

**KazTransOil JSC**

Unaudited interim condensed consolidated financial statements

*30 June 2014*

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Report on review of interim condensed consolidated financial statements

**Unaudited interim condensed consolidated financial statements**

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## Report on review of interim condensed consolidated financial statements

To the Shareholders of KazTransOil JSC:

### Introduction

We have reviewed the accompanying interim condensed consolidated financial statements of KazTransOil JSC and its subsidiaries (hereinafter "the Group"), comprising the interim consolidated statement of financial position as at 30 June 2014 and the related interim consolidated statements of comprehensive income, changes in equity and cash flows for the three and six-month period then ended and explanatory notes. Management is responsible for the preparation and presentation of these interim condensed consolidated financial statements in accordance with International Financial Reporting Standard IAS 34, *Interim Financial Reporting* ("IAS 34"). Our responsibility is to express a conclusion on these interim condensed consolidated financial statements based on our review.

### Scope of review

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

### Conclusion

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

*Ernst & Young LLP*



Alexander Nazarkulov  
Auditor

Auditor Qualification Certificate  
No. 0000059 dated 6 January 2012

1 August 2014



Evgeny Zhemaletdinov  
General Director  
Ernst & Young LLP

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

**INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

As at 30 June 2014

<i>In thousands of Tenge</i>	Notes	As at 30 June 2014 (unaudited)	As at 31 December 2013 (audited)
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	4	413,519,449	401,108,901
Intangible assets	5	6,640,929	5,701,002
Investments in joint ventures	6	43,123,869	53,554,027
Advances to suppliers for property, plant and equipment	7	14,969,856	5,835,651
Bank deposits	13	7,674,473	576,541
Other non-current assets		23,931	123,904
		<b>485,952,507</b>	<b>466,900,026</b>
<b>Current assets</b>			
Inventories	8	4,327,810	2,346,043
Trade and other accounts receivable	9	8,200,839	4,548,932
Advances to suppliers	10	1,357,455	842,702
Prepayment for corporate income tax		4,955	3,994
VAT recoverable and other prepaid taxes	11	4,007,643	3,144,714
Other current assets	12	4,578,131	3,946,793
Bank deposits	13	44,224,534	83,116,538
Cash and cash equivalents	14	72,991,275	25,645,348
		<b>139,692,642</b>	<b>123,595,064</b>
Assets classified as held for sale		99,920	32,138
		<b>139,792,562</b>	<b>123,627,202</b>
<b>TOTAL ASSETS</b>		<b>625,745,069</b>	<b>590,527,228</b>

*The accounting policy and explanatory notes on pages 8 through 34 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 June 2014 (unaudited)	As at 31 December 2013 (audited)
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Share capital	15	61,937,567	61,937,567
Asset revaluation reserve		164,601,341	171,902,104
Other capital reserves		(1,787,377)	(1,016,496)
Foreign currency translation reserve		16,760,200	10,069,002
Retained earnings		216,167,681	224,377,740
<b>Total equity</b>		<b>457,679,412</b>	<b>467,269,917</b>
<b>Non-current liabilities</b>			
Employee benefit liabilities	16	10,555,776	9,333,180
Deferred tax liabilities	30	43,077,046	43,537,849
Provision on asset retirement and land recultivation obligation	21	17,178,904	16,677,538
Deferred income	17	4,611,311	4,079,971
		<b>75,423,037</b>	<b>73,628,538</b>
<b>Current liabilities</b>			
Employee benefits liabilities	16	326,646	322,000
Income tax payable		1,608,205	1,467,675
Trade and other accounts payable	18	16,884,293	11,096,007
Advances received	19	16,475,983	17,181,723
Other taxes payable	20	2,550,854	2,587,351
Provisions	21	263,906	228,125
Dividends payable		41,925,280	-
Other current liabilities	22	12,607,453	16,745,892
		<b>92,642,620</b>	<b>49,628,773</b>
<b>Total liabilities</b>		<b>168,065,657</b>	<b>123,257,311</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>625,745,069</b>	<b>590,527,228</b>
<b>Book value of one ordinary share (in Tenge)</b>	15	1,173	1,200

Signed and approved for issue on 1 August 2014.

General Director



Kabyldin K.M.

Chief Accountant

Sarmagambetova M.K.

*The accounting policy and explanatory notes on pages 8 through 34 form an integral part of these interim condensed consolidated financial statements.*

**INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**

For the six months ended 30 June 2014

<i>In thousands of Tenge</i>	Notes	For the three months ended 30 June (unaudited)		For the six months ended 30 June (unaudited)	
		2014	2013	2014	2013
Revenue	23	<b>51,641,908</b>	45,794,611	<b>97,026,780</b>	92,864,132
Cost of sales	24	<b>(27,766,366)</b>	(23,656,083)	<b>(52,832,757)</b>	(47,738,933)
<b>Gross profit</b>		<b>23,875,542</b>	22,138,528	<b>44,194,023</b>	45,125,199
General and administrative expenses	25	<b>(2,496,751)</b>	(2,407,695)	<b>(4,748,913)</b>	(4,448,554)
Other operating income	26	<b>3,616,807</b>	1,328,368	<b>3,895,743</b>	1,752,582
Other operating expenses	27	<b>(59,014)</b>	(256,559)	<b>(108,204)</b>	(360,353)
Loss from impairment of property, plant and equipment	4	<b>(73,955)</b>	(40,360)	<b>(71,008)</b>	(38,444)
<b>Operating profit</b>		<b>24,862,629</b>	20,762,282	<b>43,161,641</b>	42,030,430
Net foreign exchange (loss)/gain		<b>164,053</b>	30,235	<b>(40,128)</b>	(34,006)
Finance income	28	<b>1,720,451</b>	959,646	<b>3,061,754</b>	1,715,882
Finance cost	29	<b>(354,932)</b>	(343,854)	<b>(709,866)</b>	(670,306)
Dividend income		<b>80,277</b>	–	<b>80,277</b>	–
Share in (loss)/income of joint ventures	6	<b>220,768</b>	3,284,503	<b>(9,843,565)</b>	6,228,822
<b>Profit before income tax</b>		<b>26,693,246</b>	24,692,812	<b>35,710,113</b>	49,270,822
Income tax expense	30	<b>(5,333,978)</b>	(4,578,775)	<b>(9,274,068)</b>	(8,834,050)
<b>Profit for the period</b>		<b>21,359,268</b>	20,114,037	<b>26,436,045</b>	40,436,772
Earnings per share ( <i>in Tenge</i> )	15	<b>56</b>	52	<b>69</b>	105

*The accounting policy and explanatory notes on pages 8 through 34 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 June (unaudited)		For the six months ended 30 June (unaudited)	
		2014	2013	2014	2013
<b>Other comprehensive income</b>					
<b>Other comprehensive income to be reclassified to profit or loss in subsequent periods</b>					
Exchange difference from translation of foreign operations		210,661	175,601	6,691,198	190,227
Income tax effect		-	-	-	-
<b>Total other comprehensive income to be reclassified to profit or loss in subsequent periods, net</b>		<b>210,661</b>	<b>175,601</b>	<b>6,691,198</b>	<b>190,227</b>
<b>Other comprehensive loss not to be reclassified to profit or loss in subsequent periods</b>					
Impairment of property, plant and equipment	4	(26,406)	(9,776)	(26,984)	(6,374)
Income tax effect	30	5,281	1,955	5,397	1,274
		(21,125)	(7,821)	(21,587)	(5,100)
Actuarial losses from employee benefit liabilities	16	-	-	(963,600)	-
Income tax effect	30	-	-	192,719	-
		-	-	(770,881)	-
<b>Total other comprehensive loss not to be reclassified to profit or loss in subsequent periods, net</b>		<b>-</b>	<b>-</b>	<b>(770,881)</b>	<b>-</b>
<b>Total other comprehensive income for the period, net of taxes</b>		<b>189,536</b>	<b>167,780</b>	<b>5,898,730</b>	<b>185,127</b>
<b>Total comprehensive income for the period, net of taxes</b>		<b>21,548,804</b>	<b>20,281,817</b>	<b>32,334,775</b>	<b>40,621,899</b>

Signed and approved for issue on 1 August 2014.

General Director



*K. Kab*  
Kabylidin K.M.

Chief Accountant

*Sarmagambetova M.K.*  
Sarmagambetova M.K.

*The accounting policy and explanatory notes on pages 8 through 34 form an integral part of these interim condensed consolidated financial statements.*

**INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS**

For the six months ended 30 June 2014

<i>In thousands of Tenge</i>	<b>Notes</b>	<b>For the six months ended 30 June (unaudited)</b>	
		<b>2014</b>	<b>2013</b>
<b>Cash flows from operating activities</b>			
Profit before income tax		35,710,113	49,270,822
<b>Non-cash adjustment to reconcile profit before income tax to net cash flows</b>			
Depreciation and amortization	24, 25	16,922,382	14,459,614
(Reversal)/charge of allowance for doubtful debts	25	(6,759)	26,401
Share in loss/(income) of joint ventures		9,843,565	(6,228,822)
Finance cost	29	709,866	670,306
Finance and dividend income		(3,142,031)	(1,715,882)
Post-employment benefits	24, 25	247,501	230,000
(Reversal)/charge of provisions	21, 27	(7)	45,467
Loss on disposal of property, plant and equipment and intangible assets, net	27	32,562	285,789
Gain from disposal of asset held for sale, net	26	(466)	(84,650)
Impairment of property, plant and equipment	4	71,008	38,444
Income from write-off of accounts payable	26	(74,531)	(1,412)
Amortization of deferred income	26	(156,183)	(156,182)
Expenses from write-off of VAT recoverable	25	181,152	133,508
Loss on liquidation of idle oil pumping stations	27	40,741	-
Amortization of financial guarantee issued on behalf of joint venture	26	-	(26,463)
Derecognition of financial guarantee issued on behalf of joint venture	26	-	(177,743)
Unrealized foreign exchange (gain)/loss		(191,931)	120,001
Reversal of provision for obsolete and slow-moving inventory	25	(6,710)	(4,456)
<b>Cash flows from operating activities before working capital changes</b>		<b>60,180,272</b>	<b>56,884,742</b>
<b>(Increase)/decrease in operating assets</b>			
Inventories		(1,059,609)	(1,619,783)
Trade and other accounts receivable		(3,693,591)	(1,963,694)
Advances to suppliers		(513,757)	(859,966)
VAT recoverable and other prepaid taxes		(1,589,574)	(660,149)
Other current assets		23,140	2,004,875
<b>(Increase)/decrease in operating liabilities</b>			
Trade and other accounts payable		222,842	(1,408,613)
Advances received		(705,740)	(948,133)
Other taxes payable		(36,497)	1,102,884
Other current and non-current liabilities and employee benefit liabilities		(3,637,407)	(2,204,892)
<b>Cash generated from operating activities</b>		<b>49,190,079</b>	<b>50,327,271</b>
Income taxes paid		(9,570,436)	(3,024,894)
Interest received		3,533,654	897,878
<b>Net cash flow from operating activities</b>		<b>43,153,297</b>	<b>48,200,255</b>

