

**KazTransOil JSC**

**Interim condensed consolidated financial statements**

*For the six months ended 30 June 2019*



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Report on review of interim condensed consolidated financial information

**Interim condensed consolidated financial statements**

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## Report on Review of Interim Financial Information

To the Shareholders of KazTransOil JSC

### **Introduction**

We have reviewed the accompanying interim condensed consolidated financial statements of KazTransOil JSC and its subsidiaries, which comprise the interim consolidated statement of financial position as at 30 June 2019 and the related interim consolidated statements of comprehensive income for the three- and six-month periods then ended, interim consolidated statement of changes in equity and cash flows for the six-month period then ended, and selected explanatory notes (interim financial information). Management is responsible for the preparation and presentation of this interim financial information in accordance with IAS 34, *Interim Financial Reporting*. Our responsibility is to express a conclusion on this interim financial information based on our review.

### **Scope of review**

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

### Conclusion

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

*Ernst & Young LLP*



Gulmira Turmagambetova  
Auditor / General Director  
Ernst and Young LLP

Auditor qualification certificate No. 0000374  
dated 21 February 1998

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

15 August 2019



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

**INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

<i>In thousands of Tenge</i>	<b>Notes</b>	<b>As at 30 June 2019 (unaudited)</b>	<b>As at 31 December 2018 (audited)</b>
<b>Assets</b>			
<b>Non-current assets</b>			
Property, plant and equipment	3	644,001,623	671,773,612
Right-of-use assets	4	4,624,343	-
Intangible assets		6,170,794	6,891,299
Investments in joint ventures	5	37,235,567	30,001,323
Advances to suppliers for property, plant and equipment		117,990	110,135
Long-term accounts receivable	6	1,487,444	82,987
Bank deposits	11	2,420,304	2,778,076
Investments in bonds		888,345	828,437
Other non-current assets		12,113	12,585
		<b>696,958,523</b>	<b>712,478,454</b>
<b>Current assets</b>			
Inventories		6,487,167	5,130,498
Trade and other accounts receivable	7	5,651,660	5,627,598
Advances to suppliers	8	1,859,261	744,873
Prepayment for income tax		761,684	961,849
VAT recoverable and other prepaid taxes	9	8,494,785	9,504,898
Other current assets	10	4,122,609	7,883,154
Bank deposits	11	7,648,717	25,424,203
Cash and cash equivalents	12	84,067,771	33,278,843
		<b>119,093,654</b>	<b>88,555,916</b>
Non-current assets held for sale	13	149,176	2,406,231
		<b>119,242,830</b>	<b>90,962,147</b>
<b>Total assets</b>		<b>816,201,353</b>	<b>803,440,601</b>

*The accounting policy and explanatory notes on pages 8 through 38 form an integral part of these interim condensed consolidated financial statements.*

**INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)**

<i>In thousands of Tenge</i>	Notes	As at 30 June 2019 (unaudited)	As at 31 December 2018 (audited)
<b>Equity and liabilities</b>			
<b>Equity</b>			
Share capital		61,937,567	61,937,567
Treasury shares repurchased from shareholders		(9,549)	(9,549)
Asset revaluation reserve	14	224,692,952	243,588,977
Foreign currency translation reserve		37,513,010	39,572,764
Other capital reserves		(72,146)	(72,146)
Retained earnings		282,869,628	280,398,586
<b>Total equity</b>		<b>606,931,462</b>	<b>625,416,199</b>
<b>Non-current liabilities</b>			
Employee benefit obligations		13,529,348	12,940,911
Lease liabilities	16	3,163,567	-
Deferred tax liabilities	24	64,332,311	67,394,342
Provision for asset retirement and land recultivation obligation	17	23,731,471	21,109,397
Deferred income		8,220,842	8,423,897
		<b>112,977,539</b>	<b>109,868,547</b>
<b>Current liabilities</b>			
Employee benefit obligations		668,417	663,463
Income tax payable		1,163,280	1,348,926
Trade and other accounts payable	15	7,942,253	12,957,514
Advances received		20,444,137	20,660,210
Lease liabilities	16	1,852,410	-
Dividends payable	14	40,001,322	-
Other taxes payable		5,922,209	6,056,874
Provisions	17	636,992	1,635,604
Other current liabilities	18	17,661,332	24,833,264
		<b>96,292,352</b>	<b>68,155,855</b>
<b>Total liabilities</b>		<b>209,269,891</b>	<b>178,024,402</b>
<b>Total equity and liabilities</b>		<b>816,201,353</b>	<b>803,440,601</b>
<b>Book value per ordinary share (in Tenge)</b>	14	<b>1,562</b>	<b>1,608</b>

Signed and approved for issue on 15 August 2019.

General Director (Chairman of the Management Board)



*Dossanov D.G.*

Chief Accountant

*Sarmagambetova M.K.*

*The accounting policy and explanatory notes on pages 8 through 38 form an integral part of these interim condensed consolidated financial statements.*

**INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**

<i>In thousands of Tenge</i>	Notes	For the three months ended 30 June (unaudited)		For the six months ended 30 June (unaudited)	
		2019	2018	2019	2018
Revenue	19	59,474,113	57,169,003	119,295,120	109,512,031
Cost of sales	20	(35,256,887)	(34,279,510)	(70,840,798)	(68,413,723)
<b>Gross profit</b>		<b>24,217,226</b>	<b>22,889,493</b>	<b>48,454,322</b>	<b>41,098,308</b>
General and administrative expenses	21	(3,061,327)	(3,115,370)	(8,330,334)	(6,476,626)
Other operating income	22	725,913	257,502	891,746	384,576
Other operating expenses	22	(1,378,635)	(1,324,263)	(2,348,109)	(1,320,196)
Impairment of property, plant and equipment and intangible assets	3	(3,458,582)	(2,230,894)	(3,458,582)	(2,231,651)
<b>Operating profit</b>		<b>17,044,595</b>	<b>16,476,468</b>	<b>35,209,043</b>	<b>31,454,411</b>
Net foreign exchange gain/(loss)		165,243	1,572,919	(201,538)	746,250
Finance income	23	723,786	1,026,527	1,344,613	1,782,741
Finance expenses	23	(966,281)	(615,513)	(1,866,990)	(1,229,229)
Share in income/(loss) of joint ventures	5	3,679,728	(3,057,844)	7,893,825	2,281,008
<b>Profit before income tax</b>		<b>20,647,071</b>	<b>15,402,557</b>	<b>42,378,953</b>	<b>35,035,181</b>
Income tax expense	24	(4,892,435)	(3,880,393)	(8,561,356)	(7,396,714)
<b>Net profit for the period</b>		<b>15,754,636</b>	<b>11,522,164</b>	<b>33,817,597</b>	<b>27,638,467</b>
<b>Earnings per share (in Tenge)</b>	14	<b>41</b>	<b>30</b>	<b>88</b>	<b>72</b>
<b>Other comprehensive (loss)/income</b>					
<i>Other comprehensive (loss)/income to be reclassified to profit or loss in subsequent periods</i>					
Exchange difference from translation of foreign operations of the Group		(1,363,341)	3,262,158	(2,059,754)	2,411,453
<b>Total other comprehensive (loss)/income to be reclassified to profit or loss in subsequent periods, net</b>		<b>(1,363,341)</b>	<b>3,262,158</b>	<b>(2,059,754)</b>	<b>2,411,453</b>

*The accounting policy and explanatory notes on pages 8 through 38 form  
an integral part of these interim condensed consolidated financial statements.*

**INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (continued)**

<i>In thousands of Tenge</i>	Notes	For the three months ended 30 June (unaudited)		For the six months ended 30 June (unaudited)	
		2019	2018	2019	2018
<b>Other comprehensive (loss)/ income not to be reclassified to profit or loss in subsequent periods</b>					
(Impairment)/ revaluation of property, plant and equipment of the Group, net	3	(5,824,263)	14,251,490	(10,562,938)	42,758,679
Income tax effect	24	884,254	(3,238,476)	1,831,989	(8,939,914)
		(4,940,009)	11,013,014	(8,730,949)	33,818,765
<b>Charge of provision for asset retirement and land reclamation obligation of the Group</b>	17	(533,366)	(936,448)	(533,366)	(830,586)
Income tax effect	24	106,674	187,290	106,674	166,118
		(426,692)	(749,158)	(426,692)	(664,468)
<b>Impairment of property, plant and equipment of the joint venture</b>		-	(2,520,814)	-	(2,520,814)
Income tax effect		-	504,163	-	504,163
	5	-	(2,016,651)	-	(2,016,651)
<b>Charge of provision on asset retirement and land reclamation obligation of the joint ventures</b>		(326,359)	(167,079)	(326,359)	(347,317)
Income tax effect		65,272	33,415	65,272	69,463
	5	(261,087)	(133,664)	(261,087)	(277,854)
<b>Total other comprehensive (loss)/ income not to be reclassified to profit or loss in subsequent periods, net</b>		(5,627,788)	8,113,541	(9,418,728)	30,859,792
<b>Total other comprehensive (loss)/ income for the period, net of tax</b>		(6,991,129)	11,375,699	(11,478,482)	33,271,245
<b>Total comprehensive income for the period, net of tax</b>		8,763,507	22,897,863	22,339,115	60,909,712

Signed and approved for issue on 15 August 2019.

