrease in loan payable to the shareholder of a joint venture	(89,054,612)
Decrease in provisions	(20,771,912)
Decrease in deferred income tax liabilities	(84,577,030)
Decrease in other non-current liabilities	(3,780,164)
Decrease in non-current liabilities	**(506,814,170)**
Decrease in borrowings	(27,339,906)
Decrease in provisions	(1,095,838)
Decrease in income taxes payable	(9,104,419)
Decrease in trade accounts payable	(45,432,577)
Decrease in other taxes payable	(20,782,058)
Decrease in payable to the shareholder of a joint venture	(74,397,258)
Decrease in other current liabilities	(1,915,604)
Decrease in current liabilities	**(180,067,660)**
Net change	(395,940,120)
Increase in investments in joint ventures and associates	400,420,143
Increase in net assets	**4,480,023**

Increase in net assets resulted from deconsolidation of accumulated deficits of joint ventures.

Effect on performance for the six months ended June 30, 2008 attributable to:	
Effect of change in accounting policy	3,505,237
Finalization of acquisition accounting of Rompetrol Group N.V. and Valsera Holdings B.V.	(3,687,800)
Finalization of acquisition accounting of Batumi Industrial Holdings Limited	(71,018)
Decrease in profit for the period	**(253,581)**

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

2. BASIS OF PREPARATION (continued)

Change in accounting policy and finalization of acquisition accounting (continued)

The effect of the above adjustments on Group performance for the six months ended June 30, 2008 is tabulated below:

Effect on performance for the six months ended June 30, 2008	
Decrease in revenue	(335,999,370)
Decrease in cost of sales	76,558,223
Decrease in general and administrative expenses	16,035,871
Decrease in transportation and selling expenses	27,400,495
Decrease in impairment of property, plant and equipment	68,088
Decrease in write-off of exploratory dry wells	3,434,137
Increase in loss on disposal of property, plant and equipment, net	(812,419)
Changes in other operating income and expenses, net	274,596
Decrease in net foreign exchange loss	139,060
Decrease in finance income	(1,247,016)
Decrease in finance costs	12,335,318
Increase in share of income in joint ventures and associates	127,751,350
Decrease in income tax expenses	73,808,086
Decrease in profit for the period	**(253,581)**

Improvements to IFRSs

In May 2008 the Board issued its first omnibus of amendments to its standards, primarily with a view to removing inconsistencies and clarifying wording. There are separate transitional provisions for each standard. The adoption of the following amendments resulted in changes to accounting policies but did not have any impact on the financial position and performance of the Group.

IAS 1 – *Presentation of Financial Statements.* Assets and liabilities classified as held for trading in accordance with IAS 39 Financial Instruments: Recognition and Measurement are not automatically classified as current in the statement of financial position. The Group amended its accounting policy accordingly and analysed whether Management's expectations of the period of realisation of financial assets and liabilities differed from the classification of the instrument. This did not result in any re-classification of financial instruments between current and non-current in the statement of financial position.

IAS 16 – *Property, plant and equipment.* Replace the term "net selling price" with "fair value less costs to sell". The Group amended its accounting policy accordingly, which did not result in any change in the financial position.

IAS 23 – *Borrowing costs*. The definition of borrowing costs is revised to consolidate the two types of items that are considered components of 'borrowing costs' into one – the interest expense calculated using the effective interest rate method calculated in accordance with IAS 39. The Group has amended its accounting policy accordingly which did not result in any change in its financial position.

IAS 38 – *Intangible assets.* Expenditure on advertising and promotional activities is recognized as an expenses when the Group either has the right to access the goods or has received the service. This amendment has no impact on the Group because it does not enter into such promotional activities.

The reference to there being rarely, if ever, persuasive evidence to support an amortization method of intangible assets other than a straight-line method has been removed. The Group reassessed the useful lives if its intangible assets and concluded that the straight-line method was still appropriate.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

2. BASIS OF PREPARATION (continued)

Improvements to IFRSs (continued)

The Group has not applied the following IFRS and IFRIC Interpretations that have been issued but are not yet effective:

IFRS 5 Non-current Assets Held for Sale and Discontinued Operations;

IFRS 7 Financial Instruments: Disclosures;

IAS 8 Accounting Policies, Change in Accounting Estimates and Error;

IAS 10 Events after the Reporting Period;

IAS 16 Property, Plant and Equipment;

IAS 18 Revenue;

IAS 19 Employee Benefits;

IAS 20 Accounting for Government Grants and Disclosures of Government Assistance;

IAS 27 Consolidation and Separate Financial Statements;

IAS 28 Investments in Associates;

IAS 31 Interest in Joint Ventures;

IAS 34 Interim Financial reporting;

IAS 36 Impairment of Assets; and

IAS 39 Financial Instruments: Recognition and Measurement.

3. SEASONALITY OF OPERATIONS

The Group's operating costs are subject to seasonal fluctuations, with higher expenses for materials and repair, maintenance and other services usually expected in the latter part of the year than in the first six months. These fluctuations are mainly due to the requirement to conduct formal public tenders during the first six months with goods and services being purchased in the second six months of the year.

4. ACQUISITIONS

Acquisition of Kazakhstan Pipeline Ventures ("KPV") and Caspian Pipeline Ventures ("CPV")

On April 14, 2009 the Group signed an agreement on the acquisition of 49.9% interests in KPV and CPV from Amoco Kazakhstan Inc. (subsidiary of BP Corporation North America Inc.) and note receivable of Amoco Kazakhstan Inc. from CPV for a total consideration of US$ 250 million. KPV is a holding company with 1.75% interests in Caspian Pipeline Consortium ("CPC"). CPV is an intermediary company established for financing purposes. Both companies were established with the purpose of financing of CPC activities by the Group and Amoco Kazakhstan Inc. The financing of operations of CPC was funded by Amoco Kazakhstan Inc. by providing cash to CPV, which was transferred to KPV and further to CPC. Before the acquisitions, the Group held 50.1% interests in KPV and CPV. However, due to the financing arrangements between the Group, CPC, KPV and CPV, the Group did not have right to the assets or obligations for the liabilities of KPV and CPV, other than 50% of 1.75% of share in CPC.

Accordingly, the acquisition of 49.9% interests in KPV and CPV and the settlement of a note payable by CPV to Amoco Kazakhstan Inc. were accounted for as acquisition of assets and associated liabilities.

Total acquisition cost of US$ 250 million is payable in three tranches. Accordingly, total consideration was discounted to a fair value of US$ 228,679 thousand (equivalent to 34,480,632 thousand Tenge). The note receivable from CPC is denominated in US Dollars and bear interests at 6% per annum. As of June 30, 2009, the carrying value of note receivable from CPC was 16,778,347 thousand Tenge.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

4. ACQUISITIONS (continued)

Acquisition of Kazakhstan Pipeline Ventures ("KPV") and Caspian Pipeline Ventures ("CPV") (continued)

The total consideration of US$ 228,679 thousand was allocated between the assets acquired and associated liabilities assumed as follows:

In thousands of Tenge	Fair values recognized on acquisitions
Investment in CPC	16,670,760
Note receivable from associate (CPC)	16,339,112
Other current assets	754
Cash and cash equivalents	6,674,830
Total assets	**39,685,456**
Taxes payable	860,636
Other current liabilities	4,344,188
Total liabilities	**5,204,824**
Net assets acquired	**34,480,632**

Acquisition of Kazakhstan Petrochemical Industries JSC ("KPI") – business combination

On February 26, 2009 the Group acquired 50% shares of KPI for 4,840,000 thousand Tenge. KPI is engaged in production of petrochemical products (mainly, bitumen). Currently, KPI is on development stage and does not have production activities. Before the acquisition, the Group held 50% shares in KPI accounted for under equity method of accounting acquired for 3,967,153 thousand Tenge and fully impaired as of acquisition date in 2009. Accordingly, from the date of acquisition, the Group obtained control over KPI and it became a fully owned subsidiary of the Group. The acquisition of KPI was accounted for using the purchase method of accounting.

