

KazTransOil JSC

Interim condensed consolidated financial statements

For the three months ended 31 March 2022



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Report on review of interim financial information

Interim condensed consolidated financial statements

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Report on review of interim condensed consolidated financial statements

To the management and shareholders of KazTransOil JSC

Introduction

We have reviewed the accompanying interim condensed consolidated financial statements of KazTransOil JSC and its subsidiaries, which comprise the interim consolidated statement of financial position as at 31 March 2022 and the related interim consolidated statements of comprehensive income, changes in equity and cash flows for the three-month period then ended, and selected explanatory notes (interim financial information). Management is responsible for the preparation and presentation of this interim financial information in accordance with IAS 34, *Interim Financial Reporting*. Our responsibility is to express a conclusion on this interim financial information based on our review.

Scope of review

We conducted our review in accordance with International Standard on Review Engagements 2410, *Review of Interim Financial Information Performed by the Independent Auditor of the Entity*. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim financial information of KazTransOil JSC and its subsidiaries is not prepared, in all material respects, in accordance with IAS 34, *Interim Financial Reporting*.

Ernst & Young LLP

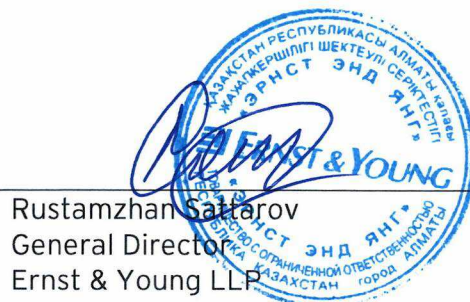


Adil Syzdykov
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23 December 2013

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20 May 2022



Rustamzhan Sattarov
General Director
Ernst & Young LLP

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

INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION

<i>In thousands of Tenge</i>	Note	31 March 2022 (unaudited)	31 December 2021 (audited)
Assets			
Non-current assets			
Property, plant and equipment	3	781,016,323	803,073,178
Right-of-use assets		889,515	1,111,472
Intangible assets		7,871,092	7,352,234
Investments in joint ventures	4	77,699,766	74,096,113
Advances to suppliers for property, plant and equipment		3,591,376	6,443,725
VAT recoverable	12	4,402,954	4,356,465
Other long-term accounts receivable	5	959,227	913,384
Bank deposits	7	1,222,073	1,424,328
Deferred tax assets	20	2,447,364	2,254,677
Other non-current assets		101,189	93,701
		880,200,879	901,119,277
Current assets			
Inventories		7,974,428	8,141,938
Trade and other accounts receivable	5	7,973,456	7,143,184
Advances to suppliers		532,422	414,279
Prepayment for income tax		3,593,348	1,777,447
VAT recoverable and other prepaid taxes	12	7,460,689	8,149,910
Other current assets	6	5,116,524	5,896,254
Bank deposits	7	9,350,913	8,665,145
Investments in bonds		779,334	753,707
Cash and cash equivalents	8	40,503,464	40,498,972
		83,284,578	81,440,836
Non-current assets held for sale		54,511	602,408
		83,339,089	82,043,244
Total assets		963,539,968	983,162,521

*The explanatory notes on pages 8 through 30
form an integral part of these interim condensed consolidated financial statements.*

INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)

<i>In thousands of Tenge</i>	Note	31 March 2022 (unaudited)	31 December 2021 (audited)
Equity and liabilities			
Equity			
Share capital		61,937,567	61,937,567
Treasury shares repurchased from shareholders		(9,549)	(9,549)
Asset revaluation reserve	9	267,837,201	285,685,165
Foreign currency translation reserve	9	43,827,161	40,632,765
Other capital reserves		(4,310,257)	(4,310,257)
Retained earnings		366,976,755	353,172,325
Total equity		736,258,878	737,108,016
Non-current liabilities			
Employee benefit obligations		22,042,890	21,433,483
Deferred tax liabilities	20	77,365,932	81,019,373
Provision for asset retirement and land recultivation obligation	13	32,070,097	34,547,151
Contract liabilities to customers	10	30,280,413	30,179,505
Lease liabilities		183,381	267,714
Trade and other accounts payable		70,559	–
		162,013,272	167,447,226
Current liabilities			
Current part of employee benefit obligations		486,100	722,893
Income tax payable		1,218,002	1,129,157
Trade and other accounts payable	11	12,241,298	20,020,122
Lease liabilities		741,610	1,393,200
Contract liabilities to customers	10	19,019,539	21,850,025
Other taxes payable	12	6,487,529	6,191,424
Provisions	13	1,554,694	1,441,364
Other current liabilities	14	23,519,046	25,859,094
		65,267,818	78,607,279
Total liabilities		227,281,090	246,054,505
Total equity and liabilities		963,539,968	983,162,521
Book value per ordinary share (in Tenge)	9	1,894	1,897

Signed and approved for issue on 20 May 2022.

General Director (Chairman of the Management Board)



Kurmanbayev T.N.

Chief Accountant

Akhmedina A.S.

The explanatory notes on pages 8 through 30
form an integral part of these interim condensed consolidated financial statements.

INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

<i>In thousands of Tenge</i>	Note	For the three months ended 31 March (unaudited)	
		2022	2021
Revenue	15	56,061,317	58,315,946
Cost of sales	16	(45,344,632)	(37,693,973)
Gross profit		10,716,685	20,621,973
General and administrative expenses	17	(3,364,684)	(3,898,505)
Other operating income	18	620,311	1,540,642
Other operating expenses	18	(94,894)	(407,214)
Operating profit		7,877,418	17,856,896
Net foreign exchange income		2,363,776	479,310
Finance income	19	491,452	1,061,291
Finance costs	19	(972,266)	(1,113,017)
Share in income of joint ventures	4	2,826,050	2,611,289
Profit before income tax		12,586,430	20,895,769
Income tax expense	20	(2,374,990)	(4,201,802)
Net profit for the period		10,211,440	16,693,967
Earnings per share (in Tenge)	9	27	43

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INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (continued)

<i>In thousands of Tenge</i>	Note	For the three months ended 31 March (unaudited)	
		2022	2021
Other comprehensive (loss)/income			
<i>Other comprehensive income/(loss) to be reclassified to profit or loss in subsequent periods</i>			
Exchange difference from translation of foreign operations of the Group		3,194,396	(511,863)
Total other comprehensive income/(loss) to be reclassified to profit or loss in subsequent periods		3,194,396	(511,863)
<i>Other comprehensive (loss)/income not to be reclassified to profit or loss in subsequent periods</i>			
Impairment and revaluation of property, plant and equipment of the Group, net		(21,521,895)	9,498,900
Income tax effect	20	4,304,379	(1,899,780)
		(17,217,516)	7,599,120
Reversal of provision for asset retirement and land recultivation obligation of the Group	13	2,731,174	3,080,942
Income tax effect	20	(546,235)	(616,188)
		2,184,939	2,464,754
Reversal of provision for asset retirement and land recultivation obligation of the joint ventures		972,004	977,622
Income tax effect		(194,401)	(195,524)
	4	777,603	782,098
Total other comprehensive (loss)/income not to be reclassified to profit or loss in subsequent periods, net		(14,254,974)	10,845,972
Total other comprehensive (loss)/income for the period, net of tax		(11,060,578)	10,334,109
Total comprehensive (loss)/income for the period, net of tax		(849,138)	27,028,076

Signed and approved for issue on 20 May 2022.

General Director (Chairman of the Management Board)



Turmanbayev T.N.

Chief Accountant



Akhmedina A.S.