*The accounting policy and explanatory notes on pages 8 through 34 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 six months ended 30 June (unaudited)	
		2014	2013
<b>Cash flows from investing activities</b>			
Withdrawal of bank deposits		77,953,825	36,000,000
Placement of bank deposits		(46,854,598)	(36,520,218)
Purchase of property, plant and equipment		(26,883,006)	(8,244,031)
Purchase of intangible assets		(198,652)	(144,238)
Proceeds from disposal of property, plant and equipment and intangible assets		61,346	139,369
Proceeds from disposal of assets held for sale		33,438	113,948
Dividends received		80,277	453,584
<b>Net cash flow generated from/(used in) investing activities</b>		<b>4,192,630</b>	<b>(8,201,586)</b>
<b>Net cash flow used in financing activities</b>		<b>-</b>	<b>-</b>
Net change in cash and cash equivalents		47,345,927	39,998,669
<b>Cash and cash equivalents at the beginning of the period</b>	14	<b>25,645,348</b>	<b>18,954,044</b>
<b>Cash and cash equivalents at the end of the period</b>	14	<b>72,991,275</b>	<b>58,952,713</b>

Signed and approved for issue on 1 August 2014.

General Director



  
Kabyldin K.M.

Chief Accountant

  
Sarmagambetova M.K.

*The accounting policy and explanatory notes on pages 8 through 34 form an integral part of these interim condensed consolidated financial statements.*

## INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2014

<i>In thousands of Tenge</i>	Share capital	Asset revaluation reserve	Foreign currency translation reserve	Other reserves	Retained earnings	Total
<b>As at 31 December 2013 (audited)</b>	61,937,567	171,902,104	10,069,002	(1,016,496)	224,377,740	467,269,917
Profit for the period	-	-	-	-	26,436,045	26,436,045
Other comprehensive income	-	(21,587)	6,691,198	(770,881)	-	5,898,730
<b>Total comprehensive income for the period (unaudited)</b>	-	(21,587)	6,691,198	(770,881)	26,436,045	32,334,775
Depreciation of revalued property, plant and equipment	-	(7,279,176)	-	-	7,279,176	-
Dividends ( <i>Note 15</i> )	-	-	-	-	(41,925,280)	(41,925,280)
<b>As at 30 June 2014 (unaudited)</b>	<b>61,937,567</b>	<b>164,601,341</b>	<b>16,760,200</b>	<b>(1,787,377)</b>	<b>216,167,681</b>	<b>457,679,412</b>
<b>As at 31 December 2012 (audited)</b>	61,937,567	144,421,031	9,875,876	17,104	176,062,485	392,314,063
Profit for the period	-	-	-	-	40,436,772	40,436,772
Other comprehensive income	-	(5,100)	190,227	-	-	185,127
<b>Total comprehensive income for the period (unaudited)</b>	-	(5,100)	190,227	-	40,436,772	40,621,899
Depreciation of revalued property, plant and equipment	-	(5,200,612)	-	-	5,200,612	-
Dividends ( <i>Note 15</i> )	-	-	-	-	(28,847,670)	(28,847,670)
<b>As at 30 June 2013 (unaudited)</b>	<b>61,937,567</b>	<b>139,215,319</b>	<b>10,066,103</b>	<b>17,104</b>	<b>192,852,199</b>	<b>404,088,292</b>

Signed and approved for issue on 1 August 2014

General Director



*Kabyldin K.M.*

Chief Accountant

*Sarmagambetova M.K.*

The accounting policy and explanatory notes on pages 8 through 34 form an integral part of these interim condensed consolidated financial statements.

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

As at 30 June 2014

## 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” CJSC NOTC shares to TNG, and, as a result, “KazTransOil” CJSC NOTC was re-registered and renamed as KazTransOil CJSC.

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

As at 30 June 2014 National Company KazMunayGas JSC (hereinafter “KMG” or “Parent Company”) is a major shareholder of the Company, that owns the controlling interest of the Company (90%). KMG is owned by Sovereign Wealth Fund Samruk-Kazyna JSC (hereinafter “Samruk-Kazyna”), which is controlled by the Government of the Republic of Kazakhstan.

As at 30 June 2014 and 31 December 2013 the Company had interest ownership in the following companies:

		Place of incorporation	Principal activities	Ownership	
				30 June 2014	31 December 2013
NWPC “MunaiTas” JSC (“MunaiTas”)	Joint venture	Kazakhstan	Oil transportation	51%	51%
“Kazakhstan-China Pipeline” LLP (“KCP”)	Joint venture	Kazakhstan	Oil transportation	50%	50%
“Batumi Terminals Limited” (“BTL”)	Subsidiary	Cyprus	Forwarding, transshipment and storage of oil and oil products and operating of Batumi Sea Port and Oil Terminal	100%	100%

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

The Company’s head office is located in Astana, Kazakhstan, 19 Kabanbay Batyr Avenue. The Company has 4 branches, which are located in Atyrau (Western branch), Pavlodar (Eastern branch), Almaty (Research and Development Centre), Astana (Computing centre) and representative offices in Russian Federation (Moscow, Omsk and Samara) and Ukraine (Kiev). On 27 June 2014 Board of directors of the Company decided to close representative office in Kiev (Ukraine).

The Group operates network of main oil pipelines of 5,503 km and water pipelines of 2,148 km within the Republic of Kazakhstan. Also the Group is engaged in storage, loading, transshipment or transfer of crude oil to other related pipeline systems. The 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. The Group’s subsidiary BTL owns Batumi Oil Terminal and has ownership rights over Batumi Sea Port, main activity of which is storage and transshipment of oil and dry cargoes.

The Company is a natural monopolist and, accordingly, is subject to regulation of the Agency of the Republic of Kazakhstan on Regulation of Natural Monopolies (hereinafter “NMRA”). This agency is responsible for approving the methodology for calculating the tariff and tariff rates, which serves as a base for receiving major part of the Group’s revenue in the Republic of Kazakhstan. In general, tariff rates are based on the cost of capital return on operating assets. In accordance with the legislation in the Republic of Kazakhstan on regulation of natural monopolies, tariff rates cannot be lower than the cost of the expenditure required to provide services, and consider the possibility of making a profit, providing the effective functioning of a natural monopoly.

The Order of NMRA dated 20 March 2014 on increasing tariffs of the Company for oil pumping in export markets came into force on 1 April 2014. Accordingly, oil transportation tariff in export market for transportation of 1 ton oil increased from 4,850.6 Tenge till 5,817.2 Tenge (increase by 19.9%).

These interim condensed consolidated financial statements for the six months ended 30 June 2014 were signed and approved for issue by the General Director and Chief Accountant on 1 August 2014.

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

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### 2. BASIS OF PREPARATION OF FINANCIAL STATEMENTS AND CHANGES IN ACCOUNTING POLICIES

#### Basis of preparation

These interim condensed consolidated financial statements for the six months ended 30 June 2014 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 amount.

These 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 2013.

These interim condensed consolidated financial statements are represented in Tenge and all amounts are rounded to the nearest thousands, except for earnings per share, book value of 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 is US dollar.

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

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2013 except for the adoption of new standards and interpretations as at 1 January 2014.

Several new standards and amendments apply for the first time in 2014. However, they do not impact the annual consolidated financial statements of the Group or the interim condensed consolidated financial statements of the Group. The nature and the impact of each new standard or amendment are described below:

#### *Amendments to IFRS 10, IFRS 12 and IAS 27- "Investment Entities"*

These amendments provide an exception to the consolidation requirement for entities that meet the definition of an investment entity under IFRS 10 "*Consolidated Financial Statements*". The exception to consolidation requires investment entities to account for subsidiaries at fair value through profit or loss. These amendments have no impact to the Group.

#### *Amendments to IAS 32- "Offsetting Financial Assets and Financial Liabilities"*

These amendments clarify the meaning of 'currently has a legally enforceable right to set-off' and the criteria for non-simultaneous settlement mechanisms of clearing houses to qualify for offsetting. The amendments also describe how to properly apply the criteria for netting in IAS 32 on settlement systems (such as a single clearinghouse system) that are using non-simultaneous gross settlement mechanisms. These amendments have no impact on the financial position and financial results of the Group.

#### *Amendments to IAS 39- "Novation of Derivatives and Continuation of Hedge Accounting"*

These amendments provide relief from discontinuing hedge accounting when novation of a derivative designated as a hedging instrument meets certain criteria. These amendments have no impact on the financial position and financial results of the Group.

#### *Amendments to IAS 36- "Impairment of Assets – Recoverable Amount Disclosures for Non-Financial Assets"*

These amendments remove the unintended consequences of IFRS 13 "*Fair Value Measurement*" on the disclosures required under IAS 36 "*Impairment of Assets*". In addition, these amendments require disclosure of the recoverable amounts for the assets or cash-generating units (CGUs) for which an impairment loss has been recognised or reversed during the period. These amendments have no significant impact on the Group's interim condensed consolidated financial statements.

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

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

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

##### *Interpretation to IFRIC 21- "Levies"*

IFRIC 21 is effective for annual periods beginning on or after 1 January 2014 and is applied retrospectively. It is applicable to all levies imposed by governments under legislation, other than outflows that are within the scope of other standards (e.g., IAS 12 "Income Taxes") and fines or other penalties for breaches of legislation. The interpretation clarifies that an entity recognises a liability for a levy no earlier than when the activity that triggers payment, as identified by the relevant legislation, occurs. It also clarifies that a levy liability is accrued progressively only if the activity that triggers payment occurs over a period of time, in accordance with the relevant legislation. For a levy that is triggered upon reaching a minimum threshold, no liability is recognised before the specified minimum threshold is reached. IFRIC Interpretation 21 "Levies" requires the use of the same principles for interim financial statements. This amendment has no impact on the financial position and financial results of the Group.

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

##### 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 half 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 implemented in the first half of the year.

##### Foreign currency translation

National Bank of the Republic of Kazakhstan starting from 11 February 2014 made a decision to cease supporting exchange rate of Tenge against US dollar and other major currencies on the same level, reduce volume of currency interventions and reduce interventions in process of exchange rate formation. Exchange rate before and after devaluation was 155.56 Tenge and 184.5 Tenge per 1 US dollar, respectively.

