

**KazTransOil JSC**

**Interim condensed consolidated financial statements**

*For the six months ended 30 June 2015*

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Report on review of interim condensed consolidated financial statements

**Interim condensed consolidated financial statements**

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## Report on review of interim condensed consolidated financial statements

To the Shareholders of KazTransOil JSC

### **Introduction**

We have reviewed the accompanying interim condensed consolidated financial statements of KazTransOil JSC and its subsidiaries (hereinafter—"the Group"), comprising the interim consolidated statement of financial position as at 30 June 2015 and the related interim consolidated statements of comprehensive income, changes in equity and cash flows for the three and six-month periods then ended and explanatory notes. Management is responsible for the preparation and presentation of these interim condensed consolidated financial statements in accordance with International Financial Reporting Standards 34, *Interim Financial Reporting* (IAS 34). Our responsibility is to express a conclusion on these interim condensed consolidated financial statements based on our review.

### **Scope of review**

We conducted our review in accordance with the International Standard on Review Engagements 2410, *Review of Interim Financial Information Performed by the Independent Auditor of the Entity*. A review of interim consolidated financial statements 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.



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### Conclusion

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

*Ernst & Young LLP*



Alexandr Nazarkulov  
Auditor

Auditor qualification certificate  
No. MΦ-0000059 dated 6 January 2012

4 August 2015



Evgeny Zhemaletdinov  
General Director  
Ernst and Young LLP

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 of the Republic of Kazakhstan  
on 15 July 2005

**INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

<i>In thousands of Tenge</i>	<b>Notes</b>	<b>30 June 2015 (unaudited)</b>	31 December 2014 (audited)
<b>Assets</b>			
<b>Non-current assets</b>			
Property, plant and equipment	3	428,791,838	415,390,661
Intangible assets	4	4,756,256	5,479,443
Investments in joint ventures	5	50,929,595	49,843,334
Advances to suppliers for property, plant and equipment	6	12,149,430	11,307,451
Bank deposits	12	3,600,634	3,729,880
Other non-current assets		14,880	16,723
		<b>500,242,633</b>	<b>485,767,492</b>
<b>Current assets</b>			
Inventories	7	5,312,465	3,044,558
Trade and other accounts receivable	8	7,009,129	5,803,874
Advances to suppliers	9	1,755,349	1,111,935
Prepayment for corporate income tax		741	5,814,807
VAT recoverable and other prepaid taxes	10	4,796,668	6,196,069
Other current assets	11	2,323,019	3,380,259
Bank deposits	12	16,029,668	32,112,242
Cash and cash equivalents	13	28,703,889	42,174,720
		<b>65,930,928</b>	<b>99,638,464</b>
Assets classified as held for sale		21,974	1,261
		<b>65,952,902</b>	<b>99,639,725</b>
<b>Total assets</b>		<b>566,195,535</b>	<b>585,407,217</b>

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

<i>In thousands of Tenge</i>	<b>Notes</b>	<b>30 June 2015 (unaudited)</b>	<b>31 December 2014 (audited)</b>
<b>Equity and liabilities</b>			
<b>Equity</b>			
Share capital	14	61,937,567	61,937,567
Asset revaluation reserve	14	133,934,434	138,237,679
Other reserves	14	(1,810,575)	(1,810,575)
Foreign currency translation reserve	14	13,182,300	14,860,910
Retained earnings		243,550,226	244,418,740
<b>Total equity</b>		<b>450,793,952</b>	<b>457,644,321</b>
<b>Non-current liabilities</b>			
Employee benefits liabilities	15	11,636,786	11,204,603
Deferred tax liabilities	28	40,673,656	41,167,915
Provision on asset retirement obligation and land reclamation obligation	19	19,494,626	20,631,009
Deferred income		4,459,676	4,423,082
		<b>76,264,744</b>	<b>77,426,609</b>
<b>Current liabilities</b>			
Employee benefits liabilities	15	445,000	408,757
Income tax payable		976,412	910,109
Trade and other accounts payable	16	9,654,017	15,773,741
Advances received	17	16,010,429	16,746,436
Other taxes payable	18	2,370,325	3,226,928
Provisions	19	332,452	316,065
Other current liabilities	20	9,348,204	12,954,251
		<b>39,136,839</b>	<b>50,336,287</b>
<b>Total liabilities</b>		<b>115,401,583</b>	<b>127,762,896</b>
<b>Total equity and liabilities</b>		<b>566,195,535</b>	<b>585,407,217</b>
<b>Book value of ordinary shares (in Tenge)</b>	14	<b>1,160</b>	<b>1,176</b>

Signed and approved for issue on 4 August 2015.

Acting general director



*Nussupova A.B.*

Chief Accountant

*Sarmagambetova M.K.*

*The accounting policy and explanatory notes on pages 8 through 33 form an integral part of these interim condensed consolidated financial statements.*

**INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**

<i>In thousands of Tenge</i>	Notes	For the three months ended 30 June (unaudited)		For the six months ended 30 June (unaudited)	
		2015	2014	2015	2014
Revenue	21	53,077,429	55,069,724	106,645,769	100,454,596
Cost of sales	22	(27,975,990)	(27,766,366)	(56,170,949)	(52,832,757)
<b>Gross profit</b>		<b>25,101,439</b>	<b>27,303,358</b>	<b>50,474,820</b>	<b>47,621,839</b>
General and administrative expenses	23	(2,771,041)	(2,496,751)	(5,252,802)	(4,748,913)
Other operating income	24	897,871	188,991	1,177,301	467,927
Other operating expenses	25	(1,170,251)	(59,014)	(1,210,621)	(108,204)
Loss from impairment of property, plant and equipment		(202,112)	(73,955)	(148,331)	(71,008)
<b>Operating profit</b>		<b>21,855,906</b>	<b>24,862,629</b>	<b>45,040,367</b>	<b>43,161,641</b>
Net foreign exchange (loss)/gain		(39,317)	164,053	1,058,768	(40,128)
Finance income	26	808,802	1,720,451	1,651,875	3,061,754
Finance cost	27	(459,122)	(354,932)	(922,902)	(709,866)
Dividend income		–	80,277	–	80,277
Share in income/(loss) of joint ventures	5	1,523,551	220,768	2,587,074	(9,843,565)
<b>Profit before income tax</b>		<b>23,689,820</b>	<b>26,693,246</b>	<b>49,415,182</b>	<b>35,710,113</b>
Income tax expense	28	(4,823,515)	(5,333,978)	(9,987,579)	(9,274,068)
<b>Profit for the period</b>		<b>18,866,305</b>	<b>21,359,268</b>	<b>39,427,603</b>	<b>26,436,045</b>
<b>Earnings per share (in Tenge)</b>	14	<b>49</b>	<b>56</b>	<b>103</b>	<b>69</b>
<b>Other comprehensive income</b>					
<i>Other comprehensive income to be reclassified to profit or loss in subsequent periods</i>					
Exchange difference from translation of foreign operations of the Group		24,253	208,192	(1,685,058)	6,640,171
Exchange difference from translation of foreign operations of the joint ventures	5	909	2,469	6,448	51,027
		<b>25,162</b>	<b>210,661</b>	<b>(1,678,610)</b>	<b>6,691,198</b>
<b>Total other comprehensive (loss)/ income to be reclassified to profit or loss in subsequent periods, net</b>		<b>25,162</b>	<b>210,661</b>	<b>(1,678,610)</b>	<b>6,691,198</b>

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

<i>In thousands of Tenge</i>	Notes	For the three months ended 30 June (unaudited)		For the six months ended 30 June (unaudited)	
		2015	2014	2015	2014
<i>Other comprehensive loss not to be reclassified to profit or loss in subsequent periods</i>					
Impairment of property, plant and equipment of the Group		(66,043)	(26,406)	(66,043)	(26,984)
Income tax effect		13,209	5,281	13,209	5,397
		(52,834)	(21,125)	(52,834)	(21,587)
Provision on asset retirement obligation and land reclamation of the Group	19	2,068,844	–	2,068,844	–
Income tax effect	28	(413,769)	–	(413,768)	–
		1,655,075	–	1,655,076	–
Provision on asset retirement obligation and land reclamation of the joint ventures		–	–	284,699	–
Income tax effect		–	–	(56,940)	–
	5	–	–	227,759	–
Actuarial losses from employee benefit liabilities of the Group	15	–	–	–	(963,600)
Income tax effect	28	–	–	–	192,719
		–	–	–	(770,881)
<b>Total other comprehensive loss not to be reclassified to profit or loss in subsequent periods, net</b>		<b>1,602,241</b>	<b>(21,125)</b>	<b>1,830,001</b>	<b>(792,468)</b>
<b>Total other comprehensive income for the period, net of taxes</b>		<b>1,627,403</b>	<b>189,536</b>	<b>151,391</b>	<b>5,898,730</b>
<b>Total comprehensive income for the period, net of taxes</b>		<b>20,493,708</b>	<b>21,548,804</b>	<b>39,578,994</b>	<b>32,334,775</b>

Signed and approved for issue on 4 August 2015.

