

KazTransOil JSC

Interim condensed consolidated financial statements

For the three months ended 31 March 2017

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Report on review of interim financial information

Interim condensed consolidated financial statements

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Report on Review of Interim Financial Information

To the Shareholders of KazTransOil JSC

Introduction

We have reviewed the accompanying interim condensed consolidated financial statements of KazTransOil JSC and its subsidiaries, which comprise the interim condensed consolidated statement of financial position as at 31 March 2017 and the related interim condensed consolidated statements of comprehensive income, changes in equity and cash flows for the three-month period then ended and selected explanatory notes (interim financial information). Management is responsible for the preparation and presentation of this interim financial information in accordance with IAS 34, *Interim Financial Reporting*. Our responsibility is to express a conclusion on this interim financial information based on our review.

Scope of review

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



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Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim financial information of KazTransOil JSC and its subsidiaries is not prepared, in all material respects, in accordance with IAS 34, *Interim Financial Reporting*.

Ernst & Young LLP



Gulmira Turmagambetova
Auditor / General director
Ernst and Young LLP

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25 May 2017



State audit license for audit activities on the
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INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION

<i>In thousands of Tenge</i>	Note	31 March 2017 (unaudited)	31 December 2016 (audited)
Assets			
Non-current assets			
Property, plant and equipment	3	591,573,800	604,155,347
Intangible assets	4	6,242,322	6,260,601
Investments in joint ventures	5	22,121,826	15,728,257
Advances to suppliers for property, plant and equipment	6	1,481,056	1,678,603
Long-term accounts receivable		67,766	71,991
Bank deposits	12	4,135,121	4,182,770
Other non-current assets		14,124	15,065
		625,636,015	632,092,634
Current assets			
Inventories	7	4,382,069	4,399,035
Trade and other accounts receivable	8	8,659,117	6,476,952
Advances to suppliers	9	1,961,769	375,382
Prepayment for income tax		6,273,061	4,488,440
VAT recoverable and other prepaid taxes	10	5,889,799	6,446,378
Other current assets	11	7,011,873	5,727,129
Bank deposits	12	23,891,623	15,675,618
Cash and cash equivalents	13	63,868,945	69,294,429
		121,938,256	112,883,363
Total assets		747,574,271	744,975,997

The accounting policy and explanatory notes on pages 8 through 30 form an integral part of these interim condensed consolidated financial statements.

INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)

<i>In thousands of Tenge</i>	Note	31 March 2017 (unaudited)	31 December 2016 (audited)
Equity and liabilities			
Equity			
Share capital	14	61,937,567	61,937,567
Treasury shares repurchased from shareholders		(9,549)	(9,549)
Asset revaluation reserve	14	224,609,422	230,346,658
Foreign currency translation reserve	14	31,131,257	32,918,111
Other capital reserves	14	(846,135)	(695,389)
Retained earnings		286,873,939	263,477,884
Total equity		603,696,501	587,975,282
Non-current liabilities			
Employee benefit liabilities	15	12,373,204	11,994,599
Deferred tax liabilities	29	62,566,851	60,856,513
Provision for asset retirement and land recultivation obligation	20	14,797,210	15,022,086
Deferred income	16	7,227,084	7,731,328
		96,964,349	95,604,526
Current liabilities			
Employee benefit liabilities	15	543,000	543,418
Income tax payable		1,102,447	1,246,171
Trade and other accounts payable	17	3,728,915	15,384,798
Advances received	18	15,846,630	16,444,432
Other taxes payable	19	6,432,486	5,055,666
Provisions	20	213,049	208,103
Other current liabilities	21	19,046,894	22,513,601
		46,913,421	61,396,189
Total liabilities		143,877,770	157,000,715
Total equity and liabilities		747,574,271	744,975,997
Book value per ordinary share (in Tenge)	14	1,553	1,512

Signed and approved for issue on 25 May 2017.

General Director



Dossanov D.G.

Chief Accountant

Akhmedina A.S.

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INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

<i>In thousands of Tenge</i>	Note	For the three months ended 31 March (unaudited)	
		2017	2016
Revenue	22	53,950,148	54,661,647
Cost of sales	23	(33,986,504)	(29,634,725)
Gross profit		19,963,644	25,026,922
General and administrative expenses	24	(3,240,884)	(2,771,512)
Other operating income	25	598,349	1,078,351
Other operating expenses	26	(438,046)	(56,800)
Operating profit		16,883,063	23,276,961
Net foreign exchange loss		(1,555,248)	(65,467)
Finance income	27	1,354,819	1,382,235
Finance costs	28	(595,531)	(569,112)
Share in income of joint ventures	5	6,065,603	654,864
Profit before income tax		22,152,706	24,679,481
Income tax expense	29	(5,031,254)	(4,872,373)
Net profit for the period		17,121,452	19,807,108
Earnings per share (in Tenge)	14	45	51

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INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (continued)

<i>In thousands of Tenge</i>	Note	For the three months ended 31 March (unaudited)	
		2017	2016
Other comprehensive (loss)/income			
Other comprehensive (loss)/income to be reclassified to profit or loss in subsequent periods			
Exchange difference from translation of foreign operations of the Group		(1,786,854)	1,792,640
Total other comprehensive (loss)/income to be reclassified to profit or loss in subsequent periods, net		(1,786,854)	1,792,640
Other comprehensive (loss)/income not to be reclassified to profit or loss in subsequent periods			
(Impairment)/reversal of impairment of property, plant and equipment of the Group			
	3	(2,569)	1,266
Income tax effect	29	514	(253)
		(2,055)	1,013
Reversal of provision for asset retirement obligation and land reclamation of the Group			
	20	264,320	3,204,768
Income tax effect	29	(52,864)	(640,954)
		211,456	2,563,814
Reversal of provision for asset retirement obligation and land reclamation of the joint ventures			
		409,957	21,672
Income tax effect		(81,991)	(4,334)
	5	327,966	17,338
Write-off deferred tax assets			
		(150,746)	-
	14	(150,746)	-
Total other comprehensive income not to be reclassified to profit or loss in subsequent periods, net		386,621	2,582,165
Total other comprehensive (loss)/income for the period, net of tax		(1,400,233)	4,374,805
Total comprehensive income for the period, net of tax		15,721,219	24,181,913

Signed and approved for issue on 25 May 2017.

General Director



Dossanov D.G.

Chief Accountant



Akhmedina A.S.