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 six months ended 30 June 2014 and 2013 were as follows:

<i>Tenge</i>	For the six months ended 30 June	
	2014	2013
US dollars	176.43	150.89
Russian rubles	5.04	4.87
Euro	241.83	198.21
Georgian lari	100.47	91.22

As at 30 June 2014 and 31 December 2013 the currency exchange rates of KASE were:

<i>Tenge</i>	30 June	31 December
	2014	2013
US dollars	183.51	153.61
Russian rubles	5.45	4.69
Euro	249.92	211.17
Georgian lari	103.73	88.47

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

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**3. SEGMENT INFORMATION**

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

- oil transportation and related services;
- oil transshipment;
- other segments.

Segments that are identified, but do not separately exceed quantitative limits (amount of separate segment revenue composes less than 10% of combined revenue) are combined in "Other segments". Such services include transshipment of dry cargo (sugar-airbrick, ammonium nitrate, cement, grain, sunflower and oil cake) in Batumi sea port with operation of dry-cargo, ferry and container terminal, and also passenger terminal services. Services related to oil transportation include such services as water transportation, oil storage, expedition services, services on pipelines exploitation and technical maintenance rendered by the Company that do not exceed quantitative thresholds and are intimately connected with major activity or such capital asset of the Group as oil pipelines.

Separate management report is not provided to the Management of the Group on some types of these services and accordingly they cannot be identified as separate segments.

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

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)****3. SEGMENT INFORMATION (continued)**

Management analyses its operating segments by segment profit. Information on revenue and profit of the Group's segments for the three months ended 30 June 2014 and 2013 respectively is reflected in the tables below:

<i>In thousands Tenge</i>	For the three months ended 30 June 2014 (unaudited)					For the three months ended 30 June 2013 (unaudited)						
	Oil Transportation and related services (Kazakhstan)	Oil transshipment (Georgia)	Other	Total segments	Adjustments and eliminations	Consolidated	Oil Transportation and related services (Kazakhstan)	Oil transshipment (Georgia)	Other	Total segments	Adjustments and eliminations	Consolidated
<b>Revenue</b>												
External customers	46,512,696	4,115,985	1,013,227	51,641,908	–	51,641,908	40,838,481	4,076,101	880,029	45,794,611	–	45,794,611
<b>Total revenue</b>	<b>46,512,696</b>	<b>4,115,985</b>	<b>1,013,227</b>	<b>51,641,908</b>	<b>–</b>	<b>51,641,908</b>	<b>40,838,481</b>	<b>4,076,101</b>	<b>880,029</b>	<b>45,794,611</b>	<b>–</b>	<b>45,794,611</b>
<b>Financial results</b>												
Impairment of property, plant and equipment for the period	(73,955)	–	–	(73,955)	–	(73,955)	(40,360)	–	–	(40,360)	–	(40,360)
Depreciation and amortization	(7,722,153)	(627,793)	(187,491)	(8,537,437)	–	(8,537,437)	(6,797,465)	(376,398)	(78,127)	(7,251,990)	–	(7,251,990)
Interest income	1,707,714	4,044	2,450	1,714,208	–	1,714,208	943,899	1,518	4,386	949,803	–	949,803
Share in income of joint ventures	220,768	–	–	220,768	–	220,768	3,284,503	–	–	3,284,503	–	3,284,503
Income tax expense	(5,188,120)	(11,041)	(134,817)	(5,333,978)	–	(5,333,978)	(4,354,794)	(178,178)	(45,803)	(4,578,775)	–	(4,578,775)
<b>Segment profit for the period</b>	<b>21,198,528</b>	<b>288,960</b>	<b>(128,220)</b>	<b>21,359,268</b>	<b>–</b>	<b>21,359,268</b>	<b>19,474,604</b>	<b>527,988</b>	<b>111,445</b>	<b>20,114,037</b>	<b>–</b>	<b>20,114,037</b>

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

### 3. SEGMENT INFORMATION (continued)

Information on revenue and profit of the Group's segments for the six months ended 30 June 2014 and 2013 respectively:

<i>In thousands Tenge</i>	For the six months ended 30 June 2014 (unaudited)						For the six months ended 30 June 2013 (unaudited)					
	Oil Transportation and related services (Kazakhstan)	Oil transshipment (Georgia)	Other	Total segments	Adjustments and eliminations	Consolidated	Oil Transportation and related services (Kazakhstan)	Oil transshipment (Georgia)	Other	Total segments	Adjustments and eliminations	Consolidated
<b>Revenue</b>												
External customers	87,865,123	7,477,633	1,684,024	97,026,780	–	97,026,780	82,374,712	8,595,600	1,893,820	92,864,132	–	92,864,132
<b>Total revenue</b>	<b>87,865,123</b>	<b>7,477,633</b>	<b>1,684,024</b>	<b>97,026,780</b>	<b>–</b>	<b>97,026,780</b>	<b>82,374,712</b>	<b>8,595,600</b>	<b>1,893,820</b>	<b>92,864,132</b>	<b>–</b>	<b>92,864,132</b>
<b>Financial results</b>												
Impairment of property, plant and equipment for the period	(71,008)	–	–	(71,008)	–	(71,008)	(38,444)	–	–	(38,444)	–	(38,444)
Depreciation and amortization	(15,353,919)	(1,199,018)	(369,445)	(16,922,382)	–	(16,922,382)	(13,679,061)	(625,439)	(155,114)	(14,459,614)	–	(14,459,614)
Interest income	3,037,892	8,469	1,940	3,048,301	–	3,048,301	1,677,592	7,394	10,713	1,695,699	–	1,695,699
Share in (loss)/income of joint ventures	(9,843,565)	–	–	(9,843,565)	–	(9,843,565)	6,228,822	–	–	6,228,822	–	6,228,822
Income tax expense	(9,313,878)	(75,752)	115,562	(9,274,068)	–	(9,274,068)	(8,335,755)	(398,254)	(100,041)	(8,834,050)	–	(8,834,050)
<b>Segment profit for the period</b>	<b>26,274,146</b>	<b>158,547</b>	<b>3,352</b>	<b>26,436,045</b>	<b>–</b>	<b>26,436,045</b>	<b>39,168,296</b>	<b>1,000,797</b>	<b>267,679</b>	<b>40,436,772</b>	<b>–</b>	<b>40,436,772</b>

The following table presents assets and liabilities information for the Group's operating segments as at 30 June 2014 and 31 December 2013, respectively:

<i>In thousands Tenge</i>	30 June 2014 (unaudited)						31 December 2013 (audited)					
	Oil Transportation and related services (Kazakhstan)	Oil transshipment (Georgia)	Other	Total segments	Adjustments and eliminations	Consolidated	Oil Transportation and related services (Kazakhstan)	Oil transshipment (Georgia)	Other	Total segments	Adjustments and eliminations	Consolidated
<b>Total assets</b>	<b>571,419,868</b>	<b>36,847,342</b>	<b>17,477,859</b>	<b>625,745,069</b>	<b>–</b>	<b>625,745,069</b>	<b>544,763,581</b>	<b>31,127,379</b>	<b>14,636,268</b>	<b>590,527,228</b>	<b>–</b>	<b>590,527,228</b>
<b>Total liabilities</b>	<b>157,291,742</b>	<b>5,029,685</b>	<b>5,744,230</b>	<b>168,065,657</b>	<b>–</b>	<b>168,065,657</b>	<b>114,242,880</b>	<b>4,307,821</b>	<b>4,706,610</b>	<b>123,257,311</b>	<b>–</b>	<b>123,257,311</b>
<b>Other disclosures</b>												
Investments in joint ventures (Note 6)	43,123,869	–	–	43,123,869	–	43,123,869	53,554,027	–	–	53,554,027	–	53,554,027
Capital expenditures	20,321,046	480,948	200,601	21,002,595	–	21,002,595	24,900,504	3,066,226	2,268,820	30,235,550	–	30,235,550



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

### 4. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment as at 30 June 2014 and 31 December 2013 were presented as follows:

<i>In thousands of Tenge</i>	Land	Pipelines	Transportation assets	Buildings and constructions	Machinery and equipment	Technological oil	Other	Construction in progress	Total
<b>At cost as at 31 December 2013 (audited)</b>	11,087,844	97,334,066	8,110,780	71,906,718	88,628,416	89,518,453	12,477,480	36,960,887	416,024,644
Foreign currency translation	1,399,141	–	581,246	2,911,084	1,947,706	–	99,073	183,848	7,122,098
Additions	3	–	350,801	–	430,737	–	444,540	21,381,473	22,607,554
Disposals	(8,993)	(19,776)	(3,830)	(9,763)	(36,954)	(610)	(62,862)	(11,422)	(154,210)
Transfers from construction-in-progress	2,968	143,147	138,930	968,209	2,376,832	–	872,095	(4,502,181)	–
Transfers to intangible assets (Note 5)	–	–	–	–	–	–	–	(164,823)	(164,823)
Transfers and reclassifications	–	(2,402)	(21,594)	13,010	(93,520)	–	104,478	–	(28)
<b>At cost as at 30 June 2014 (unaudited)</b>	<b>12,480,963</b>	<b>97,455,035</b>	<b>9,156,333</b>	<b>75,789,258</b>	<b>93,253,217</b>	<b>89,517,843</b>	<b>13,934,804</b>	<b>53,847,782</b>	<b>445,435,235</b>
<b>Accumulated depreciation and impairment as at 31 December 2013 (audited)</b>	–	(4,240,358)	(638,843)	(3,320,737)	(4,794,768)	(330,205)	(1,321,562)	(269,270)	(14,915,743)
Foreign currency translation	–	–	(33,785)	(151,948)	(125,288)	–	(23,955)	–	(334,976)
Depreciation charge for the period	–	(5,047,790)	(724,614)	(3,316,352)	(5,911,363)	–	(1,662,288)	–	(16,662,407)
Disposals	–	18,420	1,241	4,604	13,057	–	57,982	–	95,304
Impairment through equity (Impairment)/reversal of impairment through profit and loss	–	(14,508)	–	(7,453)	(5,023)	–	–	–	(26,984)
Transfers and reclassifications	–	(60,243)	–	(6,172)	(7,803)	–	–	3,210	(71,008)
Transfers and reclassifications	–	196	–	(45)	108	–	(231)	–	28
<b>Accumulated depreciation and impairment as at 30 June 2014 (unaudited)</b>	–	<b>(9,344,283)</b>	<b>(1,396,001)</b>	<b>(6,798,103)</b>	<b>(10,831,080)</b>	<b>(330,205)</b>	<b>(2,950,054)</b>	<b>(266,060)</b>	<b>(31,915,786)</b>
<b>As at 30 June 2014 (unaudited)</b>									
At cost	12,480,963	97,455,035	9,156,333	75,789,258	93,253,217	89,517,843	13,934,804	53,847,782	445,435,235
Accumulated depreciation and impairment	–	(9,344,283)	(1,396,001)	(6,798,103)	(10,831,080)	(330,205)	(2,950,054)	(266,060)	(31,915,786)
<b>Net book value (unaudited)</b>	<b>12,480,963</b>	<b>88,110,752</b>	<b>7,760,332</b>	<b>68,991,155</b>	<b>82,422,137</b>	<b>89,187,638</b>	<b>10,984,750</b>	<b>53,581,722</b>	<b>413,519,449</b>
<b>As at 31 December 2013 (audited)</b>									
At cost	11,087,844	97,334,066	8,110,780	71,906,718	88,628,416	89,518,453	12,477,480	36,960,887	416,024,644
Accumulated depreciation and impairment	–	(4,240,358)	(638,843)	(3,320,737)	(4,794,768)	(330,205)	(1,321,562)	(269,270)	(14,915,743)
<b>Net book value (audited)</b>	<b>11,087,844</b>	<b>93,093,708</b>	<b>7,471,937</b>	<b>68,585,981</b>	<b>83,833,648</b>	<b>89,188,248</b>	<b>11,155,918</b>	<b>36,691,617</b>	<b>401,108,901</b>

