

**KazTransOil JSC**

**Interim condensed consolidated financial statements**

*For the nine months ended 30 September 2015*

## Report on review of interim condensed consolidated financial statements

To the Shareholders of KazTransOil JSC

### **Introduction**

We have reviewed the accompanying interim condensed consolidated financial statements of KazTransOil JSC and its subsidiaries (hereinafter-"the Group"), comprising the interim consolidated statement of financial position as at 30 September 2015 and the related interim consolidated statements of comprehensive income, changes in equity and cash flows for the three and nine-month periods then ended and explanatory notes. Management is responsible for the preparation and presentation of these interim condensed consolidated financial statements in accordance with 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 conducted in accordance with International Standards on Auditing and, consequently, does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

**Conclusion**

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

*Ernst & 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

10 November 2015

**CONTENTS**

---

Report on review of interim condensed consolidated financial statements

**Interim condensed consolidated financial statements**

Interim consolidated statement of financial position .....	1-2
Interim consolidated statement of comprehensive income .....	3-4
Interim consolidated statement of cash flows .....	5-6
Interim consolidated statement of changes in equity .....	7
Notes to the interim condensed consolidated financial statements .....	8-36

**INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

<i>In thousands of Tenge</i>	<b>Notes</b>	<b>30 September 2015 (unaudited)</b>	<b>31 December 2014 (audited)</b>
<b>Assets</b>			
<b>Non-current assets</b>			
Property, plant and equipment	3	452,755,485	415,390,661
Intangible assets	4	5,897,613	5,479,443
Investments in joint ventures	5	26,801,872	49,843,334
Advances to suppliers for property, plant and equipment	6	10,868,603	11,307,451
Bank deposits	12	3,939,617	3,729,880
Other non-current assets		29,775	16,723
		<b>500,292,965</b>	<b>485,767,492</b>
<b>Current assets</b>			
Inventories	7	4,376,029	3,044,558
Trade and other accounts receivable	8	4,261,379	5,803,874
Advances to suppliers	9	1,141,995	1,111,935
Prepayment for corporate income tax		1,893	5,814,807
VAT recoverable and other prepaid taxes	10	5,884,609	6,196,069
Other current assets	11	3,240,874	3,380,259
Bank deposits	12	23,389,078	32,112,242
Cash and cash equivalents	13	47,948,590	42,174,720
		<b>90,244,447</b>	<b>99,638,464</b>
Assets classified as held for sale		21,974	1,261
		<b>90,266,421</b>	<b>99,639,725</b>
<b>Total assets</b>		<b>590,559,386</b>	<b>585,407,217</b>

*The accounting policy and explanatory notes on pages 8 through 36 form an integral part of these interim condensed consolidated financial statements.*

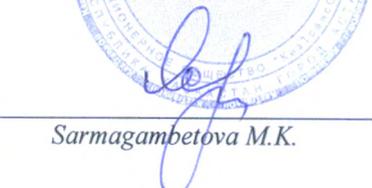
**INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)**

<i>In thousands of Tenge</i>	<b>Notes</b>	<b>30 September 2015 (unaudited)</b>	<b>31 December 2014 (audited)</b>
<b>Equity and liabilities</b>			
<b>Equity</b>			
Share capital	14	61,937,567	61,937,567
Asset revaluation reserve	14	127,795,539	138,237,679
Other reserves	14	(1,810,575)	(1,810,575)
Foreign currency translation reserve	14	26,734,988	14,860,910
Retained earnings		245,965,546	244,418,740
<b>Total equity</b>		<b>460,623,065</b>	<b>457,644,321</b>
<b>Non-current liabilities</b>			
Employee benefit liabilities	15	11,844,611	11,204,603
Deferred tax liabilities	28	40,606,424	41,167,915
Provision for asset retirement obligation and land recultivation obligation	19	22,594,223	20,631,009
Deferred income		6,434,979	4,423,082
		<b>81,480,237</b>	<b>77,426,609</b>
<b>Current liabilities</b>			
Employee benefit liabilities	15	460,000	408,757
Income tax payable		6,945,885	910,109
Trade and other accounts payable	16	10,006,297	15,773,741
Advances received	17	15,533,102	16,746,436
Other taxes payable	18	3,127,330	3,226,928
Provisions	19	388,404	316,065
Other current liabilities	20	11,995,066	12,954,251
		<b>48,456,084</b>	<b>50,336,287</b>
<b>Total liabilities</b>		<b>129,936,321</b>	<b>127,762,896</b>
<b>Total equity and liabilities</b>		<b>590,559,386</b>	<b>585,407,217</b>
<b>Book value of ordinary shares (in Tenge)</b>	14	<b>1,182</b>	<b>1,176</b>

Signed and approved for issue on 10 November 2015.

General Director

  
 Kabyldin K.M.  
 KazTransOil

  
 Sarmagambetova M.K.

Chief Accountant

*The accounting policy and explanatory notes on pages 8 through 36 form an integral part of these interim condensed consolidated financial statements.*

**INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**

<i>In thousands of Tenge</i>	Notes	For the three months ended 30 September (unaudited)		For the nine months ended 30 September (unaudited)	
		2015	2014*	2015	2014*
Revenue	21	<b>51,167,402</b>	51,535,522	<b>157,813,171</b>	151,895,769
Cost of sales	22	<b>(31,402,954)</b>	(31,251,406)	<b>(87,573,903)</b>	(84,084,163)
<b>Gross profit</b>		<b>19,764,448</b>	20,284,116	<b>70,239,268</b>	67,811,606
General and administrative expenses	23	<b>(3,056,622)</b>	(4,097,734)	<b>(8,309,424)</b>	(8,846,647)
Other operating income	24	<b>178,711</b>	274,730	<b>751,879</b>	837,006
Other operating expenses	25	<b>(728,580)</b>	(28,143)	<b>(1,335,068)</b>	(136,347)
Loss from impairment of property, plant and equipment	3	<b>(5,181)</b>	(4,947,072)	<b>(153,512)</b>	(5,018,080)
<b>Operating profit</b>		<b>16,152,776</b>	11,485,897	<b>61,193,143</b>	54,647,538
Net foreign exchange gain/(loss)		<b>14,131,982</b>	27,516	<b>15,190,750</b>	(12,612)
Finance income	26	<b>383,520</b>	1,024,022	<b>2,035,395</b>	4,085,776
Finance cost	27	<b>(488,311)</b>	(354,930)	<b>(1,411,213)</b>	(1,064,796)
Dividend income		–	–	–	80,277
Share in (loss)/income of joint ventures	5	<b>(24,504,368)</b>	1,664,183	<b>(21,917,294)</b>	(8,179,382)
<b>Profit before income tax</b>		<b>5,675,599</b>	13,846,688	<b>55,090,781</b>	49,556,801
Income tax expense	28	<b>(6,317,679)</b>	(3,011,736)	<b>(16,305,258)</b>	(12,285,804)
<b>(Loss)/profit for the period</b>		<b>(642,080)</b>	10,834,952	<b>38,785,523</b>	37,270,997
<b>(Loss)/earnings per share (in Tenge)</b>	14	<b>(2)</b>	28	<b>101</b>	97
<b>Other comprehensive income</b>					
<i>Other comprehensive income/(loss) to be reclassified to profit or loss in subsequent periods</i>					
Exchange difference from translation of foreign operations of the Group		<b>11,648,214</b>	(408,841)	<b>9,963,156</b>	6,231,328
Exchange difference from translation of foreign operations of the joint ventures	5	<b>133,895</b>	(2,722)	<b>140,343</b>	48,305
<b>Total other comprehensive income/ (loss) to be reclassified to profit or loss in subsequent periods</b>		<b>11,782,109</b>	(411,563)	<b>10,103,499</b>	6,279,633

*The accounting policy and explanatory notes on pages 8 through 36 form  
an integral part of these interim condensed consolidated financial statements.*

**INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (continued)**

<i>In thousands of Tenge</i>	Notes	For the three months ended 30 September (unaudited)		For the nine months ended 30 September (unaudited)	
		2015	2014*	2015	2014*
<i>Other comprehensive (loss)/income of the Group not to be reclassified to profit or loss in subsequent periods</i>					
Revaluation of property, plant and equipment of the Group		-	16,092,487	-	16,092,487
Income tax effect	28	-	(3,218,497)	-	(3,218,497)
		-	12,873,990	-	12,873,990
Impairment of property, plant and equipment of the Group	3	(3,471)	(3,734,907)	(69,514)	(3,761,891)
Income tax effect	28	694	746,980	13,903	752,377
		(2,777)	(2,987,927)	(55,611)	(3,009,514)
Provision for asset retirement obligation and land recultivation of the Group	19	(1,938,611)	-	130,233	-
Income tax effect	28	387,722	-	(26,046)	-
		(1,550,889)	-	104,187	-
Actuarial losses from employee benefit liabilities of the Group	15	-	-	-	(963,600)
Income tax effect	28	-	-	-	192,721
		-	-	-	(770,879)
<b>Total other comprehensive (loss)/income of the Group not to be reclassified to profit or loss in subsequent periods, net</b>		<b>(1,553,666)</b>	<b>9,886,063</b>	<b>48,576</b>	<b>9,093,597</b>
<i>Other comprehensive income of the joint ventures not to be reclassified to profit or loss in subsequent periods</i>					
Revaluation of property, plant and equipment of the joint ventures		-	3,576,974	-	3,576,974
Income tax effect		-	(715,395)	-	(715,395)
	5	-	2,861,579	-	2,861,579
Provision for asset retirement obligation and land recultivation of the joint ventures		303,438	229,130	588,137	229,130
Income tax effect		(60,688)	(45,826)	(117,628)	(45,826)
	5	242,750	183,304	470,509	183,304
<b>Total other comprehensive income of the joint ventures not to be reclassified to profit or loss in subsequent periods, net</b>		<b>242,750</b>	<b>3,044,883</b>	<b>470,509</b>	<b>3,044,883</b>
<b>Total other comprehensive income for the period, net of taxes</b>		<b>10,471,193</b>	<b>12,519,383</b>	<b>10,622,584</b>	<b>18,418,113</b>
<b>Total comprehensive income for the period, net of taxes</b>		<b>9,829,113</b>	<b>23,354,335</b>	<b>49,408,107</b>	<b>55,689,110</b>

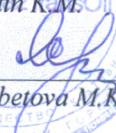
\* Certain amounts presented in this column do not conform to the interim condensed consolidated financial statements for nine months ended 30 September 2014, since they comprise performed reclassifications that are detailed in Note 21.

Signed and approved for issue on 10 November 2015.

General Director

Chief Accountant

  
Kabyldin K.M.

  
Sarmagambetova M.K.

The accounting policy and explanatory notes on pages 8 through 36 form an integral part of these interim condensed consolidated financial statements.

**INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS**

<i>In thousands of Tenge</i>	Notes	For the nine months ended 30 September (unaudited)	
		2015	2014
<b>Cash flows from operating activities</b>			
Profit before tax		55,090,781	49,556,801
<i>Non-cash adjustment to reconcile profit before tax to net cash flows:</i>			
Depreciation and amortization	22, 23	24,649,746	25,401,518
Charge of allowance for doubtful debts	23	72,003	1,895
Share in loss of joint ventures	5	21,917,294	8,179,382
Finance costs	27	1,411,213	1,064,796
Finance income	26	(2,035,395)	(4,085,776)
Post-employment benefits	15	601,846	371,748
Charge/(reversal) of provisions, net	19	59,568	(7)
Loss on disposal of property, plant and equipment and intangible assets, net	25	1,220,096	59,755
Gain from sale of other non-current assets, net	24, 25	(30)	(61,090)
Gain from sale of inventory, net	24, 25	(31,626)	(141,468)
Impairment of property, plant and equipment	3	153,512	5,018,080
Impairment of intangible assets	23	–	135,808
Income from write-off of accounts payable	24	(50,127)	(74,539)
Amortization of deferred income	24	(234,274)	(234,274)
Expenses on write-off of VAT recoverable		86,218	277,756
Expenses on liquidation of idle oil pumping stations	25	–	43,207
Unrealized foreign exchange gain		(15,155,515)	(23,936)
Charge/(reversal) of provision for obsolete and slow-moving inventory	23	6,617	(5,492)
<b>Cash flows from operating activities before working capital changes</b>		<b>87,761,927</b>	<b>85,484,164</b>
<i>(Increase)/decrease in operating assets:</i>			
Inventories		(1,206,580)	2,148,067
Trade and other accounts receivable		1,922,359	(5,052,158)
Advances to suppliers		27,451	(177,481)
VAT recoverable and other prepaid taxes		216,545	(2,644,502)
Other current assets		481,971	939,575
<i>Increase/(decrease) in operating liabilities:</i>			
Trade and other accounts payable		(3,315,523)	640,064
Advances received		(1,309,616)	(1,911,660)
Other taxes payable		(1,017,189)	93,516
Other current and non-current liabilities and employee benefit liabilities		(1,558,938)	(5,796,651)
<b>Cash generated from operating activities</b>		<b>82,002,407</b>	<b>73,722,934</b>
Income taxes paid		(5,507,576)	(14,118,011)
Interest received		1,682,357	4,361,906
<b>Net cash flow from operating activities</b>		<b>78,177,188</b>	<b>63,966,829</b>

*The accounting policy and explanatory notes on pages 8 through 36 form an integral part of these interim condensed consolidated financial statements.*

**INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS (continued)**

<i>In thousands of Tenge</i>	Notes	For the nine months ended 30 September (unaudited)	
		2015	2014
<b>Cash flows from investing activities</b>			
Withdrawal of bank deposits		48,724,662	92,503,433
Placement of bank deposits		(31,732,091)	(52,528,703)
Purchase of property, plant and equipment		(53,183,115)	(58,611,295)
Purchase of intangible assets		(110,045)	(198,857)
Proceeds from disposal of property, plant and equipment and intangible assets		29,319	30,521
Proceeds from disposal of assets held for sale		–	193,982
Dividends received		1,735,020	717,897
<b>Net cash flow used in investing activities</b>		<b>(34,536,250)</b>	<b>(17,893,022)</b>
<b>Cash flows from financing activities</b>			
Dividends paid	14	(46,429,363)	(41,925,280)
<b>Net cash flow used in financing activities</b>		<b>(46,429,363)</b>	<b>(41,925,280)</b>
Net foreign exchange difference		8,562,295	(173,419)
<b>Net change in cash and cash equivalents</b>		<b>5,773,870</b>	<b>3,975,108</b>
<b>Cash and cash equivalents at the beginning of the period</b>	13	<b>42,174,720</b>	<b>25,645,348</b>
<b>Cash and cash equivalents at the end of the period</b>	13	<b>47,948,590</b>	<b>29,620,456</b>

Signed and approved for issue on 10 November 2015.

General Director



Kabyldin K.M.  
KazTransOil

Chief Accountant

Sarmagambetova M.K.

**INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**

<i>In thousands of Tenge</i>	Share capital	Asset revaluation reserve	Foreign currency translation reserve	Other capital reserves	Retained earnings	Total
<b>As at 31 December 2014 (audited)</b>	61,937,567	138,237,679	14,860,910	(1,810,575)	244,418,740	457,644,321
Profit for the period	-	-	-	-	38,785,523	38,785,523
Other comprehensive income	-	519,085	10,103,499	-	-	10,622,584
<b>Total comprehensive (loss)/income for the period</b>	-	519,085	10,103,499	-	38,785,523	49,408,107
Depreciation transfer of revalued property, plant and equipment	-	(9,190,646)	-	-	9,190,646	-
Dividends (Note 14)	-	-	-	-	(46,429,363)	(46,429,363)
Reclassification	-	(1,770,579)	1,770,579	-	-	-
<b>As at 30 September 2015 (unaudited)</b>	61,937,567	127,795,539	26,734,988	(1,810,575)	245,965,546	460,623,065
<b>As at 31 December 2013 (audited)</b>	61,937,567	171,902,104	10,069,002	(1,016,496)	224,377,740	467,269,917
Profit for the period	-	-	-	-	37,270,997	37,270,997
Other comprehensive income/(loss)	-	12,909,359	6,279,633	(770,879)	-	18,418,113
<b>Total comprehensive income/(loss) for the period</b>	-	12,909,359	6,279,633	(770,879)	37,270,997	55,689,110
Depreciation transfer of revalued property, plant and equipment	-	(11,896,773)	-	-	11,896,773	-
Dividends (Note 14)	-	-	-	-	(41,925,280)	(41,925,280)
<b>As at 30 September 2014 (unaudited)</b>	61,937,567	172,914,690	16,348,635	(1,787,375)	231,620,230	481,033,747

Signed and approved for issue on 10 November 2015.

General Director



Kabyldin K.M.

Sarmagambetova M.K.

Chief Accountant

*The accounting policy and explanatory notes on pages 8 through 36 form an integral part of these interim condensed consolidated financial statements.*

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

For the nine months ended 30 September 2015

**1. GENERAL**

On 2 May 2001, the Government of the Republic of Kazakhstan issued a resolution to create a new closed joint stock company National Company “Transportation of Oil and Gas” (hereinafter – “TNG”) owned by the Government. Based on that resolution, the Committee for State Property and Privatization of the Ministry of Finance of the Republic of Kazakhstan transferred the “KazTransOil” NOTC CJSC shares to TNG, and, as a result, “KazTransOil” NOTC CJSC was re-registered and renamed “KazTransOil” CJSC.

On 31 May 2004, in accordance with the requirements of Kazakhstani legislation, CJSC “KazTransOil” was re-registered as “KazTransOil” JSC (hereinafter – “Company”).

As at 30 September 2015 National Company “KazMunayGas” JSC (hereinafter – “KMG” or “Parent Company”) is a major shareholder of the Company, that owns the controlling interest of the Company (90%). KMG is owned by Sovereign Wealth Fund “Samruk-Kazyna” JSC (hereinafter – “Samruk-Kazyna”), which is controlled by the Government of the Republic of Kazakhstan. The remaining 10% of shares except for one share are owned by minority shareholders who acquired them within the “People’s IPO”.

As at 30 September 2015 and 31 December 2014 the Company had interest ownership in the following companies:

	Place of incorporation	Principal activities	Ownership	
			30 September 2015	31 December 2014
NWPC “MunaiTas” JSC (hereinafter – “MunaiTas”)	Kazakhstan	Oil transportation	51%	51%
“Kazakhstan-China Pipeline” LLP (hereinafter – “KCP”)	Kazakhstan	Oil transportation	50%	50%
“Batumi Terminals Limited” (hereinafter – “BTL”)	Cyprus	Forwarding, transshipment and storage of oil and oil products and operating of Batumi Sea Port and Oil Terminal	100%	100%

The Company and its subsidiary are hereinafter referred to as the “Group”.

The Company’s head office is located in Astana, Kazakhstan, at 19 Kabanbay Batyr Avenue. The Company has 4 branches, which are located in Atyrau (Western branch), Pavlodar (Eastern branch), Almaty (Research and Development Centre), Astana (Main Information and Computing Center), and representative offices in the Russian Federation (Moscow, Omsk and Samara).

The Group operates network of main oil pipelines of 5,373 km and water pipelines of 1,975 km. Also the Group is engaged in storage, loading, transshipment and transfer of crude oil to other related pipeline systems. Group’s joint ventures MunaiTas and KCP own Kenkiyak-Atyrau, Kenkiyak-Kumkol, and Atasu-Alashankou pipelines used for transportation of Kazakhstani crude oil to China. Group’s subsidiary BTL owns Batumi Oil Terminal LLC (hereinafter – “Batumi Oil Terminal”) and has controlling interest of Batumi Sea Port LLC (hereinafter – “Batumi Sea Port”), which are located in Georgia and the main activity of which is storage and transshipment of oil and dry cargoes.

The Company is a natural monopolist and, accordingly, is subject to regulation of the Committee on Regulation of Natural Monopolies and Protection of Competition of the Ministry of National Economy of the Republic of Kazakhstan (hereinafter – “CRNMandPC”). CRNMandPC is responsible for approving the methodology for calculating the tariff and tariff rates for oil transportation within the Republic of Kazakhstan.

On 18 May 2015 amendments to the Law of the Republic of Kazakhstan “*On natural monopolies and regulated markets*” came into force. According to the amendments transit of crude oil through the pipelines on the territory of the Republic of Kazakhstan and export from the Republic of Kazakhstan is excluded from the regulation of natural monopolies.

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

---

### 1. GENERAL (continued)

From 1 October 2015 order of CRNMandPC dated on 21 August 2015 approving the maximum tariffs for pumping oil on the domestic market for the 2015-2019 years shall come into force in the amount of:

- in 2015 – 3,225.04 Tenge per tonne for 1,000 km without VAT;
- in 2016 – 3,547.46 Tenge per tonne for 1,000 km without VAT;
- in 2017 – 3,902.13 Tenge per tonne for 1,000 km without VAT;
- in 2018 – 4,292.40 Tenge per tonne for 1,000 km without VAT;
- in 2019 – 4,721.72 Tenge per tonne for 1,000 km without VAT.

In general, tariff rates are based on the cost of capital return on operating assets. In accordance with the legislation in the Republic of Kazakhstan on regulation of natural monopolies, tariff rates cannot be lower than the cost of the expenditure required to provide services, and consider the possibility of making a profit, providing the effective functioning of a natural monopoly.

These interim condensed consolidated financial statements for the nine month period ended 30 September 2015 were approved for issue by the General Director and the Chief accountant of the Company on 10 November 2015.

### 2. BASIS OF PREPARATION AND CHANGES IN ACCOUNTING POLICIES

#### Basis of preparation

These interim condensed consolidated financial statements for the nine month period ended 30 September 2015 have been prepared in accordance with International Financial Reporting IAS 34 *Interim Financial Reporting*.

These interim condensed consolidated financial statements have been prepared on a historical cost basis, except for property, plant and equipment which are stated at revalued amounts and financial assets that have been measured at fair value.