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INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS

<i>In thousands of Tenge</i>	Note	For the three months ended 31 March (unaudited)	
		2017	2016
Cash flows from operating activities			
Profit before income tax		22,152,706	24,679,481
Non-cash adjustment to reconcile profit before tax to net cash flows:			
Depreciation and amortization	23, 24	12,380,421	9,451,311
Charge of allowance for doubtful debts, net	24	24,098	10,737
Share in income of joint ventures	5	(6,065,603)	(654,864)
Finance costs	28	595,531	569,112
Finance income	27	(1,354,819)	(1,382,235)
Employee benefits, current service cost	15	280,006	267,500
Loss on disposal of property, plant and equipment, net	26	403,837	19,181
Gain from sale of inventory, net		(20,895)	(1,555)
Loss from disposal of other assets, net		-	1,500
Impairment charge/(recovery of impairment) of property, plant and equipment	3	136	(3,278)
Income from write-off of accounts payable		-	(58)
Income from revision of estimates and reversal of provision on asset retirement and land recultivation obligation	20	(277,961)	(920,640)
Unrealized foreign exchange loss		1,824,778	-
Reversal of provision for obsolete inventories, net		(79)	-
Operating cash flows before working capital changes		29,942,156	32,036,192
(Increase)/decrease in operating assets			
Inventories		(123,326)	(125,752)
Trade and other accounts receivable		(2,393,971)	(1,840,924)
Advances to suppliers		(1,595,176)	172,224
VAT recoverable and other prepaid taxes		(1,040,584)	676,572
Other current assets		(1,285,625)	2,371,853
Increase/(decrease) in operating liabilities			
Trade and other accounts payable		437,734	(826,600)
Advances received		(581,699)	(4,001,422)
Other taxes payable		1,512,653	(68,320)
Other current and non-current liabilities and employee benefit liabilities		(3,512,749)	(4,870,795)
Cash generated from operating activities		21,359,413	23,523,028
Income taxes paid		(5,268,434)	(6,339,836)
Interest received		1,244,368	714,657
Net cash flow from operating activities		17,335,347	17,897,849

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INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS (continued)

<i>In thousands of Tenge</i>	Note	For the three months ended 31 March (unaudited)	
		2017	2016
Cash flows from investing activities			
Withdrawal of bank deposits		5,083,078	6,628,313
Placement of bank deposits		(14,546,732)	(195,370)
Purchase of property, plant and equipment		(12,655,924)	(6,635,919)
Purchase of intangible assets		(23,005)	(21,358)
Proceeds from disposal of property, plant and equipment and intangible assets		-	121
Net cash flow used in investing activities		(22,142,583)	(224,213)
Cash flows from financing activities			
Net cash flow used in financing activities		-	-
Effect of exchange rate differences		(618,248)	(43,562)
Net change in cash and cash equivalents		(5,425,484)	17,630,074
Cash and cash equivalents at the beginning of the period		69,294,429	50,420,288
Cash and cash equivalents at the end of the period	13	63,868,945	68,050,362

Signed and approved for issue on 25 May 2017.

General Director



Dossanov D.G.

Chief Accountant

Akhmedina A.S.

*The accounting policy and explanatory notes on pages 8 through 30 form
an integral part of these interim condensed consolidated financial statements.*

INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

<i>In thousands of Tenge</i>	Share capital	Asset revaluation reserve	Foreign currency translation reserve	Other capital reserves	Treasury shares	Retained earnings	Total
As at 31 December 2016 (audited)	61,937,567	230,346,658	32,918,111	(695,389)	(9,549)	263,477,884	587,975,282
Profit for the period	-	-	-	-	-	17,121,452	17,121,452
Other comprehensive income/(loss)	-	537,367	(1,786,854)	(150,746)	-	-	(1,400,233)
Total comprehensive income for the period	-	537,367	(1,786,854)	(150,746)	-	17,121,452	15,721,219
Depreciation transfer of revalued property, plant and equipment	-	(6,274,603)	-	-	-	6,274,603	-
As at 31 March 2017 (unaudited)	61,937,567	224,609,422	31,131,257	(846,135)	(9,549)	286,873,939	603,696,501
As at 31 December 2015 (audited)	61,937,567	125,563,376	36,210,843	(3,813,701)	-	253,033,425	472,931,510
Profit for the period	-	-	-	-	-	19,807,108	19,807,108
Other comprehensive income	-	2,582,165	1,792,640	-	-	-	4,374,805
Total comprehensive income for the period	-	2,582,165	1,792,640	-	-	19,807,108	24,181,913
Depreciation transfer of revalued property, plant and equipment	-	(2,953,664)	-	-	-	2,953,664	-
As at 31 March 2016 (unaudited)	61,937,567	125,191,877	38,003,483	(3,813,701)	-	275,794,197	497,113,423

Signed and approved for issue on 25 May 2017.

General Director

Chief Accountant



NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**For the three months ended 31 March 2016****1. GENERAL**

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

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

As at 31 March 2017 10% of shares of the Company are owned by minority shareholders who acquired them within the “People’s IPO” program. The major shareholder of the Company, who owns the controlling interest of the Company (90%) is National Company “KazMunayGas” JSC (hereinafter “KMG” or “Parent Company”). 90% of KMG shares are owned by Sovereign Wealth Fund “Samruk-Kazyna” JSC (hereinafter – “Samruk-Kazyna”), controlled by the Government of the Republic of Kazakhstan. 10% of KMG shares are owned by the National Bank of the Republic of Kazakhstan.

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

	Place of incorporation	Principal activities	Ownership	
			31 March 2017	31 December 2016
NWPC “MunaiTas” JSC (hereinafter “MunaiTas”)	Kazakhstan	Oil transportation	51%	51%
“Kazakhstan-China Pipeline” LLP (hereinafter “KCP”)	Kazakhstan	Oil transportation	50%	50%
“Batumi Terminals Limited” (hereinafter “BTL”)	Cyprus	Forwarding, transshipment and storage of oil and oil products and operating of Batumi Sea Port and Oil Terminal	100%	100%
“Petrotrans Limited” (hereinafter “PTL”)	British Virgin Islands	Forwarding of oil and oil products	100%	–

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

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

The Group operates network of main oil pipelines of 5,377 km and water pipelines of 1,975 km within the Republic of Kazakhstan. Also the Group is engaged in storage, loading, transshipment and transfer of crude oil to other related pipeline systems. Group’s joint ventures MunaiTas and KCP own Kenkiyak-Atyrau, Kenkiyak-Kumkol, and Atasu-Alashankou pipelines used for transportation of Kazakhstani crude oil to China.

As at 31 March 2017 BTL is at the liquidation stage (the final general meeting of BTL was held on 22 March 2017). Based on the decision of the BTL’s liquidator as of 7 March 2017, 100% of PTL and 100% of the interest in Batumi Oil Terminal LLC (hereinafter – “BOT”) were transferred to the Company. As at 31 March 2017, the Company received a certificate confirming its ownership of investment in PTL, while the Company’s ownership of investments in BOT will be registered after receiving a certificate of BTL liquidation. BOT activities are aimed at transshipment and storage of oil cargoes, as well as management of a 100% interest in “Batumi Sea Port” LLC (hereinafter – “BSP”).

The Company is a natural monopolist and, respectively, is subject to regulation of the Committee on Regulation of Natural Monopolies and Protection of Competition of the Ministry of National Economy of the Republic of Kazakhstan (hereinafter – “CRNMandPC”). CRNMandPC is responsible for approving the methodology for calculating the tariff and tariff rates, which serve as a base for receiving major part of the Group’s revenue in domestic market of the Republic of Kazakhstan.

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

1. GENERAL (continued)

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

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

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

* *The rate came into effect on 1 January 2017.*

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

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

These interim condensed consolidated financial statements were approved for issue by the General Director and the Acting Chief Accountant on 25 May 2017.

