

KazTransOil JSC

Interim condensed consolidated financial statements

For the three months ended 31 March 2018



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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 Financial Information

To the 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 2018 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



Gulmira Turmagambetova
Auditor / General director
Ernst and Young LLP

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25 May 2018



State audit license for audit activities on the
territory of the Republic of Kazakhstan:
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INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION

<i>In thousands of Tenge</i>	Note	31 March 2018 (unaudited)	31 December 2017 (audited)
Assets			
Non-current assets			
Property, plant and equipment	3	641,206,860	619,260,520
Intangible assets	4	6,696,981	6,545,801
Investments in joint ventures	5	36,927,578	31,736,986
Advances to suppliers for property, plant and equipment	6	687,907	295,842
Long-term accounts receivable		68,755	71,783
Bank deposits	12	3,550,328	3,948,692
Investments in bonds		748,962	748,962
Other non-current assets		12,821	13,100
		689,900,192	662,621,686
Current assets			
Inventories	7	4,692,085	4,068,718
Trade and other accounts receivable	8	5,243,566	7,067,133
Advances to suppliers	9	2,941,130	504,796
Prepayment for income tax		4,939,745	3,489,707
VAT recoverable and other prepaid taxes	10	7,680,551	8,542,998
Other current assets	11	2,866,445	5,856,422
Bank deposits	12	20,543,553	28,356,520
Cash and cash equivalents	13	54,911,635	40,870,527
		103,818,710	98,756,821
Non-current assets held for sale		2,842,913	2,848,498
		106,661,623	101,605,319
Total assets		796,561,815	764,227,005

The accounting policy and explanatory notes on pages 8 through 35 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 2018 (unaudited)	31 December 2017 (audited)
Equity and liabilities			
Equity			
Share capital	14	61,937,567	61,937,567
Treasury shares repurchased from shareholders		(9,549)	(9,549)
Asset revaluation reserve	14	243,287,004	226,395,595
Foreign currency translation reserve	14	32,217,525	33,068,230
Other capital reserves	14	(623,415)	(623,415)
Retained earnings		300,829,222	278,922,619
Total equity		637,638,354	599,691,047
Non-current liabilities			
Employee benefit liabilities	15	12,960,181	12,740,751
Deferred tax liabilities	29	68,885,430	63,123,255
Provision for asset retirement and land recultivation obligation	20	15,405,199	15,347,322
Deferred income	16	7,130,902	7,498,361
		104,381,712	98,709,689
Current liabilities			
Employee benefit liabilities	15	600,500	600,175
Income tax payable		1,142,733	1,119,287
Trade and other accounts payable	17	10,107,099	17,612,359
Advances received	18	18,761,703	18,197,647
Other taxes payable	19	5,423,981	5,565,433
Provisions	20	340,336	223,242
Other current liabilities	21	18,165,397	22,508,126
		54,541,749	65,826,269
Total liabilities		158,923,461	164,535,958
Total equity and liabilities		796,561,815	764,227,005
Book value per ordinary share (in Tenge)	14	1,640	1,542

Signed and approved for issue on 25 May 2018.

General Director



Dossanov D.G.

Acting Chief Accountant



Akhmedina A.S.

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INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

<i>In thousands of Tenge</i>	Note	For the three months ended 31 March (unaudited)	
		2018	2017
Revenue	22	52,343,028	53,950,148
Cost of sales	23	(34,134,213)	(33,986,504)
Gross profit		18,208,815	19,963,644
General and administrative expenses	24	(3,361,256)	(3,240,884)
Other operating income	25	299,512	598,349
Other operating expenses	26	(169,128)	(438,046)
Operating profit		14,977,943	16,883,063
Net foreign exchange loss		(826,669)	(1,555,248)
Finance income	27	754,240	1,354,819
Finance costs	28	(611,742)	(595,531)
Share in income of joint ventures	5	5,338,852	6,065,603
Profit before income tax		19,632,624	22,152,706
Income tax expense	29	(3,516,321)	(5,031,254)
Net profit for the period		16,116,303	17,121,452
Earnings per share (in Tenge)	14	42	45

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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)	
		2018	2017
Other comprehensive income/(loss)			
Other comprehensive loss to be reclassified to profit or loss in subsequent periods			
Exchange difference from translation of foreign companies of the Group		(850,705)	(1,786,854)
Total other comprehensive loss to be reclassified to profit or loss in subsequent periods, net		(850,705)	(1,786,854)
Other comprehensive income/(loss) not to be reclassified to profit or loss in subsequent periods			
Revaluation/(impairment) of property, plant and equipment of the Group	3	28,507,189	(2,569)
Income tax effect	29	(5,701,438)	514
		22,805,751	(2,055)
Reversal of provision for asset retirement and land reclamation obligation of the Group	20	105,862	264,320
Income tax effect	29	(21,172)	(52,864)
		84,690	211,456
(Charge)/reversal of provision for asset retirement and land reclamation obligation of the joint ventures		(180,238)	409,957
Income tax effect		36,048	(81,991)
	5	(144,190)	327,966
Write-off deferred tax assets on employee benefit liabilities		-	(150,746)
	29	-	(150,746)
Total other comprehensive income not to be reclassified to profit or loss in subsequent periods, net		22,746,251	386,621
Total other comprehensive income/(loss) for the period, net of tax		21,895,546	(1,400,233)
Total comprehensive income for the period, net of tax		38,011,849	15,721,219

Signed and approved for issue on 25 May 2018.

General Director



Dossanov D.G.

Acting Chief Accountant



Akhmedina A.S.

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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)	
		2018	2017
Cash flows from operating activities			
Profit before income tax		19,632,624	22,152,706
Non-cash adjustment to reconcile profit before tax to net cash flows:			
Depreciation and amortization	23, 24	13,116,895	12,380,421
Charge of allowance for doubtful debts, net	24	125,749	24,098
Share in income of joint ventures	5	(5,338,852)	(6,065,603)
Finance costs	28	611,742	595,531
Finance income	27	(754,240)	(1,354,819)
Employee benefits, current service costs	15	126,412	280,006
Loss on disposal of property, plant and equipment, net	26	6,985	403,837
Gain from sale of inventory, net		-	(20,895)
Income from write-off of accounts payable		(23,267)	-
Change in estimates on asset retirement and land recultivation obligation	20	(172,438)	(277,961)
Unrealized foreign exchange loss		937,914	1,824,778
Charge/(reversal) of other reserves		126,675	(79)
Others		(599)	136
Operating cash flows before working capital changes		28,395,600	29,942,156
(Increase)/decrease in operating assets			
Inventories		(836,307)	(123,326)
Trade and other accounts receivable		1,504,312	(2,393,971)
Advances to suppliers		(2,440,301)	(1,595,176)
VAT recoverable and other prepaid taxes		(184,420)	(1,040,584)
Other current assets		2,990,666	(1,285,625)
Increase/(decrease) in operating liabilities			
Trade and other accounts payable		(182,533)	437,734
Advances received		580,036	(581,699)
Other taxes payable		(99,574)	1,512,653
Other current and non-current liabilities and employee benefit liabilities		(4,503,675)	(3,512,749)
Cash generated from operating activities		25,223,804	21,359,413
Income taxes paid		(4,759,800)	(5,268,434)
Interest received		927,251	1,244,368
Net cash flows from operating activities		21,391,255	17,335,347

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INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS (continued)

<i>In thousands of Tenge</i>	Note	For the three months ended 31 March (unaudited)	
		2018	2017
Cash flows from investing activities			
Withdrawal of bank deposits		10,370,016	5,083,078
Placement of bank deposits		(3,201,000)	(14,546,732)
Purchase of property, plant and equipment		(14,260,684)	(12,655,924)
Purchase of intangible assets		(4,729)	(23,005)
Net cash flows used in investing activities		(7,096,397)	(22,142,583)
Cash flows from financing activities		-	-
Net cash flows used in financing activities		-	-
Net foreign exchange difference		(253,750)	(618,248)
Net change in cash and cash equivalents		14,041,108	(5,425,484)
Cash and cash equivalents at the beginning of the period		40,870,527	69,294,429
Cash and cash equivalents at the end of the period	13	54,911,635	63,868,945

Signed and approved for issue on 25 May 2018.

General Director



Dossanov D.G.

Acting Chief Accountant



Akhmedina A.S.