Interim condensed consolidated financial statements do not include all information and disclosures required for annual financial statements and should be read in conjunction with the Group's annual financial statements for the year ended 31 December 2014.

These interim condensed consolidated financial statements are presented in Tenge and all values are rounded to the nearest thousand, except for the book value of ordinary shares, earnings per share and when otherwise indicated. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Functional currency of the Company and the joint ventures MunaiTas and KCP is the Tenge. Functional currency of the Group of BTL is the US Dollar, with the exception of Batumi Sea Port for which the functional currency is the Lari.

#### New standards, interpretations and amendments thereof, adopted by the Group

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2014, except for the adoption of new standards and interpretations as of 1 January 2015.

Several new standards and amendments apply for the first time in 2015. However, they do not impact the annual consolidated financial statements of the Group or the interim condensed consolidated financial statements of the Group. The nature and the impact of each new standard or amendment are described below.

The Group applied, for the first time, certain standards and amendments:

#### *Amendments to IAS 19 Defined Benefit Plans: Employee Contributions*

IAS 19 requires an entity to consider contributions from employees or third parties when accounting for defined benefit plans. Where the contributions are linked to service, they should be attributed to periods of service as a negative benefit. These amendments clarify that, if the amount of the contributions is independent of the number of years of service, an entity is permitted to recognise such contributions as a reduction in the service cost in the period in which the service is rendered, instead of allocating the contributions to the periods of service. This amendment is effective for annual periods beginning on or after 1 July 2014. This amendment is not relevant to the Group, since none of the entities within the Group has defined benefit plans with contributions from employees or third parties.

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

---

### 2. BASIS OF PREPARATION AND CHANGES IN ACCOUNTING POLICIES (continued)

#### New standards, interpretations and amendments thereof, adopted by the Group (continued)

##### *Annual improvements of IFRS 2010-2012 cycle*

These improvements are effective from 1 July 2014 and have not significantly affected these interim condensed consolidated financial statements of the Group. They include:

##### *IFRS 3 Business Combinations (Amendment)*

The amendment is applied prospectively and clarifies that all contingent consideration arrangements classified as liabilities (or assets) arising from a business combination should be subsequently measured at fair value through profit or loss whether or not they fall within the scope of IFRS 9 (or IAS 39, as applicable). This is consistent with the Group's current accounting policy, and thus this amendment does not impact the Group's accounting policy.

##### *IFRS 8 Operating Segments (Amendment)*

The amendments are applied retrospectively and clarify that:

- An entity must disclose the judgements made by management in applying the aggregation criteria in paragraph 12 of IFRS 8, including a brief description of operating segments that have been aggregated and the economic characteristics (e.g., sales and gross margins) used to assess whether the segments are "similar".
- The reconciliation of segment assets to total assets is only required to be disclosed if the reconciliation is reported to the chief operating decision maker, similar to the required disclosure for segment liabilities.

##### *IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets (Amendments)*

The amendment is applied retrospectively and clarifies in IAS 16 and IAS 38 that the asset may be revalued by reference to observable data by either adjusting the gross carrying amount of the asset to market value or by determining the market value of the carrying value and adjusting the gross carrying amount proportionately so that the resulting carrying amount equals the market value. In addition, the accumulated depreciation or amortisation is the difference between the gross and carrying amounts of the asset. The Group did not record any revaluation adjustments during the current interim period.

##### *IAS 24 Related Party Disclosures (Amendment)*

The amendment is applied retrospectively and clarifies that a management entity (an entity that provides key management personnel services) is a related party subject to the related party disclosures. In addition, an entity that uses a management entity is required to disclose the expenses incurred for management services. This amendment is not relevant for the Group as it does not receive any management services from other entities.

##### *Annual improvements of IFRS 2011-2013 cycle*

These improvements are effective from 1 July 2014 and have not significantly affected these interim condensed consolidated financial statements of the Group. They include:

##### *IFRS 3 Business Combinations (Amendment)*

The amendment is applied prospectively and clarifies for the scope exceptions within IFRS 3 that:

- Joint arrangements, not just joint ventures, are outside the scope of IFRS 3.
- This scope exception applies only to the accounting in the financial statements of the joint arrangement itself.

##### *IFRS 13 Fair Value Measurement (Amendment)*

The amendment is applied prospectively and clarifies that the portfolio exception in IFRS 13 can be applied not only to financial assets and financial liabilities, but also to other contracts within the scope of IFRS 9 (or IAS 39, as applicable). The Group does not apply the portfolio exception in IFRS 13.

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

### 2. BASIS OF PREPARATION AND CHANGES IN ACCOUNTING POLICIES (continued)

#### 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 two quarters. These fluctuations are mainly due to the pipeline repairs that are performed mainly during the second half of the year.

Purchase of inventory is mainly implemented in the first half of the year.

#### Foreign currency translation

From 20 August 2015, the National Bank of the Republic of Kazakhstan decided to abandon the maintenance of the exchange rate of the Tenge against the US Dollar and other major currencies on the same level, to reduce the volume of currency interventions and reduce interference in the formation of the exchange rate of Tenge. The exchange rate before and after the devaluation of the Tenge was 188.38 and 255.26 Tenge per 1 US Dollar, respectively.

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

Weighted average currency exchange rates for the nine month periods ended 30 September 2015 and 2014 were as follows:

<i>Tenge</i>	For the three months ended 30 September		For the nine months ended 30 September	
	2015	2014	2015	2014
US Dollars	217.84	182.50	196.23	178.45
Russian Rubles	3.44	5.04	3.31	5.04
Euro	242.77	241.99	218.96	241.93
Georgian Lari	94.13	78.66	88.76	101.84

As at 30 September 2015 and 31 December 2014 the currency exchange rates of KASE were:

<i>Tenge</i>	30 September 2015	31 December 2014
US Dollars	270.89	182.35
Russian Rubles	4.13	3.13
Euro	303.97	221.59
Georgian Lari	115.52	98.45

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

### 3. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment as at 30 September 2015 was presented as follows:

<i>In thousands of Tenge</i>	Land	Pipelines	Transportation assets	Buildings and constructions	Machinery and equipment	Technological oil	Other	Construction in progress	Total
<b>At revalued amount as at 31 December 2014 (audited)</b>	12,483,895	147,474,455	9,979,926	78,466,503	114,120,834	69,568,777	14,949,765	28,895,431	475,939,586
Foreign currency translation	4,142,475	-	1,709,127	6,386,582	5,776,637	-	230,598	409,657	18,655,076
Additions	25	-	941,797	52,330	1,102,416	-	857,864	48,967,104	51,921,536
Disposals	(5,208)	(1,543,035)	(245,585)	(71,230)	(631,428)	(1,816)	(438,333)	(235,387)	(3,172,022)
Recognition of asset retirement and land reclamation obligation (Note 19)	-	1,111,925	-	-	-	-	-	-	1,111,925
Transfer to Intangible assets (Note 4)	-	-	-	-	-	-	-	(34,874)	(34,874)
Transfer to assets held as for sale	(2,443)	-	-	(27,573)	-	-	-	-	(30,016)
Transfer from construction-in-progress	45,329	4,486,957	668,659	2,923,616	4,605,862	-	344,710	(13,075,133)	-
Transfers and reclassifications	-	65,027	(245,080)	(63,747)	233,430	-	10,370	-	-
<b>At revalued amount as at 30 September 2015 (unaudited)</b>	<b>16,664,073</b>	<b>151,595,329</b>	<b>12,808,844</b>	<b>87,666,481</b>	<b>125,207,751</b>	<b>69,566,961</b>	<b>15,954,974</b>	<b>64,926,798</b>	<b>544,391,211</b>
<b>Accumulated depreciation and impairment as at 31 December 2014 (audited)</b>	-	(14,327,030)	(3,092,269)	(16,566,241)	(21,244,909)	(330,205)	(4,658,747)	(329,524)	(60,548,925)
Foreign currency translation	-	-	(697,558)	(4,181,300)	(3,150,915)	-	(177,678)	-	(8,207,451)
Depreciation charge	-	(7,582,901)	(987,064)	(4,293,852)	(9,060,796)	-	(2,337,391)	-	(24,262,004)
Disposals	-	144,980	231,901	51,637	591,257	-	423,125	154,738	1,597,638
Impairment (through profit and loss)	-	(53,011)	-	(3,787)	(86,438)	-	(5,095)	(5,181)	(153,512)
Impairment (through revaluation reserve)	-	(10,731)	-	(1,747)	(53,220)	-	(346)	(3,470)	(69,514)
Transfer to assets held as for sale	-	-	-	8,042	-	-	-	-	8,042
Transfers and reclassifications	-	-	-	3,708	(3,130)	-	(578)	-	-
<b>Accumulated depreciation and impairment as at 30 September 2015 (unaudited)</b>	<b>-</b>	<b>(21,828,693)</b>	<b>(4,544,990)</b>	<b>(24,983,540)</b>	<b>(33,008,151)</b>	<b>(330,205)</b>	<b>(6,756,710)</b>	<b>(183,437)</b>	<b>(91,635,726)</b>

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)****3. PROPERTY, PLANT AND EQUIPMENT (continued)**

<i>In thousands of Tenge</i>	Land	Pipelines	Transportation assets	Buildings and constructions	Machinery and equipment	Technological oil	Other	Construction in progress	Total
<b>As at 30 September 2015 (unaudited)</b>									
At revalued amount	16,664,073	151,595,329	12,808,844	87,666,481	125,207,751	69,566,961	15,954,974	64,926,798	544,391,211
Accumulated depreciation and impairment	–	(21,828,693)	(4,544,990)	(24,983,540)	(33,008,151)	(330,205)	(6,756,710)	(183,437)	(91,635,726)
<b>Net book value (unaudited)</b>	<b>16,664,073</b>	<b>129,766,636</b>	<b>8,263,854</b>	<b>62,682,941</b>	<b>92,199,600</b>	<b>69,236,756</b>	<b>9,198,264</b>	<b>64,743,361</b>	<b>452,755,485</b>
<b>As at 31 December 2014 (audited)</b>									
At revalued amount	12,483,895	147,474,455	9,979,926	78,466,503	114,120,834	69,568,777	14,949,765	28,895,431	475,939,586
Accumulated depreciation and impairment	–	(14,327,030)	(3,092,269)	(16,566,241)	(21,244,909)	(330,205)	(4,658,747)	(329,524)	(60,548,925)
<b>Net book value (audited)</b>	<b>12,483,895</b>	<b>133,147,425</b>	<b>6,887,657</b>	<b>61,900,262</b>	<b>92,875,925</b>	<b>69,238,572</b>	<b>10,291,018</b>	<b>28,565,907</b>	<b>415,390,661</b>

The carrying value of each class of revalued assets that would have been included in the consolidated financial statements, if the assets were accounted for at historical cost less accumulated depreciation and accumulated impairment losses, are as follows:

<i>In thousands of Tenge</i>	Land	Pipelines	Transportation assets	Buildings and constructions	Machinery and equipment	Technological oil	Other	Construction in progress	Total
<b>As at 30 September 2015</b>	<b>13,449,115</b>	<b>94,603,850</b>	<b>8,930,752</b>	<b>40,818,591</b>	<b>74,473,005</b>	<b>1,168,350</b>	<b>7,138,124</b>	<b>63,522,821</b>	<b>304,104,608</b>
<b>As at 31 December 2014</b>	<b>9,328,530</b>	<b>97,829,484</b>	<b>7,155,556</b>	<b>37,154,711</b>	<b>72,623,710</b>	<b>1,168,388</b>	<b>7,462,862</b>	<b>27,019,861</b>	<b>259,743,102</b>

As at 30 September 2015 construction in progress mainly includes the following production projects:

- construction, realized as a part of interstate “Kazakhstan-China” oil pipeline construction project;
- reconstruction of main oil pipelines “Kalamkas-Karazhanbas-Aktau” on the “Karazhanbas-Aktau” route;
- repair of the certain routes of the main oil pipelines (including replacement of the pipeline);
- reconstruction of firefighting system, electricity supply systems and others.

