

ANNUAL REPORT  
2008





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***FOR THE WELFARE OF THE NATION***





The General Director of JSC "KazTransOil"  
Nurbol Sultan

## Dear Colleagues!

The past year became a serious test for the global economy as a whole and the Kazakhstan economy in particular. However, regardless of the complex conditions, JSC "KazTransOil", one of the leading enterprises of the state holding JSC "NC "KazMunaiGaz", managed not only retaining its positions, but also achieving growth in its industrial and financial activities, which played a significant role for the economy of the country as a whole. Just as it used to, the Company continues undisrupted oil transportation for export and internal market, while upholding the principle of providing equal access of all cargo shippers to the main pipeline system. High production and financial indicators serve as proof of successful work of the Company.

In February, JSC "KazTransOil" completed conclusion of the deal on acquisition of 100% shares of "Batumi Industrial Holdings Limited" from "Terminal Partners Limited" (Cyprus), by that acquiring control over legal entities owning 100% of shares of "Batumi Oil Terminal" and exclusive right of managing the Batumi sea port, which has strategically and geopolitically convenient location. As a result of conclusion of the deal, the Company for the first time acquired foreign oil transport assets at the Black Sea with direct access to the world ocean.

One of the obvious indicators of the successful activities of the Company is the win at the contest of the President of Republic of Kazakhstan on "Achievements

in the field of quality" in the nomination of "The best service providing enterprise" in the category of "Subject of large enterprise". This award became confirmation of the certified and well-proven systems of management of quality, environment, health and safety, complying with requirements of international standards of ISO 9001:2000, ISO 14001:2004, and OHSAS 18001:2007, which have been existing in the Company for the past several years

Our Company is successfully advancing forward, with every year achieving new picks in its activities. While introducing new company management technologies, we orient ourselves to out needs and experience of foreign colleagues. We have big plans on realization of large scale program on introduction of energy saving technologies that are adequate to requirements of technical policies of the Company and contemporary tendencies. The qualitatively new approach to human resource management allows increasing efficiency and creates prerequisites for formation of corporate responsibility for the overall results of the activities of the Company. This all together allows us achieving significant transparency in management of the production, economy, and material provision of JSC "KazTransOil". By setting the priorities in the right manner the Company confidently fulfils its main functions – ensuring undisrupted and timely oil transportation, by that confirming its reputation of a reliable partner.

# About the company



## **Mission**

Provision of quality, timely and cost-competitive services on uninterrupted transportation of oil (transit, trans-shipment, discharge, loading, storage, mixing) and oil-products through main pipelines, with provision of equal access to the main pipeline system of JSC “KazTransOil” (hereinafter the Company) of all shippers.

## **Introduction**

The Company is a high-performance, competitive and profitable company on transportation of oil with modern diversified oil pipeline infrastructure.

## **The history of foundation**

For the purposes of securing interests of the Republic of Kazakhstan in the field of oil transportation, export and import of oil and oil-products, by the resolution of the Government of the Republic of Kazakhstan No.461 dated 2 April 1997, closed joint-stock company “National Oil Transportation Company “KazTransOil” (hereinafter – CJSC “NOTC “KazTransOil”) with 100 % state participation in its charter capital was created. In 2001, the state bundle of stocks of CJSC “NOTC “KazTransOil” was transferred to charter capital of closed joint-stock company “National Company “Transport of Oil and Gas”, which was created in accordance with resolution of the Government of the Republic of Kazakhstan No.591, dated 2 May 2001.

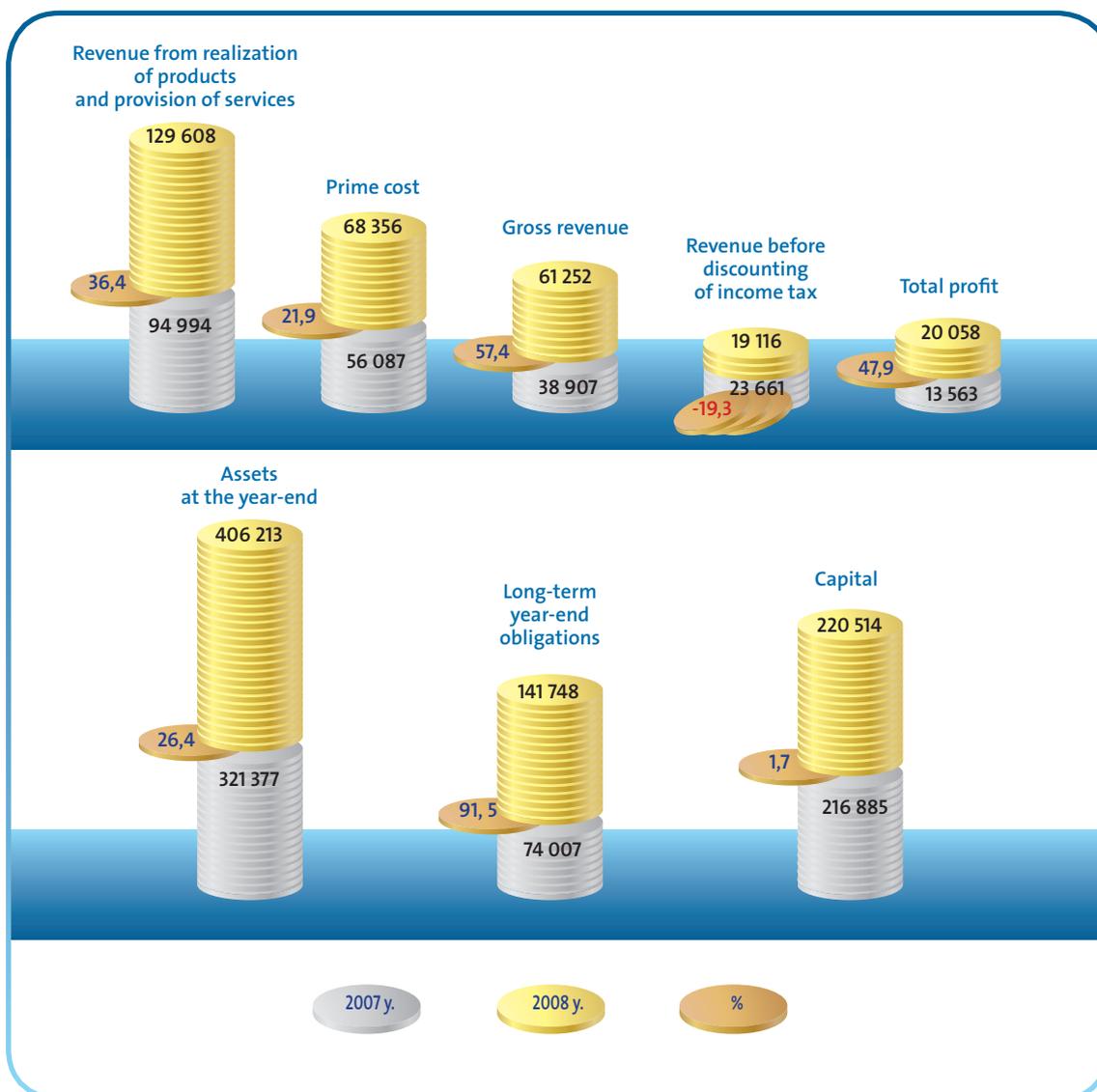
According to the order of Ministry of Energy and Mineral Resources of the Republic of Kazakhstan No.159, dated 22 June 2001, CJSC “NOTC “KazTransOil” was renamed to Closed Joint-Stock Company “KazTransOil” (hereinafter – CJSC “KazTransOil”).

By the decree of the President of the Republic of Kazakhstan No.811, dated 20 February 2002 on the basis of reorganized (by means of merger) closed joint stock companies “National Oil and Gas Company “KazakhOil” and “National Company “Transport of Oil and Gas” the Closed Joint-Stock Company “National Company “KazMunaiGas” was created and became the Sole Shareholder CJSC “KazTransOil”

On 31 May 2004, CJSC “KazTransOil” was renamed to JSC “KazTransOil”.

Today the Company is the largest oil pipeline company of the Republic of Kazakhstan, possessing of powerful diversified network of main pipelines, which provide transportation of oil and water. Also the core activities of the Company include production, transfer and distribution of heating energy, transfer and distribution of electrical energy, transportation of natural gas through distribution pipelines for consumers of the Republic of Kazakhstan, exploitation and technical maintenance of main pipelines that belong to other legal bodies.

## General consolidated financial indicators (mln. tenge)



## General consolidated production indicators

	2008 y.	2007 y.	Change, %
Volume of oil transportation <sup>1</sup> , thousands tons	60 652	50 828	19,3
Cargo turn-over of oil, mln. tons/km	36 533	34 632	5,5
Water supply, thousands cubic meters	19 501	19 400	0,5
Number of employees as of 31 December, persons	9 975	7 872	26,7

<sup>1</sup> The volume of transportation includes data on transfer of oil products of BIHL

## Structure of the Company



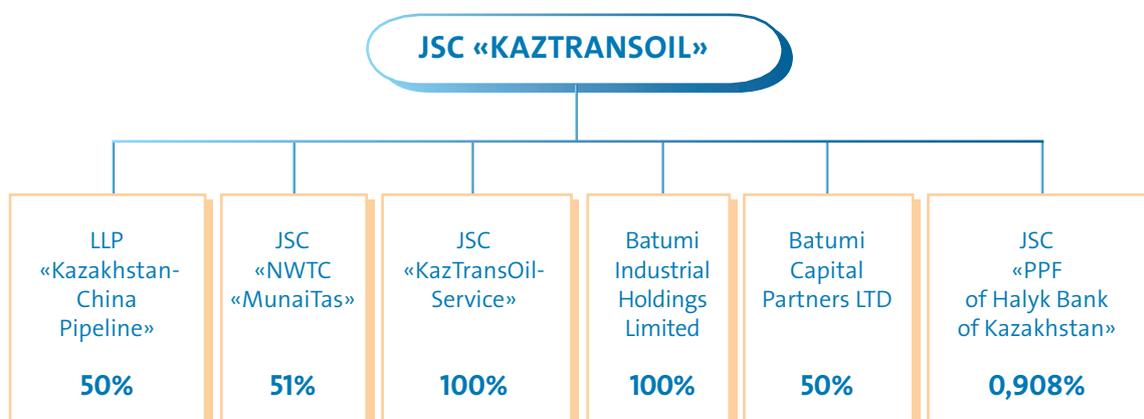
## Structure of production assets

The balance of the Company as of 31st December 2008 has the following production assets:

<b>Main pipelines:</b>	<b>7 497,8 km</b>
<b>including:</b>	
<b>Oil pipelines</b>	<b>5 322,6 km</b>
<b>Water pipelines</b>	<b>2175, 2 km</b>
<b>Tank farms:</b>	<b>1 361,4 thousands m<sup>3</sup></b>
<b>including:</b>	
<b>For oil</b>	<b>1209 thousands m<sup>3</sup></b>
<b>For water</b>	<b>152,4 thousands m<sup>3</sup></b>
<b>Oil-transfer stations</b>	<b>38 units</b>
<b>Oil heating stations</b>	<b>15 units</b>
<b>Heating furnace</b>	<b>58 units</b>
<b>Loading racks</b>	<b>5 units</b>
<b>Main disposal facilities</b>	<b>1 units</b>
<b>Water pump stations</b>	<b>3 units</b>
<b>Water-waste treatment plants</b>	<b>1 units</b>



## Subsidiary, jointly-controlled and other organizations of the Company





Organization	Participatory share of the Company	Subsidiary and jointly-controlled organizations	Participatory share, %
JSC «Northern-Western Pipeline Company «MunaiTas»	51%	—	—
LLP «Kazakhstan-China Pipeline»	50%	KCP Finance B.V.	100%
JSC «KazTransOil-Service»	100%	LLP «MC Meirim»	100%
Batumi Capital Partners LTD	50%	Batumi Terminals LTD	61,88%
Batumi Industrial Holdings Limited	100%	Batumi Capital Partners LTD	50%
		Port Capital Partners LTD	100%
		Batumi Terminals LTD	38,12%
		Batumi Services LTD	100%



## Strategically goals of the Company

- Preservation/growth of current and future revenues
- Optimization of expenditures
- Increasing of efficiency capital investments
- Development of existing system of main oil pipelines and participation in construction and exploitation of new oil export pipelines
- Construction of high-performance oil pipeline company
- Improvement of existing system of organization of labor and capacity building of personnel
- Ensuring observance of requirements in the field of labor protection and industrial safety, protection of environment and ecological safety of production.

In framework of objectives on preservation and growth of revenues, the consolidated assets of the Company as of 31 December 2008, increased up to 406,2 billion tenge, which is 26,4% higher than indicator of 2007 (321,4 billion tenge). The consolidated revenue of the Company from the core activity in 2008 made 129,6 billion tenge, which is higher than similar indicator of 2007 (94,99 billion tenge) up to 36,6 % or on 34,7 billion tenge. The consolidated net revenue of the Company in 2008 made 20,1 billion tenge, which is 47,9 % more than consolidated net revenue received in 2007 (13,6 billion tenge).