The accounting policy and explanatory notes on pages 8 through 35 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 2017 (audited)	61,937,567	(9,549)	226,395,595	33,068,230	(623,415)	278,922,619	599,691,047
Adjustments due to change in accounting policy (Notes 5, 8 and 12, 13)	-	-	-	-	-	(64,542)	(64,542)
Profit for the period	-	-	-	-	-	16,116,303	16,116,303
Other comprehensive income/(loss)	-	-	22,746,251	(850,705)	-	-	21,895,546
Total comprehensive income/(loss) for the period	-	-	22,746,251	(850,705)	-	16,051,761	37,947,307
Depreciation transfer of revalued property, plant and equipment	-	-	(5,854,842)	-	-	5,854,842	-
As at 31 March 2018 (unaudited)	61,937,567	(9,549)	243,287,004	32,217,525	(623,415)	300,829,222	637,638,354
As at 31 December 2016 (audited)	61,937,567	(9,549)	230,346,658	32,918,111	(695,389)	263,477,884	587,975,282
Profit for the period	-	-	-	-	-	17,121,452	17,121,452
Other comprehensive income/(loss)	-	-	537,367	(1,786,854)	(150,746)	-	(1,400,233)
Total comprehensive income/(loss) for the period	-	-	537,367	(1,786,854)	(150,746)	17,121,452	15,721,219
Depreciation transfer of revalued property, plant and equipment	-	-	(6,274,603)	-	-	6,274,603	-
As at 31 March 2017 (unaudited)	61,937,567	(9,549)	224,609,422	31,131,257	(846,135)	286,873,939	603,696,501

Signed and approved for issue on 25 May 2018.

General Director



Dossanov D.G.

Acting Chief Accountant

Akhmedina A.S.

The accounting policy and explanatory notes on pages 8 through 35 form an integral part of these interim condensed consolidated financial statements.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**For the three months ended 31 March 2018****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 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 31 March 2018 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 2018 and 31 December 2017 the Company had interest ownership in the following companies:

	Place of incorporation	Principal activities	Ownership	
			31 March 2018	31 December 2017
NWPC “MunaiTas” JSC (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	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 Astana, Kazakhstan, at 20 Turan Avenue. The Company has a branch, which is located in Almaty (Research and Development Centre) and representative offices in the Russian Federation (Omsk and Samara).

The Group operates network of main oil pipelines of 5,377 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 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 – “CRNMPCandCR”). CRNMPCandCR is responsible for approving the methodology for calculating the tariff and tariff rates, which serve as a base for receiving major part of the Group’s revenue in domestic market of the Republic of Kazakhstan.

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

I. GENERAL INFORMATION (continued)

From 1 October 2015 order of CRNMPCandCR dated 21 August 2015 approved the maximum tariffs for pumping oil on the domestic market for 2015-2019 in the amount of:

- In 2015 – 3,225.04 Tenge per ton for 1,000 kilometers without VAT;
- In 2016 – 3,547.46 Tenge per ton for 1,000 kilometers without VAT;
- In 2017 – 3,902.13 Tenge per ton for 1,000 kilometers without VAT;
- In 2018 – 4,292.40 Tenge per ton for 1,000 kilometers without VAT*;
- In 2019 – 4,721.72 Tenge per ton for 1,000 kilometers without VAT.

* *The rate came into effect on 1 January 2018.*

Starting from 1 April 2014 tariffs for pumping oil on the export from the Republic of Kazakhstan equals to 5,817.20 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” is 1,727.10 Tenge per ton for 1,000 kilometers.

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 3.11 US dollars per ton (in Priirtyshsk-Atasu sector).

Tariffs for transportation of Russian oil to Republic of Uzbekistan through the territory of Republic of Kazakhstan is 25.12 US dollars per ton.

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.

In accordance with the Law of the Republic of Kazakhstan *On Natural Monopolies*, the Company, as a subject of natural monopolies, within the approved maximum tariffs for 2015-2019, has an obligation to execute an investment program aimed at capital construction/reconstruction/overhaul/diagnostics of production facilities for 2015-2019 (approved by the joint order of the Ministry of Energy of the Republic of Kazakhstan No. 68 from 27 February 2018 and the CRNMPCandCR No. 43-OD from 23 February 2018), in the total amount of 191 billion Tenge including:

- 2015 – 57.1 billion Tenge, including on the domestic market – 18.4 billion Tenge;
- 2016 – 38.4 billion Tenge, including on the domestic market – 12.5 billion Tenge;
- 2017 – 37.09 billion Tenge, including on the domestic market – 11.7 billion Tenge;
- 2018 – 37.09 billion Tenge, including on the domestic market – 11.5 billion Tenge;
- 2019 – 21.36 billion Tenge, including on the domestic market – 6.6 billion Tenge.

In accordance with the above-mentioned law for failure to implementation the actions with the approved investment program, CRNMPCandCR has to apply a compensating tariff from the moment of making a decision on its application. In this regard, the Company in accordance with paragraph 10 of Article 15-3 of the Law “On Natural Monopolies”, made an adjustment in the part of 2017-2018, taking into account the postponement of the implementation of the investment program activities from 2017 to 2018. Based on the requirements of paragraph 7-5 of Article 7 of the Law “On Natural Monopolies”, the Company prepared a report on the implementation of the Investment Program for 2017.

The actual implementation of the investment program as at 31 March 2018 is as follows:

- 2015 – 70.5 billion Tenge;
- 2016 – 37.8 billion Tenge;
- 2017 – 37.3 billion Tenge*;
- 2018 – 5 billion Tenge (the main execution will be performed till the end of 2018).

* *The change in the level of execution in 2017 is due to the adjustment of the investment program and inclusion of events not previously included in the investment program.*

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

1. GENERAL INFORMATION (continued)

It is expected that the activities of the approved investment program will be implemented in full by the company during 5 years period in the order established by law.

These interim condensed consolidated financial statements were approved by internal audit committee and signed by the General Director and the Acting chief Accountant on 25 May 2018.

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

These interim condensed consolidated financial statements for the three months ended 31 March 2018 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 2017.

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” LLP 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 2017, except for the adoption of new standards and interpretations effective as of 1 January 2018. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

Some amendments are applied for the first time in 2018. The nature and the impact of each new standard and amendment are described below:

The Group applies, for the first time, IFRS 15 *Revenue from Contracts with Customers* and IFRS 9 *Financial Instruments* that require restatement of previous financial statements. As required by IAS 34, the nature and effect of these changes are disclosed below.

IFRS 15 Revenue from Contracts with Customers

IFRS 15 supersedes IAS 11 *Construction Contracts*, IAS 18 *Revenue* and related Interpretations and it applies to all revenue arising from contracts with customers, unless those contracts are in the scope of other standards. The new standard establishes a five-step model to account for revenue arising from contracts with customers. Under IFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

The standard requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The standard also specifies the accounting for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract.

The Group adopted the new standard on the required effective date using the modified retrospective method to not completed contracts at the date of initial application in its interim condensed consolidated financial statements. During 2017, the Group performed a detailed analysis of the effects of IFRS 15, which showed absence of impact on the financial position and results of the Group.

The Group's activities mainly relates to the transportation of oil through main pipelines on the territory of the Republic of Kazakhstan, as well as with the transshipment of oil and oil products in Georgia.

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 15 Revenue from Contracts with Customers (continued)

(a) Rendering of services

The Group fulfills the obligation to execute on a monthly basis and recognizes the proceeds from the provision of oil transportation services, transport expedition of oil and other related services, based on the actual volume of services rendered. The obligation to perform transshipment of oil and oil products in Georgia is also performed on a monthly basis and the revenue from the provision of services is recognized on the basis of actual volumes of services rendered.

Revenues from pipeline operation and maintenance services are recognized over time, as the buyer simultaneously receives and benefits from the performance of the Group's contractual obligations. Application of IFRS 15 to service contracts does not affect the Group's revenue and profit or loss.

(b) Presentation and disclosure requirements

As required for the interim condensed consolidated financial statements, the Group disaggregated revenue recognised from contracts with customers in to categories that depict how the nature, amount, timing and uncertainty of revenue and cash flows are affected by economic factors. Disclosure of disaggregated revenue is discussed in Note 22.

IFRS 9 Financial Instruments

IFRS 9 *Financial Instruments* replaces IAS 39 *Financial Instruments: Recognition and Measurement* for annual periods beginning on or after 1 January 2018, bringing together all three aspects of the accounting for financial instruments: classification and measurement; impairment; and hedge accounting.

With the exception of hedge accounting, which will be applied prospectively, the Group has applied IFRS 9 retrospectively, with the initial application date of 1 January 2018. The management of the Group decided not to restate the comparative information for the period beginning 1 January 2017, hence:

- the comparative information on financial assets and liabilities is disclosed in accordance with classification and measurement requirements of IAS 39 (Notes 8, 12, 13 and 17);
- the adjustment to the opening balance of retained earnings as at 1 January 2018 is recognized in the consolidated statement of changes in equity for the three months ended 31 March 2018. The information on this adjustment is disclosed as follows:

<i>In thousands of Tenge</i>	Adjustments	1 January 2018
Assets		
Non-current assets		
Investments in joint ventures	(c)	(4,070)
Bank deposits	(b)	(31,251)
Total non-current assets		(35,321)
Current assets		
Trade and other accounts receivable	(b)	(27,623)
Bank deposits	(b)	(264)
Cash and cash equivalents	(b)	(1,334)
Total current assets		(29,221)
Total assets		(64,542)
Equity		
Retained earnings	(b), (c)	(64,542)
Total equity		(64,542)

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* (continued)

(a) *Classification and measurement*

Under IFRS 9, the Group initially measures financial assets at fair value plus, in the case of financial assets not at fair value through profit or loss, transaction costs.