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

### 3. PROPERTY, PLANT AND EQUIPMENT (continued)

As at 30 September 2015:

- the initial cost and correspondingly accumulated depreciation of fully depreciated property, plant and equipment were 3,354,411 thousand Tenge (31 December 2014: 3,208,581 thousand Tenge);
- the volume of oil in pipelines, included in property, plant and equipment, amounted 2,308 thousand tons (31 December 2014: 2,308 thousand tons);
- construction in progress included materials and spare parts in the amount of 3,997,876 thousand Tenge (as at 31 December 2014: 2,957,610 thousand Tenge), which were acquired for construction works.

The amount of depreciation for nine months ended 30 September 2015 included in the cost of construction in progress was 12,113 thousand Tenge (for nine months ended as at 30 September 2014: 9,261 thousand Tenge).

As at 30 September 2015 certain items of property, plant and equipment of Batumi Oil Terminal with residual value of 50,000 thousand US Dollars (equivalent to 13,544,500 thousand Tenge) were pledged as guarantee in favor of TBC Bank, which acted as a guarantor to ensure obligations of Georgian Transit Ltd to Georgian railways according to transportation contracts. The maximum amount of the guarantee is equal to 10,000 thousand US Dollars (equivalent to 2,708,900 thousand Tenge).

### 4. INTANGIBLE ASSETS

Intangible assets as at 30 September 2015 and 31 December 2014 were presented as follows:

<i>In thousands of Tenge</i>	Licenses	Software	Right for land use	Other	Total
<b>Net book value at 31 December 2014 (audited)</b>	194,907	1,131,148	4,120,734	32,654	5,479,443
Additions	6,306	99,969	–	4,165	110,440
Disposal	(6,531)	(51,799)	–	–	(58,330)
Amortization charge	(77,503)	(237,561)	(68,450)	(4,228)	(387,742)
Accumulated amortization charge for disposal	6,531	51,408	–	–	57,939
Transfers from property, plant and equipment (Note 3)	–	34,874	–	–	34,874
Foreign currency translation	20,084	138	640,767	–	660,989
<b>Net book value at 30 September 2015 (unaudited)</b>	<b>143,794</b>	<b>1,028,177</b>	<b>4,693,051</b>	<b>32,591</b>	<b>5,897,613</b>
<b>As at 30 September 2015 (unaudited)</b>					
At cost	582,728	4,063,096	7,165,044	88,656	11,899,524
Accumulated amortization and impairment	(438,934)	(3,034,919)	(2,471,993)	(56,065)	(6,001,911)
<b>Net book value (unaudited)</b>	<b>143,794</b>	<b>1,028,177</b>	<b>4,693,051</b>	<b>32,591</b>	<b>5,897,613</b>
<b>As at 31 December 2014 (audited)</b>					
At cost	548,139	3,979,087	6,174,903	84,492	10,786,621
Accumulated amortization and impairment	(353,232)	(2,847,939)	(2,054,169)	(51,838)	(5,307,178)
<b>Net book value (audited)</b>	<b>194,907</b>	<b>1,131,148</b>	<b>4,120,734</b>	<b>32,654</b>	<b>5,479,443</b>

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

### 5. INVESTMENTS IN JOINT VENTURES

Investments in joint ventures as at 30 September 2015 and 31 December 2014 are presented as follows:

<i>In thousands of Tenge</i>	KCP	MunaiTas	Total
<b>As at 31 December 2014 (audited)</b>	36,982,132	12,861,202	49,843,334
Share in (loss)/profit of joint venture	(23,788,315)	1,871,021	(21,917,294)
Share in other comprehensive income of joint venture	610,852	-	610,852
Dividends	-	(1,735,020)	(1,735,020)
<b>As at 30 September 2015 (unaudited)</b>	<b>13,804,669</b>	<b>12,997,203</b>	<b>26,801,872</b>

The following tables below show summarized financial information about joint ventures, including the Group's proportionate share:

<i>In thousands of Tenge</i>	KCP			
	30 September 2015 (unaudited)		31 December 2014 (audited)	
	50%	100%	50%	100%
<b>Assets and liabilities of joint ventures</b>				
Current assets	6,272,696	12,545,392	10,238,917	20,477,834
Non-current assets	119,832,165	239,664,330	126,117,022	252,234,044
Current liabilities	(24,818,674)	(49,637,347)	(18,218,653)	(36,437,306)
Non-current liabilities	(87,481,518)	(174,963,036)	(81,155,154)	(162,310,308)
<b>Net assets</b>	<b>13,804,669</b>	<b>27,609,339</b>	<b>36,982,132</b>	<b>73,964,264</b>
<i>Additional information:</i>				
Cash and cash equivalents	3,288,757	6,577,514	5,463,275	10,926,550
Short-term financial liabilities	(21,327,080)	(42,654,160)	(14,414,211)	(28,828,422)
Long-term financial liabilities	(82,301,088)	(164,602,176)	(69,906,297)	(139,812,594)

<i>In thousands of Tenge</i>	MunaiTas			
	30 September 2015 (unaudited)		31 December 2014 (audited)	
	51%	100%	51%	100%
<b>Assets and liabilities of joint ventures</b>				
Current assets	3,525,977	6,913,680	2,748,039	5,388,312
Non-current assets	13,066,496	25,620,580	13,841,592	27,140,376
Current liabilities	(655,789)	(1,285,861)	(675,831)	(1,325,158)
Non-current liabilities	(2,939,481)	(5,763,688)	(3,052,598)	(5,985,486)
<b>Net assets</b>	<b>12,997,203</b>	<b>25,484,711</b>	<b>12,861,202</b>	<b>25,218,044</b>
<i>Additional information:</i>				
Cash and cash equivalents	340,226	667,110	1,742,127	3,415,935
Short-term financial liabilities	-	-	-	-
Long-term financial liabilities	-	-	-	-

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

### 5. INVESTMENTS IN JOINT VENTURES (continued)

<i>In thousands of Tenge</i>	KCP			
	For the nine months ended 30 September (unaudited)			
	2015		2014	
	50%	100%	50%	100%
<b>Information on profit or loss and other comprehensive income of joint ventures for the period</b>				
Revenue	18,860,455	37,720,909	17,606,782	35,213,564
Loss from continuing operations for the period	(23,788,315)	(47,576,630)	(8,535,766)	(17,071,532)
Income/(loss) from discontinued operations for the period	-	-	-	-
Other comprehensive income	610,852	1,221,704	3,093,188	6,186,376
<b>Total comprehensive loss</b>	<b>(23,177,463)</b>	<b>(46,354,926)</b>	<b>(5,442,578)</b>	<b>(10,885,156)</b>
<b>Dividends</b>	-	-	-	-
<i>Additional information:</i>				
Depreciation and amortization	(5,425,740)	(10,851,479)	(5,454,029)	(10,908,058)
Interest income	68,861	137,721	142,584	285,168
Interest expense	(2,850,866)	(5,701,732)	(3,031,127)	(6,062,254)
Income tax (expense)/benefit	(5,688,557)	(11,377,113)	1,664,823	3,329,646
Foreign exchange loss was recognized by KCP due to the translation of financial liabilities (loans) denominated in US Dollars. Net loss of KCP from foreign currency translation related to loans for the nine months ended 30 September 2015 and 2014 was equal to 68,842,267 thousand Tenge and 30,320,718 thousand Tenge, respectively.				
<i>In thousands of Tenge</i>	For the three months ended 30 September (unaudited)			
	2015		2014	
	50%	100%	50%	100%
<b>Information on profit or loss and other comprehensive income of joint ventures for the period</b>				
Revenue	5,553,760	11,107,520	5,619,060	11,238,120
(Loss)/income from continuing operations for the period	(25,366,900)	(50,733,800)	1,521,158	3,042,316
Income/(loss) from discontinued operations for the period	-	-	-	-
Other comprehensive income	376,645	753,290	3,042,161	6,084,322
<b>Total comprehensive (loss)/income</b>	<b>(24,990,255)</b>	<b>(49,980,510)</b>	<b>4,563,319</b>	<b>9,126,638</b>
<b>Dividends</b>	-	-	-	-
<i>Additional information:</i>				
Depreciation and amortization	(1,816,940)	(3,633,880)	(1,803,618)	(3,607,236)
Interest income	13,434	26,868	10,767	21,534
Interest expense	(1,097,830)	(2,195,660)	(944,328)	(1,888,656)
Income tax expense	(5,073,325)	(10,146,650)	(495,817)	(991,634)

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

### 5. INVESTMENTS IN JOINT VENTURES (continued)

<i>In thousands of Tenge</i>	<b>MunaiTas</b>			
	<b>For the nine months ended 30 September</b>			
	<b>(unaudited)</b>			
	<b>2015</b>		<b>2014</b>	
	<b>51%</b>	<b>100%</b>	<b>51%</b>	<b>100%</b>
<b>Information on profit or loss and other comprehensive income of joint ventures for the period</b>				
Revenue	3,325,732	6,521,043	2,301,968	4,513,663
Income from continuing operations for the period	1,871,021	3,668,669	356,384	698,792
Income/(loss) from discontinued operations for the period	-	-	-	-
Other comprehensive income/(loss)	-	-	-	-
<b>Total comprehensive income</b>	<b>1,871,021</b>	<b>3,668,669</b>	<b>356,384</b>	<b>698,792</b>
<b>Dividends</b>	<b>(1,735,020)</b>	<b>(3,402,000)</b>	<b>(637,620)</b>	<b>(1,250,235)</b>
<i>Additional information:</i>				
Depreciation and amortization	(784,524)	(1,538,282)	(807,274)	(1,582,890)
Interest income	61,942	121,454	10,102	19,808
Interest expense	(29,839)	(58,508)	(28,418)	(55,722)
Income tax expense	(472,073)	(925,633)	(95,186)	(186,639)