The results of activities on development of strategic goals on main production directions are explained in the correspondent section of the annual report.



## Integrated system of management

The Company developed and introduced integrated system of management of quality, environment, health, and safety (hereinafter – ISM), which was developed based on requirements of international standards of ISO 9001:2008, ISO 14001:2004, OHSAS 18001:2007.

With the purpose of development and improvement of ISM a number of events were planned and completed. 287 people, including 183 employees of line personnel were trained. 60 standards of ISM made actual and 30 were confirmed.

Assessment of environmental aspects and risks in the area of health and safety was conducted in oil pipeline departments. On the whole 9454 risks were identified throughout the Company and 72 of them identified as high risks. 3594 environmental aspects were identified and 77 of them are substantial ones. A number of activities on high risks and aspects were developed.

In June 2008, recertification audit on ISM compliance with requirements of international standards of ISO 9001, ISO 14001 and OHSAS 18001 was successfully conducted. The audit was conducted by leading auditors of the international agency on certification

namely by the “Det Norske Veritas” in the Mangistau, Chimkent, Karaganda oil pipeline departments and in the Central office of the Company. Upon results of the audit correspondent international certificates were awarded.

In the “Scientific-Technical Center of JSC “KazTransOil” branch, the inspection control of the system of quality management and the system of environmental management was successfully conducted in accordance with CR RK ISO 9001:2000, CR RK ISO 14001:2004 with respect to requirements system on technical regulation of leading auditors of JSC “National center of expertise and certification”.

The agency on certification, BSI, conducted the supervisory audit of the system of management of informational security on compliance with requirements of ISO 27001 and produced positive results.

The activities performed on introduction of progressive international practices gave its results. The Company won at the republican contest for the reward of the President of the Republic of Kazakhstan “For achievement in the field of quality” in nomination on “The best providing enterprise”.

# Structure of the Board of Directors of the Company

as of 31 December 2008



## Idenov Maksat Bagitovich

**Chairman of the Board of Directors of the Company, representative of interests of the Sole Shareholder.**

Mr. Idenov has higher legal education, professional knowledge and work experience in the field of oil transportation. In the past he worked at State holding company "Munaigas", Ministry of Oil and Gas Industry, he also worked as an advisor on energy issues at "Akin, Gamp. Strauss Hauer & Feld" Law firm. He also was a

deputy head of Energy Department on European and Central-Asian countries at International Bank of Reconstruction and Development (IBRD). For many years he was advisor of the President of the Republic of Kazakhstan on Caspian Energy and Oil and Gas Export Pipelines. For several years he worked as a regional vice president of Shell Company. Presently he is the first vice president of JSC NC "KazMunaiGaz" (hereinafter – KMG). Mr. Idenov does not receive remuneration.



## Berlibayev Daniyar Amirbayevich

**Member of the Board of Directors, representative of interests of the Sole Shareholder.**

Mr. Berlibayev has legal education, Candidate of Technical Sciences. He has extensive experience in the oil and gas industry. He had been working in the group of companies of JSC NC "KazMunaiGaz" since 1997. He worked as Executive Director on Finance, and Advisor of the President on Finance

and Economics of CJSC "NCOT KazTransOil", and as vice president of CJSC "KazTransGas". He was a head of CJSC "Kazmortransflot" and JSC "Intergas Central Asia", as well as Managing Director on Economics, Finance and Corporate Governance at KMG. At present he is a vice president of KMG.

Mr. Berlibayev does not receive remuneration.



## Shmanov Nurtas Nuribekovich

**member of the Board of Directors, Chair of the Management Board of the Company**

Mr. Shmanov graduated from Ufa Oil Institute with specialization in Designing and Exploitation of Oil and Gas Pipelines, Gas Storages and Petroleum Installations, and later from the Institute of Market under the Kazakh State Academy with specialization in "Finance and Credit, and Massachusetts University (Boston, USA). For over 28 years he worked in pipeline transportation industry of

the Republic of Kazakhstan. He occupied major positions in companies like "Caspian Pipeline Consortium – Russia", "ChevronOil&Gas", "Chevron Overseas Petroleum Inc.", etc. In 2007 the Sole Shareholder of the Company appointed Mr. Shmanov to the position of the General Director (Chairman of the Management Board) of the Company, and member of the Board of Directors of the Company. At present he is a Managing Director of KMG.

Mr. Shmanov does not receive remuneration.



## Mihalik Daniel

**Independent Director, member of the Board of Directors of the Company.**

Mr. Mihalik has master degrees in chemical engineering and business administration, as well as a doctoral degree in law. He graduated from the Universities of Toledo, Michigan, and Houston. He has over 30 years of work experience in oil and gas production and transportation and has held positions in technical, legal, and commercial areas. His work experience includes projects in the USA, Central Asia, Europe and

the Middle East. He worked as a chief engineer – explorer at “Getty” and later at “Texaco”. He has held positions of increasing responsibility in transportation including Regional Vice President of “Texaco Pipeline International, was a consultant on the Kashagan project and other Kazakhstan North Caspian Partnership. Presently serves as General Counsel at the Association of Oil Pipelines in Washington.

Mr. Mihalik receives fixed remuneration of 80 000 US dollars per year.



## Habib Moustafa

**Independent Director, member of the Board of Directors of the Company.**

Mr. Habib has a bachelor degree in Natural Sciences, and Master degree in Physics and Degrees in Electro-Technical and Petrochemical Engineering. He graduated university from Kaen, France. He has an education on electro-technical and petrochemical engineering. He has an extensive work experience in the USA, Central Asia, Europe, Africa and Middle East. For a long time he worked in such companies like

Shell and Chevron. He coordinated marketing and crude oil and by-products transportation. He participated in designing and construction of demercaptanization plant at Tengiz, worked as the General Manager on marketing and development of alternative oil and gas transportation routes at Tengiz Chevroil, as a General Manager at Chevron Overseas Petroleum Inc. (COPI) in London, and as the vice president of Chevron International.

Mr. Habib receives fixed remuneration of 80 000 US dollars per year.

# Structure of the Management Board (2008)



## Shmanov Nurtas Nuribekovich

**General Director  
(Chair of the Management Board) of the Company**



## Mamonov Ferdinat Abdrahimovich

### **The First Deputy of General Director.**

In the period from 1963 to 1967 Mr. Mamonov studied in the Gyriev Polytechnic college on specialty of "Technician/mechanic". In 1993, he graduated from the Moscow State Open University with specialization in Designing and Exploitation of Oil and Gas Pipelines, Gas Storages and Petroleum Installations, in qualification of engineering mechanic. In 1999 he was conferred Master degree in Technical Sciences.

He worked in the oil and gas industry since 1967. He passed through all stages of oil and gas production,

starting from working at motor transport office of "Kazakhstanneft". In different years, Mr. Mamonov worked at managerial positions in the Balikshinsk regional oil pipeline department, Novorossiisk regional oil pipeline department of Western-Kazakhstan main pipelines, Kuybyshev United directorate on construction of main pipelines in the Western Kazakhstan, production union "Yuzhnefteprovod", and in JSC NOPC "Kazakhnefteprovod" in different years. He has been working in the Company from date of foundation.



## Ryspaev Kairat Oiratovich

### **Chief of Staff**

In 1978, Mr. Ryspaev graduated from Karaganda Highest School of the Ministry of Internal Affairs of USSR with specialization in "Jurisprudence" and qualification of a lawyer. He served in the bodies of the Ministry of Internal Affairs Kazakh Soviet Republic, worked at managerial positions in Guriev regional administration, administration of the city of Ishimsk in the Northern-Kazakhstan region, Karaganda metalware plant,

the Kazakh branch of the "Vostochnii kluch" export association in the Ministry of External Economic Affairs of the Republic of the Kazakhstan, CJSC "Bank TuranAlem", the National Commission on Securities of the Republic of Kazakhstan. He held position of the General Director at the Russian-Kazakhstan trade house of the Ministry of External Economic Affairs of the Republic of Kazakhstan, LLP "Askor", LLP "Tamerlan", and at the JV "KaraAltin KBSH".



## Mazhenov Muhit Muratovich

### **Deputy of General Director on Economics and Finance .**

In 1992, Mr. Mazhenov graduated from Kazakh State University after Al-Farabi with in specialization "Mathematics", from 1996 to 1998 he studied at KIMEP and received Master degree in Economics. In 2003, he received training on "Market Economy" in Washington at the office of the World Bank.

He started his work experience as an assistant in the Department of Calculus Mathematics at Kazakh State University after Al-Farabi in 1992. In different years he worked at the National Bank of the Republic of

Kazakhstan, JV "SATEL", "Telstra International Ltd", KMG, Administration of the special economic zone at Aktau Seaport, LLP "Tenizservice", JSC "Intergas Central Asia", and JSC "KazTransGaz-Almaty". From August of 1998 till May 2002 he worked in the Company in the capacity of general manager at the Department of Economic Analysis, then head of the same Department, and later as Deputy Director of the Western branch of the Company on Economics and Finance. He also held position of advisor of akim of Mangistau oblast on economic issues.



## Otarov Bolat Isataevich

### **Deputy General Director on Transportation**

In 1988, Mr. Otarov graduated from Kazakh Polytechnic Institute after V.I. Lenin with specialization in "Technology of machine-building, metal-cutting machines and instruments", with qualification of engineering mechanic.

He has been working in the oil and gas industry since 1988. He worked at Oil and Gas Production Departments

of "Karazhanbastermneft", "Komsomolskneft", "KalamkasMunaiGas", and "Yuzhnefteprovod". In February 1998, he was appointed as Deputy General Director of the Western branch of the company on Transportation, head of Goods Transportation Department, then worked in the capacity of the Director of the Transportation Department, Executive Director on goods transportation operations, and Director of Transportation Department.



## Pirogov Alexey Georgievich

### **Deputy General Director on Production.**

In the period from 1976 to 1980, Mr. Pirogov studied at Groznyi Oil Secondary School for qualification of "Oil Technician". In 1982 he graduated from Mangistau branch of Kazakh Polytechnic Institute after V.I. Lenin with specialization in "Development and exploitation of oil and gas fields", with qualification of mining engineer. In 2005, he received Doctoral Degree of Technical Sciences.

He worked at Oil dispatcher control "Uzenneft", Oil and Gas Production Departments of "Komsomolskneft" and

"Yuzhnefteprovod". From April 1997 to January 2004 he worked in the capacity of the Head of the oil pipeline exploitation department of the Western branch, as advisor of the General Director on Production, technical Director, and as the First Deputy General Director. He also held positions of the Deputy Director of Oil Industry Department and Director of Gas Industry at the Ministry of Energy and Mineral Resources of the Republic of Kazakhstan. On the 26th of March 2006 he was appointed to the position of the Deputy General Director of the Company on Production.



## Zakirov Bulat Kalaviyanovich

### **Deputy General Director on Development.**

In 1997, Mr. Zakirov graduated from the Department of International Economic Relations at the Kazakh State Academy of Management with qualification of international economist. From 1997 to 1998 he passed special courses on "Economics of Oil and Gas" at the University of Dundee (Great Britain), and got Master Degree in the field of energy industry. From October 1998 till April 1999 he undertook production internship sponsored by the British Council at Pensen Ltd.(London),

where he focused on economic assessment of gas pipeline projects.

He started his career in the Company, where in different years he occupied positions specialist at the Department of Strategic Planning, chief specialist at the same Department, project coordinator, manager at the Project Management Department, then general manager, Deputy Director and Director of Department of Transport Logistics, and then Director of the Department on Prospective Development.



## Sultangalieva Zhanna Orynbasarovna

### **Chief Accountant.**

Mrs. Sultangalieva graduated from Almaty branch of Jambul Technological Institute of Food Manufacturing Industry with qualification of production engineer, and then graduated from the education facility "UNAT" under the Kazakh National Technical University after K. Satpaev with specialization in Economics. She took courses on qualification upgrade at the School of International Business on "Transition to new standards of accounting, and courses conducted "Internconference Ltd" (UK) on

"Financial Management and International Standards of Accounting in Oil and Gas Companies", and seminars on "International standards of financial reporting".

She worked at Almaty Food Plant, Production Union "Mangyshlakneft", Republican Center on standardization and metrology State Agriculture Industry of Kazakh Soviet Republic, Trade and Industry Chambers of Kazakh Soviet Republic, CJSC "Akcept Corporation". In August of 1998 she was admitted to the position of the Chief Accountant of the Company.



## Isakov Zhaidarman Azimkhanovich

### **Director Legal Department**

In 1989, Mr. Isakov graduated from Kazakh State University named after S.V. Kirov with specialization on "Jurisprudence" and qualification of the "Lawyer".

He started his work experience as a lawyer at Trade base No.456 of the Trade Department of Ministry of Defense of USSR, then worked in law firms, Kazakhstan Joint Stock Company "Turanbank" and the Ministry of Finance

of the Republic of Kazakhstan. He started working in the oil and gas industry from December 2000: Deputy Director of the Legal Department of CJSC "KazTransGas", General Lawyer of the Legal Department of CJSC "NC "Transport of Oil and Gas" and the Department of legal provision of CJSC NC "KazMunaiGas". From 1 October 2002 he has been working as the Director of the Legal Department of the Company.