*The explanatory notes on pages 8 through 30
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INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS

<i>In thousands of Tenge</i>	Note	For the three months ended 31 March (unaudited)	
		2022	2021
Cash flows from operating activities			
Profit before income tax		12,586,430	20,895,769
Non-cash adjustments to reconcile profit before tax to net cash flows			
Depreciation and amortization	16, 17	13,409,292	13,092,742
Share in income of joint ventures	4	(2,826,050)	(2,611,289)
Net foreign exchange gain		(2,363,776)	(479,310)
Finance costs	19	972,266	1,113,017
Amortisation of deferred income	10, 18	(594,809)	(70,579)
Finance income	19	(491,452)	(1,061,291)
Reversal and revision of estimates on provision for asset retirement and land recultivation obligation, net	18	(312,058)	(682,872)
Employee benefits obligations, current service costs	16, 17	243,465	255,364
Charge of expected credit losses, net	17	80,009	180,103
Loss on disposal of property, plant and equipment, net	18	66,246	8,551
Write-off of VAT recoverable	17	28,521	28,401
Charge of other short-term provisions, net	17, 18	–	1,233,784
Others		1,004	(41,109)
Operating cash flows before working capital changes		20,799,088	31,861,281
(Increase)/decrease in operating assets			
Inventories		278,377	(848,271)
Trade and other accounts receivable		(808,030)	(876,939)
Advances to suppliers		(121,833)	(136,292)
VAT recoverable and other prepaid taxes		1,189,640	1,744,600
Other current assets		772,799	2,875,954
Increase/(decrease) in operating liabilities			
Trade and other accounts payable		(327,501)	(3,691,805)
Contract liabilities to customers		(2,310,256)	(2,600,220)
Other taxes payable		(77,892)	507,123
Other current and non-current liabilities and employee benefit obligations		(2,975,822)	(4,449,220)
Cash generated from operating activities		16,418,570	24,386,211
Income taxes paid		(4,220,645)	(4,462,619)
Interest received		364,179	659,480
Net cash flows from operating activities		12,562,104	20,583,072

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INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS (continued)

		For the three months ended 31 March (unaudited)	
<i>In thousands of Tenge</i>	Note	2022	2021
Cash flows from investing activities			
Purchase of property, plant and equipment and intangible assets		(13,183,294)	(15,478,785)
Withdrawal of bank deposits		202,635	13,450,781
Proceeds from bonds redemption		3,345	132,854
Proceeds from disposal of property, plant and equipment and non-current assets held for sale		2,744	51,352
Placement of bank deposits		–	(12,593,100)
Net cash flows used in investing activities		(12,974,570)	(14,436,898)
Cash flows from financing activities			
Payment of lease liabilities		(945,301)	(1,189,516)
Net cash flows used in financing activities		(945,301)	(1,189,516)
Net change in cash and cash equivalents		(1,357,767)	4,956,658
Net foreign exchange difference		1,361,327	98,889
Change in allowance for expected credit losses		932	810
Cash and cash equivalents at the beginning of the period		40,498,972	52,014,612
Cash and cash equivalents at the end of the period		40,503,464	57,070,969

Signed and approved for issue on 20 May 2022.

General Director (Chairman of the Management Board)



Kurmanbayev T.N.

Chief Accountant



Akhmedina A.S.

*The explanatory notes on pages 8 through 30
form an integral part of these interim condensed consolidated financial statements.*

INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

<i>In thousands of Tenge</i>	Share capital	Treasury shares repurchased from shareholders	Asset revaluation reserve	Foreign currency translation reserve	Other capital reserves	Retained earnings	Total
As at 31 December 2021 (audited)	61,937,567	(9,549)	285,685,165	40,632,765	(4,310,257)	353,172,325	737,108,016
Net profit for the period	-	-	-	-	-	10,211,440	10,211,440
Other comprehensive loss	-	-	(14,254,974)	3,194,396	-	-	(11,060,578)
Total comprehensive loss for the period	-	-	(14,254,974)	3,194,396	-	10,211,440	(849,138)
Amortization of revaluation reserve for revalued property, plant and equipment	-	-	(3,592,990)	-	-	3,592,990	-
As at 31 March 2022 (unaudited)	61,937,567	(9,549)	267,837,201	43,827,161	(4,310,257)	366,976,755	736,258,878
As at 31 December 2020 (audited)	61,937,567	(9,549)	221,632,815	38,325,342	(5,999,468)	336,631,554	652,518,261
Net profit for the period	-	-	-	-	-	16,693,967	16,693,967
Other comprehensive income	-	-	10,845,972	(511,863)	-	-	10,334,109
Total comprehensive income for the period	-	-	10,845,972	(511,863)	-	16,693,967	27,028,076
Amortization of revaluation reserve for revalued property, plant and equipment	-	-	(3,617,031)	-	-	3,617,031	-
As at 31 March 2021 (unaudited)	61,937,567	(9,549)	228,861,756	37,813,479	(5,999,468)	356,942,552	679,546,337


Signed and approved for issue on 20 May 2022.

General Director (Chairman of the Management Board)



Kambayev T.N.

Chief Accountant



Akhmedina A.S.

The explanatory notes on pages 8 through 30
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NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**For the three months ended 31 March 2022****1. GENERAL INFORMATION**

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

Under Decree of the President of the Republic of Kazakhstan dated on 20 February 2002, on the basis of closed joint stock companies, National Oil and Gas Company “KazakhOil” and National Company “Transport of Oil and Gas”, reorganized by merger, the National Company “KazMunayGas” Closed Joint-Stock Company was created and became the sole shareholder of “KazTransOil” CJSC.

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

As at 31 March 2022 10% of shares of the Company are owned by minority shareholders who acquired them within the “People’s IPO” program. The major shareholder of the Company, who owns the controlling interest of the Company (90%) is National Company “KazMunayGas” JSC (hereinafter “KMG” or “Parent Company”). 90% of KMG shares are owned by Sovereign Wealth Fund “Samruk-Kazyna” JSC (hereinafter – “Samruk-Kazyna”), controlled by the Government of the Republic of Kazakhstan. 10% of KMG shares are owned by the National Bank of the Republic of Kazakhstan.

As at 31 March 2022 and 31 December 2021 the Company had interest ownership in the following companies:

	Place of incorporation	Principal activities	Ownership	
			31 March 2022	31 December 2021
“MunaiTas” LLP (hereinafter – “MunaiTas”)	Kazakhstan	Oil transportation	51%	51%
“Kazakhstan-China Pipeline” LLP (hereinafter – “KCP”)	Kazakhstan	Oil transportation	50%	50%
“Batumi Oil Terminal” (hereinafter – “BOT”)*	Georgia	Forwarding, transshipment and storage of oil and oil products and operating of Batumi Sea Port	100%	100%
“Petrotrans Limited” (hereinafter – “PTL”)	United Arab Emirates	Forwarding of oil and oil products	100%	100%
“Main Waterline” LLP (hereinafter – “Main Waterline”)	Kazakhstan	Water transportation	100%	100%

* BOT has the exclusive right to manage 100% of the shares of “Batumi Sea Port” LLC (hereinafter – “BSP”).

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

The Company’s head office is located in Nur-Sultan, Kazakhstan, at 20 Turan Avenue.

The Company has production facilities, which are located in Mangystau, Atyrau, Western-Kazakhstan, Aktubinsk, Karaganda, Pavlodar, Turkestan, North – Kazakhstan regions of the Republic of Kazakhstan and in Shymkent, also the Company has branches, which are located in Almaty (Research and Development Centre) and in Nur-Sultan (Oil Transportation Control Centre) and representative offices in Russian Federation (Moscow, Omsk and Samara).