Acting general director



*Nussupova A.B.*

Chief Accountant

*Sarmagambetova M.K.*

*The accounting policy and explanatory notes on pages 8 through 33 form an integral part of these interim condensed consolidated financial statements.*



**INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS**

<i>In thousands of Tenge</i>	Notes	For the six months ended 30 June (unaudited)	
		2015	2014
<b>Cash flows from operating activities</b>			
Profit before tax		49,415,182	35,710,113
<b>Non-cash adjustment to reconcile profit before tax to net cash flows</b>			
Depreciation and amortization	22, 23	16,395,792	16,922,382
Net charge/(reversal) of allowance for doubtful debts	23	40,884	(6,759)
Share in (income)/loss of joint ventures	5	(2,587,074)	9,843,565
Finance costs	27	922,902	709,866
Finance income	26	(1,651,875)	(3,061,754)
Dividends income		-	(80,277)
Employee benefits for the current service cost	15	401,233	247,501
Net charge/(reversal) of provisions	19	11,713	(7)
Net loss from disposal of property, plant and equipment and intangible assets	25	1,151,041	32,562
Expenses on liquidation of idle oil pumping stations	25	-	40,741
Impairment of the property plant and equipment	3	148,331	71,008
Net gain on disposal of inventory	24, 25	(34,419)	(31,526)
Income from revision of estimates and write-off of provision on asset retirement obligation and land recultivation	19	(604,133)	-
Net loss/(gain) from disposal assets held as for sale	24, 25	8,547	(466)
Income from write-off of accounts payable	24	(47,063)	(74,531)
Amortization of deferred income	24	(156,183)	(156,183)
Unrealized foreign exchange gain		(1,179,421)	(673,002)
Net reversal of provision for obsolete and slow-moving inventory	23	-	(6,710)
<b>Operating cash flows before working capital changes</b>		<b>62,235,457</b>	<b>59,486,523</b>
<b>(Increase)/decrease in operating assets</b>			
Inventories		(1,576,118)	(1,028,083)
Trade and other accounts receivable		(1,257,955)	(3,693,591)
Advances to suppliers		(643,325)	(513,757)
VAT recoverable and other prepaid taxes		1,180,528	(1,408,422)
Other current assets		1,076,721	23,140
<b>Increase/(decrease) in operating liabilities</b>			
Trade and other accounts payable		(2,442,644)	222,842
Advances received		(763,723)	(705,740)
Other taxes payable		(856,603)	(36,497)
Other current and non-current liabilities and employee benefit liabilities		(2,813,898)	(3,637,407)
<b>Cash generated from operating activities</b>		<b>54,138,440</b>	<b>48,709,008</b>
Income taxes paid		(4,507,576)	(9,570,436)
Interest received		1,464,272	3,533,654
<b>Net cash flow from operating activities</b>		<b>51,095,136</b>	<b>42,672,226</b>

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

<i>In thousands of Tenge</i>	Notes	For the six months ended 30 June (unaudited)	
		2015	2014
<b>Cash flows from investing activities</b>			
Withdrawal of bank deposits		48,234,711	77,953,825
Placement of bank deposits		(30,903,157)	(46,854,598)
Purchase of property, plant and equipment		(37,030,176)	(26,883,006)
Purchase of intangible assets		(97,943)	(198,652)
Proceeds from disposal of property, plant and equipment, intangible assets and assets held for sale		27,716	94,784
Dividends received		1,735,020	80,277
<b>Net cash flow (used in) / received from investing activities</b>		<b>(18,033,829)</b>	<b>4,192,630</b>
<b>Cash flows from financing activities</b>			
Dividends paid	14	(46,429,363)	-
<b>Net cash flow used in financing activities</b>		<b>(46,429,363)</b>	<b>-</b>
Net foreign exchange difference		(102,775)	481,071
<b>Net change in cash and cash equivalents</b>		<b>(13,470,831)</b>	<b>47,345,927</b>
Cash and cash equivalents at the beginning of the period		42,174,720	25,645,348
<b>Cash and cash equivalents at the end of the period</b>		<b>28,703,889</b>	<b>72,991,275</b>

Signed and approved for issue on 4 August 2015.

Acting general director



*Nussupova A.B.*

Chief Accountant

*Sarmagambetova M.K.*

*The accounting policy and explanatory notes on pages 8 through 33 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	Asset revaluation reserve	Foreign currency translation reserve	Other capital reserves	Retained earnings	Total
<b>As at 31 December 2014 (audited)</b>	61,937,567	138,237,679	14,860,910	(1,810,575)	244,418,740	457,644,321
Profit for the period	-	-	-	-	39,427,603	39,427,603
Other comprehensive income /(loss)	-	1,830,001	(1,678,610)	-	-	151,391
<b>Total comprehensive income/(loss) for the period</b>	-	1,830,001	(1,678,610)	-	39,427,603	39,578,994
Depreciation transfer of revalued property, plant and equipment	-	(6,133,246)	-	-	6,133,246	-
Dividends (Note 14)	-	-	-	-	(46,429,363)	(46,429,363)
<b>As at 30 June 2015 (unaudited)</b>	61,937,567	133,934,434	13,182,300	(1,810,575)	243,550,226	450,793,952
<b>As at 31 December 2013 (audited)</b>	61,937,567	171,902,104	10,069,002	(1,016,496)	224,377,740	467,269,917
Profit for the period	-	-	-	-	26,436,045	26,436,045
Other comprehensive income /(loss)	-	(21,587)	6,691,198	(770,881)	-	5,898,730
<b>Total comprehensive income/(loss) for the period</b>	-	(21,587)	6,691,198	(770,881)	26,436,045	32,334,775
Depreciation transfer of revalued property, plant and equipment	-	(7,279,176)	-	-	7,279,176	-
Dividends (Note 14)	-	-	-	-	(41,925,280)	(41,925,280)
<b>As at 30 June 2014 (unaudited)</b>	61,937,567	164,601,341	16,760,200	(1,787,377)	216,167,681	457,679,412

Signed and approved for issue on 4 August 2015.

Acting general director

Chief Accountant



Nussupova A.B.

Sarmagambetova M.K.

The accounting policy and explanatory notes on pages 8 through 33 form an integral part of these interim condensed consolidated financial statements.

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS****For the six months ended 30 June 2015****1. GENERAL**

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

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

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

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

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

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

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

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

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

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

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

These interim condensed consolidated financial statements for the six month period ended 30 June 2015 were approved for issue by the Acting general director and the Chief accountant of the Company on 4 August 2015.

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

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**2. BASIS OF PREPARATION AND CHANGES IN ACCOUNTING POLICIES****Basis of preparation**

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

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

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

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

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

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

Several new standards and amendments apply for the first time in 2015. However, they do not impact the annual consolidated financial statements of the Group or the interim condensed consolidated financial statements of the Group.

The nature and the impact of each new standard or amendment are described below.

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

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

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

**Annual Improvements of IFRS 2010-2012 Cycle**

These improvements are effective from 1 July 2014 and the Group has applied these amendments for the first time in these interim condensed consolidated financial statements. They include:

*IFRS 3 Business Combinations (Amendment)*

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

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

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**2. BASIS OF PREPARATION AND CHANGES IN ACCOUNTING POLICIES (continued)****New standards, interpretations and amendments thereof, adopted by the Group (continued)****Annual Improvements of IFRS 2010-2012 Cycle (continued)***IFRS 8 Operating Segments (Amendment)*

The amendments are applied retrospectively and clarify that:

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

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

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

*IAS 24 Related Party Disclosures (Amendment)*

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

**Annual Improvements of IFRS 2011-2013 Cycle**

These improvements are effective from 1 July 2014 and the Group has applied these amendments for the first time in these interim condensed consolidated financial statements. They include:

*IFRS 3 Business Combinations (Amendment)*

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

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

*IFRS 13 Fair Value Measurement (Amendment)*

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

**Seasonality of operations**

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

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

**Foreign currency translation**

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.