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

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

As at 30 June 2014 and 31 December 2013, construction in progress mainly includes the following production projects:

- main oil pipelines under construction (including construction of main oil pipeline “Kumkol-Karakoin”, realized as a part of interstate “Kazakhstan-China” oil pipeline construction project);
- reconstruction of main oil pipelines “Kalamkas-Karazhanbas-Aktau” (route “Karazhanbas-Aktau”) and “Uzen-Zhetybai-Aktau”;
- reconstruction of oil pumping station “Kenkiyak”;
- reconstruction of firefighting system and reconstruction of electricity supply systems and other.

As at 30 June 2014 construction in progress included materials and spare parts in the amount of 15,584,707 thousand Tenge including pipeline in amount of 12,463,419 thousand Tenge (31 December 2013: 13,613,707 thousand Tenge including pipeline in amount of 12,908,073 thousand Tenge), which were purchased for construction works.

As at 30 June 2014 the carrying value of fully depreciated but still in use property, plant and equipment was 3,637,687 thousand Tenge (31 December 2013: 2,938,299 thousand Tenge).

The amount of depreciation charge for the six months ended 30 June 2014 included in the cost of construction in progress was 6,207 thousand Tenge (for the six months ended 30 June 2013: 4,967 thousand Tenge).

As at 30 June 2014 certain fixed assets of the Batumi oil terminal with residual value of 50,000 thousand US dollars (equal to 9,175,500 thousand Tenge) were pledged as security in favor of TBC Bank, which acted as a guarantor to ensure obligations of Georgian Transit Ltd before the Georgian railways under transportation agreement. The maximum guarantee amount is 500 thousand US dollars (equal to 91,755 thousand Tenge).

### 5. INTANGIBLE ASSETS

Intangible assets as at 30 June 2014 and 31 December 2013 were presented as follows:

<i>In thousands of Tenge</i>	Licenses	Software	Right for land use	Other	Total
<b>Net book value as at 31 December 2013 (audited)</b>	184,757	997,520	4,490,163	28,562	5,701,002
Foreign currency translation	8,398	1,114	871,515	–	881,027
Additions	3,529	156,031	–	699	160,259
Disposals	–	(646)	–	–	(646)
Accumulated amortization on disposals	–	646	–	–	646
Amortization charge for the period	(40,167)	(162,185)	(62,103)	(1,727)	(266,182)
Transfers from property, plant and equipment (Note 4)	17,517	146,068	–	1,238	164,823
Transfers and reclassifications	17,378	(17,378)	–	–	–
<b>Net book value as at 30 June 2014 (unaudited)</b>	<b>191,412</b>	<b>1,121,170</b>	<b>5,299,575</b>	<b>28,772</b>	<b>6,640,929</b>
<b>As at 30 June 2014 (unaudited)</b>					
At cost	504,738	4,448,354	7,295,242	78,156	12,326,490
Accumulated amortization and impairment	(313,326)	(3,327,184)	(1,995,667)	(49,384)	(5,685,561)
<b>Net book value (unaudited)</b>	<b>191,412</b>	<b>1,121,170</b>	<b>5,299,575</b>	<b>28,772</b>	<b>6,640,929</b>
<b>As at 31 December 2013 (audited)</b>					
At cost	455,682	4,163,442	6,106,597	76,219	10,801,940
Accumulated amortization and impairment	(270,925)	(3,165,922)	(1,616,434)	(47,657)	(5,100,938)
<b>Net book value (audited)</b>	<b>184,757</b>	<b>997,520</b>	<b>4,490,163</b>	<b>28,562</b>	<b>5,701,002</b>

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

### 6. INVESTMENTS IN JOINT VENTURES

Investments in joint ventures as at 30 June 2014 and 31 December 2013 were presented as follows:

<i>In thousands of Tenge</i>	30 June 2014 (unaudited)	31 December 2013 (audited)
KCP	30,873,033	40,878,930
MunaiTas	12,250,836	12,675,097
<b>Total</b>	<b>43,123,869</b>	<b>53,554,027</b>

During the six months ended 30 June 2014 the Group has recognized its share in income of MunaiTas in the amount of 213,359 thousand Tenge (during the six months ended 30 June 2013: 846,093 thousand Tenge) and decreased investments for the amount of dividends receivable of 637,620 thousand Tenge (during the six months ended 30 June 2013: 453,584 thousand Tenge).

During the six months ended 30 June 2014 the Group has recognized its share in loss of KCP in the amount of 10,056,925 thousand Tenge (during the six months ended 30 June 2013 share in income of KCP was equal to 5,382,729 thousand Tenge) and share in other comprehensive income of 51,027 thousand Tenge (for the six months ended 30 June 2013: 1,568 thousand Tenge).

The following tables illustrate summarized financial information of joint ventures (proportionate share of the Group):

<i>In thousands of Tenge</i>	30 June 2014 (unaudited)		31 December 2013 (audited)	
	KCP	MunaiTas	KCP	MunaiTas
<b>Share in total assets and liabilities of joint ventures</b>				
Current assets	19,705,707	2,166,550	22,462,883	1,448,667
including: cash and cash equivalents	10,389,335	1,006,426	5,941,869	162,279
Non-current assets	125,092,658	14,299,350	128,663,581	14,835,854
Current liabilities	(22,198,347)	(980,281)	(19,868,226)	(296,701)
including: short-term financial liabilities	(15,198,816)	(637,620)	(12,637,964)	-
Non-current liabilities	(91,726,985)	(3,234,783)	(90,379,308)	(3,312,723)
including: long-term financial liabilities	(81,403,438)	-	(77,829,046)	-
<b>Share in net assets</b>	<b>30,873,033</b>	<b>12,250,836</b>	<b>40,878,930</b>	<b>12,675,097</b>

<i>In thousands of Tenge</i>	For the six months ended 30 June (unaudited)			
	2014		2013	
	KCP	MunaiTas	KCP	MunaiTas
<b>Share in total revenue and net income of joint ventures for the period</b>				
Revenue	11,987,722	1,399,257	16,052,139	2,122,841
Depreciation and amortization	(3,650,411)	(537,329)	(3,248,770)	(480,851)
Interest income	131,817	5,881	234,802	8,680
Interest expense	(2,086,798)	(18,945)	(2,514,338)	(20,852)
Income tax (expense)/benefit	2,160,640	(58,217)	(1,505,820)	(194,272)
(Loss)/profit for the period	(10,056,924)	213,359	5,382,729	846,093
Other comprehensive income	51,027	-	1,568	-
<b>Total comprehensive (loss)/income</b>	<b>(10,005,897)</b>	<b>213,359</b>	<b>5,384,297</b>	<b>846,093</b>
Dividends payable	-	(637,620)	-	(453,584)

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

### 6. INVESTMENTS IN JOINT VENTURE (continued)

<i>In thousands of Tenge</i>	For the three months ended 30 June			
	2014		2013	
	KCP	MunaiTas	KCP	MunaiTas
<b>Share in total revenue and net income of joint ventures for the period</b>				
Revenue	5,675,049	802,837	8,409,869	1,039,834
Depreciation and amortization	(1,823,369)	(268,079)	(1,628,092)	(240,439)
Interest income	27,110	4,010	127,765	4,910
Interest expense	(1,088,415)	(9,472)	(1,172,519)	(15,614)
Income tax expense	(267,971)	(48,934)	(803,944)	(86,115)
Profit for the period	41,291	179,477	2,883,273	401,230
Other comprehensive income	2,469	–	1,396	–
<b>Total comprehensive income</b>	<b>43,760</b>	<b>179,477</b>	<b>2,884,669</b>	<b>401,230</b>

Foreign exchange loss was recognized by KCP due to the translation of financial liabilities (loans) denominated in US dollars. Net loss of KCP from foreign currency translation related to loans for the six months ended 30 June 2014 and 2013 amounted to 31,818,441 thousand Tenge and 1,126,506 thousand Tenge respectively.

### 7. ADVANCES TO SUPPLIERS FOR PROPERTY, PLANT AND EQUIPMENT

Advances to suppliers for property, plant and equipment as at 30 June 2014 and 31 December 2013 were presented as follows:

<i>In thousands of Tenge</i>	30 June 2014 (unaudited)	31 December 2013 (audited)
Advances to third parties for property, plant and equipment	15,069,201	5,934,981
Less: allowance for doubtful debts	(99,345)	(99,330)
<b>Total</b>	<b>14,969,856</b>	<b>5,835,651</b>

The increase in advances to suppliers for property, plant and equipment is mainly due to the prepayment under the contract of reconstruction and expansion of oil pumping station “OPS 663 km” in the amount of 6,668,572 thousand Tenge and prepayment made for the main pumps supply in amount of 2,313,457 thousand Tenge.