The provisional fair values of the identifiable assets, liabilities and contingent liabilities attributable to interest acquired in KPI as at the date of acquisition were:

In thousands of Tenge	Provisional fair values recognized on acquisition
Property, plant and equipment	12,523,015
Intangible assets	9,160
Inventories	296,913
Trade accounts receivable	450,291
Other current assets	48,905
Cash and cash equivalents	2,728
Total assets	**13,331,012**
Borrowings	24,775
Other non–current liabilities	110,000
Trade accounts payable	2,223,677
Other taxes payable	207,094
Other current liabilities	71,306
Total liabilities	**2,636,852**
Net assets	**10,694,160**
Less: fair value of previously held interest	(5,347,080)
Total net assets acquired	**5,347,080**
Negative goodwill on acquisition	(507,080)
Total acquisition cost	**4,840,000**
Less: net cash acquired with the subsidiary	**(2,728)**
Net cash outflow	**4,837,272**

Total acquisition cost comprises cash consideration of 4,840,000 thousand Tenge.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

4. ACQUISITIONS (continued)

Acquisition of Kazakhstan Petrochemical Industries JSC ("KPI") – business combination (continued)

The Group recognized revaluation on step acquisition as follows:

In thousands of Tenge	Carrying values
Fair value of investment as of acquisition date	5,347,080
Carrying value of previously held investment accounted for by equity method	3,967,153
Revaluation on step acquisition	1,379,927

If the acquisition had taken place at the beginning of the year, the net profit and revenue from continuing operations of the Group would not have been changed significantly. From the date of acquisition, net loss of KPI attributable to the Group of 3,191,968 thousand Tenge was included in the consolidated statement of comprehensive income of the Group. The revaluation on step acquisition was taken to equity.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

5. PROPERTY, PLANT AND EQUIPMENT

In thousands of Tenge	**Oil and gas assets**	**Pipelines**	**Refinery assets**	**Buildings and improve-ments**	**Machinery and equipment**	**Vehicles**	**Other**	**Capital work in progress**	**Total**
Net book value as at December 31, 2008 (audited) (restated)	**869,810,700**	**205,991,095**	**291,816,645**	**198,873,360**	**177,135,889**	**21,495,671**	**28,138,932**	**75,470,452**	**1,868,732,744**
Foreign currency translation	151,497,567	(155,658)	59,673,252	19,099,289	7,488,943	965,655	2,573,538	7,879,115	**249,021,701**
Additions	90,948,812	372,836	74,950	664,388	1,994,913	320,797	3,418,457	48,114,269	**145,909,422**
Acquisitions through business combinations (Note 4)	–	–	–	5,186,326	7,156,997	5,881	49,669	124,142	**12,523,015**
Disposals	(5,734,031)	(168,863)	(235,028)	(726,125)	(1,062,022)	(398,282)	(699,596)	(1,754,186)	**(10,778,133)**
Depreciation charge	(12,800,312)	(5,360,316)	(9,982,762)	(5,971,521)	(12,973,134)	(2,191,070)	(3,012,111)	–	**(52,291,226)**
Accumulated depreciation on disposals	1,052,231	6,573	140,415	91,058	339,302	154,143	184,327	–	**1,968,049**
(Impairment provision)/reversal of impairment provision	–	–	–	(527,986)	(68,585)	–	(263,202)	1,298,101	**438,328**
Revaluation due to step acquisition	3,114,747	46,615	–	–	–	–	894,719	35,071	**4,091,152**
Loss of control over subsidiary (Note 23)	–	(3,802,159)	–	(139,766)	(188,457)	(116,587)	(136,476)	(1,954,069)	**(6,337,514)**
Transfers to intangible assets	(4,746,533)	–	–	–	–	–	–	(150,600)	**(4,897,133)**
Transfers and reclassifications	11,441,291	1,918,589	24,200,719	370,268	3,632,565	542,476	2,019,249	(44,125,157)	**–**
Net book value as at June 30, 2009 (unaudited)	**1,104,584,472**	**198,848,712**	**365,688,191**	**216,919,291**	**183,456,411**	**20,778,684**	**33,167,506**	**84,937,138**	**2,208,380,405**
At cost	1,242,987,596	232,165,706	405,595,501	253,829,026	249,592,868	33,493,748	47,303,598	84,961,671	**2,549,929,714**
Accumulated depreciation and impairment	(138,403,124)	(33,316,994)	(39,907,310)	(36,909,735)	(66,136,457)	(12,715,064)	(14,136,092)	(24,533)	**(341,549,309)**
Net book value as at June 30, 2009 (unaudited)	**1,104,584,472**	**198,848,712**	**365,688,191**	**216,919,291**	**183,456,411**	**20,778,684**	**33,167,506**	**84,937,138**	**2,208,380,405**
At cost	996,465,743	234,258,402	321,881,608	229,382,311	230,597,565	32,253,544	39,222,198	76,793,088	**2,160,854,459**
Accumulated depreciation and impairment	(126,655,043)	(28,267,307)	(30,064,963)	(30,508,951)	(53,461,676)	(10,757,873)	(11,083,266)	(1,322,636)	**(292,121,715)**
Net book value as at December 31, 2008 (audited) (restated)	**869,810,700**	**205,991,095**	**291,816,645**	**198,873,360**	**177,135,889**	**21,495,671**	**28,138,932**	**75,470,452**	**1,868,732,744**

As at June 30, 2009, oil and gas assets and capital work in progress include a net book value of exploration and evaluation assets in the amount of 101,888,385 thousand Tenge (as at December 31, 2008: 78,262,090 thousand Tenge). Additions and disposals of these assets during six months of 2009 amounted to 11,787,879 thousand Tenge and 1,571,813 thousand Tenge, respectively. Write off of dry exploratory wells during the period amounted to 563,686 thousand Tenge. The remaining of 13,973,915 thousand Tenge increase in exploration and evaluation assets is attributable to the foreign currency translation adjustment.

As at June 30, 2009, items of property, plant and equipment with the net book value of 466,722,267 thousand Tenge (as at December 31, 2008: 351,319,333 thousand Tenge) were pledged as collateral to secure banking facilities granted to the Group (Note 14).