Under IFRS 9, debt financial instruments are subsequently measured at fair value through profit or loss (FVPL), at amortised cost or at fair value through other comprehensive income (FVOCI). The classification depends on two criteria: the business model used by the Group to manage financial assets; and whether the contractual cash flows for financial instruments are “solely payments of principal and interest on the outstanding principal amount”.

Under the new requirements, the Group classifies and measures debt financial assets as follows:

- Debt instruments at amortised cost for financial assets that are held within a business model with the objective to hold the financial assets in order to collect contractual cash flows that are solely payments of principal and interest on the outstanding principal amount of the debt. The Group includes in this category trade and other receivables and funds in credit institutions (bank deposits, cash and cash equivalents). The Group analysed the characteristics of contractual cash flows of these instruments and concluded that they meet the criteria for amortised cost measurement under IFRS 9. Therefore, reclassification of these instruments is not required.
- Financial assets at fair value through profit or loss include debt instrument that are not held within a business model whose objective is either to collect contractual cash flows or to both collect contractual cash flows and sell, and the cash flows characteristics are not solely payments of the principal and interest on the outstanding principal amount of the debt. The Group includes bonds of “Special financial company DSFK” LLP to this category. Under IAS 39, these financial assets of the Group were classified as held-to-maturity investments. However, the change in the classification starting from 1 January 2018 has no impact on book value of bonds at the beginning of the year, as the bonds were acquired at the end of December 2017 and were measured at fair value on initial recognition, and accordingly, an adjustment to retained earnings at the beginning of the period is not required. Management believes that as at 1 January 2018, the fair value of these financial assets also remained unchanged.

The assessment of the Group's business model was made as of the date of initial application, 1 January 2018, and then applied retrospectively to those financial assets that were not derecognized before 1 January 2018. The assessment of whether contractual cash flows on debt instruments are solely comprised of principal and interest was made based on the facts and circumstances as at the initial recognition of these assets.

The accounting for the Group's financial liabilities remains largely the same as it was under IAS 39. Similar to the requirements of IAS 39, IFRS 9 requires contingent liabilities to be treated as financial instruments measured at fair value, with the changes in fair value recognised in the consolidated statement of comprehensive income.

(b) *Impairment*

The adoption of IFRS 9 has fundamentally changed the Group's accounting for impairment losses for financial assets by replacing IAS 39's incurred loss approach with a forward-looking expected credit loss (ECL) approach.

IFRS 9 requires the Group to record an allowance for ECLs for all loans and other debt financial assets not held at FVPL.

ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive. ECL is discounted at a rate approximately equal to the original effective interest rate for a similar instrument with a similar credit rating.

For trade and other receivables, the Group has applied the standard's simplified approach and has calculated ECLs based on lifetime ECLs of these financial instruments. The Group used a provision model developed for the group of companies of NC “KazMunayGas” JSC, that is prepared taking into account Group's historical credit losses experience, adjusted for forward-looking factors specific to debtors and economic environment.

For funds in credit institutions (bank deposits, cash and cash equivalents), investments in bonds, the Group calculated ECLs based on the 12-month ECL. The 12-month ECL is the portion of lifetime ECLs that results from default events on a financial instrument that are possible within 12 months after the reporting date. However, when there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime ECL.

**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 (continued)**(b) Impairment (continued)*

The Group considers that there has been a significant increase in credit risk when contractual payments are more than 30 days past due. Also it is considered a financial asset in default when contractual payment are 90 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group.

The adoption of the ECL requirements of IFRS 9 resulted in increase in impairment allowances of the Group's debt financial assets. The increase in allowance resulted in adjustment to Retained earnings as at 1 January 2018. The effect of the adjustment is as follows: decreases in Trade and other receivables, Cash and cash equivalents, Bank deposits and Retained earnings amounting to 27,623 thousand Tenge, 1,334 thousand Tenge, 31,251 thousand Tenge and 60,542 thousand Tenge, respectively.

In the event that the Group has recalculated comparative information, the interim consolidated statement of comprehensive income for the three months ended 31 March 2017 would also be recalculated, resulting in an increase in administrative expenses and finance costs of 2,034 thousand Tenge and 31,124 thousand Tenge, respectively.

(c) Other adjustments

In addition to the adjustments described above, upon adoption of IFRS 9, other items of the primary financial statements such as investments in joint ventures were adjusted as necessary. These adjustments are due to an increase in estimated provisions for impairment losses on debt financial assets of joint ventures. As a result of this increase, the amount of Retained earnings for the beginning of the period was adjusted. The effect of the adjustment is as follows: a decrease in balances of Investments in joint ventures and Retained earnings by 4,070 thousand tenge.

In the event that the Group has recalculated comparative information, the interim consolidated statement of comprehensive income for the three months ended 31 March 2017 would also be recalculated, which would reduce the share of profits of joint ventures by 3,601 thousand Tenge.

IFRIC Interpretation 22 Foreign Currency Transactions and Advance Considerations

The Interpretation clarifies that, in determining the spot exchange rate to use on initial recognition of the related asset, expense or income (or part of it) on the derecognition of a non-monetary asset or non-monetary liability relating to advance consideration, the date of the transaction is the date on which an entity initially recognises the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, then the entity must determine a date of the transactions for each payment or receipt of advance consideration. This Interpretation does not have any impact on the Group's interim condensed consolidated financial statements.

Amendments to IAS 40 Transfers of Investment Property

The amendments clarify when an entity should transfer property, including property under construction or development into, or out of investment property. The amendments state that a change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. A mere change in management's intentions for the use of a property does not provide evidence of a change in use. These amendments do not have any impact on the Group's interim condensed consolidated financial statements.

Amendments to IFRS 2 Classification and Measurement of Share-based Payment Transactions

The IASB issued amendments to IFRS 2 *Share-based Payment* that address three main areas: the effects of vesting conditions on the measurement of a cash-settled share-based payment transaction; the classification of a share-based payment transaction with net settlement features for withholding tax obligations; and accounting where a modification to the terms and conditions of a share-based payment transaction changes its classification from cash settled to equity settled. On adoption, entities are required to apply the amendments without restating prior periods, but retrospective application is permitted if elected for all three amendments and other criteria are met. The Group's accounting policy for cash-settled share based payments is consistent with the approach clarified in the amendments. In addition, the Group has no share-based payment transaction with net settlement features for withholding tax obligations and had not made any modifications to the terms and conditions of its share-based payment transaction. Therefore, these amendments do not have any impact on the Group's interim condensed consolidated financial statements.

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)

Amendments to IFRS 4 Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts

The amendments address concerns arising from implementing the new financial instruments standard, IFRS 9, before implementing IFRS 17 Insurance Contracts, which replaces IFRS 4. The amendments introduce two options for entities issuing insurance contracts: a temporary exemption from applying IFRS 9 and an overlay approach. These amendments are not relevant to the Group.

Amendments to IAS 28 Investments in Associates and Joint Ventures – Clarification that measuring investees at fair value through profit or loss is an investment-by-investment choice

The amendments clarify that an entity that is a venture capital organisation, or other qualifying entity, may elect, at initial recognition on an investment-by-investment basis, to measure its investments in associates and joint ventures at fair value through profit or loss. This election is made separately for each investment at initial recognition. If an entity, that is not itself an investment entity, has an interest in an associate or joint venture that is an investment entity, the entity may, when applying the equity method, elect to retain the fair value measurement applied by that investment entity associate or joint venture to the investment entity associate's or joint venture's interests in subsidiaries. This election is made separately for each investment entity associate or joint venture, at the later of the date on which: (a) the investment entity associate or joint venture is initially recognised; (b) the associate or joint venture becomes an investment entity; and (c) the investment entity associate or joint venture first becomes a parent. These amendments do not have any impact on the Group's interim condensed consolidated financial statements.

Amendments to IFRS 1 First-time Adoption of International Financial Reporting Standards – Deletion of short-term exemptions for first-time adopters

Short-term exemptions in paragraphs E3–E7 of IFRS 1 were deleted because they have now served their intended purpose. These amendments do not have any impact on the Group's interim condensed consolidated financial statements.