The Company is the national operator of the Republic of Kazakhstan on the main oil pipeline. The Group operates network of main oil pipelines of 5,373 km and water pipelines of 2,105 km. The company provides services on oil transportation via main pipelines, a transport expedition of Kazakhstani oil via pipeline networks of other states, services for the operation and maintenance of oil pipelines of other companies, including joint ventures of the Group. Group’s joint ventures MunaiTas and KCP own Kenkiyak-Atyrau, Kenkiyak-Kumkol, and Atasu-Alashankou pipelines mainly used for transportation of Kazakhstani crude oil, and also for transit of Russian oil to China.

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

1. GENERAL INFORMATION (continued)

According to the Law of the Republic of Kazakhstan *On Natural Monopolies* transit of crude oil through the pipelines on the territory of the Republic of Kazakhstan and export from the Republic of Kazakhstan are excluded from the regulation of natural monopolies.

Starting from 1 January 2022 to 31 December 2022, the approved temporary tariff for pumping oil to the domestic market will be 3,728.82 Tenge per ton for 1,000 kilometers without VAT (from 1 January 2021 to 30 November 2021: 4,355.57 Tenge per ton for 1,000 kilometers without VAT; from 1 December 2021 to 31 December 2021: 4,328.04 Tenge per ton for 1,000 kilometers without VAT).

Tariff for pumping oil on export from the Republic of Kazakhstan starting from 1 March 2020 equals to 7,358.76 Tenge per ton for 1,000 kilometers without VAT.

Tariff for pumping oil for transit through Kazakhstani part of main oil pipeline “Tuymazy – Omsk – Novosibirsk-2” starting from 1 April 2018 is 4,292.40 Tenge per ton for 1,000 kilometers.

Starting from 1 January 2019 tariff for transportation of Russian oil through the territory of Kazakhstan to the People’s Republic of China on the route border of Russian Federation-border of Republic of Kazakhstan (Priirtyshsk) – Atasu (Republic of Kazakhstan) – Alashankou (People’s Republic of China) is 4.23 US Dollars per ton (in Priirtyshsk – Atasu sector).

In general, tariff rates are based on the cost of capital return on operating assets. In accordance with the legislation of the Republic of Kazakhstan on regulation of natural monopolies, tariff rates cannot be lower than the expenditures required to provide services, and should provide for entity’s profitability at the level ensuring effective functioning of a natural monopoly.

These interim condensed consolidated financial statements were approved by internal audit committee of the Company’s Board of Directors and signed by the General Director (Chairman of the Management Board) and the Chief Accountant on 20 May 2022.

2. BASIS OF PREPARATION AND CHANGES IN ACCOUNTING POLICIES

Basis of preparation

The interim condensed consolidated financial statements for the three months ended 31 March 2022 have been prepared in accordance with International Financial Reporting Standards (hereafter – “IFRS”) IAS 34 *Interim Financial Reporting*.

These interim condensed consolidated financial statements have been prepared on a historical cost basis, except for property, plant and equipment which are stated at revalued amounts and other items described in the accounting policies and notes to these interim condensed consolidated financial statements.

Interim condensed consolidated financial statements do not include all information and disclosures required for annual financial statements and should be read in conjunction with the Group’s annual financial statements for the year ended 31 December 2021.

The interim condensed consolidated financial statements are presented in Tenge and all values are rounded to the nearest thousand, except for the book value of ordinary shares, earnings per share and when otherwise indicated. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Functional currency of the Company, Main Waterline and the joint ventures MunaiTas and KCP is Tenge. Functional currency of PTL and BOT is US Dollar, functional currency of BSP is Georgian Lari.

New and amended standards and interpretations applied by the Group

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group’s annual consolidated financial statements for the year ended 31 December 2021, except for the adoption of new standards and interpretations effective as of 1 January 2022. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

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

New and amended standards and interpretations applied by the Group (continued)

Some amendments are applied for the first time in 2022. The nature and the impact of each new standard/amendment are described below:

Onerous Contracts – Costs of Fulfilling a Contract – Amendments to IAS 37

An onerous contract is a contract under which the unavoidable costs (i.e., the costs that the Group cannot avoid because it has the contract) of meeting the obligations under the contract exceed the economic benefits expected to be received under it.

The amendments specify that when assessing whether a contract is onerous or loss-making, an entity needs to include costs that relate directly to a contract to provide goods or services include both incremental costs (e.g., the costs of direct labour and materials) and an allocation of costs directly related to contract activities (e.g., depreciation of equipment used to fulfil the contract as well as costs of contract management and supervision). General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract.

These amendment had no impact on the interim condensed consolidated financial statements of the Group, as there are no onerous contracts in the Group.

Reference to the Conceptual Framework – Amendments to IFRS 3

The amendments replace a reference to a previous version of the IASB's *Conceptual Framework* with a reference to the current version issued in March 2018 without significantly changing its requirements.

The amendments add an exception to the recognition principle of IFRS 3 *Business Combinations* to avoid the issue of potential 'day 2' gains or losses arising for liabilities and contingent liabilities that would be within the scope of IAS 37 *Provisions, Contingent Liabilities and Contingent Assets* or IFRIC 21 *Levies*, if incurred separately. The exception requires entities to apply the criteria in IAS 37 or IFRIC 21, respectively, instead of the Conceptual Framework, to determine whether a present obligation exists at the acquisition date.

The amendments also add a new paragraph to IFRS 3 to clarify that contingent assets do not qualify for recognition at the acquisition date.

These amendments had no impact on the interim condensed consolidated financial statements of the Group as there were no contingent assets, liabilities and contingent liabilities within the scope of these amendments arisen during the period.

Property, Plant and Equipment: Proceeds before Intended Use – Amendments to IAS 16

The amendment prohibits entities from deducting from the cost of an item of property, plant and equipment, any proceeds of the sale of items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling such items, and the costs of producing those items, in profit or loss.

These amendments had no impact on the interim condensed consolidated financial statements of the Group as there were no sales of such items produced by property, plant and equipment made available for use on or after the beginning of the earliest period presented.

IFRS 1 First-time Adoption of International Financial Reporting Standards – Subsidiary as a first-time adopter

The amendment permits a subsidiary that elects to apply paragraph D16(a) of IFRS 1 to measure cumulative translation differences using the amounts reported in the parent's consolidated financial statements, based on the parent's date of transition to IFRS, if no adjustments were made for consolidation procedures and for the effects of the business combination in which the parent acquired the subsidiary. This amendment is also applied to an associate or joint venture that elects to apply paragraph D16(a) of IFRS 1.

These amendments had no impact on the interim condensed consolidated financial statements of the Group as it is not a first-time adopter.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

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

New and amended standards and interpretations applied by the Group (continued)

IFRS 9 Financial Instruments – Fees in the ‘10 per cent’ test for derecognition of financial liabilities

The amendment clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. There is no similar amendment proposed for IAS 39 *Financial Instruments: Recognition and Measurement*.

These amendments had no impact on the interim condensed consolidated financial statements of the Group as there were no modifications of the Group's financial instruments during the period.

Seasonality of operations

The Group's operating costs are subject to seasonal fluctuations, with higher expenses for materials and repair, maintenance and other services usually expected in the latter part of the year. These fluctuations are mainly due to the pipeline repairs that are performed mainly during the second half of the year. Purchase of inventory is mainly made in the first half of the year.