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

6. INTANGIBLE ASSETS

In thousands of Tenge	Licenses	Software	Goodwill	Other	Total
Net book value as at December 31, 2008 (audited) (restated)	**1,661,234**	**8,915,004**	**29,519,586**	**35,103,295**	**75,199,119**
Foreign currency translation	18,751	257,677	11,777,727	8,928,331	20,982,486
Additions	55,404	656,043	–	1,284,319	1,995,766
Acquisitions through business combinations (Note 4)	250	484	–	8,426	9,160
Disposals	(17,038)	(257,251)	–	(315,829)	(590,118)
Amortization charge	(584,555)	(1,082,608)	–	(996,940)	(2,664,103)
Accumulated amortization on disposals	17,038	128,803	–	2,649	148,490
Transfer from property, plant and equipment		150,600	–	4,746,533	4,897,133
Transfers and reclassifications	13,894	550,078	–	(563,972)	–
Net book value as at June 30, 2009 (unaudited)	**1,164,978**	**9,318,830**	**41,297,313**	**48,196,812**	**99,977,933**
At cost	11,829,531	15,460,460	66,553,305	52,184,317	146,027,613
Accumulated amortization and impairment	(10,664,553)	(6,141,630)	(25,255,992)	(3,987,505)	(46,049,680)
Net book value as at June 30, 2009 (unaudited)	**1,164,978**	**9,318,830**	**41,297,313**	**48,196,812**	**99,977,933**
At cost	11,789,297	14,140,591	54,775,578	38,083,612	**118,789,078**
Accumulated amortization and impairment	(10,128,063)	(5,225,587)	(25,255,992)	(2,980,317)	**(43,589,959)**
Net book value as at December 31, 2008 (audited) (restated)	**1,661,234**	**8,915,004**	**29,519,586**	**35,103,295**	**75,199,119**

7. LONG-TERM FINANCIAL ASSETS

As at June 30, 2009, the weighted average interest rate for long-term bank deposits was 8.4% (as at December 31, 2008: 5.0%).

In thousands of Tenge	**June 30, 2009 (unaudited)**	December 31, 2008 (audited) (restated)
Denominated in US Dollar	**120,608,201**	26,546,657
Denominated in KZT	**2,367,566**	3,147,582
	122,975,767	29,694,239

Long-term bank deposits as at June 30, 2009 include US dollar denominated cash of 29,966,936 thousand Tenge (as at December 31, 2008: 23,944,355 thousand Tenge) pledged as collateral to secure banking facilities granted to the Group (Note 14).

In thousands of Tenge	**June 30, 2009 (unaudited)**	December 31, 2008 (audited) (restated)
Maturities between 1 and 2 years	**45,636**	4,385,534
Maturities over 2 years	**122,930,131**	25,308,705
	122,975,767	29,694,239

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

8. INVESTMENTS IN JOINT VENTURES AND ASSOCIATES

In thousands of Tenge	**June 30, 2009 (unaudited)** Book value	Ownership share	December 31, 2008 (audited) (restated) Book value	Ownership share
TengizChevroil LLP	**271,603,774**	**20.00%**	196,670,976	20.00%
PetroKazakhstan Inc.	**142,587,886**	**33.00%**	111,676,822	33.00%
KazGerMunay LLP	**104,358,439**	**50.00%**	100,576,162	50.00%
KazRosGas JSC	**74,396,414**	**50.00%**	40,707,238	50.00%
Kazakhoil-Aktobe LLP	**34,288,132**	**50.00%**	34,776,919	50.00%
Valsera Holdings B.V.	**19,113,702**	**50.00%**	17,614,239	50.00%
Caspian Pipeline Consortium LLC (Note 4)	**16,580,347**	**20.75%**	–	19.00%
MunayTas JSC	**4,468,712**	**51.00%**	5,651,054	51.00%
Kazakhstan China Pipeline LLP	**–**	**50.00%**	3,289,056	50.00%
Other	**18,743,197**		16,478,380	
	686,140,603		527,440,846	

33% interest in PetroKazakhstan Inc. ("PKI") is pledged as collateral for a loan, which was obtained for its acquisition. However, the share pledge may not be exercised within the first 7 years of the financing from the acquisition date (July 4, 2006).

During the period the Group recognized its share of income from joint ventures and associates in the amount of 59,581,924 thousand Tenge, which resulted in an increase in carrying value of investments. Dividends received from joint ventures and associates totaled 17,103,618 thousand Tenge and resulted in a respective decrease in the carrying value of investments. The remaining increase in investments in joint ventures and associates is attributable to the foreign currency translation adjustment.

9. INVENTORIES

In thousands of Tenge	**June 30, 2009 (unaudited)**	December 31, 2008 (audited) (restated)
Refined products	**48,469,639**	34,154,836
Materials and supplies	**37,981,804**	40,326,718
Gas products	**21,001,026**	4,315,620
Crude oil	**17,754,274**	29,061,028
Less: provision to net realizable value	**(5,266,336)**	(8,600,666)
	119,940,407	99,257,536

As at June 30, 2009, items of inventories with the net book value of 30,785,248 thousand Tenge (as at December 31, 2008: 20,043,081 thousand Tenge) were pledged as collateral to secure banking facilities granted to the Group (Note 14).

10. TRADE ACCOUNTS RECEIVABLE AND OTHER CURRENT ASSETS

In thousands of Tenge	**June 30, 2009 (unaudited)**	December 31, 2008 (audited) (restated)
Interest free loans	**19,630,847**	9,683,300
Prepaid and deferred expenses	**19,564,921**	15,146,289
Taxes recoverable	**4,579,282**	1,613,085
Other current assets	**31,801,042**	34,151,206
Less: allowance	**(10,181,383)**	(5,680,279)
Total other current assets	**65,394,709**	54,913,601
Trade accounts receivable	**171,710,657**	125,285,630
Less: allowance	**(16,070,712)**	(18,015,426)
Trade accounts receivable	**155,639,945**	107,270,204
Total trade accounts receivable and other current assets	**221,034,654**	162,183,805

As at June 30, 2009 and December 31, 2008, trade accounts receivable, prepaid and deferred expenses, and other current assets were non-interest bearing.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

10. TRADE ACCOUNTS RECEIVABLE AND OTHER CURRENT ASSETS (continued)

Movements in the allowance for impairment of trade accounts receivable and other current assets were as follows:

In thousands of Tenge	
As at December 31, 2008 (audited) (restated)	23,695,705
Charge for the period	3,333,069
Utilized	(373,987)
Disposal of the subsidiary	(653,602)
Foreign currency translation	1,217,836
Recovered	(966,926)
As at June 30, 2009 (unaudited)	**26,252,095**

11. SHORT-TERM FINANCIAL ASSETS

In thousands of Tenge	**June 30, 2009 (unaudited)**	December 31, 2008 (audited) (restated)
Short-term bank deposits	**225,118,382**	538,919,323
Investments available for sale	**–**	11,097,038
	225,118,382	550,016,361

As at June 30, 2009, the weighted average interest rate for short-term bank deposits was 9.1% (as at December 31, 2008: 6.8%).

In thousands of Tenge	**June 30, 2009 (unaudited)**	December 31, 2008 (audited) (restated)
Short-term financial assets in US Dollars	**214,028,616**	388,793,376
Short-term financial assets in Tenge	**4,296,951**	160,877,508
Short-term financial assets in other foreign currencies	**6,792,815**	345,477
	225,118,382	550,016,361

12. CASH AND CASH EQUIVALENTS

In thousands of Tenge	**June 30, 2009 (unaudited)**	December 31, 2008 (audited) (restated)
Term deposits with banks – US Dollars	**332,976,970**	318,996,992
Current accounts with banks – US Dollars	**297,010,906**	37,467,537
Term deposits with banks – Tenge	**115,846,866**	86,623,836
Current accounts with banks – Tenge	**53,204,612**	28,544,112
Current accounts with banks – other currencies	**11,625,764**	5,582,468
Term deposits with banks – other currencies	**5,873,806**	13,250,932
Cash on hand	**8,465,627**	877,750
	825,004,551	491,343,627

Term deposits are made for varying periods of between one day and three months, depending on the current cash requirements of the Group. As at June 30, 2009, the weighted average interest rate for term deposits with banks was 7.6% (as at December 31, 2008: 4.6%).