# Transportation of oil and supply of water



ТРИНИСАН  
КЗЫП-ОРДА КЗХ  
ТО  
03  
ТАСТРОЕН КЗ  
17.09.03  
КР 17.09.06      ДР 17.09.06  
ТР

In 2008, the consolidated volume of transportation of oil made 60.7 mln.tons, having exceeded the indicator of the year 2007 for 19.3% (9.8 mln.tons). The growth of the volume of transportation of oil through pipelines system of the Company is connected to production and loading of oil to the system of main oil pipelines of the Company by the oil producing companies.

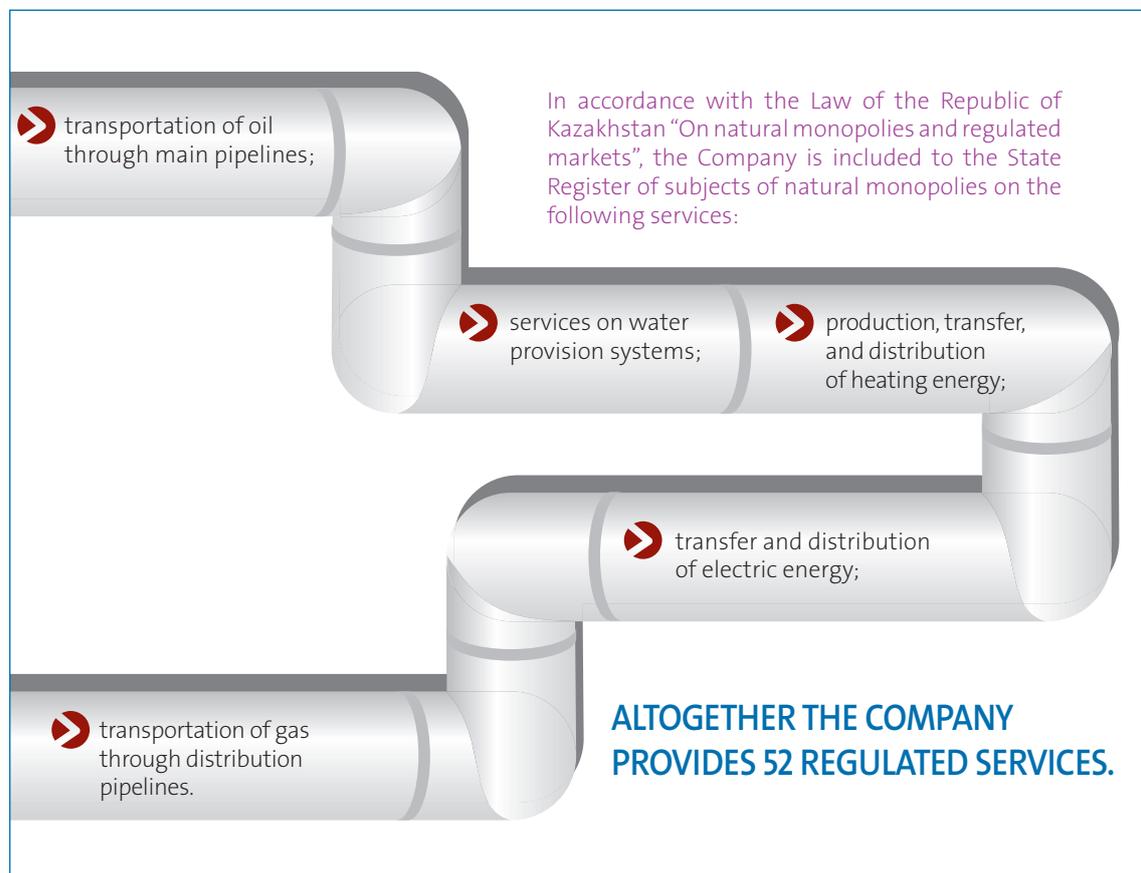
Consolidated cargo turn-over of the oil through the system of main oil pipelines of the Company in 2008 made 36,5 bln.tons/kms, which is higher than the correspondent indicator of 2007 for 5,5% (1,9 bln.tons/kms).

Owing to successful cooperation of the Company with JSC "Transneft" in 2008, the volume of transportation at the "Atyrau-Samara" oil pipeline increased up to 16,8 mln.

tons. In 2007, the volume of transported oil through the Kazakhstan-Russian route made 15,9 mln.tons.

Upon the results of 2008, the volume of transfer of oil to the "Atasu-Alashankou" oil pipeline, assigned for transportation of oil from Kazakhstan oil fields and transit of Russian oil to consumers in the Chinese People's Republic, made 6.1 mln.tons of oil. In comparison with 2007, the given indicator grew for up to 1.3 mln.tons (in 2007 it actually made 4.8 mln.tons.) The Company carries out supply of Volga water to consumers in Atyrau and Mangistau oblasts of Kazakhstan through "Astrahan-Mangyshlak" water pipeline. In 2008 the volume of the supplied water made 19,5 mln.cubic meters, having exceeded the indicator of the year 2007 for 101 th.cubic meters.

## Tariff Policy



In accordance with the law of the Republic of Kazakhstan "On natural monopolies and regulated markets", the tariffs on regulated services of the subject of natural monopoly shall be no lower than the cost of expenditures, necessary for provision of the regulated services and take into consideration the possibility of receiving revenue, which would ensure efficient functioning of the subject. The tariffs on the regulated services are confirmed by the authorized body – the Agency of Republic of Kazakhstan on Regulation of Natural Monopolies (hereinafter the ARNM).

The existing Methodology of calculation of tariffs on the services of oil transportation through main pipelines is confirmed by the order of the ARNM No.202-OD, dated of July 27, 2007. In accordance with the present Methodology, the tariffs in pumping of oil through sites are calculated on the basis of specific tariff, i.e. tariff on pumping of 1 ton of oil per 1000 kms. Besides, by the order of the ARNM No.304-OD, dated 5 July 2004 the Instruction on calculation of the rate of revenue from regulated base of active assets of subjects of natural monopolies, providing service on transportation or oil through main pipeline system was confirmed.



In 2008 on the part of the tariffs the following changes can be noted:



From January 1, 2008, new tariffs on the services of pumping of oil through the system of main pipelines of the Company, confirmed by the order of the ARNM No.296-OD, dated November 21, 2007, were introduced; Tariff on the services of pumping for export of 1 ton of oil per 1 thous. kms, made 3015 tenge, and on pumping of oil to the intern market for 1303 tenge for 1 ton per 1 thous. kms (without VAT).



New tariff on pumping of oil through the Northern Buzachi-Karazhanbas was confirmed at the rate of 471 tenge per 1 ton (without VAT), effective from March 1, 2008;



From January 1, 2008, the tariff on the service of transfer and distribution of electric energy in the Northern-Kazakhstan oil pipeline department at rate of 1,08 tenge/K.W.H was made effective;



From February 1, 2008, by the order of the General Director (Chairman of the Management Board) of the Company tariffs on the services of transfer and distribution of electric energy through networks of Ural (from 1,28 to 1,20 tenge/K.W.H) and Atyrau (from 0,53 to 0,39 tenge/K.W.H) oil pipeline Departments of the Western branch of the Company were decreased.

## Development of the existing system of main pipelines

For the purposes of systematic development of the oil transportation system the Company carries out activities under the Program on development of the system of main oil pipelines, which is clarified every year.

**Thus, in the framework of activities on development and maintenance of the existing system of main pipelines system in 2008 the following works were completed:**

- 1 In-line inspection of oil pipelines (including “cutting-in detector”);
- 2 Diagnostic examination of aerial, underwater crossings of main pipelines;
- 3 Diagnostics of reservoirs;
- 4 Diagnostic examination of technological pipelines;
- 5 Installation and reconstruction of oil pipelines.



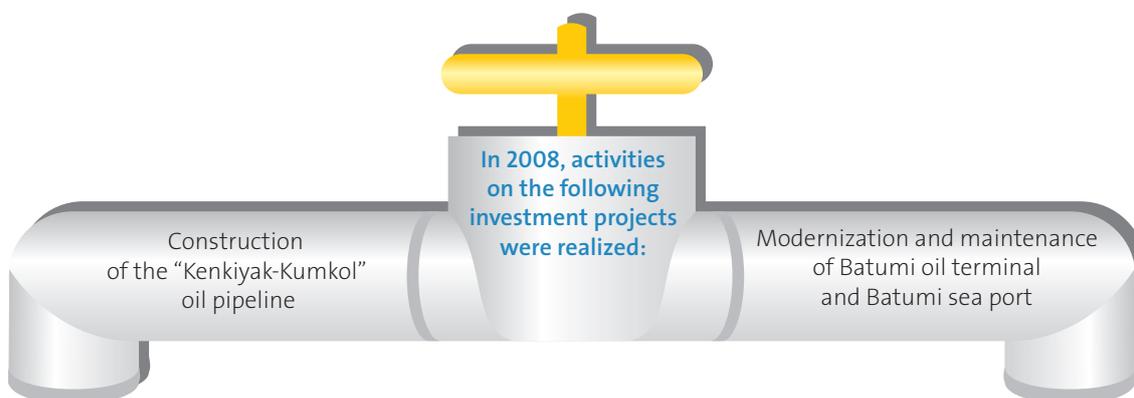
In 2008, by the decision of the Technical Council of the Company dated July 3, 2008, the Technical Policy of the Company was confirmed.

The Policy is aimed at ensuring timely and quality solutions of development objectives of the Company and sets forth the following tasks:

- 1 increasing reliability, safety, and efficiency of management of oil and water pipeline transport, by means of application of new, progressive, economically efficient, contemporary equipment and technology during new construction, reconstruction, and technical re-equipment of production assets;
- 2 increasing efficiency of technological processes, at the expense of optimal functioning modes of technological system, decreasing of exploitation and energy expenditures;
- 3 development of information and communication infrastructure and centralized administration of the production process of pipeline transport;
- 4 overcoming wear tendencies of the core funds at the expense of complex and system approach upon planning of work on reconstruction and technical re-equipment on the basis of the results of diagnostics;
- 5 introduction and development of contemporary systems of diagnostics and monitoring of technological equipment, including the system of emergency and fire safety automatics, communications, engineering systems;
- 6 unification of technical solutions, their mutual integration with assessment of the step-by-step introduction of the new equipment and contemporary technology;
- 7 development of legal base in accordance with legal acts of the republic of Kazakhstan, harmonization with leading international standards in the field of main pipeline transport;
- 8 increasing precision counting of transported oil and water, as well as all types of energy resources, used during implementation of the activities of the Company, for the purposes of optimization of production processes, saving energy resources and decreasing expenditures on transportation.



## Investment projects of the Company



Construction of the “Kenkiyak-Kumkol” oil pipeline started in 2008. The given project is the first phase of the stage of the construction of the “Kazakhstan-China” oil pipeline. In the course of realization of the project substantiation of the investment was developed, engineering survey works and base designing were conducted, and delivery of tubular goods and section isolation valves was completed.

The length of the oil pipeline will be **793 kms**, and the estimated capacity at the first stage will be **10 mln.tons per year**. Thereafter, the transit capacity of the oil pipeline will be expanded up to **20 mln. tons per year**. The oil pipeline is designated for transportation of oil from the oil production fields of the western and central Kazakhstan to the People Republic of China.

In the first quarter of 2008, the Company acquired 100% shares of the “Batumi Industrial Holdings Limited”, which possesses and number of assets in Georgia, including Batumi oil terminal (hereinafter BOT) and Batumi sea port (hereinafter BSP).

The strategic goal in acquisition of BIHL was **achievement of level of competitiveness of the Company** by means of diversification of directions of oil transportation taking into consideration multi-modal character of hydro-carbon delivery to the markets.

The BOT is sea point used for transportation of the Caspian oil for export.

One of the main advantages of the BOT is the possibility of separate storage of up to 22 types of oil and oil products. Taking into consideration the planned growth of production of light oil at fields of “Tengiz” and “Karachaganak”, as well as development of Kazakhstan shelf of the Caspian Sea, preservation of the oil quality and transportation of oil through “Aktau-Baku-Batumi” route are important elements in the structure of the oil sales.

At the same time, the BOT is the sole terminal at the Caucasian shore of the Black Sea on loading of condensed gas.

The BSP is located on the shore of the Black Sea of the Western Georgia and represents transport knot that unites sea, railroad, vehicle, and pipeline types of transport.

The maximum transit capacity of the oil terminal is **15 mln.tons per year**. Upon the results of the year 2008, the volume of transfer of oil and oil products made **7 177 thous.tons**.

# Corporate social responsibility



The Company realizes the social responsibility of its activities and takes voluntary obligations on socially responsible participation in lives of employees of the Company and communities in the regions of the Company activities.

The social responsibility of the Company is formalized in the form of social programs that are realized and financed by the Company. The Company takes active participation in realization of priority state industry program of social character, and in publicly significant campaigns of republican and international level.