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

These interim condensed consolidated financial statements for the three months ended 31 March 2017 have been prepared in accordance with International Financial Reporting IAS 34 *Interim Financial Reporting*.

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

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

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

New and amended standards and interpretations applied by the Group

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2016, except for the adoption of new standards and interpretations effective as of 1 January 2017. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

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

New and amended standards and interpretations applied by the Group (continued)

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

Amendments to IAS 7 Statement of Cash Flows: Disclosure Initiative

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

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

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

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

Seasonality of operations

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

Foreign currency translation

Weighted average currency exchange rates established by the Kazakhstan Stock Exchange (hereinafter "KASE") are used as official currency exchange rates in the Republic of Kazakhstan.

Weighted average currency exchange rates for the three months ended 31 March 2017 and 2016 are as follows:

<i>Tenge</i>	For the three months ended 31 March	
	2017	2016
US Dollars	322.31	356.56
Russian Rubles	5.49	4.77
Euro	343.27	391.73
Georgian Lari	125.00	147.36

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

<i>Tenge</i>	31 March 2017	31 December 2016
US Dollars	313.73	333.29
Russian Rubles	5.57	5.43
Euro	334.94	352.42
Georgian Lari	130.72	126.25

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

Property, plant and equipment as at 31 March 2017 are as follows:

<i>In thousands of Tenge</i>	Land	Pipelines	Transportation assets	Buildings and constructions	Machinery and equipment	Technological oil	Other	Construction in progress	Total
At revalued amount as at 31 December 2016 (audited)	19,803,815	202,402,253	14,258,143	96,958,727	145,295,540	88,061,076	15,398,884	40,428,912	622,607,350
Foreign currency translation	(814,185)	-	(85,207)	(675,093)	(372,806)	-	(13,097)	(81,518)	(2,041,906)
Additions	380	14,812	80,001	-	126,111	-	557	1,906,666	2,128,527
Disposals	-	(46,628)	(1,680)	(1,576)	(114,924)	(492,144)	(45,263)	(4,961)	(707,176)
Transfer to intangible assets (Note 4)	-	-	-	-	-	-	-	(24,152)	(24,152)
Transfer from construction-in-progress	763	160,021	178,882	451,142	998,267	-	308,792	(2,097,867)	(24,152)
Transfers and reclassifications	-	(17,902)	(80,000)	124,252	376,853	-	57,745	(460,948)	-
At revalued amount as at 31 March 2017 (unaudited)	18,990,773	202,512,556	14,350,139	96,857,452	146,309,041	87,568,932	15,707,618	39,666,132	621,962,643
Accumulated depreciation and impairment as at 31 December 2016 (audited)	-	(5,664,218)	(797,704)	(2,026,280)	(7,868,018)	(199,540)	(1,838,562)	(57,681)	(18,452,003)
Foreign currency translation	-	-	1,338	19,020	9,508	-	789	-	30,655
Depreciation charge	-	(3,803,513)	(551,088)	(1,595,243)	(5,174,281)	-	(1,131,759)	-	(12,255,884)
Disposals	-	22,385	1,680	1,519	42,226	199,540	23,744	-	291,094
Accrual of impairment through expenses	-	(72)	-	-	(64)	-	-	-	(136)
Accrual of impairment through revaluation reserve	-	(2,316)	-	-	(253)	-	-	-	(2,569)
Transfers and reclassifications	-	75	-	(5,397)	5,431	-	(109)	-	-
Accumulated depreciation and impairment as at 31 March 2017 (unaudited)	-	(9,447,659)	(1,345,774)	(3,606,381)	(12,985,451)	-	(2,945,897)	(57,681)	(30,388,843)
As at 31 March 2017 (unaudited)	18,990,773	202,512,556	14,350,139	96,857,452	146,309,041	87,568,932	15,707,618	39,666,132	621,962,643
At revalued amount	-	(9,447,659)	(1,345,774)	(3,606,381)	(12,985,451)	-	(2,945,897)	(57,681)	(30,388,843)
Accumulated depreciation and impairment	-	193,064,897	13,004,365	93,251,071	133,323,590	87,568,932	12,761,721	39,608,451	591,573,800
Net book value (unaudited)	18,990,773	193,064,897	13,004,365	93,251,071	133,323,590	87,568,932	12,761,721	39,608,451	591,573,800
As at 31 December 2016 (audited)	19,803,815	202,402,253	14,258,143	96,958,727	145,295,540	88,061,076	15,398,884	40,428,912	622,607,350
At revalued amount	-	(5,664,218)	(797,704)	(2,026,280)	(7,868,018)	(199,540)	(1,838,562)	(57,681)	(18,452,003)
Accumulated depreciation and impairment	-	196,738,035	13,460,439	94,932,447	137,427,522	87,861,536	13,560,322	40,371,231	604,155,347
Net book value (audited)	19,803,815	196,738,035	13,460,439	94,932,447	137,427,522	87,861,536	13,560,322	40,371,231	604,155,347

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

3. PROPERTY, PLANT AND EQUIPMENT (continued)

As at 31 March 2017, construction in progress mainly includes the following production projects:

- construction and reconstruction realized as a part of interstate “Kazakhstan-China” oil pipeline construction project;
- reconstruction of main oil pipelines “Kalamkas-Karazhanbas-Aktau” on the “Karazhanbas-Aktau” route;
- reconstruction of the VNS-5 to increase the supply of water for the water pipeline “Astrakhan-Mangyshlak”;
- construction of acceptance points at 1,235 km of the oil pipeline “Uzen Atyrau-Samara”, construction of nonperforming automated communication centers, upgrade of hardware for automation and instrumentation systems, modernization of the existing fiber-optic network, reconstruction of firefighting systems and power supply facilities, implementation of the project for the installation of system for measurement of quantity and quality of oil for bitumen plant and others.

As at 31 March 2017:

- the initial cost of fully depreciated property, plant and equipment still in use were 1,294,445 thousand Tenge (31 December 2016: 1,482,726 thousand Tenge).
- the volume of oil in pipelines, included in property, plant and equipment, amounted 2,460 thousand tonnes (31 December 2016: 2,460 thousand tonnes).
- construction in progress included materials and spare parts in the amount of 2,021,590 thousand Tenge (as at 31 December 2016: 2,432,369 thousand Tenge), which were acquired for construction works.

The depreciation for three months ended 31 March 2017 included in the cost of construction in progress amounted to 7,949 thousand Tenge (for three months ended 31 March 2016: 4,363 thousand Tenge).