General Director (Chairman of the Management Board)



*[Signature]*  
Dossanov D.G.

Chief Accountant

*[Signature]*  
Sarmagambetova M.K.

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an integral part of these interim condensed consolidated financial statements.*



**INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS**

<i>In thousands of Tenge</i>	Notes	For the six months ended 30 June (unaudited)	
		2019	2018
<b>Cash flows from operating activities</b>			
Profit before income tax		42,378,953	35,035,181
<b>Non-cash adjustment to reconcile profit before income tax to net cash flows</b>			
Depreciation and amortization	20, 21	27,285,316	26,172,425
Share in income of joint ventures	5	(7,893,825)	(2,281,008)
Impairment of the property, plant and equipment and intangible assets	3	3,458,582	2,231,651
Finance expenses	23	1,866,990	1,229,229
Finance income	23	(1,344,613)	(1,782,741)
Revision of estimates on provision on asset retirement and land reclamation obligation	22	1,168,348	72,577
Impairment of non-current assets held for sale	22	960,745	-
Employee benefits, current service costs	20, 21	280,890	281,139
Unrealized foreign exchange loss/(gain)		201,538	(746,250)
Loss on disposal of property, plant and equipment and intangible assets, net	22	113,379	979,386
(Reversal)/charge of allowance for expected credit losses on trade receivables, net	21	(87,484)	485,027
Others		73,642	18,592
<b>Operating cash flows before working capital changes</b>		<b>68,462,461</b>	<b>61,695,208</b>
<b>(Increase)/decrease in operating assets</b>			
Inventories		(1,715,312)	(3,023,716)
Trade and other accounts receivable		(137,631)	725,704
Advances to suppliers		(1,116,269)	(1,274,105)
VAT recoverable and other prepaid taxes		545,907	(58,911)
Other current assets		3,768,232	1,056,388
<b>Increase/(decrease) in operating liabilities</b>			
Trade and other accounts payable		(2,256,652)	3,243,450
Advances received		(214,778)	1,550,020
Other taxes payable		(280,491)	(619,632)
Other current and non-current liabilities and employee benefit obligations		(8,631,936)	(6,676,656)
<b>Cash generated from operating activities</b>		<b>58,423,531</b>	<b>56,617,750</b>
Income taxes paid		(9,321,069)	(6,132,523)
Interest received		1,249,467	1,945,268
<b>Net cash flows from operating activities</b>		<b>50,351,929</b>	<b>52,430,495</b>

*The accounting policy and explanatory notes on pages 8 through 38 form an integral part of these interim condensed consolidated financial statements.*

**INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS (continued)**

<i>In thousands of Tenge</i>	Notes	For the six months ended 30 June (unaudited)	
		2019	2018
<b>Cash flows from investing activities</b>			
Withdrawal of bank deposits		39,498,419	28,845,923
Proceeds from sale of non-current assets held for sale		288,008	-
Proceeds from bonds redemption		29,971	17,982
Proceeds from disposal of property, plant and equipment		10,241	4,279
Placement of bank deposits		(21,534,560)	(3,201,000)
Purchase of property, plant and equipment		(16,367,937)	(25,953,615)
Purchase of intangible assets		-	(23,585)
<b>Net cash flows from/(used in) investing activities</b>		<b>1,924,142</b>	<b>(310,016)</b>
<b>Cash flows from financing activities</b>			
Payment of lease liabilities	16	(1,324,800)	-
Dividends paid	14	-	(42,540,496)
<b>Net cash flows used in financing activities</b>		<b>(1,324,800)</b>	<b>(42,540,496)</b>
<b>Net change in cash and cash equivalents</b>		<b>50,951,271</b>	<b>9,579,983</b>
Effects of changes in exchange rates on cash and cash equivalents		(159,855)	469,590
Change in allowance for expected credit losses		(2,488)	-
Cash and cash equivalents at the beginning of the period		33,278,843	40,870,527
<b>Cash and cash equivalents at the end of the period</b>		<b>84,067,771</b>	<b>50,920,100</b>

Signed and approved for issue on 15 August 2019.

General Director (Chairman of the Management Board)



Dossanov D.G.

Chief Accountant



Sarmagambetova M.K.

*The accounting policy and explanatory notes on pages 8 through 38 form  
an integral part of these interim condensed consolidated financial statements.*

## INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

<i>In thousands of Tenge</i>	Share capital	Treasury shares repurchased from shareholders	Asset revaluation reserve	Foreign currency translation reserve	Other capital reserves	Retained earnings	Total
<b>As at 31 December 2018 (audited)</b>	61,937,567	(9,549)	243,588,977	39,572,764	(72,146)	280,398,586	625,416,199
Changes in accounting policy (Note 2)	-	-	-	-	-	(822,530)	(822,530)
<b>As at 1 January 2019 (restated)</b>	<b>61,937,567</b>	<b>(9,549)</b>	<b>243,588,977</b>	<b>39,572,764</b>	<b>(72,146)</b>	<b>279,576,056</b>	<b>624,593,669</b>
Net profit for the period	-	-	-	-	-	33,817,597	33,817,597
Other comprehensive loss	-	-	(9,418,728)	(2,059,754)	-	-	(11,478,482)
<b>Total comprehensive (loss)/income for the period</b>	<b>-</b>	<b>-</b>	<b>(9,418,728)</b>	<b>(2,059,754)</b>	<b>-</b>	<b>33,817,597</b>	<b>22,339,115</b>
Amortization of revaluation reserve for revalued property, plant and equipment	-	-	(9,477,297)	-	-	9,477,297	-
Dividends (Note 14)	-	-	-	-	-	(40,001,322)	(40,001,322)
<b>As at 30 June 2019 (unaudited)</b>	<b>61,937,567</b>	<b>(9,549)</b>	<b>224,692,952</b>	<b>37,513,010</b>	<b>(72,146)</b>	<b>282,869,628</b>	<b>606,931,462</b>
<b>As at 31 December 2017 (audited)</b>	61,937,567	(9,549)	226,395,595	33,068,230	(623,415)	278,922,619	599,691,047
Changes in accounting policy	-	-	-	-	-	(64,542)	(64,542)
<b>As at 1 January 2018 (restated)</b>	<b>61,937,567</b>	<b>(9,549)</b>	<b>226,395,595</b>	<b>33,068,230</b>	<b>(623,415)</b>	<b>278,858,077</b>	<b>599,626,505</b>
Net profit for the period	-	-	-	-	-	27,638,467	27,638,467
Other comprehensive income	-	-	30,859,792	2,411,453	-	-	33,271,245
<b>Total comprehensive income for the period</b>	<b>-</b>	<b>-</b>	<b>30,859,792</b>	<b>2,411,453</b>	<b>-</b>	<b>27,638,467</b>	<b>60,909,712</b>
Amortization of revaluation reserve for revalued property, plant and equipment	-	-	(11,724,488)	-	-	11,724,488	-
Dividends (Note 14)	-	-	-	-	-	(61,540,496)	(61,540,496)
<b>As at 30 June 2018 (unaudited)</b>	<b>61,937,567</b>	<b>(9,549)</b>	<b>245,530,899</b>	<b>35,479,683</b>	<b>(623,415)</b>	<b>256,680,536</b>	<b>598,995,721</b>

Signed and approved for issue on 15 August 2019.

General Director (Chairman of the Management Board)

Chief Accountant



*[Handwritten signature]*  
Dossanov D.G.

*[Handwritten signature]*  
Sarmagambelova M.K.

The accounting policy and explanatory notes on pages 8 through 38 form an integral part of these interim condensed consolidated financial statements.

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2019

## 1. GENERAL INFORMATION

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

Under Decree of the President of the Republic of Kazakhstan dated on 20 February 2002, on the basis of closed joint-stock companies, National Oil and Gas Company "Kazakhoil" and National Company "Transport of Oil and Gas", reorganized by merger, the National Company "KazMunayGas" Closed Joint-Stock Company was created and became the sole shareholder of "KazTransOil" CJSC.

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

As at 30 June 2019 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 30 June 2019 and 31 December 2018 the Company had interest ownership in the following companies:

	Place of incorporation	Principal activities	Ownership	
			30 June 2019	31 December 2018
"MunaiTas" LLP (hereinafter – "MunaiTas")	Kazakhstan	Oil transportation	51%	51%
"Kazakhstan-China Pipeline" LLP (hereinafter – "KCP")	Kazakhstan	Oil transportation	50%	50%
"Batumi Oil Terminal" (hereinafter – "BOT")*	Georgia	Forwarding, transshipment and storage of oil and oil products and operating of Batumi Sea Port	100%	100%
"Petrotrans Limited" (hereinafter – "PTL") **	United Arab Emirates	Forwarding of oil and oil products	100%	100%
"Main Waterline" LLP	Kazakhstan	Water transportation	100%	100%

\* BOT has the exclusive right to manage 100% of the shares of "Batumi Sea Port" LLC (hereinafter – "BSP").

\*\* PTL has a branch operating in Republic of Kazakhstan, Nur-Sultan.

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

The Company's head office is located in Nur-Sultan, Kazakhstan, at 20 Turan Avenue.

