KazTransOil JSC

Interim Condensed Consolidated Financial Statements (unaudited)

As at March 31, 2013 and for three months then ended
with Independent Auditors' Report on Review
of Interim Condensed Consolidated Financial Statements

CONTENTS

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Report on review of the 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 ("the Group") as at 31 March 2013 which comprise the interim condensed consolidated statement of financial position as at 31 March 2013 and the related interim condensed consolidated statements of comprehensive income, changes in equity and cash flows for the three-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 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 condensed consolidated financial statements are not prepared, in all material respects, in accordance with IAS 34.

Ernst & Young LLP

Aisulu Narbayeva
Auditor

Auditor Qualification Certificate No. 0000137 dated 21 October 1994

Evgeny Zhemaletdinov
General Director
Ernst & Young LLP

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

22 May 2013

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		As of	
In thousands of Tenge	Note	**31 March 2013 (unaudited)**	31 December 2012 (audited)
ASSETS			
Non-current assets			
Property, plant and equipment	5	**357,753,568**	362,869,105
Intangible assets	6	**6,161,267**	6,233,226
Investments in joint ventures	7	**43,760,040**	40,815,549
Advances to suppliers for property, plant and equipment	8	**997,595**	524,274
Other non-current assets		**128,986**	130,805
		408,801,456	410,572,959
Current assets			
Inventories	9	**2,856,631**	2,599,941
Trade and other accounts receivable	10	**3,149,242**	2,527,881
Advances to suppliers	11	**962,082**	603,109
Prepayment for corporate income tax		**2,715**	1,580,756
VAT recoverable and other prepaid taxes	12	**2,429,837**	2,092,013
Other current assets	13	**3,310,612**	4,405,862
Bank deposits	14	**58,734,622**	53,084,676
Cash and cash equivalents	15	**34,672,170**	18,954,044
		106,117,911	85,848,282
Assets classified as held for sale		**–**	29,299
		106,117,911	85,877,581
TOTAL ASSETS		**514,919,367**	496,450,540

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)

In thousands of Tenge	Note	As of 31 March 2013 (unaudited)	31 December 2012 (audited)
EQUITY AND LIABILITIES			
Equity			
Share capital	16	**61,937,567**	61,937,567
Asset revaluation reserve		**141,793,323**	144,421,031
Other capital reserves		**17,104**	17,104
Foreign currency translation reserve		**9,890,500**	9,875,876
Retained earnings		**199,015,651**	176,062,485
Total equity		**412,654,145**	392,314,063
Non-current liabilities			
Financial guarantee issued on behalf of related party		–	199,654
Employee benefit liability		**6,688,295**	6,562,263
Deferred tax liabilities		**38,616,437**	39,406,770
Provision on asset retirement obligation		**15,764,489**	15,531,037
Deferred income	17	**4,314,300**	4,412,922
		65,383,521	66,112,646
Current liabilities			
Employee benefit liability		**228,429**	238,000
Income tax payable		**2,087,539**	919,213
Trade and other accounts payable	18	**3,324,958**	6,771,926
Advances received	19	**15,410,227**	15,970,695
Other taxes payable	20	**3,029,409**	1,639,801
Provisions	21	**387,834**	353,697
Other current liabilities	22	**12,413,305**	12,130,499
		36,881,701	38,023,831
Total liabilities		**102,265,222**	104,136,477
TOTAL EQUITY AND LIABILITIES		**514,919,367**	496,450,540
Book value of ordinary shares *(in Tenge)*	16	**1,057**	1,004

The accounting policy and explanatory notes on pages 8 through 27 form an integral part of these interim condensed consolidated financial statements.

General Director ____________ *Kabyldin K.M.*

Chief Accountant ____________ *Akhmedina A.S.*

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

In thousands of Tenge	Note	For the three months ended March 31, 2013 (unaudited)	For the three months ended March 31, 2012 (unaudited)
Revenue	23	**47,069,521**	33,412,609
Cost of sales	24	**(24,082,850)**	(22,123,272)
Gross profit		**22,986,671**	11,289,337
General and administrative expenses	25	**(2,040,859)**	(2,015,219)
Other operating income	26	**424,214**	215,473
Other operating expenses		**(103,794)**	(22,918)
Reversal / (Impairment) of property, plant and equipment and intangible assets		**1,916**	(989)
Operating profit		**21,268,148**	9,465,684
Net foreign exchange loss		**(64,241)**	(216,328)
Finance income	27	**756,236**	586,866
Finance costs	28	**(326,452)**	(49,046)
Share in income of joint ventures	7	**2,944,319**	1,681,889
Profit before tax		**24,578,010**	11,469,065
Income tax expense	29	**(4,255,275)**	(1,852,997)
Profit for the period less income tax		**20,322,735**	9,616,068
Earnings per share *(in Tenge)*	16	**53**	28

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (continued)

In thousands of Tenge	Note	**For the three months ended March 31 2013 (unaudited)**	For the three months ended March 31 2012 (unaudited)
Other comprehensive income of the Group			
Foreign currency translation		**14,452**	(19,158)
Revaluation of property, plant and equipment	5	**3,403**	–
Income tax effect		**(680)**	–
		2,723	–
Other comprehensive income for the period of the Group net of tax		**17,175**	(19,158)
Share of the other comprehensive income of joint ventures accounted for using the equity method			
Foreign currency translation	7	172	(1,023)
Share of the other comprehensive income of joint ventures accounted for using the equity method, net of tax		**172**	(1,023)
Total other comprehensive income for the period, net of tax		**17,347**	(20,181)
Total comprehensive income for the period, net of tax		**20,340,082**	9,595,887

The accounting policy and explanatory notes on pages 8 through 27 form an integral part of these interim condensed consolidated financial statements

General Director ______ Kabyldin K.M.

Chief Accountant ______ Akhmedina A.S.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