On February 17, 2009 Standard and Poor's lowered its long term counterparty credit rating for a large number of Kazakhstan Banks including KazkommertsBank JSC, Halyk Savings Bank of Kazakhstan JSC and BTA Bank JSC. Under these new ratings BTA Bank JSC fails to meet the Group treasury policy requirement to have a credit rating of no more than two levels below that of the Kazakhstan government's sovereign credit rating. The going concern of BTA Bank JSC is highly dependent on its ability to restructure the corporate debts. As of June 30, 2009, the Group had 195,918,068 thousand Tenge placed with current and term deposit accounts in BTA Bank JSC.

Cash at banks on current accounts earns interest at floating rates based on daily bank deposit rates.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

13. MINORITY INTEREST

In thousands of Tenge	**June 30, 2009 (unaudited)**	December 31, 2008 (audited) (restated)
Exploration Production KazMunayGas JSC	**375,738,316**	356,202,453
Subsidiaries of Trade House KazMunayGas JSC	**77,815,925**	65,186,774
Other	**584,805**	426,542
	454,139,046	421,815,769

14. BORROWINGS

In thousands of Tenge	**June 30, 2009 (unaudited)**	December 31, 2008 (audited) (restated)
Variable interest rate borrowings	**737,562,166**	626,196,977
Weighted average interest rates	**5.19%**	4.56%
Fixed interest rate borrowings	**671,084,367**	522,263,212
Weighted average interest rates	**8.17%**	8.40%
	1,408,646,533	1,148,460,189

In thousands of Tenge	**June 30, 2009 (unaudited)**	December 31, 2008 (audited) (restated)
US Dollar-denominated borrowings	**1,338,307,829**	1,044,734,409
Euro-denominated borrowings	**34,984,558**	4,594,717
Tenge-denominated borrowings	**25,569,192**	44,696,273
Other currency-denominated borrowings	**9,784,954**	54,434,790
	1,408,646,533	1,148,460,189

In thousands of Tenge	**June 30, 2009 (unaudited)**	December 31, 2008 (audited) (restated)
Current portion	**197,301,938**	188,344,705
Non-current portion	**1,211,344,595**	960,115,484
	1,408,646,533	1,148,460,189

15. PROVISIONS

In thousands of Tenge	**Asset retirement obligations**	**Provision for environmental liability**	**Provision for taxes**	**Other**	**Total**
Provision as at December 31, 2008 (audited) (restated)	**23,297,578**	**31,157,227**	**26,227,166**	**14,101,750**	**94,783,721**
Foreign currency translation	1,980,663	1,147,758	–	459,597	**3,588,018**
Change in estimate	489,879	–	(76,436)	(76,436)	**337,007**
Unwinding of discount	880,475	–	–	62,000	**942,475**
Provision for the period	2,173,442	–	10,154,757	2,369,435	**14,697,634**
Unused amounts reversed	–	–	–	(89,891)	**(89,891)**
Use of provision	(33,981)	(819,765)	(754,293)	(1,652,148)	**(3,260,187)**
Provision as at June 30, 2009 (unaudited)	**28,788,056**	**31,485,220**	**35,551,194**	**15,174,307**	**110,998,777**

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

15. PROVISIONS (continued)

Current portion and long-term portion are segregated as follows:

In thousands of Tenge	Asset retirement obligations	Provision for environmental liability	Provision for taxes	Other	Total
As at June 30, 2009 (unaudited)					
Current portion	1,120,015	6,699,206	35,551,194	6,554,651	**49,925,066**
Long-term portion	27,668,041	24,786,014	–	8,619,656	**61,073,711**
Provision as at June 30, 2009 (unaudited)	**28,788,056**	**31,485,220**	**35,551,194**	**15,174,307**	**110,998,777**
As at December 31, 2008 (audited) (restated)					
Current portion	1,120,014	6,386,534	25,743,945	6,997,094	**40,247,587**
Long-term portion	22,177,564	24,770,693	483,221	7,104,656	**54,536,134**
Provision as at December 31, 2008 (audited) (restated)	**23,297,578**	**31,157,227**	**26,227,166**	**14,101,750**	**94,783,721**

16. TRADE ACCOUNTS PAYABLE AND OTHER CURRENT LIABILITIES

In thousands of Tenge	**June 30, 2009 (unaudited)**	December 31, 2008 (audited) (restated)
Advances received	**35,910,127**	11,898,102
Dividends payable to minority shareholders of subsidiary	**17,990,503**	–
Due to employees	**13,780,615**	13,695,780
Other	**25,686,652**	22,341,089
Total other current liabilities	**93,367,897**	47,934,971
Trade accounts payable	**168,966,701**	142,140,833
	262,334,598	190,075,804

As at June 30, 2008 and December 31, 2007, trade accounts payable and other current liabilities were non-interest bearing.

17. OTHER TAXES PAYABLE

In thousands of Tenge	**June 30, 2009 (unaudited)**	December 31, 2008 (audited) (restated)
VAT payable	**14,726,054**	8,856,686
Tax on production of mineral resources	**14,630,109**	–
Excise tax	**13,236,977**	11,427,406
Rent tax on exporting crude oil	**13,002,607**	–
Special fund on refined products	**12,214,088**	8,236,264
Other	**10,598,950**	7,976,156
	78,408,785	36,496,512

Tax on production of mineral resources and rent tax on exporting crude oil are the new taxes introduced by Kazakhstani tax code effective from January 1, 2009.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

18. PUT OPTION LIABILITY

As part of the acquisition of Rompetrol Group N.V. ("TRG") the Group also obtained a call and put option to acquire the remaining 25% of TRG. As at December 31, 2008, the Group applied accounting for the business combination on the basis that the underlying shares subject to the put option had been acquired. On July 24, the Group acquired the remaining 25% of TRG for a cash consideration of 15,043,000 thousand Tenge. The transaction resulted in an elimination of the liability under put and call option with the excess over the liability amounting to 147,475 thousand Tenge recorded within finance income in the interim condensed consolidated statement of comprehensive income.

19. REVENUE

In thousands of Tenge	**For the six months ended June 30, 2009 (unaudited)**	For the six months ended June 30, 2008 (unaudited) (restated)
Sales of refined products	**425,967,342**	568,886,420
Sales of crude oil	**215,080,575**	369,880,887
Transportation fee	**117,128,008**	92,793,796
Sales of gas products	**34,866,876**	31,113,914
Other revenue	**47,990,763**	63,859,352
Less: sales taxes and commercial discounts	**(123,412,830)**	(117,373,636)
	717,620,734	1,009,160,733

Revenues are generated from the Group's principal operations, which essentially represent upstream production of hydrocarbons and their sales for export and domestically and transportation of crude oil and gas within Kazakhstan.