The Company is a natural monopolist and, respectively, is subject to regulation of the Committee on Regulation of Natural Monopolies, Protection of Competition and Consumer rights of the Ministry of National Economy of the Republic of Kazakhstan (hereinafter – "CRNMPCandCR"). CRNMPCandCR is responsible for approving the methodology for calculating the tariff and tariff rates for oil transportation in domestic market of the Republic of Kazakhstan.

According to the Law of the Republic of Kazakhstan *On Natural Monopolies* 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.

In accordance with the order of CRNMPCandCR the maximum tariff for pumping oil on the domestic market for 2019 is 4,721.72 Tenge per ton for 1,000 kilometers without VAT.

Starting from 1 April 2018 tariffs for pumping oil on the export from the Republic of Kazakhstan equals to 6,398.92 Tenge per ton for 1,000 kilometers without VAT.

Tariff for pumping oil for transit through Kazakhstani part of main oil pipeline "Tuymazy-Omsk-Novosibirsk-2" starting from 1 April 2018 is 4,292.40 Tenge per ton for 1,000 kilometers.

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

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**1. GENERAL INFORMATION (continued)**

Tariff for transportation of Russian oil through the territory of Kazakhstan to the People's Republic of China on the route border of Russian Federation-border of Republic of Kazakhstan (Priirtyshsk) – Atasu (Republic of Kazakhstan) – Alashankou (People's Republic of China) is 4.23 US Dollars per ton (in Priirtyshsk – Atasu sector) (in 2018: 3.11 US Dollars per ton).

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

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

These interim condensed consolidated financial statements for the six months ended 30 June 2019 were approved by internal audit committee of the Company's Board of Directors and signed by the General Director (Chairman of the Management Board) and the Chief Accountant on 15 August 2019.

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

These interim condensed consolidated financial statements for the six months ended 30 June 2019 have been prepared in accordance with International Financial Reporting Standards (hereafter – “IFRS”) IAS 34 *Interim Financial Reporting*.

These interim condensed consolidated financial statements have been prepared on a historical cost basis, except for property, plant and equipment which are stated at revalued amounts and other items described in the accounting policies and the notes to these interim condensed consolidated financial statements.

These interim condensed consolidated financial statements do not include all information and disclosures required for annual consolidated financial statements and should be read in conjunction with the Group's annual consolidated financial statements for the year ended 31 December 2018.

These interim condensed consolidated financial statements are presented in Tenge and all amounts are rounded to the nearest thousands, except for the book value of ordinary shares, earnings per share and when otherwise indicated.

**New standards, interpretations and amendments adopted by the Group**

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2018, except for the adoption of new standards and interpretations effective as of 1 January 2019. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

Some amendments are applied for the first time in 2019. The nature and the impact of each new standard and amendment are described below:

*IFRS 16 Leases*

IFRS 16 replaces IAS 17 *Leases*, IFRIC 4 *Determining whether an Arrangement Contains a Lease*, SIC-15 *Operating Leases – Incentives* and SIC-27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model.

Lessor accounting under IFRS 16 is substantially unchanged under IAS 17. Lessors will continue to classify leases as either operating or finance leases using similar principles as in IAS 17. Therefore, IFRS 16 did not have an impact for leases where the Group is the lessor.

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

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

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

##### *IFRS 16 Leases (continued)*

The Group adopted IFRS 16 using the modified retrospective method of adoption with the date of initial application of 1 January 2019. Under this method, the standard is applied retrospectively with the cumulative effect of initially applying the standard recognised at the date of initial application. The Group elected to use the transition practical expedient allowing the standard to be applied only to contracts that were previously identified as leases applying IAS 17 and IFRIC 4 at the date of initial application. The Group also elected to use the recognition exemptions for lease contracts that, at the commencement date, have a lease term of 12 months or less and do not contain a purchase option ('short-term leases'), and lease contracts for which the underlying asset is of low value ('low-value assets').

##### (a) *Nature of the effect of adoption of IFRS 16*

The Group has lease contracts for various items of plant, machinery, vehicles and other equipment. Before the adoption of IFRS 16, the Group classified each of its leases (as lessee) at the inception date as an operating lease. Any prepaid rent and accrued rent were recognised under Advances to suppliers and Trade and other payables, respectively.

Upon adoption of IFRS 16, the Group applied a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The standard provides specific transition requirements and practical expedients, which has been applied by the Group.

##### Leases previously accounted for as operating leases

The Group recognised right-of-use assets and lease liabilities for those leases previously classified as operating leases, except for short-term leases and leases of low-value assets. The right-of-use assets were recognised based on the amount equal to the lease liabilities, adjusted for any related prepaid and accrued lease payments previously recognised. Lease liabilities were recognized based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at the date of initial application.

The Group also applied the available practical expedients where in it:

- Used a single discount rate to a portfolio of leases with reasonably similar characteristics;
- Relied on its assessment of whether leases are onerous immediately before the date of initial application;
- Applied the short-term leases exemptions to contracts with lease term that ends within 12 months at the date of initial application;
- Excluded the initial direct costs from the measurement of the right-of-use asset at the date of initial application;
- Used hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

The effect of adoption IFRS 16 as at 1 January 2019 (increase/(decrease)) is as follows:

<i>In thousands of Tenge</i>	<b>1 January 2019</b>
<b>Assets</b>	
Right-of-use assets (Note 4)	4,983,284
Investments in joint ventures (Note 5)	(398,494)
<b>Total assets (unaudited)</b>	<b>4,584,790</b>
<b>Liabilities</b>	
Lease liabilities (Note 16)	5,513,329
Deferred tax liabilities (Note 24)	(106,009)
<b>Total liabilities (unaudited)</b>	<b>5,407,320</b>
<b>Share capital</b>	
Retained earnings	(822,530)
<b>Total share capital (unaudited)</b>	<b>(822,530)</b>

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

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

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

##### IFRS 16 Leases (continued)

##### (a) Nature of the effect of adoption of IFRS 16 (continued)

##### Leases previously accounted for as operating leases (continued)

In addition to the adjustments described above, upon application of IFRS 16 had the following impact to the financial statements of a joint venture (KCP): as at 1 January 2019, the entity recognized assets in the form of right-of-use in the amount of 1,503,395 thousand Tenge and financial lease liabilities in the amount of 2,300,383 thousand Tenge, as well as a decrease in retained earnings of 796,988 thousand Tenge. The corresponding decrease in investments in a joint venture amounted to 398,494 thousand Tenge (Note 5).

Below is a reconciliation of liabilities as at 1 January 2019 with contractual commitments for operating leases as at 31 December 2018:

*In thousands of Tenge*

<b>Operating lease contractual commitments as at 31 December 2018 (unaudited)</b>	<b>7,361,333</b>
The weighted average rate of raising additional borrowings as at 1 January 2019	13.46%
<b>Discounted operating lease liabilities as at 1 January 2019 (unaudited) (Note 16)</b>	<b>5,513,329</b>
<b>Less</b>	
Contractual commitments related to short term lease liabilities	-
Contractual commitments related to low value assets	-
<b>Add</b>	
Contractual commitments related to lease previously classified as a financial lease	-
Payments in the periods specified in the renewal option, not recognized as at 31 December 2018	-
<b>Lease liabilities as at 1 January 2019 (unaudited)</b>	<b>5,513,329</b>

##### (b) Summary of new accounting policies

Set out below are the new accounting policies of the Group upon adoption of IFRS 16, which have been applied from the date of initial application:

##### Right-of-use assets

The Group recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term. Right-of-use assets are subject to impairment review.

##### Lease liabilities

At the commencement date of the lease, the Group recognizes lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognised as expense in the period on which the event or condition that triggers the payment occurs.

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

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**2. BASIS OF PREPARATION AND CHANGES IN ACCOUNTING POLICIES (continued)****New standards, interpretations and amendments adopted by the Group (continued)***IFRS 16 Leases (continued)**(b) Summary of new accounting policies (continued)*Lease liabilities (continued)

In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to its short-term leases. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

Significant judgement in determining the lease term of contracts with renewal options

The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

The Group applies judgement in evaluating whether it is reasonably certain to exercise the option to renew. That is, it considers all relevant factors that create an economic incentive for it to exercise the renewal.

After the commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise (or not to exercise) the option to renew (e.g., a change in business strategy).

The Group included the renewal period as part of the lease term for leases of plant and machinery due to the significance of these assets to its operations. These leases have a short non-cancellable period and there will be a significant negative effect on production if a replacement is not readily available.

The following interpretations and amendments are applied for the first time in 2019 and did not affect the interim condensed consolidated financial statements of the Group:

- IFRIC Interpretation 23 *Uncertainty over Income Tax Treatment*;
- Amendments to IFRS 9 *Prepayment Features with Negative Compensation*;
- Amendments to IAS 19 *Plan Amendment, Curtailment or Settlement*;
- Amendments to IAS 28 *Long-term Interests in Associates and Joint Ventures*;
- Annual improvements 2015-2017 cycle:
  - IFRS 3 *Business Combinations*;
  - IFRS 11 *Joint Arrangements*;
  - IAS 12 *Income Taxes*;
  - IAS 23 *Borrowing Costs*.



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

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

#### 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 second half of the year. These fluctuations are mainly due to the pipeline repairs that are performed mainly during the second half of the year. Purchase of inventory is mainly implemented in the first half of the year.