## Social Policy

One of the motivating factors that contribute to high-performance activity of the Company is the social policy of the Company that includes the following directions:





The Company pays special attention to cultural and health events, which contribute to formation of corporate culture, maintenance and development of healthy lifestyles. In 2008, the Company opened sports and health complex in the city of Atyrau and on August 14, 2008 Sports Day devoted to the Day of employees of the oil and gas industry. Care for the health of the personnel working at the sites with unhealthy conditions of labor is an inseparable part of the social policy.

## Staff capacity development

The Company pays special attention to the issues of preparation and development of staff.

For the purposes of motivation of the staff of the Company, for ensuring safe and high performance work and increasing professional skills, the Company organized and conducted “The best professional” and “The best oil pumping stations” contests.

In 2008 the Company organized activities on improving qualifications and trainings for 4149 employees of the Company, including 1 849 employees at other educational organizations and 2 300 employees at the education facility of the Company.

Such trainings as on issues of industrial safety and separate accounting, certification of accountants, as well training on the SCADA system should be mentioned among other corporate seminars conducted. Besides, 10 employees of the Company passed internship at “Enbridge Inc” company for

the purposes of studying the practical experience of the company and consequent introduction of this experience in the Company.

Upgrade of qualifications of the middle technical personnel and workers has a special significance in the capacity building of the personnel. 1592 workers (which is 69% from the total number of employees who passed the trainings) went through re-training at the educational facility of the Company in the reporting period.

In the framework of realization of the Program on education at Master programs ion foreign universities (business schools), confirmed by the President of KMG dated June 4, 2007, one staff member of the Company completed the education and four more staff members were sent to Great Britain and Greece. It should be noted that in Greece the staff member is studying free of charge at the expense of scholarships provided by Greek manufacturers.

## Complex environmental program

In the framework of implementation of the Complex environmental program of the Company, activities aimed at prevention of negative effects to the environment, stabilization and improvement of its quality, as well as upgrading qualifications of the personnel of the Company in the area of environmental protection were conducted.

In July 2008, the Company held re-certification on compliance with international standard of ISO 14001:2004, on “The system environmental

management – requirements and application guidance”.

In accordance with requirements of Environmental Code of Republic of Kazakhstan, provisions of the international standard of ISO 14001, as well as for the purposes of prevention of pretensions on the part of the state controlling and supervisory bodies, environmental audit of objects of the Eastern branch was conducted. It is planned to conduct similar audit of the Western branch in 2009.

Besides, in the framework of implementation of activities of the Complex environmental program of the Company the following activities are conducted on the annual basis:



In 2008, over 11 hectares of polluted lands were re-cultivated.



## Activities on liquidation of illegal tapping

In the framework of the Plan on activities on realization of the Program on development and improvement of measures on ensuring security of the sites of KMG and its subsidiary organizations for the years of 2008-2011, confirmed by the order of the President of the KMG, No.57, dated of February 7, 2008, the Company concluded agreement on laying of 51 km 24-fiber optic cable and introduction of the SecurePipe security system, the system of linear tele-mechanics and the system of fiber optic communication of the “Zhanazhol-Kenkiyak” oil pipeline. The Secure Pipe security system is designed for protection of oil pipelines from illegal tapping. In future, it is planned to introduce the system of perimeter security alarms and video monitoring of production and technological sites and linear control points of oil pipelines.

## Protection of labor and industrial safety

The activities of the Company in the area of protection of labor and industrial safety are held in strict compliance with the existing legislation of the Republic of Kazakhstan and correspondent legal and technical documents.



**For the purposes of prevention of casualties and decreasing industrial injuries complex plans have been developed including the following activities:**

- Control over organization and implementation of hazardous works (fire, gas hazards);

- Preparation and issuance of accesses in strict compliance with the safety norms and rules;

- Observance of the rules of technical exploitation of the core and supplementary equipment;

- Observance of technological modes, regulations and instructions.

In 2008, 734 fire-tactical exercises and 19 fire-tactical tests were conducted. The structural subdivisions of the Company conduct all types of groundings on labor protection and technical safety in the established manner. The Company on the constant basis holds works on correcting actions for increasing efficiency of the system of management in the field of safety and protection of health.

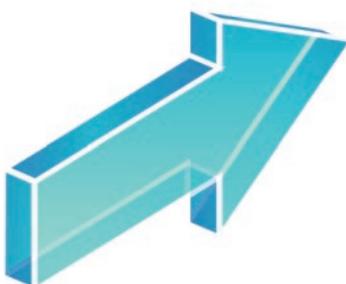


## Corporate governance

The Company considers the corporate governance as means to increasing efficiency of activities of the Company, strengthening of its reputation and decreasing of the costs on attraction of capital.

The main goal of the development of the corporate governance of the Company is ensuring sustainable growth of capitalization of the Company and realization of the interests of the Sole Shareholder.

IN THE FRAMEWORK OF THE IMPROVEMENT OF THE CORPORATE GOVERNANCE IN 2008 THE FOLLOWING ACTIVITIES WERE CONDUCTED:



- By resolution of the Board of Directors of the Company the Corporate Secretary of the Company was appointed (minutes No.1, dated October 6, 2008);
- By resolution of the Sole Shareholder the Code on Corporate Governance and the Regulation on Board of Directors of the Company were confirmed (minutes of the meeting of the Board of Directors, No.13/2008, dated November 24, 2008);
- The Plan of activities on improvement of the corporate governance, which provides the development of the Code on Social Responsibility of the Company, the Document on Internal control, Regulation on Information policy of the Company, on disclosure of information, etc, was developed.



### The founding principles of the corporate governance of the Company are:

- 1) the principle of protection of rights and interests of the Sole Shareholder;
- 2) the principle of efficient management of the Company by the Board of Directors and the Management Board;
- 3) the principle of independent activity of the Company;
- 4) the principles of transparency and objectivity of disclosure of information about activities of the Company;
- 5) the principles of legality and ethics;
- 6) the principles of efficient dividend policy;
- 7) the principles of efficient human resources policy;
- 8) the principle of environment protection;
- 9) the policy on regulation of Corporate conflicts and conflict of interests;
- 10) the principle of responsibility.

### The bodies of the corporate governance are:

- **THE SOLE SHAREHOLDER –** the highest body;
- **THE BOARD OF DIRECTORS –** management body which carries out general management of activities of the Company and control over activities of the Management Board;
- **THE MANAGEMENT BOARD –** collegial executive body, which manages day-to-day activities of the Company and realizes the strategy determined by the Board of Directors and the Sole Shareholder.

The Company introduced complex system of the policy of corporate governance, corresponding to best global practices and ensuring compliance with requirements.

This system sets accountability in ensuring compliance and includes guidance and rules on corporate governance. For the purposes of improvement of the system of corporate governance, the Company conducts internal and external audit on compliance with requirements of the legislation of the Republic of Kazakhstan internal procedures of the Company.

## Interaction with the shareholder

The Sole Shareholder of the Company is KMG, which possesses 100% of shares of the Company.

The Board of Directors of the Company understands the importance of the constant and effective interaction with the Sole Shareholder. The Company timely and in full volume brings to the knowledge of the Sole Shareholder information about activities of the Company touching upon interests of the Sole Shareholder in the manner provided by the Charter and internal documents of the Company.

### THE COMPANY PROVIDES THE SOLE SHAREHOLDER WITH:

- Report on realization of the Business Plan of the Company in the forms and deadlines established by the Sole Shareholder;
  - Reporting on financial economic activities of the Company, its subsidiary and jointly controlled organizations in the forms and deadlines established by the Sole Shareholder.
- Resolutions of the Sole Shareholder taken within its competence are considered mandatory for the Company.

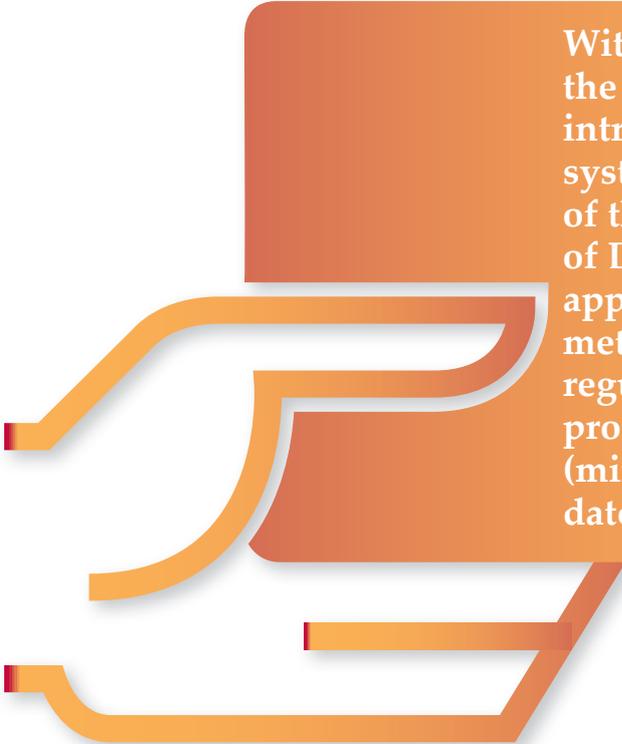
## Interaction with subsidiary and jointly controlled organizations

The Company strives for balance development of subsidiary and jointly controlled organizations, based on effective mechanisms of corporate governance. For the purposes of realization of its rights, as the shareholder, the Company carries out interactions with the subsidiary and jointly controlled organizations in accordance with the requirements of the legislation, the Charter and internal documents of the Company, and Charters of the subsidiary and jointly controlled organizations.

The main goals of interaction of the Company with subsidiary and jointly controlled organizations are:



- Ensuring stable financial development, profitability of functioning, increasing investment attractiveness of the Company subsidiary and jointly controlled organizations;
- Ensuring protection of rights and legally protected interests of the Sole Shareholder and shareholders of the subsidiary and jointly controlled organizations;
- Harmonization of relations between shareholders, officials, and employees of the Company and subsidiary and jointly controlled organizations, and taking measures on prevention of conflicts between them and within the indicated groups;
- Development and realization of coordinated and efficient strategy and investment policy of the Company and subsidiary and jointly controlled organizations.



Within the framework of the work on building and introduction of the corporate system on risk management of the Company, the Board of Directors of the Company approved the following methodological documents, regulating organization of the process of risk management (minutes of the meeting No.2, dated December 15, 2008):

**1**

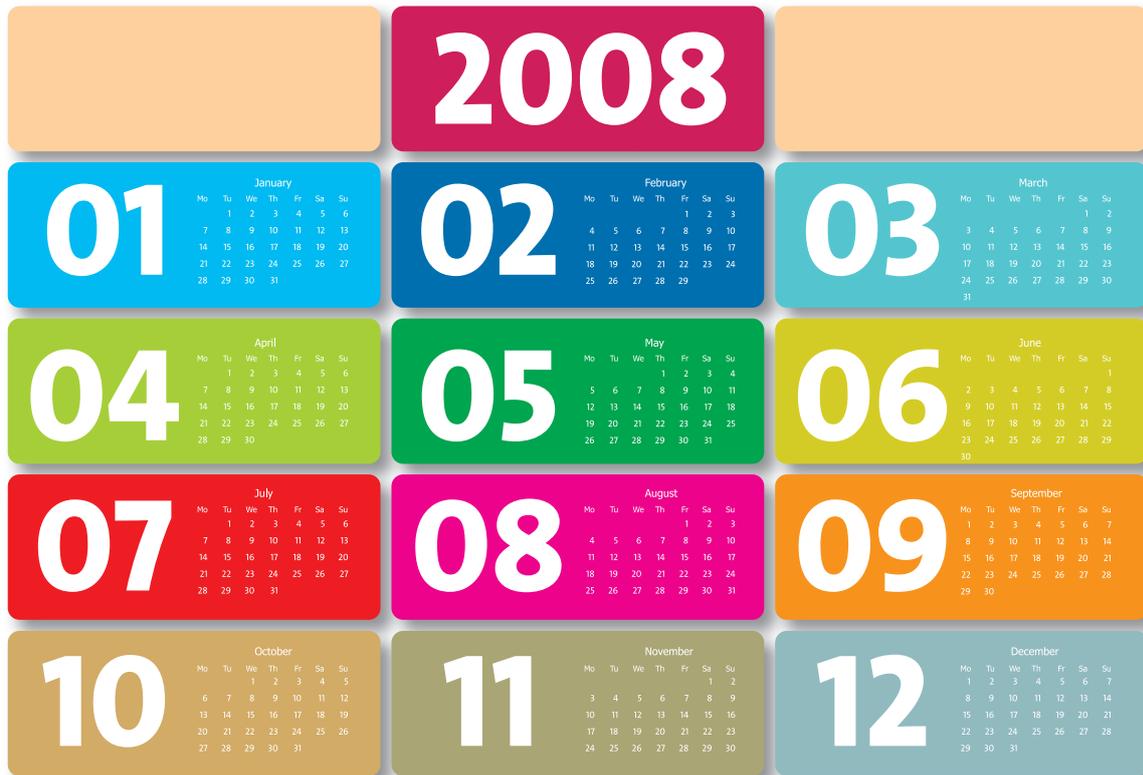
The rules on organization of the process of risk management of the Company. The mentioned document determines the order and responsibility for organization of the process of risk management;

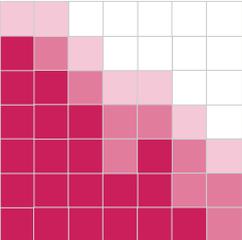
**2**

Procedures on risk identification and assessment, selection of methods of risk management of the Company. The Procedures determine main stages of identification and assessment of risks, calculation of own holding capacity of the Company, construction of Risk map, analysis of sensitiveness of the Company to the risks, as well as selection of methods of risk management.