Movement in allowance for doubtful debts related to the advances given to suppliers for property, plant and equipment was presented as follows:

<i>In thousands of Tenge</i>	For the three months ended 30 June		For the six months ended 30 June	
	2014	2013	2014	2013
As at beginning of the period	99,345	99,330	99,330	99,330
Charge for the period (Note 25)	–	–	15	–
<b>As at 30 June (unaudited)</b>	<b>99,345</b>	<b>99,330</b>	<b>99,345</b>	<b>99,330</b>

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

### 8. INVENTORY

Inventory as at 30 June 2014 and 31 December 2013 was presented as follows:

<i>In thousands of Tenge</i>	30 June 2014 (unaudited)	31 December 2013 (audited)
Spare parts	1,385,123	937,047
Fuel	938,444	698,546
Chemical reagents	625,090	33,496
Overalls	448,515	82,764
Construction materials	269,564	138,466
Goods	52,767	76,520
Other	649,442	427,417
	<b>4,368,945</b>	<b>2,394,256</b>
Less: provision for slow-moving and obsolete inventory	(41,135)	(48,213)
<b>Total</b>	<b>4,327,810</b>	<b>2,346,043</b>

Movements in the provision for inventory were presented as follows:

<i>In thousands of Tenge</i>	For the three months ended 30 June		For the six months ended 30 June	
	2014	2013	2014	2013
<b>At the beginning of the period</b>	<b>47,785</b>	64,370	<b>48,213</b>	65,413
Reversal of provision (Note 25)	(6,760)	(3,400)	(6,710)	(4,456)
Write-off of inventories	(105)	(11,190)	(2,999)	(11,190)
Foreign currency translation	215	76	2,631	89
<b>As at 30 June (unaudited)</b>	<b>41,135</b>	<b>49,856</b>	<b>41,135</b>	<b>49,856</b>

### 9. TRADE AND OTHER ACCOUNTS RECEIVABLE

Trade and other accounts receivable as at 30 June 2014 and 31 December 2013 were presented as follows:

<i>In thousands of Tenge</i>	30 June 2014 (unaudited)	31 December 2013 (audited)
Trade accounts receivable from related parties (Note 31)	4,641,666	1,416,969
Other accounts receivable from third parties	2,322,225	2,526,184
Trade accounts receivable from third parties	1,725,162	1,203,023
Other accounts receivable from related parties (Note 31)	139,498	35,828
	<b>8,828,551</b>	<b>5,182,004</b>
Less: allowance for doubtful debts	(627,712)	(633,072)
<b>Total</b>	<b>8,200,839</b>	<b>4,548,932</b>

As at 30 June 2014 and 31 December 2013 other receivables mainly represent receivables from fines and penalties for nominated and non-delivered crude oil volumes under oil transportation contracts on "ship or pay" terms.

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

<i>In thousands of Tenge</i>	For the three months ended 30 June		For the six months ended 30 June	
	2014	2013	2014	2013
<b>At the beginning of the period</b>	<b>631,953</b>	583,943	<b>633,072</b>	578,189
(Reversal)/charge for the period (Note 25)	(4,261)	20,679	(5,778)	26,431
Foreign currency translation	20	16	418	18
<b>As at 30 June (unaudited)</b>	<b>627,712</b>	<b>604,638</b>	<b>627,712</b>	<b>604,638</b>

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

### 9. TRADE AND OTHER ACCOUNTS RECEIVABLE (continued)

Trade and other accounts receivable of the Group as at 30 June 2014 and 31 December 2013 were denominated in the following currencies:

<i>In thousands of Tenge</i>	30 June 2014 (unaudited)	31 December 2013 (audited)
Tenge	7,640,990	4,128,283
US dollars	492,557	357,911
Russian rubles	2,146	1,756
Other currency	65,146	60,982
<b>Total</b>	<b>8,200,839</b>	<b>4,548,932</b>

### 10. ADVANCES TO SUPPLIERS

Advances to suppliers as at 30 June 2014 and 31 December 2013 were presented as follows:

<i>In thousands of Tenge</i>	30 June 2014 (unaudited)	31 December 2013 (audited)
Advances to third parties	936,562	587,519
Advances to related parties (Note 31)	421,879	257,165
	<b>1,358,441</b>	<b>844,684</b>
Less: allowance for doubtful debts	(986)	(1,982)
<b>Total</b>	<b>1,357,455</b>	<b>842,702</b>

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

<i>In thousands of Tenge</i>	For the three months ended 30 June		For the six months ended 30 June	
	2014	2013	2014	2013
At the beginning of the period	1,048	1,512	1,982	1,482
Reversal for the period (Note 25)	(62)	(60)	(996)	(30)
<b>As at 30 June (unaudited)</b>	<b>986</b>	<b>1,452</b>	<b>986</b>	<b>1,452</b>

### 11. VAT RECOVERABLE AND OTHER PREPAID TAXES

VAT recoverable and other prepaid taxes as at 30 June 2014 and 31 December 2013 were presented as follows:

<i>In thousands of Tenge</i>	30 June 2014 (unaudited)	31 December 2013 (audited)
VAT recoverable	3,935,114	3,038,279
Withholding tax	37,299	21,708
Other taxes prepaid	35,230	84,727
<b>Total</b>	<b>4,007,643</b>	<b>3,144,714</b>

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

### 12. OTHER CURRENT ASSETS

Other current assets as at 30 June 2014 and 31 December 2013 were presented as follows:

<i>In thousands of Tenge</i>	<b>30 June 2014 (unaudited)</b>	31 December 2013 (audited)
Receivable for oil transportation coordination services	3,483,707	3,770,279
Dividends receivable	637,620	–
Prepaid insurance	330,907	38,840
Due from employees	83,732	93,731
Deferred expenses from third parties	19,586	20,445
Deferred expenses from related parties (Note 31)	421	–
Other	24,774	26,114
	<b>4,580,747</b>	3,949,409
Less: Bad debt allowance	(2,616)	(2,616)
<b>Total</b>	<b>4,578,131</b>	3,946,793

As at 30 June 2014 the Group recognized dividends receivable from MunaiTas (Note 6).

### 13. BANK DEPOSITS

Bank deposits as at 30 June 2014 and 31 December 2013 were presented as follows:

<i>In thousands of Tenge</i>	<b>30 June 2014 (unaudited)</b>	31 December 2013 (audited)
Short-term bank deposits	43,485,968	81,554,300
Long-term bank deposits	7,578,448	576,541
Accrued interest on deposits	834,591	1,562,238
<b>Total</b>	<b>51,899,007</b>	83,693,079

Decrease in short-term bank deposits as at 30 June 2014 is due to the transfer made to time deposits, based on the Group's plans to pay dividends in amount of 41,925,280 thousand Tenge (Note 14) in early July 2014.

On 30 June 2014 bank deposits in Kazakhstani and foreign banks, were as follows:

- Tenge denominated short-term bank deposits placed with Kazakhstani banks with maturity from 3 to 12 months in the amount of 34,950,000 thousand Tenge (31 December 2013: 81,550,000 thousand Tenge) and interest rate varied from 6% to 8% per annum (31 December 2013: from 3.7% to 7.2% per annum) maturing in December 2014 (31 December 2013: December 2014);
- US dollar denominated short-term bank deposits placed with Kazakhstani banks with maturity from 3 to 12 months in the amount of 8,533,215 thousand Tenge (31 December 2013: nil) with interest rate varied from 1.3% to 2.7% per annum (31 December 2013: nil) maturing in November 2014;
- bank deposits placed with Foreign banks with maturity from 3 to 12 months in the amount of 2,753 thousand Tenge (31 December 2013: 4,300 thousand Tenge) and interest rate varied from 0.5% to 3.4% per annum (31 December 2013: nil) maturing in October 2014;
- Tenge denominated long-term bank deposits placed with Kazakhstani banks with maturity from 12 months in the amount of 7,000,000 thousand Tenge (31 December 2013: nil) with interest rate varied from 7.5% to 8.6% per annum (31 December 2013: nil) maturing in June 2015;
- restricted long-term deposits with maturity till 2028 in the amount of 578,448 thousand Tenge (31 December 2013: 576,541 thousand Tenge) with interest rate at 2% per annum, placed in order to secure mortgage loans issued by "Halyk Bank of Kazakhstan" JSC to the Company's employees.

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

### 14. CASH AND CASH EQUIVALENTS

Cash and cash equivalents as at 30 June 2014 and 31 December 2013 were presented as follows:

<i>In thousands of Tenge</i>	30 June 2014 (unaudited)	31 December 2013 (audited)
Time deposits with banks – Tenge	63,530,178	22,980,000
Current accounts with banks – Tenge	7,544,227	1,374,515
Current accounts with banks – US dollars	1,340,422	1,152,074
Current accounts with banks – Euro	313,802	57,604
Current accounts with banks – Lari	246,637	67,742
Current accounts with banks – Russian ruble	1,718	492
Other current accounts with banks	11,813	11,374
Cash on hand	2,478	1,547
<b>Total</b>	<b>72,991,275</b>	<b>25,645,348</b>

Increase in time deposits up to 3 months is due to the Group's plans to pay dividends in amount of 41,925,280 thousand Tenge in early July 2014 (*Note 15*).

As at 30 June 2014 the major part of current accounts and time deposits up to 3 months placed with Kazakhstani banks generated interest rate ranging from 1.6% to 7.0% per annum (31 December 2013: from 1.7% to 10.3% per annum).

### 15. EQUITY

#### Share capital

As at 30 June 2014 and 31 December 2013 the Company's share capital was comprised of 384,635,600 common shares authorized, issued and fully paid in the amount of 62,503,284 thousand Tenge, except for 1 share which was authorized but not issued and not paid.

As at 30 June 2014 and 31 December 2013 the share capital amounting to 61,937,567 thousand Tenge is net of consulting costs related to the issuance of shares in the amount of 565,717 thousand Tenge.

#### Dividends

On 28 May 2014 the shareholders decided to pay out dividends in the amount of 41,925,280 thousands Tenge based on 109 Tenge per 1 share (2013: 28,847,670 thousands Tenge based on 75 Tenge per 1 share), including 37,732,752 thousand Tenge related to KMG (2013: 25,962,903 thousand Tenge) and 4,192,528 thousand Tenge related to minority shareholders (2013: 2,884,767 thousand Tenge).

#### Earnings per share

Basic earnings per share amounts are calculated by dividing net profit for the period attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the period. As the parent Company of the Group does not issue convertible financial instruments, basic earnings per share of the Group is equal to diluted earnings per share.