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 2018 and 2017 are as follows:

<i>Tenge</i>	For the three months ended 31 March	
	2018	2017
US Dollars	323.15	322.31
Russian Rubles	5.68	5.49
Euro	397.36	343.27
Georgian Lari	131.00	125.00

As at 31 March 2018 and 31 December 2017 the currency exchange rates of KASE are:

<i>Tenge</i>	31 March 2018	31 December 2017
US Dollars	318.31	332.33
Russian Rubles	5.55	5.77
Euro	392.32	398.23
Georgian Lari	132.63	128.16

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

Property, plant and equipment as at 31 March 2018 and 31 December 2017 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
At revalued amount as at 31 December 2017 (audited)	19,890,305	227,862,264	14,563,900	109,033,695	157,269,793	102,839,808	17,899,977	35,937,112	685,296,854
Foreign currency translation	(583,582)	-	(15,480)	(372,132)	(209,747)	-	(5,338)	(31,899)	(1,218,178)
Additions	-	6,995	55,979	-	97,798	-	3,456	7,728,933	7,893,161
Disposals	-	(438,637)	(28,951)	(80,088)	(87,454)	(2,636)	(236,212)	-	(873,978)
Revaluation (through revaluation reserve)	-	-	-	-	-	28,507,189	-	-	28,507,189
Transfers to intangible assets (Note 4)	-	-	-	-	-	-	-	(236,639)	(236,639)
Transfers from construction-in-progress	-	-	12,367	116,437	1,912,770	-	689,709	(2,731,283)	-
Transfers and reclassifications	-	14,525	912,751	(31,812)	707,299	-	37,798	(1,640,561)	-
At revalued amount as at 31 March 2018 (unaudited)	19,306,723	227,445,147	15,500,566	108,666,100	159,690,459	131,344,361	18,389,390	39,025,663	719,368,409
Accumulated depreciation and impairment as at 31 December 2017 (audited)	-	(20,559,375)	(2,747,072)	(8,191,902)	(28,283,381)	-	(6,196,923)	(57,681)	(66,036,334)
Foreign currency translation	-	-	(55)	55,979	25,160	-	2,518	-	83,602
Depreciation charge	-	(3,958,982)	(541,074)	(1,628,361)	(5,415,701)	-	(1,356,632)	-	(12,900,750)
Disposals	-	261,559	28,941	79,977	86,325	-	235,888	-	692,690
Impairment (through expenses)	-	(757)	-	-	-	-	-	-	(757)
Transfers and reclassifications	-	-	-	994	(335)	-	(659)	-	-
Accumulated depreciation and impairment as at 31 March 2018 (unaudited)	-	(24,257,555)	(3,259,260)	(9,683,313)	(33,587,932)	-	(7,315,808)	(57,681)	(78,161,549)
As at 31 March 2018 (unaudited)									
At revalued amount	19,306,723	227,445,147	15,500,566	108,666,100	159,690,459	131,344,361	18,389,390	39,025,663	719,368,409
Accumulated depreciation and impairment	-	(24,257,555)	(3,259,260)	(9,683,313)	(33,587,932)	-	(7,315,808)	(57,681)	(78,161,549)
Net book value (unaudited)	19,306,723	203,187,592	12,241,306	98,982,787	126,102,527	131,344,361	11,073,582	38,967,982	641,206,860
As at 31 December 2017 (audited)									
At revalued amount	19,890,305	227,862,264	14,563,900	109,033,695	157,269,793	102,839,808	17,899,977	35,937,112	685,296,854
Accumulated depreciation and impairment	-	(20,559,375)	(2,747,072)	(8,191,902)	(28,283,381)	-	(6,196,923)	(57,681)	(66,036,334)
Net book value (audited)	19,890,305	207,302,889	11,816,828	100,841,793	128,986,412	102,839,808	11,703,054	35,879,431	619,260,520

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

3. PROPERTY, PLANT AND EQUIPMENT (continued)

As at 31 March 2018 construction in progress mainly includes the following production projects:

- construction and reconstruction, realized as part of interstate “Kazakhstan-China” oil pipeline construction project;
- reconstruction of the WPS-5 to increase the supply of water for the water pipeline “Astrakhan-Mangyshlak”;
- overhaul with replacement of the pipeline on the section 1,001.9-1,187.5 kilometers of the main oil pipeline “Tuymazy-Omsk-Novosibirsk-2” (the second stage of construction) and the main oil pipeline “Uzen-Atyrau-Samara” on the section 1,031-1,065 kilometers and others.

As at 31 March 2018:

- the initial cost and corresponding accumulated depreciation of fully depreciated, but still in use property, plant and equipment still in use were 2,104,262 thousand Tenge (31 December 2017: 2,065,226 thousand Tenge);
- the volume of oil in pipelines, included in property, plant and equipment, amounted 2,498 thousand tons (31 December 2017: 2,498 thousand tons);
- construction in progress included materials and spare parts in the amount of 5,093,041 thousand Tenge (as at 31 December 2017: 5,644,338 thousand Tenge), which were acquired for construction works.

Due to significant changes in the oil price on domestic market, the fair value of the Group’s technological oil as at 31 March 2018 was determined based on the price of 52,589 Tenge per ton (31 December 2017: 41,175 tenge per ton). The effect of the change in fair value of the technological oil for the period amounted to 28,507,189 thousand Tenge.

The depreciation for three months ended 31 March 2018 included in the cost of construction in progress amounted to 8,844 thousand Tenge (for three months ended 31 March 2017: 7,949 thousand Tenge).

4. INTANGIBLE ASSETS

Intangible assets as at 31 March 2018 and 31 December 2017 are as follows:

<i>In thousands of Tenge</i>	Licenses	Software	Right for land use	Other	Total
Net book value as at 31 December 2017 (audited)	312,106	1,290,744	4,912,491	30,460	6,545,801
Additions	1,293	–	–	–	1,293
Transfers from construction in progress (Note 3)	92,817	143,822	–	–	236,639
Disposals	–	(57,692)	–	–	(57,692)
Amortization charge	(19,042)	(162,692)	(42,333)	(922)	(224,989)
Accumulated amortization on disposals	–	57,692	–	–	57,692
Foreign currency translation	(202)	–	138,439	–	138,237
Net book value as at 31 March 2018 (unaudited)	386,972	1,271,874	5,008,597	29,538	6,696,981
As at 31 March 2018 (unaudited)					
At cost	949,000	5,124,035	8,414,192	89,058	14,576,285
Accumulated amortization and impairment	(562,028)	(3,852,161)	(3,405,595)	(59,520)	(7,879,304)
Net book value (unaudited)	386,972	1,271,874	5,008,597	29,538	6,696,981
As at 31 December 2017 (audited)					
At cost	859,601	5,037,905	8,181,950	89,058	14,168,514
Accumulated amortization and impairment	(547,495)	(3,747,161)	(3,269,459)	(58,598)	(7,622,713)
Net book value (audited)	312,106	1,290,744	4,912,491	30,460	6,545,801

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

5. INVESTMENTS IN JOINT VENTURES

Investments in joint ventures as at 31 March 2018 and 31 December 2017 are as follows:

<i>In thousands of Tenge</i>	KCP	MunaiTas	Total
As at 31 December 2017 (audited)	14,331,613	17,405,373	31,736,986
Adjustments due to change in accounting policy	(3,844)	(226)	(4,070)
Share in income of joint ventures	4,872,130	466,722	5,338,852
Share in other comprehensive loss of joint venture	(144,190)	-	(144,190)
As at 31 March 2018 (unaudited)	19,055,709	17,871,869	36,927,578

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

<i>In thousands of Tenge</i>	KCP			
	31 March 2018 (unaudited)		31 December 2017 (audited)	
	50%	100%	50%	100%
Assets and liabilities of joint ventures				
Current assets	6,122,007	12,244,014	11,193,076	22,386,152
Non-current assets	111,326,402	222,652,804	112,914,233	225,828,466
Current liabilities	(17,919,705)	(35,839,410)	(20,394,094)	(40,788,188)
Non-current liabilities	(80,472,995)	(160,945,990)	(89,381,602)	(178,763,204)
Net assets / net book value of investment	19,055,709	38,111,418	14,331,613	28,663,226
Additional information				
Cash and cash equivalents	2,199,206	4,398,412	4,342,244	8,684,488
Short-term financial liabilities, net of trade and other payables and provisions	(14,114,025)	(28,228,050)	(16,057,521)	(32,115,042)
Long-term financial liabilities, net of trade and other payables and provisions	(73,063,567)	(146,127,134)	(83,384,876)	(166,769,752)