4. INTANGIBLE ASSETS

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

<i>In thousands of Tenge</i>	Licenses	Software	Right for land use	Other	Total
Net book value as at 31 December 2016 (audited)	152,886	1,088,171	4,991,673	27,871	6,260,601
Additions	2,601	–	–	–	2,601
Transfer from construction in progress (Note 3)	11,220	12,932	–	–	24,152
Amortization charge	(11,182)	(80,412)	(39,966)	(926)	(132,486)
Foreign currency translation	(2,783)	–	90,237	–	87,454
Net book value as at 31 March 2017 (unaudited)	152,742	1,020,691	5,041,944	26,945	6,242,322
As at 31 March 2017 (unaudited)					
At cost	678,101	4,548,834	8,188,338	85,022	13,500,295
Accumulated amortization and impairment	(525,359)	(3,528,143)	(3,146,394)	(58,077)	(7,257,973)
Net book value (unaudited)	152,742	1,020,691	5,041,944	26,945	6,242,322
As at 31 December 2016 (audited)					
At cost	672,215	4,535,902	8,036,273	85,022	13,329,412
Accumulated amortization and impairment	(519,329)	(3,447,731)	(3,044,600)	(57,151)	(7,068,811)
Net book value (audited)	152,886	1,088,171	4,991,673	27,871	6,260,601

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

5. INVESTMENTS IN JOINT VENTURES

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

<i>In thousands of Tenge</i>	KCP	MunaiTas	Total
As at 31 December 2016 (audited)	–	15,728,257	15,728,257
Share in income of joint ventures	6,316,716	585,178	6,901,894
Unrecognized share in income of joint venture	(836,291)	–	(836,291)
Share in other comprehensive income of joint venture	327,966	–	327,966
As at 31 March 2017 (unaudited)	5,808,391	16,313,435	22,121,826

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

<i>In thousands of Tenge</i>	KCP	MunaiTas	Total
As at 31 December 2015 (audited)	–	13,918,006	13,918,006
Share in income of joint ventures	890,858	654,864	1,545,722
Unrecognised share in income of joint venture	(890,858)	–	(890,858)
Share in other comprehensive (loss)/income of joint ventures	(372,581)	17,338	(355,243)
Share in unrecognised other comprehensive loss of joint venture	372,581	–	372,581
As at 31 March 2016 (unaudited)	–	14,590,208	14,590,208

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

<i>In thousands of Tenge</i>	KCP			
	31 March 2017 (unaudited)		31 December 2016 (audited)	
	50%	100%	50%	100%
Assets and liabilities of joint ventures				
Current assets	4,815,930	9,631,860	8,302,354	16,604,708
Non-current assets	108,425,769	216,851,538	110,886,209	221,772,418
Current liabilities	(18,863,670)	(37,727,340)	(20,275,079)	(40,550,158)
Non-current liabilities	(88,569,638)	(177,139,276)	(99,421,809)	(198,843,618)
Net assets	5,808,391	11,616,782	(508,325)	(1,016,650)
Unrecognised accumulated comprehensive loss	–	–	508,325	1,016,650
Net book value of investment	5,808,391	–	–	–
<i>Additional information:</i>				
Cash and cash equivalents	1,521,592	3,043,184	6,259,460	12,518,920
Short-term financial liabilities	(13,891,382)	(27,782,764)	(16,270,055)	(32,540,110)
Long-term financial liabilities	(85,463,041)	(170,926,082)	(97,898,723)	(195,797,446)

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

5. INVESTMENTS IN JOINT VENTURES (continued)

<i>In thousands of Tenge</i>	MunaiTas			
	31 March 2017 (unaudited)		31 December 2016 (audited)	
	51%	100%	51%	100%
Assets and liabilities of joint ventures				
Current assets	6,897,637	13,524,778	5,808,421	11,389,061
Non-current assets	13,211,858	25,905,604	13,464,948	26,401,859
Current liabilities	(987,242)	(1,935,769)	(706,488)	(1,385,271)
Non-current liabilities	(2,808,818)	(5,507,486)	(2,838,624)	(5,565,929)
Net assets	16,313,435	31,987,127	15,728,257	30,839,720
<i>Additional information:</i>				
Cash and cash equivalents	6,684,648	13,107,153	5,641,461	11,061,688
Short-term financial liabilities	-	-	-	-
Long-term financial liabilities	-	-	-	-
KCP				
<i>In thousands of Tenge</i>	For the three months ended 31 March (unaudited)			
	2017		2016	
	50%	100%	50%	100%
Information on profit or loss and other comprehensive income of joint ventures for the period				
Revenue	7,283,437	14,566,874	8,008,001	16,016,002
Income from continuing operations for the period	6,316,716	12,633,432	890,858	1,781,716
Unrecognised income	(836,291)	(1,672,580)	(890,858)	(1,781,716)
Income/(loss) from discontinuing operations for the period	-	-	-	-
Other comprehensive income/(loss)	327,966	655,930	(372,581)	(745,162)
Unrecognised other comprehensive loss	-	-	372,581	745,162
Total comprehensive income	5,808,391	11,616,782	-	-
Dividends	-	-	-	-
<i>Additional information:</i>				
Depreciation and amortization	(1,804,217)	(3,608,434)	(1,806,166)	(3,612,331)
Interest income	23,916	47,832	14,687	29,373
Interest expense	(1,541,570)	(3,083,140)	(1,448,255)	(2,896,509)
Income/(loss) on exchange differences	6,236,835	12,473,669	(1,576,746)	(3,153,492)
Income tax expense	(1,725,677)	(3,451,354)	(93,145)	(186,290)

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

5. INVESTMENTS IN JOINT VENTURES (continued)

<i>In thousands of Tenge</i>	MunaiTas			
	For the three months ended 31 March (unaudited)			
	2017		2016	
	51%	100%	51%	100%
Information on profit or loss and other comprehensive income of joint ventures for the period				
Revenue	1,208,539	2,369,684	1,413,479	2,771,528
Income from continuing operations for the period	585,178	1,147,408	654,864	1,284,047
Income/(loss) from discontinuing operations for the period	-	-	-	-
Other comprehensive income	-	-	17,338	33,996
Total comprehensive income	585,178	1,147,408	672,202	1,318,043
Dividends	-	-	-	-
<i>Additional information:</i>				
Depreciation and amortization	(252,867)	495,818	(264,498)	(518,623)
Interest income	135,425	265,539	50,094	98,224
Income tax expense	(146,745)	(287,735)	(165,140)	(323,803)

6. ADVANCES TO SUPPLIERS FOR PROPERTY, PLANT AND EQUIPMENT

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

<i>In thousands of Tenge</i>	31 March 2017 (unaudited)	31 December 2016 (audited)
Advances to third parties for property, plant and equipment and construction services	1,474,492	1,717,166
Advances to related parties for property, plant and equipment and construction services (Note 31)	59,822	14,695
	1,534,314	1,731,861
Less: allowance for doubtful debts	(53,258)	(53,258)
Total	1,481,056	1,678,603

7. INVENTORIES

Inventories as at 31 March 2017 and 31 December 2016 are as follows:

<i>In thousands of Tenge</i>	31 March 2017 (unaudited)	31 December 2016 (audited)
Fuel	1,804,055	1,580,081
Spare parts	1,442,476	1,511,168
Construction materials	512,084	517,552
Overalls	94,309	144,234
Goods	65,806	133,548
Chemical reagents	45,793	62,220
Other	417,546	450,232
Total	4,382,069	4,399,035

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

8. TRADE AND OTHER ACCOUNTS RECEIVABLE

Trade and other accounts receivable as at 31 March 2017 and 31 December 2016 are as follows:

<i>In thousands of Tenge</i>	31 March 2017 (unaudited)	31 December 2016 (audited)
Trade accounts receivable from third parties	5,317,152	5,151,952
Trade accounts receivable from related parties (Note 31)	5,144,932	3,030,762
Other accounts receivable from third parties	537,624	672,111
Other accounts receivable from related parties (Note 31)	509	509
	11,000,217	8,855,334
Less: allowance for doubtful debts	(2,341,100)	(2,378,382)
Total	8,659,117	6,476,952

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

<i>In thousands of Tenge</i>	For the three months ended 31 March (unaudited)	
	2017	2016
As at 1 January (audited)	2,378,382	759,853
Charge for the period	24,047	10,726
Foreign currency translation	(61,329)	18,846
As at 31 March (unaudited)	2,341,100	789,425

Trade and other accounts receivable as at 31 March 2017 and 31 December 2016 are denominated in the following currencies:

<i>In thousands of Tenge</i>	31 March 2017 (unaudited)	31 December 2016 (audited)
Tenge	6,576,169	5,192,550
US Dollars	2,005,048	977,206
Russian Ruble	1,663	1,569
Other currency	76,237	305,627
Total	8,659,117	6,476,952

9. ADVANCES TO SUPPLIERS

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

<i>In thousands of Tenge</i>	31 March 2017 (unaudited)	31 December 2016 (audited)
Advances to related parties (Note 31)	1,188,807	257,916
Advances to third parties	772,962	117,504
	1,961,769	375,420
Less: allowance for doubtful debts	-	(38)
Total	1,961,769	375,382

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

<i>In thousands of Tenge</i>	For the three months ended 31 March (unaudited)	
	2017	2016
As at 1 January (audited)	38	984
Used in write-off of advances	(38)	-
As at 31 March (unaudited)	-	984

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

10. VAT RECOVERABLE AND OTHER PREPAID TAXES

VAT recoverable and other prepaid taxes as at 31 March 2017 and 31 December 2016 are as follows:

<i>In thousands of Tenge</i>	31 March 2017 (unaudited)	31 December 2016 (audited)
VAT recoverable	5,551,728	6,072,444
Withholding tax	31,015	31,585
Other taxes prepaid	307,056	342,349
Total	5,889,799	6,446,378

11. OTHER CURRENT ASSETS

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

<i>In thousands of Tenge</i>	31 March 2017 (unaudited)	31 December 2016 (audited)
Due for oil transportation coordination services	5,710,675	5,551,741
Prepaid insurance	1,180,096	31,629
Due from employees	65,228	24,252
Deferred expenses from third parties	22,503	31,547
Deferred expenses from related parties (Note 31)	5,639	5,791
Other	27,783	82,169
	7,011,924	5,727,129
Less: allowance for doubtful debts	(51)	–
Total	7,011,873	5,727,129

12. BANK DEPOSITS

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

<i>In thousands of Tenge</i>	31 March 2017 (unaudited)	31 December 2016 (audited)
Short-term bank deposits – US Dollar	22,221,223	14,498,115
Short-term bank deposits – Tenge	1,500,000	1,000,000
Long-term bank deposits – Tenge	4,135,121	4,182,770
Accrued interest on deposits – US Dollar	118,302	80,788
Accrued interest on deposits – Tenge	52,098	96,715
Total	28,026,744	19,858,388

As at 31 March 2017 bank deposits comprised the following:

- Tenge denominated bank deposit placed with Kazakhstani bank with the term from 3 to 12 months, with interest from 11% per annum, maturing in June 2017 (as at 31 December 2016: 11% per annum, maturing in January 2017);
- US Dollar denominated deposits placed with Kazakhstani banks with maturity from 3 to 12 months, with interest from 0.8% to 2.0% per annum (as at 31 December 2016: from 1% to 2% per annum), maturing in May and December 2017 (as at 31 December 2016: maturing in July and August 2017);
- Restricted deposits:
 - short-term bank deposit in the amount of 4,211 thousand US Dollar (equivalent to 1,321,117 thousand Tenge) placed with a foreign bank with a 4% interest rate per annum, maturing in February 2018, arranged as collateral for a bank guarantee in favor of “Georgian Railways” JSC to get a discount on tariff for the railway services.
 - long-term bank deposits comprise restricted deposits with interest from 2% to 3.5% per annum maturing in 2029 and in 2026, respectively (as at 31 December 2016: from 2% to 3.5% per annum maturing in 2029 and 2026, respectively), arranged for the purpose of preferential lending rates for the Company’s employees for the purchase of residential property.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

13. CASH AND CASH EQUIVALENTS

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

<i>In thousands of Tenge</i>	31 March 2017 (unaudited)	31 December 2016 (audited)
Time deposits with banks – Tenge	60,450,836	52,590,424
Time deposits with banks – US Dollars	–	10,699,446
Current accounts with banks – US Dollars	2,223,369	5,370,006
Current accounts with banks – Tenge	1,071,108	285,255
Current accounts with banks – Lari	63,060	268,298
Current accounts with banks – Euro	41,726	59,992
Current accounts with banks – Russian Ruble	2,420	4,999
Other current accounts with banks	14,664	15,127
Cash in transit	44	52
Cash on hand	1,718	830
Total	63,868,945	69,294,429

As at 31 March 2017 current accounts and time deposits with maturity less than 3 months in Tenge placed with Kazakhstani banks carried interest ranging from 0.5% to 9.5% per annum (as at 31 December 2016: from 0.5% to 10.5% per annum).

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

14. EQUITY

Share capital

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

As at 31 March 2017 and 31 December 2016 the share capital was equal to 61,937,567 thousand Tenge, net of consulting costs related to the issuance of shares in the amount of 565,717 thousand Tenge.

Other capital reserves

As at 31 March 2017 other capital reserves amounted to 846,135 thousand Tenge (31 December 2016: 695,389 thousand Tenge). Change in other capital reserves is due to the write-off deferred tax assets related to long-term employee benefit liabilities in the amount of 150,746 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 Company by the weighted average number of ordinary shares outstanding during the period.

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

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

<i>In thousands of Tenge</i>	For three months ended 31 March (unaudited)	
	2017	2016
Net profit attributable to ordinary equity holders of the Parent of the Group	17,121,452	19,807,108
Weighted average number of ordinary shares for basic earnings per share	384,628,099	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 of the Group (in Tenge)	45	51

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

14. EQUITY (continued)

Book value per ordinary share

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

<i>In thousands of Tenge</i>	31 March 2017 (unaudited)	31 December 2016 (audited)
Total assets	747,574,271	744,975,997
Less: intangible assets (Note 4)	(6,242,322)	(6,260,601)
Less: total liabilities	(143,877,770)	(157,000,715)
Net assets for calculation of book value per ordinary share	597,454,179	581,714,681
Number of ordinary shares	384,628,099	384,628,099
Book value per ordinary share (in Tenge)	1,553	1,512

Asset revaluation reserve

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

<i>In thousands of Tenge</i>	31 March 2017 (unaudited)	31 December 2016 (audited)
Asset revaluation reserve of the Group	202,012,578	207,642,414
Share in the asset revaluation reserve of the joint ventures	22,596,844	22,704,244
Total	224,609,422	230,346,658

Foreign currency translation reserve

As at 31 March 2017 foreign currency translation reserve was equal to 31,131,257 thousand Tenge (as at 31 December 2016: 32,918,111 thousand Tenge). Change in foreign currency translation reserve is due to the translation of the operations of the foreign subsidiary.