		For the three months ended March 31	
In thousands of Tenge	Note	2013 (unaudited)	2012 (unaudited)
Cash flows from operating activities:			
Profit before tax		**24,578,010**	11,469,065
Non-cash adjustment to reconcile profit before tax to net cash flows:			
Depreciation and amortization	24,25	**7,207,624**	6,783,435
Allowance on doubtful debts	25	**5,782**	41,654
Share in income of joint ventures	7	**(2,944,319)**	(1,681,889)
Finance costs	28	**326,452**	49,046
Finance income	27	**(756,236)**	(586,866)
Employee benefits	24,25	**115,000**	74,000
Provision	21	**45,834**	–
(Income) / Loss on disposal of property, plant and equipment and intangible assets		**37,133**	(2,567)
(Income) / Loss on disposal of other assets		**(84,650)**	–
Impairment / (Reversal of impairment) of property, plant and equipment	5	**(1,916)**	989
Amortization of deffered income	26	**(78,091)**	(78,092)
Write-off of VAT recoverable	25	**90,773**	56,001
Amortization of financial guarantee issued on behalf of related party	26	**(26,463)**	(33,946)
Derecognition of financial guarantee		**(177,743)**	–
Unrealized foreign exchange loss		**688**	246,634
Reversal of provision for slow-moving and obsolete inventory	25	**(1,056)**	(78)
Operating cash flows before working capital changes:		**28,336,822**	16,337,386
Changes in inventories		**(255,210)**	(303,124)
Changes in trade and other accounts receivable		**(627,113)**	(2,706,475)
Changes in advances to suppliers		**(359,003)**	(502,068)
Changes in taxes recoverable and other current assets		**664,122**	5,050,016
Changes in trade and other accounts payable		**(3,446,968)**	(2,390,005)
Changes in advances received		**(560,468)**	(436,274)
Changes in taxes payable		**1,389,608**	(56,081)
Changes in other current and non-current liabilities and employee benefit liabilities		**158,922**	(477,326)
Cash generated from operations:		**25,300,712**	14,516,049
Income taxes paid		**(2,285,165)**	(2,623,890)
Interest received		**105,245**	514,154
Net cash flow from operating activities		**23,120,792**	12,406,313
Cash flows from investing activities:			
Withdrawal of term deposits		**–**	6,000,000
Placement of term deposits		**(5,000,000)**	(8,000,000)
Purchase of property, plant and equipment		**(2,496,722)**	(3,561,462)
Purchase of intangible assets		**(67,121)**	(52,819)
Proceeds from disposal of property, plant and equipment and intangible assets		**161,177**	192,025
Net cash flow used in investing activities		**(7,402,666)**	(5,422,256)
Net cash flow used in financing activities		**–**	–
Net change in cash and cash equivalents		**15,718,126**	6,984,057
Cash and cash equivalents at the beginning of the year	15	**18,954,044**	21,852,387
Cash and cash equivalents at the end of the year	15	**34,672,170**	28,836,444

The accounting policy and explanatory notes on pages 8 through 27 form an integral part of these interim condensed consolidated financial statements

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (continued)

NON-CASH TRANSACTIONS

The following non-cash transactions have been excluded from the interim condensed consolidated statement of cash flows:

Depreciation included in cost of construction in progress

The amount of depreciation for the three months ended March 31, 2013 included in cost of construction in progress was 2,369 thousand Tenge (for the three month ended March 31, 2012: 2,615 thousand Tenge).

Offset of the taxes

During three months ended March 31, 2013, the Group has made an offset of CIT payable with prepayments of other taxes to the amount of 16,195 thousand Tenge (for three months ensded March 31, 2012: 81,157 thousand Tenge)

General Director *Kabyldin K.M.*

Chief Accountant *Akhmedina A.S.*

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

In thousands of Tenge	Share capital	Asset revaluation reserve	Other capital reserves	Foreign currency translation reserve	Retained earnings	Total
As at January 1, 2013 (audited)	**61,937,567**	**144,421,031**	**17,104**	**9,875,876**	**176,062,485**	**392,314,063**
Profit for the period	–	–	–	–	20,322,735	**20,322,735**
Other comprehensive income	–	2,723	–	14,624	–	**17,347**
Total comprehensive income for the period (unaudited)	**–**	**2,723**	**–**	**14,624**	**20,322,735**	**20,340,082**
Depreciation transfer of revalued property, plant and equipment	–	(2,630,431)	–	–	2,630,431	–
As at March 31, 2013 (unaudited)	**61,937,567**	**141,793,323**	**17,104**	**9,890,500**	**199,015,651**	**412,654,145**
As at January 1, 2012 (audited)	**34,617,204**	**138,056,828**	**17,104**	**9,334,129**	**189,472,821**	**371,498,086**
Profit for the period	–	–	–	–	9,616,068	**9,616,068**
Other comprehensive income	–	–	–	(20,181)	–	**(20,181)**
Total other comprehensive income for the year (unaudited)	–	–	–	**(20,181)**	**9,616,068**	**9,595,887**
Depreciation transfer of revalued property, plant and equipment	–	(3,100,344)	–	–	3,100,344	–
As at March 31, 2012 (unaudited)	**34,617,204**	**134,956,484**	**17,104**	**9,313,948**	**202,189,233**	**381,093,973**

The accounting policy and explanatory notes on pages 8 through 27 form an integral part of these interim condensed consolidated financial statements.

General Director Kabyldin K.M.

Chief Accountant Akhmedina A.S.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL

On May 2, 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" ("TNG") owned by the Government. Based on that resolution, the Committee for State Property and Privatization of the Ministry of Finance of the Republic of Kazakhstan transferred the KazTransOil NOTC CJSC shares to TNG, and, as a result, KazTransOil NOTC CJSC was re-registered and renamed KazTransOil Closed Joint Stock Company.

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

As of March 31, 2013, National Company KazMunayGas JSC ("KMG" or the "Parent Company") is a major shareholder of the Company (90 percent). KMG is owned by "Sovereign Wealth Fund Samruk-Kazyna" JSC ("Samruk-Kazyna"), which is controlled by the Government of the Republic of Kazakhstan.

In 2012 the Company performed a share split in proportion 1:10, as a result of which the number of authorized shares has increased from 34,617,204 to 346,172,040, however, share capital has not changed (34,617,204 thousand Tenge). Thereafter, the Company increased the number of authorized shares by 38,463,560 (10% from total amount of 384,635,600 shares), with a purpose to place them on the Kazakhstan Stock Exchange under the "People's IPO" programme. Trades in the shares of JSC "KazTransOil" on the Kazakhstan Stock Exchange were opened on December 25, 2012. As a result, 38,463,559 common shares at 725 Tenge per share were sold for 27,886,080 thousand Tenge.

As at March 31, 2013 and December 31, 2012 the Company had interest ownership in the following companies:

	Place of incorporation	Principal activities	*Ownership* March 31, 2013	December 31, 2012
"SZTK MunaiTas" JSC ("MunaiTas")	Kazakhstan	Oil transportation	**51%**	51%
"Kazakhstan–China Pipeline" LLP ("KCP")	Kazakhstan	Oil transportation	**50%**	50%
"Batumi Capital Partners Limited" ("BCPL")	Cyprus*	Forwarding, transhipment and storage of oil and oil products	**50%***	50%*
"Batumi Industrial Holdings Limited" ("BIHL")	Cyprus*	Forwarding, transhipment and storage of oil and oil products and operating of Batumi Sea Port and Oil Terminal	**100%***	100%*

* Main activities of BCPL and BIHL are carried out by their subsidiaries located in Georgia. BIHL directly owns 50% of BCPL. Accordingly, the Company directly and indirectly, through its subsidiary BIHL, owns 100% of BCPL.The Company and its subsidiaries are hereafter referred to as the "Group".

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

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. Group's joint ventures MunaiTas and KCP own Kenkiyak-Atyrau, Kenkiyak-Kumkol, and Atasu-Alashankou pipelines used for transportation of Kazakhstani crude oil to China. Group's subsidiary BIHL owns Batumi Oil Terminal and has controlling interest of Batumi Sea Port, main activity of which is storage and transshipment of oil cargoes.

The company is a natural monopolist and, accordingly, is subject to regulation of the Agency of the Republic of Kazakhstan for Regulation of Natural Monopolies ("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 Group's revenue. In general, rates are based on the cost of capital return on operating assets.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

1. GENERAL (continued)

In accordance with the legislation of the Republic of Kazakhstan on regulation of natural monopolies, rates can not be lower than the cost of the expenditure required to provide services, and to consider the possibility of making a profit, providing the effective functioning of a natural monopoly.