The main volume of work compliant to the Procedures will be implemented in 2009.

# Main events on 2008





## FORMATION OF THE BOARD OF DIRECTORS OF THE COMPANY

On the basis of resolution of the Sole Shareholder of the Company dated August 19, 2008 (minutes of meeting of the Board of Directors of KMG No.9/2008), the Board of Directors was elected for with the following structure:

**IDENOV MAKSAT BAGITOVICH** – Chairman of the Board of Directors, representative of interests of the Sole Shareholder;

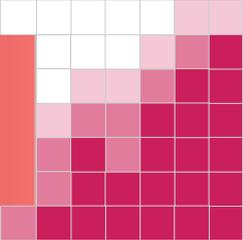
**BERLIBAYEV DANIYAR AMIRBAEVICH** – Member of the Board of Directors, representative of interests of the Sole Shareholder;

**SHMANOV NURTAS NURIBEKOVICH** – Member of the Board of Directors, Chairman of the Management Board of the Company

**MIHALIK DANIEL** – Member of the Board of Directors, Independent Director;

**BAIKENOV KADIR KARKABATOVICH** – member of the Board of the Directors, Independent Director.

On the 24th of November 2008, the Sole Shareholder decided on termination of powers of the Independent Director Baikenov K.K. and election of Moustafa Habib as an Independent Director for the term of powers of the Board of Directors (minutes of meeting of the Board of Directors of KMG No.13/2008).

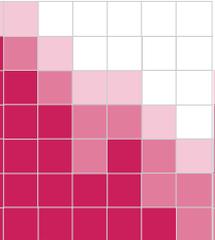


## THE COMPANY WON REPUBLICAN CONTEST FOR THE AWARD OF THE PRESIDENT OF THE REPUBLIC OF KAZAKHSTAN “FOR ACHIEVEMENT IN THE AREA OF QUALITY” IN THE NOMINATION OF “THE BEST SERVICE PROVIDING ENTERPRISE”.

In October 2008, The Company won Republican contest for the award of the President of the Republic of Kazakhstan “For achievement in the area of quality” in the nomination of “The best service providing enterprise”, which was confirmed not only in terms of compliance of the system of management to requirement of the global standards, but recognized leading experience of the Company in comparison with other organizations of the Republic of Kazakhstan.

Altogether, 148 companies from different regions, which have passed preliminary selections, participated.

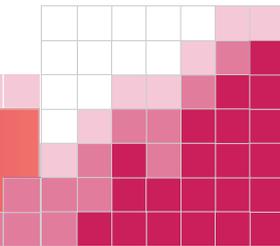
The award imposes additional responsibility on the Company in front of the consumers. The high assessment of the activity of the Company requires even more attention to quality, environment, and safety.



THE COMPANY ACQUIRED 100% OF SHARES OF  
“BATUMI INDUSTRIAL HOLDINGS LIMITED”.

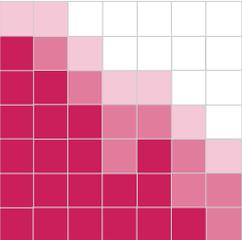
ON FEBRUARY 5, 2008, the Company completed transaction on acquisition of 100% of shares of “Batumi Industrial Holdings Limited” from “Terminal Partners Limited” (Cyprus). As a result of conclusion of the mentioned transaction, the Company acquired control over legal entities which had 100% SHARES in the BOT and exclusive right of management of BSP, which has beneficial strategic and geopolitical location.

Taking into consideration the remoteness of Kazakhstan oilfields from the main global markets of oil consumption, this transaction has an important significance for the economy of the Republic of Kazakhstan, since the results of its conclusion for the first time foreign oil transportation assets on the Black Sea with access to the World Ocean were acquired.



THE COMPANY ATTRACTED 5-YEAR LOAN  
AT THE AMOUNT OF 275 MLN. US DOLLARS

ON AUGUST 28, 2008, the Company attracted 5-year urgent “club” loan at the amount of 275 mln. US dollars. “BTMU (Europe) Limited”, “ING Bank N.V.” and “Natixis” stepped in as organizers and creditors of the loan. “Natixis” is the agent of the loan. Although the given loan was attracted in deteriorating situation on world markets, the loan was provided to the Company at very beneficial conditions. The monetary funds were allocated to general corporate goals.

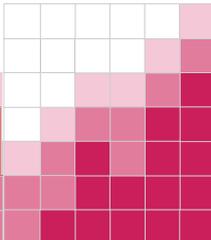


**AWARDING OF CERTIFICATION ON COMPLIANCE OF  
THE INTEGRATED SYSTEM OF MANAGEMENT WITH  
REQUIREMENTS OF INTERNATIONAL STANDARDS  
ISO 9001, ISO 14001, AND OHSAS 18001**

On August 13, 2008, the Company held official ceremony of Awarding of certification on compliance of the integrated system of management with requirements of international standards ISO 9001, ISO 14001, and OHSAS 18001.

The Company is one of the first companies on the territory of Kazakhstan which successfully introduced management systems complying with requirement of international standards ISO 9001, ISO 14001, and OHSAS 18001.

Health and Safety of the personnel is a base priority of the Company and factor of successful achievement of strategic goals.



**THE COMPANY IMPLEMENTED THE PROGRAM  
OF RESTRUCTURING OF ASSETS ON THE PART  
OF DEPARTURE FROM NON-CORE ASSETS**

In 2008, the Company ensured implementation of the Program of restructuring of assets on the part of departure from non-core assets. The share of the Company in JSC “NPF Halyk bank of Kazakhstan” dropped from 9,992% to 0,908%.

**Subsidiary and jointly controlled organization of the Company:**

In October 2008, JSC “NWTC “Munaitas” won honorable international prize of “Golden Phoenix” in the city of Niece for development of the national economy and strengthening of international economic relations.

LLP “Kazakhstan – China Pipeline” attracted 10-year loan for construction of the “Kenkiyak-Kumkol” oil pipeline at the amount of 1,180 billions dollars of USA (Information: creditors are ING Bank, ICBC).

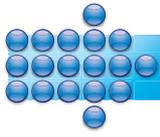
## List of interested-party deals of the Company concluded in 2008

In 2008, the Company concluded the following interested-party deals on the basis of the correspondent decisions of the management bodies of the Company:

Name	No. and date of minutes (order)
With KMG – contract of financial aid	KMG order dated January 22, 2008 No.12
With LLP “KazMunaiGaz – Service” – addenda to the contract of rendering financial aid dated October 11, 2005 No. PA 582/05	KMG order dated April 18, 2008 No.216
With LLP “Tengizshevroil” - agreement of investment to reconstruction of oil loading racks of OPS “Atyrau”	Minutes of the Board of Directors of KMG dated August 19, 2008 No.9/2008
With LLP “Tengizshevroil” and LLP “Construction Department No.99” – subcontract agreement on reconstruction of oil loading racks of OPS “Atyrau”	Minutes of the Board of Directors of KMG dated August 19, 2008 No.9/2008
With LLP “Tengizshevroil” – contract of transport expedition	Minutes of the Board of Directors of KMG dated August 19, 2008 No.9/2008
With LLP “KazMunaiGaz – Service” - supplementary contract to contract of financial aid rendering dated April 17, 2006 No.PA 239/06	Minutes of the Board of Directors of the Company dated October 6, 2008 No.1
With LLP “KazMunaiGaz – Service” –additional agreement on rendering of sponsorship (charity) assistance on implementation of capital repairs of the building and facilities of the health complex “Sunkar”	Minutes of the Board of Directors of the Company dated October 6, 2008 No.1
With LLP “Tengizshevroil” – additional agreement No.1 dated December 31, 2008 to the contract on transport expedition dated August 25, 2008 No.EX 07/2008	Minutes of the Board of Directors of the Company dated December 15, 2008 No.2
With JSC “Karazhanbasmunai” - additional agreement No.2 dated October 30, 2008 to the contract on transport expedition dated November 24, 2006 No.EX 09/2007	Minutes of the Board of Directors of the Company dated December 15, 2008 No.2
With LLP “Kazakhoil Aktobe” – additional agreement No.2 dated December 22, 2008 to the contract on transport expedition dated May 28, 2007 No.EX 12/2007	Minutes of the Board of Directors of the Company dated December 15, 2008 No.2
With “Kazakhstan – China pipeline” – additional agreement No.3 dated December 18, 2008, to the contract on provision of services on transportation of oil through “Atasu– Alashankou” oil pipeline, dated May 22, 2007 No.64-2007//TR 15/2007	Minutes of the Board of Directors of the Company dated December 15, 2008 No.2

**Annual report**  
of the Board of Directors of JSC «KazTransOil»  
on the work completed in 2008



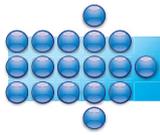


## General information on the Board of Directors

The Board of Directors is a management body of JSC “KazTransOil” (hereinafter the Company). The competence of the Board of Directors is determined by the Charter of the Company, confirmed by the order of the JSC NC “KazMunaiGas” dated May 29, 2007, being the decision of the Sole Shareholder.

The competence of the Board of Directors includes general management of activities of the Company, goal-setting and determination of priority directions of activities of the Company and other issues in accordance with legislation of the Republic of Kazakhstan.

In accordance with the Charter of the Company, composition of the Board of Directors is determined by decision of the Sole Shareholder.



## Structure of the Board of Directors (2008)

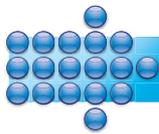
By the order of JSC NC “KazMunaiGas” DATED APRIL 23, 2008, NO.228 “On the Board of Directors of JSC “KazTransOil”, which is the decision of the Sole Shareholder, the following structure of the Board of Directors of JSC “KazTransOil” was formed for a period of 3 years:

<b>BERLIBAYEV</b> Daniryar Amirbaevich	– Chairman of the Board of Directors, representative of interests of the Sole Shareholder;
<b>SATUBALDINA</b> Zhannat Sagandykova	– member of the Board of Directors, representative of the interests of the Sole Shareholder;
<b>SAURANBAEV</b> Nurlan Yermekovich	– member of the Board of Directors, representative of interests of the Sole Shareholder;
<b>FILATOV</b> Alexander Alexandrovich	– member of the Board of Directors, independent director;
<b>KUSAINOV</b> Aidarkhan Maratovich	– member of the Board of Directors, independent director;
<b>SHMANOV</b> Nurtas Nuribekovich	– member of the Board of Directors, General Director (Chairman of the Management Board) of JSC “KazTransOil”.

In accordance with the order of JSC NC “KazMunaiGas” dated July 16, 2008, No. 396 the order shall be deemed to have lost force dated April 23, 2008, No. 228 “On the Board of Directors of JSC “KazTransOil”.

<b>THE NEW STRUCTURE OF THE BOARD OF DIRECTORS</b>	of the Company was elected on the basis of resolution of the Board Directors of JSC NC “KazMunaiGas” dated August 19, 2008 (minutes No.9/2008). In accordance with this decision the following structure of the Board of Directors of JSC “KazTransOil” was determined for the period of 3 years:
<b>IDENOV</b> Maksat Bagitovich	– Chairman of the Board of Directors, representative of interests of the Sole Shareholder;
<b>BERLIBAYEV</b> Daniryar Amirbayevich	– member of the Board of Directors, representative of interests of the Sole Shareholder;
<b>SHMANOV</b> Nurtas Nuribekovich	– member of the Board of Directors, Chairman of the Management Board of the Company;
<b>MIHALIK Daniel</b>	– member of the Board of Directors, Independent Director;
<b>BAIKENOV</b> Kadyr Karkabatovich	– member of the Board of Directors, Independent Director.

On November 24, 2008, the Sole Shareholder of the Company (minutes No.13/2008) decided on termination of powers of Independent Director Baikenov K.K. and election of an independent director Moustafa Habib for a period of powers of the Board of Directors of the Company (minutes No.13/2008).



## Selection Criteria for members of the Board of Directors

In accordance with the Law of the Republic of Kazakhstan “On Joint Stock Companies” and the Charter of the Company, not less than one third of members of the Board Directors shall be consisted of independent directors.

The Board of Directors of the Company has two independent directors.

Selection criteria of members of the Board of Directors of JSC “KazTransOil”, including of independent directors, are determined by the Law of the Republic of Kazakhstan “On Joint Stock Companies”, the Charter and the Code on Corporate Governance of the Company.