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

<i>In thousands Tenge</i>	For the three months ended 30 June (unaudited)		For the six months ended 30 June (unaudited)	
	2014	2013	2014	2013
Net profit for the period attributable to ordinary equity holders of the parent for basic earnings	21,359,268	20,114,037	26,436,045	40,436,772
Weighted average number of ordinary shares for the period for basic earnings per share	384,635,599	384,635,599	384,635,599	384,635,599
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 ( <i>in Tenge</i> )	56	52	69	105



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

### 15. EQUITY (continued)

#### Book value of ordinary shares

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

<i>In thousands Tenge</i>	30 June 2014 (unaudited)	31 December 2013 (audited)
<b>Total assets</b>	<b>625,745,069</b>	590,527,228
Less: Intangible assets	(6,640,929)	(5,701,002)
Less: Total liabilities	<b>(168,065,657)</b>	(123,257,311)
<b>Net assets for calculation of book value of ordinary shares</b>	<b>451,038,483</b>	461,568,915
Number of ordinary shares	<b>384,635,599</b>	384,635,599
<b>Book value per ordinary share (in Tenge)</b>	<b>1,173</b>	1,200

### 16. EMPLOYEE BENEFIT LIABILITIES

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

Employee benefit liabilities as at 30 June 2014 and 31 December 2013 were presented as follows:

<i>In thousands Tenge</i>	30 June 2014 (unaudited)	31 December 2013 (audited)
Current portion of employee benefit liabilities	<b>326,646</b>	322,000
Non-current portion of employee benefit liabilities	<b>10,555,776</b>	9,333,180
<b>Total</b>	<b>10,882,422</b>	9,655,180

Changes in the present value of employee benefit liabilities for the three and six months period ended 30 June 2014 and 2013 were as follows:

<i>In thousands Tenge</i>	For the three months ended 30 June (unaudited)		For the six months ended 30 June (unaudited)	
	2014	2013	2014	2013
Employee benefit liabilities at the beginning of the year	<b>10,746,676</b>	6,916,724	<b>9,655,180</b>	6,800,263
Current services cost	<b>123,751</b>	115,000	<b>247,501</b>	230,000
Unwinding of discount (Note 29)	<b>104,250</b>	93,000	<b>208,500</b>	186,000
Actuarial losses *	-	-	<b>963,600</b>	-
Benefits paid	<b>(92,255)</b>	(76,111)	<b>(192,359)</b>	(167,650)
<b>Employee benefit liabilities at the end of the period (unaudited)</b>	<b>10,882,422</b>	7,048,613	<b>10,882,422</b>	7,048,613

\* In the first quarter of 2014 the Company recognized actuarial losses in the amount of 963,600 thousand Tenge, due to changes in the inflation rate from 5.0% to 5.6% used for estimation of the defined benefit obligation.

### 17. DEFERRED INCOME

Deferred income as at 30 June 2014 and 31 December 2013 was presented as follows:

<i>In thousands Tenge</i>	30 June 2014 (unaudited)	31 December 2013 (audited)
Deferred income from third parties	<b>4,507,189</b>	3,819,666
Deferred income from related parties (Note 31)	<b>104,122</b>	260,305
<b>Total</b>	<b>4,611,311</b>	4,079,971

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

### 18. TRADE AND OTHER ACCOUNTS PAYABLE

Trade and other accounts payable as at 30 June 2014 and 31 December 2013 were presented as follows:

<i>In thousands Tenge</i>	<b>30 June 2014 (unaudited)</b>	31 December 2013 (audited)
Accounts payable to third parties for goods and services	<b>16,184,484</b>	10,194,390
Accounts payable to related parties for goods and services (Note 31)	<b>478,706</b>	650,602
Other payables to third parties	<b>221,103</b>	249,065
Other payables to related parties (Note 31)	<b>–</b>	1,950
<b>Total</b>	<b>16,884,293</b>	11,096,007

As at 30 June 2014 Trade and other payables included payables to third parties related to the construction (reconstruction of most of the main pipeline “Kalamkas Karazhanbas-Aktau” and “Uzen-Zhetybai-Aktau”) in the amount of 10,749,486 thousand Tenge (31 December 2013: 7,711,017 thousand Tenge).

Trade and other accounts payable as at 30 June 2014 and 31 December 2013 were denominated in the following currencies:

<i>In thousands Tenge</i>	<b>30 June 2014 (unaudited)</b>	31 December 2013 (audited)
Tenge	<b>16,663,523</b>	10,550,602
US dollars	<b>52,025</b>	351,156
Euro	<b>7,374</b>	13,480
Russian roubles	<b>6,305</b>	48,590
Other currency	<b>155,066</b>	132,179
<b>Total</b>	<b>16,884,293</b>	11,096,007

### 19. ADVANCES RECEIVED

Advances received as at 30 June 2014 and 31 December 2013 were presented as follows:

<i>In thousands of Tenge</i>	<b>30 June 2014 (unaudited)</b>	31 December 2013 (audited)
Advances received from related parties (Note 31)	<b>10,457,260</b>	10,706,153
Advances received from third parties	<b>6,018,723</b>	6,475,570
<b>Total</b>	<b>16,475,983</b>	17,181,723

### 20. OTHER TAXES PAYABLE

Other taxes payable as at 30 June 2014 and 31 December 2013 was presented as follows:

<i>In thousands of Tenge</i>	<b>30 June 2014 (unaudited)</b>	31 December 2013 (audited)
Personal income tax	<b>1,082,301</b>	998,348
Social tax	<b>314,256</b>	550,961
Property tax	<b>312,518</b>	355,611
VAT payable	<b>1,358</b>	564
Other taxes	<b>840,421</b>	681,867
<b>Total</b>	<b>2,550,854</b>	2,587,351

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

### 21. PROVISIONS

Movement in provisions for the six month period ended 30 June 2014 and 2013 were presented as follows:

#### Short-term provisions

<i>In thousands of Tenge</i>	Tax provisions (BTL)	Environmental provision (Company)	Others	Total
<b>As at 1 January 2014 (audited)</b>	<b>186,483</b>	<b>41,642</b>	–	<b>228,125</b>
Use of provision	–	(510)	–	(510)
Reversal of provision for the period (Note 27)	–	(7)	–	(7)
Foreign currency translation	36,298	–	–	36,298
<b>As at 30 June 2014 (unaudited)</b>	<b>222,781</b>	<b>41,125</b>	–	<b>263,906</b>
<b>As at 1 January 2013 (audited)</b>	<b>174,406</b>	<b>167,477</b>	<b>11,814</b>	<b>353,697</b>
Charge for the period (Note 27)	–	–	45,467	45,467
Use of provision	–	(8,608)	(36,594)	(45,202)
Foreign currency translation	1,053	–	–	1,053
<b>As at 30 June 2013 (unaudited)</b>	<b>175,459</b>	<b>158,869</b>	<b>20,687</b>	<b>355,015</b>

#### BTL Tax provisions

Provision was accrued in the previous periods due to involvement of BTL in tax disputes with Georgian Tax Authorities regarding additional accruals of withholding tax.

#### Environmental provisions

The Company accrued environmental provision due to the oil spill as a result of unauthorized penetration of pipeline.

#### Long-term provisions

<i>In thousands of Tenge</i>	For the three month period ended 30 June		For the six month period ended 30 June	
	2014	2013	2014	2013
<b>At the beginning of the period</b>	<b>16,928,222</b>	15,764,489	<b>16,677,538</b>	15,531,037
Charge for the period	–	189,263	–	189,263
Unwinding of discount on asset retirement obligation and land reclamation obligation (Note 29)	250,682	250,854	501,366	484,306
<b>At the end of the period (unaudited)</b>	<b>17,178,904</b>	16,204,606	<b>17,178,904</b>	16,204,606

#### Provision for asset retirement and land reclamation obligation

Based on the Law of the Republic of Kazakhstan “About the main pipeline”, which came into force on 4 July 2012 the Company has a legal obligation to decommission the main pipeline (oil pipeline) after the operation and subsequent activities to restore the environment, including land reclamation. Accordingly, the Group’s Management has recognized provision for asset retirement and land reclamation obligation and increased cost of property, plant and equipment in 2012.

Additionally provision for liquidation of the waste landfills is reflected as part of the asset retirement and land reclamation obligation. The provision was created in 2013 based on the requirements of the Ecological Code of the Republic of Kazakhstan, according to which owner of the waste landfill must create liquidation fund for subsequent activities for land remediation and monitoring the impact on the environment after the landfill closure. This Code also prohibits usage of landfill without liquidation fund recognised. Landfill liquidation provision is equal to the discounted amount of the future costs of liquidation, calculated based on remaining period before the date of liquidation. Cost of property, plant and equipment had increased by the amount of provision on liquidation of the waste landfills. Discount rate applied represents risk-free rate of the government bonds of the Republic of Kazakhstan.

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

### 22. OTHER CURRENT LIABILITIES

Other current liabilities as at 30 June 2014 and 31 December 2013 were presented as follows:

<i>In thousands of Tenge</i>	<b>30 June 2014 (unaudited)</b>	31 December 2013 (audited)
Payable for oil transportation coordination services to related parties (Note 31)	<b>4,762,142</b>	4,153,476
Salaries and wages	<b>4,068,929</b>	7,385,065
Payable for oil transportation coordination services to third parties	<b>2,695,301</b>	3,281,040
Current portion of deferred income from third parties	<b>382,251</b>	324,578
Payable to pension funds	<b>331,595</b>	593,575
Current portion of deferred income from related parties (Note 31)	<b>312,366</b>	312,366
Payable under the agency agreement for the transportation of oil to related parties (Note 31)	–	651,706
Other payables	<b>54,869</b>	44,086
<b>Total</b>	<b>12,607,453</b>	16,745,892

### 23. REVENUE

Revenue for the three and six months periods ended 30 June 2014 and 2013 was presented as follows:

<i>In thousands of Tenge</i>	<b>For the three months ended 30 June (unaudited)</b>		<b>For the six months ended 30 June (unaudited)</b>	
	<b>2014</b>	2013	<b>2014</b>	2013
Crude oil transportation	<b>42,522,036</b>	37,322,135	<b>80,028,954</b>	75,529,698
Oil reloading and railway shipment	<b>4,115,985</b>	4,076,101	<b>7,477,633</b>	8,595,600
Pipeline operation services	<b>2,014,782</b>	1,605,634	<b>3,959,011</b>	3,202,250
Water transportation	<b>1,768,658</b>	1,671,724	<b>3,410,391</b>	3,154,202
Transshipment of dry cargo	<b>801,523</b>	691,773	<b>1,366,450</b>	1,543,454
Oil transportation coordination services	<b>166,860</b>	173,908	<b>334,320</b>	354,582
Oil storage services	<b>16,620</b>	53,819	<b>62,934</b>	85,053
Other	<b>235,444</b>	199,517	<b>387,087</b>	399,293
<b>Total</b>	<b>51,641,908</b>	45,794,611	<b>97,026,780</b>	92,864,132

For the six months ended 30 June 2014 the revenue from sales to three major customers amounted to 21,919,077 thousand Tenge, 10,760,036 thousand Tenge and 7,171,827 thousand Tenge (for the six months ended 30 June 2013 the revenue from sales to three major customers amounted to 19,965,007 thousand Tenge, 8,832,479 thousand Tenge and 9,101,309 thousand Tenge).