On December 1, 2012 NMRA increased tariffs for oil transportation on domestic and export markets: the tariff for the domestic market for the transportation of one ton of oil per 1,000 km has been increased from 1,303 Tenge to 1,954.5 Tenge; tariff of oil transportation on export has been increased from 3,331 Tenge to 4,732.6 Tenge for 1 ton of oil per 1,000 km.

These interim condensed consolidated financial statements for three months ended March 31, 2013 were approved for issue by the General Director and the Chief Accountant of the Company on May 22, 2013.

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

Basis of preparation of financial statements

These interim condensed consolidated financial statements for the three months ended March 31, 2013 have been prepared in accordance with International Financial Reporting IAS 34 “Interim Financial Reporting” (“IFRS 34”).

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

Interim condensed consolidated financial statements do not include all information and disclosures required for annual financial statements and should be read in conjunction with the Group’s annual financial statements for the year ended December 31, 2012.

The interim condensed consolidated financial statements are presented in Tenge and all values are rounded to the nearest thousand, except when otherwise indicated.

Foreign currency translation

Weighted average currency exchange rates established by the Kazakhstan Stock Exchange (“KASE”) are used as official currency exchange rates in the Republic of Kazakhstan. As at March 31, 2013 and December 31, 2012, the currency exchange rate of KASE was 150.84 and 150.74 Tenge to USD 1, respectively.

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 December 31, 2012, except for the adoption of new standards and interpretations as of January 1, 2013.

The Group applies, for the first time, certain standards and amendments that require restatement of previous financial statements. These include IFRS 10 Consolidated Financial Statements, IFRS 11 Joint Arrangements, IAS 19 (Revised 2011) Employee Benefits, IFRS 13 Fair Value Measurement and amendments to IAS 1 Presentation of Financial Statements. As required by IAS 34, the nature and the effect of these changes are disclosed below. In addition, the application of IFRS 12 “Disclosure of Interest in Other Entities” would result in additional disclosures in the annual consolidated financial statements. These standards and amendments did 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/amendment are described below:

IAS 1 Presentation of Items of Other Comprehensive Income – Amendments to IAS 1

The amendments to IAS 1 introduce a grouping of items presented in other comprehensive income (OCI). Items that could be reclassified (or recycled) to profit or loss at a future point in time (e.g., net gain on hedge of net investment, exchange differences on translation of foreign operations, net movement on cash flow hedges and net loss or gain on available-for-sale financial assets) now have to be presented separately from items that will never be reclassified (e.g., actuarial gains and losses on defined benefit plans and revaluation of land and buildings). The amendment affected presentation only and had no impact on the Group’s financial position or performance.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

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

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

IAS 1 Clarification of the requirement for comparative information (Amendment)

The amendment to IAS 1 clarifies the difference between voluntary additional comparative information and the minimum required comparative information. An entity must include comparative information in the related notes to the financial statements when it voluntarily provides comparative information beyond the minimum required comparative period. The additional voluntarily comparative information does not need to be presented in a complete set of financial statements.

An opening statement of financial position (known as the 'third balance sheet') must be presented when an entity applies an accounting policy retrospectively, makes retrospective restatements, or reclassifies items in its financial statements, provided any of those changes has a material effect on the statement of financial position at the beginning of the preceding period. The amendment clarifies that a third balance sheet does not have to be accompanied by comparative information in the related notes. Under IAS 34, the minimum items required for interim condensed financial statements do not include a third balance sheet.

IAS 32 Tax effects of distributions to holders of equity instruments (Amendment)

The amendment to IAS 32 Financial Instruments: Presentation clarifies that income taxes arising from distributions to equity holders are accounted for in accordance with IAS 12 Income Taxes. The amendment removes existing income tax requirements from IAS 32 and requires entities to apply the requirements in IAS 12 to any income tax arising from distributions to equity holders. The amendment did not have an impact on the interim condensed consolidated financial statements for the Group, as there is no tax consequences attached to cash or non-cash distribution.

IAS 34 Interim financial reporting and segment information for total assets and liabilities (Amendment)

The amendment clarifies the requirements in IAS 34 relating to segment information for total assets and liabilities for each reportable segment to enhance consistency with the requirements in IFRS 8 Operating Segments. Total assets and liabilities for a reportable segment need to be disclosed only when the amounts are regularly provided to the chief operating decision maker and there has been a material change in the total amount disclosed in the entity's previous annual consolidated financial statements for that reportable segment.

IAS 19 Employee Benefits (Revised 2011) (IAS 19R)

IAS 19 includes a number of amendments to the accounting for defined benefit plans, including actuarial gains and losses that are now recognised in other comprehensive income (OCI) and permanently excluded from profit and loss; expected returns on plan assets that are no longer recognised in profit or loss, instead, there is a requirement to recognise interest on the net defined benefit liability (asset) in profit or loss, calculated using the discount rate used to measure the defined benefit obligation, and; unvested past service costs are now recognised in profit or loss at the earlier of when the amendment occurs or when the related restructuring or termination costs are recognised. Other amendments include new disclosures, such as, quantitative sensitivity disclosures. The amendment did not affect the interim condensed consolidated financial statements.

IFRS 7 Financial Instruments: Disclosures Offsetting Financial Assets and Financial Liabilities Amendments to IFRS 7

The amendment requires an entity to disclose information about rights to set-off financial instruments and related arrangements (e.g., collateral agreements). The disclosures would provide users with information that is useful in evaluating the effect of netting arrangements on an entity's financial position. The new disclosures are required for all recognised financial instruments that are set off in accordance with IAS 32. The disclosures also apply to recognised financial instruments that are subject to an enforceable master netting arrangement or similar agreement, irrespective of whether the financial instruments are set off in accordance with IAS 32. As the Group is not setting off financial instruments in accordance with IAS 32 and does not have relevant offsetting arrangements, the amendment does not have an impact on the Group.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

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

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

IFRS 10 Consolidated Financial Statements and IAS 27 Separate Financial Statements

IFRS 10 establishes a single control model that applies to all entities including special purpose entities. IFRS 10 replaces the parts of previously existing IAS 27 Consolidated and Separate Financial Statements that dealt with consolidated financial statements and SIC-12 Consolidation – Special Purpose Entities. IFRS 10 changes the definition of control such that an investor controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. To meet the definition of control in IFRS 10, all three criteria must be met, including:

(a) an investor has power over an investee;

(b) the investor has exposure, or rights, to variable returns from its involvement with the investee; and

IFRS 10 had no impact on the interim condensed consolidated financial statements of the Group.

IFRS 11 Joint Arrangements and IAS 28 Investment in Associates and Joint Ventures

IFRS 11 replaces IAS 31 Interests in Joint Ventures and SIC-13 Jointly-controlled Entities — Non-monetary Contributions by Venturers. IFRS 11 removes the option to account for jointly controlled entities (JCEs) using proportionate consolidation. Instead, JCEs that meet the definition of a joint venture under IFRS 11 must be accounted for using the equity method. IFRS 11 is effective for annual periods beginning on or after 1 January 2013. Application of this standard did not impact the financial position of the Group, as this method is been applied to joint ventures since January 1, 2009.

