

KazTransOil JSC

Interim condensed consolidated financial statements

For the nine months ended 30 September 2017



EY

**Building a better
working world**

CONTENTS

Report on Review of Interim Financial Information

Interim condensed consolidated financial statements

Interim consolidated statement of financial position	1-2
Interim consolidated statement of comprehensive income	3-4
Interim consolidated statement of cash flows	5-6
Interim consolidated statement of changes in equity	7
Notes to the interim condensed consolidated financial statements	8-35

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 30 September 2017 and the related interim consolidated statements of comprehensive income for the three- and nine-month periods then ended, interim consolidated statement of changes in equity and cash flows for the nine-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.

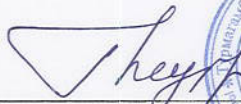
Scope of review

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



Auditor qualification certificate No. 0000374
dated 21 February 1998

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

050660, Republic of Kazakhstan, Almaty
Al-Farabi ave., 77/7, Esentai Tower

20 November 2017

INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION

<i>In thousands of Tenge</i>	Notes	As at 30 September 2017 (unaudited)	As at 31 December 2016 (audited)
Assets			
Non-current assets			
Property, plant and equipment	3	591,970,931	604,155,347
Intangible assets	4	6,499,948	6,260,601
Investments in joint ventures	5	20,537,754	15,728,257
Advances to suppliers for property, plant and equipment	6	2,087,910	1,678,603
Long-term accounts receivable		73,697	71,991
Bank deposits	12	3,719,714	4,182,770
Other non-current assets		13,777	15,065
		624,903,731	632,092,634
Current assets			
Inventories	7	6,191,452	4,399,035
Trade and other accounts receivable	8	8,109,461	6,476,952
Advances to suppliers	9	1,102,877	375,382
Prepayment for income tax		1,691,694	4,488,440
VAT recoverable and other prepaid taxes	10	6,014,465	6,446,378
Other current assets	11	6,363,368	5,727,129
Bank deposits	12	34,276,582	15,675,618
Restricted bank deposits	12	1,436,751	-
Cash and cash equivalents	13	43,752,014	69,294,429
		108,938,664	112,883,363
Total assets		733,842,395	744,975,997

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>	Notes	As at 30 September 2017 (unaudited)	As at 31 December 2016 (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	213,477,717	230,346,658
Foreign currency translation reserve	14	35,602,917	32,918,111
Other capital reserves	14	(846,135)	(695,389)
Retained earnings		269,618,567	263,477,884
Total equity		579,781,084	587,975,282
Non-current liabilities			
Employee benefit liabilities	15	13,243,806	11,994,599
Deferred tax liabilities	29	61,367,754	60,856,513
Provision for asset retirement and land recultivation obligation	20	13,912,911	15,022,086
Deferred income	16	7,753,135	7,731,328
		96,277,606	95,604,526
Current liabilities			
Employee benefit liabilities	15	450,230	543,418
Income tax payable		1,191,435	1,246,171
Trade and other accounts payable	17	14,285,474	15,384,798
Advances received	18	17,719,470	16,444,432
Other taxes payable	19	5,075,963	5,055,666
Provisions	20	296,335	208,103
Other current liabilities	21	18,764,798	22,513,601
		57,783,705	61,396,189
Total liabilities		154,061,311	157,000,715
Total equity and liabilities		733,842,395	744,975,997
Book value per ordinary share (in Tenge)	14	1,490	1,512

Signed and approved for issue on 20 November 2017.

General Director



Dossanov D.G.

Chief Accountant



Sarmagambetova M.K.

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 COMPREHENSIVE INCOME

<i>In thousands of Tenge</i>	Notes	For the three months ended 30 September (unaudited)		For the nine months ended 30 September (unaudited)	
		2017	2016	2017	2016
Revenue	22	56,980,706	49,938,577	164,618,262	154,356,571
Cost of sales	23	(34,652,997)	(32,943,094)	(102,276,859)	(90,261,681)
Gross profit		22,327,709	16,995,483	62,341,403	64,094,890
General and administrative expenses	24	(3,239,037)	(3,211,738)	(9,421,193)	(8,896,354)
Other operating income	25	2,665,934	774,872	3,628,413	2,448,380
Other operating expenses	26	(1,242,561)	(281,034)	(1,928,916)	(249,649)
Loss on impairment of property, plant and equipment, net	3	(38,368)	(9,146,154)	(38,801)	(9,142,954)
Operating profit		20,473,677	5,131,429	54,580,906	48,254,313
Net foreign exchange gain/(loss)		774,736	(459,063)	(285,504)	(1,475,928)
Finance income	27	805,023	1,079,823	3,744,599	4,841,678
Finance costs	28	(599,663)	(529,746)	(1,789,381)	(1,686,010)
Share in (loss)/income of joint ventures	5	(2,125,491)	689,672	4,511,536	1,764,785
Profit before income tax		19,328,282	5,912,115	60,762,156	51,698,838
Income tax expense	29	(3,984,796)	(1,413,583)	(12,684,572)	(8,677,416)
Net profit for the period		15,343,486	4,498,532	48,077,584	43,021,422
Earnings per share (in Tenge)	14	40	12	125	112
Other comprehensive income/(loss)					
<i>Other comprehensive income/(loss) to be reclassified to profit or loss in subsequent periods</i>					
Exchange difference from translation of foreign operations of the Group		2,674,236	(411,152)	2,684,806	128,827
Total other comprehensive income/ (loss) to be reclassified to profit or loss in subsequent periods, net		2,674,236	(411,152)	2,684,806	128,827


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 COMPREHENSIVE INCOME (continued)

<i>In thousands of Tenge</i>	Notes	For the three months ended 30 September (unaudited)		For the nine months ended 30 September (unaudited)	
		2017	2016	2017	2016
Other comprehensive (loss)/income not to be reclassified to profit or loss in subsequent periods					
(Impairment)/revaluation of property, plant and equipment of the Group, net	3	(109,796)	126,396,036	(113,614)	126,396,669
Income tax effect	29	21,962	(25,279,206)	22,725	(25,279,333)
		(87,834)	101,116,830	(90,889)	101,117,336
Reversal of provision for asset retirement and land reclamation obligation of the Group	20	1,398,881	4,826,949	755,552	8,934,041
Income tax effect	29	(279,777)	(965,390)	(151,111)	(1,786,808)
		1,119,104	3,861,559	604,441	7,147,233
Write-off of deferred tax assets	14, 29	-	-	(150,746)	-
		-	-	(150,746)	-
Reversal of deferred tax liabilities of the Group	29	-	-	-	865,077
		-	-	-	865,077
Revaluation of property, plant and equipment of joint venture		-	1,111,814	-	1,111,814
Income tax effect		-	(222,363)	-	(222,363)
	5	-	889,451	-	889,451
Reversal of provision for asset retirement and land reclamation obligation of joint ventures		445,606	86,838	372,452	108,510
Income tax effect		(89,121)	(17,368)	(74,491)	(21,702)
	5	356,485	69,470	297,961	86,808
Total other comprehensive income not to be reclassified to profit or loss in subsequent periods, net		1,387,755	105,937,310	660,767	110,105,905
Total other comprehensive income for the period, net of tax		4,061,991	105,526,158	3,345,573	110,234,732
Total comprehensive income for the period, net of tax		19,405,477	110,024,690	51,423,157	153,256,154

Signed and approved for issue on 20 November 2017.

General Director



Dassanov D.G.

Chief Accountant



Sarmagambetova M.K.

*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 CASH FLOWS

<i>In thousands of Tenge</i>	Notes	For the nine months ended 30 September (unaudited)	
		2017	2016
Cash flows from operating activities			
Profit before income tax		60,762,156	51,698,838
Non-cash adjustment to reconcile profit before income tax to net cash flows			
Depreciation and amortization	23, 24	36,721,040	29,213,540
(Reversal)/charge of allowance for doubtful debts, net	24	(40,413)	92,037
Share in income of joint ventures	5	(4,511,536)	(1,764,785)
Finance costs	28	1,789,381	1,686,010
Finance income	27	(3,744,599)	(4,841,678)
Employee benefits, current service cost	15	837,053	802,212
Loss on disposal of property, plant and equipment and intangible assets, net	26	453,654	91,946
Impairment charge of property, plant and equipment	3	38,801	9,142,954
Gain from disposal of inventory, net	25, 26	(37,653)	(10,552)
Income from revision of estimates and reversal of provision on asset retirement and land recultivation obligation, net	20	(1,311,571)	(2,006,887)
Other provisions	20	64,660	-
Expenses on write-off of VAT recoverable		36,283	42,972
Unrealized foreign exchange loss		227,994	969,854
Others		(11,889)	(5,094)
Operating cash flows before working capital changes		91,273,361	85,111,367
(Increase)/decrease in operating assets			
Inventories		(1,944,381)	(1,054,706)
Trade and other accounts receivable		(1,621,304)	(847,987)
Advances to suppliers		(693,409)	1,542,276
VAT recoverable and other prepaid taxes		344,564	2,480,308
Other current assets		(612,830)	2,514,621
Increase/(decrease) in operating liabilities			
Trade and other accounts payable		272,546	(612,033)
Advances received		1,268,305	(3,044,174)
Other taxes payable		(695,651)	(133,357)
Other current and non-current liabilities and employee benefit liabilities, net		(4,456,463)	(3,155,487)
Cash generated from operating activities		83,134,738	82,800,828
Income taxes paid		(9,237,972)	(17,901,023)
Interest received		3,724,138	3,448,455
Net cash flow from operating activities		77,620,904	68,348,260

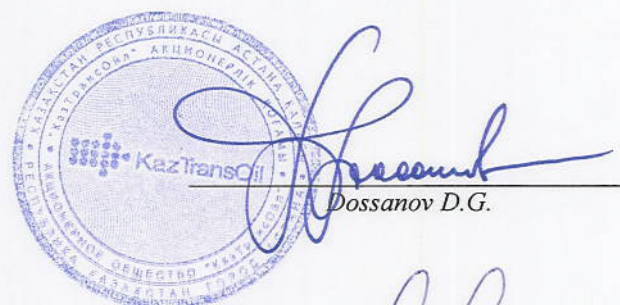
The accounting policy and explanatory notes on pages 8 through 35 form an integral part of these interim condensed consolidated financial statements.

INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS (continued)

<i>In thousands of Tenge</i>	Notes	For the nine months ended 30 September (unaudited)	
		2017	2016
Cash flows from investing activities			
Withdrawal of bank deposits		44,608,562	13,354,600
Placement of bank deposits		(63,840,425)	(28,631,858)
Purchase of property, plant and equipment		(23,822,212)	(24,779,116)
Purchase of intangible assets		(136,023)	(39,850)
Proceeds from disposal of property, plant and equipment		10,127	122
Repayment of interest free loan	31	-	20,000,000
Dividends received	5	-	1,487,160
Net cash flow used in investing activities		(43,179,971)	(18,608,942)
Cash flows from financing activities			
Dividends paid	14	(59,617,355)	(51,156,535)
Treasury shares repurchased from shareholders		-	(9,549)
Net cash flow used in financing activities		(59,617,355)	(51,166,084)
Effects of changes in exchange rates on cash and cash equivalents		(365,993)	(589,103)
Net change in cash and cash equivalents		(25,542,415)	(2,015,869)
Cash and cash equivalents at the beginning of the period		69,294,429	50,420,288
Cash and cash equivalents at the end of the period		43,752,014	48,404,419

Signed and approved for issue on 20 November 2017.

General Director



Dossanov D.G.

Chief Accountant



Sarmagambetova M.K.

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	Asset revaluation reserve	Foreign currency translation reserve	Other capital reserves	Treasury shares	Retained earnings	Total
As at 31 December 2016 (audited)	61,937,567	230,346,658	32,918,111	(695,389)	(9,549)	263,477,884	587,975,282
Profit for the period	-	-	-	-	-	48,077,584	48,077,584
Other comprehensive income/(loss)	-	811,513	2,684,806	(150,746)	-	-	3,345,573
Total comprehensive income/(loss) for the period	-	811,513	2,684,806	(150,746)	-	48,077,584	51,423,157
Depreciation transfer of revalued property, plant and equipment	-	(17,680,454)	-	-	-	17,680,454	-
Dividends (Note 14)	-	-	-	-	-	(59,617,355)	(59,617,355)
As at 30 September 2017 (unaudited)	61,937,567	213,477,717	35,602,917	(846,135)	(9,549)	269,618,567	579,781,084
As at 31 December 2015 (audited)	61,937,567	125,563,376	36,210,843	(3,813,701)	-	253,033,425	472,931,510
Profit for the period	-	-	-	-	-	43,021,422	43,021,422
Other comprehensive income	-	110,105,905	128,827	-	-	-	110,234,732
Total comprehensive income for the period	-	110,105,905	128,827	-	-	43,021,422	153,256,154
Depreciation transfer of revalued property, plant and equipment	-	(8,075,129)	-	-	-	8,075,129	-
Treasury shares repurchased from shareholders	-	-	-	-	(9,549)	-	(9,549)
Dividends (Note 14)	-	-	-	-	-	(51,156,535)	(51,156,535)
As at 30 September 2016 (unaudited)	61,937,567	227,594,152	36,339,670	(3,813,701)	(9,549)	252,973,441	575,021,580

Signed and approved for issue on 20 November 2017.

General Director



Dossanov D.G.

Chief Accountant

Sarmagambetova M.K.

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 nine months ended 30 September 2017****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” CJSC.

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

As at 30 September 2017 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”). 90% of KMG shares are owned by Sovereign Wealth Fund “Samruk-Kazyna” JSC (hereinafter – “Samruk-Kazyna”), controlled by the Government of the Republic of Kazakhstan. 10% of KMG shares are owned by the National Bank of the Republic of Kazakhstan.

As at 30 September 2017 and 31 December 2016 the Company had ownership interest in the following companies:

	Place of incorporation	Principal activities	Ownership	
			30 September 2017	31 December 2015
NWPC “MunaiTas” JSC (hereinafter – “MunaiTas”)	Kazakhstan	Oil transportation	51%	51%
“Kazakhstan-China Pipeline” LLP (hereinafter – “KCP”)	Kazakhstan	Oil transportation	50%	50%
“Batumi Terminals Limited” (hereinafter – “BTL”)	Cyprus	Forwarding, transshipment and storage of oil and oil products and operating of Batumi Sea Port and Oil Terminal	–	100%
“Batumi Oil Terminal” LLC	Georgia	Forwarding, transshipment and storage of oil and oil products and operating of Batumi Sea Port	100%	–
“Petrotrans Limited”	British Virgin Islands	Forwarding of oil and oil products	100%	–

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

The Company’s head office is located in Astana, Kazakhstan, 19 Kabanbay Batyr Avenue. The Company has 3 branches, which are located in Atyrau (Western branch), Pavlodar (Eastern branch), Almaty (Research and Development Centre) and representative offices in Russian Federation (Omsk and Samara). On 26 May 2017 Board of Directors decided to close branch in Astana (Main Information and Computing Center).

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 used for transportation of Kazakhstani crude oil to China.

As at 30 September 2017 BTL was liquidated. Based on the decision of the BTL liquidator of 7 March 2017 100% of shares to Petrotrans Limited (hereinafter – “PTL”) and 100% of the interest in Batumi Oil Terminal LLC (hereinafter – “BOT”), that was previously owned by BTL, were transferred to the Company. As at 30 September 2017, the Company received a certificate confirming its ownership of investment in PTL and BOT. BOT has the exclusive right to manage 100% of the shares of Batumi Sea Port LLC (hereinafter – “BSP”). These changes did not affect the interim condensed consolidated financial statements.

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, which serve as a base for receiving major part of the Group’s revenue in domestic market of the Republic of Kazakhstan.

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

1. GENERAL (continued)

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.

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

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

* The rate came into effect on 1 January 2017.

Starting from 1 April 2014 tariffs for pumping oil on the export from the Republic of Kazakhstan equals to 5,817.20 Tenge per tonne for 1,000 km without VAT.

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

In accordance with the Law of the Republic of Kazakhstan *On Natural Monopolies and Regulated Markets*, 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. 73 of 28 February 2017 and the CRNMandPC No. 29-OD of 17 February 2017), in the total amount of 187.3 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 – 43.5 billion Tenge, including on the domestic market – 13.6 billion Tenge;
- 2018 – 28.9 billion Tenge, including on the domestic market – 9.6 billion Tenge;
- 2019 – 19.4 billion Tenge, including on the domestic market – 6.5 billion Tenge.

In accordance with the above-mentioned law for failure to implementation the actions with the approved investment program, CRNMandPC has the right to apply a compensating tariff.

The actual implementation of the investment program as at 30 September 2017 is as follows:

- 2015 – 70.5 billion Tenge;
- 2016 – 35.9 billion Tenge;
- 2017 – 11.3 billion Tenge (the main execution will be during the fourth quarter of 2017).

In accordance with the Rules for approval of the temporary compensating tariff approved by the order of the Minister of the National Economy of the Republic of Kazakhstan No. 484 of 23 November 2016, the temporary compensating tariff shall be applied upon the expiry of the tariff ceiling, which is, after 2019.

It is expected that the actions of the approved investment program will be implemented in general for a period of 5 years in accordance with the procedure established by law.

These interim condensed consolidated financial statements for the nine months ended 30 September 2017 were approved by internal audit committee and signed by the General director and Chief accountant on 20 November 2017.

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

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

The interim condensed consolidated financial statements for the nine months ended 30 September 2017 have been prepared in accordance with International Financial Reporting Standard 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 the interim condensed consolidated financial statements.

The interim condensed consolidated financial statements do not include all information and disclosures required for annual consolidated financial statements and should be read in conjunction with the Group's annual financial statements for the year ended 31 December 2016.

These interim condensed consolidated financial statements are presented in Tenge and all amounts are rounded to the nearest thousands, except for the book value of ordinary shares, earnings per share and when otherwise indicated. Each entity of 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, PTL, and BOT is US Dollar, functional currency of BSP is Georgian lari.

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 consolidated financial statements for the year ended 31 December 2016, except for the adoption of new standards and interpretations effective as of 1 January 2017.