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

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

#### Foreign currency translation (continued)

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

<i>Tenge</i>	For the six months ended 30 June	
	2015	2014
US Dollars	185.25	176.43
Russian Rubles	3.23	5.04
Euro	206.79	241.83
Georgian Lari	86.11	100.47

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

<i>Tenge</i>	30 June 2015	31 December 2014
US Dollars	186.20	182.35
Russian Rubles	3.37	3.17
Euro	206.98	221.97
Georgian Lari	82.98	99.79

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

Property, plant and equipment as at 30 June 2015 were presented as follows:

<i>In thousands of Tenge</i>	Land	Pipelines	Transportation assets	Buildings and constructions	Machinery and equipment	Technological oil	Other	Construction in progress	Total
<b>At revalued amount as at 31 December 2014 (audited)</b>	12,483,895	147,474,455	9,979,926	78,466,503	114,120,834	69,568,777	14,949,765	28,895,431	475,939,586
Foreign currency translation	181,127	-	(241,140)	(594,538)	(293,728)	-	(14,246)	18,649	(943,876)
Additions	25	-	465,255	27,900	727,425	-	576,011	29,533,064	31,329,680
Disposals	-	(1,508,019)	(12,831)	(8,581)	(103,005)	(1,816)	(147,249)	(10,713)	(1,792,214)
Recognition of asset retirement and land reclamation obligation (Note 19)	-	903,351	-	-	-	-	-	-	903,351
Transfer to Intangible assets (Note 4)	-	-	-	-	-	-	-	(34,520)	(34,520)
Transfer to assets held as for sale	(2,443)	-	-	(27,573)	-	-	-	-	(30,016)
Transfer from construction-in-progress	212	4,469,994	172,346	1,540,402	3,206,981	-	127,263	(9,517,198)	-
Transfers and reclassifications	-	33,382	496,023	(61,236)	137,196	-	186,657	(792,022)	-
<b>At revalued amount as at 30 June 2015 (unaudited)</b>	<b>12,662,816</b>	<b>151,373,163</b>	<b>10,859,579</b>	<b>79,342,877</b>	<b>117,795,703</b>	<b>69,566,961</b>	<b>15,678,201</b>	<b>48,092,691</b>	<b>505,371,991</b>
<b>Accumulated depreciation and impairment as at 31 December 2014 (audited)</b>	-	(14,327,030)	(3,092,269)	(16,566,241)	(21,244,909)	(330,205)	(4,658,747)	(329,524)	(60,548,925)
Foreign currency translation	-	-	28,317	(54,899)	7,200	-	(635)	-	(20,017)
Depreciation charge	-	(5,041,481)	(731,014)	(2,813,652)	(6,080,603)	-	(1,503,781)	-	(16,170,531)
Disposals	-	136,920	6,145	3,028	76,144	-	140,033	3,382	365,652
Impairment (through profit and loss)	-	(53,010)	-	(3,788)	(86,438)	-	(5,095)	-	(148,331)
Impairment (through revaluation reserve)	-	(10,732)	-	(1,747)	(53,219)	-	(345)	-	(66,043)
Transfer to assets held as for sale	-	-	-	8,042	-	-	-	-	8,042
Transfers and reclassifications	-	-	-	3,709	(3,131)	-	(578)	-	-
<b>Accumulated depreciation and impairment as at 30 June 2015 (unaudited)</b>	<b>-</b>	<b>(19,295,333)</b>	<b>(3,788,821)</b>	<b>(19,425,548)</b>	<b>(27,384,956)</b>	<b>(330,205)</b>	<b>(6,029,148)</b>	<b>(326,142)</b>	<b>(76,580,153)</b>



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

<i>In thousands of Tenge</i>	Land	Pipelines	Transportation assets	Buildings and constructions	Machinery and equipment	Technological oil	Other	Construction in progress	Total
<b>As at 30 June 2015 (unaudited)</b>									
At revalued amount	12,662,816	151,373,163	10,859,579	79,342,877	117,795,703	69,566,961	15,678,201	48,092,691	505,371,991
Accumulated depreciation and impairment	-	(19,295,333)	(3,788,821)	(19,425,548)	(27,384,956)	(330,205)	(6,029,148)	(326,142)	(76,580,153)
<b>Net book value (unaudited)</b>	<b>12,662,816</b>	<b>132,077,830</b>	<b>7,070,758</b>	<b>59,917,329</b>	<b>90,410,747</b>	<b>69,236,756</b>	<b>9,649,053</b>	<b>47,766,549</b>	<b>428,791,838</b>
<b>As at 31 December 2014 (audited)</b>									
At revalued amount	12,483,895	147,474,455	9,979,926	78,466,503	114,120,834	69,568,777	14,949,765	28,895,431	475,939,586
Accumulated depreciation and impairment	-	(14,327,030)	(3,092,269)	(16,566,241)	(21,244,909)	(330,205)	(4,658,747)	(329,524)	(60,548,925)
<b>Net book value (audited)</b>	<b>12,483,895</b>	<b>133,147,425</b>	<b>6,887,657</b>	<b>61,900,262</b>	<b>92,875,925</b>	<b>69,238,572</b>	<b>10,291,018</b>	<b>28,565,907</b>	<b>415,390,661</b>

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

<i>In thousands of Tenge</i>	Land	Pipelines	Transportation assets	Buildings and constructions	Machinery and equipment	Technological oil	Other	Construction in progress	Total
<b>As at 30 June 2015</b>	<b>9,506,662</b>	<b>96,108,032</b>	<b>7,603,363</b>	<b>37,109,458</b>	<b>72,098,412</b>	<b>1,168,350</b>	<b>7,263,254</b>	<b>46,297,709</b>	<b>277,155,240</b>
<b>As at 31 December 2014</b>	<b>9,328,530</b>	<b>97,829,484</b>	<b>7,155,556</b>	<b>37,154,711</b>	<b>72,623,710</b>	<b>1,168,388</b>	<b>7,462,862</b>	<b>27,019,861</b>	<b>259,743,102</b>

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

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

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

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

As at 30 June 2015:

- the initial cost and correspondingly accumulated depreciation of fully depreciated property, plant and equipment were 3,828,936 thousand Tenge (31 December 2014: 3,208,581 thousand Tenge);
- the volume of oil in pipelines, included in property, plant and equipment, amounted 2,308 thousand tons (31 December 2014: 2,308 thousand tons);
- construction in progress included materials and spare parts in the amount of 3,741,475 thousand Tenge (as at 31 December 2014: 2,957,610 thousand Tenge), which were acquired for construction works.

The amount of depreciation for six month periods ended as at 30 June 2015 included in the cost of construction in progress was 7,770 thousand Tenge (for 6 months ended as at 30 June 2014: 6,207 thousand Tenge).

As at 30 June 2015 certain items of property, plant and equipment of Batumi Oil Terminal with residual value of 50,000 thousand US Dollars (equivalent to 9,310,000 thousand Tenge) were pledged as guarantee in favor of TBC Bank, which acted as a guarantor to ensure obligations of Georgian Transit Ltd to Georgian railways according to transportation contracts. The maximum amount of the guarantee is equal to 8,000 thousand US Dollars (equivalent to 1,489,600 thousand Tenge).

### 4. INTANGIBLE ASSETS

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

<i>In thousands of Tenge</i>	<b>Licenses</b>	<b>Software</b>	<b>Right for land use</b>	<b>Other</b>	<b>Total</b>
<b>Net book value at 31 December 2014 (audited)</b>	194,907	1,131,148	4,120,734	32,654	5,479,443
Additions	5,916	96,692	–	3,149	105,757
Amortization charge	(50,806)	(155,960)	(23,342)	(2,923)	(233,031)
Transfers from property, plant and equipment (Note 3)	–	34,520	–	–	34,520
Foreign currency translation	653	18	(631,104)	–	(630,433)
<b>Net book value at 30 June 2015 (unaudited)</b>	<b>150,670</b>	<b>1,106,418</b>	<b>3,466,288</b>	<b>32,880</b>	<b>4,756,256</b>
<b>As at 30 June 2015 (unaudited)</b>					
At cost	553,689	4,110,407	5,226,433	87,641	9,978,170
Accumulated amortization and impairment	(403,019)	(3,003,989)	(1,760,145)	(54,761)	(5,221,914)
<b>Net book value (unaudited)</b>	<b>150,670</b>	<b>1,106,418</b>	<b>3,466,288</b>	<b>32,880</b>	<b>4,756,256</b>
<b>As at 31 December 2014 (audited)</b>					
At cost	548,139	3,979,087	6,174,903	84,492	10,786,621
Accumulated amortization and impairment	(353,232)	(2,847,939)	(2,054,169)	(51,838)	(5,307,178)
<b>Net book value (audited)</b>	<b>194,907</b>	<b>1,131,148</b>	<b>4,120,734</b>	<b>32,654</b>	<b>5,479,443</b>