IFRS 12 Disclosure of Interests in Other Entities

IFRS 12 sets out the requirements for disclosures relating to an entity's interests in subsidiaries, joint arrangements, associates and structured entities. None of these disclosure requirements are applicable for interim condensed consolidated financial statements, unless significant events and transactions in the interim period requires that they are provided. Accordingly, the Group has not made such disclosures.

IFRS 13 Fair Value Measurement

IFRS 13 establishes a single source of guidance under IFRS for all fair value measurements. IFRS 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under IFRS when fair value is required or permitted. The application of IFRS 13 has not materially impacted the fair value measurements carried out by the Group.

IFRS 13 also requires specific disclosures on fair values, some of which replace existing disclosure requirements in other standards, including IFRS 7 Financial Instruments: Disclosures. Some of these disclosures are specifically required for financial instruments by IAS 34.16A(j), thereby affecting the interim condensed consolidated financial statements period. The Group disclosed reqiured information in Note 32.

In addition to the above-mentioned amendments and new standards, IFRS 1 First-time Adoption of International Financial Reporting Standards was amended with effect for reporting periods starting on or after 1 January 2013. The Group is not a first-time adopter of IFRS therefore, this amendment is not relevant to the Group.

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

3. 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 part of the year.

4. SEGMENT INFORMATION

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

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

Segments that are identified, but do not separately exceed quantitative limits (amount of separate segment revenue composes less than 10% of combined revenue) are combined in "Other segments". Such services include transshipment of dry cargo (sugar-airbrick, ammonium nitrate, cement, grain, sunflower and oil cake) in Batumi sea port with operation of dry-cargo, ferry and container terminal, and also passenger terminal services. Oil transportation and related services provided by the Company, which do not exceed quantitative limits and are intimately connected with the Group's main operating activities, or with main asset of the Group – pipelines, such as: water transportation, oil storage, expedition services, services on support and maintenance of pipelines, are included into service related to oil transportation. Separate management report is not provided to the Management of the Group on some types of these services and accordingly they cannot be identified as separate segments.

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

4. 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 March 31, 2013 and March 31, 2012 respectively:

	For the three months ended March 31, 2013 (unaudited)						For the three months ended March 31, 2012 (unaudited)					
In thousands Tenge	Oil Transportation and related services	Oil transshipment	Other	Total segments	Adjustments and eliminations	Consolidated	Oil Transportation and related services	Oil transshipment	Other	Total segments	Adjustments and eliminations	Consolidated
Revenue												
External customers	41,536,231	4,519,499	1,013,791	**47,069,521**	–	**47,069,521**	28,737,612	3,715,351	959,646	**33,412,609**	–	**33,412,609**
Inter-segment (eliminated during consolidation)	–	–	–	**–**	–	**–**	–	–	111,562	**111,562**	(111,562)	**–**
Total revenue	**41,536,231**	**4.519,499**	**1,013,791**	**47,069,521**	–	**47,069,521**	**28,737,612**	**3,715,351**	**1,071,208**	**33,524,171**	**(111,562)**	**33,412,609**
Financial results												
Impairment of property, plant and equipment through profit or loss	1,916	–	–	**1,916**	–	**1,916**	(989)	–	–	**(989)**	–	**(989)**
Depreciation and amortization	(6,881,596)	(249,041)	(76,987)	**(7,207,624)**	–	**(7,207,624)**	(6,464,032)	(190,656)	(128,747)	**(6,783,435)**	–	**(6,783,435)**
Interest income	733,693	5,876	10,395	**749,964**	–	**749,964**	553,987	7,111	14,983	**576,081**	–	**576,081**
Interest expenses	–	–	–	**–**	–	**–**	–	(8,296)	–	**(8,296)**	–	**(8,296)**
CIT expense	(3,980,961)	(80,000)	(54,238)	**(4,115,199)**	(140,076)	**(4,255,275)**	(1,818,184)	–	(34,813)	**(1,852,997)**	–	**(1,852,997)**
Segment profit	**16,749,373**	**612,885**	**156,234**	**17,518,492**	**2,804,243**	**20,322,735**	**7,257,333**	**670,180**	**(112,446)**	**7,815,067**	**1,801,001**	**9,616,068**

In thousands of Tenge	For the three months ended March 31 2013 (unaudited)	For the three months ended March 31 2012 (unaudited)
Reconciliation of profit		
Segment profit	**17,518,492**	7,815,067
Adjustments and eliminations	**(140,076)**	119,112
Share in income of joint ventures	**2,944,319**	1,681,889
Group profit	**20,322,735**	9,616,068

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

5. PROPERTY, PLANT AND EQUIPMENT

In thousands of Tenge	Land	Pipelines	Transportation assets	Buildings	Machinery and equipment	Technological oil	Other	Construction in progress	Total
Net book value as at December 31, 2012 (audited)	**10,461,817**	**94,187,717**	**5,785,732**	**66,766,431**	**66,671,736**	**82,892,325**	**10,243,220**	**25,860,127**	**362,869,105**
Foreign currency translation	4,459	–	167	4,270	2,800	–	392	3,699	**15,787**
Additions	2,552	–	13,865	–	141,143	2,198	113,069	1,869,788	**2,142,615**
Disposals	(53,068)	(424)	(22,147)	(246,647)	(78,475)	(2)	(58,229)	–	**(458,992)**
Depreciation charge	–	(2,436,527)	(248,399)	(1,469,050)	(2,254,312)	–	(672,183)	–	**(7,080,471)**
Accumulated depreciation on disposal	–	47	14,915	115,724	71,920	–	57,599	–	**260,205**
Impairment (included in net profit)	–	–	–	–	(1,999)	–	–	–	**(1,999)**
Revaluation (revaluation reserve)	–	–	–	2,138	(93)	1,358	–	–	**3,403**
Recovery of impairment reserve (included in net profit)	–	–	–	2,852	–	–	–	1,063	**3,915**
Transfer from construction-in-progress	2,228	1,503	12,053	24,052	227,717	–	24,746	(292,299)	–
Transfers and reclassifications	–	3,530	–	7,250	(26,954)	–	15,573	601	–
Net book value as at March 31, 2013 (unaudited)	**10,417,988**	**91,755,846**	**5,556,186**	**65,207,020**	**64,753,483**	**82,895,879**	**9,724,187**	**27,442,979**	**357,753,568**
As at March 31, 2013 (unaudited)									
At fair value	10,417,988	117,784,114	8,412,995	82,167,696	87,097,794	82,895,879	14,782,901	27,442,979	**431,002,346**
Accumulated depreciation	–	(26,028,268)	(2,856,809)	(16.960.676)	(22,344,311)	–	(5,058,714)	–	**(73,248,778)**
Net book value	**10,417,988**	**91,755,846**	**5,556,186**	**65,207,020**	**64,753,483**	**82,895,879**	**9,724,187**	**27,442,979**	**357,753,568**
As at December 31, 2012 (audited)									
At fair value	10,461,817	117,778,752	8,395,851	81,619,611	86,669,540	82,892,325	14,654,033	25,860,127	**428,332,056**
Accumulated depreciation	–	(23,591,035)	(2,610,119)	(14,853,180)	(19,997,804)	–	(4,410,813)	–	**(65,462,951)**
Net book value	**10,461,817**	**94,187,717**	**5,785,732**	**66,766,431**	**66,671,736**	**82,892,325**	**10,243,220**	**25,860,127**	**362,869,105**