<i>In thousands of Tenge</i>	<b>For the three months ended 30 September</b>			
	<b>(unaudited)</b>			
	<b>2015</b>		<b>2014</b>	
	<b>51%</b>	<b>100%</b>	<b>51%</b>	<b>100%</b>
<b>Information on profit or loss and other comprehensive income of joint ventures for the period</b>				
Revenue	952,594	1,867,831	902,711	1,770,022
Income from continuing operations for the period	862,532	1,691,240	143,025	280,441
Income/(loss) from discontinued operations for the period	-	-	-	-
Other comprehensive income/(loss)	-	-	-	-
<b>Total comprehensive income</b>	<b>862,532</b>	<b>1,691,240</b>	<b>143,025</b>	<b>280,441</b>
<b>Dividends</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<i>Additional information:</i>				
Depreciation and amortization	(262,238)	(514,192)	(269,945)	(529,304)
Interest income	15,337	30,073	4,221	8,276
Interest expense	(9,946)	(19,502)	(9,473)	(18,575)
Income tax expense	(215,909)	(423,351)	(36,969)	(72,488)

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

### 6. ADVANCES TO SUPPLIERS FOR PROPERTY, PLANT AND EQUIPMENT

Advances to suppliers for property, plant and equipment as at 30 September 2015 and 31 December 2014 were presented as follows:

<i>In thousands of Tenge</i>	30 September 2015 (unaudited)	31 December 2014 (audited)
Advances to third parties for property, plant and equipment	10,844,832	11,406,977
Advances to related parties for property, plant and equipment (Note 30)	123,115	–
Less: allowance for doubtful debts	(99,344)	(99,526)
	<b>10,868,603</b>	<b>11,307,451</b>

### 7. INVENTORIES

Inventories as at 30 September 2015 and 31 December 2014 were presented as follows:

<i>In thousands of Tenge</i>	30 September 2015 (unaudited)	31 December 2014 (audited)
Spare parts	1,723,307	1,461,052
Fuel	906,307	763,929
Overalls	318,765	78,892
Construction materials	302,231	157,584
Chemical reagents	289,786	35,575
Goods	71,382	93,138
Other	804,413	488,241
	<b>4,416,191</b>	<b>3,078,411</b>
Less: provision for slow-moving and obsolete inventory	(40,162)	(33,853)
<b>Total</b>	<b>4,376,029</b>	<b>3,044,558</b>

### 8. TRADE AND OTHER ACCOUNTS RECEIVABLE

Trade and other accounts receivable of the Group as at 30 September 2015 and 31 December 2014 was presented as follows:

<i>In thousands of Tenge</i>	30 September 2015 (unaudited)	31 December 2014 (audited)
Trade accounts receivable from related parties (Note 30)	2,040,620	1,941,312
Trade accounts receivable from third parties	2,339,118	2,139,755
Other accounts receivable from third parties	605,362	2,273,771
Other accounts receivable from related parties (Note 30)	3,326	102,156
	<b>4,988,426</b>	<b>6,456,994</b>
Less: allowance for doubtful debts	(727,047)	(653,120)
<b>Total</b>	<b>4,261,379</b>	<b>5,803,874</b>

Movement in allowance for doubtful debts related to trade and other accounts receivable was presented as follows:

<i>In thousands of Tenge</i>	For the three months ended 30 September (unaudited)		For the nine months ended 30 September (unaudited)	
	2015	2014	2015	2014
<b>At the beginning of the period</b>	<b>688,242</b>	627,712	<b>653,120</b>	633,072
Charge for the period	31,117	8,573	72,266	2,795
Write-off of accounts receivable	(4,629)	–	(4,710)	–
Reclassifications	–	(418)	–	–
Foreign currency translation	12,317	396	6,371	396
<b>At the end of the period</b>	<b>727,047</b>	636,263	<b>727,047</b>	636,263

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

### 8. TRADE AND OTHER ACCOUNTS RECEIVABLE (continued)

Trade and other accounts receivable of the Group as at 30 September 2015 and 31 December 2014 was denominated as follows:

<i>In thousands of Tenge</i>	30 September 2015 (unaudited)	31 December 2014 (audited)
Tenge	2,839,339	5,131,578
US Dollars	1,226,805	534,468
Russian Ruble	1,628	1,248
Other currency	193,607	136,580
<b>Total</b>	<b>4,261,379</b>	<b>5,803,874</b>

### 9. ADVANCES TO SUPPLIERS

Advances to suppliers as at 30 September 2015 and 31 December 2014 were presented as follows:

<i>In thousands of Tenge</i>	30 September 2015 (unaudited)	31 December 2014 (audited)
Advances to related parties (Note 30)	790,676	447,876
Advances to third parties	352,311	665,132
	1,142,987	1,113,008
Less: allowance for doubtful debts	(992)	(1,073)
<b>Total</b>	<b>1,141,995</b>	<b>1,111,935</b>

### 10. VAT RECOVERABLE AND OTHER PREPAID TAXES

VAT recoverable and other prepaid taxes as at 30 September 2015 and 31 December 2014 were presented as follows:

<i>In thousands of Tenge</i>	30 September 2015 (unaudited)	31 December 2014 (audited)
VAT recoverable	5,794,597	6,016,776
Other taxes prepaid	90,012	179,293
<b>Total</b>	<b>5,884,609</b>	<b>6,196,069</b>

### 11. OTHER CURRENT ASSETS

Other current assets as at 30 September 2015 and 31 December 2014 were presented as follows:

<i>In thousands of Tenge</i>	30 September 2015 (unaudited)	31 December 2014 (audited)
Due for oil transportation coordination services	2,651,241	3,245,840
Prepaid insurance	370,846	42,498
Due from employees	101,299	43,707
Deferred expenses from third parties	22,501	26,028
Deferred expenses from related parties (Note 30)	205	-
Other	94,782	24,802
	3,240,874	3,382,875
Less: allowance for doubtful debts	-	(2,616)
<b>Total</b>	<b>3,240,874</b>	<b>3,380,259</b>

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

### 12. BANK DEPOSITS

Bank deposits as at 30 September 2015 and 31 December 2014 were presented as follows:

<i>In thousands of Tenge</i>	<b>30 September 2015 (unaudited)</b>	31 December 2014 (audited)
Short-term bank deposits	23,092,937	31,984,737
Long-term bank deposits	3,939,617	3,729,880
Accrued interest on deposits	296,141	127,505
<b>Total</b>	<b>27,328,695</b>	<b>35,842,122</b>

As at 30 September 2015 bank deposits comprised of the following:

- US Dollar denominated short-term bank deposits placed with Kazakhstani banks with maturity from 3 to 12 months, with interest from 1.5% to 3.5% per annum (as at 31 December 2014: from 0.6% to 3.5% per annum), most of all maturing in November 2015.
- Restricted long-term bank deposits with interest from 2% to 3.5% per annum maturing in 2029 (as at 31 December 2014: from 2% to 3.5% per annum maturing in 2029), which is the guarantee of mortgages issued by Halyk Bank Kazakhstan JSC to the employees of the Company.

### 13. CASH AND CASH EQUIVALENTS

Cash and cash equivalents as at 30 September 2015 and 31 December 2014 were presented as follows:

<i>In thousands of Tenge</i>	<b>30 September 2015 (unaudited)</b>	31 December 2014 (audited)
Time deposits with banks – US Dollars	23,941,795	19,451,877
Time deposits with banks – Tenge	18,405,211	19,311,501
Current accounts with banks – US Dollars	4,753,806	2,421,688
Current accounts with banks – Tenge	388,187	471,928
Current accounts with banks – Lari	243,630	316,560
Current accounts with banks – Euro	201,178	187,273
Current accounts with banks – Russian Ruble	3,063	347
Other current accounts with banks	10,209	11,724
Cash on hand	1,511	1,822
<b>Total</b>	<b>47,948,590</b>	<b>42,174,720</b>

As at 30 September 2015 and 31 December 2014 time deposits and current accounts placed with Kazakhstani banks comprised of the following:

- Tenge denominated time deposits up to 3 months with interest of 14% per annum (as at 31 December 2014: from 14.5% to 17% per annum).
- Tenge denominated current accounts with interest from 0.47% to 1.79% per annum (as at 31 December 2014: from 3% to 3.5% per annum).
- US Dollar denominated time deposits with interest from 1% to 1.2% per annum (as at 31 December 2014: from 0.3% to 1.77% per annum).

### 14. EQUITY

#### Share capital

As at 30 September 2015 and 31 December 2014 the Company's share capital comprised of 384,635,600 common shares authorized, issued and fully paid in the amount of 62,503,284 thousand Tenge, except for 1 share which was authorized but not issued and not paid.

As at 30 September 2015 and 31 December 2014 the share capital was equal to 61,937,567 thousand Tenge, net of consulting costs related to the issuance of shares in the amount of 565,717 thousand Tenge.

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

### 14. EQUITY (continued)

#### Asset revaluation reserve

Revaluation reserve was formed based on revaluation and impairment of property, plant and equipment of the Group and share in the asset revaluation reserve of the joint ventures.

<i>In thousands of Tenge</i>	30 September 2015 (unaudited)	31 December 2014 (audited)
Asset revaluation reserve of the Group	104,043,657	113,678,936
Share in the asset revaluation reserve of the joint ventures	23,751,882	24,558,743
<b>Total</b>	<b>127,795,539</b>	<b>138,237,679</b>

#### Foreign currency translation reserve

As at 30 September 2015 foreign currency translation reserve was equal to 26,734,988 thousand Tenge (as at 31 December 2014: 14,860,910 thousand Tenge). Change in foreign currency translation reserve is due to the translation of the operations of the foreign subsidiary.

#### Other reserves

As at 30 September 2015 and 31 December 2014 other reserves amounted 1,810,575 thousand Tenge. Other reserves mainly represent accrual of income (loss) from actuarial re-measurement of defined benefit plans.

#### Dividends

For the nine month period ended 30 September 2015 the Company paid dividends to the shareholders based on the decision of the shareholders meeting on 20 May 2015 in the amount of 46,429,363 thousand Tenge based on 120.71 Tenge per 1 share (2014: 41,925,280 thousand Tenge based on 109 Tenge per 1 share), including 41,786,427 thousand Tenge related to KMG (2014: 37,732,752 thousand Tenge) and 4,642,936 thousand Tenge related to minority shareholders (2014: 4,192,528 thousand Tenge).

#### Earnings per share

Basic earnings per share amounts are calculated by dividing net profit for the period attributable to ordinary equity holders of the Parent by the weighted average number of ordinary shares outstanding during the period.

The Company, as the Parent of the Group, does not issue convertible financial instruments, basic earnings per share is equal to diluted earnings per share.

The following reflects the net profit and share data used in the basic earnings per share computations:

<i>In thousands of Tenge</i>	For the three months ended 30 September (unaudited)		For the nine months ended 30 September (unaudited)	
	2015	2014	2015	2014
Net (loss)/profit for the period attributable to ordinary equity holders of the parent for basic earnings	(642,080)	10,834,952	38,785,523	37,270,997
Weighted average number of ordinary shares for the period for basic earnings per share	384,635,599	384,635,599	384,635,599	384,635,599
Basic (loss)/earnings per share, in relation to profit for the period attributable to ordinary equity holders of the company, as a parent company of the Group (in Tenge)	(2)	28	101	97

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

### 14. EQUITY (continued)

#### Book value per ordinary share

Book value of the ordinary share in accordance with the requirements of KASE of the Parent of the Group is as follows:

<i>In thousands of Tenge</i>	30 September 2015 (unaudited)	31 December 2014 (audited)
<b>Total assets</b>	<b>590,559,386</b>	585,407,217
Less: intangible assets (Note 4)	(5,897,613)	(5,479,443)
Less: total liabilities	(129,936,321)	(127,762,896)
<b>Net assets for calculation of book value per ordinary share</b>	<b>454,725,452</b>	452,164,878
Number of ordinary shares	<b>384,635,599</b>	384,635,599
<b>Book value per ordinary share (in Tenge)</b>	<b>1,182</b>	1,176

### 15. EMPLOYEE BENEFIT LIABILITIES

The Company has employee benefit liabilities, mainly consisting of additional payments to pensions and jubilee payments, applicable to all employees. These payments are unsecured.