20. COST OF SALES

In thousands of Tenge	**For the six months ended June 30, 2009 (unaudited)**	For the six months ended June 30, 2008 (unaudited) (restated)
Materials and supplies	**302,734,621**	455,118,215
Payroll expenses	**49,293,184**	39,819,074
Depreciation, depletion and amortization	**41,402,789**	37,733,172
Tax on production of mineral resources	**23,795,202**	–
Repair and maintenance	**15,084,009**	15,411,071
Royalty	**–**	13,960,349
Other	**33,685,582**	36,869,111
	465,995,387	598,910,992

In prior years, the Group was obliged to pay royalties on the crude oil volumes produced. Royalty obligations were specified in the tax regime terms of certain oil production contracts. A new tax code, which became effective from January 1, 2009, cancelled the terms of the previous tax regimes determined in the Group's oil production contracts and no royalty obligations exist from January 1, 2009. Tax on production of mineral resources is a new tax introduced by Kazakhstani tax code effective from January 1, 2009.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

21. GENERAL AND ADMINISTRATIVE EXPENSES

In thousands of Tenge	**For the six months ended June 30, 2009 (unaudited)**	For the six months ended June 30, 2008 (unaudited) (restated)
Payroll expenses	**17,309,306**	21,978,828
Depreciation and amortization	**8,635,909**	6,392,753
Taxes	**4,152,714**	3,256,098
Charitable donations	**2,953,955**	3,750,011
Consulting services	**2,702,269**	3,325,394
Allowance for doubtful debts (Note 10)	**2,366,143**	1,939,117
Other	**22,394,977**	18,824,113
	60,515,273	59,466,314

22. TRANSPORTATION AND SELLING EXPENSES

In thousands of Tenge	**For the six months ended June 30, 2009 (unaudited)**	For the six months ended June 30, 2008 (unaudited) (restated)
Transportation	**35,079,513**	24,891,703
Rent tax on exporting crude oil	**18,796,872**	–
Payroll expenses	**5,008,912**	5,104,430
Depreciation and amortization	**4,228,676**	3,673,015
Export customs duty	**1,287,483**	15,812,324
Other	**7,717,701**	7,653,182
	72,119,157	57,134,654

Export customs duty was cancelled in 2009. Rent tax on exporting crude oil is a new tax introduced by Kazakhstani tax code effective from January 1, 2009.

23. LOSS OF CONTROL OVER SUBSIDIARY

In accordance with the decision of Kutaisy city court dated March 16, 2009 the Group lost control over its subsidiary KazTransGas Tbilisi JSC (subsidiary of KazTransGas JSC) as a result of transfer of the latter to the special governance of Georgian National Energy and Water Regulating Committee. Therefore, the Group lost its right to determine financial and operational activities of KazTransGas Tbilisi JSC, thus losing control of the subsidiary and the rights to the economic benefits associated with control. This subsidiary was deconsolidated as of March 16, 2009, the date of loss of control.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

23. LOSS OF CONTROL OVER SUBSIDIARY (continued)

The major classes of assets and liabilities of KazTransGas Tbilisi JSC as of March 16, 2009 were as follows:

In thousands of Tenge	**March 16, 2009 (unaudited)**
Property, plant and equipment	6,337,514
Other non-current assets	16,619
Inventories	1,101,295
Trade accounts receivable	3,509,367
Other current assets	494,010
Cash and cash equivalents	338,479
Total assets	**11,797,284**
Currency translation reserve	**2,324,900**
Borrowings	(8,893,957)
Interest free loans	(8,711,747)
Deferred income tax liabilities	(508,556)
Trade accounts payable	(7,362,998)
Other current liabilities	(2,163,291)
Total liabilities	**(27,640,549)**
Net liabilities	**(13,518,365)**

The operating results of KazTransGas Tbilisi JSC ("KTG-Tbilisi") for the two and half months ended March 16, 2009 were as follows:

In thousands of Tenge	**For the two and half months ended March 16, 2009 (unaudited)**
Revenue	**5,383,478**
Cost of sales	**(4,467,923)**
General and administrative expenses	**(208,083)**
Transportation and selling expenses	**(1,980,547)**
Other operating expenses	**(305,363)**
Loss before income tax	**(1,578,438)**
Income tax expenses	–
Net loss for the period	**(1,578,438)**

As a result of loss of control over subsidiary, the Group recognized loss in the amount of 2,713,882 thousand Tenge equal to net liabilities of KTG–Tbilisi at the date of loss of control of 13,518,365 thousand Tenge adjusted for the recognition of the corporate guarantee expenses issued by KazTransGas JSC in respect to the Credit Suisse loan facility of US$ 50,000,000 (equivalent of 7,520,500 thousand Tenge) and 100% provision against interest free loan of 8,711,747 thousand Tenge given by KazTransGas JSC to KTG–Tbilisi back in 2007 and 2008. The management of the Group believes that it will not be able to recover this interest free loan from KTG–Tbilisi.

24. FINANCE INCOME

In thousands of Tenge	**For the six months ended June 30, 2009 (unaudited)**	For the six months ended June 30, 2008 (unaudited) (restated)
Interest income on bank deposits and bonds	**38,999,622**	28,940,648
Gain on extinguishment of debt	**2,565,029**	–
Other	**2,759,355**	765,769
	44,324,006	29,706,417

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

25. FINANCE COSTS

In thousands of Tenge	**For the six months ended June 30, 2009 (unaudited)**	For the six months ended June 30, 2008 (unaudited) (restated)
Interest on loans and debt securities issued	**53,434,369**	38,581,907
Unwinding of discount on provisions (Note 15)	**942,475**	919,070
Unwinding of discount on put option liability	**–**	3,927,544
Other	**9,026,266**	4,470,690
	63,403,110	47,899,211

26. CRUDE OIL DERIVATIVE INSTRUMENT

From May 1, 2009 Exploration Production KazMunayGas JSC ("EP KMG", 57.95% subsidiary of the Group) entered into oil price derivative transactions. The objective of the derivatives was to protect the revenue of EP KMG should the oil price drop below US$ 40 per barrel. To achieve this a zero cost 'collar' was chosen as the appropriate instrument. The details of the 'collar' derivatives are as follows:

	Derivative I	**Derivative II**
Crude oil blend (average monthly price)	Brent	Brent
Notional amount per month in barrels	1,000,000	500,000
Expiration date	December 31, 2009	December 31, 2009
Option style	Asian	Asian
Strike price per unit: put	US$ 40 per barrel	US$ 40 per barrel
Strike price per unit: call	US$ 75 per barrel	US$ 77 per barrel

For the six months ended June 30, 2009 E&P KMG recognized an unrealized fair value loss on these derivatives of 4,491,457 thousand Tenge.

Trade House KazMunayGas JSC, another subsidiary of the Group, is also engaged in derivative transactions for sales of refined products. For the six months ended June 30, 2009 Trade House KazMunayGas JSC recognized an unrealized fair value loss on these derivatives of 4,589,000 thousand Tenge.

27. SHARE OF INCOME/(LOSS) IN JOINT VENTURES AND ASSOCIATES

In thousands of Tenge	**For the six months ended June 30, 2009 (unaudited)**	For the six months ended June 30, 2008 (unaudited) (restated)
TengizChevroil LLP	**38,957,661**	87,937,109
KazRosGas JSC	**22,793,927**	9,498,544
PetroKazakhstan Inc.	**5,073,559**	23,834,999
Kazakhoil-Aktobe LLP	**(488,788)**	2,259,697
KazGerMunay LLP	**(3,581,339)**	25,040,397
Other	**(3,173,096)**	3,016,190
	59,581,924	151,586,936

28. INCOME TAXES

Income taxes prepaid as at June 30, 2009 of 4,086,190 thousand Tenge (December 31, 2008: 7,308,705 thousand Tenge) represent corporate income tax.

