KazTransOil JSC

Interim condensed
separate financial statements

For the six months ended 30 June 2016

Building a better working world

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Report on review of interim condensed separate financial statements

To the Shareholders of KazTransOil JSC

Introduction

We have reviewed the accompanying interim condensed separate financial statements of KazTransOil JSC ("the Company"), comprising the interim separate statement of financial position as at 30 June 2016 and the related interim separate statements of comprehensive income, cash flows and changes in equity for the six months period then ended and explanatory notes. Management is responsible for the preparation and presentation of these interim condensed separate 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 separate 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, it 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 separate financial statements of KazTransOil JSC are not prepared, in all material respects, in accordance with IAS 34.

Consolidated financial statements presented separately

Without modifying our conclusion, we draw attention to Note 2 to the interim condensed separate financial statements which states that the Company is the parent entity of KazTransOil JSC group and that the interim condensed consolidated financial statements of KazTransOil JSC and its subsidiary ("the Group"), prepared in accordance with IAS 34, have been issued separately. We have performed review of the interim condensed consolidated financial statements of the Group for the six month period, ended 30 June 2016, and expressed an unqualified conclusion thereon in our report on review of interim condensed consolidated financial statements dated 8 August 2016.

Ernst & Young LLP

Gulmira Turmagambetova
Auditor

Auditor qualification certificate
No. 0000374 dated 21 February 1998

Evgeny Zhemaletdinov
General director
Ernst & Young LLP

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

8 August 2016

INTERIM SEPARATE STATEMENT OF FINANCIAL POSITION

In thousands of Tenge	Notes	As at 30 June 2016 (unaudited)	As at 31 December 2015 (audited)
Assets			
Non-current assets			
Property, plant and equipment	3	**424,195,693**	430,345,045
Intangible assets	4	**1,291,431**	1,478,896
Investments in subsidiary	5	**28,208,864**	28,208,864
Investments in joint ventures	6	**7,404,945**	7,404,945
Advances to suppliers for property, plant and equipment	7	**3,153,590**	7,061,456
Bank deposits	13	**4,285,418**	4,487,436
Other non-current assets		**16,514**	16,632
		468,556,455	479,003,274
Current assets			
Inventories	8	**3,863,727**	2,549,716
Interest free loan	30	**–**	18,735,079
Trade and other accounts receivable	9	**3,596,153**	2,677,840
Advances to suppliers	10	**1,334,249**	1,992,063
Prepayment for corporate income tax		**1,665,070**	–
VAT recoverable and other prepaid taxes	11	**1,124,134**	3,615,591
Other current assets	12	**3,734,942**	5,830,596
Bank deposits	13	**10,240,032**	12,446,837
Cash and cash equivalents	14	**51,168,725**	44,010,416
		76,727,032	91,858,138
Total assets		**545,283,487**	570,861,412

The accounting policy and explanatory notes on pages 7 through 26 form an integral part of these interim condensed separate financial statements.

INTERIM SEPARATE STATEMENT OF FINANCIAL POSITION (continued)

In thousands of Tenge	Notes	As at 30 June 2016 (unaudited)	As at 31 December 2015 (audited)
Equity and liabilities			
Equity			
Share capital	15	**61,937,567**	61,937,567
Treasury shares repurchased from shareholders	15	**(9,549)**	–
Asset revaluation reserve		**97,265,689**	98,847,414
Other capital reserves		**(3,813,636)**	(3,813,636)
Retained earnings		**276,155,891**	286,399,082
Total equity		**431,535,962**	443,370,427
Non-current liabilities			
Employee benefit liabilities	16	**15,720,685**	15,098,686
Deferred tax liabilities	29	**37,816,531**	37,516,962
Provision for asset retirement and land recultivation obligation	20	**17,348,843**	21,999,701
		70,886,059	74,615,349
Current liabilities			
Employee benefit liabilities	16	**486,000**	435,024
Income tax payable		**–**	698,462
Trade and other accounts payable	17	**13,816,512**	16,495,346
Advances received	18	**14,294,560**	17,422,223
Other taxes payable	19	**506,640**	1,056,377
Provisions	20	**41,125**	41,125
Other current liabilities	21	**13,716,629**	16,727,079
		42,861,466	52,875,636
Total liabilities		**113,747,525**	127,490,985
Total equity and liabilities		**545,283,487**	570,861,412
Book value of ordinary shares *(in Tenge)*	15	**1,119**	1,149

Signed and approved for issue on 8 August 2016.

Deputy General Director for Economics and Finance

Nussupova A.B.

Chief Accountant

Sarmagambetova M.K.

The accounting policy and explanatory notes on pages 7 through 26 form an integral part of these interim condensed separate financial statements.

INTERIM SEPARATE STATEMENT OF COMPREHENSIVE INCOME

In thousands of Tenge	Notes	For the six months ended 30 June (unaudited) 2016	2015
Revenue	22	**96,191,650**	97,354,184
Cost of sales	23	**(51,004,735)**	(48,947,676)
Gross profit		**45,186,915**	48,406,508
General and administrative expenses	24	**(4,389,935)**	(4,506,244)
Other operating income	25	**1,568,955**	1,137,842
Other operating expenses	26	**(80,151)**	(1,288,926)
Operating profit		**42,285,784**	43,749,180
Net foreign exchange (loss)/gain		**(800,337)**	925,573
Dividends income	30	**1,487,160**	2,759,120
Finance income	27	**3,714,544**	1,627,236
Finance costs	28	**(1,146,940)**	(922,902)
Profit before tax		**45,540,211**	48,138,207
Income tax expense	29	**(9,494,772)**	(9,612,847)
Profit for the period		**36,045,439**	38,525,360
Earnings per share *(in Tenge)*	15	**94**	100
Other comprehensive income/(loss)			
Other comprehensive income/(loss) not to be reclassified to profit or loss in subsequent periods			
Net reversal/(charge) of impairment of property, plant and equipment	3	**633**	(66,043)
Income tax effect	29	**(127)**	13,209
		506	(52,834)
Reversal of provision for asset retirement obligation and land recultivation	20	**4,107,092**	2,068,844
Income tax effect	29	**(821,418)**	(413,768)
		3,285,674	1,655,076
Total other comprehensive income not to be reclassified to profit or loss in subsequent periods, net of tax		**3,286,180**	1,602,242
Total other comprehensive income for the period, net of tax		**3,286,180**	1,602,242
Total comprehensive income for the period, net of tax		**39,331,619**	40,127,602

Signed and approved for issue on 8 August 2016.

Deputy General Director for Economics and Finance — Nussupova A.B.

Chief Accountant — Sarmagambetova M.K.

The accounting policy and explanatory notes on pages 7 through 26 form an integral part of these interim condensed separate financial statements.