### 5. INVESTMENTS IN JOINT VENTURES

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

<i>In thousands of Tenge</i>	<b>KCP</b>	<b>MunaiTas</b>	<b>Total</b>
<b>As at 31 December 2014 (audited)</b>			
Share in profit of joint venture	36,982,132	12,861,202	49,843,334
Share in other comprehensive income of joint venture	1,578,586	1,008,488	2,587,074
Dividends	234,207	–	234,207
	–	(1,735,020)	(1,735,020)
<b>As at 30 June 2015 (unaudited)</b>	<b>38,794,925</b>	<b>12,134,670</b>	<b>50,929,595</b>

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

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

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

<i>In thousands of Tenge</i>	KCP			
	30 June 2015 (unaudited)		31 December 2014 (audited)	
	50%	100%	50%	100%
<b>Assets and liabilities of joint ventures</b>				
Current assets	11,807,031	23,614,062	10,238,917	20,477,834
Non-current assets	122,177,517	244,355,034	126,117,022	252,234,044
Current liabilities	(19,547,381)	(39,094,762)	(18,218,653)	(36,437,306)
Non-current liabilities	(75,642,242)	(151,284,484)	(81,155,154)	(162,310,308)
<b>Net assets</b>	<b>38,794,925</b>	<b>77,589,850</b>	<b>36,982,132</b>	<b>73,964,264</b>
<i>Additional information</i>				
Cash and cash equivalents	5,857,133	11,714,266	5,463,275	10,926,550
Short-term financial liabilities	(15,071,226)	(30,142,452)	(14,414,211)	(28,828,422)
Long-term financial liabilities	(63,935,848)	(127,871,696)	(69,906,297)	(139,812,594)

<i>In thousands of Tenge</i>	MunaiTas			
	30 June 2015 (unaudited)		31 December 2014 (audited)	
	51%	100%	51%	100%
<b>Assets and liabilities of joint ventures</b>				
Current assets	2,164,861	4,244,826	2,748,039	5,388,312
Non-current assets	13,324,857	26,127,171	13,841,592	27,140,376
Current liabilities	(376,708)	(738,643)	(675,831)	(1,325,158)
Non-current liabilities	(2,978,340)	(5,839,883)	(3,052,598)	(5,985,486)
<b>Net assets</b>	<b>12,134,670</b>	<b>23,793,471</b>	<b>12,861,202</b>	<b>25,218,044</b>
<i>Additional information</i>				
Cash and cash equivalents	40,242	78,905	1,742,127	3,415,935
Short-term financial liabilities	-	-	-	-
Long-term financial liabilities	-	-	-	-

<i>In thousands of Tenge</i>	KCP			
	For the six months ended 30 June (unaudited)			
	2015		2014	
	50%	100%	50%	100%
<b>Information on profit or loss and other comprehensive income of joint ventures for the period</b>				
Revenue	13,306,695	26,613,389	11,987,722	23,975,444
Income/(loss) from continuing operations for the period	1,578,586	3,157,172	(10,056,924)	(20,113,848)
Income/(loss) from discontinuing operations for the period	-	-	-	-
Other comprehensive income	234,207	468,414	51,027	102,054
<b>Total comprehensive income/(loss)</b>	<b>1,812,793</b>	<b>3,625,586</b>	<b>(10,005,897)</b>	<b>(20,011,794)</b>
<b>Dividends</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<i>Additional information</i>				
Depreciation and amortization	(3,608,800)	(7,217,600)	(3,650,411)	(7,300,822)
Interest income	55,427	110,854	131,817	263,634
Interest expense	(1,753,036)	(3,506,072)	(2,086,798)	(4,173,596)
Income tax (expense)/benefit	(615,232)	(1,230,463)	2,160,640	4,321,280

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
(continued)**
**5. INVESTMENTS IN JOINT VENTURES (continued)**

<i>In thousands of Tenge</i>	<b>For the three months ended 30 June (unaudited)</b>			
	<b>2015</b>		<b>2014</b>	
	<b>50%</b>	<b>100%</b>	<b>50%</b>	<b>100%</b>
<b>Information on profit or loss and other comprehensive income of joint ventures for the period</b>				
Revenue	<b>6,521,002</b>	<b>13,042,004</b>	5,675,049	11,350,098
Income from continuing operations for the period	<b>1,070,795</b>	<b>2,141,590</b>	41,291	82,582
Income/(loss) from discontinuing operations for the period	-	-	-	-
Other comprehensive income	<b>909</b>	<b>1,818</b>	2,469	4,938
<b>Total comprehensive income</b>	<b>1,071,704</b>	<b>2,143,408</b>	43,760	87,520
<b>Dividends</b>	-	-	-	-
<i>Additional information</i>				
Depreciation and amortization	<b>(1,818,625)</b>	<b>(3,637,250)</b>	(1,823,369)	(3,646,738)
Interest income	<b>31,867</b>	<b>63,734</b>	27,110	54,220
Interest expense	<b>(870,166)</b>	<b>(1,740,332)</b>	(1,088,415)	(2,176,830)
Income tax expense	<b>(395,445)</b>	<b>(790,890)</b>	(267,971)	(535,942)

<i>In thousands of Tenge</i>	<b>MunaiTas</b>			
	<b>For the six months ended 30 June (unaudited)</b>			
	<b>2015</b>		<b>2014</b>	
	<b>51%</b>	<b>100%</b>	<b>51%</b>	<b>100%</b>
<b>Information on profit or loss and other comprehensive income of joint ventures for the period</b>				
Revenue	<b>2,373,138</b>	<b>4,653,212</b>	1,399,257	2,743,642
Income from continuing operations for the period	<b>1,008,488</b>	<b>1,977,428</b>	213,359	418,351
Income/(loss) from discontinuing operations for the period	-	-	-	-
Other comprehensive income/(loss)	-	-	-	-
<b>Total comprehensive income</b>	<b>1,008,488</b>	<b>1,977,428</b>	213,359	418,351
<b>Dividends</b>	<b>(1,735,020)</b>	<b>(3,402,000)</b>	(637,620)	(1,250,235)
<i>Additional information</i>				
Depreciation and amortization	<b>(522,286)</b>	<b>(1,024,091)</b>	(537,329)	(1,053,586)
Interest income	<b>46,605</b>	<b>91,383</b>	5,881	11,532
Interest expense	<b>(19,893)</b>	<b>(39,006)</b>	(18,945)	(37,148)
Income tax expense	<b>(256,164)</b>	<b>(502,283)</b>	(58,217)	(114,150)

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
(continued)**
**5. INVESTMENTS IN JOINT VENTURES (continued)**

<i>In thousands of Tenge</i>	<b>For the three months ended 30 June (unaudited)</b>			
	<b>2015</b>		<b>2014</b>	
	<b>51%</b>	<b>100%</b>	<b>51%</b>	<b>100%</b>
<b>Information on profit or loss and other comprehensive income of joint ventures for the period</b>				
Revenue	1,144,221	2,243,571	802,837	1,574,190
Income from continuing operations for the period	452,756	887,757	179,477	351,916
Income/(loss) from discontinuing operations for the period	-	-	-	-
Other comprehensive income/(loss)	-	-	-	-
<b>Total comprehensive income</b>	<b>452,756</b>	<b>887,757</b>	<b>179,477</b>	<b>351,916</b>
<b>Dividends</b>	<b>(1,735,020)</b>	<b>(3,402,000)</b>	<b>(637,620)</b>	<b>(1,250,235)</b>
<i>Additional information</i>				
Depreciation and amortization	(261,143)	(512,045)	(268,079)	(525,645)
Interest income	30,423	59,653	4,010	7,863
Interest expense	(9,946)	(19,502)	(9,472)	(18,573)
Income tax expense	(114,223)	(223,967)	(48,934)	(95,949)

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

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

<i>In thousands of Tenge</i>	<b>30 June 2015 (unaudited)</b>	<b>31 December 2014 (audited)</b>
Advances to third parties for property, plant and equipment	12,248,774	11,406,977
Less: allowance for doubtful debts	(99,344)	(99,526)
	<b>12,149,430</b>	<b>11,307,451</b>

**7. INVENTORIES**

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

<i>In thousands of Tenge</i>	<b>30 June 2015 (unaudited)</b>	<b>31 December 2014 (audited)</b>
Spare parts	2,283,456	1,461,052
Fuel	923,345	763,929
Chemical reagents	712,502	35,575
Construction materials	507,457	157,584
Overalls	218,222	78,892
Goods	100,220	93,138
Other	601,340	488,241
	<b>5,346,542</b>	<b>3,078,411</b>
Less: provision for slow-moving and obsolete inventory	(34,077)	(33,853)
<b>Total</b>	<b>5,312,465</b>	<b>3,044,558</b>

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

### 8. TRADE AND OTHER ACCOUNTS RECEIVABLE

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

<i>In thousands of Tenge</i>	30 June 2015 (unaudited)	31 December 2014 (audited)
Trade accounts receivable from related parties (Note 30)	4,577,751	1,941,312
Trade accounts receivable from third parties	2,016,892	2,139,755
Other accounts receivable from third parties	992,168	2,273,771
Other accounts receivable from related parties (Note 30)	110,560	102,156
	<b>7,697,371</b>	<b>6,456,994</b>
Less: allowance for doubtful debts	(688,242)	(653,120)
<b>Total</b>	<b>7,009,129</b>	<b>5,803,874</b>

Other receivables mainly represent issued fees for undelivered and unreported crude oil volumes under oil transportation contracts on “ship or pay” terms.