Foreign currency translation

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

Weighted average currency exchange rates for the three months ended 31 March 2022 and 2021 are as follows:

<i>Tenge</i>	For the three months ended 31 March	
	2022	2021
US Dollars	457.41	419.94
Russian Rubles	5.33	5.64
Euro	512.80	506.31
Georgian Lari	148.66	127.28

As at 31 March 2022 and 31 December 2021 the currency exchange rates of KASE are:

<i>Tenge</i>	31 March 2022	31 December 2021
US Dollars	466.31	431.80
Russian Rubles	5.70	5.76
Euro	517.98	489.10
Georgian Lari	153.39	140.74

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

Property, plant and equipment as at 31 March 2022 and 31 December 2021 are as follows:

<i>In thousands of Tenge</i>	Land	Pipelines	Transportation assets	Buildings and constructions	Machinery and equipment	Technological oil	Other	Construction in progress	Total
Gross carrying amount as at									
31 December 2021 (audited)	26,148,404	276,731,868	25,016,533	100,840,287	233,496,005	201,418,200	11,402,731	50,045,315	925,099,343
Foreign currency translation	1,604,922	–	404,095	734,265	513,440	–	16,559	109,314	3,382,595
Additions	–	–	–	–	1,461	–	1,224	8,819,418	8,822,103
Disposals	–	(51,740)	–	(99,370)	(103,868)	(280,685)	(23,019)	–	(558,682)
Impairment (through revaluation reserve)	–	–	–	–	–	(21,305,652)	–	–	(21,305,652)
Transfers from non-current assets held for sale	73,519	–	–	672,938	31,483	–	604	–	778,544
Transfers from construction in progress	–	142,655	73,500	589,632	957,519	–	58,590	(1,821,896)	–
Gross carrying amount as at									
31 March 2022 (unaudited)	27,826,845	276,822,783	25,494,128	102,737,752	234,896,040	179,831,863	11,456,689	57,152,151	916,218,251
Accumulated depreciation and impairment as at									
31 December 2021 (audited)	–	(32,702,622)	(6,979,408)	(16,093,165)	(59,529,448)	–	(6,311,026)	(410,496)	(122,026,165)
Foreign currency translation	–	–	(112,896)	(67,417)	(129,861)	–	(5,604)	–	(315,778)
Depreciation charge	–	(4,068,226)	(745,909)	(1,791,391)	(5,790,745)	–	(422,177)	–	(12,818,448)
Disposals	–	51,591	–	48,631	77,365	226,758	17,988	–	422,333
Transfers from non-current assets held for sale	–	–	–	(231,183)	(5,325)	–	(604)	–	(237,112)
Impairment (through profit and loss)	–	–	–	–	–	(10,515)	–	–	(10,515)
Impairment (through revaluation reserve)	–	–	–	–	–	(216,243)	–	–	(216,243)
Accumulated depreciation and impairment as at									
31 March 2022 (unaudited)	–	(36,719,257)	(7,838,213)	(18,134,525)	(65,378,014)	–	(6,721,423)	(410,496)	(135,201,928)

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

<i>In thousands of Tenge</i>	Land	Pipelines	Transportation assets	Buildings and constructions	Machinery and equipment	Technological oil	Other	Construction in progress	Total
As at 31 March 2022 (unaudited)									
Gross carrying amount	27,826,845	276,822,783	25,494,128	102,737,752	234,896,040	179,831,863	11,456,689	57,152,151	916,218,251
Accumulated depreciation and impairment	–	(36,719,257)	(7,838,213)	(18,134,525)	(65,378,014)	–	(6,721,423)	(410,496)	(135,201,928)
Net book value	27,826,845	240,103,526	17,655,915	84,603,227	169,518,026	179,831,863	4,735,266	56,741,655	781,016,323
As at 31 December 2021 (audited)									
Gross carrying amount	26,148,404	276,731,868	25,016,533	100,840,287	233,496,005	201,418,200	11,402,731	50,045,315	925,099,343
Accumulated depreciation and impairment	–	(32,702,622)	(6,979,408)	(16,093,165)	(59,529,448)	–	(6,311,026)	(410,496)	(122,026,165)
Net book value	26,148,404	244,029,246	18,037,125	84,747,122	173,966,557	201,418,200	5,091,705	49,634,819	803,073,178

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

3. PROPERTY, PLANT AND EQUIPMENT (continued)

As at 31 March 2022 construction in progress mainly includes the following production facilities:

- Replacement of pipeline sections of main oil pipelines;
- Replacement of pipeline sections of main waterline;
- Replacement, reconstruction and construction of the objects of main oil pipelines and main waterline (pumping stations, roads along the highways, communication lines, power supply, automation system and others).

As at 31 March 2022:

- The gross carrying amount and corresponding accumulated depreciation of fully depreciated property, plant and equipment still in use were 4,713,845 thousand Tenge (as at 31 December 2021: 3,540,654 thousand Tenge);
- Construction in progress included materials and spare parts in the amount of 4,316,646 thousand Tenge (as at 31 December 2021: 4,187,311 thousand Tenge), which were acquired for construction works.

Depreciation for three months ended 31 March 2022, capitalised in the cost of construction in progress amounted to 5,677 thousand Tenge (for three months ended 31 March 2021: 3,464 thousand Tenge).

Due to significant changes in the oil price on domestic market, the fair value of the Group's technological oil as at 31 March 2022 was decreased for the amount of 21,305,652 thousand Tenge. Oil price as at 31 March 2022 was 68,529 Tenge per ton (as at 31 December 2021: 76,648 Tenge per ton), the volume of oil in pipelines, included in property, plant, and equipment, amounted 2,624 thousand tons (as at 31 December 2021: 2,628 thousand tons).

4. INVESTMENTS IN JOINT VENTURES

Investments in joint ventures as at 31 March 2022 and 31 December 2021 are as follows:

<i>In thousands of Tenge</i>	31 March 2022 (unaudited)	31 December 2021 (audited)
Investments in MunaiTas	49,315,382	46,411,191
Investments in KCP	28,384,384	27,684,922
Total	77,699,766	74,096,113

Changes in investments in joint ventures for the reporting period are presented as follows:

<i>In thousands of Tenge</i>	Total
As at 31 December 2021 (audited)	74,096,113
Share in income of joint ventures	2,826,050
Share in other comprehensive income of joint ventures	777,603
As at 31 March 2022 (unaudited)	77,699,766

The Company's share in comprehensive income of joint ventures for the three months periods ended 31 March 2022 and 2021 is as follows:

<i>In thousands of Tenge</i>	For the three months ended 31 March (unaudited)	
	2022	2021
Share in income of joint ventures		
KCP	2,184,229	2,205,112
MunaiTas	641,821	406,177
Total share in income of joint ventures	2,826,050	2,611,289
Share in other comprehensive income of joint ventures		
KCP	719,962	690,951
MunaiTas	57,641	91,147
Total share in other comprehensive income of joint ventures	777,603	782,098
Total share in comprehensive income of joint ventures	3,603,653	3,393,387

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

5. TRADE AND OTHER ACCOUNTS RECEIVABLE

Other long-term accounts receivable as at 31 March 2022 and 31 December 2021 are as follows:

<i>In thousands of Tenge</i>	31 March 2022 (unaudited)	31 December 2021 (audited)
Other accounts receivable from third parties	1,105,743	1,059,900
Less: allowance for expected credit losses	(146,516)	(146,516)
Total	959,227	913,384

Short-term trade and other accounts receivable as at 31 March 2022 and 31 December 2021 are as follows:

<i>In thousands of Tenge</i>	31 March 2022 (unaudited)	31 December 2021 (audited)
Trade accounts receivable from third parties	8,074,504	8,841,213
Trade accounts receivable from related parties (Note 22)	5,053,929	3,034,307
Other accounts receivable from third parties	687,504	710,537
Other accounts receivable from related parties (Note 22)	509	509
Less: allowance for expected credit losses	(5,842,990)	(5,443,382)
Total	7,973,456	7,143,184

Trade and other accounts receivable as at 31 March 2022 and 31 December 2021 are denominated in the following currencies:

<i>In thousands of Tenge</i>	31 March 2022 (unaudited)	31 December 2021 (audited)
Tenge	6,622,421	5,121,063
US Dollars	1,325,960	2,013,051
Russian Ruble	6,423	2,161
Other currency	18,652	6,909
Total	7,973,456	7,143,184