<i>In thousands of Tenge</i>	MunaiTas			
	31 March 2018 (unaudited)		31 December 2017 (audited)	
	51%	100%	51%	100%
Assets and liabilities of joint ventures				
Current assets	8,782,640	17,220,863	8,082,188	15,847,427
Non-current assets	12,834,664	25,166,008	13,032,214	25,553,361
Current liabilities	(1,034,546)	(2,028,522)	(969,387)	(1,900,759)
Non-current liabilities	(2,710,889)	(5,315,469)	(2,739,642)	(5,371,847)
Net assets / net book value of investment	17,871,869	35,042,880	17,405,373	34,128,182
Additional information				
Cash and cash equivalents	8,401,903	16,474,320	7,690,327	15,079,073
Short-term financial liabilities, net of trade and other payables and provisions	-	-	-	-
Long-term financial liabilities, net of trade and other payables and provisions	-	-	-	-

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

5. INVESTMENTS IN JOINT VENTURES (continued)

<i>In thousands of Tenge</i>	KCP			
	For the three months ended 31 March (unaudited)			
	2018		2017	
	50%	100%	50%	100%
Information on profit or loss and other comprehensive income of joint ventures for the period				
Revenue	7,657,246	15,314,492	7,283,437	14,566,874
Income from continuing operations for the period	4,872,130	9,744,260	6,316,716	12,633,432
Unrecognised income	-	-	(836,291)	(1,672,580)
Profit/(loss) from discontinuing operations for the period	-	-	-	-
Other comprehensive (loss)/income	(144,190)	(288,380)	327,966	655,930
Total comprehensive income	4,727,940	9,455,880	5,808,391	11,616,782
Dividends	-	-	-	-
Additional information				
Depreciation and amortization	(1,573,589)	(3,147,178)	(1,804,217)	(3,608,434)
Interest income	19,989	39,978	23,916	47,832
Interest expense	(1,462,795)	(2,925,590)	(1,541,570)	(3,083,140)
Income on exchange differences	3,758,622	7,517,244	6,236,835	12,473,669
Income tax expense	(1,214,745)	(2,429,490)	(1,725,677)	(3,451,354)

<i>In thousands of Tenge</i>	MunaiTas			
	For the three months ended 31 March (unaudited)			
	2018		2017	
	51%	100%	51%	100%
Information on profit or loss and other comprehensive income of joint ventures for the period				
Revenue	1,086,436	2,130,267	1,208,539	2,369,684
Income from continuing operations for the period	466,722	915,141	585,178	1,147,408
Income/(loss) from discontinuing operations for the period	-	-	-	-
Other comprehensive income	-	-	-	-
Total comprehensive income	466,722	915,141	585,178	1,147,408
Dividends	-	-	-	-
Additional information				
Depreciation and amortization	(235,317)	(461,406)	(252,867)	(495,818)
Interest income	140,204	274,910	135,425	265,539
Income tax expense	(117,995)	(231,363)	(146,745)	(287,735)

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

6. ADVANCES TO SUPPLIERS FOR PROPERTY, PLANT AND EQUIPMENT

Advances to suppliers for property, plant and equipment as at 31 March 2018 and 31 December 2017 are as follows:

<i>In thousands of Tenge</i>	31 March 2018 (unaudited)	31 December 2017 (audited)
Advances to third parties for property, plant and equipment and construction services	1,195,573	910,669
Advances to related parties for property, plant and equipment and construction services (Note 31)	118,550	46,927
	1,314,123	957,596
Less: allowance for doubtful debts	(626,216)	(661,754)
Total	687,907	295,842

7. INVENTORIES

Inventories as at 31 March 2018 and 31 December 2017 are as follows:

<i>In thousands of Tenge</i>	31 March 2018 (unaudited)	31 December 2017 (audited)
Spare parts	2,119,507	1,978,556
Fuel	1,364,955	905,183
Construction materials	544,124	541,497
Overalls	183,657	173,167
Chemical reagents	65,368	90,817
Goods	49,625	81,554
Other	364,849	297,944
Total	4,692,085	4,068,718

8. TRADE AND OTHER ACCOUNTS RECEIVABLE

Trade and other accounts receivable as at 31 March 2018 and 31 December 2017 are as follows:

<i>In thousands of Tenge</i>	31 March 2018 (unaudited)	31 December 2017 (audited)
Trade accounts receivable from third parties	5,409,111	6,243,094
Trade accounts receivable from related parties (Note 31)	2,602,391	3,551,029
Other accounts receivable from third parties	744,089	716,947
Other accounts receivable from related parties (Note 31)	545	509
	8,756,136	10,511,579
Less: allowance for doubtful debts	(3,512,570)	(3,444,446)
Total	5,243,566	7,067,133

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

<i>In thousands of Tenge</i>	2018	2017
As at 1 January (audited)	3,444,446	2,378,382
Adjustments due to change in accounting policy (Note 2)	27,623	-
Charge for the period (Note 24)	126,376	24,047
Foreign currency translation	(85,875)	(61,329)
As at 31 March (unaudited)	3,512,570	2,341,100

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

8. TRADE AND OTHER ACCOUNTS RECEIVABLE (continued)

Trade and other accounts receivable as at 31 March 2018 and 31 December 2017 are denominated in the following currencies:

<i>In thousands of Tenge</i>	31 March 2018 (unaudited)	31 December 2017 (audited)
Tenge	4,728,495	6,196,038
US Dollars	394,325	413,088
Russian Ruble	6,792	1,717
Other currency	113,954	456,290
Total	5,243,566	7,067,133

9. ADVANCES TO SUPPLIERS

Advances to suppliers as at 31 March 2018 and 31 December 2017 are as follows:

<i>In thousands of Tenge</i>	31 March 2018 (unaudited)	31 December 2017 (audited)
Advances to third parties	1,650,922	301,599
Advances to related parties (Note 31)	1,290,846	204,462
	2,941,768	506,061
Less: allowance for doubtful debts	(638)	(1,265)
Total	2,941,130	504,796

Movement in allowance for doubtful debts related to advances given to suppliers is as follows:

<i>In thousands of Tenge</i>	2018	2017
As at 1 January (audited)	1,265	38
Reversal of provision (Note 24)	(627)	-
Used in write-off of advances	-	(38)
As at 31 March (unaudited)	638	-

10. VAT RECOVERABLE AND OTHER PREPAID TAXES

VAT recoverable and other prepaid taxes as at 31 March 2018 and 31 December 2017 are as follows:

<i>In thousands of Tenge</i>	31 March 2018 (unaudited)	31 December 2017 (audited)
VAT recoverable	7,336,249	8,157,636
Other taxes prepaid	344,302	385,362
Total	7,680,551	8,542,998

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

11. OTHER CURRENT ASSETS

Other current assets as at 31 March 2018 and 31 December 2017 are as follows:

<i>In thousands of Tenge</i>	31 March 2018 (unaudited)	31 December 2017 (audited)
Due for oil transportation coordination services	2,667,811	5,678,717
Due from employees	90,456	45,518
Prepaid insurance	31,184	65,716
Deferred expenses from third parties	26,434	39,547
Deferred expenses from related parties (Note 31)	5	5
Other	50,555	26,919
Total	2,866,445	5,856,422

12. BANK DEPOSITS

Bank deposits as at 31 March 2018 and 31 December 2017 are as follows:

<i>In thousands of Tenge</i>	31 March 2018 (unaudited)	31 December 2017 (audited)
Short-term bank deposits – US Dollar	20,431,823	18,005,639
Short-term bank deposits – Tenge	–	10,000,000
Long-term bank deposits – Tenge	3,578,676	3,948,692
Accrued interest on deposits – US Dollar	73,306	41,070
Accrued interest on deposits – Tenge	38,613	309,811
Less: allowance for expected credit losses	(28,537)	–
Total	24,093,881	32,305,212

Movement in allowance for expected credit losses of short-term bank deposits is as follows:

<i>In thousands of Tenge</i>	2018	2017
As at 1 January (audited)	–	–
Adjustments due to change in accounting policy	264	–
Reversal for the period (Note 28)	(75)	–
As at 31 March (unaudited)	189	–

Movement in allowance for expected credit losses of long-term bank deposits is as follows:

<i>In thousands of Tenge</i>	2018	2017
As at 1 January (audited)	–	–
Adjustments due to change in accounting policy	31,251	–
Reversal for the period (Note 28)	(2,903)	–
As at 31 March (unaudited)	28,348	–

As at 31 March 2018 bank deposits comprised the following:

- US Dollar denominated deposits with maturity from 3 to 12 months, with interest from 0.4% to 1% per annum (as at 31 December 2017: from 0.5% to 1% per annum), maturing from June to August 2018 (as at 31 December 2017: maturing from June to August 2018);
- Restricted long-term bank deposits with interest from 2% to 3.5% per annum maturing in 2029 and in 2027, respectively (as at 31 December 2017: from 2% to 3.5% per annum maturing in 2029 and in 2027, respectively), arranged for the purpose of preferential lending rates for the Company's employees for the purchase of residential property.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