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

<i>In thousands of Tenge</i>	For the three months ended 30 June (unaudited)		For the six months ended 30 June (unaudited)	
	2015	2014	2015	2014
<b>At the beginning of the period</b>	695,401	631,953	653,120	633,072
Charge/(reversal) for the period	(2,473)	(4,261)	41,149	(5,778)
Write-off of accounts receivable	(81)	–	(81)	–
Foreign currency translation	(4,605)	20	(5,946)	418
<b>At the end of the period</b>	<b>688,242</b>	<b>627,712</b>	<b>688,242</b>	<b>627,712</b>

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

<i>In thousands of Tenge</i>	30 June 2015 (unaudited)	31 December 2014 (audited)
Tenge	6,046,838	5,131,578
US Dollars	799,915	534,468
Russian Ruble	2,616	1,248
Other currency	159,760	136,580
<b>Total</b>	<b>7,009,129</b>	<b>5,803,874</b>

### 9. ADVANCES TO SUPPLIERS

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

<i>In thousands of Tenge</i>	30 June 2015 (unaudited)	31 December 2014 (audited)
Advances to related parties (Note 30)	1,224,557	447,876
Advances to third parties	531,776	665,132
	<b>1,756,333</b>	<b>1,113,008</b>
Less: allowance for doubtful debts	(984)	(1,073)
<b>Total</b>	<b>1,755,349</b>	<b>1,111,935</b>

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

### 10. VAT RECOVERABLE AND OTHER PREPAID TAXES

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

<i>In thousands of Tenge</i>	<b>30 June 2015 (unaudited)</b>	31 December 2014 (audited)
VAT recoverable	<b>4,648,031</b>	6,016,776
Other taxes prepaid	<b>148,637</b>	179,293
<b>Total</b>	<b>4,796,668</b>	6,196,069

### 11. OTHER CURRENT ASSETS

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

<i>In thousands of Tenge</i>	<b>30 June 2015 (unaudited)</b>	31 December 2014 (audited)
Due for oil transportation coordination services	<b>1,827,063</b>	3,245,840
Prepaid insurance	<b>341,686</b>	42,498
Due from employees	<b>65,009</b>	43,707
Deferred expenses from third parties	<b>21,886</b>	26,028
Deferred expenses from related parties (Note 30)	<b>411</b>	-
Other	<b>69,586</b>	24,802
	<b>2,325,641</b>	3,382,875
Less: allowance for doubtful debts	<b>(2,622)</b>	(2,616)
<b>Total</b>	<b>2,323,019</b>	3,380,259

### 12. BANK DEPOSITS

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

<i>In thousands of Tenge</i>	<b>30 June 2015 (unaudited)</b>	31 December 2014 (audited)
Short-term bank deposits	<b>15,715,280</b>	31,984,737
Long-term bank deposits	<b>3,600,634</b>	3,729,880
Accrued interest on deposits	<b>314,388</b>	127,505
<b>Total</b>	<b>19,630,302</b>	35,842,122

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

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

### 13. CASH AND CASH EQUIVALENTS

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

<i>In thousands of Tenge</i>	<b>30 June 2015 (unaudited)</b>	31 December 2014 (audited)
Current accounts with banks – US Dollars	<b>20,020,805</b>	2,421,688
Time deposits with banks – Tenge	<b>3,850,321</b>	19,311,501
Time deposits with banks – US Dollars	<b>3,748,364</b>	19,451,877
Current accounts with banks – Tenge	<b>785,733</b>	471,928
Current accounts with banks – Lari	<b>175,587</b>	316,560
Current accounts with banks – Euro	<b>107,065</b>	187,273
Current accounts with banks – Russian Ruble	<b>2,235</b>	347
Other current accounts with banks	<b>11,745</b>	11,724
Cash on hand	<b>2,034</b>	1,822
<b>Total</b>	<b>28,703,889</b>	42,174,720

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

### 13. CASH AND CASH EQUIVALENTS (continued)

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

- Tenge denominated time deposits up to 3 months with interest of 3% per annum (as at 31 December 2014: from 14.5% to 17% per annum).
- Tenge denominated current accounts with interest of 0.5% per annum (as at 31 December 2014: from 3% to 3.5% per annum).
- US Dollar denominated time deposits with interest from 1.2% to 1.3% per annum (as at 31 December 2014: from 0.3% to 1.77% per annum).

### 14. EQUITY

#### Share capital

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

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

#### Asset revaluation reserve

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

<i>In thousands Tenge</i>	<b>30 June 2015 (unaudited)</b>	31 December 2014 (audited)
Asset revaluation reserve of the Group	<b>110,004,257</b>	113,678,936
Share in the asset revaluation reserve of the joint ventures	<b>23,930,177</b>	24,558,743
<b>Total</b>	<b>133,934,434</b>	138,237,679

#### Foreign currency translation reserve

As at 30 June 2015 foreign currency translation reserve was equal to 13,182,300 thousand Tenge (as at 31 December 2014: 14,860,910 thousand Tenge). Change in foreign currency translation reserve is due to the translation of the operations of the foreign subsidiary.

#### Other reserves

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

#### Dividends

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

#### Earnings per share

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

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



**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
(continued)**
**14. EQUITY (continued)**
**Earnings per share (continued)**

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

<i>In thousands Tenge</i>	For the three months ended 30 June (unaudited)		For the six months ended 30 June (unaudited)	
	2015	2014	2015	2014
Net profit for the period attributable to ordinary equity holders of the parent for basic earnings	<b>18,866,305</b>	21,359,268	<b>39,427,603</b>	26,436,045
Weighted average number of ordinary shares for the period for basic earnings per share	<b>384,635,599</b>	384,635,599	<b>384,635,599</b>	384,635,599
<b>Basic earnings per share, in relation to profit for the period attributable to ordinary equity holders of the company, as a parent company of the Group (in Tenge)</b>	<b>49</b>	56	<b>103</b>	69

**Book value per ordinary share**

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

<i>In thousands Tenge</i>	30 June 2015 (unaudited)	31 December 2014 (audited)
<b>Total assets</b>	<b>566,195,535</b>	585,407,217
Less: intangible assets (Note 4)	<b>(4,756,256)</b>	(5,479,443)
Less: total liabilities	<b>(115,401,583)</b>	(127,762,896)
<b>Net assets for calculation of book value per ordinary share</b>	<b>446,037,696</b>	452,164,878
Number of ordinary shares	<b>384,635,599</b>	384,635,599
<b>Book value per ordinary share (in Tenge)</b>	<b>1,160</b>	1,176

**15. EMPLOYEE BENEFIT LIABILITIES**

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

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

<i>In thousands Tenge</i>	30 June 2015 (unaudited)	31 December 2014 (audited)
Current portion of employee benefit liabilities	<b>445,000</b>	408,757
Non-current portion of employee benefit liabilities	<b>11,636,786</b>	11,204,603
<b>Total</b>	<b>12,081,786</b>	11,613,360

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

<i>In thousands Tenge</i>	For the three months ended 30 June (unaudited)		For the six months ended 30 June (unaudited)	
	2015	2014	2015	2014
Employee benefit liabilities at the beginning of the period	<b>11,840,054</b>	10,746,676	<b>11,613,360</b>	9,655,180
Unwinding of discount (Note 27)	<b>144,830</b>	104,250	<b>289,659</b>	208,500
Current services cost (Note 22, 23)	<b>200,616</b>	123,751	<b>401,233</b>	247,501
Actuarial losses	-	-	-	963,600
Benefits paid	<b>(103,714)</b>	(92,255)	<b>(222,466)</b>	(192,359)
<b>Employee benefit liabilities at the end of the period</b>	<b>12,081,786</b>	10,882,422	<b>12,081,786</b>	10,882,422

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

### 16. TRADE AND OTHER ACCOUNTS PAYABLE

Trade and other accounts payable as at 30 June 2015 and 31 December 2014 were presented as follows:

<i>In thousands of Tenge</i>	<b>30 June 2015 (unaudited)</b>	31 December 2014 (audited)
Accounts payable to third parties for goods and services	<b>8,849,536</b>	14,907,024
Accounts payable to related parties for goods and services (Note 30)	<b>638,484</b>	672,991
Other payables to third parties	<b>165,325</b>	193,726
Other payables to related parties (Note 30)	<b>672</b>	-
<b>Total</b>	<b>9,654,017</b>	15,773,741

Trade and other accounts payables as at 30 June 2015 included payables to related and third parties, related to the construction-in-progress in the amount of 5,949,999 thousand Tenge (as at 31 December 2014: 9,580,016 thousand Tenge).