Candidate for membership of the Board of Directors and member of the Board of Directors shall: be a physical entity, have trust of the Sole Shareholder and other members of the Board of Directors, stainless reputation, professional knowledge and qualifications, managerial level works experience of at least 3 years, preferable in the field corresponding to core activity of the Company, positive achievements and stainless reputation in business and the industry sphere.

Independent directors of JSC “KazTransOil» as of the date of the present report fully comply with the independence criteria indicated in the Law of the Republic of Kazakhstan “On Joint Stock Companies”, the Charter and the Code on Corporate Governance of the Company.



## Information on members of the Board of Directors as of December 31, 2008

**IDENOV**  
Maksat Bagitovich

– Chairman of the Board of Directors of the Company, representative of interests of the Sole Shareholder.

Mr. Idenov has higher legal education, professional knowledge and work experience in the field of oil transportation. In the past he worked at State holding company “Munaigas”, Ministry of Oil and Gas Industry, he also worked as an advisor on energy issues at “Akin, Gamp. Strauss Hauer & Feld” Law firm. He also was a deputy head of Energy Department on European and Central-Asian countries at International Bank of Reconstruction and Development (IBRD). For many years he was advisor of the President of the Republic of Kazakhstan on Caspian Energy and Oil and Gas Export Pipelines. For several years he worked as a regional vice president of Shell Company. Presently he is the first vice president of KMG.

**BERLIBAYEV**  
Daniyar Amirbayevich

– member of the Board of Directors, representative of interests of the Sole Shareholder.

Mr. Berlibayev has legal education, Candidate of Technical Sciences. He has extensive experience in the oil and gas industry. He had been working in the group of companies of JSC NC “KazMunaiGas” since 1997. He worked as an Executive Director on Finance, and Advisor of the President on Finance and Economics of CJSC “NCOT” KazTransOil”, and as vice president of CJSC “KazTransGas”. He was a head of CJSC “Kazmortransflot” and JSC “Intergas Central Asia”, as well as Managing Director on Economics, Finance and Corporate Governance at KMG. At present he is a vice president of KMG.



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**SHMANOV**  
**Nurtas Nuribekovich**

– Mr. Shmanov graduated from Ufa Oil Institute with specialization in Designing and Exploitation of Oil and Gas Pipelines, Gas Storages and Petroleum Installations, and later from the Institute of Market under the Kazakh State Academy with specialization in “Finance and Credit, and Massachusetts University (Boston, USA). For over 28 years he worked in pipeline transportation industry of the Republic of Kazakhstan. He occupied major positions in companies like “Caspian Pipeline Consortium – Russia”, “ChevronOil&Gas”, “Chevron Overseas Petroleum Inc.”, etc. In 2007 the Sole Shareholder of the Company appointed Mr. Shmanov to position of the General Director (Chairman of the Management Board) of the Company, and member of the Board of Directors of the Company. At present he is a Managing Director of KMG.

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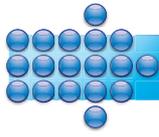
**MIHALIK Daniel**

– Independent Director, member of the Board of Directors of the Company. Mr. Mihalik has master degrees in chemical engineering and business administration, as well as a doctoral degree in law. He graduated from the Universities of Toledo, Michigan, and Houston. He has over 30 years of work experience in oil and gas production and transportation and has held positions in technical, legal, and commercial areas. His work experience includes projects in the USA, Central Asia, Europe and the Middle East. He worked as a chief engineer-explorer at “Getty” and later at “Texaco”. He has held positions of increasing responsibility in transportation including Regional Vice President of “Texaco Pipeline International, was a consultant on the Kashagan project and other Kazakhstan North Caspian Partnership. Presently serves as General Counsel at the Association of Oil Pipelines in Washington.

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**HABIB Moustafa**

– Independent Director, member of the Board of Directors of the Company. Mr. Habib has a bachelor degree in Natural Sciences, and Master degree in Physics and Degrees in Electro-Technical and Petrochemical Engineering. He graduated university from Kaen, France. He has an education on electro-technical and petrochemical engineering. He has extensive work experience in the USA, Central Asia, Europe, Africa and Middle East. For a long time he worked in such companies like Shell and Chevron. He coordinated marketing and crude oil and by-products transportation. He participated in designing and construction of demercaptanization plant at Tengiz, worked as the General Manager on marketing and development of alternative oil and gas transportation routes at Tengiz Chevroil, as a General Manager at Chevron Overseas Petroleum Inc. (COPI) in London, and as the vice president of Chevron International.



## Competence of the Board of Directors

Unless other provisions indicated in the legislation, the following issues are attributed to the exceptional competence of the Board of Directors:

- Determination of priority directions of the Company;
- Proposing issues for consideration of the Sole Shareholder;
- Approval of changes and addenda, introduced to Charter of the Company, or its new edition, as well as Code of Corporate Governance of the Company, and changes and addenda to it;
- Taking decision on redemption by the Company of outstanding shares or other securities and the price of their redemption;
- Preliminary approval of annual financial reporting of the Company, consolidated financial reporting, and annual report of the Company, presentation to the Sole Shareholder of proposals on the procedure of distribution of net profit of the Company for the past year and the size of dividend for a year in calculation for one simple share of the Company;
- Determination of conditions of issuance of bonds and derivatives of the Company;
- Determination of the structure, terms of powers of the Management Board of the Company, election (appointment) of its members, as well as early termination of their powers, in the exception of the General Director (Chairman of the Management Board);
- Determination of salaries and conditions of payment of labor and bonuses of the Chairman and members of the Management Board of the Company;
- Appointment, determination of terms of powers of Corporate Secretary, pre-term termination of his powers, as well as determination of salary and conditions of remuneration of Corporate Secretary, and employees of the Office of the Corporate Secretary;
- Formation and abrogation of the Office of the Corporate Secretary, confirmation of its staff size and staff schedule, coordination of appointment and termination of positions of staff of the Office of the Corporate Secretary;
- In the procedure provided by Legislation, determination of the size of payment for services of appraiser on appraisal of market value of property which was transferred as payment for shares of the Company, or which is a subject of a large deal;
- Approval of documents regulating internal activities of the Company, the list of which is confirmed by the Board of Directors, including internal document setting conditions and order of conducting auctions and signature of securities of the Company;
- Taking decision on creation and closure of branches and representations of the Company and confirmation of regulations on them;
- Taking decision on acquisition by the Company of ten and more percent of shares (shares of participation in charter capital) of other legal entities;
- Taking decisions on issues of activities attributed to competence of the general meeting shareholders (participants) of legal entity, 10 or more percent of share (shares of participation in charter capital) of which belongs to the Company;
- Expansion of commitments of the Company up to the size making 10 or more percent of the size of own capital;
- In the procedure established by legislation, choice of Company registrar in case of termination of agreement with previous registrar of the Company;
- Determination of information about the Company or its activity making office, commercial or other secret protected by legislation;
- Taking decision on conclusion of large deals, as well as interested-party deals by the Company;
- Confirmation of business-plan of the Company, as well as alterations introduced into it;
- Confirmation of staff size and structure of the Central Office of the Company;
- Confirmation of Accounting Policy of the group of companies of the Company;
- Confirmation of internal procedures of the Company on risk management, ensuring observance and analysis of efficiency as well as improvement of such procedures;



- Determination of procedure and terms of receiving by the Board of Directors of information on activities of the Company, including financial one;
- Determination of List of positions of managerial staff of subsidiary and jointly-controlled organization, coordination of candidacies of which is carried out by the Board of Directors;
- Other issues provided by the Law of the Republic of Kazakhstan “On Joint Stock Companies” and the Charter that are not attributed to exceptional competence of the Sole Shareholder of the Company.

The issues attributed to the exceptional competence of Board of Directors, cannot be passed for decision to the Management Board of the Company. The Board of Directors is not entitled to take decisions on issues which in accordance with the Charter of the Company are attributed to competence of the Management Board of the Company, as well as take decisions contradicting interests of the Sole Shareholder.



## Information on meetings of the Board of Directors

In 2008 the Board of Directors conducted two formal meetings and resolved on 20 issues, including on such key directions like increasing efficiency of work on asset management, improvement of corporate governance and confirmation of development plans.

Mr. Shmanov N.N. participated at two formal meetings of the Board of Directors.

Mr. Mihalik D. and Mr. Habib M participated at one meeting of the Board of Directors.

Mr. Berlibayev D.A. participated at one formal meeting of the Board of Directors.

Mr. Idenov M.B. participated at all formal meetings of the Board of Directors.

Since confirmation of a number of internal documents of the Company, as well as formation of the Board of Directors and election of the independent directors was completed towards the end of 2008, the issues on creation of committees on audit, appointments, and remunerations under the Board of Directors, development and confirmation of correspondent regulations, were postponed till 2009. At the same time, in the reporting period the Board of Directors determined the main directions of activities of the Company on improvement of the corporate governance.

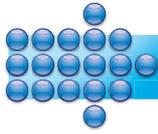


## Most significant issues considered by the Board of Directors in 2008

### AMONG MOST IMPORTANT ISSUES CONSIDERED BY THE BOARD OF DIRECTORS THE FOLLOWING CAN BE HIGHLIGHTED.

- In October 2008, a number of documents aimed at improvement and systematization of corporate governance of the Company were considered.
- The Board of Directors considered and preliminarily approved the draft Code of Corporate Governance. The Code is based on the best global practice and pays special attention to such elements of corporate governance as protection of rights and interests of shareholder, activities of Board of Directors, transparency and disclosure of information.
- For the purposes of implementation of the Code, the Company confirmed the Work Plan on improvement of corporate governance with respect to recommendations of the Sole Shareholder and independent directors.
- The Board of Directors preliminarily approved the Regulation on the Board of Directors of the Company, which regulates activities of the Board of Directors and its interaction with other bodies, rights, duties, and responsibility of members of the Board of Directors.
- The above-mentioned documents were confirmed by resolution of the Sole Shareholder on 24 November 2008.
- Within the reporting period, the Board of Directors considered and confirmed business-plan of the Company for 2009-2013, aimed at achievement of maximum shareholder value (capitalization) of the Company.
- It was also decided to confirm corrected business-plan of JSC “Kaz-TransOil” for 2008-2010.
- The Board of Directors confirmed number of resolutions on optimization of staff size of the Company; the Rules on use of funds allocated for representative expenditures were confirmed; changes and addenda to the Rules on official trips were introduced; list of documents regulating internal activities of the Company was confirmed.
- In accordance with annual protocols to Agreement between the Government of the Republic of Kazakhstan and the Russian Federation on cooperation and development of fuel and energy complexes dated December 25, 1993, the Company was determined as a sole operator for organization of transit and supply of Kazakhstan oil through the territory of the Russian Federation and other countries. Besides, the Company provides services of transport expedition on supply of the Russian oil transiting through the territory of the Republic of Kazakhstan to People’s Republic of China.
- In this regard, the Board of Directors approved a number of interested-party deals – agreements on transport expedition with LLP “Tengizchevroil”, JSC “Karazhanbasmunai” LLP “Kazakhoil Aktobe”, and agreement on rendering services of oil transportation through “Atasu-Alashankou” pipeline LLP “Kazakhstan – China Pipeline”.

### TAKING SUCH DECISIONS WILL ENSURE GROWTH OF TARIFF REVENUE FROM CORE ACTIVITIES OF THE COMPANY IN 2009.



## Risk management

Activities of KTO accompanied with a number of risks of production, financial and other character, as well as with the risk of instability (fluctuation) of market prices. For decreasing effects of the risks, the Company introduced processes and systems of risk management, aimed at identification and taking measures on the risks.

- The Board of Directors considered main directions of determining methods and instruments of risk identification and assessment, criteria for selection of methods of risk management of the Company.
- In this connection, for the purposes of further improvement of the system of risk management, in December 2008 the Board of Directors approved the Procedures on risk identification and assessment, selection of methods of risk management and the Rules on organization of the process on risk management.
- The Company constantly measures and monitors the risks in accordance with the confirmed procedures on risk management.



## Corporate Events

- One of the significant events of the past year was acquisition of 100% shares of “Batumi Industrial Holdings Limited” from “Terminal Partners Limited” (Cyprus).
- As a result of conclusion of this deal, the Company acquired control over legal entities that have in their assets 100% of shares in the “Batumi Oil Terminal” and exclusive right management of Batumi sea port, which has beneficial strategic and geopolitical location.
- In 2008, the Company completed attraction of the emergency 5-year “club” loan of 275 million US dollars. The BTMU (Europe) Limited, ING Bank N.V. and Natixis stepped in as organizers and creditors of the loan. Successful completion of the deal became confirmation of financial credibility of the Company



## Assessment of the Company position and its development prospects

Presently, the Company is the largest oil transportation enterprise with diversified network of main oil pipeline and ensures transportation of about 60% of oil produced in the Republic of Kazakhstan.

The Company is committed to such fundamental principles as safety, integrity, and accountability while creating such value as economical transportation of hydrocarbons.

The Company is aimed at long-term growth, that will bring profit to its customers and investors and is focused on continual operational improvements and expanding capacity.

The Company is actively exploring new opportunities to further complement existing core businesses. The main emphasis of the Company current strategy is growth through development and construction of new infrastructure and expansion of existing infrastructure.