INTERIM SEPARATE STATEMENT OF CASH FLOWS

In thousands of Tenge	Notes	For the six months ended 30 June (unaudited) 2016	2015
Cash flows from operating activities			
Profit before income tax		**45,540,211**	48,138,207
Non-cash adjustment to reconcile profit before income tax to net cash flows			
Depreciation and amortization	23, 24	**16,782,564**	15,611,999
(Reversal) / net charge of allowance for doubtful debts	24	**(31,294)**	40,884
Finance costs	28	**1,146,940**	922,902
Finance income	27	**(3,714,544)**	(1,627,236)
Dividends income	30	**(1,487,160)**	(2,759,120)
Employee benefits, current service cost	23, 24	**534,999**	401,233
Net charge of provisions	20	**–**	11,713
Net loss on disposal of property, plant and equipment and intangible assets	26	**50,536**	1,122,512
(Reversal)/charge of impairment of the property plant and equipment		**(3,200)**	148,331
Net loss on disposal of assets held for sale		**1,500**	8,176
Net gain from disposal of inventory		**(10,552)**	(34,419)
Income from revision of estimates and write-off of provision on asset retirement obligation and land recultivation	25	**(1,316,196)**	(604,133)
Income from write-off of accounts payable		**(1,815)**	(39,653)
Amortization of deferred income		**–**	(156,183)
Unrealized foreign exchange loss/(gain)		**800,336**	(810,729)
Operating cash flows before working capital changes		**58,292,325**	60,374,484
(Increase)/decrease in operating assets			
Inventories		**(1,389,506)**	(1,615,438)
Trade and other accounts receivable		**(899,440)**	(951,890)
Advances to suppliers		**657,814**	(1,061,053)
VAT recoverable and other prepaid taxes		**2,688,061**	774,219
Other current assets		**2,101,783**	1,095,421
Increase/(decrease) in operating liabilities			
Trade and other accounts payable		**(782,064)**	(2,446,784)
Advances received		**(3,127,663)**	(686,962)
Other taxes payable		**(923,338)**	(393,032)
Other current and non-current liabilities and employee benefits liability		**(3,290,219)**	(2,668,326)
Cash generated from operating activities		**53,327,753**	52,420,639
Income tax paid		**(12,006,679)**	(4,507,576)
Interest received		**2,458,446**	1,464,272
Net cash flow from operating activities		**43,779,520**	49,377,335

The accounting policy and explanatory notes on pages 7 through 26 form an integral part of these interim condensed separate financial statements.

INTERIM SEPARATE STATEMENT OF CASH FLOWS (continued)

In thousands of Tenge	Notes	For the six months ended 30 June (unaudited) 2016	2015
Cash flows from investing activities			
Withdrawal of bank deposits		**13,210,857**	48,234,711
Placement of bank deposits		**(10,846,428)**	(30,903,157)
Purchase of property, plant and equipment		**(8,719,507)**	(36,498,555)
Purchase of intangible assets		**(21,358)**	(97,943)
Proceeds from disposal of property, plant and equipment, intangible assets		**121**	27,716
Repayment of interest free loans	30	**20,000,000**	–
Dividends received	30	**1,487,160**	1,735,020
Net cash flow from / (used in) investing activities		**15,110,845**	(17,502,208)
Cash flows from financing activities			
Dividends paid	15	**(51,156,460)**	(46,429,363)
Treasury shares repurchased from shareholders	15	**(9,549)**	–
Net cash flow used in financing activities		**(51,166,009)**	(46,429,363)
The effects of changes in exchange rates		**(566,047)**	(154,598)
Net change in cash and cash equivalents		**7,158,309**	(14,708,834)
Cash and cash equivalents at the beginning of the period		**44,010,416**	39,248,732
Cash and cash equivalents at the end of the period		**51,168,725**	24,539,898

Signed and approved for issue on 8 August 2016.

Deputy General Director for Economics and Finance — Nussupova A.B.

Chief Accountant — Sarmagambetova M.K.

The accounting policy and explanatory notes on pages 7 through 26 form an integral part of these interim condensed separate financial statements.

INTERIM SEPARATE STATEMENT OF CHANGES IN EQUITY

In thousands of Tenge	Share capital	Asset revaluation reserve	Other capital reserves	Treasury shares	Retained earnings	Total
As at 31 December 2015 (audited)	61,937,567	98,847,414	(3,813,636)	–	286,399,082	443,370,427
Profit for the period	–	–	–		**36,045,439**	**36,045,439**
Other comprehensive income	–	**3,286,180**	–	–	–	**3,286,180**
Total comprehensive income for the period	–	**3,286,180**	–	–	**36,045,439**	**39,331,619**
Depreciation transfer of revalued property, plant and equipment	–	**(4,867,905)**	–	–	**4,867,905**	–
Treasury shares repurchased from shareholders *(Note 15)*	–	–	–	**(9,549)**	–	**(9,549)**
Dividends *(Note 15)*	–	–	–	–	**(51,156,535)**	**(51,156,535)**
As at 30 June 2016 (unaudited)	**61,937,567**	**97,265,689**	**(3,813,636)**	**(9,549)**	**276,155,891**	**431,535,962**
As at 31 December 2014 (audited)	61,937,567	108,539,359	(1,810,510)	–	244,927,026	413,593,442
Profit for the period	–	–	–	–	38,525,360	38,525,360
Other comprehensive income	–	1,602,242	–	–	–	1,602,242
Total comprehensive income for the period	–	1,602,242	–	–	38,525,360	40,127,602
Depreciation transfer of revalued property, plant and equipment	–	(5,098,267)	–	–	5,098,267	–
Dividends *(Note 15)*	–	–	–	–	(46,429,363)	(46,429,363)
As at 30 June 2015 (unaudited)	61,937,567	105,043,334	(1,810,510)	–	242,121,290	407,291,681

Signed and approved for issue on 8 August 2016.

Deputy General Director for Economics and Finance — Nussupova A.B.

Chief Accountant — Sarmagambetova M.K.

The accounting policy and explanatory notes on pages 7 through 26 form an integral part of these interim condensed separate financial statements.

NOTES TO THE INTERIM CONDENSED SEPARATE FINANCIAL STATEMENTS

For the six months ended 30 June 2016

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" ("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" Closed Joint Stock Company.

On 31 May 2004, in accordance with the requirements of Kazakhstani legislation the Closed Joint Stock Company "KazTransOil" was re-registered as KazTransOil Joint Stock Company (hereinafter – the "Company").

As at 30 June 2016 10% of shares of the Company are owned by minority shareholders who acquired them within the "People's IPO" program. The major shareholder of the Company, who owns the controlling interest of the Company (90%) is National Company "KazMunayGas" JSC (hereinafter – "KMG" or "Parent Company"). 90% of KMG shares are owned by Sovereign Wealth Fund "Samruk-Kazyna" JSC (hereinafter – "Samruk-Kazyna"), controlled by the Government of the Republic of Kazakhstan. 10% of KMG shares are owned by the National Bank of the Republic of Kazakhstan.

As at 30 June 2016 and 31 December 2015, the Company had interest ownership in the following companies:

	Place of incorporation	Principal activities	Ownership 30 June 2016	Ownership 31 December 2015
"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'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). On 14 March 2016 Board of Directors of the Company has made a decision to close a representative office in Moscow.

The Company operates network of main oil pipelines of 5,377 km and water pipelines of 1,975 km within the Republic of Kazakhstan. Also the Company is engaged in storage, loading, transshipment and transfer of crude oil to other related pipeline systems. Company's joint ventures MunaiTas and KCP own Kenkiyak-Atyrau, Kenkiyak-Kumkol and Atasu-Alashankou pipelines used for transportation of Kazakhstani crude oil to China.

BTL, subsidiary of the Company, provides services for transhipment and storage of crude oil, oil products and liquefied petroleum gas, as well as services for dry cargo transhipment through Batumi Oil Terminal and Batumi Sea Port in Georgia. BTL owns Batumi Oil Terminal LLC (hereinafter – "BOT") and Petrotrans Limited Company. BOT has the exclusive right to operate 100% of the shares of Batumi Sea Port LLC (hereinafter – "BSP").