6. OTHER CURRENT ASSETS

Other current assets as at 31 March 2022 and 31 December 2021 are as follows:

<i>In thousands of Tenge</i>	31 March 2022 (unaudited)	31 December 2021 (audited)
Due for oil transportation coordination services	4,757,360	5,378,118
Deferred expenses from third parties	203,626	309,530
Prepaid insurance	71,144	171,623
Due from employees	65,319	19,266
Other	19,075	17,717
Total	5,116,524	5,896,254

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

7. BANK DEPOSITS

Bank deposits as at 31 March 2022 and 31 December 2021 are as follows:

<i>In thousands of Tenge</i>	31 March 2022 (unaudited)	31 December 2021 (audited)
Short-term bank deposits – US Dollar	9,326,200	8,636,000
Long-term bank deposits – Tenge	1,224,232	1,426,867
Accrued interest on deposits – US Dollar	15,699	1,583
Accrued interest on deposits – Tenge	10,861	31,380
Less: allowance for expected credit losses	(4,006)	(6,357)
Total	10,572,986	10,089,473

In accordance with the maturity, bank deposits as at 31 March 2022 and 31 December 2021 are as follows:

<i>In thousands of Tenge</i>	31 March 2022 (unaudited)	31 December 2021 (audited)
Short-term bank deposits with maturity under 1 year	9,350,913	8,665,145
Long-term bank deposits with maturity over 1 year	1,222,073	1,424,328
Total	10,572,986	10,089,473

As at 31 March 2022 and 31 December 2021 bank deposits comprised the following:

- US Dollar denominated short-term deposits with maturity from 3 to 12 months, with interest 0.6% per annum, maturing in June 2022;
- Restricted long-term bank deposits with interest from 2% to 3.5% per annum maturing in 2028 and in 2030, respectively, arranged for the purpose of preferential lending rates for the Company's employees for the purchase of residential property.

8. CASH AND CASH EQUIVALENTS

Cash and cash equivalents as at 31 March 2022 and 31 December 2021 are as follows:

<i>In thousands of Tenge</i>	31 March 2022 (unaudited)	31 December 2021 (audited)
Time deposits with banks – Tenge	15,000,365	20,630,285
Cash in transit – US Dollars	10,258,820	–
Current accounts with banks – US Dollars	7,861,920	17,073,471
Current accounts with banks – Tenge	5,843,930	2,425,219
Current accounts with banks – Georgian Lari	805,318	339,827
Current accounts with banks – other currency	744,391	29,900
Other current accounts with banks	8,246	24,923
Time deposits with banks – other currency	4,197	–
Cash on hand	227	229
Allowance for expected credit losses	(23,950)	(24,882)
Total	40,503,464	40,498,972

As at 31 March 2022 current accounts and time deposits with maturity less than 3 months placed in Tenge, interest was accrued at rates from 6.75% to 11.75% per annum (as at 31 December 2021: from 6.75% to 9.05% per annum).

As at 31 March 2022 and 31 December 2021 interest for current accounts placed in US Dollars ranged from 0.25% to 3% per annum.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

9. EQUITY

Asset revaluation reserve

As at 31 March 2022 asset revaluation reserve was equal to 267,837,201 thousand Tenge (as at 31 December 2021: 285,685,165 thousand Tenge). The change in Group's revaluation reserve for property, plant and equipment for the three months ended 31 March 2022 is mainly due to revaluation of the technological oil of the Group (*Note 3*), depreciation of this reserve and revision of estimates of provision for asset retirement and land recultivation obligation.

Foreign currency translation reserve

As at 31 March 2022 foreign currency translation reserve was equal to 43,827,161 thousand Tenge (as at 31 December 2021: 40,632,765 thousand Tenge). Change in this reserve is due to the translation of the statements of foreign subsidiaries as a result of changes in foreign exchange rates.

Earnings per share

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

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

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

<i>In thousands of Tenge</i>	For the three months ended 31 March (unaudited)	
	2022	2021
Net profit for the period attributable to ordinary equity holders of the Parent of the Group	10,211,440	16,693,967
Weighted average number of ordinary shares for basic earnings per share	384,628,099	384,628,099
Basic earnings per share, in relation to profit for the period attributable to ordinary equity holders of the Company, as a Parent of the Group (in Tenge)	27	43

Book value per ordinary share

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

<i>In thousands of Tenge</i>	31 March 2022 (unaudited)	31 December 2021 (audited)
Total assets	963,539,968	983,162,521
Less: intangible assets	(7,871,092)	(7,352,234)
Less: total liabilities	(227,281,090)	(246,054,505)
Net assets for calculation of book value per ordinary share	728,387,786	729,755,782
Number of ordinary shares	384,628,099	384,628,099
Book value per ordinary share (in Tenge)	1,894	1,897

10. CONTRACT LIABILITIES TO CUSTOMERS

Long-term contract liabilities to customers as at 31 March 2022 and 31 December 2021 are as follows:

<i>In thousands of Tenge</i>	31 March 2022 (unaudited)	31 December 2021 (audited)
Deferred income from related parties (<i>Note 22</i>)	20,996,173	21,516,739
Deferred income from third parties	9,284,240	8,662,766
Total	30,280,413	30,179,505

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

10. CONTRACT LIABILITIES TO CUSTOMERS (continued)

Short-term contract liabilities to customers as at 31 March 2022 and 31 December 2021 are as follows:

<i>In thousands of Tenge</i>	31 March 2022 (unaudited)	31 December 2021 (audited)
Advances received from related parties (Note 22)	10,740,790	11,118,754
Advances received from third parties	5,895,248	7,977,802
Current part of deferred income from related parties (Note 22)	2,082,265	2,082,265
Current part of deferred income from third parties	301,236	671,204
Total	19,019,539	21,850,025

Deferred income from related parties relates to the free of charge receipt of the new waterline for technical water Kulsary-Tengiz (first stage) that was built on the funds of customer of water transportation services under the agreement on cooperation on the construction of a waterline for the amount 24,987,181 thousand Tenge. As the Group has to provide the appropriate volume and rate of water supply to the facilities of the customer via the waterline of technical water Kulsary-Tengiz for the entire period of operations of given customer of water transportation services, the received waterline was recognized as a non-cash consideration from the customer for the services provided. The Group recognized the contract liability and property, plant and equipment for the indicated amount. The amortization of contract liability for the period is recognized by the Group as revenue from the provision of water transportation services in the amount of 520,566 thousand Tenge.

Revenue recognized in respect of contracts with customers

During the current reporting period, the revenue in the amount of 18,210,200 thousand Tenge was recognized in respect of contract liabilities to customers as at the beginning of the reporting period (for the three months ended 31 March 2021: 19,639,948 thousand Tenge).

11. TRADE AND OTHER ACCOUNTS PAYABLE

Trade and other accounts payable as at 31 March 2022 and 31 December 2021 are as follows:

<i>In thousands of Tenge</i>	31 March 2022 (unaudited)	31 December 2021 (audited)
Accounts payable to third parties for goods and services	10,024,930	17,784,506
Accounts payable to related parties for goods and services (Note 22)	1,198,336	1,059,611
Other accounts payable to third parties	1,018,032	1,176,005
Total	12,241,298	20,020,122

As at 31 March 2022 trade and other accounts payable included payables to related and third parties, related to the property, plant and equipment and construction-in-progress in the amount of 1,996,831 thousand Tenge (as at 31 December 2021: 9,542,331 thousand Tenge).