#### Foreign currency translation

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

Weighted average currency exchange rates for the six months ended 30 June 2019 and 2018 are as follows:

<i>Tenge</i>	For the six months ended 30 June	
	2019	2018
US Dollars	379.29	326.53
Russian Rubles	5.81	5.50
Euro	428.45	395.39
Georgian Lari	141.00	133.25

As at 30 June 2019 and 31 December 2018 the currency exchange rates of KASE are as follows:

<i>Tenge</i>	30 June 2019	31 December 2018
US Dollars	380.53	384.20
Russian Rubles	6.04	5.52
Euro	433.08	439.37
Georgian Lari	134.46	144.44

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

Property, plant and equipment as at 30 June 2019 and 31 December 2018 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
<b>At revalued amount as at 31 December 2018 (audited)</b>	21,750,408	234,950,826	23,621,024	111,687,588	182,703,715	160,974,494	20,900,293	36,402,095	792,990,443
Foreign currency translation	(152,764)	-	(223,857)	(909,033)	(534,948)	-	(12,465)	(19,070)	(1,852,137)
Additions	-	17,618	237,833	-	431,532	-	75,128	13,693,880	14,455,991
Disposals	-	(46,775)	(34,292)	(55,078)	(944,572)	(6,360)	(250,185)	(36,746)	(1,374,008)
Change in value (through revaluation reserve)	-	-	-	-	-	(9,152,746)	-	-	(9,152,746)
Transfers from construction in progress	-	66,922	406,186	196,394	3,147,618	-	136,956	(3,954,076)	-
Transfers to non-current assets held for sale (Note 13)	-	-	(339,156)	-	-	-	-	-	(339,156)
Transfers to intangible assets	-	-	-	-	-	-	-	(76,144)	(76,144)
Transfers and reclassifications	-	14,847	(120,549)	-	76,076	-	18,461	11,165	-
<b>At revalued amount as at 30 June 2019 (unaudited)</b>	<b>21,597,644</b>	<b>235,003,438</b>	<b>23,547,189</b>	<b>110,919,871</b>	<b>184,879,421</b>	<b>151,815,388</b>	<b>20,868,188</b>	<b>46,021,104</b>	<b>794,652,243</b>
<b>Accumulated depreciation and impairment as at 31 December 2018 (audited)</b>	-	(35,420,503)	(5,469,079)	(17,643,196)	(51,697,315)	-	(10,682,006)	(304,732)	(121,216,831)
Foreign currency translation	-	-	55,916	82,375	97,952	-	4,289	-	240,532
Depreciation charge	-	(7,774,179)	(1,403,174)	(3,249,229)	(11,439,586)	-	(2,396,099)	-	(26,262,267)
Disposals	-	24,657	28,680	34,775	925,172	-	243,104	10,352	1,266,740
Impairment (through expenses)	-	(215)	(368,670)	(1,666,671)	(1,347,617)	-	(36,791)	(38,618)	(3,458,582)
Impairment (through revaluation reserve)	-	(873)	(6,827)	(1,239,018)	(153,612)	-	(9,862)	-	(1,410,192)
Transfers to non-current assets held for sale (Note 13)	-	-	189,980	-	-	-	-	-	189,980
Transfers and reclassifications	-	546	-	-	(546)	-	-	-	-
<b>Accumulated depreciation and impairment as at 30 June 2019 (unaudited)</b>	<b>-</b>	<b>(43,170,567)</b>	<b>(6,973,174)</b>	<b>(23,680,964)</b>	<b>(63,615,552)</b>	<b>-</b>	<b>(12,877,365)</b>	<b>(332,998)</b>	<b>(150,650,620)</b>

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

<i>In thousands of Tenge</i>	Land	Pipelines	Transportation assets	Buildings and constructions	Machinery and equipment	Technological oil	Other	Construction in progress	Total
<b>As at 30 June 2019 (unaudited)</b>									
At revalued amount	21,597,644	235,003,438	23,547,189	110,919,871	184,879,421	151,815,388	20,868,188	46,021,104	794,652,243
Accumulated depreciation and impairment	-	(43,170,567)	(6,973,174)	(23,680,964)	(63,615,552)	-	(12,877,365)	(332,998)	(150,650,620)
<b>Net book value</b>	<b>21,597,644</b>	<b>191,832,871</b>	<b>16,574,015</b>	<b>87,238,907</b>	<b>121,263,869</b>	<b>151,815,388</b>	<b>7,990,823</b>	<b>45,688,106</b>	<b>644,001,623</b>
<b>As at 31 December 2018 (audited)</b>									
At revalued amount	21,750,408	234,950,826	23,621,024	111,687,588	182,703,715	160,974,494	20,900,293	36,402,095	792,990,443
Accumulated depreciation and impairment	-	(35,420,503)	(5,469,079)	(17,643,196)	(51,697,315)	-	(10,682,006)	(304,732)	(121,216,831)
<b>Net book value</b>	<b>21,750,408</b>	<b>199,530,323</b>	<b>18,151,945</b>	<b>94,044,392</b>	<b>131,006,400</b>	<b>160,974,494</b>	<b>10,218,287</b>	<b>36,097,363</b>	<b>671,773,612</b>

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

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

As at 30 June 2019 the initial cost and corresponding accumulated depreciation of fully depreciated, but still in use property, plant and equipment still in use were 2,194,684 thousand Tenge (31 December 2018: 1,158,467 thousand Tenge).

The depreciation for the six months ended 30 June 2019 included in the cost of construction in progress amounted to 14,824 thousand Tenge (for the six months ended 30 June 2018: 16,762 thousand Tenge).

#### Impairment of assets located in Georgia

Due to the existence of impairment indicators, the Group performed an analysis of its property, plant and equipment located in Georgia and the BSP's right for land use for impairment as at 30 June 2019. The recoverable amount of these assets has been determined based on a value in use, using a discounted cash flow model. The value in use of the assets has been defined as the value of the business, adjusted for the fair value of net working capital and non-specialized property, plant and equipment. Forecasting cash flows is based on financial budgets approved by management of the Group covering 2019-2023 years period, and on estimated forecasts until 2031, as well as publicly available macroeconomic information. The above-mentioned assets were grouped into two cash generating units (hereinafter – "CGU") – the BSP and the BOT. The following assumptions were used in calculation value in use:

	Cash-generating units	
	BOT	BSP
Discount rate	12.6%	13.3%
Long-term growth rate	1.9%	1.9%

As a result of analysis the carrying value of property, plant and equipment of these CGU exceeded their recoverable amount and the Group recognized impairment in the amount of 12,711 thousand US Dollars (equivalent to 4,821,155 thousand Tenge), including 9,012 thousand US Dollars (equivalent to 3,418,161 thousand Tenge) through profit and loss and 3,699 thousand US Dollars (equivalent to 1,402,994 thousand Tenge) through other comprehensive income.

Based on the results of analysis as at 30 June 2018, the Group recognized impairment of property, plant and equipment in the amount of 12,549 thousand US Dollars (equivalent to 4,097,625 thousand Tenge), including 6,605 thousand US Dollars (equivalent to 2,156,731 thousand Tenge) through profit and loss and 5,944 thousand US Dollars (equivalent to 1,940,894 thousand Tenge) through decrease in asset revaluation reserve, as well as impairment of the right for land use in the amount of 226 thousand US Dollars (equivalent to 73,796 thousand Tenge) recognized through profit and loss.

The results of the assessment of value in use are sensitive to expected volumes of services provided, the level of tariffs for services provided, start of transshipment of additional volumes of oil, the amount of capital and operating expenditures.

The calculation of value in use for both CGUs is most sensitive to the assumption associated with additional volumes of crude oil transshipment of Kazakhstan origin since 2025. Thus, the shift in the transshipment of this oil from 2025 to 2026 would reduce the recoverable value of these assets by 12,976 thousand US Dollars (equivalent to 4,937,757 thousand Tenge).

A decrease in transshipment volumes by 10.0% and increase in discount rate by 0.5% would result in decrease of recoverable amount of the above-mentioned assets by 12,809 thousand US Dollars (equivalent to 4,874,209 thousand Tenge) and 10,660 thousand US Dollars (equivalent to 4,056,450 thousand Tenge), respectively.

#### Impairment of property, plant and equipment of the Company

During the six months of 2019, the Group also recognized an impairment of certain property, plant and equipment of the Company in the amount of 47,619 thousand Tenge, including 40,421 thousand Tenge through profit and loss and 7,198 thousand Tenge through other comprehensive income, since as at 30 June 2019 the carrying amount of these assets exceeded their recoverable amount, defined as fair value less costs of disposal (for the six month of 2018: 2,604 thousand Tenge, including 1,124 thousand Tenge through profit and loss and 1,480 thousand Tenge through other comprehensive income).

Due to significant changes in the oil price on domestic market, the fair value of the Group's technological oil in the reporting period ended 30 June 2019 was reduced for the amount of 9,152,746 thousand Tenge through other comprehensive income (in the reporting period ended 30 June 2018 the technological oil value increased by 44,701,053 thousand Tenge through other comprehensive income).