The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

Although these amendments apply for the first time in 2017, they do not have impact on the interim condensed consolidated financial statements of the Group. The nature and the impact of each new standard and amendment are described below:

Amendments to IAS 7 Statement of Cash Flows: Disclosure Initiative

The amendments require entities to provide disclosures about changes in their liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes (such as foreign exchange gains or losses). On initial application of the amendment, entities are not required to provide comparative information for preceding periods. The Group is not required to provide additional disclosures in its interim condensed consolidated financial statements, but will disclose additional information in its annual consolidated financial statements for the year ended 31 December 2017.

Amendments to IAS 12 Income Taxes: Recognition of Deferred Tax Assets for Unrecognised Losses

The amendments clarify that an entity needs to consider whether tax law restricts the sources of taxable profits against which it may make deductions on the reversal of that deductible temporary difference. Furthermore, the amendments provide guidance on how an entity should determine future taxable profits and explain the circumstances in which taxable profit may include the recovery of some assets for more than their carrying amount.

Entities are required to apply the amendments retrospectively. However, on initial application of the amendments, the change in the opening equity of the earliest comparative period may be recognised in opening retained earnings (or in another component of equity, as appropriate), without allocating the change between opening retained earnings and other components of equity. Entities applying this relief must disclose that fact.

The Group applied the amendments retrospectively. However, their application has no effect on the Group's financial position and performance as the Group has no deductible temporary differences or assets that are in the scope of the amendments.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

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

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

Annual improvements 2014-2016 cycle

Amendments to IFRS 12 Disclosure of Interests in Other Entities: Clarification of the Scope of Disclosure Requirements in IFRS 12

The amendments clarify that the disclosure requirements in IFRS 12, other than those in paragraphs B10-B16, apply to an entity's interest in a subsidiary, a joint venture or an associate (or a portion of its interest in a joint venture or an associate) that is classified (or included in a disposal group that is classified) as held for sale.

These amendments do not affect the interim condensed consolidated financial statements since as at 30 September 2017 the Group does not have interests in other entities classified as held for sale.

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.

Weighted average currency exchange rates for the nine months ended 30 September 2017 and 2016 are as follows:

<i>Tenge</i>	For the nine months ended 30 September	
	2017	2016
US Dollars	323.3	343.99
Russian Rubles	5.55	5.05
Euro	360.23	383.86
Georgian Lari	131.32	149.44

As at 30 September 2017 and 31 December 2016 the currency exchange rates of KASE are:

<i>Tenge</i>	30 September 2017	31 December 2016
US Dollars	341.19	333.29
Russian Rubles	5.90	5.43
Euro	402.64	352.42
Georgian Lari	138.41	126.25

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

Property, plant and equipment as at 30 September 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 2016 (audited)	19,803,815	202,402,253	14,258,143	96,958,727	145,295,540	88,061,076	15,398,884	40,428,912	622,607,350
Foreign currency translation	328,838	-	230,524	1,134,756	650,596	-	13,430	26,447	2,384,591
Additions	380	143,281	228,778	-	854,955	1,166	539,333	20,865,172	22,633,065
Disposals	-	(106,461)	(29,244)	(21,752)	(209,027)	(500,205)	(158,502)	(75,591)	(1,100,782)
Revaluation (through revaluation reserve)	-	-	-	-	-	135	-	-	135
Transfer to intangible assets (Note 4)	-	-	-	-	-	-	-	(50,221)	(50,221)
Transfer from construction-in-progress	763	641,501	188,756	3,965,940	5,157,516	-	1,312,062	(11,266,538)	-
Transfers and reclassifications	-	22,114	(188,940)	151,735	420,674	-	134,918	(540,501)	-
At revalued amount as at 30 September 2017 (unaudited)	20,133,796	203,102,688	14,688,017	102,189,406	152,170,254	87,562,172	17,240,125	49,387,680	646,474,138
Accumulated depreciation and impairment as at 31 December 2016 (audited)	-	(5,664,218)	(797,704)	(2,026,280)	(7,868,018)	(199,540)	(1,838,562)	(57,681)	(18,452,003)
Foreign currency translation	-	-	(19,773)	(63,600)	(49,827)	-	(2,594)	-	(135,794)
Depreciation charge	-	(11,324,040)	(1,556,150)	(4,594,551)	(15,471,343)	-	(3,399,026)	-	(36,345,110)
Disposals	-	35,478	25,849	20,407	132,184	199,540	118,426	50,366	582,250
Impairment (through expenses)	-	(1,515)	-	(36,655)	(631)	-	-	-	(38,801)
Impairment (revaluation reserve)	-	(11,530)	-	(101,732)	(487)	-	-	-	(113,749)
Transfers and reclassifications	-	78	(24)	(8,131)	8,601	-	(524)	-	-
Accumulated depreciation and impairment as at 30 September 2017 (unaudited)	-	(16,965,747)	(2,347,802)	(6,810,542)	(23,249,521)	-	(5,122,280)	(7,315)	(54,503,207)
<i>In thousands of Tenge</i>	Land	Pipelines	Transportation assets	Buildings and constructions	Machinery and equipment	Technological oil	Other	Construction in progress	Total
As at 30 September 2017 (unaudited)									
At revalued amount	20,133,796	203,102,688	14,688,017	102,189,406	152,170,254	87,562,172	17,240,125	49,387,680	646,474,138
Accumulated depreciation and impairment	-	(16,965,747)	(2,347,802)	(6,810,542)	(23,249,521)	-	(5,122,280)	(7,315)	(54,503,207)
Net book value (unaudited)	20,133,796	186,136,941	12,340,215	95,378,864	128,920,733	87,562,172	12,117,845	49,380,365	591,970,931
As at 31 December 2016 (audited)									
At revalued amount	19,803,815	202,402,253	14,258,143	96,958,727	145,295,540	88,061,076	15,398,884	40,428,912	622,607,350
Accumulated depreciation and impairment	-	(5,664,218)	(797,704)	(2,026,280)	(7,868,018)	(199,540)	(1,838,562)	(57,681)	(18,452,003)
Net book value (audited)	19,803,815	196,738,035	13,460,439	94,932,447	137,427,522	87,861,536	13,560,322	40,371,231	604,155,347

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

3. PROPERTY, PLANT AND EQUIPMENT (continued)

As at 30 September 2017 construction in progress mainly includes the following production projects:

- Construction and reconstruction, realized as part of interstate “Kazakhstan-China” oil pipeline construction project;
- Reconstruction of main oil pipelines “Kalamkas-Karazhanbas-Aktau” on the “Karazhanbas-Aktau” route;
- Reconstruction of at 645-677 km of the main oil pipeline “Uzen-Atyrau-Samara”;
- Reconstruction of water pumping station (WPS-5) to increase the supply of water for the water pipeline “Astrakhan-Mangyshlak”;
- Organization of high-speed communication channels in the “Kenkiyak-Kumkol” area, modernization of oil metering systems in the main oil pumping station (Pavlodar) and point of acceptance (Shymkent), reconstruction of fire fighting systems of facilities and others.

As at 30 September 2017:

- The initial cost and corresponding accumulated depreciation of fully depreciated property, plant and equipment were 4,704,202 thousand Tenge (31 December 2016: 1,482,726 thousand Tenge);
- The volume of oil in pipelines, included in property, plant and equipment, amounted to 2,460 thousand tons (31 December 2016: 2,460 thousand tons);
- Construction in progress included materials and spare parts in the amount of 3,034,721 thousand Tenge (31 December 2016: 2,432,369 thousand Tenge), which were acquired for construction works.

The amount of depreciation for nine months ended 30 September 2017 included in the cost of construction in progress was 26,244 thousand Tenge (for nine months ended 30 September 2016: 11,130 thousand Tenge).

4. INTANGIBLE ASSETS

Intangible assets as at 30 September 2017 and 31 December 2016 are as follows:

<i>In thousands of Tenge</i>	Licenses	Software	Right for land use	Other	Total
Net book value as at 31 December 2016 (audited)	152,886	1,088,171	4,991,673	27,871	6,260,601
Additions	105,874	21,855	–	457	128,186
Amortization charge	(36,240)	(237,301)	(126,087)	(2,546)	(402,174)
Disposals	(20,411)	(41,244)	–	(1,909)	(63,564)
Accumulated amortization on disposals	20,089	41,244	–	1,908	63,241
Transfers and reclassifications from property, plant and equipment (Note 3)	11,221	39,000	–	–	50,221
Foreign currency translation	418	–	463,019	–	463,437
Transfers and reclassifications	1,601	16	(1,617)	–	–
Net book value as at 30 September 2017 (unaudited)	235,438	911,741	5,326,988	25,781	6,499,948
As at 30 September 2017 (unaudited)					
At cost	772,902	4,555,529	8,794,840	83,570	14,206,841
Accumulated amortization and impairment	(537,464)	(3,643,788)	(3,467,852)	(57,789)	(7,706,893)
Net book value (unaudited)	235,438	911,741	5,326,988	25,781	6,499,948
As at 31 December 2016 (audited)					
At cost	672,215	4,535,902	8,036,273	85,022	13,329,412
Accumulated amortization and impairment	(519,329)	(3,447,731)	(3,044,600)	(57,151)	(7,068,811)
Net book value (audited)	152,886	1,088,171	4,991,673	27,871	6,260,601

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

5. INVESTMENTS IN JOINT VENTURES

Investments in joint ventures as at 30 September 2017 and 31 December 2016 are as follows:

<i>In thousands of Tenge</i>	KCP	MunaiTas	Total
As at 31 December 2016 (audited)	–	15,728,257	15,728,257
Share in income of joint ventures	3,863,657	1,484,170	5,347,827
Unrecognised share in income of joint venture	(836,291)	–	(836,291)
Share in other comprehensive income of joint ventures	297,961	–	297,961
As at 30 September 2017 (unaudited)	3,325,327	17,212,427	20,537,754

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

<i>In thousands of Tenge</i>	KCP	MunaiTas	Total
As at 31 December 2015 (audited)	–	13,918,006	13,918,006
Share in income of joint ventures	5,182,020	1,764,785	6,946,805
Unrecognised share in income of joint venture	(5,182,020)	–	(5,182,020)
Share in other comprehensive income of joint ventures	56,023	976,259	1,032,282
Unrecognised share in other comprehensive income of joint ventures	(56,023)	–	(56,023)
Dividends	–	(1,487,160)	(1,487,160)
As at 30 September 2016 (unaudited)	–	15,171,890	15,171,890

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 September 2017 (unaudited)		31 December 2016 (audited)	
	50%	100%	50%	100%
Assets and liabilities of joint ventures				
Current assets	6,941,305	13,882,610	8,302,354	16,604,708
Non-current assets	105,298,089	210,596,178	110,886,209	221,772,418
Current liabilities	(20,730,314)	(41,460,628)	(20,275,079)	(40,550,158)
Non-current liabilities	(88,183,753)	(176,367,506)	(99,421,809)	(198,843,618)
Net assets/(liabilities)	3,325,327	6,650,654	(508,325)	(1,016,650)
Unrecognised accumulated comprehensive loss	–	–	508,325	1,016,650
Net book value of investment	3,325,327	6,650,654	–	–
Additional information				
Cash and cash equivalents	1,670,076	3,340,152	6,259,460	12,518,920
Short-term financial liabilities, net of trade and other payables	(15,132,077)	(30,264,154)	(16,270,055)	(32,540,110)
Long-term financial liabilities	(85,631,598)	(171,263,196)	(97,898,723)	(195,797,446)

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

5. INVESTMENTS IN JOINT VENTURES (continued)

<i>In thousands of Tenge</i>	MunaiTas			
	30 September 2017 (unaudited)		31 December 2016 (audited)	
	51%	100%	51%	100%
Assets and liabilities of joint ventures				
Current assets	7,517,167	14,739,543	5,808,421	11,389,061
Non-current assets	12,900,578	25,295,251	13,464,948	26,401,859
Current liabilities	(461,656)	(905,208)	(706,488)	(1,385,271)
Non-current liabilities	(2,743,662)	(5,379,729)	(2,838,624)	(5,565,929)
Net assets	17,212,427	33,749,857	15,728,257	30,839,720
Unrecognised accumulated comprehensive loss	-	-	-	-
Net book value of investment	17,212,427	33,749,857	15,728,257	30,839,720
Additional information				
Cash and cash equivalents	7,126,409	13,973,351	5,641,461	11,061,688
Short-term financial liabilities, net of trade and other payables	-	-	-	-
Long-term financial liabilities	-	-	-	-

<i>In thousands of Tenge</i>	KCP			
	For the nine months ended 30 September (unaudited)			
	2017		2016	
	50%	100%	50%	100%
Information on profit or loss and other comprehensive income of joint ventures for the period				
Revenue	23,317,396	46,634,792	20,622,853	41,245,706
Income from continuing operations for the period	3,863,657	7,727,314	5,182,020	10,364,040
Unrecognised income	(836,291)	(1,672,582)	(5,182,020)	(10,364,040)
Income/(loss) from discontinued operations for the period	-	-	-	-
Other comprehensive income	297,961	595,922	56,023	112,046
Unrecognised other comprehensive income	-	-	(56,023)	(112,046)
Total comprehensive income	3,325,327	6,650,654	-	-
Dividends	-	-	-	-
Additional information				
Depreciation and amortization	(5,414,063)	(10,828,126)	(5,379,524)	(10,759,048)
Interest income	64,253	128,506	53,163	106,326
Interest expense	(4,647,016)	(9,294,032)	(4,621,368)	(9,242,736)
(Loss)/income on exchange rate differences	(1,784,397)	(3,568,793)	1,246,414	2,492,828
Income tax (expense)/benefit	(1,054,383)	(2,108,766)	14,006	28,012

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 30 September (unaudited)			
	2017		2016	
	50%	100%	50%	100%
Information on profit or loss and other comprehensive income of joint ventures for the period				
Revenue	8,131,456	16,262,912	6,444,333	12,888,666
(Loss)/income from continuing operations for the period	(2,461,528)	(4,923,056)	1,762,436	3,524,872
Unrecognised income	-	-	(1,762,436)	(3,524,872)
Income/(loss) from discontinued operations for the period	-	-	-	-
Other comprehensive income	356,485	712,970	428,604	857,208
Unrecognised other comprehensive income	-	-	(428,604)	(857,208)
Total comprehensive loss	(2,105,043)	(4,210,086)	-	-
Dividends	-	-	-	-
Additional information				
Depreciation and amortization	(1,805,664)	(3,611,328)	(1,793,882)	(3,587,764)
Interest income	25,691	51,382	18,609	37,218
Interest expense	(1,599,224)	(3,198,448)	(1,789,682)	(3,579,364)
(Loss)/income on exchange rate differences	(5,489,307)	(10,978,613)	1,061,805	2,123,610
Income tax benefit	586,934	1,173,868	107,151	214,302

<i>In thousands of Tenge</i>	MunaiTas			
	For the nine months ended 30 September (unaudited)			
	2017		2016	
	51%	100%	51%	100%
Information on profit or loss and other comprehensive income of joint ventures for the period				
Revenue	3,348,486	6,565,659	3,955,766	7,756,404
Income from continuing operations for the period	1,484,170	2,910,137	1,764,785	3,460,363
Income/(loss) from discontinued operations for the period	-	-	-	-
Other comprehensive income	-	-	976,259	1,914,233
Total comprehensive income	1,484,170	2,910,137	2,741,044	5,374,596
Dividends	-	-	(1,487,160)	(2,916,000)
Additional information				
Depreciation and amortization	(735,874)	(1,442,890)	(786,215)	(1,541,598)
Interest income	410,103	804,124	314,251	616,178
Interest expense	-	-	-	-
Income tax expense	(372,455)	(730,304)	(481,915)	(944,931)

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

5. INVESTMENTS IN JOINT VENTURES (continued)

<i>In thousands of Tenge</i>	MunaiTas			
	For the three months ended 30 September			
	(unaudited)			
	2017		2016	
	51%	100%	51%	100%
Information on profit or loss and other comprehensive income of joint ventures for the period				
Revenue	931,223	1,825,928	1,331,129	2,610,057
Income from continuing operations for the period	336,037	658,896	689,672	1,352,298
Income/(loss) from discontinued operations for the period	-	-	-	-
Other comprehensive income	-	-	958,921	1,880,237
Total comprehensive income	336,037	658,896	1,648,593	3,232,535
Dividends	-	-	-	-
Additional information				
Depreciation and amortization	(230,858)	(452,663)	(257,449)	(504,802)
Interest income	140,931	276,336	122,442	240,082
Interest expense	-	-	-	-
Income tax expense	(83,922)	(164,553)	(172,870)	(338,960)

6. ADVANCES TO SUPPLIERS FOR PROPERTY, PLANT AND EQUIPMENT

Advances to suppliers for property, plant and equipment as at 30 September 2017 and 31 December 2016 are as follows:

<i>In thousands of Tenge</i>	30 September 2017 (unaudited)	31 December 2016 (audited)
Advances to third parties for property, plant and equipment and construction services	1,758,639	1,717,166
Advances to related parties for property, plant and equipment and construction services (<i>Note 31</i>)	382,529	14,695
	2,141,168	1,731,861
Less: allowance for doubtful debts	(53,258)	(53,258)
Total	2,087,910	1,678,603

7. INVENTORIES

Inventories as at 30 September 2017 and 31 December 2016 are as follows:

<i>In thousands of Tenge</i>	30 September 2017 (unaudited)	31 December 2016 (audited)
Spare parts	2,313,128	1,511,168
Fuel	1,669,786	1,580,081
Construction materials	804,725	517,552
Overalls	508,118	144,234
Chemical reagents	399,147	62,220
Goods	88,583	133,548
Other	407,965	450,232
Total	6,191,452	4,399,035

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 September 2017 and 31 December 2016 are as follows:

<i>In thousands of Tenge</i>	30 September 2017 (unaudited)	31 December 2016 (audited)
Trade accounts receivable from third parties	5,800,820	5,151,952
Trade accounts receivable from related parties (Note 31)	4,017,523	3,030,762
Other accounts receivable from third parties	709,354	672,111
Other accounts receivable from related parties (Note 31)	509	509
	10,528,206	8,855,334
Less: allowance for doubtful debts	(2,418,745)	(2,378,382)
Total	8,109,461	6,476,952

Movement in allowance for doubtful debts related to trade and other accounts receivable for the three and nine months ended 30 September 2017 and 2016 is presented as follows:

<i>In thousands of Tenge</i>	For the three months ended 30 September (unaudited)		For the nine months ended 30 September (unaudited)	
	2017	2016	2017	2016
At the beginning of the period	2,336,800	745,439	2,378,382	759,853
(Reversal)/charge for the period	(11,202)	123,331	(41,766)	92,037
Write-off of accounts receivable	-	-	-	(1,351)
Foreign currency translation	93,147	(5,003)	82,129	13,228
At the end of the period (unaudited)	2,418,745	863,767	2,418,745	863,767

Trade and other accounts receivable of the Group as at 30 September 2017 and 31 December 2016 are denominated as follows:

<i>In thousands of Tenge</i>	30 September 2017 (unaudited)	31 December 2016 (audited)
Tenge	6,267,328	5,192,550
US Dollars	1,787,494	977,206
Russian Ruble	1,755	1,569
Other currency	52,884	305,627
Total	8,109,461	6,476,952

9. ADVANCES TO SUPPLIERS

Advances to suppliers as at 30 September 2017 and 31 December 2016 are as follows:

<i>In thousands of Tenge</i>	30 September 2017 (unaudited)	31 December 2016 (audited)
Advances to third parties	569,199	117,504
Advances to related parties (Note 31)	534,943	257,916
	1,104,142	375,420
Less: allowance for doubtful debts	(1,265)	(38)
Total	1,102,877	375,382

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 September 2017 and 31 December 2016 are as follows:

<i>In thousands of Tenge</i>	30 September 2017 (unaudited)	31 December 2016 (audited)
VAT recoverable	5,805,704	6,072,444
Withholding tax at the source of payment	30,645	31,585
Property tax	12,766	231,808
Other taxes prepaid	165,350	110,541
Total	6,014,465	6,446,378

11. OTHER CURRENT ASSETS

Other current assets as at 30 September 2017 and 31 December 2016 are as follows:

<i>In thousands of Tenge</i>	30 September 2017 (unaudited)	31 December 2016 (audited)
Due for oil transportation coordination services	5,746,162	5,551,741
Deferred expenses from third parties	477,274	31,547
Due from employees	111,815	24,252
Prepaid insurance	-	31,629
Deferred expenses from related parties (Note 31)	1,636	5,791
Other	26,481	82,169
Total	6,363,368	5,727,129

12. BANK DEPOSITS

Bank deposits as at 30 September 2017 and 31 December 2016 are as follows:

<i>In thousands of Tenge</i>	30 September 2017 (unaudited)	31 December 2016 (audited)
Short-term bank deposits – US Dollar	19,126,290	14,498,115
Short-term bank deposits – Tenge	15,000,000	1,000,000
Restricted bank deposits – US Dollar	1,436,751	-
Long-term bank deposits – Tenge	3,719,714	4,182,770
Accrued interest on deposits – Tenge	88,907	96,715
Accrued interest on deposits – US Dollar	61,385	80,788
Total	39,433,047	19,858,388

As at 30 September 2017 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 0.6% to 1.8% per annum (as at 31 December 2016: from 1% to 2% per annum), maturing in the period from October 2017 to August 2018 (as at 31 December 2016: maturing in July and August 2017);
- Tenge denominated short term bank deposit with maturity from 3 to 12 months, with interest from 7.4% to 11% per annum, maturing in December 2017 and in January 2018 (as at 31 December 2016: 11% per annum, maturing in January 2017). In July 2017, the Group placed a short-term deposit in Bank RBK JSC for the amount of 5,000,000 thousand Tenge with an interest rate of 11%, the maturity of which expires in December 2017. As at 30 September 2017, Bank RBK JSC was experiencing difficulties in securing sufficient liquidity, and therefore the timely implementation of client payments by the bank was limited. Meanwhile, the National Bank of the Republic of Kazakhstan, together with the government of the Republic of Kazakhstan, has started practical realization of the complex plan of financial rehabilitation of Bank RBK JSC. The management of the Company expects return of deposit from Bank RBK JSC when it due.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

12. BANK DEPOSITS (continued)

- Restricted deposits:
 - Short-term bank deposit in the amount of 4,211 thousand US Dollar (equivalent to 1,436,751 thousand Tenge) placed with a foreign bank with a 4% interest rate per annum, maturing in February 2018, arranged as collateral for a bank guarantee in favor of “Georgian Railway” JSC to get a discount on tariff for the railway services.
 - Long-term bank deposits comprise restricted deposits with interest from 2% to 3.5% per annum maturing in 2029 and in 2027, respectively (as at 31 December 2016: from 2% to 3.5% per annum maturing in 2029 and 2026, respectively), arranged for the purpose of preferential lending rates for the Company’s employees for the purchase of residential property.

13. CASH AND CASH EQUIVALENTS

Cash and cash equivalents as at 30 September 2017 and 31 December 2016 are as follows:

<i>In thousands of Tenge</i>	30 September 2017 (unaudited)	31 December 2016 (audited)
Time deposits with banks – Tenge	38,427,717	52,590,424
Time deposits with banks – US Dollars	–	10,699,446
Current accounts with banks – US Dollars	2,277,317	5,370,006
Current accounts with banks – Tenge	2,166,645	285,255
Current accounts with banks – Lari	820,904	268,298
Current accounts with banks – Euro	14,671	59,992
Current accounts with banks – Russian Ruble	1,338	4,999
Other current accounts with banks	10,285	15,127
Cash in transit	31,847	52
Cash on hand	1,290	830
Total	43,752,014	69,294,429

As at 30 September 2017 most current accounts and time deposits with maturity less than 3 months in Tenge placed with Kazakhstani banks carried interest ranging from 0.5% to 8% per annum (as at 31 December 2016: from 0.5% to 10.50% per annum).

Interest for current accounts and time deposits with maturity less than 3 months placed in US Dollars ranged from 0.25% to 4% per annum (as at 31 December 2016: from 0.25% to 4% per annum).

14. EQUITY

Share capital

As at 30 September 2017 and 31 December 2016 the Company’s share capital comprised of 384,635,600 common shares authorized, issued and fully paid in the amount of 62,503,284 thousand Tenge, except for 1 share which was authorized but not issued and not paid.

As at 30 September 2017 and 31 December 2016 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 impairment 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>	30 September 2017 (unaudited)	31 December 2016 (audited)
Asset revaluation reserve of the Group	191,790,932	207,642,414
Share in the asset revaluation reserve of the joint ventures	21,686,785	22,704,244
Total	213,477,717	230,346,658

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

14. EQUITY (continued)

Foreign currency translation reserve

As at 30 September 2017 foreign currency translation reserve was equal to 35,602,917 thousand Tenge (as at 31 December 2016: 32,918,111 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 30 September 2017, other capital reserves comprised a loss of 846,135 thousand Tenge (as at 31 December 2016: 695,389 thousand Tenge). The change in other capital reserves is due to the write-off of deferred tax assets related to long-term liabilities for employee benefits in the amount of 150,746 thousand Tenge.

Dividends

On 30 September 2017 the Company accrued and paid dividends as the result of 2016 year to the shareholders based on the decision of the shareholders meeting dated 25 May 2017 in the amount of 59,617,355 thousand Tenge based on 155 Tenge per 1 share (as at 31 December 2016: 51,156,535 thousand Tenge based on 133 Tenge per 1 share), including 53,656,666 thousand Tenge related to KMG (as at 31 December 2016: 46,040,881 thousand Tenge) and 5,960,689 thousand Tenge related to minority shareholders (as at 31 December 2016: 5,115,654 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.

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

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

<i>In thousands of Tenge</i>	For the three months ended 30 September (unaudited)		For the nine months ended 30 September (unaudited)	
	2017	2016	2017	2016
Net profit for the period attributable to ordinary equity holders of the Parent of the Group	15,343,486	4,498,532	48,077,584	43,021,422
Weighted average number of ordinary shares for the period for basic earnings per share	384,628,099	384,628,099	384,628,099	384,632,266
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)	40	12	125	112

Book value per ordinary share

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

<i>In thousands of Tenge</i>	30 September 2017 (unaudited)	31 December 2016 (audited)
Total assets	733,842,395	744,975,997
Less: intangible assets (Note 4)	(6,499,948)	(6,260,601)
Less: total liabilities	(154,061,311)	(157,000,715)
Net assets for calculation of book value per ordinary share	573,281,136	581,714,681
Number of ordinary shares	384,628,099	384,628,099
Book value per ordinary share (in Tenge)	1,490	1,512

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

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 30 September 2017 and 31 December 2016 are as follows:

<i>In thousands of Tenge</i>	30 September 2017 (unaudited)	31 December 2016 (audited)
Current portion of employee benefit liabilities	450,230	543,418
Non-current portion of employee benefit liabilities	13,243,806	11,994,599
Total	13,694,036	12,538,017

Changes in the present value of employee benefit liabilities for the three and nine months ended 30 September 2017 and 2016 are as follows:

<i>In thousands of Tenge</i>	For the three months ended 30 September (unaudited)		For the nine months ended 30 September (unaudited)	
	2017	2016	2017	2016
At the beginning of the period	13,316,517	16,206,685	12,538,017	15,533,710
Current services cost (Notes 23, 24)	277,781	267,213	837,053	802,212
Interest cost (Note 28)	275,917	207,861	831,433	624,032
Benefits paid	(176,179)	(146,135)	(512,467)	(424,330)
At the end of the period (unaudited)	13,694,036	16,535,624	13,694,036	16,535,624

16. DEFERRED INCOME

As at 30 September 2017 deferred income represents advances in the amount of 7,753,135 thousand Tenge (31 December 2016: 7,731,328 thousand Tenge), which are received from the Group from "Batumi International Container Terminal" LLC based on agreement for operating lease of land.