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

<i>In thousands of Tenge</i>	<b>30 June 2015 (unaudited)</b>	31 December 2014 (audited)
Tenge	<b>9,260,050</b>	15,258,129
US Dollars	<b>158,270</b>	105,615
Euro	<b>4,655</b>	12,455
Russian Roubles	<b>1,644</b>	6,219
Other currency	<b>229,398</b>	391,323
<b>Total</b>	<b>9,654,017</b>	15,773,741

### 17. ADVANCES RECEIVED

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

<i>In thousands of Tenge</i>	<b>30 June 2015 (unaudited)</b>	31 December 2014 (audited)
Advances received from related parties (Note 30)	<b>10,066,153</b>	10,615,166
Advances received from third parties	<b>5,944,276</b>	6,131,270
<b>Total</b>	<b>16,010,429</b>	16,746,436

### 18. OTHER TAXES PAYABLE

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

<i>In thousands of Tenge</i>	<b>30 June 2015 (unaudited)</b>	31 December 2014 (audited)
Personal income tax	<b>1,306,023</b>	1,531,057
Withholding tax at the source of payment to non-residents	<b>543,704</b>	609,231
Social tax	<b>307,059</b>	504,779
VAT payable	<b>787</b>	12,823
Property tax	-	351,287
Other taxes	<b>212,752</b>	217,751
<b>Total</b>	<b>2,370,325</b>	3,226,928

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

### 19. PROVISIONS

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

#### Short-term provisions

<i>In thousands of Tenge</i>	Tax provisions (BTL)	Environmen- tal provisions (Company)	Other provisions (Company)	Total
<b>As at 31 December 2014 (audited)</b>	221,373	41,125	53,567	316,065
Charge for the period	–	11,713	–	11,713
Foreign currency translation	4,674	–	–	4,674
<b>As at 30 June 2015 (unaudited)</b>	<b>226,047</b>	<b>52,838</b>	<b>53,567</b>	<b>332,452</b>
<b>As at 31 December 2013 (audited)</b>	186,483	41,642	–	228,125
Used for the period	–	(510)	–	(510)
Reversed for the period (Note 25)	–	(7)	–	(7)
Foreign currency translation	36,298	–	–	36,298
<b>As at 30 June 2014 (unaudited)</b>	<b>222,781</b>	<b>41,125</b>	<b>–</b>	<b>263,906</b>

#### Long-term provisions

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

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

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

As at 30 June 2015 the Company revised its long-term provisions taking into account current best estimate, which was based on the discount rate of 6.29% (as at 31 December 2014: 6.2%) and inflation rate of 5.5% (as at 31 December 2014: 6.0%).

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

<i>In thousands of Tenge</i>	For the three months ended 30 June (unaudited)		For the six months ended 30 June (unaudited)	
	2015	2014	2015	2014
<b>At the beginning of the period</b>	<b>20,949,960</b>	16,928,222	<b>20,631,009</b>	16,677,538
Charge for the period (Note 3)	903,351	–	903,351	–
Revision of estimates and reversal of obligation (Note 24)	(604,133)	–	(604,133)	–
Revision of estimates through asset revaluation reserve	(2,068,844)	–	(2,068,844)	–
Unwinding of discount (Note 27)	314,292	250,682	633,243	501,366
<b>At the end of the period</b>	<b>19,494,626</b>	17,178,904	<b>19,494,626</b>	17,178,904

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

### 20. OTHER CURRENT LIABILITIES

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

<i>In thousands of Tenge</i>	<b>30 June 2015 (unaudited)</b>	<b>31 December 2014 (audited)</b>
Salaries and wages	<b>3,858,512</b>	5,738,615
Accounts payable for oil transportation coordination services for related parties ( <i>Note 30</i> )	<b>2,495,171</b>	2,871,849
Accounts payable for oil transportation coordination services for third parties	<b>1,889,944</b>	2,464,587
Payable to pension fund	<b>334,292</b>	659,667
Current portion of deferred income from third parties	<b>500,878</b>	732,135
Current portion of deferred income from related parties ( <i>Note 30</i> )	<b>104,123</b>	260,305
Other	<b>165,284</b>	227,093
<b>Total</b>	<b>9,348,204</b>	12,954,251

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

### 21. REVENUE

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

<i>In thousands of Tenge</i>	<b>For the three months ended 30 June (unaudited)</b>		<b>For the six months ended 30 June (unaudited)</b>	
	<b>2015</b>	<b>2014</b>	<b>2015</b>	<b>2014</b>
Crude oil transportation	<b>44,530,239</b>	42,522,036	<b>88,739,487</b>	80,028,954
Oil reloading and railway shipment	<b>3,003,280</b>	4,115,985	<b>7,098,780</b>	7,477,633
Pipeline operation services	<b>2,198,220</b>	2,014,782	<b>4,415,658</b>	3,959,011
Water transportation	<b>1,646,402</b>	1,768,658	<b>3,204,088</b>	3,410,391
Oil transportation coordination services	<b>862,725</b>	968,383	<b>1,806,800</b>	1,700,770
Fees for undelivered oil volumes	<b>355,362</b>	3,427,816	<b>632,399</b>	3,427,816
Oil storage services	<b>11,911</b>	16,620	<b>27,767</b>	62,934
Other	<b>469,290</b>	235,444	<b>720,790</b>	387,087
<b>Total</b>	<b>53,077,429</b>	55,069,724	<b>106,645,769</b>	100,454,596

During the six month period ended 30 June 2015 the revenue from sales to two major customers amounted to 24,658,237 thousand Tenge and 12,940,055 thousand Tenge, respectively (for the six month period ended 30 June 2014: 22,387,441 thousand Tenge and 10,798,174 thousand Tenge, respectively).

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

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

### 22. COST OF SALES

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

<i>In thousands of Tenge</i>	For the three months ended 30 June (unaudited)		For the six months ended 30 June (unaudited)	
	2015	2014	2015	2014
Personnel costs	8,770,234	8,572,505	18,068,511	16,437,670
Depreciation and amortization	7,996,805	8,333,815	16,005,442	16,523,810
Railway services	1,684,907	2,404,174	4,393,760	4,467,659
Electric energy	1,712,379	1,536,605	3,518,535	3,134,296
Materials and fuel	1,784,154	1,228,290	2,803,781	2,077,941
Taxes other than corporate income tax	1,415,068	1,282,224	2,790,379	2,478,492
Security services	1,072,734	1,013,838	2,046,999	1,893,042
Repair and maintenance	1,042,958	1,209,728	1,798,915	1,572,901
Gas expenses	531,602	499,035	1,374,445	1,334,969
Air services	439,775	364,747	843,456	701,165
Business trip expenses	267,924	321,990	433,881	485,673
Post-employment benefits	188,493	115,839	377,236	231,678
Insurance	142,391	141,343	252,514	237,831
Communication services	75,321	65,326	142,324	120,465
Diagnostics of production assets	134,152	62,602	134,152	112,278
Operational rent expense	64,046	39,141	128,779	73,296
Environmental protection	67,956	92,706	117,588	129,150
Other	585,091	482,458	940,252	820,441
<b>Total</b>	<b>27,975,990</b>	<b>27,766,366</b>	<b>56,170,949</b>	<b>52,832,757</b>