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

### 4. RIGHT-OF-USE ASSETS

Right-of-use assets as at 30 June 2019 are as follows:

<i>In thousands of Tenge</i>	Right-of-use assets				Total
	Land	Transportation assets	Buildings and constructions	Machinery, equipment and transfer devices	
<b>Net book value as at 31 December 2018 (audited)</b>	-	-	-	-	-
Changes in accounting policy (Note 2)	97,419	4,512,445	373,420	-	4,983,284
Additions (Note 16)	-	-	-	341,652	341,652
Amortization charge (Note 16)	(5,542)	(627,404)	(36,873)	(30,774)	(700,593)
<b>Net book value as at 30 June 2019 (unaudited)</b>	<b>91,877</b>	<b>3,885,041</b>	<b>336,547</b>	<b>310,878</b>	<b>4,624,343</b>
<b>As at 30 June 2019 (unaudited)</b>					
At cost	131,814	6,106,397	399,633	341,652	6,979,496
Accumulated amortization	(39,937)	(2,221,356)	(63,086)	(30,774)	(2,355,153)
<b>Net book value</b>	<b>91,877</b>	<b>3,885,041</b>	<b>336,547</b>	<b>310,878</b>	<b>4,624,343</b>

### 5. INVESTMENTS IN JOINT VENTURES

Investments in joint ventures as at 30 June 2019 and 31 December 2018 are as follows:

<i>In thousands of Tenge</i>	30 June 2019 (unaudited)	31 December 2018 (audited)
Investments in KCP	16,972,394	10,513,603
Investments in MunaiTas	20,263,173	19,487,720
<b>Total</b>	<b>37,235,567</b>	<b>30,001,323</b>

Changes in investments in joint ventures for the reporting period are presented as follows:

<i>In thousands of Tenge</i>	Total
<b>As at 31 December 2018 (audited)</b>	30,001,323
Changes in accounting policy (Note 2)	(398,494)
Share in income of joint ventures	7,893,825
Share in other comprehensive loss of joint ventures	(261,087)
<b>As at 30 June 2019 (unaudited)</b>	<b>37,235,567</b>

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

### 5. INVESTMENTS IN JOINT VENTURES (continued)

The Company's share in comprehensive income/loss of joint ventures for the three and six months periods ended 30 June 2019 and 2018 is as follows:

<i>In thousands of Tenge</i>	For the three months ended 30 June (unaudited)		For the six months ended 30 June (unaudited)	
	2019	2018	2019	2018
<b>Share in income/(loss) of joint ventures</b>				
KCP	3,268,329	(3,675,941)	7,118,372	1,196,189
MunaiTas	411,399	618,097	775,453	1,084,819
<b>Total share in income/(loss) of joint ventures</b>	<b>3,679,728</b>	<b>(3,057,844)</b>	<b>7,893,825</b>	<b>2,281,008</b>
<b>Share in other comprehensive loss of joint ventures</b>				
KCP	(261,087)	(133,664)	(261,087)	(277,854)
MunaiTas	-	(2,016,651)	-	(2,016,651)
<b>Total share in other comprehensive loss of joint ventures</b>	<b>(261,087)</b>	<b>(2,150,315)</b>	<b>(261,087)</b>	<b>(2,294,505)</b>
<b>Total share in comprehensive income/(loss) of joint ventures</b>	<b>3,418,641</b>	<b>(5,208,159)</b>	<b>7,632,738</b>	<b>(13,497)</b>

### 6. LONG-TERM ACCOUNTS RECEIVABLE

As at 30 June 2019 long-term receivables amounts to 1,487,444 thousand Tenge (as at 31 December 2018: 82,987 thousand Tenge). The receivables at the end of the reporting period includes the discounted value of forthcoming cash inflows related to the sale of property of the administrative-residential building in Pavlodar amounted to 1,405,250 thousand Tenge. The Group received the first tranche in the amount of 282,157 thousand Tenge in April 2019.

### 7. TRADE AND OTHER ACCOUNTS RECEIVABLE

Trade and other accounts receivable as at 30 June 2019 and 31 December 2018 are as follows:

<i>In thousands of Tenge</i>	30 June 2019 (unaudited)	31 December 2018 (audited)
Trade accounts receivable from third parties	6,717,355	7,163,458
Trade accounts receivable from related parties (Note 26)	2,714,929	2,420,294
Other accounts receivable from third parties	748,361	725,594
Other accounts receivable from related parties (Note 26)	509	19,761
	<b>10,181,154</b>	<b>10,329,107</b>
Less: allowance for expected credit losses	(4,529,494)	(4,701,509)
<b>Total</b>	<b>5,651,660</b>	<b>5,627,598</b>

Trade and other accounts receivable of the Group as at 30 June 2019 and 31 December 2018 are denominated in the following currencies:

<i>In thousands of Tenge</i>	30 June 2019 (unaudited)	31 December 2018 (audited)
Tenge	4,294,014	4,935,286
US Dollars	1,342,129	673,886
Russian Rubles	3,339	1,905
Other currency	12,178	16,521
<b>Total</b>	<b>5,651,660</b>	<b>5,627,598</b>

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

### 8. ADVANCES TO SUPPLIERS

Advances to suppliers as at 30 June 2019 and 31 December 2018 are as follows:

<i>In thousands of Tenge</i>	30 June 2019 (unaudited)	31 December 2018 (audited)
Advances to third parties	1,515,757	519,721
Advances to related parties (Note 26)	344,288	225,799
	<b>1,860,045</b>	<b>745,520</b>
Less: impairment	(784)	(647)
<b>Total</b>	<b>1,859,261</b>	<b>744,873</b>

### 9. VAT RECOVERABLE AND OTHER PREPAID TAXES

VAT recoverable and other prepaid taxes as at 30 June 2019 and 31 December 2018 are as follows:

<i>In thousands of Tenge</i>	30 June 2019 (unaudited)	31 December 2018 (audited)
VAT recoverable	8,176,357	9,021,244
Other taxes prepaid	318,428	483,654
<b>Total</b>	<b>8,494,785</b>	<b>9,504,898</b>

### 10. OTHER CURRENT ASSETS

Other current assets as at 30 June 2019 and 31 December 2018 are as follows:

<i>In thousands of Tenge</i>	30 June 2019 (unaudited)	31 December 2018 (audited)
Due for oil transportation coordination services	3,327,284	7,653,717
Prepaid insurance	611,984	128,906
Due from employees	72,249	13,986
Deferred expenses	45,260	47,357
Other	65,832	39,188
<b>Total</b>	<b>4,122,609</b>	<b>7,883,154</b>

### 11. BANK DEPOSITS

Bank deposits as at 30 June 2019 and 31 December 2018 are as follows:

<i>In thousands of Tenge</i>	30 June 2019 (unaudited)	31 December 2018 (audited)
Short-term bank deposits – US Dollars	7,610,600	25,357,200
Long-term bank deposits – Tenge	2,441,348	2,802,206
Accrued interest on deposits – Tenge	43,722	53,150
Accrued interest on deposits – US Dollars	4,766	41,315
Less: allowance for expected credit losses	(31,415)	(51,592)
<b>Total</b>	<b>10,069,021</b>	<b>28,202,279</b>

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

### 11. BANK DEPOSITS (continued)

In accordance with the maturity, bank deposits as at 30 June 2019 and 31 December 2018 are as follows:

<i>In thousands of Tenge</i>	30 June 2019 (unaudited)	31 December 2018 (audited)
Short-term bank deposits with maturity under 1 year	7,648,717	25,424,203
Long-term bank deposits with maturity over 1 year	2,420,304	2,778,076
	<b>10,069,021</b>	<b>28,202,279</b>

As at 30 June 2019 bank deposits comprised the following:

- US Dollars denominated short-term deposits with maturity from 3 to 12 months, with interest of 0.6% per annum (as at 31 December 2018: from 0.5% to 0.7% per annum), maturing in November 2019 (as at 31 December 2018: maturing from January to June 2019);
- Restricted long-term bank deposits with interest from 2% to 3.5% per annum maturing in 2028 and 2024, respectively (as at 31 December 2018: from 2% to 3.5% per annum maturing in 2029 and 2027, respectively), arranged for the purpose of preferential lending rates for the Company's employees for the purchase of residential property.

### 12. CASH AND CASH EQUIVALENTS

Cash and cash equivalents as at 30 June 2019 and 31 December 2018 are as follows:

<i>In thousands of Tenge</i>	30 June 2019 (unaudited)	31 December 2018 (audited)
Time deposits with banks – Tenge	36,939,893	27,107,538
Current accounts with banks – US Dollar	42,907,597	2,468,302
Current accounts with banks – Tenge	3,348,339	3,202,253
Current accounts with banks – Lari	844,016	461,040
Current accounts with banks – Russian Rubles	33,151	31,447
Current accounts with banks – Euro	3,044	8,452
Other current accounts with banks	16,931	21,567
Cash on hand	190	1,146
Less: allowance for expected credit losses	(25,390)	(22,902)
<b>Total</b>	<b>84,067,771</b>	<b>33,278,843</b>

As at 30 June 2019:

- Current accounts and time deposits with maturity less than 3 months in Tenge placed with Kazakhstani banks carried interest ranging from 6.75% to 7.50% per annum (as at 31 December 2018: from 6.55% to 7.50% per annum);
- Interest for current accounts and time deposits with maturity less than 3 months placed in US Dollars ranged from 0.25% to 4% per annum (as at 31 December 2018: from 0.25% to 4% per annum).