17. TRADE AND OTHER ACCOUNTS PAYABLE

Trade and other accounts payable as at 30 September 2017 and 31 December 2016 are as follows:

<i>In thousands of Tenge</i>	30 September 2017 (unaudited)	31 December 2016 (audited)
Accounts payable to third parties for goods and services	13,259,435	13,330,438
Accounts payable to related parties for goods and services (Note 31)	775,891	1,947,068
Other accounts payable to third parties	249,375	106,515
Other accounts payable to related parties (Note 31)	773	777
Total	14,285,474	15,384,798

As at 30 September 2017 trade and other accounts payable included payables to related and third parties for property, plant and equipment, for works and services related to the construction-in-progress in the amount of 10,382,772 thousand Tenge (as at 31 December 2016: 11,769,003 thousand Tenge).

Trade and other accounts payable as at 30 September 2017 and 31 December 2016 are denominated in the following currencies:

<i>In thousands of Tenge</i>	30 September 2017 (unaudited)	31 December 2016 (audited)
Tenge	13,517,750	14,755,776
US Dollars	247,100	113,875
Euro	8,871	20,135
Russian Rubles	8,156	44,737
Other currency	503,597	450,275
Total	14,285,474	15,384,798

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

18. ADVANCES RECEIVED

Advances received as at 30 September 2017 and 31 December 2016 are as follows:

<i>In thousands of Tenge</i>	30 September 2017 (unaudited)	31 December 2016 (audited)
Advances received from related parties (Note 31)	10,126,414	10,407,356
Advances received from third parties	7,593,056	6,037,076
Total	17,719,470	16,444,432

19. OTHER TAXES PAYABLE

Other taxes payable as at 30 September 2017 and 31 December 2016 are as follows:

<i>In thousands of Tenge</i>	30 September 2017 (unaudited)	31 December 2016 (audited)
Personal income tax	3,141,255	2,833,115
Withholding tax at the source of payment to non-residents	1,202,354	1,172,181
Social tax	309,778	530,575
Property tax	126,240	162,122
VAT payable	1,470	8,650
Other taxes	294,866	349,023
Total	5,075,963	5,055,666

20. PROVISIONS

Movements in provisions for the nine months ended 30 September 2017 and 2016 are as follows:

Short-term provisions

<i>In thousands of Tenge</i>	Tax provisions (BTL)	Environmental provisions (Company)	Other (Company)	Total
As at 31 December 2016 (audited)	166,978	-	41,125	208,103
Accrual	-	-	64,660	64,660
Foreign currency translation	19,994	-	3,578	23,572
As at 30 September 2017 (unaudited)	186,972	-	109,363	296,335

<i>In thousands of Tenge</i>	Tax provisions (BTL)	Environmental provisions (Company)	Other (Company)	Total
As at 31 December 2015 (audited)	22,066	41,125	-	63,191
Reclassification	-	(41,125)	41,125	-
Foreign currency translation	(261)	-	-	(261)
As at 30 September 2016 (unaudited)	21,805	-	41,125	62,930

Long-term provisions

Asset retirement and land recultivation obligation

As at 30 September 2017 the Group revised the long-term provisions considering current best estimate, which was based on the discount rate of 9.25% (as at 31 December 2016: 8.72%). As at 30 September 2017 the inflation rate was 5.61% (as at 31 December 2016: 5.58%).

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

20. PROVISIONS (continued)

Long-term provisions (continued)

Asset retirement and land recultivation obligation (continued)

Movement in the long-term provisions for the three and nine months ended 30 September 2017 and 2016 is as follows:

<i>In thousands of Tenge</i>	For the three months ended 30 September (unaudited)		For the nine months ended 30 September (unaudited)	
	2017	2016	2017	2016
At the beginning of the period	16,039,444	17,348,843	15,022,086	21,999,701
Charge for the period	-	85,386	-	127,047
Revision of estimates and write-off of provision through profit and loss (Note 25)	(1,051,398)	(690,691)	(1,311,571)	(2,006,887)
Revision of estimates through revaluation reserve	(1,398,881)	(4,826,949)	(755,552)	(8,934,041)
Unwinding of discount (Note 28)	323,746	321,922	957,948	1,052,691
At the end of the period (unaudited)	13,912,911	12,238,511	13,912,911	12,238,511

21. OTHER CURRENT LIABILITIES

Other current liabilities as at 30 September 2017 and 31 December 2016 are as follows:

<i>In thousands of Tenge</i>	30 September 2017 (unaudited)	31 December 2016 (audited)
Accounts payable for oil transportation coordination services to related parties (Note 31)	7,761,495	5,656,284
Accounts payable for oil transportation coordination services to third parties	5,861,202	5,067,651
Salaries and other compensations	3,595,489	9,506,279
Current portion of deferred income from third parties	513,278	460,940
Payable to pension fund	356,972	580,524
Other	676,362	1,241,923
Total	18,764,798	22,513,601

Salaries and other compensations comprise current salary payable and vacation payments payable.

22. REVENUE

Revenue for the three and nine months ended 30 September 2017 and 2016 is as follows:

<i>In thousands of Tenge</i>	For the three months ended 30 September (unaudited)		For the nine months ended 30 September (unaudited)	
	2017	2016	2017	2016
Crude oil transportation	47,845,477	42,127,512	137,728,577	129,248,549
Pipeline operation services	2,461,891	2,312,802	7,389,018	6,915,611
Oil reloading and railway shipment	1,835,328	1,328,977	6,100,994	5,867,781
Water transportation	1,761,493	1,939,886	5,320,361	5,432,963
Seaport services	1,138,161	1,483,779	3,316,088	4,173,287
Fees for undelivered oil volumes	1,454,194	243,741	3,449,440	756,523
Oil transportation coordination services	173,413	172,495	503,709	526,391
Oil storage services	27,027	13,900	88,526	52,226
Other	283,722	315,485	721,549	1,383,240
Total	56,980,706	49,938,577	164,618,262	154,356,571

During the nine months period ended 30 September 2017 revenue from sales to three major customers amounted to 37,507,918 thousand Tenge, 19,644,460 thousand Tenge and 11,313,800 thousand Tenge, respectively (for the nine month period ended 30 September 2016: 38,787,521 thousand Tenge, 18,428,407 thousand Tenge and 9,959,511 thousand Tenge, respectively).

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

23. COST OF SALES

Cost of sales for the three and nine months ended 30 September 2017 and 2016 is as follows:

<i>In thousands of Tenge</i>	For the three months ended 30 September (unaudited)		For the nine months ended 30 September (unaudited)	
	2017	2016	2017	2016
Depreciation and amortization	11,931,717	10,472,478	35,801,651	28,473,305
Personnel costs	10,332,349	11,771,132	32,742,884	31,728,194
Taxes other than income tax	1,865,264	1,545,473	5,688,825	4,651,234
Electric energy	1,839,850	1,679,167	5,464,298	5,069,227
Materials and fuel	1,984,971	2,081,864	5,067,823	4,670,831
Repair and maintenance	1,729,700	1,417,629	3,968,701	3,514,300
Security services	1,069,219	1,043,830	3,198,720	3,053,283
Gas expenses	1,089,962	870,729	2,584,406	2,624,777
Railway services	650,134	8,708	1,979,071	1,124,847
Air services	274,514	404,939	945,557	1,150,560
Post-employment benefits (Note 15)	261,808	251,122	788,896	753,364
Business trip expenses	248,020	280,749	661,295	676,619
Insurance	162,610	171,271	480,115	494,948
Operational rent expenses	96,632	64,441	233,488	185,819
Communication services	66,117	66,704	191,210	194,812
Diagnostics of pipelines	137,887	56,191	159,920	106,666
Environmental protection	47,492	80,826	144,963	185,914
Other	864,751	675,841	2,175,036	1,602,981
Total	34,652,997	32,943,094	102,276,859	90,261,681

Increase in personnel costs is due to the indexation of salaries of operating personnel made starting from 1 January 2017 and accrual of premiums on statutory holidays.

Decrease in personnel costs for the three months ended 30 September 2017 is due to the withdrawal of support staff for outsourcing, as well as the closure of the branch "Main Information and Computing Center".