Employee benefit liabilities as at 30 September 2015 and 31 December 2014 were presented as follows:

<i>In thousands of Tenge</i>	30 September 2015 (unaudited)	31 December 2014 (audited)
Current portion of employee benefit liabilities	460,000	408,757
Non-current portion of employee benefit liabilities	11,844,611	11,204,603
<b>Total</b>	<b>12,304,611</b>	11,613,360

Changes in the present value of employee benefit liabilities were as follows:

<i>In thousands of Tenge</i>	For the three months ended 30 September (unaudited)		For the nine months ended 30 September (unaudited)	
	2015	2014	2015	2014
<b>Employee benefit liabilities at the beginning of the period</b>	<b>12,081,785</b>	10,882,422	<b>11,613,359</b>	9,655,180
Unwinding of discount (Note 27)	144,824	104,250	434,483	312,750
Current services cost (Note 22, 23)	200,613	124,247	601,846	371,748
Actuarial losses*	-	-	-	963,600
Benefits paid	(122,611)	(100,061)	(345,077)	(292,420)
<b>Employee benefit liabilities at the end of the period</b>	<b>12,304,611</b>	11,010,858	<b>12,304,611</b>	11,010,858

\* In the first quarter of 2014 the Company recognized actuarial losses in the amount of 963,600 thousand Tenge, due to changes in the inflation rate from 5.0% to 5.6% used for estimation of the defined benefit obligation.

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

### 16. TRADE AND OTHER ACCOUNTS PAYABLE

Trade and other accounts payable as at 30 September 2015 and 31 December 2014 was presented as follows:

<i>In thousands of Tenge</i>	30 September 2015 (unaudited)	31 December 2014 (audited)
Accounts payable to third parties for goods and services	9,174,897	14,907,024
Accounts payable to related parties for goods and services (Note 30)	753,968	672,991
Other payables to third parties	76,760	193,726
Other payables to related parties (Note 30)	672	-
<b>Total</b>	<b>10,006,297</b>	<b>15,773,741</b>

Trade and other accounts payables as at 30 September 2015 included payables to related and third parties, related to the construction-in-progress in the amount of 7,037,187 thousand Tenge (as at 31 December 2014: 9,580,016 thousand Tenge).

Trade and other accounts payable as at 30 September 2015 and 31 December 2014 was denominated in the following currencies:

<i>In thousands of Tenge</i>	30 September 2015 (unaudited)	31 December 2014 (audited)
Tenge	9,581,599	15,258,129
US Dollars	105,726	105,615
Russian Rubles	16,394	6,219
Euro	1,893	12,455
Other currency	300,685	391,323
<b>Total</b>	<b>10,006,297</b>	<b>15,773,741</b>

### 17. ADVANCES RECEIVED

Advances received as at 30 September 2015 and 31 December 2014 were presented as follows:

<i>In thousands of Tenge</i>	30 September 2015 (unaudited)	31 December 2014 (audited)
Advances received from related parties (Note 30)	9,665,074	10,615,166
Advances received from third parties	5,868,028	6,131,270
<b>Total</b>	<b>15,533,102</b>	<b>16,746,436</b>

### 18. OTHER TAXES PAYABLE

Other taxes payable as at 30 September 2015 and 31 December 2014 were presented as follows:

<i>In thousands of Tenge</i>	30 September 2015 (unaudited)	31 December 2014 (audited)
Personal income tax	1,749,773	1,531,057
Withholding tax at the source of payment to non-residents	776,589	609,231
Social tax	289,425	504,779
VAT payable	1,064	12,823
Property tax	-	351,287
Other taxes	310,479	217,751
<b>Total</b>	<b>3,127,330</b>	<b>3,226,928</b>

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

### 19. PROVISIONS

Movement in the short-term provisions for the nine month periods ended 30 September 2015 and 2014 were presented as follows:

#### Short-term provisions

<i>In thousands of Tenge</i>	Tax provisions (BTL)	Environmental provisions (Company)	Other provisions (Company)	Total
<b>As at 31 December 2014 (audited)</b>	221,373	41,125	53,567	316,065
Charge for the period	–	11,713	–	11,713
Used for the period	–	–	(53,567)	(53,567)
Foreign currency translation	114,193	–	–	114,193
<b>As at 30 September 2015 (unaudited)</b>	<b>335,566</b>	<b>52,838</b>	<b>–</b>	<b>388,404</b>
<b>As at 31 December 2013 (audited)</b>	186,483	41,642	–	228,125
Used for the period	–	(510)	–	(510)
Reversed for the period (Note 25)	–	(7)	–	(7)
Foreign currency translation	34,344	–	–	34,344
<b>As at 30 September 2014 (unaudited)</b>	<b>220,827</b>	<b>41,125</b>	<b>–</b>	<b>261,952</b>

#### Long-term provisions

##### *Asset retirement and land reclamation obligation*

According to the Law of the Republic of Kazakhstan “About the main pipeline”, which came into force on 4 July 2012 the Company has a legal obligation to decommission the main pipeline (oil pipeline) after the operation and complete subsequent activities to restore the environment, including land reclamation.

Additionally provision on liquidation of the waste landfills is reflected as part of the asset retirement and land reclamation obligation. Provision was created based on the requirements of the Ecological Code of the Republic of Kazakhstan, according to which owner of the waste landfills must create liquidation fund for subsequent activities for land remediation and monitoring the impact on the environment after the landfill closure. Ecological Code of the Republic of Kazakhstan also prohibits usage of landfill without liquidation fund created.

As at 30 September 2015 the Company revised its long-term provisions taking into account current best estimate, which was based on the discount rate of 6.29% (as at 31 December 2014: 6.2%) and inflation rate of 6.0% (as at 31 December 2014: 6.0%).

A significant change in the amount of revision of estimates for the three months ended 30 September 2015, compared to the nine months period ended 30 September 2015, due to the fact that the inflation rate applied 5.5% for the six months period ended 30 June 2015 as a result of which there was a decrease in long-term provisions though revision of estimates and reversal of obligation in the amount of 2,627,977 thousand Tenge, including though the revaluation reserve in the amount of 2,068,844 thousand Tenge.

Movement in the long-term provisions for the three and nine month periods ended 30 September 2015 and 2014 were presented as follows:

<i>In thousands of Tenge</i>	For the three months ended 30 September (unaudited)		For the nine months ended 30 September (unaudited)	
	2015	2014	2015	2014
<b>At the beginning of the period</b>	<b>19,494,626</b>	17,178,904	<b>20,631,009</b>	16,677,538
Charge for the period (Note 3)	208,575	–	1,111,925	–
Revision of estimates and reversal of obligation (Note 25)	651,988	–	47,855	–
Revision of estimates through asset revaluation reserve	1,938,611	–	(130,233)	–
Unwinding of discount (Note 27)	300,423	250,680	933,667	752,046
<b>At the end of the period</b>	<b>22,594,223</b>	17,429,584	<b>22,594,223</b>	17,429,584

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

### 20. OTHER CURRENT LIABILITIES

Other current liabilities as at 30 September 2015 and 31 December 2014 were presented as follows:

<i>In thousands of Tenge</i>	30 September 2015 (unaudited)	31 December 2014 (audited)
Accounts payable for oil transportation coordination services for related parties (Note 30)	4,356,976	2,871,849
Accounts payable for oil transportation coordination services for third parties	3,015,708	2,464,587
Salaries and wages	3,426,240	5,738,615
Payable to pension fund	321,554	659,667
Current portion of deferred income from third parties	606,237	732,135
Current portion of deferred income from related parties (Note 30)	26,030	260,305
Other	242,321	227,093
<b>Total</b>	<b>11,995,066</b>	<b>12,954,251</b>

Salaries and wages comprise of current salary payable and vacation payments payable.

### 21. REVENUE

Revenue for the three and nine month periods ended 30 September 2015 and 2014 was presented as follows:

<i>In thousands of Tenge</i>	For the three months ended 30 September (unaudited)		For the nine months ended 30 September (unaudited)	
	2015	2014*	2015	2014*
Crude oil transportation	42,723,462	40,590,873	131,462,949	120,619,827
Oil reloading and railway shipment	3,049,543	3,868,675	10,148,323	11,346,308
Pipeline operation services	2,267,494	2,090,845	6,683,152	6,049,856
Water transportation	1,727,799	1,829,195	4,931,887	5,239,586
Oil transportation coordination services and seaport	1,080,085	1,030,051	2,886,885	2,730,821
Fees for undelivered oil volumes	-	1,848,259	632,399	5,181,726
Oil storage services	15,709	14,989	43,476	77,923
Other	303,310	262,635	1,024,100	649,722
<b>Total</b>	<b>51,167,402</b>	<b>51,535,522</b>	<b>157,813,171</b>	<b>151,895,769</b>

\* For the three and nine months periods ended 30 September 2014, the amount of revenue from fees for undelivered oil volume have been reclassified from other operating income to revenue.

During the nine month period ended 30 September 2015 the revenue from sales to three major customers amounted to 36,915,175 thousand Tenge, 18,716,892 thousand Tenge and 11,404,404 thousand Tenge, respectively (for the nine month period ended 30 September 2014: 33,299,476 thousand Tenge, 16,780,854 thousand Tenge and 10,373,051 thousand Tenge, respectively).

Income from Fees for undelivered oil volumes is received by the Company under oil transportation contracts on “ship or pay” terms. Decrease in Fees for undelivered oil volumes for the nine month period ended 30 September 2015 is due to the expiration of the main part of oil transportation contracts on the above-mentioned terms (in December 2014) with the customers, participants of the Kashagan project.