### 13. NON-CURRENT ASSETS HELD FOR SALE

Changes in non-current assets held for sale for the six month period ended 30 June 2019 are as follows:

<i>In thousands of Tenge</i>	
<b>As at 31 December 2018 (audited)</b>	2,406,231
Transfers from property, plant and equipment (Note 3)	149,176
Impairment (Note 22)	(960,745)
Sold	(1,445,486)
<b>As at 30 June 2019 (unaudited)</b>	<b>149,176</b>



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

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**13. NON-CURRENT ASSETS HELD FOR SALE (continued)**

As at 30 June 2019 the Group classified certain vehicles as non-current assets held for sale, as their carrying amount is planned to be recovered through sale rather than through continuing use. These assets were recognized at the lower of their carrying amount and fair value less costs to sell and are available for immediate sale in their present condition.

Based on the offer on purchase the property of an administrative-residential building in Pavlodar, which was in non-current assets held for sale as at 31 December 2018, the Group recognized the impairment of the carrying value of this asset to fair value less costs to sell in the amount of 945,900 thousand Tenge in the reporting period. In addition, due to the presence of indications of impairment for some vehicles, which were in non-current assets held for sale as at 31 December 2018, the Group estimated the fair value of these assets in the current reporting period, and as a result, recognized the impairment in the amount of 14,845 thousand Tenge. Thus, the total amount of recognized impairment for the period amounted to 960,745 thousand Tenge (*Note 22*).

During the reporting period, the Company sold the property of the administrative-residential building in Pavlodar on terms of instalment payments over a ten year period, as well as certain vehicles. The net amount of income from the sales of the above-mentioned assets amounted to 5,997 thousand Tenge (*Note 22*).

**14. EQUITY****Asset revaluation reserve**

Revaluation reserve was formed based on a revaluation of property, plant and equipment of the Group and share in the asset revaluation reserve of the joint ventures. The change in Group's revaluation reserve for property, plant and equipment for the six months ended 30 June 2019 is mainly due to impairment of the technological oil of the Company and property, plant and equipment located in Georgia (*Note 3*), as well as amortization of this reserve. As a result, the book value of the asset revaluation reserve as at 30 June 2019 is 224,692,952 thousand Tenge (as at 31 December 2018: 243,588,977 thousand Tenge).

**Dividends**

As at 30 June 2019 the Company accrued dividends payable according to the decision of the general meeting of shareholders dated 28 May 2019 in the amount of 40,001,322 thousand Tenge based on the results of 2018 (calculated as 104 Tenge per 1 share), with the use of net income received in 2018, in the amount of 38,484,983 thousand Tenge and retained earnings of previous years in the amount of 1,516,339 thousand Tenge, from which 36,001,892 thousand Tenge will be paid to KMG (*Note 26*) and 3,999,430 thousand Tenge to minority shareholders.

During the six months period of 2018, the Company accrued dividends based on the results of 2017 in the amount of 61,540,496 thousand Tenge (calculated as 160 Tenge per 1 share), including KMG – 55,387,527 thousand Tenge and minority shareholders – 6,152,969 thousand Tenge. As at 30 June 2018 the amount of dividends paid was 42,540,496 thousand Tenge, including KMG – 36,387,527 thousand Tenge (*Note 26*), the remaining 19,000,000 thousand Tenge had been paid in the second half of 2018 by the Company.

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

### 14. EQUITY (continued)

#### Earnings per share

Basic earnings per share amounts are calculated by dividing net profit for the period attributable to ordinary equity holders of the Parent of the Group by the weighted average number of ordinary shares outstanding during the period.

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

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

<i>In thousands of Tenge</i>	For the three months ended 30 June (unaudited)		For the six months ended 30 June (unaudited)	
	2019	2018	2019	2018
<b>Net profit attributable to ordinary equity holders of the Parent of the Group</b>	<b>15,754,636</b>	11,522,164	<b>33,817,597</b>	27,638,467
Weighted average number of ordinary shares for basic earnings per share	<b>384,628,099</b>	384,628,099	<b>384,628,099</b>	384,628,099
<b>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)</b>	<b>41</b>	30	<b>88</b>	72

#### Book value per ordinary share

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

<i>In thousands of Tenge</i>	30 June 2019 (unaudited)	31 December 2018 (audited)
<b>Total assets</b>	<b>816,201,353</b>	803,440,601
Less: intangible assets	(6,170,794)	(6,891,299)
Less: total liabilities	(209,269,891)	(178,024,402)
<b>Net assets for calculation of book value per ordinary share</b>	<b>600,760,668</b>	618,524,900
Number of ordinary shares	<b>384,628,099</b>	384,628,099
<b>Book value per ordinary share (in Tenge)</b>	<b>1,562</b>	1,608

### 15. TRADE AND OTHER ACCOUNTS PAYABLE

Trade and other accounts payable as at 30 June 2019 and 31 December 2018 are as follows:

<i>In thousands of Tenge</i>	30 June 2019 (unaudited)	31 December 2018 (audited)
Trade accounts payable to third parties for goods and services	<b>5,612,158</b>	10,209,574
Trade accounts payable to related parties for goods and services (Note 26)	<b>1,446,224</b>	2,062,160
Other accounts payable to third parties	<b>883,789</b>	682,590
Other accounts payable to related parties (Note 26)	<b>82</b>	3,190
<b>Total</b>	<b>7,942,253</b>	12,957,514

As at 30 June 2019 trade and other accounts payable included payables to related and third parties for property, plant and equipment, for works and services related to the construction-in-progress in the amount of 2,044,623 thousand Tenge (as at 31 December 2018: 4,655,943 thousand Tenge).

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

### 15. TRADE AND OTHER ACCOUNTS PAYABLE (continued)

Trade and other accounts payable as at 30 June 2019 and 31 December 2018 are denominated in the following currencies:

<i>In thousands of Tenge</i>	30 June 2019 (unaudited)	31 December 2018 (audited)
Tenge	7,361,883	12,207,766
US Dollars	125,153	244,584
Russian Rubles	14,182	3,770
Euro	9,133	34,206
Other currency	431,902	467,188
<b>Total</b>	<b>7,942,253</b>	<b>12,957,514</b>

### 16. LEASE LIABILITIES

Lease liabilities as at 30 June 2019 and 31 December 2018 are as follows:

<i>In thousands of Tenge</i>	30 June 2019 (unaudited)	31 December 2018 (audited)
Non-current portion of obligations	3,163,567	-
Current portion of obligations	1,852,410	-
<b>Total</b>	<b>5,015,977</b>	<b>-</b>

Changes in the present value of obligations for the six months ended 30 June 2019 are as follows:

<i>In thousands of Tenge</i>	
<b>As at 31 December 2018 (audited)</b>	-
Changes in accounting policy (Note 2)	5,513,329
Additions for the period (Note 4)	341,652
Unwinding of discount on obligations (Note 23)	324,269
Transfer from trade and other payables	161,527
Payments for the period	(1,324,800)
<b>As at 30 June 2019 (unaudited)</b>	<b>5,015,977</b>

The information below describes the cost of expenses reflected in the consolidated statement of comprehensive income:

<i>In thousands of Tenge</i>	For the six months ended 30 June 2019 (unaudited)
Right-of-use assets amortization (Note 4)	700,593
Unwinding of discount on obligations (Note 23)	324,269
Low value assets lease expenses (Notes 20 and 21)	14,613
<b>Total</b>	<b>1,039,475</b>

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

### 17. PROVISIONS

#### Short-term provisions

The movement in provisions for the six months ended 30 June 2019 is as follows:

<i>In thousands of Tenge</i>	Tax provisions (BOT)	Provision on compensating tariff (Company)	Sponsorship (Company)	Other provisions	Total
<b>As at 31 December 2018 (audited)</b>	192,484	1,046,994	-	396,126	1,635,604
Charge for the period	-	-	1,200,000	350,791	1,550,791
Used in the reporting period	-	(1,034,314)	(1,200,000)	(297,039)	(2,531,353)
Foreign currency translation	(14,776)	-	-	(3,274)	(18,050)
<b>As at 30 June 2019 (unaudited)</b>	<b>177,708</b>	<b>12,680</b>	<b>-</b>	<b>446,604</b>	<b>636,992</b>

Pursuant to the instructions of the Head of state from 29 September 2018 and the decision of the Management Board of KMG from 11 February 2019, as well as the decision of the Board of Directors of the Company from 29 January 2019, the Company in the reporting period provided sponsorship for the construction of the facility in Turkestan in the amount of 2,200,000 thousand Tenge (*Note 21*) of which 1,200,000 thousand Tenge was paid from the reserve accrued in March 2019.

In addition, in accordance with the act of verification CRNMPCandCR and the subsequent decision of the judicial authorities the Company as at 30 June 2019 recognized other provisions on payment of administrative fines in the amount of 315,138 thousand Tenge (*Note 21*), as well as reserve for expected penalties amounted to 94 thousand US Dollars (equivalent to 35,653 thousand Tenge) for non-fulfilment of transshipment volumes in accordance with the BSP Management Right Agreement between BOT and the Georgia Government (*Note 27*).