Trade and other accounts payable as at 31 March 2022 and 31 December 2021 are denominated in the following currencies:

<i>In thousands of Tenge</i>	31 March 2022 (unaudited)	31 December 2021 (audited)
Tenge	9,201,656	18,176,135
US Dollars	2,574,229	1,423,305
Russian Roubles	11,226	7,880
Euro	1,399	1,295
Other currency	452,788	411,507
Total	12,241,298	20,020,122

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

12. VAT AND OTHER TAXES

VAT recoverable and other prepaid taxes as at 31 March 2022 and 31 December 2021 are as follows:

<i>In thousands of Tenge</i>	31 March 2022 (unaudited)	31 December 2021 (audited)
Current VAT recoverable	6,958,307	7,647,401
Non-current VAT recoverable	4,402,954	4,356,465
Other taxes prepaid	502,382	502,509
Total	11,863,643	12,506,375

Other taxes payable as at 31 March 2022 and 31 December 2021 are as follows:

<i>In thousands of Tenge</i>	31 March 2022 (unaudited)	31 December 2021 (audited)
Personal income tax	3,822,587	3,581,447
Withholding tax at the source of payment to non-residents	1,221,266	1,131,316
Social tax	637,791	680,913
Property tax	314,656	328,083
Other taxes	491,229	469,665
Total	6,487,529	6,191,424

13. PROVISIONS

Movements in provisions for the three months ended 31 March 2022 and 2021 are as follows:

Short-term provisions

<i>In thousands of Tenge</i>	Tax provisions (BOT, BSP)	Other provisions	Total
As at 31 December 2021 (audited)	1,409,395	31,969	1,441,364
Foreign currency translation	110,776	2,554	113,330
As at 31 March 2022 (unaudited)	1,520,171	34,523	1,554,694
As at 31 December 2020 (audited)	432,695	836,655	1,269,350
Charge for the period, net (<i>Notes 17, 18</i>)	847,019	386,765	1,233,784
Provisions used	–	(110)	(110)
Foreign currency translation	7,278	12,467	19,745
As at 31 March 2021 (unaudited)	1,286,992	1,235,777	2,522,769

Long-term provisions

Asset retirement and land recultivation obligation

The movement of provision for asset retirement and land recultivation obligation for the three months ended 31 March 2022 and 2021 is as follows:

<i>In thousands of Tenge</i>	2022	2021
As at 1 January (audited)	34,547,151	33,688,837
Revision of estimates through other comprehensive income	(2,731,174)	(3,080,942)
Revision of estimates through profit and loss (<i>Note 18</i>)	(312,058)	(654,673)
Unwinding of discount (<i>Note 19</i>)	566,178	551,541
Reversal through profit and loss (<i>Note 18</i>)	–	(28,199)
As at 31 March (unaudited)	32,070,097	30,476,564

As at 31 March 2022 the Group revised the long-term provisions considering current best estimate, which was based on the discount rate of 6.56% (as at 31 December 2021: 6.72%). As at 31 March 2021 the inflation rate was 4.69% (as at 31 December 2021: 5.49%).

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

14. OTHER CURRENT LIABILITIES

Other current liabilities as at 31 March 2022 and 31 December 2021 are as follows:

	31 March 2022 (unaudited)	31 December 2021 (audited)
<i>In thousands of Tenge</i>		
Accounts payable for oil transportation coordination services to related parties (Note 22)	9,855,621	8,873,343
Salaries and other compensations	8,708,663	11,625,437
Accounts payable for oil transportation coordination services to third parties	3,576,863	4,163,649
Accounts payable to pension fund	1,025,530	912,044
Other accruals	352,369	284,621
Total	23,519,046	25,859,094

Salaries and other compensations comprise of current salary payable, remunerations based on the year results and vacation payments payable.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)**15. REVENUE**

Revenue for the three months ended 31 March 2022 and 2021 are as follows:

<i>In thousands of Tenge</i>	For three months ended 31 March 2022 (unaudited)				
	Oil transportation and related services	Oil transshipment	Water transportation	Others	Total for segments
Crude oil transportation	42,492,574	–	–	–	42,492,574
Pipeline operation and maintenance services	4,866,063	–	–	–	4,866,063
Oil, oil-products and gas transshipment and railway shipment	–	3,303,415	–	–	3,303,415
Water transportation	–	–	2,337,535	–	2,337,535
Seaport services	–	–	–	1,869,892	1,869,892
Fees for undelivered oil volumes	516,473	–	–	–	516,473
Oil transportation coordination services	112,797	–	–	–	112,797
Other	19,251	–	372	542,945	562,568
Total revenue under contracts with customers	48,007,158	3,303,415	2,337,907	2,412,837	56,061,317
Geographic regions of customers					
Kazakhstan	41,679,978	1,975,554	2,337,907	–	45,993,439
Russia	6,327,180	–	–	–	6,327,180
Georgia	–	933,574	–	2,385,850	3,319,424
Others	–	394,287	–	26,987	421,274
Total revenue under contracts with customers	48,007,158	3,303,415	2,337,907	2,412,837	56,061,317
Timing of revenue recognition					
At a point in time	43,141,095	3,303,415	2,337,907	2,412,837	51,195,254
Over time	4,866,063	–	–	–	4,866,063
Total revenue under contracts with customers	48,007,158	3,303,415	2,337,907	2,412,837	56,061,317

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)**15. REVENUE (continued)**

<i>In thousands of Tenge</i>	For three months ended 31 March 2021 (unaudited)				
	Oil transportation and related services	Oil transshipment	Water transportation	Others	Total for segments
Crude oil transportation	47,738,845	–	–	–	47,738,845
Pipeline operation and maintenance services	4,330,746	–	–	–	4,330,746
Oil, oil-products and gas transshipment and railway shipment	–	1,915,347	–	–	1,915,347
Water transportation	–	–	1,662,053	–	1,662,053
Seaport services	–	–	–	1,502,965	1,502,965
Fees for undelivered oil volumes	643,360	–	–	–	643,360
Oil transportation coordination services	153,739	–	–	–	153,739
Other	37,941	–	457	330,493	368,891
Total revenue under contracts with customers	52,904,631	1,915,347	1,662,510	1,833,458	58,315,946
Geographic regions of customers					
Kazakhstan	46,695,162	891,953	1,662,510	–	49,249,625
Russia	6,209,469	–	–	–	6,209,469
Georgia	–	1,004,497	–	1,833,458	2,837,955
Others	–	18,897	–	–	18,897
Total revenue under contracts with customers	52,904,631	1,915,347	1,662,510	1,833,458	58,315,946
Timing of revenue recognition					
At a point in time	48,573,885	1,915,347	1,662,510	1,833,458	53,985,200
Over time	4,330,746	–	–	–	4,330,746
Total revenue under contracts with customers	52,904,631	1,915,347	1,662,510	1,833,458	58,315,946

For the three months ended 31 March 2022 the revenue from the three major customers amounted to 10,609,282 thousand Tenge, 6,294,326 thousand Tenge and 2,926,946 thousand Tenge (for the three months ended 31 March 2021: 12,246,519 thousand Tenge, 7,746,763 thousand Tenge and 3,016,589 thousand Tenge, respectively).