Income taxes payable as at June 30, 2009 and December 31, 2008 comprised:

In thousands of Tenge	**June 30, 2009 (unaudited)**	December 31, 2008 (audited) (restated)
Corporate Income Tax	**13,787,403**	55,977,064
Excess Profit Tax	**11,114,839**	1,611,011
Income tax payable	**24,902,242**	57,588,075

28. INCOME TAXES (continued)

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

Income tax expense comprised the following:

In thousands of Tenge	**For the six months ended June 30, 2009 (unaudited)**	For the six months ended June 30, 2008 (unaudited) (restated)
Current Income tax:		
Corporate income tax	**52,466,848**	100,640,028
Excess profit tax	**16,384,539**	42,605,529
Withholding tax on dividends	**1,896,386**	12,262,623
Deferred Income Tax:		
Corporate income tax	**(4,087,648)**	(1,231,010)
Excess profit tax	**5,837**	(1,655,984)
Withholding tax on dividends	**–**	(1,194,594)
Income Tax Expenses	**66,665,962**	151,426,592

29. SIGNIFICANT NON-CASH TRANSACTIONS

During the six months ended June 30, 2009 the Group settled in crude oil 7,100,384 thousand Tenge due under the terms of a financing agreement (six months 2008: 8,949,587 thousand Tenge).

During the six months ended June 30, 2009 the Group offset withholding income tax payable against corporate income tax payable of 3,263,807 thousand Tenge (six months of 2008: 2,874,087 thousand Tenge)

30. RELATED PARTY DISCLOSURES

Related parties include key management personnel of the Group, enterprises in which a substantial interest in the voting power is owned, directly or indirectly, by the Group's key management personnel, Samruk-Kazyna entities and other entities controlled by the Government. Related party transactions were made on terms agreed to between the parties that may not necessarily be at market rates, except for certain regulated services, which are provided based on the tariffs available to related and third parties.

The following table provides the total amount of transactions, which have been entered into with related parties during the six months of 2009 and 2008 and the related balances as at June 30, 2009 and December 31, 2008, respectively:

In thousands of Tenge	*Balance as of*	**Due from related parties**	**Due to related parties**	**Cash and deposits placed with related parties**	**Borrowings payable to related parties**
Samruk-Kazyna entities	**June 30, 2009**	**4,814,509**	**2,508,460**	**504,607,036**	**15,429,328**
	December 31, 2008	9,426,825	572,746	312,163,386	12,445,854
Other state-controlled entities	**June 30, 2009**	**3,270,318**	**7,811,172**	**–**	**–**
	December 31, 2008	–	7,274,673	–	–
Associates	**June 30, 2009**	**1,389,686**	**3,597**	**–**	**–**
	December 31, 2008	457,198	3,280,178	–	–
Other related parties	**June 30, 2009**	**–**	**–**	**–**	**–**
	December 31, 2008	–	16,098,641	–	–
Joint ventures in which the Group is a venturer	**June 30, 2009**	**27,688,713**	**30,347,134**	**–**	**–**
	December 31, 2008	7,979,707	5,987,771	–	–

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

30. RELATED PARTY DISCLOSURES (continued)

In thousands of Tenge	*For the six months ended*	Sales to related parties	Purchases from related parties	Interest earned from related parties	Interest incurred to related parties
Samruk-Kazyna entities	**June 30, 2009**	**24,131,450**	**7,793,957**	**13,237,717**	669,276
	June 30, 2008	21,686,975	2,375,448	–	–
Other state-controlled entities	**June 30, 2009**	**–**	**17,401**	**–**	**–**
	June 30, 2008	–	3,325,286	–	–
Associates	**June 30, 2009**	**–**	**6,301,777**	**–**	**–**
	June 30, 2008	7,592,500	5,584,793	–	–
Other related parties	**June 30, 2009**	**–**	**–**	**–**	**–**
	June 30, 2008	–	225,097	–	–
Joint ventures in which the Group is a venturer	**June 30, 2009**	**11,757,710**	**37,405,354**	**–**	**–**
	June 30, 2008	5,684,571	24,664,772	–	–

Transactions with Samruk-Kazyna and other state-controlled entities are mainly represented by transactions of the Group with Kazakhstan Temir Zholy JSC, Kazakhtelecom JSC, Kazatomprom JSC, KEGOK JSC, Kazpost JSC and other entities.

On February 2, 2009, following the order of the Government of the Republic of Kazakhstan, Samruk-Kazyna became a controlling shareholder of BTA Bank JSC. BTA Bank JSC is treated as a related party from February 2, 2009.

In October 2008, after establishment of Samruk-Kazyna, Halyk Savings Bank of Kazakhstan JSC is considered to be related party due to the member of key management personnel of Samruk-Kazyna being a controlling shareholder of Halyk Savings Bank of Kazakhstan JSC.

Total compensation to key management personnel included in general and administrative expenses in the accompanying interim consolidated statement of comprehensive income amounted to 821,313 thousand Tenge for the six months ended June 30, 2009 (six months ended June 30, 2008: 875,045 thousand Tenge). Compensation to key management personnel consists of contractual salary and performance bonus based on operating results.

31. CONSOLIDATION

The following significant subsidiaries have been included in these interim condensed consolidated financial statements:

	Percentage ownership	
	June 30, 2009 (Unaudited)	December 31, 2008
Exploration Production KazMunayGas JSC and subsidiaries	**59.50%**	57.95%
KazTransGas JSC and subsidiaries	**100.00%**	100.00%
KazTransOil JSC and subsidiaries	**100.00%**	100.00%
Trade House KazMunayGas JSC and subsidiaries	**100.00%**	100.00%
KazMunayTeniz JSC and subsidiaries	**100.00%**	100.00%
KazMunaiGaz Finance B.V. and subsidiaries	**100.00%**	100.00%
KazMunayGas-Service LLP and subsidiaries	**100.00%**	100.00%
KMG Kashagan B.V.	**100.00%**	100.00%
Cooperative KazMunaiGaz PKI U.A. and subsidiaries	**100.00%**	100.00%

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

32. CONTINGENT LIABILITIES AND COMMITMENTS

In addition to the contingent liabilities and commitments disclosed in the annual consolidated financial statement of the Group for the year ended December 31, 2008, the following changes happened during the six months ended June 30, 2009:

Commitments arising from oilfield licenses and contracts of EP KMG

Year	Capital expenditures	Operational expenditures
2009	28,978,320	1,563,597
2010	841,000	4,026,442
2011	841,000	4,026,442
2012	–	4,026,442
2013	–	4,026,442
2013-2021	–	22,860,635
Total	**30,660,320**	**40,530,000**

Crude oil supply commitments of EP KMG

Under the provisions of a pre-export financing agreement EP KMG has committed to deliver 150,000 tons of crude oil per month to the lender until September 2009 at market prices determined at the date of shipment.