The Company is a natural monopolist and, respectively, 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 SEPARATE FINANCIAL STATEMENTS (continued)

1. GENERAL (continued)

From 1 October 2015 order of CRNMandPC dated 21 August 2015 approved the maximum tariffs for pumping oil on the domestic market for 2015-2019 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.

* This rate came into effect on 1 January 2016.

Starting from 1 April 2014 tariffs for pumping oil on export from the Republic of Kazakhstan equals to 5,817.20 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 of the Republic of Kazakhstan on regulation of natural monopolies, tariff rates cannot be lower than the expenditures required to provide services, and should provide for entity's profitability at the level ensuring effective functioning of a natural monopoly.

These interim condensed separate financial statements for the six months period ended 30 June 2016 were signed and approved for issue by the Deputy General Director for Economics and Finance and Chief accountant on 8 August 2016.

2. BASIS OF PREPARATION AND CHANGES IN ACCOUNTING POLICIES

Basis of preparation

These interim condensed separate financial statements for the six months period ended 30 June 2016 have been prepared in accordance with International Financial Reporting Standard IAS 34 *Interim Financial Reporting Standards.*

These interim condensed separate financial statements have been prepared on a historical cost basis, except for property, plant and equipment, which are stated at revalued amounts.

These interim condensed separate financial statements do not include all information and disclosures required for annual financial statements and should be read in conjunction with the Company's annual financial statements for the year ended 31 December 2015.

These interim condensed separate financial statements are presented in Tenge and all amounts are rounded to the nearest thousands, except for the book value of ordinary shares, earnings per share and when otherwise indicated. Functional currency of the Company is Tenge.

New standards, interpretations and amendments thereof, adopted by the Company

The accounting policies adopted in the preparation of the interim condensed separate financial statements are consistent with those followed in the preparation of the Company's annual separate financial statements for the year ended 31 December 2015, except for the adoption of new standards and interpretations effective as of 1 January 2016. The Company has not early adopted any other standard, interpretation or amendment that were issued but have not yet entered into force.

Several new standards and amendments apply for the first time in 2016. However, they do not impact the interim condensed separate financial statements of the Company. The nature and the impact of each new standard or amendment are described below.

NOTES TO THE INTERIM CONDENSED SEPARATE FINANCIAL STATEMENTS (continued)

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

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

The Company first applies some new standards and amendments to existing standards and interpretations. These include:

IFRS 14 Regulatory Deferral Accounts

IFRS 14 is an optional standard that allows an entity, whose activities are subject to rate-regulation, to continue applying most of its existing accounting policies for regulatory deferral account balances upon its first-time adoption of IFRS. Entities that adopt IFRS 14 must present the regulatory deferral accounts as separate line items on the statement of financial position and present movements in these account balances as separate line items in the statement of profit or loss and OCI. The standard requires disclosure of the nature of, and risks associated with, the entity's rate-regulation and the effects of that rate-regulation on its financial statements. IFRS 14 is effective for annual periods beginning on or after 1 January 2016. Since the Company is an existing IFRS preparer and the Company has no regulatory deferral account balances, this standard does not affect the interim condensed separate financial statements.

Amendments to IFRS 11 Joint Arrangements: Accounting for Acquisitions of Interests

The amendments to IFRS 11 require that a joint operator accounting for the acquisition of an interest in a joint operation, in which the activity of the joint operation constitutes a business, must apply the relevant IFRS 3 *Business Combinations* principles for business combination accounting. The amendments also clarify that a previously held interest in a joint operation is not remeasured on the acquisition of an additional interest in the same joint operation if joint control is retained. In addition, a scope exclusion has been added to IFRS 11 to specify that the amendments do not apply when the parties sharing joint control, including the reporting entity, are under common control of the same ultimate controlling party. The amendments apply to both the acquisition of the initial interest in a joint operation and the acquisition of any additional interests in the same joint operation and are prospectively effective for annual periods beginning on or after 1 January 2016, with early adoption permitted. These amendments do not have any impact on the Company as there has been no interest acquired in a joint operation during the period.

Amendments to IAS 16 and IAS 38: Clarification of Acceptable Methods of Depreciation and Amortization

The amendments clarify the principle in IAS 16 *Property, Plant and Equipment* and IAS 38 *Intangible Assets* that revenue reflects a pattern of economic benefits that are generated from operating a business (of which the asset is a part) rather than the economic benefits that are consumed through use of the asset. As a result, a revenue-based method cannot be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortize intangible assets. The amendments are effective prospectively for annual periods beginning on or after 1 January 2016, with early adoption permitted. These amendments do not have any impact to the Company given that the Company has not used a revenue-based method to depreciate its noncurrent assets.

Amendments to IAS 27: Equity Method in Separate Financial Statements

The amendments will allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements. Entities already applying IFRS and electing to change to the equity method in their separate financial statements will have to apply that change retrospectively. First-time adopters of IFRS electing to use the equity method in their separate financial statements will be required to apply this method from the date of transition to IFRS. The amendments are effective for annual periods beginning on or after 1 January 2016, with early adoption permitted. These amendments do not have any impact on the Company's interim condensed separate financial statements.

Annual improvements 2012-2014 cycle

These improvements are effective for annual periods beginning on or after 1 January 2016. The document includes the following amendments, which do not affect the interim condensed separate financial statements of the Company:

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

Assets (or disposal Group's) are generally disposed of either through sale or distribution to owners. The amendment clarifies that changing from one of these disposal methods to the other would not be considered a new plan of disposal, rather it is a continuation of the original plan. There is, therefore, no interruption of the application of the requirements in IFRS 5. This amendment must be applied prospectively.

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

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

Annual improvements 2012-2014 cycle (continued)

IFRS 7 Financial Instruments: Disclosures

(i) Servicing contracts

The amendment clarifies that a servicing contract that includes a fee can constitute continuing involvement in a financial asset. An entity must assess the nature of the fee and the arrangement against the guidance for continuing involvement in IFRS 7 in order to assess whether the disclosures are required. The assessment of which servicing contracts constitute continuing involvement must be done retrospectively. However, the required disclosures would not need to be provided for any period beginning before the annual period in which the entity first applies the amendments.

(ii) Applicability of the amendments to IFRS 7 to condensed interim financial statements

The amendment clarifies that the offsetting disclosure requirements do not apply to interim condensed separate financial statements, unless such disclosures provide a significant update to the information reported in the most recent annual report. This amendment must be applied retrospectively.

IAS 19 Employee Benefits

The amendment clarifies that market depth of high quality corporate bonds is assessed based on the currency in which the obligation is denominated, rather than the country where the obligation is located. When there is no deep market for high quality corporate bonds in that currency, government bond rates must be used. This amendment must be applied prospectively.

IAS 34 Interim Financial Reporting

The amendment clarifies that the required interim disclosures must either be in the interim financial statements or incorporated by cross-reference between the interim financial statements and wherever they are included within the interim financial report (e.g., in the management commentary or risk report). The other information within the interim financial report must be available to users on the same terms as the interim financial statements and at the same time. This amendment must be applied retrospectively.

Amendments to IAS 1 Disclosure Initiative

The amendments to IAS 1 clarify, rather than significantly change, existing IAS 1 requirements. The amendments clarify:

- The materiality requirements in IAS 1;
- That specific line items in the statement(s) of profit or loss and OCI and the statement of financial position may be disaggregated;
- That entities have flexibility as to the order in which they present the notes to financial statements;
- That the share of OCI of associates and joint ventures accounted for using the equity method must be presented in aggregate as a single line item, and classified between those items that will or will not be subsequently reclassified to profit or loss.