At present major projects that serve for achievement of this goal are:

- Construction of the first phase of the second stage of “Kazakhstan-China” oil pipeline, “Kenkiyak-Kumkol” site, which is being realized in accordance with



Additional Agreement No.1 to Contract on main principles of construction of the second stage of “Kazakhstan-China” oil pipeline dated August 18, 2007, concluded between JSC NC “KazMunaiGas” and Chinese National Oil and Gas Corporation. Realization of the project on construction of “Kenkiyak-Kumkol” oil pipeline is carried out by jointly controlled organization of the Company, LLP “Kazakhstan-China Pipeline” (the Company has 50% shares). The goal of the “Kenkiyak-Kumkol” oil pipeline construction is creation of pipeline route oil transportation from the oilfields in Aktobe region and in consequently of the Western Kazakhstan and Kazakhstan sector of the Caspian Sea to prospective market of China;

- Expansion of transit capacity of pipelines on loaded sites;
- Participation in construction of other oil export facilities;
- Construction of separate sites of pipelines (primarily connecting ones between existing systems, or branches for connection of separate oilfields) for the purposes of increasing cargo turn over and loading of existing pipelines (integration of the Western and Eastern branches and others.) The final indicator of the assessment of the activity will be the economic effect from investment activity performed.

Success in realization of long-term development plans for the most part will be determined by efficiency of the management system and focus on solution of the Company tasks. Achievement of main goals will be carried out by means of gradual and systematic development of oil transportation system on the basis of:

- analysis of forecasted (medium to long term) of oil production performance (on and off-shore) in the Republic of Kazakhstan for the period not less than 5 years, determination of possible routes and forecasted oil transportation volumes through main oil pipelines of the Company;
- determination of the necessary volume of investment, capital maintenance in the framework of complex reconstruction, replacement and expansion of the system of main oil pipelines of the Company for the period not less than 5 years;
- construction of new export oil pipelines from prospective oilfields;
- determination of necessary volumes and sources of financial resources for realization of Company tasks.

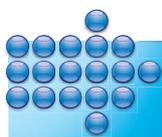


## Report of the Management Board of JSC “KazTransOil” for 2008

Management of the current activity of the Company is carried by a collegial executive body, the Management Board.

The activity of the Management Board of the Company is built on the principle of maximal observance of the interests of the Sole Shareholder, JSC NC “KazMunaiGas” and is fully accountable to its decisions and decisions of the Board of Directors.

Structure of the Management Board is determined by resolution of the Board of Directors of the Company, in the exception of the Chair of the Management Board of the Company, the appointment of which is carried out by the resolution of the Sole Shareholder.



## In 2008, the Management Board of the Company functioned with the following structure:

<b>SHMANOV</b> Nurtas Nuribekovich	– the General Director (Chairman of the Management Board), appointed by resolution of the Sole Shareholder of the Company dated December 14, 2007 (order of JSC NC “KazMunaiGas”, No.569);
<b>MAMONOV</b> Ferdinat Abdrahimovich	– First Deputy General Director, elected as member of the Management Board of the Company by resolution of the Sole Shareholder dated May 23, 2006 (order of the JSC NC “KazMunaiGas” No.272);
<b>RYSPAYEV</b> Kairat Oiratovich	– Chief of Staff, elected as member of the Management Board of the Company by resolution of the Sole Shareholder dated February 26, 2008 (order of the JSC NC “KazMunaiGas” No.87);
<b>MAZHENOV</b> Muhit Muratovich	– Deputy General Director on Economics and Finance, elected as member of the Management Board of the Company by resolution of the Sole Shareholder dated February 26, 2008 (order of the JSC NC “KazMunaiGas” No.87);
<b>OTAROV</b> Bolot Isatayevich	– Deputy General Director on Transportation, elected as member of the Management Board of the Company by resolution of the Sole Shareholder dated February 26, 2008 (order of the JSC NC “KazMunaiGas” No.87);
<b>PIROGOV</b> Alexey Georgievich	– Deputy General Director on Production, elected as member of the Management Board of the Company by resolution of the Sole Shareholder dated May 23, 2006 (order of the JSC NC “KazMunaiGas” No.272);
<b>ZAKIROV</b> Bulat Kalaviyanovich	– Deputy General Director on Development, elected as member of the Management Board of the Company by resolution of the Sole Shareholder dated May 23, 2006 (order of the JSC NC “KazMunaiGas” No.272);
<b>SULTANGALIEVA</b> Zhanna Orynbasarovna	– Chief Accountant, elected as member of the Management Board of the Company by resolution of the Sole Shareholder dated May 23, 2006 (order of the JSC NC “KazMunaiGas” No.272);
<b>ISAKOV</b> Zhaidarman Azimkhanovich	– Director of Legal Department, elected as member of the Management Board of the Company by resolution of the Sole Shareholder dated May 23, 2006 (order of the JSC NC “KazMunaiGas” No.272).

The Management Board of the Company performs its functions on the basis of the Charter of the Company and regulation on the Management Board of the Company, approved by resolution of the Board Directors of the Company dated February 18, 2005 (minutes No.2).

The Management Board is entitled to take decisions on any issues of activities of the Company not attributed to the competence of other bodies and officials by the Legislation and the Charter, therefore the Management Board:

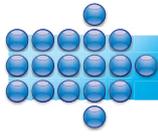
- approved structure and staff schedule of the Company, its branches and representations, with respect to staff size of the Central Office of the Company confirmed by the Board of the Directors, and also confirms staff size of the branches and representations of the Company;
- issues decisions (decrees) and instructions, mandatory for implementation by all staff members of the Company;





- organizes the work on placement of shares;
- coordinates and guides the work of branches, representations of the Company, its subsidiary and jointly controlled organizations;
- takes decisions on issues of financial, economic and production activity of the Company;
- confirms documents introduced with purpose of organization of the activity of the Company, which are not subject to approval the Sole shareholder and Board of Directors;
- takes decisions on rendering sponsorship (charity) help by the Company in the established procedure;
- takes decision on acquisition by the Company of up to 10 percent of shares (share of participation) in the charter capital of other legal entities including legal entities in which the Company is a shareholder (participant), and also on alienation of shares (share of participation) in them, in the exception of cases provided by the Legislation;
- determines the order of implementation of Shareholder's rights (participant) in relation to the companies, up to 10 % of shares (share part in ownership capital) belongs to the Company;
- takes decisions on increasing of obligations of the Company to the sum making from five to ten percent of the size of the own capital;
- preliminarily approves issues taking decision on which is attributed to the competence of the Sole Shareholder or the Board of Directors;
- carries out control over implementation of the decisions of the Board of Directors, the Sole Shareholder, recommendations of auditing organization conducting audit of the annual financial reporting of the Company, and also recommendations of the Internal Audit Service;
- organizes the work on identification of reasons and conditions generating wrongful acts in relation to the property of the Company;
- takes responsibility for development and application of internal supervision and risk management procedures;
- provides the Board of Directors with reports on risk management in established order;
- takes decisions on other issues for ensuring activity of the Company, not attributed to exceptional competence of the Sole Shareholder and the Board of Directors of the Company.

THE MANAGEMENT BOARD SHOULD IMPLEMENT DECISIONS OF THE SOLE SHAREHOLDER AND THE BOARD OF DIRECTORS OF THE COMPANY.



## Chairman of the Management Board:

- heads the Management Board;
  - organizes the implementation of the decisions of the Sole Shareholder, Board of Directors and the Management Board of the Company;
  - acts on behalf of the Company without Power of attorney in relation with third parties;
  - issues Power of attorney for the right to represent the Company in its relation with third parties;
  - carries out admission, redeployment and resignation of staff members of the Company (in the exception of cases provided by the Law of the Republic of Kazakhstan “On Joint Stock Companies” and the Charter) applies measures of encouragement and imposes disciplinary sanctions, determines size of salaries of staff members of the Company and rise to salaries in accordance with staff schedule of the Company, determines size of bonuses of employees of the Company, with exception of officers, that are members of the Management Board, Corporate secretary and employees of the Office of the Corporate secretary;
  - upon coordination with the Sole Shareholder and in accordance with list confirmed by the Sole Shareholder, appoints staff members of managerial level;
  - determines work schedule of the Company;
  - ensures development and implementation of current and perspective plans and work programs of the Company;
  - provides the Board of Directors and Sole Shareholders with the following reports:
    - semi-annual- management of associated and jointly–controlled enterprises, on impact of financial-economic activities of the mentioned enterprises for Company’s indexes;
    - annual – implementation of business-plan of the Company;
    - concludes deals (contracts, agreements) on behalf of the Company and ensures its implementation;
    - takes decisions on increasing obligations of the Company to the sum from five to ten percent of the size of its own capital;
    - opens bank accounts and other accounts of the Company;
    - within the limits of competence issues orders and instructions for the Company;
    - calls meetings of the Management Board and presents necessary materials for consideration;
    - responds for the work of the Company in front of the Board of Directors and the Sole Shareholder;
    - in case of absence entrusts fulfillment of duties to one of the members of the Management Board;
    - distributes duties and areas of powers and responsibility between members of the Management Board;
    - takes decisions on all other issues related to the current activity of the Company, necessary for accomplishment of tasks and not attributed to the exceptional competence of the Sole Shareholder and the Board of Directors, and also to the competence of the Management Board.
- Altogether, the Management Board conducted 35 meetings, during where 126 issues were considered. All meeting of the Management Board were conducted in the formal manner.





## To the shareholder of JSC "KazTransOil"

We conducted audit of the attached consolidated Forms № 1, 2, 3, and 4 of JSC "KazTransOil" and its subsidiary enterprises (hereinafter the "Group"), which includes consolidated balance sheet as of 31 December 2008 and for year ended on particular date (hereinafter "Financial report").

### RESPONSIBILITY OF THE MANAGEMENT IN RELATION TO THE FINANCIAL REPORTING

The management of the Group is responsible for preparation and credible presentation of the given consolidated financial reporting in accordance with Board decision of "JSC "NWF "Samruk-Kazyna", protocol № 01/08, 8th of January, 2008. This responsibility includes planning, introduction and maintenance of correspondent internal control in relation to preparation and credible presentation of the consolidated financial reporting, not containing substantial distortions due to fraud or mistake; selection and application of correspondent accounting policy; accounting assessments made in accordance with specific circumstances.

### RESPONSIBILITY OF THE AUDITOR

Our obligation lies in expressing opinion on the given consolidated financial reporting on the basis of the conducted audit. We conducted audit in accordance with International standards of audit. The standards require observance of ethical norms, planning, and conduct of audit in order to receive sufficient confidence in the absence of substantial distortions of the enclosed consolidated financial reporting.

The audit includes implementation of procedures aimed at achieving auditing proofs in relation to sums and information, presented in the consolidated financial reporting. The choice of procedures is based on the judgment of the auditor, including assessment of the risk of substantial distortion of the consolidated financial reporting due to fraud or mistake. Upon assessment of the risk, the auditor reviews aspects on internal control in relation to preparation and credible presentation of the consolidated financial reporting by the enterprise in order to determine procedures of audit necessary in

specific circumstances, but nor for expressing opinion on efficiency of the system of internal control of the enterprise. The audit also includes assessment of adequacy of selected accounting policy and validity accounting evaluations made by the management, and assessment of presentation of the consolidated financial reporting as a whole.

We consider that auditing proofs received by us are sufficient and adequate for expressing our opinion

### CONCLUSION

According to our opinion, financial reporting of JSC "KazTransOil" as of 31 December 2008 and the year till the indicated date, in all substantial aspects credible reflects the financial condition in accordance with Board decision of JSC "NWF "Samruk-Kazyna", protocol № 01/08, 8th of January 2008.

### OTHER QUESTIONS/LIMITS OF USING

Financial Reporting conducted according to Board decision of JSC "NWF "Samruk-Kazyna", protocol № 01/-8, 8th of January, 2008. The financial report audited by independent auditors and illegal to use in other purpose.