13. CASH AND CASH EQUIVALENTS

Cash and cash equivalents as at 31 March 2018 and 31 December 2017 are as follows:

<i>In thousands of Tenge</i>	31 March 2018 (unaudited)	31 December 2017 (audited)
Time deposits with banks – Tenge	45,514,260	35,566,876
Current accounts with banks – US Dollars	8,816,662	4,635,546
Current accounts with banks – Tenge	247,215	420,100
Current accounts with banks – Lari	262,606	165,168
Current accounts with banks – Euro	45,518	57,825
Current accounts with banks – Russian Ruble	3,693	11,142
Other current accounts with banks	23,532	13,093
Cash on hand	445	777
Allowance for expected credit losses	(2,296)	–
Total	54,911,635	40,870,527

Movement in allowance for expected credit losses of cash and cash equivalents is as follows:

<i>In thousands of Tenge</i>	2018	2017
As at 1 January (audited)	–	–
Adjustments due to change in accounting policy	1,334	–
Charge for the period (<i>Note 28</i>)	1,004	–
Foreign currency translation	(42)	–
As at 31 March (unaudited)	2,296	–

As at 31 March 2018 current accounts and time deposits with maturity less than 3 months in Tenge placed with Kazakhstani banks carried interest ranging from 0.5% to 11% per annum (as at 31 December 2017: from 0.5% to 9.84% per annum).

Interest for current accounts and time deposits with maturity less than 3 months placed in US Dollars ranged from 0.25% to 5% per annum (as at 31 December 2017: from 0.25% to 4% per annum).

14. EQUITY

Share capital

As at 31 March 2018 and 31 December 2017 the Company's share capital comprised of 384,635,600 common shares authorized, issued and fully paid in the amount of 62,503,284 thousand Tenge, except for 1 share which was authorized but not issued and not paid.

As at 31 March 2018 and 31 December 2017 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 revaluation and devaluation of property, plant and equipment of the Group and share in the asset revaluation reserve of the joint ventures.

<i>In thousands of Tenge</i>	31 March 2018 (unaudited)	31 December 2017 (audited)
Asset revaluation reserve of the Group	213,957,843	196,489,838
Share in the asset revaluation reserve of the joint ventures	29,329,161	29,905,757
Total	243,287,004	226,395,595

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

14. EQUITY (continued)

Foreign currency translation reserve

As at 31 March 2018 foreign currency translation reserve was equal to 32,217,525 thousand Tenge (as at 31 December 2017: 33,068,230 thousand Tenge). Change in foreign currency translation reserve is due to the translation of the operations of the foreign subsidiaries.

Other capital reserves

As at 31 March 2018 and 31 December 2017 other capital reserves amounted to 623,415 thousand Tenge. Other capital reserves are associated with long-term employee benefit liabilities.

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 of the Group by the weighted average number of ordinary shares outstanding during the period.

Because 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 three months ended 31 March (unaudited)	
	2018	2017
Net profit attributable to ordinary equity holders of the Parent of the Group	16,116,303	17,121,452
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)	42	45

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 2018 (unaudited)	31 December 2017 (audited)
Total assets	796,561,815	764,227,005
Less: intangible assets (Note 4)	(6,696,981)	(6,545,801)
Less: total liabilities	(158,923,461)	(164,535,958)
Net assets for calculation of book value per ordinary share	630,941,373	593,145,246
Number of ordinary shares	384,628,099	384,628,099
Book value per ordinary share (in Tenge)	1,640	1,542

15. EMPLOYEE BENEFIT LIABILITIES

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

Employee benefit liabilities as at 31 March 2018 and 31 December 2017 are as follows:

<i>In thousands of Tenge</i>	31 March 2018 (unaudited)	31 December 2017 (audited)
Current portion of employee benefit liabilities	600,500	600,175
Non-current portion of employee benefit liabilities	12,960,181	12,740,751
Total	13,560,681	13,340,926

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

15. EMPLOYEE BENEFIT LIABILITIES (continued)

Changes in the present value of employee benefit liabilities for the three months ended 31 March 2018 and 2017 are as follows:

<i>In thousands of Tenge</i>	For three months ended 31 March (unaudited)	
	2018	2017
Employee benefit liabilities at the beginning of the period	13,340,926	12,538,017
Interest cost (Note 28)	277,539	278,126
Current services cost (Note 23, 24)	126,412	280,006
Benefits paid	(184,196)	(179,945)
Employee benefit liabilities at the end of the period (unaudited)	13,560,681	12,916,204

16. DEFERRED INCOME

As at 31 March 2018 deferred income represents a guarantee of the Group in the amount of 7,130,902 thousand Tenge (as at 31 December 2017: 7,498,361 thousand Tenge), ensuring the provision of individual BSP assets for long-term lease to a counterparty ("Batumi International Container Terminal" LLC).

17. TRADE AND OTHER ACCOUNTS PAYABLE

Trade and other accounts payable as at 31 March 2018 and 31 December 2017 are as follows:

<i>In thousands of Tenge</i>	31 March 2018 (unaudited)	31 December 2017 (audited)
Accounts payable to third parties for goods and services	8,972,053	16,443,979
Accounts payable to related parties for goods and services (Note 31)	818,853	820,196
Other accounts payable to third parties	309,619	345,994
Other accounts payable to related parties (Note 31)	6,574	2,190
Total	10,107,099	17,612,359

As at 31 March 2018 trade and other accounts payable included payables to related and third parties, related to the construction-in-progress in the amount of 4,995,738 thousand Tenge (as at 31 December 2017: 12,190,230 thousand Tenge).

Trade and other accounts payable as at 31 March 2018 and 31 December 2017 are denominated in the following currencies:

<i>In thousands of Tenge</i>	31 March 2018 (unaudited)	31 December 2017 (audited)
Tenge	9,500,008	16,658,063
US Dollars	151,165	358,700
Euro	27,618	24,370
Russian Roubles	4,001	14,574
Other currency	424,307	556,652
Total	10,107,099	17,612,359

18. ADVANCES RECEIVED

Advances received as at 31 March 2018 and 31 December 2017 are presented as follows:

<i>In thousands of Tenge</i>	31 March 2018 (unaudited)	31 December 2017 (audited)
Advances received from related parties (Note 31)	11,244,050	10,919,781
Advances received from third parties	7,517,653	7,277,866
Total	18,761,703	18,197,647

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

19. OTHER TAXES PAYABLE

Other taxes payable as at 31 March 2018 and 31 December 2017 are as follows:

<i>In thousands of Tenge</i>	31 March 2018 (unaudited)	31 December 2017 (audited)
Personal income tax	3,323,274	3,304,942
Withholding tax at the source of payment to non-residents	1,046,285	1,063,456
Social tax	510,755	684,221
Property tax	247,964	217,714
VAT payable	1,737	8,075
Other taxes	293,966	287,025
Total	5,423,981	5,565,433

20. PROVISIONS

Movements in provisions for the three months ended 31 March 2018 and 2017 are as follows:

Short-term provisions

<i>In thousands of Tenge</i>	Tax provisions (BOT)	Others	Total
As at 31 December 2017 (audited)	182,117	41,125	223,242
Charge for the period	80,788	45,887	126,675
Foreign currency translation	(8,894)	(687)	(9,581)
As at 31 March 2018 (unaudited)	254,011	86,325	340,336

Long-term provisions

Asset retirement and land reclamation obligation

The Group revised the long-term provisions as at 31 March 2018 considering current best estimate, which was based on the discount rate of 9.06% (as at 31 December 2017: 9.05%). As at 31 March 2018 the inflation rate was 5.56% (as at 31 December 2017: 5.55%).