Furthermore, the amendments clarify the requirements that apply when additional subtotals are presented in the statement of financial position and the statement(s) of profit or loss and OCI. These amendments are effective for annual periods beginning on or after 1 January 2016, with early adoption permitted.

Amendments to IFRS 10, IFRS 12 and IAS 28 Investment Entities: Applying the Consolidation Exception

The amendments address issues that have arisen in applying the investment entities exception under IFRS 10 *Consolidated Financial Statements*. The amendments to IFRS 10 clarify that the exemption from presenting consolidated financial statements applies to a parent entity that is a subsidiary of an investment entity, when the investment entity measures all of its subsidiaries at fair value.

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

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

Annual improvements 2012-2014 cycle (continued)

Amendments to IFRS 10, IFRS 12 and IAS 28 Investment Entities: Applying the Consolidation Exception (continued)

Furthermore, the amendments to IFRS 10 clarify that only a subsidiary of an investment entity that is not an investment entity itself and that provides support services to the investment entity is consolidated. All other subsidiaries of an investment entity are measured at fair value. The amendments to IAS 28 *Investments in Associates and Joint Ventures* allow the investor, when applying the equity method, to retain the fair value measurement applied by the investment entity associate or joint venture to its interests in subsidiaries. These amendments must be applied retrospectively and are effective for annual periods beginning on or after 1 January 2016, with early adoption permitted.

Seasonality of operations

The Company'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 half of the year. 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 during the first half of the year.

Foreign currency translation

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 six months periods ended 30 June 2016 and 2015 were as follows:

	For the six months ended 30 June	
Tenge	**2016**	2015
US dollars	**345.34**	185.25
Russian rubles	**4.93**	3.23
Euro	**385.25**	206.79

As at 30 June 2016 and 31 December 2015, the currency exchange rates of KASE were:

Tenge	**30 June 2016**	31 December 2015
US dollars	**338.66**	340.01
Russian rubles	**5.28**	4.61
Euro	**377.20**	371.46

NOTES TO THE INTERIM CONDENSED SEPARATE FINANCIAL STATEMENTS (continued)

3. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment as at 30 June 2016 are as follows:

In thousands of Tenge	Land	Pipelines	Transportation assets	Buildings and constructions	Machinery and equipment	Technological oil	Other	Construction in progress	Total
At revalued amount as at 31 December 2015 (audited)	3,935,614	181,224,490	8,075,342	64,221,098	110,571,364	69,260,331	15,264,421	51,076,938	503,629,598
Additions	–	242,875	79,234	–	89,484	494	100,959	10,081,580	10,594,626
Additions of asset retirement and land recultivation obligation *(Note 20)*	–	41,661	–	–	–	–	–	–	41,661
Disposals	(1,970)	(645,828)	(13)	(30,330)	(65,010)	(2,047)	(52,758)	–	(797,956)
Transfers to intangible assets *(Note 4)*	–	–	–	–	–	–	–	(2,504)	(2,504)
Transfers from construction in progress	22,252	1,775,619	–	1,850,928	5,008,714	–	137,438	(8,794,951)	–
Transfers and reclassifications	–	30,640	17,541	485	108,393	–	7,891	(164,950)	–
At revalued amount as at 30 June 2016 (unaudited)	**3,955,896**	**182,669,457**	**8,172,104**	**66,042,181**	**115,712,945**	**69,258,778**	**15,457,951**	**52,196,113**	**513,465,425**
Accumulated depreciation and impairment as at 31 December 2015 (audited)	–	(26,043,932)	(2,528,532)	(12,037,870)	(25,633,779)	(199,540)	(6,818,490)	(22,410)	(73,284,553)
Depreciation charge	–	(6,237,205)	(589,534)	(2,534,469)	(5,884,782)	–	(1,352,472)	–	(16,598,462)
Disposals	–	473,217	12	21,758	62,682	–	51,781	–	609,450
Reversal/(charge) of impairment (through profit and loss)	–	(2,471)	–	–	5,671	–	–	–	3,200
Reversal/(charge) of impairment (revaluation reserve)	–	(1,069)	–	–	1,702	–	–	–	633
Transfers and reclassifications	–	246	–	(407)	(203)	–	364	–	–
Accumulated depreciation and impairment as at 30 June 2016 (unaudited)	–	**(31,811,214)**	**(3,118,054)**	**(14,550,988)**	**(31,448,709)**	**(199,540)**	**(8,118,817)**	**(22,410)**	**(89,269,732)**
As at 30 June 2016 (unaudited)									
At revalued amount	3,955,896	182,669,457	8,172,104	66,042,181	115,712,945	69,258,778	15,457,951	52,196,113	513,465,425
Accumulated depreciation and impairment	–	(31,811,214)	(3,118,054)	(14,550,988)	(31,448,709)	(199,540)	(8,118,817)	(22,410)	(89,269,732)
Net book value (unaudited)	**3,955,896**	**150,858,243**	**5,054,050**	**51,491,193**	**84,264,236**	**69,059,238**	**7,339,134**	**52,173,703**	**424,195,693**
As at 31 December 2015 (audited)									
At revalued amount	3,935,614	181,224,490	8,075,342	64,221,098	110,571,364	69,260,331	15,264,421	51,076,938	503,629,598
Accumulated depreciation and impairment	–	(26,043,932)	(2,528,532)	(12,037,870)	(25,633,779)	(199,540)	(6,818,490)	(22,410)	(73,284,553)
Net book value (audited)	3,935,614	155,180,558	5,546,810	52,183,228	84,937,585	69,060,791	8,445,931	51,054,528	430,345,045

NOTES TO THE INTERIM CONDENSED SEPARATE FINANCIAL STATEMENTS (continued)

3. PROPERTY, PLANT AND EQUIPMENT (continued)

As at 30 June 2016 and 31 December 2015 construction in progress mainly includes the following production projects:

- construction and reconstruction realized as part of interstate "Kazakhstan-China" oil pipeline construction project;
- reconstruction of main oil pipelines "Kalamkas-Karazhanbas-Aktau" on the "Karazhanbas-Aktau" route, repair works including replacement of certain routes of the main oil pipelines "TON-2" and other oil pipelines;
- reconstruction of firefighting system, construction of acceptance points at 1,235 km of the oil pipeline "Uzen-Atyrau-Samara", and others.

As at 30 June 2016:

- the initial cost and corresponding accumulated depreciation of fully depreciated property, plant and equipment were 5,563,769 thousand Tenge (31 December 2015: 4,104,796 thousand Tenge);
- the amount of depreciation for six months ended 30 June 2016 included in the cost of construction in progress was 8,293 thousand Tenge (for six months ended 30 June 2015: 7,769 thousand Tenge).
- the volume of oil in pipelines, included in property, plant and equipment, amounted to 2,398 thousand tons (31 December 2015: 2,398 thousand tons);
- construction in progress included materials and spare parts in the amount of 974,627 thousand Tenge (as at 31 December 2015: 496,573 thousand Tenge), which were acquired for construction works.