#### Long-term provisions

##### *Asset retirement and land recultivation obligation*

The movement of provision for asset retirement and land recultivation obligation for the three and six months ended 30 June 2019 and 2018 is as follows:

<i>In thousands of Tenge</i>	For the three months ended 30 June (unaudited)		For the six months ended 30 June	
	2019	2018	2019	2018
<b>At the beginning of the period</b>	<b>21,564,668</b>	15,405,199	<b>21,109,397</b>	15,347,322
Revision of estimates through profit and loss ( <i>Note 22</i> )	<b>1,168,348</b>	245,015	<b>1,168,348</b>	72,577
Revision of estimates through other comprehensive loss	<b>533,366</b>	936,448	<b>533,366</b>	830,586
Unwinding of discount ( <i>Note 23</i> )	<b>465,089</b>	337,501	<b>920,360</b>	673,678
<b>At the end of the period (unaudited)</b>	<b>23,731,471</b>	16,924,163	<b>23,731,471</b>	16,924,163

As at 30 June 2019 the Group revised the long-term provisions considering current best estimate, which was based on the discount rate of 8.20% (as at 31 December 2018: 8.91%). As at 30 June 2019 and 31 December 2018 the inflation rate was 5.47%.

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

### 18. OTHER CURRENT LIABILITIES

Other current liabilities as at 30 June 2019 and 31 December 2018 are as follows:

<i>In thousands of Tenge</i>	30 June 2019 (unaudited)	31 December 2018 (audited)
Accounts payable for oil transportation coordination services to related parties (Note 26)	7,377,995	8,437,279
Salaries and other compensations	4,612,480	10,279,349
Accounts payable for oil transportation coordination services to third parties	4,376,981	4,319,474
Current portion of deferred income	573,702	579,231
Accounts payable to pension fund	437,392	817,336
Other accruals	282,782	400,595
<b>Total</b>	<b>17,661,332</b>	<b>24,833,264</b>

Salaries and other compensations include current salary payable and vacation payments payable. The decrease in this liabilities in the reporting period is due to the payment of remuneration on the results of 2018.

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)****19. REVENUE**

Revenue for the three and six months ended 30 June 2019 and 2018 are as follows:

<i>In thousands of Tenge</i>	For the three months ended 30 June 2019 (unaudited)				For the six months ended 30 June 2019 (unaudited)			
	Oil transportation and related services	Oil transshipment	Others	Total	Oil transportation and related services	Oil transshipment	Others	Total
Crude oil transportation	49,542,542	-	-	49,542,542	99,942,569	-	-	99,942,569
Pipeline operation services	3,948,322	-	-	3,948,322	7,892,639	-	-	7,892,639
Water transportation	1,946,466	-	-	1,946,466	3,759,004	-	-	3,759,004
Fees for undelivered oil volumes	1,210,625	-	-	1,210,625	2,386,044	-	-	2,386,044
Seaport services	-	-	1,156,127	1,156,127	-	-	2,318,600	2,318,600
Oil transshipment and railway shipment	-	1,332,626	-	1,332,626	-	2,304,945	-	2,304,945
Oil transportation coordination services	172,457	-	-	172,457	347,970	-	-	347,970
Oil storage services	13,322	-	-	13,322	36,768	-	-	36,768
Other	26,057	10,999	114,570	151,626	58,905	10,999	236,677	306,581
<b>Total for segments</b>	<b>56,859,791</b>	<b>1,343,625</b>	<b>1,270,697</b>	<b>59,474,113</b>	<b>114,423,899</b>	<b>2,315,944</b>	<b>2,555,277</b>	<b>119,295,120</b>
<b>Geographic regions</b>								
Kazakhstan	50,845,004	1,000,188	-	51,845,192	102,532,267	1,000,188	-	103,532,455
Russia	6,014,787	-	-	6,014,787	11,891,632	-	-	11,891,632
Georgia	-	335,867	1,270,697	1,606,564	-	738,857	2,555,277	3,294,134
Others	-	7,570	-	7,570	-	576,899	-	576,899
<b>Total revenue under contracts with customers</b>	<b>56,859,791</b>	<b>1,343,625</b>	<b>1,270,697</b>	<b>59,474,113</b>	<b>114,423,899</b>	<b>2,315,944</b>	<b>2,555,277</b>	<b>119,295,120</b>
<b>Timing of revenue recognition</b>								
At a point in time	52,911,469	1,343,625	1,270,697	55,525,791	106,531,260	2,315,944	2,555,277	111,402,481
Over time	3,948,322	-	-	3,948,322	7,892,639	-	-	7,892,639
<b>Total revenue under contracts with customers</b>	<b>56,859,791</b>	<b>1,343,625</b>	<b>1,270,697</b>	<b>59,474,113</b>	<b>114,423,899</b>	<b>2,315,944</b>	<b>2,555,277</b>	<b>119,295,120</b>

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)****19. REVENUE (continued)**

<i>In thousands of Tenge</i>	For the three months ended 30 June 2018 (unaudited)				For the six months ended 30 June 2018 (unaudited)			
	Oil transportation and related services	Oil transshipment	Others	Total	Oil transportation and related services	Oil transshipment	Others	Total
Crude oil transportation	48,664,897	-	-	48,664,897	93,133,439	-	-	93,133,439
Pipeline operation services	2,701,084	-	-	2,701,084	5,394,140	-	-	5,394,140
Water transportation	1,871,040	-	-	1,871,040	3,615,285	-	-	3,615,285
Seaport services	-	-	1,478,164	1,478,164	-	-	2,598,525	2,598,525
Fees for undelivered oil volumes	1,088,064	-	-	1,088,064	2,302,761	-	-	2,302,761
Oil transshipment and railway shipment	-	919,956	-	919,956	-	1,649,629	-	1,649,629
Oil transportation coordination services	185,417	-	-	185,417	359,325	-	-	359,325
Oil storage services	17,583	-	-	17,583	39,986	-	-	39,986
Other	26,419	-	216,379	242,798	57,145	-	361,796	418,941
<b>Total for segments</b>	<b>54,554,504</b>	<b>919,956</b>	<b>1,694,543</b>	<b>57,169,003</b>	<b>104,902,081</b>	<b>1,649,629</b>	<b>2,960,321</b>	<b>109,512,031</b>
<b>Geographic regions</b>								
Kazakhstan	50,027,070	42,361	-	50,069,431	96,742,808	42,361	-	96,785,169
Russia	4,527,434	-	-	4,527,434	7,859,741	-	-	7,859,741
Georgia	-	423,982	1,694,543	2,118,525	-	781,386	2,960,321	3,741,707
Others	-	453,613	-	453,613	299,532	825,882	-	1,125,414
<b>Total revenue under contracts with customers</b>	<b>54,554,504</b>	<b>919,956</b>	<b>1,694,543</b>	<b>57,169,003</b>	<b>104,902,081</b>	<b>1,649,629</b>	<b>2,960,321</b>	<b>109,512,031</b>
<b>Timing of revenue recognition</b>								
At a point in time	51,853,420	919,956	1,694,543	54,467,919	99,507,941	1,649,629	2,960,321	104,117,891
Over time	2,701,084	-	-	2,701,084	5,394,140	-	-	5,394,140
<b>Total revenue under contracts with customers</b>	<b>54,554,504</b>	<b>919,956</b>	<b>1,694,543</b>	<b>57,169,003</b>	<b>104,902,081</b>	<b>1,649,629</b>	<b>2,960,321</b>	<b>109,512,031</b>

For the six months ended 30 June 2019 the revenue from the three major customers amounted to 26,809,216 thousand Tenge, 15,987,973 thousand Tenge and 7,920,182 thousand Tenge, respectively (for the six months ended 30 June 2018: 24,753,535 thousand Tenge, 14,505,590 thousand Tenge and 6,914,102 thousand Tenge, respectively).

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

### 20. COST OF SALES

Cost of sales for the three and six months ended 30 June 2019 and 2018 are as follows:

<i>In thousands of Tenge</i>	For the three months ended 30 June (unaudited)		For the six months ended 30 June (unaudited)	
	2019	2018	2019	2018
Depreciation and amortization	13,169,864	12,665,470	26,613,579	25,191,741
Personnel costs	10,065,388	9,940,583	21,456,745	21,125,924
Taxes other than income tax	2,166,070	2,232,051	4,295,353	4,237,188
Electric energy	1,733,200	1,792,992	3,538,076	3,708,343
Repair and maintenance	1,862,950	1,545,615	3,059,416	2,749,745
Security services	1,298,397	1,249,266	2,603,402	2,456,081
Materials and fuel	1,491,425	1,563,907	2,560,022	2,322,693
Gas expenses	654,096	696,801	1,618,092	1,900,095
Food and accomodation	479,473	427,513	981,520	830,653
Railway services	446,350	72,210	768,062	139,102
Environmental protection	365,594	102,931	449,882	134,904
Business trip expenses	256,412	247,521	416,789	409,561
Insurance	169,638	78,050	323,930	150,886
Post-employment benefits	134,550	149,147	261,297	270,410
Air services	-	373,923	232,315	659,782
Communication services	94,719	69,184	203,904	128,825
Obligatory social medical insurance	95,993	93,617	195,829	183,456
Outstaffing services	95,108	83,249	175,492	170,549
Transportation services	45,298	377,029	90,726	748,964
Asset lease (Note 16)	2,855	75,298	2,855	127,001
Other	629,507	443,153	993,512	767,820
<b>Total</b>	<b>35,256,887</b>	<b>34,279,510</b>	<b>70,840,798</b>	<b>68,413,723</b>

The increase in depreciation and amortization expenses is primarily associated with a significant commissioning of objects of construction in progress at the end of 2018, also recognition of the right-of-use assets in the reporting period (Note 4).