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

### 23. GENERAL AND ADMINISTRATIVE EXPENSES

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

<i>In thousands of Tenge</i>	For the three months ended 30 June (unaudited)		For the six months ended 30 June (unaudited)	
	2015	2014	2015	2014
Personnel costs	1,682,562	1,498,201	3,236,247	2,862,718
Depreciation and amortization	186,005	203,622	390,350	398,572
Consulting services	190,180	60,502	290,473	98,499
Office maintenance	111,385	99,990	211,769	194,855
Business trip expenses	84,693	90,914	136,467	141,725
Write-off of VAT recoverable	17,186	47,354	97,724	181,152
Taxes other than corporate income tax	31,337	47,375	96,362	113,722
Repair and technical maintenance	47,916	48,074	88,270	68,391
Materials and fuel	60,716	30,429	70,557	40,301
Social sphere expenses	35,912	73,017	64,912	93,977
Bank costs	31,297	30,728	64,626	66,231
Insurance and security	27,742	26,390	55,913	50,722
Communication services	26,843	28,958	53,682	56,030
Information support	26,118	23,242	50,042	45,216
Training	36,773	30,927	46,317	40,742
Net charge/(reversal) of provision for allowance for doubtful debts	(2,537)	(4,323)	40,884	(6,759)
Post-employment benefits	12,123	7,912	23,997	15,823
Operational rent expense	9,382	59,423	19,927	76,991
Charity expenses	6,501	14,376	11,486	21,525
Reversal of provision for obsolete and slow- moving inventory	-	(6,760)	-	(6,710)
Other	148,907	86,400	202,797	195,190
<b>Total</b>	<b>2,771,041</b>	<b>2,496,751</b>	<b>5,252,802</b>	<b>4,748,913</b>

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

### 24. OTHER OPERATING INCOME

Other operating income for the three and six month periods ended 30 June 2015 and 2014 were presented as follows:

<i>In thousands of Tenge</i>	For the three months ended 30 June (unaudited)		For the six months ended 30 June (unaudited)	
	2015	2014	2015	2014
Income from revision of estimates and reversal of asset retirement and land reclamation obligation (Note 19)	604,133	–	604,133	–
Income from fines and penalties	153,068	19,494	272,349	145,975
Amortization of deferred income (Note 30)	78,092	78,092	156,183	156,183
Income from write-off of payables	30,224	45,390	47,063	74,531
Gain from disposal of inventory	18,073	21,767	34,419	46,438
Gain from disposal of assets held as for sale	–	(1,842)	–	466
Other income	14,281	26,090	63,154	44,334
<b>Total</b>	<b>897,871</b>	<b>188,991</b>	<b>1,177,301</b>	<b>467,927</b>

### 25. OTHER OPERATING EXPENSES

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

<i>In thousands of Tenge</i>	For the three months ended 30 June (unaudited)		For the six months ended 30 June (unaudited)	
	2015	2014	2015	2014
Net loss on disposal of property, plant and equipment and intangible assets	1,123,338	17,744	1,151,041	32,562
Loss on disposal of assets held as for sale	2,188	–	8,547	–
Loss on disposal of inventory	–	12,993	–	14,912
Reversal of provisions (Note 19)	–	(7)	–	(7)
Expenses on liquidation of idle oil pumping stations	–	40,741	–	40,741
Other expenses	44,725	(12,457)	51,033	19,996
<b>Total</b>	<b>1,170,251</b>	<b>59,014</b>	<b>1,210,621</b>	<b>108,204</b>

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

### 26. FINANCE INCOME

Finance income for the three and six month periods ended 30 June 2015 and 2014 were presented as follows:

<i>In thousands of Tenge</i>	For the three months ended 30 June (unaudited)		For the six months ended 30 June (unaudited)	
	2015	2014	2015	2014
Interest income on bank deposits	801,313	1,712,388	1,634,231	3,044,949
Unwinding of discount on loans to employees	2,656	4,348	8,010	7,984
Other finance income from third parties	4,833	3,715	9,634	8,821
<b>Total</b>	<b>808,802</b>	<b>1,720,451</b>	<b>1,651,875</b>	<b>3,061,754</b>

### 27. FINANCE COSTS

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

<i>In thousands of Tenge</i>	For the three months ended 30 June (unaudited)		For the six months ended 30 June (unaudited)	
	2015	2014	2015	2014
Unwinding of discount on asset retirement and land reclamation obligation (Note 19)	314,292	250,682	633,243	501,366
Unwinding of discount on employee benefits (Note 15)	144,830	104,250	289,659	208,500
<b>Total</b>	<b>459,122</b>	<b>354,932</b>	<b>922,902</b>	<b>709,866</b>

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

### 28. INCOME TAX EXPENSE

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

<i>In thousands of Tenge</i>	For the three months ended 30 June (unaudited)		For the six months ended 30 June (unaudited)	
	2015	2014	2015	2014
Current income tax expense	5,412,810	6,097,440	10,708,983	10,120,958
Deferred income tax benefit	(589,295)	(763,462)	(721,404)	(846,890)
<b>Income tax expense</b>	<b>4,823,515</b>	<b>5,333,978</b>	<b>9,987,579</b>	<b>9,274,068</b>

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

<i>In thousands of Tenge</i>	For the three months ended 30 June (unaudited)		For the six months ended 30 June (unaudited)	
	2015	2014	2015	2014
<b>At the beginning of the period</b>	<b>40,869,088</b>	43,843,742	<b>41,167,915</b>	43,537,849
Charged to profit and loss	(589,295)	(763,462)	(721,404)	(846,890)
Charged to other comprehensive income/(loss)	400,559	(5,281)	400,559	(198,116)
Foreign currency translation	(6,696)	2,047	(173,414)	584,203
<b>At the end of the period</b>	<b>40,673,656</b>	43,077,046	<b>40,673,656</b>	43,077,046

### 29. SEGMENT INFORMATION

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

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

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

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

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

Management analyses its operating segments by segment profit.

Information on revenue, profit, assets and liabilities of the Group's segments for the three months ended 30 June 2015 and 2014 respectively:

	For the three months ended 30 June 2015 (unaudited)				For the three months ended 30 June 2014 (unaudited)			
	Oil Transport- ation and related services (Kazakhstan)	Oil transship- ment (Georgia)	Other	Total segments	Oil Transport- ation and related services (Kazakhstan)	Oil Transship- ment (Georgia)	Other	Total segments
<i>In thousands Tenge</i>								
<b>Revenue</b>								
External customers	48,864,367	3,375,110	837,952	53,077,429	49,940,512	4,115,985	1,013,227	55,069,724
<b>Total revenue</b>	<b>48,864,367</b>	<b>3,375,110</b>	<b>837,952</b>	<b>53,077,429</b>	<b>49,940,512</b>	<b>4,115,985</b>	<b>1,013,227</b>	<b>55,069,724</b>
<b>Financial results</b>								
Impairment of property, plant and equipment through profit and loss	(202,112)	–	–	(202,112)	(73,955)	–	–	(73,955)
Depreciation and amortization	(7,798,025)	(256,693)	(128,092)	(8,182,810)	(7,722,153)	(627,793)	(187,491)	(8,537,437)
Interest income	793,694	5,390	7,062	806,146	1,707,714	4,044	2,450	1,714,208
Share in income of joint ventures	1,523,551	–	–	1,523,551	220,768	–	–	220,768
Income tax expense/(benefit)	(4,894,758)	54,344	16,899	(4,823,515)	(5,188,120)	(11,041)	(134,817)	(5,333,978)
<b>Segment profit for the period</b>	<b>18,114,513</b>	<b>662,689</b>	<b>89,103</b>	<b>18,866,305</b>	<b>21,198,528</b>	<b>288,960</b>	<b>(128,220)</b>	<b>21,359,268</b>





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

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

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

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

**Carrying amount of transactions with related parties**

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

<i>In thousands Tenge</i>	<b>Notes</b>	<b>30 June 2015 (unaudited)</b>	<b>31 December 2014 (audited)</b>
<b>Trade and other accounts receivable from related parties</b>			
Trade accounts receivable from joint ventures		3,785,612	1,261,676
Trade accounts receivable from entities under common control of KMG		790,962	679,430
Trade accounts receivable from entities under common control of Samruk-Kazyna Group		1,177	206
	8	4,577,751	1,941,312
Other accounts receivables from entities under common control of KMG and Samruk-Kazyna Group	8	110,560	102,156
<b>Total of trade and other accounts receivable from related parties</b>		<b>4,688,311</b>	<b>2,043,468</b>

Advances provided to related parties were presented as follows:

<i>In thousands Tenge</i>	<b>Notes</b>	<b>30 June 2015 (unaudited)</b>	<b>31 December 2014 (audited)</b>
<b>Advances paid to related parties</b>			
Advances paid to entities under common control of KMG		689,527	361,049
Advances paid to entities under common control of Samruk-Kazyna Group		535,030	86,746
Advances paid to joint ventures		-	81
<b>Total of advances paid to related parties</b>	9	<b>1,224,557</b>	<b>447,876</b>