15. EMPLOYEE BENEFIT LIABILITIES

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

Employee benefit liabilities as at 31 March 2017 and 31 December 2016 are as follows:

<i>In thousands of Tenge</i>	31 March 2017 (unaudited)	31 December 2016 (audited)
Current portion of employee benefit liabilities	543,000	543,418
Non-current portion of employee benefit liabilities	12,373,204	11,994,599
Total	12,916,204	12,538,017

Changes in the present value of employee benefit liabilities for the three months ended 31 March 2017 and 2016 are as follows:

<i>In thousands of Tenge</i>	For three months ended 31 March (unaudited)	
	2017	2016
Employee benefit liabilities at the beginning of the period	12,538,017	15,533,710
Current services cost (Note 23, 24)	280,006	267,500
Interest cost (Note 28)	278,126	208,085
Benefits paid	(179,945)	(160,237)
Employee benefit liabilities at the end of the period (unaudited)	12,916,204	15,849,058

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

16. DEFERRED INCOME

As at 31 March 2017 deferred income represents advances in the amount of 7,227,084 thousand Tenge (as at 31 December 2016: 7,731,328 thousand Tenge), which are received by a Group from Batumi International Container Terminal based on agreement for operating lease of land.

17. TRADE AND OTHER ACCOUNTS PAYABLE

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

<i>In thousands of Tenge</i>	31 March 2017 (unaudited)	31 December 2016 (audited)
Accounts payable to third parties for goods and services	2,556,019	13,330,438
Accounts payable to related parties for goods and services (Note 31)	1,051,751	1,947,068
Other accounts payable to third parties	120,372	106,515
Other accounts payable to related parties (Note 31)	773	777
Total	3,728,915	15,384,798

As at 31 March 2017 trade and other accounts payable included payables to related and third parties, related to the construction-in-progress in the amount of 1,523,830 thousand Tenge (as at 31 December 2016: 11,769,003 thousand Tenge).

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

<i>In thousands of Tenge</i>	31 March 2017 (unaudited)	31 December 2016 (audited)
Tenge	3,013,781	14,755,776
US Dollars	352,633	113,875
Euro	5,647	20,135
Russian Roubles	2,653	44,737
Other currency	354,201	450,275
Total	3,728,915	15,384,798

18. ADVANCES RECEIVED

Advances received as at 31 March 2017 and 31 December 2016 are presented as follows:

<i>In thousands of Tenge</i>	31 March 2017 (unaudited)	31 December 2016 (audited)
Advances received from related parties (Note 31)	9,411,901	10,407,356
Advances received from third parties	6,434,729	6,037,076
Total	15,846,630	16,444,432

19. OTHER TAXES PAYABLE

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

<i>In thousands of Tenge</i>	31 March 2017 (unaudited)	31 December 2016 (audited)
Personal income tax	3,100,471	2,833,115
Withholding tax at the source of payment to non-residents	1,216,017	1,172,181
VAT payable	991,491	8,650
Social tax	573,134	530,575
Property tax	249,408	162,122
Other taxes	301,965	349,023
Total	6,432,486	5,055,666

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

20. PROVISIONS

Movements in provisions for the three months ended 31 March 2017 and 2016 are as follows:

Short-term provisions

<i>In thousands of Tenge</i>	Tax provisions (BTL)	Environmental provisions (Company)	Other (Company)	Total
As at 31 December 2016 (audited)	166,978	–	41,125	208,103
Foreign currency translation	4,946	–	–	4,946
As at 31 March 2017 (unaudited)	171,924	–	41,125	213,049

Long-term provisions

Asset retirement and land reclamation obligation

The Group revised the long-term provisions as at 31 March 2017 considering current best estimate, which was based on the discount rate of 8.85% (as at 31 December: 8.72%). As at 31 March 2017 and 31 December 2016 the inflation rate was 5.58%.

<i>In thousands of Tenge</i>	2017	2016
As at 1 January (audited)	15,022,086	21,999,701
Charge for the period (Note 3)	–	41,661
Revision of estimates through other comprehensive income	(264,320)	(3,204,768)
Income from revision of estimates and write-off of provision through profit and loss (Note 25)	(277,961)	(920,640)
Unwinding of discount on asset retirement and land reclamation obligation (Note 28)	317,405	361,027
As at 31 March (unaudited)	14,797,210	18,276,981

21. OTHER CURRENT LIABILITIES

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

<i>In thousands of Tenge</i>	31 March 2017 (unaudited)	31 December 2016 (audited)
Accounts payable for oil transportation coordination services to related parties (Note 31)	5,879,420	5,656,284
Accounts payable for oil transportation coordination services to third parties	5,727,012	5,067,651
Salaries and compensations	5,343,527	9,506,279
Current portion of deferred income from third parties	768,639	460,940
Accounts payable to pension fund	640,025	580,524
Other	688,271	1,241,923
Total	19,046,894	22,513,601

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

22. REVENUE

Revenue for the three months ended 31 March 2017 and 2016 are as follows:

<i>In thousands of Tenge</i>	For three months ended 31 March (unaudited)	
	2017	2016
Crude oil transportation	44,884,299	45,010,765
Oil reloading and railway shipment	2,508,861	2,992,965
Pipeline operation services	2,461,339	2,282,386
Water transportation	1,720,988	1,664,056
Seaport services	1,121,961	1,426,953
Fees for undelivered oil volumes	821,961	90,800
Oil transportation coordination services	161,311	187,401
Oil storage services	33,453	23,641
Other	235,975	982,680
Total	53,950,148	54,661,647

For the three months ended 31 March 2017 the revenue from the three major customers amounted to 12,012,650 thousand Tenge, 6,032,558 thousand Tenge and 3,141,599 thousand Tenge, respectively (for the three months ended 31 March 2016: 13,561,740 thousand Tenge, 6,088,621 thousand Tenge and 3,620,820 thousand Tenge, respectively).