Tax audit of EP KMG

E&P KMG underwent a tax audit by the Tax committee of the Ministry of Finance of the Republic of Kazakhstan for 2004 and 2005. As a result of the tax audit, which was commenced in 2007 and was completed in August of 2009, the tax authorities have provided a tax assessment to E&P KMG of 32,005,320 thousand Tenge. Of this amount, 16,170,934 thousand Tenge of the amount related to underpaid taxes, 8,034,790 thousand Tenge represented administration penalties and a further 7,799,596 thousand Tenge comprised for late payment interest, related, primarily, to the following matters:

i. Expensing of hydro fracturing, other workover, transportation, geological and geophysical expenses;

ii. Exclusion of the 1997 fixed asset valuation in the cost base for EPT computation;

iii. Non-recognition of revenue for CIT purposes in respect of fixed asset revaluation based on the applicable tax legislation.

The management of E&P KMG believes its interpretations of the tax legislation were appropriate and that E&P KMG has justifiable arguments for its tax positions and will dispute the tax assessment to the fullest extent possible under the law of the Republic of Kazakhstan.

However, as management believes the outcome of the dispute is uncertain and further believes that it is more likely than not that E&P KMG may not be entirely successful in their appeals, due to the ambiguity contained in the tax legislation and a history of varying interpretations and inconsistent opinions of the authorities. Management has therefore accrued for certain matters that arose in the assessment. As at June 30, 2009, 6,378,132 thousand Tenge relating to the assessment has been accrued and a further 2,960,102 thousand Tenge for these matters in the periods of 2006 through 2008, including late payment interest has also been accrued.

Customs claim to EP KMG

On August 18, 2009 the customs committee of the Republic of Kazakhstan presented a claim to EP KMG of 17,574,728 thousand Tenge for underpaid export customs duty (including the principal of 15,260,014 thousand Tenge and the late payment interest of 2,314,714 thousand Tenge). This claim relates to January 2009 export shipments of crude oil, on which rent tax was fully paid per the regulations of the Republic of Kazakhstan, declared for customs clearance in December 2008.

Management of EP KMG believes that the laws and regulations of the Republic of Kazakhstan do not allow for double taxation and therefore export customs duty can ultimately not be accrued on volumes of crude for export from January 1, 2009 (date of enactment of new tax code) on which rent tax has been accrued and paid. Management further believes that they will ultimately prevail in this matter and therefore no amounts have been accrued in the condensed consolidated interim financial statements for the period ending June 30, 2009.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

32. CONTINGENT LIABILITIES AND COMMITMENTS (continued)

Commitments of KazGerMunay LLP (50% joint venture of the Group)

As at June 30, 2009 the Group's share in the commitments of KazGerMunay LLP is as follows:

Year	Capital expenditures	Operational expenditures
2009	7,175,685	2,743,253
Total	**7,175,685**	**2,743,253**

Contingencies of KazGerMunay LLP

In 2008 the tax authorities of the Kyzylorda region commenced legal action against KazGerMunay LLP in respect of obligations related to rates applied on the computation of penalties for gas flaring above regulated norms. The tax authorities are claiming that KazGerMunay LLP understated its obligations related to excessive gas flaring for the period from January 1, 2007 through June 30, 2008. KazGerMunay LLP is in the process of appealing the case to the Supreme Court of the Republic of Kazakhstan. As at June 30, 2009 KazGerMunay LLP accrued fines and penalties related to abovementioned in the amount of US$ 111.8 million or 16,176,342 thousand Tenge.

Although a trial date has not yet been set, during 2009 KazGerMunay LLP paid US$ 94 million or 13,601,860 thousand Tenge of the claim, in order to avoid enforced collection. The management of KazGerMunay LLP assesses the ultimate outcome of the action continually and determined that it has become probable that the action by the authorities will succeed and have therefore recognized the entire amount in the interim condensed consolidated financial statements for the six months ended June 30, 2009 as previously no amounts were accrued for this contingency.

Contractual commitments of KazTransOil JSC ("KTO")

As at June 30, 2009, KTO had contractual obligations to acquire property, plant and equipment and construction services for the amount of 26,740,060 thousand Tenge (December 31, 2008: 9,146,692 thousand Tenge). In addition, as at June 30, 2009, KTO has committed to purchase inventory (materials and spare parts) and services for the amount of 26,440,164 thousand Tenge (December 31, 2008: 44,917,113 thousand Tenge).

As at June 30, 2009, share of KTO in contractual obligations of its joint ventures to acquire property, plant and equipment and construction services amounted to 4,896,230 thousand Tenge (December 31, 2008: 10,750,441 thousand Tenge) and contractual obligations to purchase inventory (materials and spare parts) and services amounted to 722,267 thousand Tenge (December 31, 2008: 14,338 thousand Tenge).

Local market obligation of Trade House KazMunayGas JSC ("TH KMG")

The Kazakhstani government requires oil trading companies to supply a portion of the products to meet domestic energy requirement on an annual basis, mainly to support agricultural products producers during the spring and autumn sowing campaigns. Local market oil and oil products prices are significantly lower than prices obtainable on the export market and even lower than the normal domestic market price determined in an arm-length transaction. TH KMG is obliged to supply 120,000 tons of diesel amounting to 6,600,000 thousand Tenge from July 1 till September 30, 2009. In addition, during the last quarter of 2009 TH KMG is required to supply 73,700 tons of mazut amounting to 1,989,900 thousand Tenge.

Capital commitments of TH KMG

As at June 30, 2009, TH KMG had capital commitments of 6,801,336 thousand Tenge (December 31, 2008: 36,862,701 thousand Tenge) principally relating to TRG. These capital commitments are for the acquisition of property, plant and equipment.

Commitments under exploration contracts of the Company

According to the terms of exploration contracts signed by the Company with the Government bodies, the Company has certain commitments on fulfillment of minimal work programs under related oil and gas projects. As at June 30, 2008, the Company had commitments under incompleted portion of minimal work programs totaling of 176,114 thousand US Dollars and 1,395,781 thousand Tenge (December 31, 2008: 178,738 thousand US Dollars and 1,424,921 thousand Tenge).

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

32. CONTINGENT LIABILITIES AND COMMITMENTS (continued)

Capital commitments of KazMorTransFlot JSC ("KMTF", 50% joint venture of the Group)

As at June 30, 2009, KMTF had capital commitments of 7,829,616 thousand Tenge related to the acquisition of property, plant and equipment (December 31, 2008: nil).

Commitments and contingencies of PKI

As of June 30, 2009, PKI had a number of tax and other contingencies for a total outstanding amount of 20,223,527 thousand Tenge (December 31, 2008: 29,667,715 thousand Tenge). PKI is a 33% associate of the Group.

Capital commitments of Kazakhoil-Aktobe LLP ("KOA", 50% joint venture of the Group)

As at June 30, 2009, KOA had capital commitments of 47,337,525 thousand Tenge related to the acquisition of property, plant and equipment (December 31, 2008: 8,949,519 thousand Tenge).

33. SEGMENT REPORTING

The Group's operating segments have their own structure and management according to the type of goods produced and services provided. Moreover, all segments are strategic operations of the business which offer different types of goods and serve different markets.

The Group's activity consists of three main operating segments: exploration and production of oil and gas, transportation of oil and gas and refining and trading of crude oil and refined products. The remaining operating segments have been aggregated and presented as other operating segment due to their insignificance.