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

<i>In thousands of Tenge</i>	<b>Notes</b>	<b>30 June 2015 (unaudited)</b>	<b>31 December 2014 (audited)</b>
<b>Prepaid expenses on transactions with related parties</b>			
Prepaid expenses on transactions with Samruk-Kazyna Group		411	-
<b>Total of prepaid expenses on transactions with related parties</b>	11	<b>411</b>	<b>-</b>

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

<i>In thousands Tenge</i>	<b>Notes</b>	<b>30 June 2015 (unaudited)</b>	<b>31 December 2014 (audited)</b>
<b>Accounts payables to related parties for goods and services</b>			
Accounts payables to entities under common control of KMG		370,540	629,359
Accounts payables to entities under common control of Samruk-Kazyna Group		267,944	43,632
	16	638,484	672,991
<b>Other payables to related parties</b>			
Other payables to entities under common control of Samruk-Kazyna Group		672	-
	16	672	-
<b>Total of trade and other accounts payable to related parties</b>		<b>639,156</b>	<b>672,991</b>

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)****30. RELATED PARTY TRANSACTIONS (continued)****Carrying amount of transactions with related parties (continued)**

Advances received from related parties were presented as follows:

<i>In thousands Tenge</i>	<b>Notes</b>	<b>30 June 2015 (unaudited)</b>	<b>31 December 2014 (audited)</b>
<b>Advances received from related parties</b>			
Advances from entities under common control of KMG		<b>9,632,524</b>	9,087,230
Advances from entities under common control of Samruk-Kazyna Group		<b>427,556</b>	1,527,936
Advances from joint ventures		<b>6,073</b>	–
<b>Total of advances received from related parties</b>	<b>17</b>	<b>10,066,153</b>	<b>10,615,166</b>

Other current liabilities to related parties were presented as follows:

<i>In thousands Tenge</i>	<b>Notes</b>	<b>30 June 2015 (unaudited)</b>	<b>31 December 2014 (audited)</b>
<b>Accounts payable for oil transportation expedition to related parties</b>			
Accounts payable for oil transportation expedition to entities under common control of KMG		<b>2,495,171</b>	2,871,849
	<b>20</b>	<b>2,495,171</b>	<b>2,871,849</b>
<b>Employee benefits of key management personnel</b>			
Employee benefits of key management personnel		<b>6,177</b>	6,155
		<b>6,177</b>	<b>6,155</b>
<b>Current portion of deferred income from related parties</b>			
Current portion of deferred income from entities under common control of KMG		<b>104,123</b>	260,305
	<b>20</b>	<b>104,123</b>	<b>260,305</b>
<b>Total of other current liabilities to related parties</b>		<b>2,605,471</b>	<b>3,138,309</b>

**Transactions with related parties**

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

<i>In thousands of Tenge</i>	<b>For the three months ended 30 June (unaudited)</b>		<b>For the six months ended 30 June (unaudited)</b>	
	<b>2015</b>	<b>2014</b>	<b>2015</b>	<b>2014</b>
<b>Sales to related parties</b>				
Revenue from main activities with entities under common control of KMG	<b>28,558,454</b>	27,355,150	<b>56,460,372</b>	50,764,397
Revenue from main activities with entities under common control of Samruk-Kazyna Group	<b>1,343,340</b>	1,508,689	<b>2,743,226</b>	3,623,353
Revenue from main activities with joint ventures	<b>1,893,887</b>	1,745,265	<b>3,796,701</b>	3,423,193
Revenue from other activities with entities under common control of KMG	<b>243,846</b>	253,782	<b>314,945</b>	265,755
<b>Total</b>	<b>32,039,527</b>	30,862,886	<b>63,315,244</b>	58,076,698

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)****30. RELATED PARTY TRANSACTIONS (continued)****Transactions with related parties (continued)**

<i>In thousands of Tenge</i>	<b>For the three months ended 30 June (unaudited)</b>		<b>For the six months ended 30 June (unaudited)</b>	
	<b>2015</b>	<b>2014</b>	<b>2015</b>	<b>2014</b>
<b>Purchases from related parties</b>				
Purchases of services from entities under common control of KMG	<b>2,148,894</b>	1,947,542	<b>4,732,855</b>	4,097,121
Purchases of services from entities under common control of Samruk-Kazyna Group	<b>667,847</b>	314,604	<b>1,348,180</b>	644,437
Purchases of inventory from entities under common control of KMG	<b>146,274</b>	671,354	<b>962,861</b>	673,397
Purchases of inventory from entities under common control of Samruk-Kazyna Group	–	7,407	–	7,407
Purchases of intangible assets from entities under common control of Samruk-Kazyna Group	–	–	–	111,221
<b>Total</b>	<b>2,963,015</b>	2,940,907	<b>7,043,896</b>	5,533,583

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

<i>In thousands of Tenge</i>	<b>Notes</b>	<b>For the three months ended 30 June (unaudited)</b>		<b>For the six months ended 30 June (unaudited)</b>	
		<b>2015</b>	<b>2014</b>	<b>2015</b>	<b>2014</b>
<b>Other operating income from related parties</b>					
Amortization of deferred income from related parties	24	<b>78,092</b>	78,092	<b>156,183</b>	156,183
<b>Total</b>		<b>78,092</b>	78,092	<b>156,183</b>	156,183

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

<i>In thousands of Tenge</i>	<b>For the three months ended 30 June (unaudited)</b>		<b>For the six months ended 30 June (unaudited)</b>	
	<b>2015</b>	<b>2014</b>	<b>2015</b>	<b>2014</b>
Bonuses based on the results of the previous year	<b>230,864</b>	204,950	<b>230,864</b>	204,950
Salary	<b>53,538</b>	50,067	<b>83,284</b>	82,815
Short-term benefits	–	–	<b>6,891</b>	7,557
Post-employment benefits	<b>226</b>	126	<b>226</b>	451
<b>Total</b>	<b>284,628</b>	255,143	<b>321,265</b>	295,773
<b>Number of persons</b>	<b>8</b>	<b>8</b>	<b>8</b>	<b>8</b>

**31. CONTRACTUAL LIABILITIES AND COMMITMENTS**

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

**Contractual commitments**

As at 30 June 2015 the Group had contractual obligations to acquire property, plant and equipment, and construction services for the amount of 22,998,599 thousand Tenge (31 December 2014: 29,256,791 thousand Tenge).

Share of the Group as at 30 June 2015 in contractual obligations of joint ventures to acquire property, plant and equipment, and construction services for the amount of 146,517 thousand Tenge (31 December 2014: 159,201 thousand Tenge).

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

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**31. CONTRACTUAL LIABILITIES AND COMMITMENTS (continued)****Legal proceedings***Legal proceedings with business counterparties of BTL Group*

During the half year of 2015 the companies of the Group have been involved in a number of disputes in Georgia. The total amount of claims against the Group is equal to 62 million US dollars (equal to 11,544,400 thousand Tenge). Parties have signed the Conciliatory Act and legal proceedings are terminated. On 22 July 2015 the court has removed arrest from BTL's shares in Batumi Oil Terminal, Batumi Oil Terminal's property and exclusive rights to control 100% share in Batumi Sea Port.

*Legal proceedings with Batumi International Container Terminal LLC*

Batumi Sea Port was sued by Batumi International Container Terminal LLC (hereinafter – "BICT"), a lessee of berths #4, #5 and #6, certain movable property and 13 hectares of land for a period of 48 years, for violating the lease agreement. The amount of compensation mostly for moral compensation and the lost profits requested by BICT LLC is 5,422 thousands USD (equivalent to 1,009,576 thousands Tenge). The Parties signed the Memorandum on suspension of dispute till 5 September 2015 for the further negotiations with the purpose of conclusion of an agreement.

The Group's management considers that the parties will come to an agreement without any losses for the Group and, accordingly, as at 30 June 2015 no provision for possible losses was recognized.

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

In accordance with Batumi Sea Port Management Right agreement between Batumi Sea Port and Georgia Government, Georgian Government has the right for expropriation of the Batumi Sea Port's assets, in case the Batumi Sea Port in the course of 2 years does not meet its obligations on minimum volume of transshipment, which is 4 million tons per year. As at 30 June 2015 the Group's management considers Batumi Sea Port was not exposed to risk of asset expropriation from the Government of Georgia, as actual volumes of transshipment were more than 3.36 million tons (for the six month period ended 30 June 2014: 3.76 million tons).

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

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

**Fair value of financial instruments**

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