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

### 22. COST OF SALES

Cost of sales for the three and nine month periods ended 30 September 2015 and 2014 was presented as follows:

<i>In thousands of Tenge</i>	For the three months ended 30 September (unaudited)		For the nine months ended 30 September (unaudited)	
	2015	2014	2015	2014
Personnel costs	11,299,145	10,067,798	29,367,656	26,505,468
Depreciation and amortization	8,004,199	8,270,416	24,009,641	24,794,226
Railway services	1,538,465	2,403,364	5,932,225	6,871,023
Materials and fuel	2,560,315	2,116,435	5,364,096	4,194,376
Electric energy	1,707,681	1,532,825	5,226,216	4,667,121
Taxes other than corporate income tax	1,391,109	1,308,411	4,181,488	3,786,903
Repair and maintenance	1,438,435	1,711,178	3,237,350	3,284,079
Security services	1,080,206	1,331,796	3,127,205	3,224,838
Gas expenses	363,060	315,052	1,737,505	1,650,021
Air services	414,063	376,956	1,257,519	1,078,121
Business trip expenses	199,456	230,684	633,337	716,357
Post-employment benefits	188,616	115,838	565,852	347,516
Diagnostics of pipelines	312,163	193,747	446,315	306,025
Insurance	79,623	136,175	332,137	374,006
Communication services	65,944	67,868	208,268	188,333
Operating lease expense	70,835	44,531	199,614	117,827
Environmental protection	79,005	273,307	196,593	402,457
Other	610,634	755,025	1,550,886	1,575,466
<b>Total</b>	<b>31,402,954</b>	<b>31,251,406</b>	<b>87,573,903</b>	<b>84,084,163</b>

Increase in personnel costs is due to the indexation of wages of the production personnel made starting from 1 April 2014 and 1 January 2015.

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

### 23. GENERAL AND ADMINISTRATIVE EXPENSES

General and administrative expenses for the three and nine month periods ended 30 September 2015 and 2014 were presented as follows:

<i>In thousands of Tenge</i>	For the three months ended 30 September (unaudited)		For the nine months ended 30 September (unaudited)	
	2015	2014	2015	2014
Personnel costs	1,914,145	1,874,146	5,150,392	4,778,678
Depreciation and amortization	237,642	208,720	627,992	607,292
Consulting services	165,386	130,145	455,859	228,644
Office maintenance	123,999	95,795	335,768	290,650
Write-off of VAT recoverable	104,357	96,604	202,081	277,756
Business trip expenses	54,641	69,111	191,108	210,836
Taxes other than corporate income tax	56,827	40,822	153,189	154,544
Repair and technical maintenance	51,536	37,213	139,806	105,604
Social sphere expenses	66,696	34,499	131,608	128,476
Bank costs	35,832	34,090	100,458	100,321
Training	46,881	51,456	93,198	92,198
Insurance and security	36,101	27,191	92,014	77,913
Materials and fuel	9,972	51,920	80,529	92,221
Communication services	26,225	30,323	79,907	86,353
Information expenses	25,927	23,703	75,969	68,919
Charity expenses	27,041	1,050,155	38,527	1,071,680
Post-employment benefits	11,997	8,409	35,994	24,232
Operating lease expense	12,496	16,818	32,423	51,995
Advertising expense	2,990	7,840	6,836	14,519
Transportation expenses	845	1,063	5,476	15,883
Impairment of intangible assets	–	135,808	–	135,808
Charge of provision for allowance for doubtful debts	31,119	8,654	72,003	1,895
Charge/(reversal) of provision for obsolete and slow-moving inventory	6,617	1,218	6,617	(5,492)
Other	7,350	62,031	201,670	235,722
<b>Total</b>	<b>3,056,622</b>	<b>4,097,734</b>	<b>8,309,424</b>	<b>8,846,647</b>

### 24. OTHER OPERATING INCOME

Other operating income for the three and nine month periods ended 30 September 2015 and 2014 was presented as follows:

<i>In thousands of Tenge</i>	For the three months ended 30 September (unaudited)		For the nine months ended 30 September (unaudited)	
	2015	2014	2015	2014
Income from fines and penalties	73,474	18,778	345,823	259,102
Amortization of deferred income from related parties (Note 30)	78,091	78,091	234,274	234,274
Income from write-off of payables	3,064	8	50,127	74,539
Gain on disposal of inventory	6,603	109,942	41,022	156,380
Gain from disposal of other non-current assets	10,668	60,624	10,668	61,090
Other income	6,811	7,287	69,965	51,621
<b>Total</b>	<b>178,711</b>	<b>274,730</b>	<b>751,879</b>	<b>837,006</b>

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

### 25. OTHER OPERATING EXPENSES

Other operating expenses for the three and nine month periods ended 30 September 2015 and 2014 were presented as follows:

<i>In thousands of Tenge</i>	For the three months ended 30 September (unaudited)		For the nine months ended 30 September (unaudited)	
	2015	2014	2015	2014
Net loss on disposal of property, plant and equipment and intangible assets	69,446	27,193	1,220,487	59,755
Charge/(reversal) of provisions (Note 19)	651,988	-	47,855	(7)
Loss on disposal of other non-current assets	2,091	-	10,638	-
Loss from sale of inventory	9,396	-	9,396	14,912
Expenses on liquidation of idle oil pumping stations	-	2,466	-	43,207
Other (income)/expenses	(4,341)	(1,516)	46,692	18,480
<b>Total</b>	<b>728,580</b>	<b>28,143</b>	<b>1,335,068</b>	<b>136,347</b>

### 26. FINANCE INCOME

Finance income for the three and nine month periods ended 30 September 2015 and 2014 was presented as follows:

<i>In thousands of Tenge</i>	For the three months ended 30 September (unaudited)		For the nine months ended 30 September (unaudited)	
	2015	2014	2015	2014
Interest income on bank deposits	352,978	1,019,106	1,987,209	4,064,055
Unwinding of discount on loans to employees	17,685	2,672	25,695	10,656
Income from guarantee	10,674	-	16,233	-
Finance lease	2,183	1,645	6,258	4,997
Other finance income from third parties	-	599	-	6,068
<b>Total</b>	<b>383,520</b>	<b>1,024,022</b>	<b>2,035,395</b>	<b>4,085,776</b>

### 27. FINANCE COSTS

Finance cost for the three and nine month periods ended 30 September 2015 and 2014 were presented as follows:

<i>In thousands of Tenge</i>	For the three months ended 30 September (unaudited)		For the nine months ended 30 September (unaudited)	
	2015	2014	2015	2014
Unwinding of discount on asset retirement and land reclamation obligation (Note 19)	300,423	250,680	933,667	752,046
Unwinding of discount on employee benefits (Note 15)	144,824	104,250	434,483	312,750
Other finance costs	43,064	-	43,063	-
<b>Total</b>	<b>488,311</b>	<b>354,930</b>	<b>1,411,213</b>	<b>1,064,796</b>

### 28. INCOME TAX EXPENSE

Income tax expense for the three and nine month periods ended 30 September 2015 and 2014 was presented as follows:

<i>In thousands of Tenge</i>	For the three months ended 30 September (unaudited)		For the nine months ended 30 September (unaudited)	
	2015	2014	2015	2014
Current income tax expense	6,753,025	3,757,226	17,462,008	13,878,184
Deferred income tax benefit	(435,346)	(745,490)	(1,156,750)	(1,592,380)
<b>Income tax expense</b>	<b>6,317,679</b>	<b>3,011,736</b>	<b>16,305,258</b>	<b>12,285,804</b>

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

### 28. INCOME TAX EXPENSE (continued)

Movement in deferred tax liabilities for the three and nine month periods ended 30 September 2015 and 2014 was presented as follows:

<i>In thousands of Tenge</i>	For the three months ended 30 September (unaudited)		For the nine months ended 30 September (unaudited)	
	2015	2014	2015	2014
<b>At the beginning of the period</b>	<b>40,673,656</b>	43,077,046	<b>41,167,915</b>	43,537,849
Charged to profit and loss	(435,346)	(745,490)	(1,156,750)	(1,592,380)
Charged to other comprehensive (loss)/income	(388,416)	2,471,517	12,143	2,273,399
Foreign currency translation	756,530	(42,960)	583,116	541,245
<b>At the end of the period</b>	<b>40,606,424</b>	44,760,113	<b>40,606,424</b>	44,760,113

### 29. SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on its services and has three reportable segments, as follows:

- Oil transportation and related services.
- Oil transshipment.
- Other segments.

Segments that are identified, but do not separately exceed quantitative limits (amount of separate segment revenue composes less than 10% of combined revenue) are combined in "Other segments". Such services include transshipment of dry cargo (sugar-airbrick, ammonium nitrate, cement, grain, sunflower and oil cake) in Batumi Sea Port with operation of dry-cargo, ferry and container terminal, and also passenger terminal services.

Oil transportation provided by the Company, which do not exceed quantitative limits and are intimately connected with the Group's main operating activities, or with main asset of the Group – pipelines, such as: water transportation, oil storage, expedition services, services on support and maintenance of pipelines, are included into to "Oil transportation and related services" segment. Separate management report is not provided to the Management of the Group on some types of these services and accordingly they cannot be identified as separate segments.

Services on transshipment of oil and oil-products through Batumi Sea Port with operation of Batumi Oil Terminal are included in "Oil transshipment" segment. Revenue from oil terminal is generated through storage, transshipment of oil and oil-products and expedition. Expedition services represent services on transshipment of oil and oil-products through railway from Azerbaijanian-Georgian border to terminal in Batumi. This type of activity is directly related to oil transshipment, and therefore is not shown as a separate segment.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)****29. SEGMENT INFORMATION (continued)**

Management of the Group analyzes its operating segments by segment profit.

Information on revenue, profit, assets and liabilities of the Group's segments for the three months ended 30 September 2015 and 2014 is presented below:

<i>In thousands of Tenge</i>	For the three months ended 30 September 2015 (unaudited)				For the three months ended 30 September 2014 (unaudited)			
	Oil transportation and related services (Kazakhstan)	Oil trans-shipment (Georgia)	Other	Total segments	Oil transportation and related services (Kazakhstan)	Oil trans-shipment (Georgia)	Other	Total segments
<b>Revenue</b>								
External customers	46,890,927	3,228,231	1,048,244	51,167,402	46,528,883	3,868,675	1,137,964	51,535,522
<b>Total revenue</b>	<b>46,890,927</b>	<b>3,228,231</b>	<b>1,048,244</b>	<b>51,167,402</b>	<b>46,528,883</b>	<b>3,868,675</b>	<b>1,137,964</b>	<b>51,535,522</b>
<b>Financial results</b>								
Impairment of property, plant and equipment and intangible assets through profit and loss	(5,181)	–	–	(5,181)	(1,588)	(4,858,574)	(222,718)	(5,082,880)
Depreciation and amortization	(7,740,152)	(321,221)	(180,468)	(8,241,841)	(7,667,122)	(619,311)	(192,703)	(8,479,136)
Interest income	348,817	8,225	8,793	365,835	1,009,566	3,666	7,519	1,020,751
Share in (loss)/income of joint ventures	(24,504,368)	–	–	(24,504,368)	1,664,183	–	–	1,664,183
Income tax (expense)/benefit	(6,153,338)	(189,638)	25,297	(6,317,679)	(3,691,354)	679,359	259	(3,011,736)
<b>Segment (loss)/profit for the period</b>	<b>(1,295,962)</b>	<b>543,680</b>	<b>110,202</b>	<b>(642,080)</b>	<b>15,012,682</b>	<b>(4,301,976)</b>	<b>124,246</b>	<b>10,834,952</b>



**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)****30. RELATED PARTY TRANSACTIONS**

In accordance with IAS 24 *Related Party Disclosures*, parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions, In considering each possible related party relationship, attention is directed to the substance of the relationship, not merely the legal form.