23. COST OF SALES

Cost of sales for the three months ended 31 March 2017 and 2016 are as follows:

<i>In thousands of Tenge</i>	For three months ended 31 March (unaudited)	
	2017	2016
Depreciation and amortization	12,074,575	9,232,642
Personnel cost	11,528,485	10,213,847
Taxes other than corporate income tax	1,919,097	1,663,219
Electric energy	1,881,483	1,805,425
Materials and fuel	1,309,218	1,141,992
Security services	1,062,960	1,002,557
Gas expense	924,121	1,114,611
Repair and technical maintenance	853,510	877,809
Railway services	847,998	1,147,054
Air services	274,935	365,946
Post-employment benefits (Note 15)	263,890	251,121
Business trip expenses	161,436	144,133
Insurance	157,584	132,458
Communication services	62,095	60,373
Operating lease expense	54,527	65,827
Environmental protection	29,835	44,503
Diagnostics of pipelines	420	2,081
Other	580,335	369,127
Total	33,986,504	29,634,725

The increase in personnel costs is due to the indexation of salaries of operating personnel made starting from 1 January 2017.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

24. GENERAL AND ADMINISTRATIVE EXPENSES

General and administrative expenses for the three months ended 31 March 2017 and 2016 are as follows:

<i>In thousands of Tenge</i>	For three months ended 31 March (unaudited)	
	2017	2016
Personnel costs	1,977,813	1,729,865
Depreciation and amortization	305,846	218,669
Consulting services	169,993	124,081
Taxes other than corporate income tax	128,673	76,066
Office maintenance	115,857	102,650
Repair and technical maintenance	46,582	46,277
Business trip expenses	46,167	65,396
Expenses on write-off of VAT receivable	34,753	42,065
Bank costs	33,213	27,180
Insurance and security	33,056	33,745
Training	29,433	22,145
Social sphere expenses	28,318	133
Communication services	24,350	25,430
Net charge of allowance for doubtful debts	24,098	10,737
Operating rent	21,287	9,717
Information support	20,392	19,370
Post-employment benefits (Note 15)	16,116	16,379
Materials and fuel	15,714	15,758
Charity expenses	9,347	8,557
Transportation expenses	645	2,852
Advertising expenses	428	7,596
Other	158,803	166,844
Total	3,240,884	2,771,512

25. OTHER OPERATING INCOME

Other operating income for the three months ended 31 March 2017 and 2016 are as follows:

<i>In thousands of Tenge</i>	For three months ended 31 March (unaudited)	
	2017	2016
Income from revision of estimates on provision on asset retirement and land reclamation obligation (Note 20)	277,961	920,640
Reimbursement of expenses from the liquidation of temporary constructions	217,054	—
Income from fines and penalties	70,536	100,802
Other income	32,798	56,909
Total	598,349	1,078,351

26. OTHER OPERATING EXPENSES

Other operating expenses for the three months ended 31 March 2017 and 2016 are as follows:

<i>In thousands of Tenge</i>	For three months ended 31 March (unaudited)	
	2017	2016
Loss on disposal of property, plant and equipment, net	403,837	19,181
Other expenses	34,209	37,619
Total	438,046	56,800

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

27. FINANCE INCOME

Finance income for the three months ended 31 March 2017 and 2016 are as follows:

<i>In thousands of Tenge</i>	For three months ended 31 March (unaudited)	
	2017	2016
Interest income on bank deposits and current accounts	1,350,086	747,975
Unwinding of discount on loans to employees	2,155	3,572
Unwinding of discount on interest free loan (Note 31)	–	622,131
Other finance income from third parties	2,578	8,557
Total	1,354,819	1,382,235

28. FINANCE COSTS

Finance costs for the three months ended 31 March 2017 and 2016 are as follows:

<i>In thousands of Tenge</i>	For three months ended 31 March (unaudited)	
	2017	2016
Unwinding of discount on asset retirement and land reclamation obligation (Note 20)	317,405	361,027
Interest cost on employee benefit liability (Note 15)	278,126	208,085
Total	595,531	569,112

29. INCOME TAX EXPENSE

Income tax expenses for the three months ended 31 March 2017 and 2016 are as follows:

<i>In thousands of Tenge</i>	For three months ended 31 March (unaudited)	
	2017	2016
Current income tax expense	3,524,012	4,827,615
Deferred income tax expense	1,507,242	44,758
Income tax expense	5,031,254	4,872,373

Movement in deferred tax liabilities for the three months ended 31 March 2017 and 2016 are as follows:

<i>In thousands of Tenge</i>	2017	2016
As at January 1 (audited)	60,856,513	40,682,643
Charged to other comprehensive income	203,096	641,207
Charged to profit and loss	1,507,242	44,758
Foreign currency translation	–	2,515
As at 31 March (unaudited)	62,566,851	41,371,123

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(continued)

30. SEGMENT INFORMATION

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

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

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

Oil transportation and related services provided by the Company, which do not exceed quantitative limits and are intimately connected with the Group’s main operating activities, or with main asset of the Group – pipelines, such as: water transportation, oil storage, expedition services, services on support and maintenance of pipelines, are included into service related to oil transportation. Separate management report is not provided to the Management of the Group on some types of these services and accordingly they cannot be identified as separate segments.

Services on transshipment of oil and oil-products through BSP with operation of BOT are included in “Oil transshipment” segment. Revenue from oil terminal is generated through storage, transshipment of oil and oil-products and expedition. Expedition services represent transshipment of oil and oil-products services through railway from Azerbaijanian-Georgian border to terminal in Batumi. This type of activity is directly related to oil transshipment, and therefore is not shown as a separate segment. Management analyses its operating segments by segment profit.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

31. RELATED PARTY TRANSACTIONS

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

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

The following tables provide the total amount of transactions, which have been entered into with related parties during three months ended 31 March 2017 and 31 March 2016 and the related balances as at 31 March 2017 and 31 December 2016:

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

<i>In thousands of Tenge</i>	Note	31 March 2017 (unaudited)	31 December 2016 (audited)
Advances to related parties for property, plant and equipment			
Advances for property, plant and equipment to entities under common control of KMG Group		34,344	14,695
Advances for property, plant and equipment to entities under common control of Samruk-Kazyna Group		25,478	–
Total advances to related parties for property, plant and equipment	6	59,822	14,695

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

<i>In thousands of Tenge</i>	Notes	31 March 2017 (unaudited)	31 December 2016 (audited)
Trade and other accounts receivable from related parties			
Trade accounts receivable from joint ventures		3,821,289	2,218,268
Trade accounts receivable from entities under common control of KMG		1,322,340	812,058
Trade accounts receivable from entities under common control of Samruk-Kazyna Group		1,303	436
Total trade accounts receivable from related parties	8	5,144,932	3,030,762
Other accounts receivables from entities under common control of Samruk-Kazyna Group	8	509	509
Total trade and other accounts receivable from related parties		5,145,441	3,031,271

Advances provided to related parties are as follows:

<i>In thousands of Tenge</i>	Notes	31 March 2017 (unaudited)	31 December 2016 (audited)
Advances paid to related parties			
Advances paid to entities under common control of KMG		855,151	140,560
Advances paid to entities under common control of Samruk-Kazyna Group		333,656	117,356
Total advances paid to related parties	9	1,188,807	257,916

Deferred expenses from related parties are as follows:

<i>In thousands of Tenge</i>	Notes	31 March 2017 (unaudited)	31 December 2016 (audited)
Deferred expenses from related parties			
Deferred expenses from entities under control of Samruk-Kazyna Group		5,639	5,791
Total deferred expenses from related parties	11	5,639	5,791

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

31. RELATED PARTY TRANSACTIONS (continued)

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

<i>In thousands of Tenge</i>	Notes	31 March 2017 (unaudited)	31 December 2016 (audited)
Trade accounts payable to related parties for goods and services			
Trade accounts payable to entities under common control of Samruk-Kazyna Group		570,256	1,278,291
Group Trade accounts payable to entities under common control of KMG		481,495	668,777
Total trade accounts payable to related parties for goods and services	17	1,051,751	1,947,068
Other payables to entities under common control of Samruk-Kazyna Group	17	773	777
Total trade and other accounts payable to related parties for goods and services		1,052,524	1,947,845