<i>In thousands of Tenge</i>	2018	2017
As at 1 January (audited)	15,347,322	15,022,086
Revision of estimates through other comprehensive income	(105,862)	(264,320)
Revision of estimates and write-off of provision through profit and loss (Note 25)	(172,438)	(277,961)
Unwinding of discount on asset retirement and land reclamation obligation (Note 28)	336,177	317,405
As at 31 March (unaudited)	15,405,199	14,797,210

21. OTHER CURRENT LIABILITIES

Other current liabilities as at 31 March 2018 and 31 December 2017 are as follows:

<i>In thousands of Tenge</i>	31 March 2018 (unaudited)	31 December 2017 (audited)
Liability for oil transportation coordination services to related parties (Note 31)	5,764,276	6,589,984
Liability for oil transportation coordination services to third parties	5,746,288	4,118,923
Salaries and compensations	5,197,115	10,053,682
Accounts payable to pension fund	642,209	741,564
Current portion of deferred income from third parties	581,362	540,164
Other	234,147	463,809
Total	18,165,397	22,508,126

Salaries and other compensation include current salary payable, remunerations based on the year results, and vacation payments payable.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)**22. REVENUE**

Revenue for the three months ended 31 March 2018 and 2017 are as follows:

<i>In thousands of Tenge</i>	For three months ended 31 March 2018 (unaudited)				
	Oil transportation and related services	Oil transshipment	Water transportation	Others	Total
Crude oil transportation	44,468,542	–	–	–	44,468,542
Pipeline operation services	2,693,056	–	–	–	2,693,056
Water transportation	–	–	1,744,245	–	1,744,245
Fees for undelivered oil volumes	1,214,697	–	–	–	1,214,697
Seaport services	–	–	–	1,120,361	1,120,361
Oil transshipment and railway shipment	–	729,673	–	–	729,673
Oil transportation coordination services	173,908	–	–	–	173,908
Oil storage services	22,403	–	–	–	22,403
Other	30,726	–	–	145,417	176,143
Total	48,603,332	729,673	1,744,245	1,265,778	52,343,028
Geographic regions					
Kazakhstan	48,603,332	–	1,744,245	–	50,347,577
Georgia	–	729,673	–	1,265,778	1,995,451
Total revenue under contracts with customers	48,603,332	729,673	1,744,245	1,265,778	52,343,028

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)**22. REVENUE (continued)**

<i>In thousands of Tenge</i>	For three months ended 31 March 2017 (unaudited)				
	Oil transportation and related services	Oil transshipment	Water transportation	Others	Total
Crude oil transportation	44,884,299	–	–	–	44,884,299
Pipeline operation services	2,461,339	–	–	–	2,461,339
Water transportation	–	–	1,720,988	–	1,720,988
Fees for undelivered oil volumes	821,961	–	–	–	821,961
Seaport services	–	–	–	1,121,961	1,121,961
Oil transshipment and railway shipment	–	2,508,861	–	–	2,508,861
Oil transportation coordination services	161,311	–	–	–	161,311
Oil storage services	33,453	–	–	–	33,453
Other	45,812	–	–	190,163	235,975
Total	48,408,175	2,508,861	1,720,988	1,312,124	53,950,148
Geographic regions					
Kazakhstan	48,408,175	–	1,720,988	–	50,129,163
Georgia	–	2,508,861	–	1,312,124	3,820,985
Total revenue under contracts with customers	48,408,175	2,508,861	1,720,988	1,312,124	53,950,148

For the three months ended 31 March 2018 the revenue from the three major customers amounted to 12,023,889 thousand Tenge, 7,008,687 thousand Tenge and 3,373,558 thousand Tenge, respectively (for the three months ended 31 March 2017: 12,012,650 thousand Tenge, 6,032,558 thousand Tenge and 3,141,599 thousand Tenge, respectively).

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

23. COST OF SALES

Cost of sales for the three months ended 31 March 2018 and 2017 are as follows:

<i>In thousands of Tenge</i>	For three months ended 31 March (unaudited)	
	2018	2017
Depreciation and amortization	12,526,271	12,074,575
Personnel cost	11,185,341	11,528,485
Taxes other than income tax	2,005,137	1,919,097
Electric energy	1,915,351	1,881,483
Security services	1,206,815	1,062,960
Repair and maintenance	1,204,130	853,510
Gas expense	1,203,294	1,330,554
Materials and fuel	758,786	902,785
Transportation services	371,935	-
Air services	285,859	274,935
Business trip expenses	162,040	161,436
Post-employment benefits (Note 15)	121,263	263,890
Obligatory Social Medical Insurance	89,839	-
Outstaffing services	87,300	80,127
Insurance	72,836	157,584
Railway services	66,892	847,998
Other	871,124	647,085
Total	34,134,213	33,986,504

24. GENERAL AND ADMINISTRATIVE EXPENSES

General and administrative expenses for the three months ended 31 March 2018 and 2017 are as follows:

<i>In thousands of Tenge</i>	For three months ended 31 March (unaudited)	
	2018	2017
Personnel costs	1,784,578	1,977,813
Depreciation and amortization	590,624	305,846
Net charge of allowance for doubtful debts (Notes 8, 9)	125,749	24,098
Taxes other than income tax	120,852	128,673
Repair and maintenance	114,691	46,582
Office maintenance	92,925	115,857
Business trip expenses	55,149	46,167
Social sphere expenses	52,104	28,318
Write-off of VAT recoverable	46,917	34,753
Outstaffing services	42,011	121,282
Transportation services	37,583	645
Materials and fuel	31,345	15,714
Insurance and security	27,398	33,056
Information services	26,259	20,392
Communication services	25,449	24,350
Bank costs	20,721	33,213
Training	14,075	29,433
Consulting services	10,855	48,711
Operational rent expenses	10,312	21,287
Charity expenses	7,756	9,347
Obligatory Social Medical Insurance	7,439	-
Post-employment benefits (Note 15)	5,149	16,116
Advertising expenses	4,924	428
Other	106,391	158,803
Total	3,361,256	3,240,884

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

25. OTHER OPERATING INCOME

Other operating income for the three months ended 31 March 2018 and 2017 are as follows:

<i>In thousands of Tenge</i>	For three months ended 31 March (unaudited)	
	2018	2017
Revision of estimates on provision on asset retirement and land reclamation obligation (Note 20)	172,438	277,961
Income from fines and penalties	61,747	70,536
Income from disposal of inventories, net	29,282	20,895
Cost recovery from temporary structures	-	217,054
Other income	36,045	11,903
Total	299,512	598,349

26. OTHER OPERATING EXPENSES

Other operating expenses for the three months ended 31 March 2018 and 2017 are as follows:

<i>In thousands of Tenge</i>	For three months ended 31 March (unaudited)	
	2018	2017
Expenses on accrual of other reserves	126,675	-
Loss on disposal of property, plant and equipment, net	6,985	403,837
Other expenses	35,468	34,209
Total	169,128	438,046

27. FINANCE INCOME

Finance income for the three months ended 31 March 2018 and 2017 are as follows:

<i>In thousands of Tenge</i>	For three months ended 31 March (unaudited)	
	2018	2017
Interest income on bank deposits and current accounts	750,510	1,350,086
Unwinding of discount on loans to employees	348	2,155
Other finance income from third parties	3,382	2,578
Total	754,240	1,354,819

28. FINANCE COSTS

Finance costs for the three months ended 31 March 2018 and 2017 are as follows:

<i>In thousands of Tenge</i>	For three months ended 31 March (unaudited)	
	2018	2017
Unwinding of discount on asset retirement and land reclamation obligation (Note 20)	336,177	317,405
Interest cost on employee benefit liabilities (Note 15)	277,539	278,126
Recovery of impairment of cash and cash equivalents and bank deposits, net (Notes 12, 13)	(1,974)	-
Total	611,742	595,531

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

29. INCOME TAX EXPENSE

Income tax expenses for the three months ended 31 March 2018 and 2017 are as follows:

<i>In thousands of Tenge</i>	For three months ended 31 March (unaudited)	
	2018	2017
Current income tax expense	3,378,791	3,524,012
Adjustments of the past periods	97,965	–
Deferred income tax expense	39,565	1,507,242
Income tax expense	3,516,321	5,031,254

Movement in deferred tax liabilities for the three months ended 31 March 2018 and 2017 are as follows:

<i>In thousands of Tenge</i>	2018	2017
As at January 1 (audited)	63,123,255	60,856,513
Charged to other comprehensive income	5,722,610	203,096
Charged to profit and loss	39,565	1,507,242
As at 31 March (unaudited)	68,885,430	62,566,851

30. 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;
- water transportation;
- other segments.

In relation to the formation at the end of 2017 of the subsidiary of “Main Waterline” LLP, the Group as at 31 March 2018 and for the three months then ended, has allocated a separate segment “Water transportation”. Earlier this segment was aggregated in the segment “Oil transportation and related services”.