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 tables provide the total amount of transactions, which have been entered into with related parties during nine month periods ended 30 September 2015 and 30 September 2014 and the related balances as at 30 September 2015 and 31 December 2014:

Advances to suppliers for property, plant and equipment was presented as follows:

<i>In thousands of Tenge</i>	Notes	30 September 2015 (unaudited)	31 December 2014 (audited)
<b>Advances paid to suppliers for property, plant and equipment</b>			
Advances paid to entities under common control of Samruk-Kazyna Group		123,115	-
<b>Total of advances paid to suppliers for property, plant and equipment</b>	6	<b>123,115</b>	<b>-</b>

Trade and other accounts receivables from related parties were presented as follows:

<i>In thousands of Tenge</i>	Notes	30 September 2015 (unaudited)	31 December 2014 (audited)
<b>Trade and other accounts receivable from related parties</b>			
Trade accounts receivable from joint ventures		1,332,421	1,261,676
Trade accounts receivable from entities under common control of KMG		704,573	679,430
Trade accounts receivable from entities under common control of Samruk-Kazyna Group		3,626	206
	8	<b>2,040,620</b>	<b>1,941,312</b>
Other accounts receivables from entities under common control of KMG		2,817	101,647
Other accounts receivables from entities under common control of Samruk-Kazyna Group		509	509
	8	<b>3,326</b>	<b>102,156</b>
<b>Total of trade and other accounts receivable from related parties</b>		<b>2,043,946</b>	<b>2,043,468</b>

Advances provided to related parties were presented as follows:

<i>In thousands of Tenge</i>	Notes	30 September 2015 (unaudited)	31 December 2014 (audited)
<b>Advances paid to related parties</b>			
Advances paid to entities under common control of KMG		553,923	361,049
Advances paid to entities under common control of Samruk-Kazyna Group		236,753	86,746
Advances paid to joint ventures		-	81
<b>Total of advances paid to related parties</b>	9	<b>790,676</b>	<b>447,876</b>

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)****30. RELATED PARTY TRANSACTIONS (continued)**

Prepaid expenses on transactions with related parties were presented as follows:

<i>In thousands of Tenge</i>	<b>Notes</b>	<b>30 September 2015 (unaudited)</b>	<b>31 December 2014 (audited)</b>
<b>Deferred expenses on transactions with related parties</b>			
Deferred expenses on transactions with Samruk-Kazyna Group		205	-
<b>Total of deferred expenses on transactions with related parties</b>	11	<b>205</b>	<b>-</b>

Trade and other accounts payable to related parties was presented as follows:

<i>In thousands of Tenge</i>	<b>Notes</b>	<b>30 September 2015 (unaudited)</b>	<b>31 December 2014 (audited)</b>
<b>Accounts payables to related parties for goods and services</b>			
Accounts payables to entities under common control of KMG		479,721	629,359
Accounts payables to entities under common control of Samruk-Kazyna Group		274,247	43,632
	16	<b>753,968</b>	<b>672,991</b>
<b>Other payables to related parties</b>			
Other payables to entities under common control of Samruk-Kazyna Group		672	-
	16	<b>672</b>	<b>-</b>
<b>Total of trade and other accounts payable to related parties</b>		<b>754,640</b>	<b>672,991</b>

Advances received from related parties were presented as follows:

<i>In thousands of Tenge</i>	<b>Notes</b>	<b>30 September 2015 (unaudited)</b>	<b>31 December 2014 (audited)</b>
<b>Advances received from related parties</b>			
Advances from entities under common control of KMG		8,123,602	9,087,230
Advances from entities under common control of Samruk-Kazyna Group		1,535,394	1,527,936
Advances from joint ventures		6,078	-
<b>Total of advances received from related parties</b>	17	<b>9,665,074</b>	<b>10,615,166</b>

Other current liabilities to related parties were presented as follows:

<i>In thousands of Tenge</i>	<b>Notes</b>	<b>30 September 2015 (unaudited)</b>	<b>31 December 2014 (audited)</b>
<b>Accounts payable for oil transportation expedition to related parties</b>			
Accounts payable for oil transportation expedition to entities under common control of KMG		4,356,976	2,871,849
	20	<b>4,356,976</b>	<b>2,871,849</b>
<b>Employee benefits of key management personnel</b>			
Employee benefits of key management personnel		7,096	6,155
		<b>7,096</b>	<b>6,155</b>
<b>Current portion of deferred income from related parties</b>			
Current portion of deferred income from entities under common control of KMG		26,030	260,305
	20	<b>26,030</b>	<b>260,305</b>
<b>Total of other current liabilities to related parties</b>		<b>4,390,102</b>	<b>3,138,309</b>

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)****30. RELATED PARTY TRANSACTIONS (continued)**

The following tables provide the total amount of transactions, which have been entered into with related parties during the three and nine month periods ended 30 September 2015 and 2014:

<i>In thousands of Tenge</i>	For the three months ended 30 September (unaudited)		For the nine months ended 30 September (unaudited)	
	2015	2014	2015	2014
<b>Sales to related parties</b>				
Revenue from main activities with entities under common control of KMG	27,047,753	26,436,594	83,508,125	77,200,991
Revenue from main activities with entities under common control of Samruk-Kazyna Group	1,294,212	1,550,001	4,037,438	5,173,354
Revenue from main activities with joint ventures	1,902,216	1,817,889	5,698,917	5,241,082
Revenue from other activities with entities under common control of KMG	3,633	359,227	162,396	624,982
<b>Total</b>	<b>30,247,814</b>	<b>30,163,711</b>	<b>93,406,876</b>	<b>88,240,409</b>

<i>In thousands of Tenge</i>	For the three months ended 30 September (unaudited)		For the nine months ended 30 September (unaudited)	
	2015	2014	2015	2014
<b>Purchases from related parties</b>				
Purchases of services from entities under common control of KMG	1,967,924	1,796,756	6,700,779	5,893,877
Purchases of services from entities under common control of Samruk-Kazyna Group	662,466	307,713	2,010,646	952,150
Purchases of services from joint ventures	–	17,108	–	17,108
Purchases of services from other related parties	110,927	–	110,927	–
Purchases of inventory from entities under common control of KMG	(648,898)	191,052	313,963	864,449
Purchases of inventory from entities under common control of Samruk-Kazyna Group	14,374	7,388	14,374	14,795
Purchases of intangible assets from entities under common control of Samruk-Kazyna Group	15,737	48,000	15,737	159,221
<b>Total</b>	<b>2,122,530</b>	<b>2,368,017</b>	<b>9,166,426</b>	<b>7,901,600</b>

Other operating income of the Group from transactions with related parties is as follow:

<i>In thousands of Tenge</i>	Notes	For the three months ended 30 September (unaudited)		For the nine months ended 30 September (unaudited)	
		2015	2014	2015	2014
<b>Other operating income from related parties</b>					
Amortization of deferred income from related parties	24	78,091	78,091	234,274	234,274
<b>Total</b>		<b>78,091</b>	<b>78,091</b>	<b>234,274</b>	<b>234,274</b>

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)****30. RELATED PARTY TRANSACTIONS (continued)**

The total remuneration of members of the key management personnel comprised:

<i>In thousands of Tenge</i>	For the three months ended 30 September (unaudited)		For the nine months ended 30 September (unaudited)	
	2015	2014	2015	2014
Bonuses based on the results of the previous year	–	13,316	230,864	218,266
Salary	42,259	48,710	125,543	131,525
Short-term benefits	17,990	7,487	24,881	15,044
Post-employment benefits	113	228	339	679
<b>Total</b>	<b>60,362</b>	<b>69,741</b>	<b>381,627</b>	<b>365,514</b>
<b>Number of persons</b>	<b>8</b>	<b>8</b>	<b>8</b>	<b>8</b>

**31. CONTRACTUAL LIABILITIES AND COMMITMENTS**

Information on contractual liabilities and commitments of the Group is disclosed in the consolidated financial statements for the year ended 31 December 2014. During nine month period ended 30 September 2015 there were no significant changes, except for the following:

**Contractual commitments**

As at 30 September 2015 the Group had contractual obligations to acquire property, plant and equipment, and construction services for the amount of 63,819,222 thousand Tenge (31 December 2014: 29,256,791 thousand Tenge).

Share of the Group as at 30 September 2015 in contractual obligations of joint ventures to acquire property, plant and equipment, and construction services amounted to 284,864 thousand Tenge (31 December 2014: 159,201 thousand Tenge).

**Legal proceedings***Legal proceedings with business counterparties of BTL Group*

During nine month period ended 30 September 2015 the companies of the Group have been involved in a number of disputes in Georgia. The total amount of claims against the Group is equal to 62 million US Dollars (equal to 16,795,180 thousand Tenge). Parties have signed the Conciliatory Act and legal proceedings were terminated. On 22 July 2015 the court has removed arrest from BTL's shares in Batumi Oil Terminal, Batumi Oil Terminal's property and exclusive rights to control 100% share in Batumi Sea Port.

*Legal proceedings with Batumi International Container Terminal LLC*

Batumi Sea Port was sued by Batumi International Container Terminal LLC (hereinafter – "BICT") (hereinafter – "Parties"), a lessee of berths #4, #5 and #6, certain movable property and 13 hectares of land for a period of 48 years, for violating the lease agreement. The amount of compensation mostly for moral damages and lost profits requested by BICT LLC is 5,422 thousand US Dollars (equivalent to 1,468,765 thousands Tenge).

On 4 September 2015 settlement of dispute agreement was signed. According to this agreement Parties agreed to drop all the legal proceedings. Group's Management assesses the maximum risks on this legal proceeding, in the amount not higher than 500 thousand US Dollars (equivalent of 135, 445 thousand Tenge), as immaterial for these interim condensed consolidated financial statements of the Group.

**Expropriation of the Batumi Sea Port's assets**

In accordance with Batumi Sea Port Management Right agreement between Batumi Sea Port and Georgia Government, Georgian Government has the right for expropriation of the Batumi Sea Port's assets, in case the Batumi Sea Port in the course of 2 years does not meet its obligations on minimum volume of transshipment, which is 4 million tons per year. As at 30 September 2015 the Group's management considers Batumi Sea Port was not exposed to risk of asset expropriation from the Government of Georgia, as actual volumes of transshipment were more than 4.9 million tons (for the nine month period ended 30 September 2014: 5 million tons).

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**

---

**32. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES**

The Group's principal financial liabilities comprise trade and other payables. The main purpose of these financial liabilities is to raise finance for the Group's operations. The Group has trade receivables and cash and cash equivalents that arrive directly from its operations.

**Fair value of financial instruments**

The carrying amount of cash, bank deposits, trade and other accounts receivable, trade and other accounts payable and other current liabilities approximates their fair value due to the short-term maturity of these financial instruments.

**33. SUBSEQUENT EVENTS**

On 5 November 2015 the Company provided to KMG interest-free financial assistance based on the decision made on 14-15 October 2015 by the Board of Directors in the amount of 20 billion Tenge with the maturity until 30 June 2016. At the date of these financial statements the exchange rate rose from 270.89 Tenge (as at 30 September 2015) to 306.74 Tenge per 1 US Dollar.