4. INTANGIBLE ASSETS

Intangible assets as at 30 June 2016 and 31 December 2015 are as follows:

In thousands of Tenge	Licenses	Software	Other	Total
Net book value as at 31 December 2015 (audited)	63,273	1,384,124	31,499	1,478,896
Additions	–	**2,428**	–	**2,428**
Disposals	–	**(2,590)**	–	**(2,590)**
Amortization charge	**(14,535)**	**(175,972)**	**(1,888)**	**(192,395)**
Amortization on disposals	–	**2,588**	–	**2,588**
Transfers from property, plant and equipment *(Note 3)*	–	**2,504**	–	**2,504**
Net book value as at 30 June 2016 (unaudited)	**48,738**	**1,213,082**	**29,611**	**1,291,431**
As at 30 June 2016 (unaudited)				
At cost	**468,182**	**4,496,095**	**88,486**	**5,052,763**
Accumulated amortization and impairment	**(419,444)**	**(3,283,013)**	**(58,875)**	**(3,761,332)**
Net book value (unaudited)	**48,738**	**1,213,082**	**29,611**	**1,291,431**
As at 31 December 2015 (audited)				
At cost	468,182	4,493,753	88,486	5,050,421
Accumulated amortization and impairment	(404,909)	(3,109,629)	(56,987)	(3,571,525)
Net book value (audited)	63,273	1,384,124	31,499	1,478,896

5. INVESTMENTS IN SUBSIDIARY

Investments in subsidiary as at 30 June 2016 and 31 December 2015 are as follows:

In thousands of Tenge	**30 June 2016 (unaudited)**	31 December 2015 (audited)
BTL	**47,074,550**	47,074,550
Less: impairment of investments in BTL	**(18,865,686)**	(18,865,686)
Total	**28,208,864**	28,208,864

NOTES TO THE INTERIM CONDENSED SEPARATE FINANCIAL STATEMENTS (continued)

6. INVESTMENTS IN JOINT VENTURES

Investments in joint ventures as at 30 June 2016 and 31 December 2015 are as follows:

In thousands of Tenge	**30 June 2016 (unaudited)**	31 December 2015 (audited)
KCP	**6,500,000**	6,500,000
MunaiTas	**904,945**	904,945
Total	**7,404,945**	7,404,945

7. ADVANCES TO SUPPLIERS FOR PROPERTY, PLANT AND EQUIPMENT

Advances to suppliers for property, plant and equipment as at 30 June 2016 and 31 December 2015 are as follows:

In thousands of Tenge	**30 June 2016 (unaudited)**	31 December 2015 (audited)
Advances to third parties for property, plant and equipment	**3,206,848**	7,114,714
Less: allowance for doubtful debts	**(53,258)**	(53,258)
Total	**3,153,590**	7,061,456

8. INVENTORIES

Inventories as at 30 June 2016 and 31 December 2015 are as follows:

In thousands of Tenge	**30 June 2016 (unaudited)**	31 December 2015 (audited)
Spare parts	**2,101,822**	1,388,802
Fuel	**816,099**	515,487
Construction materials	**368,979**	95,605
Chemical reagents	**121,373**	90,812
Goods	**82,257**	140,887
Overalls	**63,413**	98,406
Other	**309,784**	219,717
Total	**3,863,727**	2,549,716

9. TRADE AND OTHER ACCOUNTS RECEIVABLE

Trade and other accounts receivable as at 30 June 2016 and 31 December 2015 are as follows:

In thousands of Tenge	**30 June 2016 (unaudited)**	31 December 2015 (audited)
Trade accounts receivable from related parties *(Note 30)*	**2,537,375**	1,394,939
Trade accounts receivable from third parties	**1,245,264**	1,000,631
Other accounts receivable from third parties	**510,385**	982,238
Other accounts receivable from related parties *(Note 30)*	**6,574**	36,122
	4,299,598	3,413,930
Less: allowance for doubtful debts	**(703,445)**	(736,090)
Total	**3,596,153**	2,677,840

Movement in allowance for doubtful accounts related to trade and other receivables are as follows:

	For the six months ended 30 June	
In thousands of Tenge	**2016**	2015
At the beginning of the period (audited)	**736,090**	634,885
(Reversal)/charge for the period	**(31,294)**	41,149
Write-off of accounts receivable	**(1,351)**	(81)
At the end of the period (unaudited)	**703,445**	675,953

NOTES TO THE INTERIM CONDENSED SEPARATE FINANCIAL STATEMENTS (continued)

9. TRADE AND OTHER ACCOUNTS RECEIVABLE (continued)

Trade and other accounts receivable of the Company as at 30 June 2016 and 31 December 2015 were denominated in the following currencies:

In thousands of Tenge	**30 June 2016 (unaudited)**	31 December 2015 (audited)
Tenge	**4,298,072**	3,412,737
Other currency	**1,526**	1,193
Total	**4,299,598**	3,413,930

10. ADVANCES TO SUPPLIERS

Advances to suppliers as at 30 June 2016 and 31 December 2015 are as follows:

In thousands of Tenge	**30 June 2016 (unaudited)**	31 December 2015 (audited)
Advances to related parties *(Note 30)*	**1,132,043**	1,841,099
Advances to third parties	**202,206**	150,964
Total	**1,334,249**	1,992,063

11. VAT RECOVERABLE AND OTHER PREPAID TAXES

VAT recoverable and other prepaid taxes as at 30 June 2016 and 31 December 2015 are as follows:

In thousands of Tenge	**30 June 2016 (unaudited)**	31 December 2015 (audited)
VAT recoverable	**1,059,365**	3,403,826
Withholding tax	**31,458**	-
Property tax	**23,550**	201,810
Other taxes prepaid	**9,761**	9,955
Total	**1,124,134**	3,615,591

12. OTHER CURRENT ASSETS

Other current assets as at 30 June 2016 and 31 December 2015 are as follows:

In thousands of Tenge	**30 June 2016 (unaudited)**	31 December 2015 (audited)
Due for oil transportation coordination services	**3,306,762**	5,767,898
Prepaid insurance	**366,388**	49,092
Due from employees	**59,995**	12,302
Other	**1,797**	1,304
Total	**3,734,942**	5,830,596

13. BANK DEPOSITS

Bank deposits as at 30 June 2016 and 31 December 2015 are as follows:

In thousands of Tenge	**30 June 2016 (unaudited)**	31 December 2015 (audited)
Short-term bank deposits	**10,159,800**	12,322,761
Long-term bank deposits	**4,285,418**	4,487,436
Accrued interest on deposits	**80,232**	124,076
Total	**14,525,450**	16,934,273

13. BANK DEPOSITS (continued)

As at 30 June 2016 bank deposits comprised the following:

- US dollar denominated bank deposits placed with Kazakhstani banks with maturity from 3 to 12 months, with interest from 1.5% to 2% per annum (as at 31 December 2015: from 1.4% to 2% per annum), maturing mainly in November and December 2016 (as at 31 December 2015: maturing in March and May 2016);
- restricted long-term bank deposits in the amount of 4,285,418 thousand Tenge with interest from 2% to 3.5% per annum maturing in 2029 and in 2026, respectively (as at 31 December 2015: from 2% to 3.5% per annum maturing in 2029 and 2025, respectively), arranged for the purpose of preferential lending rates for the Company's employees for the purchase of residential property.

14. CASH AND CASH EQUIVALENTS

Cash and cash equivalents as at 30 June 2016 and 31 December 2015 are as follows:

In thousands of Tenge	**30 June 2016 (unaudited)**	31 December 2015 (audited)
Time deposits with banks – Tenge	**37,358,166**	10,126,290
Time deposits with banks – US dollars	**10,173,036**	33,783,170
Current accounts with banks – US dollars	**2,056,460**	23
Current accounts with banks – Tenge	**1,557,512**	86,613
Current accounts with banks – Russian ruble	**3,463**	780
Other current accounts with banks	**10,445**	12,871
Cash in transit	**8,904**	27
Cash on hand	**739**	642
Total	**51,168,725**	44,010,416

As at 30 June 2016 most current accounts and time deposits with maturity less than 3 months in Tenge placed with Kazakhstani banks carried interest ranging from 0.73% to 13.01% per annum (as at 31 December 2015: from 0.47% to 32% per annum). Interest for current accounts and time deposits with maturity less than 3 months placed in US dollars ranged from 0.25% to 3% per annum (as at 31 December 2015: from 0.25% to 3% per annum).