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

16. COST OF SALES

Cost of sales for the three months ended 31 March 2022 and 2021 are as follows:

<i>In thousands of Tenge</i>	For the three months ended 31 March (unaudited)	
	2022	2021
Personnel cost	17,656,678	13,215,598
Depreciation and amortization	13,050,117	12,711,001
Taxes other than income tax	2,599,529	2,094,575
Electric energy	2,336,657	1,948,427
Security services	1,690,209	1,472,494
Railway services	1,683,726	657,206
Repair and maintenance	1,558,639	1,390,393
Materials and fuel	1,435,251	1,284,064
Gas expense	1,242,964	1,109,966
Food and accommodation	540,238	534,372
Insurance	241,129	132,861
Post-employment benefits	229,762	242,638
Business trip expenses	149,753	118,538
Other	929,980	781,840
Total	45,344,632	37,693,973

17. GENERAL AND ADMINISTRATIVE EXPENSES

General and administrative expenses for the three months ended 31 March 2022 and 2021 are as follows:

<i>In thousands of Tenge</i>	For the three months ended 31 March (unaudited)	
	2022	2021
Personnel costs	2,160,779	1,831,030
Depreciation and amortization	359,175	381,741
Office maintenance	223,645	144,212
Charge of allowance for expected credit losses, net	80,009	180,103
Taxes other than income tax	77,178	81,370
Outstaffing services	63,587	51,428
Auditing and consulting services	47,735	21,636
Business trip expenses	45,494	21,954
Information services	34,775	33,262
Communication services	32,588	26,229
Write-off of VAT recoverable	28,521	28,401
Bank costs	19,277	17,925
Materials and fuel	17,782	8,669
Repair and maintenance	16,969	63,299
Post-employment benefits	13,703	12,726
Charge of short-term provisions (Note 13)	–	847,019
Other	143,467	147,501
Total	3,364,684	3,898,505

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

18. OTHER OPERATING INCOME AND EXPENSES

Other operating income for the three months ended 31 March 2022 and 2021 are as follows:

<i>In thousands of Tenge</i>	For the three months ended 31 March (unaudited)	
	2022	2021
Income from revision of estimates and reversal of provision on asset retirement and land recultivation obligation, net (<i>Note 13</i>)	312,058	682,872
Income from fines and penalties	207,711	77,418
Amortization of deferred revenue	74,243	70,579
Income from inventory surplus	–	660,986
Other income	26,299	48,787
Total	620,311	1,540,642

Other operating expenses for the three months ended 31 March 2022 and 2021 are as follows:

<i>In thousands of Tenge</i>	For the three months ended 31 March (unaudited)	
	2022	2021
Loss on disposal of property, plant and equipment, net	66,246	8,551
Charge of short-term provisions (<i>Note 13</i>)	–	386,765
Other expenses	28,648	11,898
Total	94,894	407,214

19. FINANCE INCOME AND EXPENSES

Finance income for the three months ended 31 March 2022 and 2021 is as follows:

<i>In thousands of Tenge</i>	For the three months ended 31 March (unaudited)	
	2022	2021
Interest income on bank deposits and current accounts	408,497	768,668
Unwinding of discount on long-term receivables	46,366	49,362
Income from revision the fair value of bonds	28,972	238,902
Reversal of impairment of allowance for expected credit losses on cash and cash equivalents, bank deposits, net	3,043	–
Other finance income	4,574	4,359
Total	491,452	1,061,291

Finance expenses for the three months ended 31 March 2022 and 2021 are as follows:

<i>In thousands of Tenge</i>	For the three months ended 31 March (unaudited)	
	2022	2021
Unwinding of discount on asset retirement and land recultivation obligation (<i>Note 13</i>)	566,178	551,541
Net interest cost on employee benefit obligations	366,322	291,712
Unwinding of discount on lease liabilities	35,624	83,964
Charge of provision for expected credit losses on cash and cash equivalents, bank deposits, net	–	41,382
Other finance expenses	4,142	144,418
Total	972,266	1,113,017

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

20. INCOME TAX EXPENSE

Income tax expenses for the three months ended 31 March 2022 and 2021 are as follows:

<i>In thousands of Tenge</i>	For the three months ended 31 March (unaudited)	
	2022	2021
Current income tax expense	2,323,891	4,038,688
Adjustments of the past periods	139,049	212,405
Deferred income tax benefits	(87,950)	(49,291)
Income tax expense	2,374,990	4,201,802

Movement in net deferred tax liabilities for the three months ended 31 March 2022 and 2021 are as follows:

<i>In thousands of Tenge</i>	2022	2021
As at January 1 (audited)	78,764,696	62,221,923
Charged to other comprehensive (income)/loss	(3,758,144)	2,515,968
Charged to profit and loss	(87,950)	(49,291)
Foreign currency translation	(34)	12
As at 31 March (unaudited)	74,918,568	64,688,612

21. SEGMENT INFORMATION

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

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

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

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

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

21. SEGMENT INFORMATION (continued)

Management of the Group analyses its operating segments by segment profit. The following tables present information on revenue, profit or loss for the three month periods ended 31 March 2022 and 2021, assets and liabilities for the segments of the Group as at 31 March 2022 and 31 December 2021, respectively

	For the three months ended 31 March 2022 (unaudited)						For the three months ended 31 March 2021 (unaudited)					
	Oil transportation and related services (Kazakhstan)	Oil transportation (Georgia)	Water transportation (Kazakhstan)	Other	Adjustments and exceptions	Total segments (consolidated)	Oil transportation and related services (Kazakhstan)	Oil transportation (Georgia)	Water transportation (Kazakhstan)	Other	Adjustments and exceptions	Total segments (consolidated)
<i>In thousands of Tenge</i>												
Revenue												
External customers	48,007,158	3,303,415	2,337,907	2,412,837	–	56,061,317	52,904,631	1,915,347	1,662,510	1,833,458	–	58,315,946
Intersegmental	159,298	–	20,727	–	(180,025)	–	214,799	–	22,073	–	(236,872)	–
Total revenue	48,166,456	3,303,415	2,358,634	2,412,837	(180,025)	56,061,317	53,119,430	1,915,347	1,684,583	1,833,458	(236,872)	58,315,946
Financial results												
Depreciation and amortization	(11,649,753)	(211,781)	(1,269,195)	(278,563)	–	(13,409,292)	(11,566,589)	(198,632)	(1,076,817)	(250,704)	–	(13,092,742)
Interest income	336,466	15,552	28,120	28,359	–	408,497	542,654	5,879	193,679	26,456	–	768,668
Share in income of joint ventures	2,826,050	–	–	–	–	2,826,050	2,611,289	–	–	–	–	2,611,289
Income tax (expense)/benefits	(2,559,485)	–	192,653	(11,435)	3,277	(2,374,990)	(4,343,572)	–	151,517	(19,317)	9,570	(4,201,802)
Segment profit/(loss) for the period	9,313,252	(132,649)	(717,056)	1,043,581	704,312	10,211,440	17,031,079	(592,537)	(588,186)	871,586	(27,975)	16,693,967
	As at 31 March 2022 (unaudited)						As at 31 December 2021 (audited)					
	Oil transportation and related services (Kazakhstan)	Oil transportation (Georgia)	Water transportation (Kazakhstan)	Other	Adjustments and exceptions	Total segments (consolidated)	Oil transportation and related services (Kazakhstan)	Oil transportation (Georgia)	Water transportation (Kazakhstan)	Other	Adjustments and exceptions	Total segments (consolidated)
<i>In thousands of Tenge</i>												
Other disclosures												
Total assets	884,018,137	34,910,298	94,238,942	31,436,754	(81,064,163)	963,539,968	910,330,857	30,810,657	94,232,078	29,827,018	(82,038,089)	983,162,521
Total liabilities	179,227,318	11,618,233	26,006,546	10,818,969	(389,976)	227,281,090	200,598,316	7,611,338	26,322,626	13,222,148	(1,699,923)	246,054,505
Investments in joint ventures (Note 4)	77,699,766	–	–	–	–	77,699,766	74,096,113	–	–	–	–	74,096,113
Capital expenditures, including:	7,196,530	172,901	1,187,813	526,936	(16,467)	9,067,713	38,214,943	1,125,651	20,557,347	944,574	(131,737)	60,710,778
Property, plant and equipment	6,950,920	172,901	1,187,813	526,936	(16,467)	8,822,103	38,206,236	1,125,651	20,557,347	930,940	(131,737)	60,688,437

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

22. RELATED PARTY TRANSACTIONS

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

Related party transactions were made on agreed terms between the parties that may not necessarily be at market rates, except for certain regulated services, which are provided based on the tariffs available to related and third parties.