The following represents information about profit and loss, and assets and liabilities of operating segments of the Group as at and for the six months ended June 30, 2009:

In thousands of Tenge	Exploration and production of oil and gas	Transportation of oil and gas	Refining and trading of crude oil and refined products	Other	Elimination	Total
Revenues from sales to external customers	68,378,089	170,124,859	474,950,470	4,167,316	–	**717,620,734**
Revenues from sales to other segments	140,684,455	11,222,252	1,233,976	5,174,322	(158,315,005)	**–**
Total revenue	**209,062,544**	**181,347,111**	**476,184,446**	**9,341,638**	**(158,315,005)**	**717,620,734**
Gross profit	127,344,967	80,254,146	45,159,950	2,555,572	(3,689,288)	**251,625,347**
Finance income	45,719,655	5,956,336	3,683,117	44,428,811	(55,463,913)	**44,324,006**
Finance cost	(31,841,330)	(8,053,980)	(19,462,209)	(24,250,943)	20,205,352	**(63,403,110)**
Depreciation, depletion and amortization	(17,562,768)	(17,082,978)	(18,084,646)	(1,536,982)	–	**(54,267,374)**
Impairment of property, plant and equipment	544,810	–	–	(106,482)	–	**438,328**
Share income in joint ventures and associates	38,948,771	(3,556,618)	24,213,636	(23,865)	–	**59,581,924**
Income tax expenses	(38,855,812)	(9,671,266)	(656,848)	(17,482,036)	–	**(66,665,962)**
Net profit for the period	**174,452,767**	**19,339,089**	**(79,710,172)**	**27,067,164**	**(37,017,369)**	**104,131,479**
Other segment information as of June 30, 2009						
Investments in joint ventures and associates	634,626,616	21,031,290	24,970,037	5,512,660	–	**686,140,603**
Capital expenditures	119,387,887	18,713,202	19,648,477	940,619	–	**158,690,185**
Allowances for obsolete inventories, doubtful accounts receivable, advances paid, other assets, and doubtful VAT recoverable	(1,552,124)	(10,839,861)	(14,237,345)	(4,889,101)	–	**(31,518,431)**
Assets of the segment	**2,683,650,914**	**781,145,987**	**947,518,555**	**1,124,534,873**	**(892,881,773)**	**4,643,968,556**
Liabilities of the segment	**1,236,827,746**	**371,229,018**	**830,145,291**	**525,143,980**	**(657,012,077)**	**2,306,333,958**

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

33. SEGMENT REPORTING (continued)

The following represents information about profit and loss, and assets and liabilities of operating segments of the Group as at and for the six months ended June 30, 2008:

In thousands of Tenge	Exploration and production of oil and gas	Transportation of oil and gas	Refining and trading of crude oil and refined products	Other	Elimination	Total
Revenues from sales to external customers	81,266,577	143,465,342	779,856,187	4,572,627	–	**1,009,160,733**
Revenues from sales to other segments	270,306,896	14,721,521	5,099,496	6,083,481	(296,211,394)	**–**
Total revenue	**351,573,473**	**158,186,863**	**784,955,683**	**10,656,108**	**(296,211,394)**	**1,009,160,733**
Gross profit	276,884,077	67,698,352	79,880,993	3,082,825	(18,963,452)	**408,582,795**
Finance income	21,913,651	2,352,060	4,893,194	109,214,464	(108,666,952)	**29,706,417**
Finance cost	(12,616,828)	(6,038,542)	(27,962,088)	(2,135,414)	853,661	**(47,899,211)**
Depreciation, depletion and amortization	(16,240,575)	(16,532,480)	(13,847,497)	(1,178,388)		**(47,798,940)**
Impairment of property, plant and equipment	(1,030,876)	(1,213,621)	(19,726)	(392,831)	–	**(2,657,054)**
Share income in joint ventures and associates	140,576,214	934,170	10,054,290	22,262	–	**151,586,936**
Income tax expenses	(113,596,879)	(15,286,048)	(9,830,524)	(12,713,141)	–	**(151,426,592)**
Net profit for the period	**254,042,071**	**30,370,063**	**2,202,578**	**90,954,817**	**(106,345,790)**	**271,223,739**
Other segment information as of December 31, 2008 (audited) (restated)						
Investments in joint ventures and associates	123,475,330	79,712	2,687,304	–	–	**126,242,346**
Allowances for obsolete inventories, doubtful accounts receivable, advances paid, other assets, and doubtful VAT recoverable	(8,152,698)	(10,611,469)	(8,850,773)	(79,955)	–	**(27,694,895)**
Assets of the segment	**2,265,462,904**	**735,182,544**	**940,839,034**	**596,040,708**	**(524,563,322)**	**4,012,961,868**
Liabilities of the segment	**1,053,914,757**	**383,872,972**	**818,237,381**	**47,891,050**	**(191,089,400)**	**2,112,826,760**

34. SUBSEQUENT EVENTS

On January 21, 2009 the Group signed an agreement with Samruk-Kazyna on exchange of 100% shares of Atyrau International Airport JSC for 50% shares of KazMorTransFlot JSC. The exchange transaction was completed on July 2, 2009. As a result of this exchange, the Group became the sole shareholder of KazMorTransFlot JSC.

On July 3, 2009, the Company issued bonds on KASE with the nominal value of 190 billion Tenge bearing coupon interest rate at 4% per annum maturing in 2044. On the same date Samruk Kazyna issued bonds on KASE under the same terms. The Company and Samruk Kazyna exchanged the bonds. The Company provided the bonds of Samruk Kazyna to the National Bank of the Republic of Kazakhstan ("NBRK") under a REPO transaction and received 180,500,000 thousand Tenge from NBRK for a term of four months bearing interest at 8.5% per annum.

On July 20, 2009 the Group received US$ 25 million (equivalent to 3.8 billion Tenge) dividends from KazGerMunay LLP.

On July 23, 2009, the Group issued US$ 1,250 million bonds on London Stock Exchange at the interest rate of 11.75% per annum maturing in 2015. On August 5, 2009 the Group issued additional US$ 250 million bonds at the same credit terms.

On July 27, 2009 the Group repaid a loan taken from HSBC Bank PLC in the amount of 6,399,262 thousand Tenge (equivalent of US$ 42,545,456) by use of its own funds and by obtaining additional loans under open credit lines from SB Royal Bank of Scotland Kazakhstan and SB HSBC Bank Kazakhstan in the amounts of US$ 6,550,000 and US$ 2,000,000, respectively.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

34. SUBSEQUENT EVENTS (continued)

On July 27, 2009 the Group transferred 100% shares of Alatau Zharyk Company JSC for the shares issued in the sixths emission of Samruk-Energo JSC, an entity founded in 2007 in accordance with the law of the Republic of Kazakhstan, which is controlled by Samruk- Kazyna.

On August 3 and August 20 of 2009 EP KMG entered into oil price derivative transactions. The details of the derivative instruments are as follows:

	Derivative III	**Derivative IV**
Crude oil blend (average monthly price)	Brent	Brent
Notional amount per month in barrels	1,000,000	500,000
Effective from	August 1, 2009	August 1, 2009
Expiration date	December 31, 2009	December 31, 2009
Option style	Asian	Asian
Strike price per unit: put	US$ 60 per barrel	US$ 60 per barrel
Strike price per unit: call	US$ 85 per barrel	US$ 86 per barrel

On August 4, 2009, the Group acquired a 100% interest in “Refinery Company RT” LLP, which owns 58% of “Pavlodar Refinery” JCS for a cash consideration of US$ 1.2 billion.