15. EQUITY

Share capital

As at 30 June 2016 and 31 December 2015 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 June 2016 and 31 December 2015 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.

Dividends

On 30 May 2016 the Company accrued dividends based on the results of 2015 to the shareholders in accordance with the decision of the shareholders meeting dated 27 May 2016 in the amount of 51,156,535 thousands Tenge which comprises of 133 Tenge per 1 share (2015: 46,429,363 thousands Tenge based on 120.71 Tenge per 1 share), including 46,040,881 thousand Tenge attributable to KMG (2015: 41,786,427 thousand Tenge) and 5,115,654 thousand Tenge attributable to minority shareholders (2015: 4,642,936 thousand Tenge). As at 30 June 2016 dividends paid amounted to 51,156,460 thousand Tenge.

Treasury shares

On 20 June 2016 based on request of a minority shareholder and the subsequent decision of the Board of Directors dated 26-27 May 2016, the Company repurchased the announced common shares in the amount of 7,500 units for 9,549 thousand tenge.

NOTES TO THE INTERIM CONDENSED SEPARATE FINANCIAL STATEMENTS (continued)

15. EQUITY (continued)

Earnings per share

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

As the Company does not issue convertible financial instruments, basic earnings per share of the Company are equal to diluted earnings per share.

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

In thousands of Tenge	**2016**	2015
Net profit for the period attributable to ordinary equity holders for basic earnings	**36,045,439**	38,525,360
Weighted average number of ordinary shares for the period for basic earnings per share	**384,634,349**	384,635,599
Basic earnings per share, in relation to profit for the period attributable to ordinary equity holders of the Company, *(in Tenge)*	**94**	100

Book value per ordinary share

Book value of the ordinary shares in accordance with requirements of KASE of the Company is as follows:

In thousands of Tenge	**30 June 2016 (unaudited)**	31 December 2015 (audited)
Total assets	**545,283,487**	570,861,412
Less: intangible assets *(Note 4)*	**(1,291,431)**	(1,478,896)
Less: total liabilities	**(113,747,525)**	(127,490,985)
Net assets for calculation of book value per ordinary share	**430,244,531**	441,891,531
Number of ordinary shares	**384,628,099**	384,635,599
Book value per ordinary share *(in Tenge)*	**1,119**	1,149

16. EMPLOYEE BENEFIT LIABILITIES

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

Employee benefit liabilities as at 30 June 2016 and 31 December 2015 are as follows:

In thousands of Tenge	**30 June 2016 (unaudited)**	31 December 2015 (audited)
Non-current portion of employee benefit liabilities	**15,720,685**	15,098,686
Current portion of employee benefit liabilities	**486,000**	435,024
Total	**16,206,685**	15,533,710

Changes in the present value of employee benefit liabilities for the six months periods ended 30 June 2016 and 2015 were as follows:

	For the six months ended 30 June	
In thousands of Tenge	**2016**	2015
At the beginning of the period (audited)	**15,533,710**	11,613,360
Interest cost *(Note 28)*	**416,171**	289,659
Current services cost *(Notes 23, 24)*	**534,999**	401,233
Benefits paid	**(278,195)**	(222,466)
At the end of the period (unaudited)	**16,206,685**	12,081,786

NOTES TO THE INTERIM CONDENSED SEPARATE FINANCIAL STATEMENTS (continued)

17. TRADE AND OTHER ACCOUNTS PAYABLE

Trade and other accounts payable as at 30 June 2016 and 31 December 2015 are as follows:

In thousands of Tenge	**30 June 2016 (unaudited)**	31 December 2015 (audited)
Accounts payable to third parties for goods and services	**13,216,686**	15,250,927
Accounts payable to related parties for goods and services *(Note 30)*	**524,708**	801,849
Other payables to third parties	**73,518**	441,898
Other payables to related parties *(Note 30)*	**1,600**	672
Total	**13,816,512**	16,495,346

As at 30 June 2016 trade and other accounts payable included payables to related and third parties, related to the construction-in-progress in the amount of 11,381,146 thousand Tenge (as at 31 December 2015: 13,454,045 thousand Tenge).

Trade and other accounts payables as at 30 June 2016 and 31 December 2015 were denominated in the following currencies:

In thousands of Tenge	**30 June 2016 (unaudited)**	31 December 2015 (audited)
Tenge	**13,815,494**	16,454,586
Russian rubles	**1,018**	2,570
US dollars	**–**	23,152
Euro	**–**	15,038
Total	**13,816,512**	16,495,346

18. ADVANCES RECEIVED

Advances received as at 30 June 2016 and 31 December 2015 are as follows:

In thousands of Tenge	**30 June 2016 (unaudited)**	31 December 2015 (audited)
Advances received from related parties *(Note 30)*	**9,566,835**	11,330,298
Advances received from third parties	**4,727,725**	6,091,925
Total	**14,294,560**	17,422,223

19. OTHER TAXES PAYABLE

Other taxes payable as at 30 June 2016 and 31 December 2015 are as follows:

In thousands of Tenge	**30 June 2016 (unaudited)**	31 December 2015 (audited)
Personal income tax	**243,747**	413,631
Social tax	**237,332**	574,333
VAT payable	**1,306**	20,045
Property tax	**–**	23,773
Other taxes	**24,255**	24,595
Total	**506,640**	1,056,377

20. PROVISIONS

Movements in provisions for the six months periods ended 30 June 2016 and 2015 are as follows:

Short-term provisions

In thousands of Tenge	**Environmental provision**	**Other provisions**	**Total**
As at 31 December 2015 (audited)	41,125	–	41,125
Charge for the period	–	–	–
As at 30 June 2016 (unaudited)	**41,125**	**–**	**41,125**

NOTES TO THE INTERIM CONDENSED SEPARATE FINANCIAL STATEMENTS (continued)

20. PROVISIONS (continued)

Long-term provisions

Asset retirement and land recultivation 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 subsequent activities to restore the environment, including land recultivation.

Additionally provision on liquidation of the waste landfills is reflected as part of the asset retirement and land recultivation obligation. Provision was created based on the requirements of the Ecological Code of the Republic of Kazakhstan, according to which owner of the waste landfill 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 June 2016 the Company revised the long-term provisions considering current best estimate, which was based on the discount rate of 7.63% (as at 31 December 2015: 6.73%), inflation rate of 6.02% (as at 31 December 2015: 6.00%), and period of pipeline abandonment of 20.5 years (as at 31 December 2015: 10 years).