As at March 31, 2013 construction in progress ("CIP") mainly includes: construction of main oil pipelines, tanks, reconstruction of fire fighting system, open drains, electricity supply of facilities, heater treater, water supply facility Astrahan-Mangyshlak, drinking water supply system of oil pumping station of Atyrau, alarm and video surveillance security system of production and technological oil pipeline objects. As at 31 December 2012, CIP mainly includes production projects under construction, main oil pipelines, (including construction of main oil pipeline Kumkol-Karakoin, realized as a part of interstate Kazakhstan-China oil pipeline construction project), reconstruction of oil pumping station "Kenkiyak" and reconstruction of fire fighting system, reconstruction of electricity supply systems and other.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

6. INTANGIBLE ASSETS

In thousands of Tenge	Licenses	Software	Right for land use	Other	Total
Net book value at December 31, 2012 (audited)	**254,920**	**1,060,376**	**4,639,163**	**278,767**	**6,233,226**
Additions	–	14,663	–	–	**14,663**
Disposals	(8)	(2,956)	–	–	**(2,964)**
Accumulated amortization on disposals	–	2,955	–	–	**2,955**
Amortization charge	(19,834)	(81,821)	(27,269)	(598)	**(129,522)**
Foreign currency translation	179	2	42,565	163	**42,909**
Net book value at 31 March 2013 (unaudited)	**235,257**	**993,219**	**4,654,459**	**278,332**	**6,161,267**
As at 31 March 2013 (unaudited)					
At cost	447,552	4,008,230	5,996,478	704,598	**11,156,858**
Accumulated Impairment	–	–	(549,969)	–	**(549,969)**
Accumulated amortization	(212,295)	(3,015,011)	(792,050)	(426,266)	**(4,445,622)**
Net book value	**235,257**	**993,219**	**4,654,459**	**278,332**	**6,161,267**
As at 31 December 2012 (audited)					
At cost	447,373	3,996,520	5,953,009	704,353	**11,101,255**
Accumulated Impairment	–	–	(549,969)	–	**(549,969)**
Accumulated amortization	(192,453)	(2,936,144)	(763,877)	(425,586)	**(4,318,060)**
Net book value	**254,920**	**1,060,376**	**4,639,163**	**278,767**	**6,233,226**

7. INVESTMENTS IN JOINT VENTURES

In thousands of Tenge	**31 March 2013 (unaudited)**	31 December 2012 (audited)
KCP	**32,687,874**	30,188,246
MunaiTas	**11,072,166**	10,627,303
	43,760,040	40,815,549

During three month ended March 31, 2013, the Group has recognized its share in income of MunaiTas in the amount of 444,863 thousand Tenge (during three month ended March 31, 2012: 73,594 thousand Tenge), which increase the amount of investment in MunaiTas.

During three month ended March 31, 2013, the Group has recognized its share in income of KCP in the amount of 2,499,456 thousand Tenge (during three month ended March 31, 2012: 1,608,295 thousand Tenge), and share in other comprehensive income of 172 thousand Tenge (for three month ended March 31, 2012: 1,023 thousand Tenge, which increase the carrying value of investment in KCP.

The tables below present generalized financial information relating to joint ventures (the Group's proportional share):

In thousands of Tenge	**31 March 2013 (unaudited)**	31 December 2012 (audited)
Share in total assets and liabilities of joint ventures		
Current assets	**23,947,285**	23,918,509
Non-current assets	**135,351,814**	136,049,737
Current liabilities	**(16,198,844)**	(15,339,074)
Non-current liabilities	**(99,340,215)**	(103,813,623)
Share in net assets	**43,760,040**	40,815,549

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

7. INVESTMENTS IN JOINT VENTURES (continued)

	For three months ended	
In thousands of Tenge	**31 March 2013 (unaudited)**	31 March 2012 (unaudited)
Total revenue and net income of joint ventures for the year		
Revenue	**8,725,277**	6,915,480
Net income	**2,944,319**	1,681,889
Other comprehensive income/(loss)	**172**	(1,023)

8. ADVANCES TO SUPPLIERS FOR PROPERTY, PLANT AND EQUIPMENT

In thousands of Tenge	**31 March 2013 (unaudited)**	31 December 2012 (audited)
Advances to third parties for property, plant and equipment	**1,096,925**	623,604
Less: allowance for doubtful debts	**(99,330)**	(99,330)
	997,595	524,274

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

	For three months ended	
In thousands of Tenge	**31 March 2013**	31 March 2012
As at 1 January (audited)	**99,330**	–
Reinstatement of advances with related provision	**–**	99,330
As at 31 March (unaudited)	**99,330**	99,330

9. INVENTORIES

In thousands of Tenge	**31 March 2013 (unaudited)**	31 December 2012 (audited)
Spare parts	**1,008,749**	962,951
Fuel	**766,642**	770,441
Construction materials	**315,780**	154,549
Chemical reagents	**175,499**	89,053
Goods	**44,169**	76,248
Other	**610,162**	612,112
Less: provision for slow-moving and obsolete inventory	**(64,370)**	(65,413)
	2,856,631	2,599,941

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

10. TRADE AND OTHER ACCOUNTS RECEIVABLE

In thousands of Tenge	**31 March 2013 (unaudited)**	31 December 2012 (audited)
Trade accounts receivable from related parties (*Note 30*)	**2,275,738**	1,031,480
Trade accounts receivable from third parties	**885,836**	1,049,790
Other accounts receivable from third parties	**530,736**	825,882
Other accounts receivable from related parties (*Note 30*)	**40,875**	198,918
Less: allowance for doubtful debts	**(583,943)**	(578,189)
	3,149,242	2,527,881

Movement in allowance for doubtful accounts in regards trade and other receivables was as follows:

	For three months ended 31 March	
In thousands of Tenge	**2013**	**2012**
As at 1 January (audited)	**578,189**	109,688
Charge for the period	**17,275**	44,219
Write-off of receivable	**–**	(783)
Recovery of accounts receivable with related allowance	**–**	409,688
Reversal of allowance	**(11,523)**	(1,656)
Currency translation	**2**	(99)
As at 31 March (unaudited)	**583,943**	561,057

Trade and other accounts receivable are denominated as follows:

In thousands of Tenge	**31 March 2013 (unaudited)**	31 December 2012 (audited)
Tenge	**2,893,242**	2,052,571
US Dollars	**200,316**	429,910
Russian rubles	**3,041**	780
Other currency	**52,643**	44,620
	3,149,242	2,527,881

11. ADVANCES TO SUPPLIERS

In thousands of Tenge	**31 March 2013 (unaudited)**	31 December 2012 (audited)
Advances to related parties (*Note 30*)	**610,594**	420,284
Advances to third parties	**353,000**	184,307
Less: allowance for doubtful debts	**(1,512)**	(1,482)
	962,082	603,109

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

	For three months ended 31 March	
In thousands of Tenge	**2013**	**2012**
As at 1 January (audited)	**1,482**	3,443
Charge for the period	**362**	893
Write-off of advances	**–**	847
Reversal of provision	**(332)**	(1,802)
As at 31 March (unaudited)	**1,512**	3,381