The following tables provide the total amount of transactions, which have been entered into with related parties during three months ended 31 March 2022 and 2021 and the related balances as at 31 March 2022 and 31 December 2021:

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

<i>In thousands of Tenge</i>	Note	31 March 2022 (unaudited)	31 December 2021 (audited)
Trade and other accounts receivable from related parties			
Trade accounts receivable from joint ventures of the Company		3,086,713	1,169,519
Trade accounts receivable from entities under common control of Samruk-Kazyna Group		1,087,066	953,600
Trade accounts receivable from entities under common control of KMG		880,150	911,188
Total trade accounts receivable from related parties	5	5,053,929	3,034,307
Other accounts receivables from entities under common control of KMG and Samruk-Kazyna Group		509	509
Total other accounts receivable from related parties	5	509	509
Less: allowance for expected credit losses		(5,312)	(7,311)
Total trade and other accounts receivable from related parties		5,049,126	3,027,505

Advances provided to related parties are as follows:

<i>In thousands of Tenge</i>		31 March 2022 (unaudited)	31 December 2021 (audited)
Advances paid to related parties			
Advances paid to entities under common control of Samruk-Kazyna Group		1,055	1,069
Total advances paid to related parties		1,055	1,069

Contract liabilities to customers to related parties are as follows:

<i>In thousands of Tenge</i>	Notes	31 March 2022 (unaudited)	31 December 2021 (audited)
Contract liabilities to customers to related parties			
Non-current part of deferred income under contracts with entities under common control of KMG		20,996,173	21,516,739
Total non-current contract liabilities to customers to related parties	10	20,996,173	21,516,739
Advances received from entities under common control of KMG		10,585,190	10,949,194
Advances received from entities under common control of Samruk-Kazyna Group		155,600	169,560
Current part of deferred income under contracts with entities under common control of KMG		2,082,265	2,082,265
Total current contract liabilities to customers to related parties	10	12,823,055	13,201,019
Total contract liabilities to customers to related parties		33,819,228	34,717,758

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

22. RELATED PARTY TRANSACTIONS (continued)

Trade accounts payable to related parties are as follows:

<i>In thousands of Tenge</i>	Note	31 March 2022 (unaudited)	31 December 2021 (audited)
Trade accounts payable to related parties for goods and services			
Trade accounts payable to entities under common control of KMG		617,921	563,504
Trade accounts payable to entities under common control of Samruk-Kazyna Group		564,532	484,562
Trade accounts payable to joint ventures of the Company		15,883	11,545
Total trade accounts payable to related parties for goods and services	11	1,198,336	1,059,611

Other current liabilities to related parties are as follows:

<i>In thousands of Tenge</i>	Note	31 March 2022 (unaudited)	31 December 2021 (audited)
Accounts payable for oil transportation coordination services to related parties			
Accounts payable for oil transportation coordination services to entities under common control of KMG		9,855,621	8,873,343
Total accounts payable for oil transportation coordination services to related parties	14	9,855,621	8,873,343
Employee benefits obligation of key management personnel			
Employee benefits obligation of key management personnel		41,767	26,649
Total employee benefits obligation of key management personnel		41,767	26,649
Total other current liabilities to related parties		9,897,388	8,899,992

The following tables provide the total amount of transactions, which have been entered into with related parties during the three months ended 31 March 2022 and 2021:

<i>In thousands of Tenge</i>	For the three months ended 31 March (unaudited)	
	2022	2021
Sales to related parties		
Revenue from main activities with entities under common control of KMG	28,590,804	30,087,188
Revenue from main activities with joint ventures of the Company	2,758,293	2,568,357
Revenue from main activities with entities under common control of Samruk-Kazyna Group	2,025,362	1,928,595
Revenue from other activities with entities under common control of Samruk-Kazyna Group	53,983	159
Revenue from other activities with entities under common control of KMG	16,468	–
Total	33,444,910	34,584,299

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

22. RELATED PARTY TRANSACTIONS (continued)

Purchase of services and assets from related parties is as follows:

<i>In thousands of Tenge</i>	For the three months ended 31 March (unaudited)	
	2022	2021
Purchases from related parties		
Purchases of services from entities under common control of KMG	1,332,313	1,600,207
Purchases of services from entities under common control of Samruk-Kazyna Group	781,031	470,537
Purchases of services from joint ventures of the Company	21,198	–
Purchases of inventory from entities under common control of Samruk-Kazyna Group	45	100
Purchases of inventory from entities under common control of KMG	–	41
Total	2,134,587	2,070,885

Total accrued compensation to key management personnel for the three months ended 31 March 2022 amounts to 92,665 thousand Tenge (for the three months ended 31 March 2021: 85,237 thousand Tenge). Payments to key personnel consist primarily of payroll costs and remuneration established by contracts and Company's internal regulations.

23. CONTINGENT LIABILITIES AND COMMITMENTS

Information on contingent liabilities and commitments of the Group is disclosed in the consolidated financial statements for the year ended 31 December 2021. During three months ended 31 March 2022 there were no significant changes, except for the following:

Contractual commitments to acquire property, plant and equipment

As at 31 March 2022, the Group had contractual obligations to acquire property, plant and equipment, and construction services for the amount of 48,185,120 thousand Tenge (as at 31 December 2021: 51,532,032 thousand Tenge). These contractual commitments are a part of the investment program of the Company.

Share of the Group as at 31 March 2022 in contractual obligations of joint ventures to acquire property, plant and equipment, and construction services amounted to 717,348 thousand Tenge (as at 31 December 2021: 642,814 thousand Tenge).

Investment program commitments of the Company

In November 2020, by a joint order of the Ministry of Energy of the Republic of Kazakhstan and the CRNM, an investment program for 2021-2025 was approved, according to which the Company has the obligation to fulfill the investment program from 2021 to 2025 in the amount of 214.2 billion Tenge. As at 31 March 2022 the balance of obligation under the investment program of the Company to be fulfilled was 177.8 billion Tenge.

The termination of the BSP management agreement

In accordance with BSP Management agreement between BOT and the Georgia Government, the last one has the right for termination of this agreement, in case the BSP in the course of 2 years does not meet its obligations on minimum volume of transshipment, which is 4 million tons per year. In addition, if the transshipment volume is less than 6 million tons per year, BOT shall pay the penalties according to the Agreement conditions.

The actual transshipment through the BSP for the first quarter of 2022 amounted to 1.8 million tons (for the first quarter of 2021: 1.3 million tons).

Environmental obligations

The enforcement of environmental regulation in Kazakhstan is evolving and subject to ongoing changes. In accordance with the amendments to the Environmental Code of the Republic of Kazakhstan, the management believes that there are possible liabilities that may have an impact on the Group's financial position and results of operations.

At the date of issuance of the interim condensed consolidated financial statements, the Group analyses the changes and, accordingly, cannot reliably estimate the amount of additional potential liabilities related to the asset retirement and land recultivation, except those reflected in these financial statements (*Note 13*).

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

24. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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

Fair value of financial instruments

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

25. SUBSEQUENT EVENTS

On 15 April 2022, the tariff for the service of pumping oil through main pipelines for the purpose of export outside the Republic of Kazakhstan was approved in the amount of 8,830.51 Tenge per ton for 1,000 kilometers without VAT, which enters into force on 1 June 2022.

On 19 May 2022 on the Annual general meeting of shareholders of the Company decided about the payment of dividends in the amount of 10,000,331 thousand Tenge (calculated as 26 Tenge per 1 ordinary share) based on the 2021 annual results.