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

### 24. COST OF SALES

Cost of sales for the three and six months periods ended 30 June 2014 and 2013 was presented as follows:

<i>In thousands of Tenge</i>	For the three months ended 30 June (unaudited)		For the six months ended 30 June (unaudited)	
	2014	2013	2014	2013
Depreciation and amortization	8,333,815	7,079,685	16,523,810	14,104,547
Personnel costs	8,572,505	6,742,533	16,437,670	14,016,245
Railway services	2,404,174	2,252,535	4,467,659	4,900,260
Electric energy	1,536,605	1,459,917	3,134,296	2,994,777
Taxes other than corporate income tax	1,282,224	1,188,641	2,478,492	2,386,587
Materials and fuel	1,228,290	1,220,750	2,077,941	2,024,792
Security services	1,013,838	875,515	1,893,042	1,699,348
Repair and maintenance of property, plant and equipment	1,209,728	1,011,288	1,572,901	1,646,773
Gas expenses	499,035	481,596	1,334,969	1,240,900
Air services	364,747	360,590	701,165	679,250
Business trip expenses	321,990	217,866	485,673	354,341
Insurance	141,343	142,350	237,831	196,307
Post-employment benefits	115,839	108,053	231,678	215,935
Environmental protection	92,706	43,329	129,150	76,263
Communication services	65,326	58,772	120,465	118,372
Diagnostics of production assets	62,602	21,040	112,278	21,136
Operational rent expense	39,141	34,438	73,296	216,955
Other	482,458	357,185	820,441	846,145
<b>Total</b>	<b>27,766,366</b>	<b>23,656,083</b>	<b>52,832,757</b>	<b>47,738,933</b>

Increase in personnel costs is due to the indexation of salaries of production staff to reduce the impact of the devaluation and inflation.

### 25. GENERAL AND ADMINISTRATIVE EXPENSES

General and administrative expenses for the three and six months periods ended 30 June 2014 and 2013 were presented as follows:

<i>In thousands of Tenge</i>	For the three months ended 30 June (unaudited)		For the six months ended 30 June (unaudited)	
	2014	2013	2014	2013
Personnel costs	1,498,201	1,334,519	2,862,718	2,534,380
Depreciation and amortization	203,622	172,305	398,572	355,067
Office maintenance	99,990	72,587	194,855	151,234
Write-off of VAT recoverable	47,354	42,735	181,152	133,508
Business trip expenses	90,914	69,755	141,725	110,224
Taxes other than corporate income tax	47,375	57,265	113,722	109,887
Consulting services	60,502	58,282	98,499	114,619
Social sphere expenses	73,017	62,891	93,977	121,959
Operational rent expense	59,423	39,501	76,991	75,043
Repair and technical maintenance	48,074	49,142	68,391	84,349
Bank costs	30,728	24,265	66,231	48,675
Communication services	28,958	25,145	56,030	50,806
Insurance and security	26,390	54,585	50,722	106,798
Information expenses	23,242	18,883	45,216	31,584
Training	30,927	24,109	40,742	28,062
Materials and fuel	30,429	18,037	40,301	27,954
Charity expenses	14,376	113,502	21,525	124,216
Post-employment benefits	7,912	6,947	15,823	14,065
Transportation expenses	1,544	2,877	14,820	9,657
Advertising expense	4,642	19,587	6,679	19,916
Reversal of provision for obsolete and slow-moving inventory (Note 8)	(6,760)	(3,400)	(6,710)	(4,456)
(Reversal)/charge of provision for allowance for doubtful debts (Note 7, 9, 10)	(4,323)	20,619	(6,759)	26,401
Other	80,214	123,557	173,691	174,606
<b>Total</b>	<b>2,496,751</b>	<b>2,407,695</b>	<b>4,748,913</b>	<b>4,448,554</b>

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

### 26. OTHER OPERATING INCOME

Other operating income for the three and six months periods ended 30 June 2014 and 2013 were presented as follows:

<i>In thousands of Tenge</i>	For the three months ended 30 June (unaudited)		For the six months ended 30 June (unaudited)	
	2014	2013	2014	2013
Income from fines and penalties	3,447,310	1,185,308	3,573,791	1,214,445
Amortization of deferred income from related parties (Note 31)	78,092	78,090	156,183	156,182
Income from write-off of payables	45,390	1,412	74,531	1,412
Gain on disposal of inventory	21,767	355	46,438	355
(Loss) / gain from disposal of assets held for sale	(1,842)	-	466	84,650
Amortization of financial guarantee issued on behalf of joint venture (Note 31)	-	-	-	26,463
Derecognition of financial guarantee issued on behalf of joint venture (Note 31)	-	-	-	177,743
Other income	26,090	63,203	44,334	91,332
<b>Total</b>	<b>3,616,807</b>	<b>1,328,368</b>	<b>3,895,743</b>	<b>1,752,582</b>

In March 2013 MunaiTas had early repaid its obligation to EBRD under the loan agreement and obligations of the Company as guarantor for the loan was terminated. Respectively, the Company derecognized the remaining amount of unamortized financial guarantee liability.

Income from fines and penalties mainly consist of amounts for nominated and non-delivered crude oil volumes under oil transportation contracts on “ship or pay” terms.

### 27. OTHER OPERATING EXPENSES

Other operating expenses for the three and six months periods ended 30 June 2014 and 2013 were presented as follows:

<i>In thousands of Tenge</i>	For the three months ended 30 June (unaudited)		For the six months ended 30 June (unaudited)	
	2014	2013	2014	2013
Loss on liquidation of idle oil pumping stations	40,741	-	40,741	-
Loss on disposal of property, plant and equipment and intangible assets	17,744	248,656	32,562	285,789
Loss on disposal of inventory	12,993	-	14,912	-
(Reversal)/charge of provisions (Note 21)	(7)	45,467	(7)	45,467
Other expenses	(12,457)	(37,564)	19,996	29,097
<b>Total</b>	<b>59,014</b>	<b>256,559</b>	<b>108,204</b>	<b>360,353</b>

### 28. FINANCE INCOME

Finance income for the three and six months periods ended 30 June 2014 and 2013 were presented as follows:

<i>In thousands of Tenge</i>	For the three months ended 30 June (unaudited)		For the six months ended 30 June (unaudited)	
	2014	2013	2014	2013
Interest income on bank deposits	1,712,388	948,442	3,044,949	1,692,832
Unwinding of discount on loans to employees	4,348	9,837	7,984	16,109
Financial lease	1,820	1,361	3,352	2,867
Other finance income from related parties (Note 31)	-	6	-	4,074
Other finance income from third parties	1,895	-	5,469	-
<b>Total</b>	<b>1,720,451</b>	<b>959,646</b>	<b>3,061,754</b>	<b>1,715,882</b>

Increase in interest income on bank deposits is due to the increase in amount of bank deposits and in interest rates.

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

### 29. FINANCE COST

Finance cost for the three and six months periods ended 30 June 2014 and 2013 were presented as follows:

<i>In thousands of Tenge</i>	For the three months ended 30 June (unaudited)		For the six months ended 30 June (unaudited)	
	2014	2013	2014	2013
Unwinding of discount on asset retirement and land reclamation obligation (Note 21)	250,682	250,854	501,366	484,306
Unwinding of discount on employee benefits (Note 16)	104,250	93,000	208,500	186,000
<b>Total</b>	<b>354,932</b>	<b>343,854</b>	<b>709,866</b>	<b>670,306</b>

### 30. INCOME TAX EXPENSE

Income tax expense for the three and six months periods ended 30 June 2014 and 2013 was presented as follows:

<i>In thousands of Tenge</i>	For the three months ended 30 June (unaudited)		For the six months ended 30 June (unaudited)	
	2014	2013	2014	2013
Current income tax expense	6,097,440	5,167,019	10,120,958	10,214,061
Deferred income tax benefit	(763,462)	(588,244)	(846,890)	(1,380,011)
<b>Income tax expense</b>	<b>5,333,978</b>	<b>4,578,775</b>	<b>9,274,068</b>	<b>8,834,050</b>

Movement in deferred tax liabilities for the three and six months periods ended 30 June 2014 and 2013 was presented as follows:

<i>In thousands of Tenge</i>	For the three months ended 30 June (unaudited)		For the six months ended 30 June (unaudited)	
	2014	2013	2014	2013
<b>At the beginning of the period</b>	<b>43,843,742</b>	<b>38,616,437</b>	<b>43,537,849</b>	<b>39,406,770</b>
Charged to profit and loss	(763,462)	(588,244)	(846,890)	(1,380,011)
Charged to other comprehensive income	(5,281)	(1,955)	(198,116)	(1,274)
Foreign currency translation	2,047	15,576	584,203	16,329
<b>As at 30 June (unaudited)</b>	<b>43,077,046</b>	<b>38,041,814</b>	<b>43,077,046</b>	<b>38,041,814</b>

### 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.

## 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 six months ended 30 June 2014 and 2013 and also the related balances as at 30 June 2014 and 31 December 2013:

#### Carrying amount of transactions with related parties

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

<i>In thousands of Tenge</i>	Notes	30 June 2014 (unaudited)	31 December 2013 (audited)
<b>Trade and other accounts receivable from related parties</b>			
Trade accounts receivable from joint ventures		3,442,373	806,094
Trade accounts receivable from entities under common control of KMG		1,197,193	609,882
Trade accounts receivable from entities under common control of Samruk-Kazyna Group		2,100	993
	9	4,641,666	1,416,969
Other accounts receivables from entities under common control of KMG and Samruk-Kazyna Group		139,498	35,828
	9	139,498	35,828
<b>Total</b>		<b>4,781,164</b>	<b>1,452,797</b>

Advances provided to related parties were presented as follows:

<i>In thousands of Tenge</i>	Notes	30 June 2014 (unaudited)	31 December 2013 (audited)
<b>Advances given to related parties</b>			
Advances given to entities under common control of KMG		300,797	176,380
Advances given to entities under common control of Samruk-Kazyna Group		121,082	80,785
<b>Total</b>	10	<b>421,879</b>	<b>257,165</b>

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

<i>In thousands of Tenge</i>	Notes	30 June 2014 (unaudited)	31 December 2013 (audited)
<b>Prepaid expenses on transactions with related parties</b>			
Prepaid expenses on transactions with related parties		421	–
<b>Total</b>	12	<b>421</b>	<b>–</b>

Non-current portion of deferred income to related parties was presented as follows:

<i>In thousands of Tenge</i>	Notes	30 June 2014 (unaudited)	31 December 2013 (audited)
<b>Non-current portion of deferred income from related parties</b>			
Non-current portion of deferred income from entities under common control of KMG		104,122	260,305
<b>Total</b>	17	<b>104,122</b>	<b>260,305</b>