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### GULMIRA TURMAGAMBETOVA

*Auditor*

Qualification certificate of the auditor

No.0000374 dated 12 February 1998

### YEVGENIY ZHEMALITDINOV

*General Director*

LLP "Ernst and Young"

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

12th of March, 2009

## Consolidated balance sheet

As of 31 December 2008

Consolidated form No.1

Name of organization JSC "KazTransOil"

Type of activity of organization Oil transportation

Organizational legal form Joint Stock Company

Registered address 19, Kabanbay Batyr, Astana

Thou.tenge			
ASSETS	Page code	At the end of reporting period	At the beginning of reporting period
<b>I. Current assets</b>			
Cash and cash equivalents	10	29.941.748	25.403.345
Current financial investments	11	20.725.017	3.361.339
Current accounts receivable	12	8.346.129	4.501.516
Inventories	13	3.210.266	3.143.377
Current tax assets	14	11.913.637	5.066.828
Non-current assets, held for sale	15	26.798	2.324.524
Other current assets	16	2.783.683	3.082.675
<b>Total current assets</b>	<b>100</b>	<b>76.947.278</b>	<b>46.883.604</b>
<b>II. Non-current assets</b>			
Financial investments	20	99.920	99.920
Trade accounts receivables	21	562.051	1.203.609
Investments accounted by share holding method	22	–	–
Real estate investment	23	–	–
Fixed funds	24	274.753.300	252.049.190
Biological assets	25	–	–
Exploratory and valuation assets	26	–	–
Intangible assets	27	3.555.478	4.135.216
Diferred tax assets	28	–	–
Other non-current assets	29	50.295.249	17.005.489
<b>Total non-current assets</b>	<b>200</b>	<b>329.265.998</b>	<b>274.493.424</b>
<b>Balance (page 100+page 200)</b>		<b>406.213.276</b>	<b>321.377.028</b>

## Consolidated balance sheet

As of 31 December 2008

Consolidated form No.1

Name of organization JSC "KazTransOil"

Type of activity of organization Oil transportation

Organizational legal form Joint Stock Company

Registered address 19, Kabanbay Batyr, Astana

Thou.tenge

EQUITY AND LIABILITIES	Page code	At the end of reporting period	At the beginning of reporting period
<b>III. Current liability</b>	<b>30</b>		
Current financial liabilities	31	6.546.203	3.231.136
Tax payable	32	1.184.559	1.749.865
Liabilities on other mandatory and voluntary accounts payable	33	230.110	197.353
Current accounts payable	34	12.470.251	6.850.658
Current revaluation reserves	35	3.832.848	1.210.685
Other current liabilities	36	19.686.763	17.245.201
<b>Total current liabilities</b>	<b>300</b>	<b>43.950.734</b>	<b>30.484.898</b>
<b>IV. Non-current liabilities</b>			
Non current financial liabilities	40	124.971.811	44.938.121
Non-current accounts payable	41	–	71.908
Non-current revaluation reserves	42	2.183.665	2.278.863
Deferred tax liabilities	43	13.365.015	26.475.206
Other non-current liabilities	44	1.227.853	243.389
<b>Total non current liabilities</b>	<b>400</b>	<b>141.748.344</b>	<b>74.007.487</b>
<b>V. Equity</b>			
Share capital	50	32.916.055	32.916.055
Unpaid capital	51	–	–
Bought out own share tools	52	–	–
Issue profit	53	–	–
Reserves	54	49.856.480	67.450.759
Retained earnings (outstanding loss)	55	137.741.663	113.451.726
Minority interest	56	–	3.066.103
<b>Total equity</b>	<b>500</b>	<b>220.514.198</b>	<b>216.884.643</b>
<b>Balance (page 300+page 400+page 500)</b>		<b>406.213.276</b>	<b>321.377.028</b>

Acting General Director

\_\_\_\_\_ Nusupova A.B.

Chief Accountant

\_\_\_\_\_ Sultangalieva Zh. O.

## Consolidated income statement

For the year ended on 31 December 2008

Consolidated form No.2

Name of organization JSC "KazTransOil"

Type of activity of organization Oil transportation

Organizational legal form Joint Stock Company

Registered address 19, Kabanbay Batyr, Astana

Thou.tenge

DESIGNATION	Page code	For reporting period	For previous period
Sales and service revenue	10	129.608.153	94.993.806
Cost of sales and services	20	(68.356.422)	(57.775.365)
<b>Gross profit (page 010- page 020)</b>	<b>30</b>	<b>61.251.731</b>	<b>37.218.441</b>
Finance income	40	3.020.622	1.882.613
Other profits	50	4.947.473	13.608.935
Sales and service expenses	60	-	-
Administrative expenses	70	(40.263.230)	(13.760.010)
Interest expense	80	(4.916.458)	(4.756.464)
Other expenses	90	(4.663.779)	(10.292.078)
Portion of profit /loss accounted by share holding method	100	(260.574)	(240.202)
<b>Current activity profit (loss) for period (page 030+page 040+page 050-page 060 – page 070 - page 080 - page 090+/- page 100)</b>	<b>110</b>	<b>19.115.785</b>	<b>23.661.235</b>
Profit (loss) from discontinued activity	120	-	-
<b>Revenue (loss) before tax expense (page 110+/-page 120)</b>	<b>130</b>	<b>19.115.785</b>	<b>23.661.235</b>
<b>Corporate income tax expense</b>	<b>140</b>	<b>942.277</b>	<b>(9.481.204)</b>
<b>Final profit (loss) for period (page 130-page 140) before deduction of the minority interest</b>	<b>150</b>	<b>20.058.062</b>	<b>14.180.031</b>
Minority interest	160	-	617.404
<b>Final profit (total loss) for period (page 150-page 160)</b>	<b>170</b>	<b>20.058.062</b>	<b>13.562.627</b>
Gain on share	180	609	412

Acting General Director

\_\_\_\_\_ Nusupova A.B.

Chief Accountant

\_\_\_\_\_ Sultangalieva Zh. O.

## Consolidated statement of cash flow

For the year ended on 31 December 2008 (direct method)

Consolidated form No.3

Name of organization JSC "KazTransOil"

Type of activity of organization Oil transportation

Organizational legal form Joint Stock Company

Registered address 19, Kabanbay Batyr, Astana

Thou.tenge

DESIGNATION	Page code	For reporting period	For previous reporting period
<b>I. Cash flow from operating activity</b>			
<b>1. Earnings, total</b>	10	<b>142.566.696</b>	114.606.073
Including:			
Sales	11	–	44.043
services	12	123.637.937	90.908.277
Advances receivable	13	11.690.401	14.422.197
Dividends	14	79.336	99.920
Other earnings	15	7.159.022	9.131.636
<b>2. Cash flow, total</b>	20	<b>86.233.096</b>	<b>67.052.848</b>
Including:			
Payments to suppliers	21	28.586.563	28.248.874
Advances payable	22	6.709.061	2.646.027
Payroll payments	23	17.558.522	15.337.223
Repayments of loans	24	3.666.470	3.541.374
Corporate income tax	25	12.378.348	4.053.128
Other budgetary payments	26	11.602.463	7.025.268
Other payments	27	5.731.669	6.200.954
<b>3. Net sum of cash flow from operational activity (page 010 – page 020)</b>	30	<b>56.333.600</b>	<b>47.553.225</b>

## Consolidated statement of cash flow

For the year ended on 31 December 2008 (direct method)

Consolidated form No.3

Name of organization JSC "KazTransOil"

Type of activity of organization Oil transportation

Organizational legal form Joint Stock Company

Registered address 19, Kabanbay Batyr, Astana

Thou.tenge

DESIGNATION	Page code	For reporting period	For previous reporting period
<b>II. Cash flows from investment activity</b>			
1. proceeds, total	40	<b>6.170.791</b>	<b>9.705.360</b>
Including:			
Purchase of property, plant and equipment	41	1.267.729	473.691
Purchase of intangible assets	42	–	–
Purchase of other non-current assets	43	–	–
Purchase of financial assets	44	4.903.062	–
Loaning of other organizations	45	–	–
Futures and Forward Contracts, Options and Swaps	46	–	–
Other incomes	47	–	9.231.669
2. Outflow of monetary funds, total	50	<b>132.865.908</b>	<b>48.078.991</b>
Including:			
Acquisition of fixed assets	51	73.581.180	31.327.358
Acquisition of nonmaterial assets	52	332.440	213.148
Acquisition of other long term assets	53	–	6.831.147
Acquisition of financial assets	54	21.048.518	9.707.338
Provision of loans to other organizations	55	–	–
Futures and forward contracts, warranty options and swaps	56	–	–
Other payments	57	37.903.770	–
3. Net cash flow from investment activity (page 040 – page 050)	60	<b>(126.695.117)</b>	<b>(38.373.631)</b>

## Consolidated statement of cash flow

For the year ended on 31 December 2008 (direct method)

Consolidated form No.3

Name of organization JSC "KazTransOil"

Type of activity of organization Oil transportation

Organizational legal form Joint Stock Company

Registered address 19, Kabanbay Batyr, Astana

Thou.tenge			
DESIGNATION	Page code	For reporting period	For previous reporting period
<b>III. Cash flow from financing activity</b>			
<b>1. Proceeds, total</b>	70	123.188.169	680.026
Including:			
Issue of stocks and other securities	71	–	–
Proceeds from interest bearing loans	72	86.888.169	680.026
Proceeds from remunerations on financed rent	73	–	–
Other proceeds	74	36.300.000	–
<b>2. Cash outflow, total</b>	80	<b>48.288.249</b>	<b>7.029.699</b>
Including:			
Repayment of loans	81	7.943.196	4.713.067
Purchase of own shares	82	–	–
Payment of dividends	83	4.045.053	2.316.632
other	84	36.300.000	–
3. Net sum of cash from financing activity (page 070 – page 080)	90	<b>74.899.920</b>	<b>(6.349.673)</b>
Total: Increase +/- decrease of cash (page 030 +/- page 060 +/- page 090)		<b>4.538.403</b>	<b>2.829.921</b>
Cash and cash equivalents at the beginning of the reporting period		25.403.345	22.573.424
Cash and cash equivalents at the end of the reporting period		29.941.748	25.403.345

Acting General Director

\_\_\_\_\_ Nusupova A.B.

Chief Accountant

\_\_\_\_\_ Sultangalieva Zh. O.

## Consolidated statement on changes in equity

For the year ended on 31 December 2008

### Consolidated form No.4

Name of organization JSC "KazTransOil"  
Type of activity of organization Oil transportation  
Organizational legal form Joint Stock Company  
Registered address 19, Kabanbay Batyr, Astana

	Page code	Capital of parent company				Minority interest	Total capital
		Issued capital	Reserve fund	Retained earnings	Total		
<b>Balance as of 1 January of the reporting period</b>	10	32.916.055	67.450.759	113.451.726	213.818.540	3.066.103	216.884.643
Changes in the accounting policy	20	-	-	-	-	-	-
Evaluated balance (page 010+/- page 020)	30	32.916.055	67.450.759	113.451.726	213.818.540	3.066.103	216.884.643
Changes in the capital		-	(7.500.663)	7.500.663	-	-	-
Profit/loss on revaluation of assets	31	-	(10.244.379)	-	(10.244.379)	-	(10.244.379)
Cash flow hedge	32	-	-	-	-	-	-
Foreign exchange gain from foreign activity	33	-	150.763	-	150.763	-	150.763
Profit/loss acknowledged in equity (page 031+/-page 032+/- page 033)	40	-	(17.594.279)	7.500.663	(10.093.616)	-	(10.093.616)
Profit/loss for period	50	-	-	20.058.062	20.058.062	-	20.058.062
Total profit/loss for the period (page 040+/-page 050)	60	-	(17.594.279)	27.558.725	9.964.446	-	9.964.446
Dividends and others	70	-	-	(3.268.788)	(3.268.788)	(3.066.103)	(6.334.891)
Share issue	80	-	-	-	-	-	-
Bought out of won share tools	90	-	-	-	-	-	-
Balance on 31 December of the reporting period (page 060-page 070+page 080-page 090)	100	32.916.055	49.856.480	137.741.663	220.514.198	-	220.514.198

Thou.tenge

## Consolidated statement on changes in equity

For the year ended on 31 December 2008

### Consolidated form No.4

Name of organization JSC "KazTransOil"  
 Type of activity of organization Oil transportation  
 Organizational legal form Joint Stock Company  
 Registered address 19, Kabanbay Batyr, Astana

	Page code	Capital of mother organization				Minority interest	Total capital
		Issued capital	Reserve fund	Retained earnings	Total		
<b>Balance as of 1 January of the reporting period</b>	110	32.916.055	75.560.190	75.194.507	183.670.752	-	183.670.752
Changes in the accounting policy	120	-	-	-	-	-	-
Evaluated balance (page 110+/- page 120)	130	32.916.055	75.560.190	75.194.507	183.670.752	-	183.670.752
Changes in the capital		-	(19.753.220)	19.753.220	-	-	-
Profit/loss on revaluation of assets	131	-	11.860.500	7.258.004	19.118.504	-	19.118.504
Cash flow hedge	132	-	-	-	-	-	-
Foreign exchange gain from foreign activity	133	-	(216.711)	-	(216.711)	(126.551)	(343.262)
Profit/loss acknowledged in equity (page 131+/- page 132+/- page 133)	140	-	(8.109.431)	27.011.224	18.901.793	(126.551)	18.775.242
Profit/loss for period	150	-	-	13.562.627	13.562.627	617.404	14.180.031
Total profit/loss for the period (page 140+/-page 150)	160	-	(8.109.431)	40.573.851	32.464.420	490.853	32.955.273
Dividends and others	170	-	-	(2.316.632)	(2.316.632)	2.575.250	258.618
Share issue	180	-	-	-	-	-	-
Bought out of won share tools	190	-	-	-	-	-	-
<b>Balance on 31 December of the reporting period (page 160-page 170+page 180-page 190)</b>	200	32.916.055	67.450.759	113.451.726	213.818.540	3.066.103	216.884.643

Thou.tenge

Acting General Director \_\_\_\_\_ Nusupova A.B.

Chief Accountant \_\_\_\_\_ Sultangalieva Zh. O.





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