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 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: 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 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 INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)**30. SEGMENT INFORMATION (continued)**

Management analyses its operating segments by segment profit. The following tables present information on revenue, profit, assets and liabilities for the segments of the Group for the three month periods ended 31 March 2018 and 2017, respectively:

<i>In thousands of Tenge</i>	For the three months ended 31 March 2018 (unaudited)					For the three months ended 31 March 2017 (unaudited)				
	Oil transportation and related services (Kazakhstan)	Oil trans-shipment (Georgia)	Water transportation (Kazakhstan)	Other	Total segments	Oil transportation and related services (Kazakhstan)	Oil trans-shipment (Georgia)	Water transportation (Kazakhstan)	Other	Total segments
Revenue										
External customers	48,603,332	729,673	1,744,245	1,265,778	52,343,028	48,408,175	2,508,861	1,720,988	1,312,124	53,950,148
Total revenue	48,603,332	729,673	1,744,245	1,265,778	52,343,028	48,408,175	2,508,861	1,720,988	1,312,124	53,950,148
Financial results										
Impairment of property, plant and equipment through profit and loss	(757)	-	-	-	(757)	(136)	-	-	-	(136)
Depreciation and amortization	(11,652,087)	(541,276)	(706,374)	(217,158)	(13,116,895)	(10,824,117)	(663,314)	(706,374)	(186,616)	(12,380,421)
Interest income	741,496	2,908	3,844	2,262	750,510	1,345,574	4,512	-	-	1,350,086
Share in income of joint ventures	5,338,852	-	-	-	5,338,852	6,065,603	-	-	-	6,065,603
Income tax expense	(3,482,713)	(646)	-	(32,962)	(3,516,321)	(5,028,353)	(2,901)	-	-	(5,031,254)
Segment profit for the period	17,431,239	(1,101,942)	(413,987)	200,993	16,116,303	17,462,399	(506,349)	(21,212)	186,614	17,121,452
	As at 31 March 2018 (unaudited)					As at 31 December 2017 (audited)				
<i>In thousands Tenge</i>	Oil transportation and related services (Kazakhstan)	Oil trans-shipment (Georgia)	Water transportation	Other	Total segments	Oil transportation and related services (Kazakhstan)	Oil trans-shipment (Georgia)	Water transportation	Other	Total segments
Total assets	699,008,364	50,721,107	28,403,149	18,429,195	796,561,815	669,637,249	52,756,058	24,985,345	17,548,353	764,227,005
Total liabilities	121,929,840	14,080,443	20,711,429	2,201,749	158,923,461	132,549,954	13,190,178	16,321,297	2,474,529	164,535,958
Other disclosures										
Investments in joint ventures (Note 5)	36,927,578	-	-	-	36,927,578	31,736,986	-	-	-	31,736,986
Capital expenditures (for the period)	7,793,606	99,854	348	646	7,894,454	1,292,221	307,161	-	531,746	2,131,128

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

31. 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 2018 and 31 March 2017 and the related balances as at 31 March 2018 and 31 December 2017:

Long-term advances to related parties for property, plant and equipment are as follows:

<i>In thousands of Tenge</i>	Note	31 March 2018 (unaudited)	31 December 2017 (audited)
Advances to related parties for property, plant and equipment			
Advances for property, plant and equipment to entities under common control of Samruk-Kazyna Group		118,550	46,927
Total advances to related parties for property, plant and equipment	6	118,550	46,927

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

<i>In thousands of Tenge</i>	Notes	31 March 2018 (unaudited)	31 December 2017 (audited)
Trade and other accounts receivable from related parties			
Trade accounts receivable from joint ventures		1,609,872	2,495,886
Trade accounts receivable from entities under common control of KMG		991,191	1,051,701
Trade accounts receivable from entities under common control of Samruk-Kazyna Group		1,328	3,442
Total trade accounts receivable from related parties	8	2,602,391	3,551,029
Other accounts receivables from entities under common control of Samruk-Kazyna Group	8	545	509
Total trade and other accounts receivable from related parties		2,602,936	3,551,538

Advances provided to related parties are as follows:

<i>In thousands of Tenge</i>	Notes	31 March 2018 (unaudited)	31 December 2017 (audited)
Advances paid to related parties			
Advances paid to entities under common control of KMG		839,697	103,181
Advances paid to entities under common control of Samruk-Kazyna Group		451,149	101,281
Total advances paid to related parties	9	1,290,846	204,462

Deferred expenses from related parties are as follows:

<i>In thousands of Tenge</i>	Notes	31 March 2018 (unaudited)	31 December 2017 (audited)
Deferred expenses from related parties			
Deferred expenses from entities under control of Samruk-Kazyna Group		5	5
Total deferred expenses from related parties	11	5	5

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

31. RELATED PARTY TRANSACTIONS (continued)

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

<i>In thousands of Tenge</i>	Notes	31 March 2018 (unaudited)	31 December 2017 (audited)
Trade accounts payable to related parties for goods and services			
Trade accounts payable to entities under common control of Samruk-Kazyna Group		260,258	232,361
Group Trade accounts payable to entities under common control of KMG		558,595	587,835
Total trade accounts payable to related parties for goods and services	17	818,853	820,196
Other payables to entities under common control of Samruk-Kazyna Group			
Group other accounts payable to entities under common control of KMG		5,877	2,190
Total other accounts payable to related parties for goods and services	17	6,574	2,190
Total trade and other accounts payable to related parties for goods and services		825,427	822,386

Advances received from related parties are as follows:

<i>In thousands of Tenge</i>	Notes	31 March 2018 (unaudited)	31 December 2017 (audited)
Advances received from related parties			
Advances received from entities under common control of KMG		10,912,510	10,560,712
Advances received from entities under common control of Samruk-Kazyna Group		331,538	359,068
Advances received from joint ventures		2	1
Total advances received from related parties	18	11,244,050	10,919,781

Other current liabilities to related parties are as follows:

<i>In thousands of Tenge</i>	Notes	31 March 2018 (unaudited)	31 December 2017 (audited)
Accounts payable for oil transportation coordination to related parties			
Accounts payable for oil transportation coordination to entities under common control of KMG		5,764,276	6,589,984
Total accounts payable for oil transportation coordination to related parties	21	5,764,276	6,589,984
Employee benefits obligation of key management personnel			
Employee benefits obligation of key management personnel		25,173	44,502
Total employee benefits obligation of key management personnel		25,173	44,502
Total other current liabilities to related parties		5,789,449	6,634,486

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

31. RELATED PARTY TRANSACTIONS (continued)

The following tables provide the total amount of transactions, which have been entered into with related parties during the three months ended 31 March 2018 and 2017:

<i>In thousands of Tenge</i>	For the three months ended 31 March (unaudited)	
	2018	2017
Sales to related parties		
Revenue from main activities with entities under common control of KMG	28,577,191	28,593,372
Revenue from main activities with joint ventures	2,324,901	2,093,941
Revenue from main activities with entities under common control of Samruk-Kazyna Group	881,348	991,148
Revenue from other activities with entities under common control of KMG	10,725	1,878
Total	31,794,165	31,680,339

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

<i>In thousands of Tenge</i>	For the three months ended 31 March (unaudited)	
	2018	2017
Purchases from related parties		
Purchases of services from entities under common control of KMG	1,847,222	1,995,487
Purchases of services from entities under common control of Samruk-Kazyna Group	700,159	783,300
Purchases of inventory from entities under common control of KMG	530,616	324,439
Purchases of property, plant and equipment from entities under common control of Samruk-Kazyna Group	281,607	546,057
Purchases of services from joint ventures	6,750	–
Purchases of property, plant and equipment from entities under common control of KMG	–	57,233
Total	3,366,354	3,706,516

Total compensation to key management personnel for the three months ended 31 March 2018 amounts to 89,836 thousand Tenge (for the three months ended 31 March 2017: 69,354 thousand Tenge). Payments to key personnel consist primarily of payroll costs and remuneration established by contracts and internal provisions of the Company.

32. 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 2017. During three months ended 31 March 2018 there were no significant changes, except for the following:

Contractual commitments

As at 31 March 2018, the Group had contractual obligations to acquire property, plant and equipment, and construction services for the amount of 18,459,427 thousand Tenge (31 December 2017: 18,507,367 thousand Tenge).

Share of the Group as at 31 March 2018 in contractual obligations of joint ventures to acquire property, plant and equipment, and construction services amounted to 85,238 thousand Tenge (31 December 2017: 123,176 thousand Tenge).

Expropriation of the BSP assets

In accordance with BSP Management Right agreement between BOT and the Georgia Government, the Georgian Government has the right for expropriation of the BSP's assets, 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 following penalties for:

- Non-fulfillment of up to 1 million tons in the amount of 0,1 US dollars (ten US cents) per ton;
- Non-fulfillment of 1 to 2 million tons in the amount of 0,2 US dollars (twenty US cents) per ton;
- Non-fulfillment of over 2 million tons in the amount of US dollars 1 per ton.

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

32. CONTINGENT LIABILITIES AND COMMITMENTS (continued)**Expropriation of the BSP assets (continued)**

The actual transshipment through the BSP for the first quarter of 2018 amounted to 1,2 million tons (31 March 2017: 1,53 million tons). In accordance with the agreement, based on actual volumes for the first quarter of 2018, brought to an annual value, the Group accrued a reserve of 142 thousand US dollars (equivalent to 45,200 thousand Tenge).

33. 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.

34. SUBSEQUENT EVENTS

On 24 May 2018 at the annual general meeting of shareholders of the Company decision on approval of dividends payment in the amount of 61,540,496 thousand Tenge was taken based on 2017 annual results, with the use of net income for 2017 in the amount of 50,117,856 thousand Tenge and retained earnings of prior years in the amount of 11,422,640 thousand Tenge.