	For the six months ended 30 June	
In thousands of Tenge	**2016**	2015
At the beginning of the period (audited)	**21,999,701**	20,631,009
Charge for the period *(Note 3)*	**41,661**	903,351
Revision of estimates and reversal of provision on asset retirement obligation and land recultivation *(Note 25)*	**(1,316,196)**	(604,133)
Revision of estimates through revaluation reserve	**(4,107,092)**	(2,068,844)
Unwinding of discount *(Note 28)*	**730,769**	633,243
At the end of the period (unaudited)	**17,348,843**	19,494,626

21. OTHER CURRENT LIABILITIES

Other current liabilities as at 30 June 2016 and 31 December 2015 are as follows:

In thousands of Tenge	**30 June 2016 (unaudited)**	31 December 2015 (audited)
Accounts payable for oil transportation coordination services to related parties *(Note 30)*	**5,231,361**	5,923,268
Salaries and wages	**4,193,475**	5,979,200
Accounts payable for oil transportation coordination services to third parties	**3,837,922**	4,035,988
Payable to pension funds	**372,819**	693,938
Other accruals	**81,052**	94,685
Total	**13,716,629**	16,727,079

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

22. REVENUE

Revenue for the six months periods ended 30 June 2016 and 2015 are as follows:

	For the six months ended 30 June (unaudited)	
In thousands of Tenge	**2016**	2015
Crude oil transportation	**87,121,037**	88,739,487
Pipeline operation services	**4,602,809**	4,415,658
Water transportation	**3,493,077**	3,204,088
Fees for undelivered oil volumes	**512,782**	632,399
Oil transportation coordination services	**353,896**	287,935
Oil storage services	**38,326**	27,767
Other	**69,723**	46,850
Total	**96,191,650**	97,354,184

NOTES TO THE INTERIM CONDENSED SEPARATE FINANCIAL STATEMENTS (continued)

22. REVENUE (continued)

During the six months ended 30 June 2016 revenue from three major customers amounted to 26,037,455 thousand Tenge, 11,979,836 thousand Tenge and 6,842,689 thousand Tenge (for the six months ended 30 June 2015: 24,658,237 thousand Tenge, 12,940,055 thousand Tenge and 8,171,058 thousand Tenge, respectively).

23. COST OF SALES

Cost of sales for the six months periods ended 30 June 2016 and 2015 are as follows:

	For the six months ended 30 June (unaudited)	
In thousands of Tenge	**2016**	2015
Personnel cost	**18,472,791**	17,322,694
Depreciation and amortization	**16,434,019**	15,252,771
Electric energy	**3,276,788**	3,458,143
Taxes other than corporate income tax	**2,657,855**	2,629,952
Repair and maintenance	**1,848,717**	1,712,403
Materials and fuel	**1,812,643**	2,230,988
Security services	**1,798,450**	1,926,401
Gas expense	**1,754,048**	1,374,445
Air services	**745,621**	843,456
Post-employment benefits *(Note 16)*	**502,242**	377,236
Business trip expense	**385,510**	423,136
Insurance	**261,861**	220,836
Communication services	**119,129**	136,581
Environmental protection	**105,088**	117,588
Diagnostics of pipelines	**50,475**	134,152
Operating lease expense	**45,403**	55,420
Other	**734,095**	731,474
Total	**51,004,735**	48,947,676

Increase in personnel costs is due to the indexation of salaries of production personnel made starting from 1 January 2016.

The increase in depreciation and amortization expenses is primarily associated with a significant commissioning of objects of construction in progress in 2015.

NOTES TO THE INTERIM CONDENSED SEPARATE FINANCIAL STATEMENTS (continued)

24. GENERAL AND ADMINISTRATIVE EXPENSES

General and administrative expenses for the six months periods ended 30 June 2016 and 2015 are as follows:

In thousands of Tenge	**For the six months ended 30 June (unaudited)**	
	2016	2015
Personnel cost	**2,697,277**	2,654,747
Depreciation and amortization	**348,545**	359,228
Office maintenance	**207,835**	202,136
Consulting	**177,630**	237,677
Taxes other than corporate income tax and VAT	**100,537**	90,063
Business trip expenses	**97,843**	100,158
Repair and maintenance	**85,056**	71,080
Charity	**65,912**	–
Insurance and security	**60,028**	48,688
Write off of VAT recoverable	**57,579**	138,294
Training	**49,482**	44,094
Bank costs	**48,271**	60,921
Communication services	**44,515**	49,977
Information support	**44,127**	50,042
Post-employment benefits *(Note 16)*	**32,757**	23,997
Advertising expense	**23,915**	3,846
Materials and fuel	**22,866**	68,149
Operational rent expense	**19,269**	11,220
Social sphere expenses	**5,658**	64,912
(Reversal) / net charge of allowance for doubtful debt	**(31,294)**	40,884
Other	**232,127**	186,131
Total	**4,389,935**	4,506,244

25. OTHER OPERATING INCOME

Other operating income for the six months periods ended 30 June 2016 and 2015 are as follows:

In thousands of Tenge	**For the six months ended 30 June (unaudited)**	
	2016	2015
Income from revision of estimates and reversal of asset retirement and land recultivation obligation *(Note 20)*	**1,316,196**	604,133
Income from fines and penalties	**188,051**	267,532
Other income	**64,708**	266,177
Total	**1,568,955**	1,137,842

26. OTHER OPERATING EXPENSES

Other operating expenses for the six months periods ended 30 June 2016 and 2015 are as follows:

In thousands of Tenge	**For the six months ended 30 June (unaudited)**	
	2016	2015
Net loss on disposal of property, plant and equipment	**50,536**	1,122,512
Other expenses	**29,615**	166,414
Total	**80,151**	1,288,926

Net loss on disposal of property, plant and equipment for the six months period ended 30 June 2015 is due to the write-off of certain idle main oil pipelines.

NOTES TO THE INTERIM CONDENSED SEPARATE FINANCIAL STATEMENTS (continued)

27. FINANCE INCOME

Finance income for the six months periods ended 30 June 2016 and 2015 are as follows:

	For the six months ended 30 June (unaudited)	
In thousands of Tenge	**2016**	2015
Interest income on bank deposits and current accounts	**2,443,612**	1,619,226
Undwinding of discount of interest free loan *(Note 30)*	**1,264,921**	–
Unwinding of discount on loans to employees	**6,011**	8,010
Total	**3,714,544**	1,627,236

28. FINANCE COSTS

Finance costs for the six months periods ended 30 June 2016 and 2015 are as follows:

	For the six months ended 30 June (unaudited)	
In thousands of Tenge	**2016**	2015
Unwinding of discount on asset retirement and land recultivation obligation *(Note 20)*	**730,769**	633,243
Interest cost on employee benefits *(Note 16)*	**416,171**	289,659
Total	**1,146,940**	922,902

29. INCOME TAX EXPENSE

Income tax expenses for the six months periods ended 30 June 2016 and 2015 are as follows:

	For the six months ended 30 June (unaudited)	
In thousands of Tenge	**2016**	2015
Current income tax expense	**10,016,748**	10,774,932
Deferred income tax benefit	**(521,976)**	(1,162,085)
Income tax expense	**9,494,772**	9,612,847

Movement in deferred tax liabilities for the six months periods ended 30 June 2016 and 2015 are as follows:

	For the six months ended 30 June	
In thousands of Tenge	**2016**	2015
At the beginning of the period (audited)	**37,516,962**	39,801,492
Charged to profit and loss	**(521,976)**	(1,162,085)
Charged to other comprehensive loss	**821,545**	400,559
At the end of the period (unaudited)	**37,816,531**	39,039,966

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 agreed terms between the parties that may not necessarily be at market rates, except for certain regulated services, which were 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 six months periods ended 30 June 2016 and 30 June 2015 and the related balances as at 30 June 2016 and 31 December 2015.