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

### 31. RELATED PARTY TRANSACTIONS (continued)

#### Carrying amount of transactions with related parties (continued)

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

<i>In thousands of Tenge</i>	Notes	30 June 2014 (unaudited)	31 December 2013 (audited)
<b>Accounts payables to related parties for goods and services</b>			
Accounts payables to entities under common control of KMG		453,948	632,581
Accounts payables to entities under common control of Samruk-Kazyna Group		24,758	18,021
<b>Total accounts payable to related parties for goods and services</b>		<b>478,706</b>	<b>650,602</b>
<b>Other payables to related parties</b>			
Other payables to entities under common control of Samruk-Kazyna Group		–	1,950
<b>Total other accounts payable to related parties</b>		<b>–</b>	<b>1,950</b>
<b>Total</b>	18	<b>478,706</b>	<b>652,552</b>

Advances received from related parties were presented as follows:

<i>In thousands of Tenge</i>	Notes	30 June 2014 (unaudited)	31 December 2013 (audited)
<b>Advances received from related parties</b>			
Advances from entities under common control of KMG		9,808,080	8,764,571
Advances from entities under common control of Samruk-Kazyna Group		649,165	1,941,567
Advances from joint ventures		15	15
<b>Total</b>	19	<b>10,457,260</b>	<b>10,706,153</b>

Dividends payable to related parties were presented as follows:

<i>In thousands of Tenge</i>	Notes	30 June 2014 (unaudited)	31 December 2013 (audited)
<b>Dividends payable to related party</b>			
Dividends payable to KMG		37,732,752	–
<b>Total</b>	15	<b>37,732,752</b>	<b>–</b>

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

### 31. RELATED PARTY TRANSACTIONS (continued)

#### Carrying amount of transactions with related parties (continued)

Other current liabilities to related parties were presented as follows:

<i>In thousands of Tenge</i>	Notes	30 June 2014 (unaudited)	31 December 2013 (audited)
<b>Accounts payable for oil transportation expedition to related parties</b>			
Accounts payable for oil transportation expedition to entities under common control of KMG		4,762,142	4,153,476
	22	4,762,142	4,153,476
<b>Accounts payable under the agency agreement to the related parties</b>			
Accounts payable under the agency agreement for the transportation of oil to the joint venture		–	651,706
	22	–	651,706
<b>Employee benefits of key management personnel</b>			
Employee benefits of key management personnel		195,136	5,516
		195,136	5,516
<b>Current portion of deferred income from related parties</b>			
Current portion of deferred income from entities under common control of KMG		312,366	312,366
	22	312,366	312,366
<b>Total other current liabilities to related parties</b>		<b>5,269,644</b>	<b>5,123,064</b>

#### Transactions with related parties

The following tables provide the total amount of transactions, which have been entered into with related parties during the three and six months periods ended 30 June 2014 and 2013.

<i>In thousands of Tenge</i>	For the three months ended 30 June (unaudited)		For the six months ended 30 June (unaudited)	
	2014	2013	2014	2013
<b>Sales to related parties</b>				
Revenue from main activities with entities under common control of KMG	27,355,150	22,617,019	50,764,397	45,917,775
Revenue from main activities with entities under common control of Samruk-Kazyna Group	1,508,689	3,146,467	3,623,353	5,617,044
Revenue from main activities with joint ventures	1,745,265	1,347,059	3,423,193	2,698,137
Revenue from other activities with entities under common control of KMG	253,782	65,105	265,755	66,119
Revenue from main activities with other related parties	–	6	–	4,074
Revenue from other activities with entities under common control of Samruk-Kazyna Group	–	–	–	89
<b>Total</b>	<b>30,862,886</b>	<b>27,175,656</b>	<b>58,076,698</b>	<b>54,303,238</b>

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

### 31. RELATED PARTY TRANSACTIONS (continued)

#### Transactions with related parties (continued)

<i>In thousands of Tenge</i>	For the three months ended 30 June (unaudited)		For the six months ended 30 June (unaudited)	
	2014	2013	2014	2013
<b>Purchases from related parties</b>				
Purchases of services from entities under common control of KMG	1,947,542	2,003,726	4,097,121	3,981,748
Purchases of services from entities under common control of Samruk-Kazyna Group	314,604	288,299	644,437	611,626
Purchases of services from other related parties	–	4,114	–	2,698,969
Purchases of inventory from entities under common control of KMG	671,354	47,269	673,397	68,663
Purchases of inventory from entities under common control of Samruk-Kazyna Group	7,407	4,625	7,407	4,627
Purchases of intangible assets from entities under common control of Samruk-Kazyna Group	–	–	111,221	–
<b>Total</b>	<b>2,940,907</b>	<b>2,348,033</b>	<b>5,533,583</b>	<b>7,365,633</b>

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

<i>In thousands of Tenge</i>	Notes	For the three months ended 30 June (unaudited)		For the six months ended 30 June (unaudited)	
		2014	2013	2014	2013
<b>Finance income</b>					
Other finance income from related parties		–	6	–	4,074
<b>Total</b>	28	–	6	–	4,074

Other operating income from transactions with related parties was presented as follows:

<i>In thousands of Tenge</i>	Notes	For the three months ended 30 June (unaudited)		For the six months ended 30 June (unaudited)	
		2014	2013	2014	2013
<b>Other operating income from related parties</b>					
Amortization of deferred income from related parties	26	78,092	78,090	156,183	156,182
Derecognition of financial guarantee issued on behalf of joint venture	26	–	–	–	177,743
Amortization of financial guarantee issued on behalf of joint venture	26	–	–	–	26,463
<b>Total</b>		<b>78,092</b>	<b>78,090</b>	<b>156,183</b>	<b>360,388</b>

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

<i>In thousands of Tenge</i>	For the three months ended 30 June (unaudited)		For the six months ended 30 June (unaudited)	
	2014	2013	2014	2013
Bonuses based on the results of the previous year	204,950	143,509	204,950	143,509
Salary	50,067	63,660	82,815	88,371
Short-term benefits	–	–	7,557	3,601
Post-employment benefits	126	105	451	208
<b>Total</b>	<b>255,143</b>	<b>207,274</b>	<b>295,773</b>	<b>235,689</b>
<b>Number of persons</b>	<b>8</b>	<b>7</b>	<b>8</b>	<b>7</b>

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
(continued)****32. CONTINGENT LIABILITIES AND COMMITMENTS**

Contractual obligations for future operations and contingencies of the Group are disclosed in the annual consolidated financial statements for the year ended 31 December 2013. During the six month period ended 30 June 2014 there were no significant transactions except for the following:

**Contractual obligations**

As at 30 June 2014 the Group had contractual obligations to purchase property, plant and equipment, and construction services for the amount of 58,140,476 thousand Tenge (31 December 2013: 33,130,344 thousand Tenge). In addition, as at 30 June 2014 the Group has committed to purchase inventory (materials and spare parts) and services for the amount of 20,510,747 thousand Tenge (31 December 2013: 4,646,947 thousand Tenge).

Share of the Group as 30 June 2014 in contractual obligations of joint ventures to acquire property, plant and equipment, and construction services for the amount of 644,833 thousand Tenge (31 December 2013: 1,248,036 thousand Tenge) and has commitments to purchase inventory (materials and spare parts) and services for the amount of 7,549,080 thousand Tenge (31 December 2013: 240,636 thousand Tenge).

**Temporary compensatory tariff**

On 23 September 2013 the Company applied to the specialized inter-district economic court of Astana with the legal statement contesting order of the NMRA chairman on approving temporary compensatory tariff from 29 August 2013.

Based on decision of Specialized inter-district economic Court of Astana as at 25 December 2013 legal statement of the Company was fully satisfied. NMRA disagreed with the decision mentioned above and filed an appeal. On 14 April 2014 contested Order was declared invalid based on the decision of the Appeals Court on civil and administrative cases of Astana.

On 16 May 2014 NMRA filed cassation appeal contesting decision of the Appeals Court.

On 24 June 2014 NMRA approved temporary compensatory tariff for regulated services on pumping oil through the pipelines of the Company, which is effective from 1 July 2014 to 30 June 2015. Temporary compensatory tariff for oil transportation through the pipelines of the Company is approved in the following volumes: for export – 5,774.3 Tenge per 1 ton per 1,000 km (excluding VAT), for domestic market – 2,910.2 Tenge per 1 ton per 1,000 km (excluding VAT).

**Legal proceedings*****Legal proceedings with Transsystem company***

Agreement on cargo transshipment in Batumi Terminal Port (hereinafter “Port”), which is the part of BTL Group, was concluded on 3 January 2014 between Port and Transsystem company, according to which Transsystem had to provide minimum annual volume for the cargo transshipment. Port had to render services at discounted rate under condition that Transsystem would provide bank guarantee and would make a transfer of the deposit amount to the bank account of the Port. Transsystem did not provide bank guarantee and did not provide negotiated amount on deposit of the Port within the specified time.

On 1 April 2014 after repeated notifications on violating of contractual terms Port discontinued providing discounts. In turn Transsystem filed a claim against Port requesting termination of agreement and requesting compensation for the lost profit in amount of 1,428 thousand of US dollars.

The Group’s management considers the claim of Transsystem as groundless and estimates the risk of losses as possible and, accordingly, provision for losses was not recognized.

***Legal proceedings with Georgian Railway***

In December 2005 Georgian Railway appealed to the court with the claim against Batumi Oil Terminal LLC, which is the part of BTL Group, requesting for debt collection in amount of 13,942 thousand of Lari (equivalent to 7,880 thousand of US dollars) as a result of the tank cars being idle from May 2003 till November 2005.

The Group’s management considers the claim of Georgian Railway as groundless and estimates the risk of losses as possible and, accordingly, provision for losses was not recognized.

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

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**33. FINANCIAL INSTRUMENTS**

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

**Fair value of financial instruments**

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

**34. EVENTS AFTER THE REPORTING PERIOD**

Based on the decision of the General Meeting of Shareholders on 28 May 2014 the Company has paid dividends to its shareholders on 3 July 2014 in the amount of 41,925,280 thousand Tenge (109 Tenge per 1 share).

The Company decided to provide sponsorship in the amount of 1,910,912 thousand Tenge for construction of a secondary school for 300 seats in the Atyrau region, a kindergarten for 320 seats in the city of Pavlodar and a kindergarten for 280 seats in the South Kazakhstan region.

On 3 July 2014 the Company filed an application to the Specialized Interregional economical court of Astana to challenge AREM's order on approval of temporary compensatory rate (*Note 32*). According to the decision of the Specialized Interregional economical court of Astana dated on 8 July 2014 the order on approval of temporary compensatory rate was suspended.