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

12. VAT RECOVERABLE AND OTHER PREPAID TAXES

In thousands of Tenge	**31 March 2013 (unaudited)**	31 December 2012 (audited)
VAT recoverable	**2,174,323**	1,974,968
Other taxes prepaid	**255,514**	117,045
	2,429,837	2,092,013

13. OTHER CURRENT ASSETS

In thousands of Tenge	**31 March 2013 (unaudited)**	31 December 2012 (audited)
Due for oil transportation coordination services	**2,703,044**	4,284,419
Prepaid insurance	**401,891**	34,635
Due from employees	**70,379**	41,315
Deferred expenses to third parties	**6,000**	7,409
Prepaid expense to related party *(Note 30)*	**683**	–
Other	**131,231**	40,700
Less: allowance for doubtful debts	**(2,616)**	(2,616)
	3,310,612	4,405,862

14. BANK DEPOSITS

In thousands of Tenge	**31 March 2013 (unaudited)**	31 December 2012 (audited)
Short-term bank deposits	**58,000,000**	53,000,000
Accrued interest on deposits	**734,622**	84,676
	58,734,622	53,084,676

As at 31 March 2013 bank deposits comprised of the following:

Short-term deposits denominated in Tenge placed with Kazakhstani banks with maturity from 5 to 12 months (31 December 2012: 3 to 12 months), which earn interest of from 3.3% to 6.5% per annum (31 December 2012: from 3% to 7% per annum), maturing in December 2013, (31 December 2012: December 2013).

15. CASH AND CASH EQUIVALENTS

In thousands of Tenge	**31 March 2013 (unaudited)**	31 December 2012 (audited)
Current accounts with banks – Tenge	**28,040,968**	8,114,269
Time deposits with banks – Tenge	**5,000,000**	10,000,000
Current accounts with banks – US Dollars	**1,403,625**	332,576
Current accounts with banks – Lari	**193,980**	475,434
Current accounts with banks – Euro	**17,648**	11,908
Current accounts with banks – Russian Ruble	**1,268**	4,759
Current accounts with banks – Other currencies	**152**	152
Other current accounts with banks	**11,938**	12,365
Cash on hand	**2,591**	2,581
	34,672,170	18,954,044

As at 31 March 2013 most current accounts and time deposits up to 3 months placed with Kazakhstani banks carried interest ranging from 0.5% to 2.5% per annum (31 December 2012: from 1.65% to 4% per annum).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

16. EQUITY

Share capital

On June 26, 2012 the Company increased the number of authorized shares (certificate of state registration of the securities, the issue number A2995 dated May 26, 2012). As a result of a share split at a ratio 1:10 shares, the number of authorized shares increased from 34,617,204 shares to 346,172,040 shares, with the share capital remaining unchanged (34,617,204 thousand Tenge). In addition, the Company increased the number of authorized shares by 38,463,560 shares.

The total number of shares as of 31 March 2013 amounted to 384,635,600 shares (31 December 2012: 384,635,600 shares).

Trades in the shares of JSC "KazTransOil" on the Kazakhstan Stock Exchange were opened on December 25, 2012. As a result, 38,463,559 common shares at 725 Tenge per share were sold for 27,886,080 thousand Tenge. As at March 31, 2013 and December 31, 2012 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 of March 31, 2013 and December 31, 2012 the share capital amounted to 61,937,567 thousand Tenge net of consulting costs related to the issuance of shares in the amount of 565,717 thousand Tenge.

Earnings per share

Basic earnings per share amounts are calculated by dividing net profit for the year attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the year. Increase in the number of share as a result of share split is applied retrospectively from the beginning of the reporting period and for previous periods.

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:

	For three months ended	
In thousands Tenge	**31 March 2013 (unaudited)**	**31 March 2012 (unaudited)**
Net profit attributable to ordinary equity holders of the parent for basic earnings	**20,322,735**	9,616,068
Weighted average number of ordinary shares for basic earnings per share	**384,635,599**	346,172,040
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)*	**53**	28

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 (share split was taken into account for the purpose of comparability):

In thousands Tenge	**31 March 2013 (unaudited)**	31 December 2012 (audited)
Total Assets	**514,919,367**	496,450,540
Less: Intangible assets	**(6,161,267)**	(6,233,226)
Less: Total Liabilities	**(102,265,222)**	(104,136,477)
Net assets for calculation of book value of ordinary shares	**406,492,878**	386,080,837
Number of ordinary shares	**384,635,599**	384,635,599
Book value per ordinary share *(in Tenge)*	**1,057**	1,004

17. DEFERRED INCOME

In thousands of Tenge	**31 March 2013 (unaudited)**	31 December 2012 (audited)
Deferred income from third parties	**3,819,721**	3,840,252
Deferred income from related parties (*Note 30*)	**494,579**	572,670
	4,314,300	4,412,922

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

18. TRADE AND OTHER ACCOUNTS PAYABLE

In thousands of Tenge	**31 March 2013 (unaudited)**	31 December 2012 (audited)
Accounts payable to third parties for goods and services	**2,676,342**	5,905,433
Accounts payable to related parties for goods and services (*Note 30*)	**395,583**	596,783
Other payables to third parties	**253,033**	269,141
Other payables to related parties (*Note 30*)	**–**	569
	3,324,958	6,771,926

Trade and other accounts payables are denominated as follows:

In thousands of Tenge	**31 March 2013 (unaudited)**	31 December 2012 (audited)
Tenge	**3,029,933**	6,274,570
US Dollars	**24,286**	223,020
Russian roubles	**7,222**	58,192
Euro	**3,469**	12,289
Other currency	**260,048**	203,855
	3,324,958	6,771,926

19. ADVANCES RECEIVED

In thousands of Tenge	**31 March 2013 (unaudited)**	31 December 2012 (audited)
Advances received from related parties *(Note 30)*	**10,316,538**	10,426,287
Advances received from third parties	**5,093,689**	5,544,408
	15,410,227	15,970,695

20. OTHER TAXES PAYABLE

In thousands of Tenge	**31 March 2013 (unaudited)**	31 December 2012 (audited)
VAT payable	**1,569,186**	297,528
Personal income tax	**488,973**	432,489
Social tax	**337,468**	309,878
Property tax	**86,280**	79,651
Other taxes	**547,502**	520,255
	3,029,409	1,639,801

21. PROVISIONS

Movements in provision were represented as follows:

In thousands of Tenge	**KazTransOil (environmental provision)**	**BIHL (tax provisions)**	**Others**	**Total**
As at 31 December 2012	**167,477**	**174,406**	**11,814**	**353,697**
Charged for the period	–	–	45,834	45,834
Use of provision	–	–	(11,814)	(11,814)
Foreign currency translation	–	117	–	117
As at 31 March 2013	**167,477**	**174,523**	**45,834**	**387,834**

On February 27, 2013 the Board of Directos adopted Rules on granting apartments to employees of "KazTransOil" JSC. Thus, as of 31 March 2013 the Group has accrued a provision for the obligation to provide apartments free of charge to employees, who have reached retirement age, and also to those who will achieve this age during 2013-2020, in the amount of 45,834 thousand Tenge, which is equal to the carrying value of apartments to be provided.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