The increase in depreciation and amortization expenses and taxes (except for income tax) is primarily associated with a significant commissioning of objects of construction in progress as well as a significant revaluation of property, plant and equipment during 2016.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

24. GENERAL AND ADMINISTRATIVE EXPENSES

General and administrative expenses for the three and nine months ended 30 September 2017 and 2016 are as follows:

<i>In thousands of Tenge</i>	For the three months ended 30 September (unaudited)		For the nine months ended 30 September (unaudited)	
	2017	2016	2017	2016
Personnel costs	1,700,112	1,972,021	5,448,921	5,570,981
Depreciation and amortization	309,908	296,031	919,389	740,235
Consulting services	241,063	164,024	559,324	406,923
Office maintenance	131,292	125,350	375,221	348,035
Taxes other than income tax	79,635	69,124	286,753	200,396
Social sphere expenses	173,984	23,688	219,405	29,346
Business trip expenses	69,453	66,848	215,123	210,967
Repair and technical maintenance	76,730	52,408	211,000	158,184
Materials and fuel	84,206	35,487	107,262	61,806
Operational rent expenses	36,309	8,815	106,037	28,775
Insurance and security	32,125	35,699	98,281	106,087
Training	20,825	29,294	94,011	81,539
Bank costs	26,533	54,421	85,765	106,145
Information expenses	30,080	22,760	80,625	66,887
Communication services	23,154	25,107	70,682	74,457
Write-off of VAT recoverable	23,200	24,400	67,902	81,979
Post-employment benefits (Note 15)	15,973	16,091	48,157	48,848
Advertising expenses	10,876	20,686	42,670	44,601
Charity expenses	8,368	8,849	28,127	98,935
Transportation expenses	1,963	1,713	3,556	3,440
(Reversal)/charge of provision for doubtful debts, net	(11,114)	123,331	(40,413)	92,037
Other	154,362	35,591	393,395	335,751
Total	3,239,037	3,211,738	9,421,193	8,896,354

25. OTHER OPERATING INCOME

Other operating income for the three and nine months ended 30 September 2017 and 2016 is as follows:

<i>In thousands of Tenge</i>	For the three months ended 30 September (unaudited)		For the nine months ended 30 September (unaudited)	
	2017	2016	2017	2016
Income from disposal of inventories	1,119,836	-	1,344,217	26,014
Revision of estimates and provision on asset retirement and land recultivation obligation (Note 20)	1,051,398	690,691	1,311,571	2,006,887
Income from fines and penalties	410,425	21,360	637,580	210,792
Other income	84,275	62,821	335,045	204,687
Total	2,665,934	774,872	3,628,413	2,448,380

26. OTHER OPERATING EXPENSES

Other operating expenses for the three and nine months ended 30 September 2017 and 2016 are as follows:

<i>In thousands of Tenge</i>	For the three months ended 30 September (unaudited)		For the nine months ended 30 September (unaudited)	
	2017	2016	2017	2016
Loss on disposal of inventories	1,104,210	-	1,306,564	15,462
Net loss on disposal of property, plant and equipment and intangible assets	18,943	4,113	453,654	91,946
Other expenses	119,408	276,921	168,698	142,241
Total	1,242,561	281,034	1,928,916	249,649

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

27. FINANCE INCOME

Finance income for the three and nine months ended 30 September 2017 and 2016 is as follows:

<i>In thousands of Tenge</i>	For the three months ended 30 September (unaudited)		For the nine months ended 30 September (unaudited)	
	2017	2016	2017	2016
Interest income on bank deposits and current accounts	799,296	1,069,631	3,729,019	3,542,942
Unwinding of discount on interest free loan (Note 31)	-	-	-	1,264,921
Unwinding of discount on loans to employees	(3,480)	2,692	-	8,703
Other finance income from third parties	9,207	7,500	15,580	25,112
Total	805,023	1,079,823	3,744,599	4,841,678

28. FINANCE COSTS

Finance costs for the three and nine months ended 30 September 2017 and 2016 are as follows:

<i>In thousands of Tenge</i>	For the three months ended 30 September (unaudited)		For the nine months ended 30 September (unaudited)	
	2017	2016	2017	2016
Unwinding of discount on asset retirement and land reclamation obligation (Note 20)	323,746	321,922	957,948	1,052,691
Interest cost on employee benefit liabilities (Note 15)	275,917	207,861	831,433	624,032
Other finance costs	-	(37)	-	9,287
Total	599,663	529,746	1,789,381	1,686,010

29. INCOME TAX EXPENSE

Income tax expense for the three and nine months ended 30 September 2017 and 2016 is as follows:

<i>In thousands of Tenge</i>	For the three months ended 30 September (unaudited)		For the nine months ended 30 September (unaudited)	
	2017	2016	2017	2016
Current income tax expense	4,378,734	3,639,925	12,452,463	13,842,466
Deferred income tax (benefit)/expense	(393,938)	(2,226,342)	232,109	(5,165,050)
Income tax expense	3,984,796	1,413,583	12,684,572	8,677,416

Movement in deferred tax liabilities for the three and nine months ended 30 September 2017 and 2016 is as follows:

<i>In thousands of Tenge</i>	For the three months ended 30 September (unaudited)		For the nine months ended 30 September (unaudited)	
	2017	2016	2017	2016
At the beginning of the period	61,503,877	37,640,499	60,856,513	40,682,643
Charged to profit and loss	(393,938)	(2,226,342)	232,109	(5,165,050)
Charged to other comprehensive loss	257,815	26,244,596	279,132	26,201,064
Foreign currency translation	-	(9,497)	-	(69,401)
At the end of the period (unaudited)	61,367,754	61,649,256	61,367,754	61,649,256

The accrual of deferred income tax expense for the nine months ended 30 September 2017 is mainly attributable to the Company's revision of estimates in respect of the deductibility of employee benefits expenses for the purpose of determination of taxable income.

The recognition of the deferred income tax benefit for the nine months ended 30 September 2016 is mainly attributable to the write-off of the book value of the deferred tax liability for the BOT group in connection with a change in the tax legislation of Georgia providing for a change in the taxable base for the calculation of CITs from resident entrepreneurs.

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

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;
- Other segments.

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

Information on revenue, profit, assets and liabilities of the Group's segments for the three months ended 30 September 2017 and 2016, respectively, is presented below:

<i>In thousands of Tenge</i>	For the three months ended 30 September 2017 (unaudited)				For the three months ended 30 September 2016 (unaudited)			
	Oil transportation and related services (Kazakhstan)	Oil trans-shipment (Georgia)	Other	Total segments	Oil transportation and related services (Kazakhstan)	Oil trans-shipment (Georgia)	Other	Total segments
Revenue								
External customers	53,753,501	1,867,423	1,359,782	56,980,706	46,844,554	1,480,938	1,613,085	49,938,577
Total revenue	53,753,501	1,867,423	1,359,782	56,980,706	46,844,554	1,480,938	1,613,085	49,938,577
Financial results								
Impairment of property, plant and equipment through profit and loss	(38,368)	-	-	(38,368)	(9,146,154)	-	-	(9,146,154)
Depreciation and amortization	(11,464,866)	(561,050)	(215,709)	(12,241,625)	(9,998,623)	(433,185)	(336,701)	(10,768,509)
Interest income	799,589	2,637	6,277	808,503	1,061,147	6,433	9,551	1,077,131
Share in (loss)/income of joint ventures	(2,125,491)	-	-	(2,125,491)	689,672	-	-	689,672
Income tax (expense)/benefit	(3,981,780)	5,722	(8,738)	(3,984,796)	(1,403,935)	(225,151)	215,503	(1,413,583)
Segment profit/(loss) for the period	15,560,704	(2,909,178)	2,691,960	15,343,486	4,249,661	(198,533)	447,404	4,498,532

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 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 nine months ended 30 September 2017 and 30 September 2016 and the related balances as at 30 September 2017 and 31 December 2016:

Advances to related parties for property, plant and equipment are as follows:

<i>In thousands of Tenge</i>	Notes	30 September 2017 (unaudited)	31 December 2016 (audited)
Advances to related parties for property, plant and equipment			
Advances to entities under common control of KMG		–	14,695
Advances to entities under common control of Samruk-Kazyna Group		382,529	–
Total of advances to related parties for property, plant and equipment	6	382,529	14,695

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

<i>In thousands of Tenge</i>	Notes	30 September 2017 (unaudited)	31 December 2016 (audited)
Trade and other accounts receivable from related parties			
Trade accounts receivable from joint ventures		3,937,666	2,218,268
Trade accounts receivable from entities under common control of KMG		74,634	812,058
Trade accounts receivable from entities under common control of Samruk-Kazyna Group		5,223	436
Total trade accounts receivable from related parties	8	4,017,523	3,030,762
Other accounts receivables from entities under common control of KMG and Samruk-Kazyna Group	8	509	509
Total trade and other accounts receivable from related parties		4,018,032	3,031,271

Advances provided to related parties are as follows:

<i>In thousands of Tenge</i>	Notes	30 September 2017 (unaudited)	31 December 2016 (audited)
Advances paid to related parties			
Advances paid to entities under common control of KMG		365,077	140,560
Advances paid to entities under common control of Samruk-Kazyna Group		169,866	117,356
Total advances paid to related parties	9	534,943	257,916

Deferred expenses from related parties are as follows:

<i>In thousands of Tenge</i>	Notes	30 September 2017 (unaudited)	31 December 2016 (audited)
Deferred expenses from related parties			
Deferred expenses from entities under common control of Samruk-Kazyna Group		1,636	5,791
Total deferred expenses from related parties	11	1,636	5,791

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	30 September 2017 (unaudited)	31 December 2016 (audited)
Accounts payable to related parties for goods and services			
Accounts payable to entities under common control of KMG		413,287	668,777
Accounts payable to entities under common control of Samruk-Kazyna Group		362,604	1,278,291
Total accounts payable to related parties for goods and services	17	775,891	1,947,068
Other payables to related parties			
Other payables to entities under common control of Samruk-Kazyna Group	17	773	777
Total trade and other accounts payable to related parties		776,664	1,947,845

Advances received from related parties are as follows:

<i>In thousands of Tenge</i>	Notes	30 September 2017 (unaudited)	31 December 2016 (audited)
Advances received from related parties			
Advances from entities under common control of KMG		9,792,994	9,990,855
Advances from entities under common control of Samruk-Kazyna Group		333,420	416,492
Advances from joint ventures		-	9
Total advances received from related parties	18	10,126,414	10,407,356

Other current liabilities to related parties are as follows:

<i>In thousands of Tenge</i>	Notes	30 September 2017 (unaudited)	31 December 2016 (audited)
Accounts payable for oil transportation coordination to related parties			
Accounts payable for oil transportation coordination to entities under common control of KMG		7,761,495	5,656,284
Total accounts payable for oil transportation coordination to related parties	21	7,761,495	5,656,284
Employee benefit liabilities of key management personnel			
Employee benefit liabilities of key management personnel		22,441	43,840
Total employee benefit liabilities of key management personnel		22,441	43,840
Total other current liabilities to related parties		7,783,936	5,700,124

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 and nine months ended 30 September 2017 and 2016:

<i>In thousands of Tenge</i>	For the three months ended 30 September (unaudited)		For the nine months ended 30 September (unaudited)	
	2017	2016	2017	2016
Sales to related parties				
Revenue from main activities with entities under common control of KMG	30,131,439	28,429,821	87,254,110	85,966,441
Revenue from main activities with joint ventures	2,091,926	1,978,010	6,281,716	5,931,176
Revenue from main activities with entities under common control of Samruk-Kazyna Group	825,282	1,068,448	2,795,271	3,404,872
Revenue from other activities with entities under common control of KMG	9,751	3,559	76,706	24,616
Revenue from other activities with entities under common control of Samruk-Kazyna Group	1,092	-	1,371	1,338
Total	33,059,490	31,479,838	96,409,174	95,328,443

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 30 September (unaudited)		For the nine months ended 30 September (unaudited)	
	2017	2016	2017	2016
Purchases from related parties				
Purchases of services from entities under common control of KMG	1,704,720	2,087,807	5,619,072	6,894,535
Purchases of services from entities under common control of Samruk-Kazyna Group	754,288	702,571	2,297,464	2,094,092
Purchases of services from joint ventures	1,072	-	1,072	4,877
Purchases of inventory from entities under common control of KMG	151,174	133,222	916,225	772,305
Purchases of property, plant and equipment from entities under common control of KMG	45,909	125,641	216,473	363,532
Purchases of property, plant and equipment from entities under common control of Samruk-Kazyna Group	(2,101)	-	729,952	-
Purchases of inventory from entities under common control of Samruk-Kazyna Group	3,378	1,048	3,378	18,410
Total	2,658,440	3,050,289	9,783,636	10,147,751

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

<i>In thousands of Tenge</i>	Notes	For the three months ended 30 September (unaudited)		For the nine months ended 30 September (unaudited)	
		2017	2016	2017	2016
Finance income from related parties					
Discounting of interest free loans provided to KMG	27	-	-	1,264,921	-
Total		-	-	1,264,921	-

Total accrued compensation to key management personnel for the nine months ended 30 September 2017 amounts to 214,277 thousand Tenge (for the nine months ended 30 September 2016: 506,351 thousand Tenge). Payments to key personnel consist primarily of payroll costs and remuneration established by contracts and Company's internal regulations.

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

32. 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 2016; during the nine months ended 30 September 2017 there were no significant, except for the following:

Contractual commitments

As at 30 September 2017 the Group had contractual obligations to acquire property, plant and equipment, and construction services for the amount of 38,261,845 thousand Tenge (31 December 2016: 25,628,294 thousand Tenge). Given contractual obligations are part of investment program (*Note 1*).

Share of the Group as at 30 September 2017 in contractual obligations of joint ventures to acquire property, plant and equipment, and construction services for the amount of 620,533 thousand Tenge (31 December 2016: 147,419 thousand Tenge).

Tax commitments of Georgian entities

In 2015 Georgian Tax Authorities (hereinafter – “GTA”) additionally accrued taxes and fines in the amount of 2,941 million US Dollars (equivalent to 1,003,440 thousand Tenge) as a result of tax inspections of BSP for the period of 2010-2014. BSP did not agree with the decision of GTA and filed an appeal.

As a result, as at 30 September 2017, the accrued taxes were reduced to 1,930 thousand US Dollars (equivalent to 658,496 thousand Tenge) by the decision of the Revenue Service Audit Department. BSP is going to file another appeal to the Board of Dispute Resolution under the Georgia Revenue Service.

At the moment, the work on the resolution of disputes by the decision of the audit department of the Revenue Service is at the stage of execution.

In 2016 based on the analysis of local tax legislation and current practice related to similar tax cases in Georgia management of BTL Group recognized tax liabilities in the amount of 927 thousand US Dollars (equivalent to 316,283 thousand Tenge). The remaining amount of 1,003 thousand US Dollars (equivalent to 342,214 thousand Tenge) is not recognized as an additional liability as the management believes that an appeal of BSP will be successful and assesses probability of outflow of economic benefits as a remote.

Legal proceedings BOT

On 19 December 2016 the proposal from the law enforcement agencies of Georgia on the implementation of the court ruling was received, which contains the order that BOT should not use its dominant position in the market, as well as the requirements on conclusion of the agreement on services. According to this definition, the court decided to arrest the property owned by BOT – the land plot (c. Batumi) and buildings and constructions located on it. As at 30 September 2017 the total cost of the arrested property is 50.3 million US Dollars (equivalent to 17,167 million Tenge). This arrest restricts the alienation of the arrested property, but does not affect the operational and economic activities of BOT. On 23 December 2016, BOT appealed the above decision in the Tbilisi City Court.

On 15 February 2017, BOT received a statement of claim according to which the plaintiff (Vibro Diagnostic) requires the court to oblige BOT to enter into a service contract on the terms specified at the claimant’s claim, and also compensate the plaintiff for damages in amount of 2,500 thousand US Dollars (equivalent to 852,975 thousand Tenge) and, additionally from 1 December 2016 until the execution of the court decision, a monthly amount of 280 thousand US Dollars (equivalent to 95,533 thousand Tenge). On 24 February 2017 the plaintiff and the court sent a response to the statement of claim with the position of the BNT in this case.

As at 30 September 2017, the Group did not recognize any additional obligations due to the opinion of BOT management, the plaintiff’s claims against BOT are not supported.

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. As for 30 September 2017, the Group’s management considers BSP not exposed risk of asset expropriation from the Government of Georgia, as actual volumes of transshipment through BSP as at 30 September 2017 were 5.74 million tons (31 December 2016: 6.86 million tons).

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

32. CONTRACTUAL LIABILITIES AND COMMITMENTS (continued)**Commercial warranty of PTL**

In accordance with the Agreement of 18 November 2016 between Georgian Transit Ltd (hereinafter referred to as GTL) and PTL, PTL was obliged to transport a minimum volume of 2 million tons of oil products per year for the purpose of obtaining a preferential tariff for railway services by the Group. Also to get discount on railway tariffs, the Group provides the performance guarantee to the Georgian Railway JSC (GR) on behalf of GTL on transshipment of 3.2 million tons, out of which 2 million tons should be transported by PTL. Also, in accordance with the terms of the agreement, PTL is required to provide a bank guarantee in favor of GR to ensure a minimum volume of transportation of oil products per year. The total amount of the bank guarantee for the period from 17 September 2016 to 17 September 2017 was equal to 6.5 million US Dollars (equivalent to 2,218 million Tenge). As at 30 September 2017, PTL provided a guarantee for the amount of 4,211 thousand US Dollars (equivalent to 1,436,751 thousand Tenge) in favor of GR (*Note 12*). In the period from 17 September 2016 to 17 September 2017, PTL transported 1.6 million tons and the total volumes transferred by GR during the same period also did not meet 3.1 million tons.

The PTL management is negotiating with GTL regarding the fine for the total underperformed volumes. As at 30 September 2017, the Group has created a reserve of 200 thousand US Dollars (equivalent to 64,660 thousand Tenge) as probable to pay the amount of the obligation.

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 finance 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 financial liabilities approximates their fair value due to the short-term maturity of these financial instruments.

34. SUBSEQUENT EVENTS

Short term deposit held in foreign bank as collateral for bank guarantee in favor of GR for the total amount of 4,211 thousand US Dollars (equivalent to 1,436,751 thousand Tenge) was released from the pledge on 9 October 2017 (*Note 12, 32*).

In accordance with the Framework Agreement between the Government of the Republic of Kazakhstan and the Government of the Republic of Uzbekistan on some issues of cooperation in the energy sector, signed on September 16, 2017, the transportation of Russian crude oil by the system of trunk oil pipelines "Omsk – Pavlodar – Shymkent – oil loading station Shagyr (transshipment to rail tank cars)" of "KazTransOil" JSC, in order to transit via the territory of the Republic of Kazakhstan to the Republic of Uzbekistan, has started on November 16, 2017.

According to oil supply schedules, the volume of transit in November will be 30 thousand tons. It is planned to transport up to 80 thousand tons of crude oil using this route until the end of 2017.

The tariff for oil pumping will be 22.1 US Dollars per 1 ton (excluding VAT), the tariff for transshipment to rail tank cars at the oil loading station Shagyr - 0.8 US Dollars per 1 ton (excluding VAT).