NOTES TO THE INTERIM CONDENSED SEPARATE FINANCIAL STATEMENTS (continued)

30. RELATED PARTY TRANSACTIONS (continued)

Trade and other accounts receivables from related parties are as follows:

In thousands of Tenge	Notes	30 June 2016 (unaudited)	31 December 2015 (audited)
Trade and other accounts receivable from related parties			
Trade accounts receivable from joint ventures		**1,366,602**	719,246
Trade accounts receivable from entities under common control of KMG		**1,168,456**	675,470
Trade accounts receivable from entities under common control of Samruk-Kazyna Group		**2,317**	223
	9	**2,537,375**	1,394,939
Other accounts receivables from entities under common control of KMG and Samruk-Kazyna Group	9	**6,574**	36,122
Total of trade and other accounts receivable from related parties		**2,543,949**	1,431,061

Advances provided to related parties are as follows:

In thousands of Tenge	Notes	30 June 2016 (unaudited)	31 December 2015 (audited)
Advances paid to related parties			
Advances paid to entities under common control of KMG		**806,413**	1,684,777
Advances paid to entities under common control of Samruk-Kazyna Group		**325,630**	156,322
Total of advances paid to related parties	10	**1,132,043**	1,841,099

Interest-free loans to related parties are as follows:

In thousands of Tenge	Notes	30 June 2016 (unaudited)	31 December 2015 (audited)
Interest-free loans to related parties			
Interest-free loans to KMG		**–**	18,735,079
Total interest-free loans to related parties		**–**	18,735,079

On 5 November 2015 the Company provided to KMG interest-free loan based on the decision made on 14-15 October 2015 by the Board of Directors in the amount of 20,000 thousand Tenge with the maturity until 30 June 2016. Discount on loans given in the amount of 1,644,382 thousand Tenge was recognized by the Company though retained earnings and unamortized portion amounted to 1,264,921 thousand Tenge at the beginning of the period. On 30 June 2016 interest free loan was repaid by KMG and discount was fully amortized.

Deferred expenses on transactions with the related parties are as follows:

In thousands of Tenge	Notes	30 June 2016 (unaudited)	31 December 2015 (audited)
Deferred expenses from related parties			
Deferred expenses from entities under common control of Samruk-Kazyna Group		**399**	–
Total of deferred expenses from related parties		**399**	–

NOTES TO THE INTERIM CONDENSED SEPARATE FINANCIAL STATEMENTS (continued)

30. RELATED PARTY TRANSACTIONS (continued)

Trade and other accounts payables to related parties are as follows:

In thousands of Tenge	Notes	30 June 2016 (unaudited)	31 December 2015 (audited)
Accounts payables to related parties for goods and services			
Accounts payables to entities under common control of KMG		**423,975**	546,793
Accounts payables to entities under common control of Samruk-Kazyna Group		**100,733**	255,056
Total of accounts payables to related parties for goods and services	17	**524,708**	801,849
Other payables to entities under common control of Samruk-Kazyna Group		**1,546**	672
Other payables to entities under common control of KMG		**54**	–
	17	**1,600**	672
Total of trade and other accounts payable to related parties		**526,308**	802,521

Advances received from related parties are as follows:

In thousands of Tenge	Notes	30 June 2016 (unaudited)	31 December 2015 (audited)
Advances received from related parties			
Advances from entities under common control of KMG		**9,171,662**	10,845,082
Advances from entities under common control of Samruk-Kazyna Group		**395,162**	485,209
Advances from joint ventures		**11**	7
Total of advances received from related parties	18	**9,566,835**	11,330,298

Other current liabilities to related parties are as follows:

In thousands of Tenge	Notes	30 June 2016 (unaudited)	31 December 2015 (audited)
Accounts payable for oil transportation expedition to related parties			
Accounts payable for oil transportation expedition to entities under common control of KMG		**5,231,361**	5,923,268
Total of accounts payable for oil transportation expedition to related parties	21	**5,231,361**	5,923,268
Employee benefits of key management personnel			
Employee benefits of key management personnel		**171,402**	8,062
Total of employee benefits of key management personnel		**171,402**	8,062
Total of other current liabilities to related parties		**5,402,763**	5,931,330

The following tables provide the total amount of transactions, which have been entered into with related parties during the six months periods ended 30 June 2016 and 2015:

	For the six months ended 30 June (unaudited)	
In thousands of Tenge	**2016**	2015
Sales to related parties		
Revenue from main activities with entities under common control of KMG	**57,284,867**	56,336,069
Revenue from main activities with joint ventures	**3,953,166**	3,796,701
Revenue from main activities with entities under common control of Samruk-Kazyna Group	**2,336,424**	2,743,226
Revenue from other activities with entities under common control of KMG	**21,057**	314,945
Revenue from other activities with entities under common control of Samruk-Kazyna Group	**1,338**	–
Total of sales to related parties	**63,596,852**	63,190,941

NOTES TO THE INTERIM CONDENSED SEPARATE FINANCIAL STATEMENTS (continued)

30. RELATED PARTY TRANSACTIONS (continued)

Revenue from main activities with entities under common control of KMG is related to the services of oil and water transportation.

In thousands of Tenge	For the six months ended 30 June (unaudited) 2016	2015
Purchases from related parties		
Purchases of services from entities under common control of KMG	**4,797,058**	4,728,779
Purchases of services from entities under common control of Samruk-Kazyna Group	**1,391,521**	1,348,180
Purchases of inventory from entities under common control of KMG	**639,083**	958,785
Purchases of property, plant and equipment and intangible assets from entities under common control of KMG	**237,891**	–
Purchases of inventory from entities under common control of Samruk-Kazyna Group	**17,362**	–
Purchases of services from joint ventures	**4,877**	–
Total of purchases from related parties	**7,087,792**	7,035,744

Amortization of deferred income from related parties are as follows:

In thousands of Tenge	Notes	For the six months ended 30 June (unaudited) 2016	2015
Amortization of deferred income from related parties			
Amortization of deferred income from related parties		–	156,183
Total of amortization of deferred income from related parties		–	156,183

In thousands of Tenge	Notes	For the six months ended 30 June (unaudited) 2016	2015
Other income from related parties			
Dividends income from MunaiTas		**1,487,160**	1,735,020
Dividends income from BTL		–	1,024,100
Total of other income from related parties		**1,487,160**	2,759,120

Finance income from related parties are as follows:

In thousands of Tenge	Notes	For the six months ended 30 June 2016	2015
Finance income from related parties			
Discounting of interest-free loans provided to KMG	27	**1,264,921**	–
Total of finance income from related parties		**1,264,921**	–

Total accrued compensation to key management personnel for the six months ended 30 June 2016 amounts to 321,835 thousand Tenge (for the six months ended 30 June 2015: 321,265 thousand Tenge). Payments to key personnel consist primarily of payroll costs and remuneration established by contracts and Company's internal regulations.

31. CONTRACTUAL LIABILITIES AND COMMITMENTS

Information on contractual liabilities and commitments of the Company is disclosed in the separate financial statements for the year ended 31 December 2015. During six months period ended 30 June 2016 there were no significant changes, except for the following:

Contractual commitments

As at 30 June 2016, the Company had contractual obligations to acquire property, plant and equipment, and construction services in the amount of 40,952,065 thousand Tenge (as at 31 December 2015: 41,288,864 thousand Tenge).

NOTES TO THE INTERIM CONDENSED SEPARATE FINANCIAL STATEMENTS (continued)

32. FINANCIAL INSTRUMENTS

The Company's principal financial liabilities comprise trade and other payables. The main purpose of these financial liabilities is to raise finance for the Company's operations. The Company 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 financial liabilities approximates their fair value due to the short-term maturity of these financial instruments.