22. OTHER CURRENT LIABILITIES

In thousands of Tenge	**31 March 2013 (unaudited)**	31 December 2012 (audited)
Accounts Payable for oil transportation coordination services to related parties (*Note 30*)	**4,476,298**	4,839,624
Account s Payable for oil transportation coordination services to third parties	**3,253,501**	3,190,974
Salaries and wages	**3,034,583**	2,941,700
Current portion of deferred income from third parties	**453,123**	444,532
Payable to pension funds	**404,064**	338,898
Current portion of deferred income from related parties (*Note 30*)	**312,365**	312,365
Other accruals	**479,371**	62,406
	12,413,305	12,130,499

23. REVENUE

	For three months ended 31 March	
In thousands of Tenge	**2013 (unaudited)**	2012 (unaudited)
Crude oil transportation	**38,207,563**	25,385,659
Oil reloading and railway shipment	**4,519,499**	3,715,351
Pipeline operation services	**1,596,616**	1,473,890
Water transportation	**1,482,478**	1,573,302
Transshipment of dry cargo	**851,681**	640,854
Oil transportation coordination services	**180,674**	185,522
Oil storage services	**31,234**	34,503
Other	**199,776**	403,528
	47,069,521	33,412,609

During the three months ended 31 March 2013 the revenue from sales to three major customers amounted to 9,998,776 thousand Tenge, 6,506,784 thousand Tenge and 4,632,657 thousand Tenge, respectively (the three months ended March 31, 2012: 7,073,555 thousand Tenge, 4,138,014 thousand Tenge and 3,316,461, respectively).

24. COST OF SALES

	For three months ended 31 March	
In thousands of Tenge	**2013 (unaudited)**	2012 (unaudited)
Personnel cost	**7,273,712**	6,315,403
Depreciation and amortization	**7,024,862**	6,631,268
Railway services	**2,647,725**	1,919,656
Electric energy	**1,534,860**	1,249,560
Taxes other than corporate income tax	**1,197,946**	1,068,359
Security services	**823,833**	873,543
Materials and fuel	**804,042**	916,633
Gas expenses	**759,304**	788,615
Repair and maintenance costs	**635,485**	612,705
Air services	**318,660**	377,839
Rent expense	**182,517**	181,846
Business trip expenses	**136,475**	92,370
Post-employment benefits	**107,882**	69,646
Communication services	**59,600**	54,187
Insurance	**53,957**	101,122
Environmental protection	**32,934**	296,859
Diagnostics of pipelines	**96**	46
Other	**488,960**	573,615
	24,082,850	22,123,272

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

25. GENERAL AND ADMINISTRATIVE EXPENSES

	For three months ended 31 March	
In thousands of Tenge	**2013 (unaudited)**	**2012 (unaudited)**
Personnel costs	**1,199,861**	1,163,294
Depreciation and amortization	**182,762**	152,167
Expenses on VAT	**90,773**	56,001
Office maintenance	**78,647**	–
Social sphere expenses	**59,068**	59,683
Consulting	**56,337**	84,183
Taxes other than corporate income tax	**52,622**	57,028
Insurance and security	**52,213**	58,703
Business trip expenses	**40,469**	33,205
Rent expense	**35,542**	37,606
Repair and technical maintenance	**35,207**	47,112
Communication services	**25,661**	28,841
Bank costs	**24,410**	22,914
Information expenses	**12,701**	18,403
Charity expenses	**10,714**	8,000
Materials and fuel	**9,917**	20,164
Post-employment benefits	**7,118**	4,354
Transportation expenses	**6,780**	11,765
Provision for allowance for doubtful debts *(Note 10, 11)*	**5,782**	41,654
Training	**3,953**	5,620
Advertising expense	**329**	106
Reversal of provision for obsolete and slow-moving inventories *(Note 9)*	**(1,056)**	(78)
Other	**51,049**	104,494
	2,040,859	2,015,219

26. OTHER OPERATING INCOME

	For three months ended 31 March	
In thousands of Tenge	**2013 (unaudited)**	**2012 (unaudited)**
Derecognition of financial guarantee issued to related party *(Note 30)*	**177,743**	–
Amortization of deferred income from related parties *(Note 30)*	**78,091**	78,092
Income from fines and penalties	**29,137**	55,605
Amortization of financial guarantee issued to related party *(Note 30)*	**26,463**	33,946
Gain on disposal of inventory	–	2,311
Rent Income	–	3,659
Other income	**112,780**	41,860
	424,214	215,473

In March 2013 MunaiTas has early repaid its obligation to EBRD under the loan agreement and obligations of the Company as s guarantor for the loan was terminated. Respectively, the Company derecognized the remaining amount of unamortized guarantee liability during the three months ended 31 March 2013 (Note 31).

Income from fines and penalties are mainly presented by amounts for nominated and non-delivered crude oil volumes under oil transportation contracts on "ship or pay" terms.

27. FINANCE INCOME

	For three months ended 31 March	
In thousands of Tenge	**2013 (unaudited)**	2012 (unaudited)
Interest income on bank deposits	**744,390**	570,304
Loans to employees: unwinding of discount	**6,272**	4,901
Other finance income	**5,574**	11,661
	756,236	586,866

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

28. FINANCE COSTS

In thousands of Tenge	For three months ended 31 March 2013 (unaudited)	2012 (unaudited)
Unwinding of discount on asset retirement obligation	**233,452**	–
Employee benefits: unwinding of discount	**93,000**	40,750
Interest on loans and borrowings	–	8,296
	326,452	49,046

29. INCOME TAX EXPENSE

In thousands of Tenge	For three months ended 31 March 2013 (unaudited)	2012 (unaudited)
Current income tax expense	**5,047,042**	2,581,204
Deferred income tax (benefit) / expense	**(791,767)**	(728,207)
Income tax expense	**4,255,275**	1,852,997

30. RELATED PARTY TRANSACTIONS

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

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

The following tables provide the total amount of transactions, which have been entered into with related parties during three months ended 31 March 2013 and 31 March 2012 and the related balances as at 31 March 2013 and 31 December 2012:

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

In thousands of Tenge	31 March 2013 (unaudited)	31 December 2012 (audited)
Trade and other accounts receivable from related parties		
Trade accounts receivable from joint ventures	**1,365,448**	471,451
Trade accounts receivable from entities under common control of KMG	**910,058**	559,841
Trade accounts receivable from entities under common control of Samruk-Kazyna Group	**232**	188
	2,275,738	1,031,480
Other accounts receivables from entities under common control of KMG and Samruk-Kazyna Group	**40,875**	198,918
Total trade and other accounts receivable from related parties	**2,316,613**	1,230,398

Advances provided to related parties are as follows:

In thousands of Tenge	31 March 2013 (unaudited)	31 December 2012 (audited)
Advances given to related parties		
Advances given to entities under common control of KMG	**356,253**	219,298
Advances given to entities under common control of Samruk-Kazyna Group	**88,417**	2,612
Advances given to other related parties	**165,924**	198,374
Total advances paid to related parties	**610,594**	420,284

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

30. RELATED PARTY TRANSACTIONS (continued)

Prepaid expenses on transactions with related parties are as follows:

In thousands of Tenge	**31 March 2013 (unaudited)**	31 December 2012 (audited)
Prepaid expenses on transactions with related parties		
Prepaid expenses on transactions with related parties	**683**	–
	683	–

Financial guarantee issued on behalf of related parties:

In thousands of Tenge	**31 March 2013 (unaudited)**	31 December 2012 (audited)
Financial guarantee issued on behalf of related parties		
Financial guarantee issued on behalf of MunaiTas JSC	–	199,654
Total financial guarantee issued on behalf of related parties	–	199,654

Non-current deferred income to related parties are as follows:

In thousands of Tenge	**31 March 2013 (unaudited)**	31 December 2012 (audited)
Non-current deferred income from related parties		
Non-current deferred income from entities under common control of KMG	**494,579**	572,670
Total other non-current deffered income from related parties	**494,579**	572,670

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

In thousands of Tenge	**31 March 2013 (unaudited)**	31 December 2012 (audited)
Accounts payables to related parties for goods and services		
Accounts payables to entities under common control of KMG	**373,283**	567,859
Accounts payables to entities under common control of Samruk-Kazyna Group	**22,300**	28,924
	395,583	596,783
Other payables to related parties		
Other payables to entities under common control of Samruk-Kazyna Group	**–**	569
	–	569
Total trade and other accounts payable to related parties	**395,583**	597,352

Advances received from related parties are as follows:

In thousands of Tenge	**31 March 2013 (unaudited)**	31 December 2012 (audited)
Advances received from related parties		
Advances from entities under common control of KMG	**8,842,056**	9,143,441
Advances from entities under common control of Samruk-Kazyna Group	**1,474,482**	1,282,846
Total advances received from related parties	**10,316,538**	10,426,287

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

30. RELATED PARTY TRANSACTIONS (continued)

Other current liabilities to related parties are as follows:

In thousands of Tenge	**31 March 2013 (unaudited)**	31 December 2012 (audited)
Accounts payable for oil transportation expedition for related parties		
Accounts payable for oil transportation expedition for entities under common control of KMG	**4,476,298**	4,839,624
	4,476,298	4,839,624
In thousands of Tenge		
Employee benefits of key management personnel		
Employee benefits of key management personnel	**5,383**	19,940
	5,383	19,940
Current portion of deferred income from related parties		
Current portion of deferred income from entities under common control of KMG	**312,365**	312,365
	312,365	312,365
Total other current liabilities to related parties	**4,794,046**	5,171,929

During three month ended 31 March the Group had the following transactions with related parties:

	For three months ended 31 March	
In thousands of Tenge	**2013 (unaudited)**	2012 (unaudited)
Sales to related parties:		
Income from main acitivties with entities under common control of KMG	**23,300,756**	16,036,459
Income from main activities with entities under common control of Samruk-Kazyna Group	**2,470,577**	1,417,976
Income from main activities with joint ventures	**1,351,078**	1,231,943
Income from main activities with other related parties	**4,068**	4,000
Income from other activities with entities under common control of KMG	**1,014**	1,458
Income from other activities with entities under common control of Samruk-Kazyna Group	**89**	–
	27,127,582	18,691,836
Purchases from related parties:		
Purchases of services from entities under common control of KMG	**1,978,022**	1,723,206
Purchases of services from entities under common control of Samruk-Kazyna Group	**323,327**	257,976
Purchases of services from other related parties	**2,694,855**	2,027,000
Purchases of inventory from entities under common control of KMG	**21,394**	28,215
Purchases of property, plant and equipment from entities under common control of Samruk-Kazyna Group	**2**	9
	5,017,600	4,036,406

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

30. RELATED PARTY TRANSACTIONS (continued)

Financial income of the Group on transactions with related parties is as follows:

In thousands of Tenge	For three months ended 31 March 2013 (unaudited)	2012 (unaudited)
Financial income from related parties:		
Income on discounting of debts of related parties	**–**	5,884
Other financial income from related parties	**4,068**	4,296
	4,068	10,180

In thousands of Tenge	For three months ended 31 March 2013 (unaudited)	2012 (unaudited)
Amortization of income from related parties:		
Amortization of deferred income from related parties	**78,091**	78,092
Amortization of financial guarantee issued to related party	**26,463**	33,946
	104,554	112,038

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

In thousands of Tenge	For three months ended 31 March 2013 (unaudited)	2012 (unaudited)
Salary	**24,711**	54,629
Bonuses	**3,601**	–
Post–employment benefits	**103**	64
	28,415	54,693
Number of persons	**7**	7

31. CONTINGENT LIABILITIES AND COMMITMENTS

Contingent liabilities and commitments of the Group are disclosed in the finacial statements for the year ended 31 December 2012. During three months ended 31 March 2013, there were no significant transactions except for the following:

Covenants

Guarantees

On July 29, 2004 MunaiTas (joint venture of the Company) and Eurasian Bank of Reconstruction and Development (EBRD) entered into credit agreement in the amount of 81,600,000 USD. This amount was guaranteed by the Contract dated July 29, 2004, signed by EBRD and the Company, who acted as a guarantor.

In March 2013 MunaiTas has repaid its obligation to EBRD under the loan agreement and obligations of the Company under the Contract as guarantor was terminated.

Contractual commitments

As at 31 March 2013, the Group had contractual obligations to acquire property, plant and equipment, and construction services for the amount of 9,175,985 thousand Tenge (31 December 2012: 5,607,369 thousand Tenge). In addition, as at 31 March 2013, the Group has committed to purchase inventory (materials and spare parts) and services for the amount of 30,823,870 thousand Tenge (31December 2012: 1,948,794 thousand Tenge).

Share of the Group as at 31 March 2013 in contractual obligations of joint ventures to acquire property, plant and equipment, and construction services for the amount of 10,065,968 thousand Tenge (31 December 2012: 11,623,922 thousand Tenge) and has commitments to purchase inventory (materials and spare parts) and services for the amount of 3,857,397 thousand Tenge (31 December 2012: 986,037 thousand Tenge).

Other contingent liabilities

During three month ended 31 March 2013, there were no significant changes on other contingent and contractual liabilities.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

32. FINANCIAL INSTRUMENTS

The Group's principal financial liabilities comprise of 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

Set out below is a comparison by category of carrying amounts and fair values of all of the Group's financial instruments:

In thousands of Tenge	**Carrying amount**		**Fair Value**	
	31 March 2013	31 December 2012	**31 March 2013**	31 December 2012
Financial Assets				
Cash and cash equivalents	**34,672,170**	18,954,044	**34,672,170**	18,954,044
Bank deposits	**58,734,622**	53,084,676	**58,734,622**	53,084,676
Trade and other receivables	**3,149,242**	2,527,881	**3,149,242**	2,527,881
Trade and other payables	**3,324,958**	6,771,926	**3,324,958**	6,771,926
Other financial liabilities	**3,438,647**	3,480,252	**3,438,647**	3,480,252

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

33. EVENTS AFTER THE REPORTING PERIOD

On 17 April 2013 the Board of Directors made a decision to propose dividends payment in the amount of 28,847,670 thousand Tenge (75 Tenge per share) on the next General meeting of shareholders.