Advances received from related parties are as follows:

<i>In thousands of Tenge</i>	Notes	31 March 2017 (unaudited)	31 December 2016 (audited)
Advances received from related parties			
Advances from entities under common control of KMG		9,003,288	9,990,855
Advances from entities under common control of Samruk-Kazyna Group		408,613	416,492
Advances from joint ventures		–	9
Total advances received from related parties	18	9,411,901	10,407,356

Other current liabilities to related parties are as follows:

<i>In thousands of Tenge</i>	Notes	31 March 2017 (unaudited)	31 December 2016 (audited)
Accounts payable for oil transportation coordination to related parties			
Accounts payable for oil transportation coordination to entities under common control of KMG		5,879,420	5,656,284
Total accounts payable for oil transportation coordination to related parties	21	5,879,420	5,656,284
Employee benefits obligation of key management personnel			
Employee benefits obligation of key management personnel		23,872	43,840
Total employee benefits obligation of key management personnel		23,872	43,840
Total other current liabilities to related parties		5,903,292	5,700,124

The following tables provide the total amount of transactions, which have been entered into with related parties during the three months ended 31 March 2017 and 2016:

<i>In thousands of Tenge</i>	For the three months ended 31 March (unaudited)	
	2017	2016
Sales to related parties		
Revenue from main activities with entities under common control of KMG	28,593,372	29,111,473
Revenue from main activities with joint ventures	2,093,941	1,978,666
Revenue from main activities with entities under common control of Samruk-Kazyna Group	991,148	1,260,076
Revenue from other activities with entities under common control of KMG	1,878	2,082
Total	31,680,339	32,352,297

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

31. RELATED PARTY TRANSACTIONS (continued)

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

<i>In thousands of Tenge</i>	For the three months ended 31 March (unaudited)	
	2017	2016
Purchases from related parties		
Purchases of services from entities under common control of KMG	1,995,487	2,625,153
Purchases of services from entities under common control of Samruk-Kazyna Group	783,300	708,289
Purchases of property, plant and equipment from entities under common control of Samruk-Kazyna Group	546,057	–
Purchases of inventory from entities under common control of KMG	324,439	265,290
Purchases of property, plant and equipment from entities under common control of KMG	57,233	115,360
Purchases of services from joint ventures	–	4,877
Purchases of inventory from entities under common control of Samruk-Kazyna Group	–	256
Total	3,706,516	3,719,225

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

<i>In thousands of Tenge</i>	Note	For the three months ended 31 March (unaudited)	
		2017	2016
Finance income from related parties			
Discounting of interest free loans provided to KMG	27	–	622,131
Total		–	622,131

Total compensation to key management personnel for the three months ended 31 March 2017 amounts to 69,354 thousand Tenge (for the three months ended 31 March 2016: 109,809 thousand Tenge). Payments to key personnel consist primarily of payroll costs and remuneration established by contracts and internal provisions of the Company.

32. CONTINGENT LIABILITIES AND COMMITMENTS

Information on contingent liabilities and commitments of the Group is disclosed in the consolidated financial statements for the year ended 31 December 2016. During three months ended 31 March 2017 there were no significant changes, except for the following:

Contractual commitments

As at 31 March 2017, the Group had contractual obligations to acquire property, plant and equipment, and construction services for the amount of 21,791,696 thousand Tenge (31 December 2016: 25,628,294 thousand Tenge).

Share of the Group as at 31 March 2017 in contractual obligations of joint ventures to acquire property, plant and equipment, and construction services amounted to 565,548 thousand Tenge (31 December 2016: 147,419 thousand Tenge).

Legal proceedings

On 19 December 2016 the proposal from the law enforcement agencies of Georgia on the implementation of the court ruling was received, which contains the order that BOT should not use its dominant position in the market, as well as the requirements on conclusion of the agreement on services. According to this definition, the court decided to arrest the property owned by BOT – the land plot (c. Batumi) and buildings and constructions located on it. As at 31 March 2017 the total cost of the arrested property is 53.5 million US Dollars (equivalent to 16,798 million Tenge). This arrest restricts the alienation of the arrested property, but does not affect the operational and economic activities of BOT. On 23 December 2016, BOT appealed the above decision in the Tbilisi City Court.

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

32. CONTINGENT LIABILITIES AND COMMITMENTS (continued)**Legal proceedings (continued)**

On 15 February 2017, the BOT received a statement of claim according to which the plaintiff requires the court to oblige BOT to enter into a service contract on the terms specified at the claimant's claim, and also compensate the plaintiff for damages in amount of 2,500 thousand US Dollars (equivalent to 784,325 Thousand Tenge) and, additionally from 1 December 2016 until the execution of the court decision, a monthly amount of 280 thousand US Dollars (equivalent to 87,844 thousand Tenge). On 24 February 2017 the plaintiff and the court sent a response to the statement of claim with the position of the BNT in this case.

As at 31 March 2017, the Group did not recognize any additional obligations due to the opinion of the BOT management, the plaintiff's claims against BOT are not supported.

Expropriation of the BSP assets

In accordance with BSP Management Right agreement between BOT and the Georgia Government, the Georgian Government has the right for expropriation of the BSP's assets, in case the BSP in the course of 2 years does not meet its obligations on minimum volume of transshipment, which is 4 million tons per year. As for 31 March 2017, the Group's management considers BSP not exposed risk of asset expropriation from the Government of Georgia, as actual volumes of transshipment through Port as at 31 March 2017 were 1.53 million tonnes (31 December 2016: 6.86 million tonnes) and is expected to be provided by 2017. The management of the Group expects that the transshipment volumes will be met and expropriation of the assets are unlikely.

Commercial guarantee of PTL

In accordance with the agreement dated 18 November 2016 concluded between Georgian Transit Ltd (GTL) and PTL, PTL was obliged to transport a minimum volume of 2 million tonnes of oil products in the annual period in order to get discount on railway tariffs. Also, per the terms of the agreement the PTL is obliged to provide the bank guarantee in order to secure the minimum transportation volume of oil products in the annual period. The total amount of bank guarantee for the period from 17 September 2016 till 17 September 2017 shall amount to 6.5 million US Dollars (equivalent to 2,039,245 thousand Tenge), and will be provided directly by PTL. As at 31 March 2017 PTL provided guarantee in the amount of 4,211 thousand US Dollars (equivalent to 1,321,117 thousand Tenge) in favor of "Georgian Railways" JSC (Note 12). The rest amount of the bank guarantee will be provided in May 2017. During the period from 17 September 2016 till 31 March 2017 PTL has transported 1.158 thousands tonnes and expects that will accomplish the minimum required level till contractual year.

33. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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

Fair value of financial instruments

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

34. EVENTS AFTER THE REPORTING PERIOD

On 14 April 2017 the Board of Directors made a decision to propose to the shareholders of the Company approval of dividends payment in the amount of 59,617,355 thousand Tenge (155 Tenge per 1 share) based on the results of 2016.