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

### 21. GENERAL AND ADMINISTRATIVE EXPENSES

General and administrative expenses for the three and six months ended 30 June 2019 and 2018 are as follows:

<i>In thousands of Tenge</i>	For the three months ended 30 June (unaudited)		For the six months ended 30 June (unaudited)	
	2019	2018	2019	2018
Personnel costs	1,799,719	1,520,013	3,502,868	3,304,591
Charity expenses	9,508	8,571	2,217,447	16,327
Depreciation and amortization	313,088	390,060	671,737	980,684
Administrative fines (Note 17)	18,099	-	315,138	-
Office maintenance	127,652	39,830	255,710	132,755
Business trip expenses	106,816	81,845	179,242	136,994
Repair and maintenance	73,455	100,237	147,692	214,928
Taxes other than income tax	53,594	72,062	134,093	192,914
Outstaffing services	50,343	42,405	102,182	84,416
Consulting services	61,065	138,242	88,861	149,097
Communication services	37,779	25,462	77,307	50,911
Social sphere expenses	5,334	12,849	76,674	64,953
Training	50,015	25,388	69,044	39,463
Information services	32,174	27,500	62,303	53,759
Write-off of VAT recoverable	11,580	20,255	42,949	67,172
Materials and fuel	16,994	4,134	33,751	35,479
Bank costs	15,082	16,493	32,456	37,214
Insurance and security	16,082	16,445	32,388	43,843
Advertising expenses	20,896	23,498	25,016	28,422
Post-employment benefits	10,243	5,580	19,593	10,729
Obligatory social medical insurance	8,411	7,130	18,624	14,569
Asset lease (Note 16)	755	9,873	11,758	20,185
Transportation services	4,153	41,626	8,177	79,209
Charge/(reversal) of allowance for expected credit losses on trade receivables, net	38,419	358,651	(87,484)	485,027
Other	180,071	127,221	292,808	232,985
<b>Total</b>	<b>3,061,327</b>	<b>3,115,370</b>	<b>8,330,334</b>	<b>6,476,626</b>

The increase in charity expenses is associated with the sponsorship for the construction of a facility in the city of Turkestan in the amount of 2,200,000 thousand Tenge (Note 17).

### 22. OTHER OPERATING INCOME/EXPENSES

Other operating income/expenses for the three and six months ended 30 June 2019 and 2018 are as follows:

#### Other operating income

<i>In thousands of Tenge</i>	For the three months ended 30 June (unaudited)		For the six months ended 30 June (unaudited)	
	2019	2018	2019	2018
Income from fines and penalties	592,079	46,630	671,639	108,377
Amortization of deferred revenue	61,328	-	122,254	-
Income from disposal of inventories, net	2,279	80,305	14,702	109,587
Income from sale of non-current assets held for sale, net (Note 13)	4,345	-	5,997	-
Other income	65,882	130,567	77,154	166,612
<b>Total</b>	<b>725,913</b>	<b>257,502</b>	<b>891,746</b>	<b>384,576</b>

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

### 22. OTHER OPERATING INCOME/EXPENSES (continued)

#### Other operating expenses

<i>In thousands of Tenge</i>	For the three months ended 30 June (unaudited)		For the six months ended 30 June (unaudited)	
	2019	2018	2019	2018
Revision of estimates on provision for asset retirement and land recultivation obligation (Note 17)	1,168,348	245,015	1,168,348	72,577
Impairment of non-current assets held for sale (Note 13)	-	-	960,745	-
Loss on disposal of property, plant and equipment and intangible assets, net	112,126	972,401	113,379	979,386
Other expenses	98,161	106,847	105,637	268,233
<b>Total</b>	<b>1,378,635</b>	<b>1,324,263</b>	<b>2,348,109</b>	<b>1,320,196</b>

### 23. FINANCE INCOME/EXPENSES

Finance income/expenses for the three and six months ended 30 June 2019 and 2018 are as follows:

#### Finance income

<i>In thousands of Tenge</i>	For the three months ended 30 June (unaudited)		For the six months ended 30 June (unaudited)	
	2019	2018	2019	2018
Interest income on bank deposits and current accounts	664,620	956,914	1,226,552	1,707,424
Income from revision of bond's fair value	43,079	64,259	89,879	64,259
Reversal of allowance for expected credit losses on cash and cash equivalents and bank deposits, net	11,758	1,139	19,772	3,113
Unwinding of discount on loans to employees	439	772	649	1,120
Other finance income	3,890	3,443	7,761	6,825
<b>Total</b>	<b>723,786</b>	<b>1,026,527</b>	<b>1,344,613</b>	<b>1,782,741</b>

#### Finance expenses

<i>In thousands of Tenge</i>	For the three months ended 30 June (unaudited)		For the six months ended 30 June (unaudited)	
	2019	2018	2019	2018
Unwinding of discount on asset retirement and land recultivation obligation reserve (Note 17)	465,089	337,501	920,360	673,678
Interest cost on employee benefit obligations	341,892	278,012	622,361	555,551
Unwinding of discount on lease liabilities (Note 16)	159,300	-	324,269	-
<b>Total</b>	<b>966,281</b>	<b>615,513</b>	<b>1,866,990</b>	<b>1,229,229</b>

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

### 24. INCOME TAX EXPENSE

Income tax expenses for the three and six months ended 30 June 2019 and 2018 are as follows:

<i>In thousands of Tenge</i>	For the three months ended 30 June (unaudited)		For the six months ended 30 June (unaudited)	
	2019	2018	2019	2018
Current income tax expense	5,173,567	5,335,355	9,662,378	8,714,146
Adjustments of the past periods	-	-	(83,663)	97,965
Deferred income tax benefit	(281,132)	(1,454,962)	(1,017,359)	(1,415,397)
<b>Income tax expense</b>	<b>4,892,435</b>	<b>3,880,393</b>	<b>8,561,356</b>	<b>7,396,714</b>

Movement in deferred income tax liabilities for the three and six months ended 30 June 2019 and 2018 is as follows:

<i>In thousands of Tenge</i>	For the three months ended 30 June (unaudited)		For the six months ended 30 June	
	2019	2018	2019	2018
<b>At the beginning of the period</b>	<b>65,604,371</b>	68,885,430	<b>67,394,342</b>	63,123,255
Charged to profit and loss	(281,132)	(1,454,962)	(1,017,359)	(1,415,397)
Charged to other comprehensive (income)/loss	(990,928)	3,051,186	(1,938,663)	8,773,796
Changes in accounting policy (Note 2)	-	-	(106,009)	-
<b>At the end of the period (unaudited)</b>	<b>64,332,311</b>	70,481,654	<b>64,332,311</b>	70,481,654

### 25. 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.

Oil transportation and related services provided by the Company, which do not exceed quantitative limits and are intimately connected with the Group's main operating activities, or with main asset of the Group – pipelines, such as: oil storage, expedition services, services on support and maintenance of pipelines, water transportation 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 provided by PTL 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.

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.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)****25. SEGMENT INFORMATION (continued)**

Management analyses its operating segments by segment profit. The following tables present information on revenue, profit, assets and liabilities of the Group's segments for the three months ended 30 June 2019 and 2018, respectively:

<i>In thousands of Tenge</i>	For the three months ended 30 June 2019 (unaudited)				For the three months ended 30 June 2018 (unaudited)			
	Oil transportation and related services (Kazakhstan)	Oil transshipment (Georgia)	Other	Total segments	Oil transportation and related services (Kazakhstan)	Oil transshipment (Georgia)	Other	Total segments
<b>Revenue</b>								
External customers	56,859,791	1,343,625	1,270,697	59,474,113	54,554,504	919,956	1,694,543	57,169,003
<b>Total revenue</b>	<b>56,859,791</b>	<b>1,343,625</b>	<b>1,270,697</b>	<b>59,474,113</b>	<b>54,554,504</b>	<b>919,956</b>	<b>1,694,543</b>	<b>57,169,003</b>
<b>Financial results</b>								
Impairment of property, plant and equipment and intangible assets through profit and loss	(40,421)	(3,418,161)	-	(3,458,582)	(367)	(2,119,506)	(111,021)	(2,230,894)
Depreciation and amortization	(12,738,237)	(509,164)	(235,551)	(13,482,952)	(12,339,027)	(494,477)	(222,026)	(13,055,530)
Interest income	640,653	18,972	4,995	664,620	939,880	(296)	17,330	956,914
Share in income/(loss) of joint ventures	3,679,728	-	-	3,679,728	(3,057,844)	-	-	(3,057,844)
Income tax (expense)/benefit	(4,892,435)	-	-	(4,892,435)	(3,880,695)	646	(344)	(3,880,393)
<b>Segment profit/(loss) for the period</b>	<b>19,456,730</b>	<b>(3,363,273)</b>	<b>(338,821)</b>	<b>15,754,636</b>	<b>13,803,253</b>	<b>(2,656,418)</b>	<b>375,329</b>	<b>11,522,164</b>

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)****25. SEGMENT INFORMATION (continued)**

Information on revenue, profit, assets and liabilities of the Group's segments for the six months ended 30 June 2019 and 2018 respectively:

<i>In thousands of Tenge</i>	For the six months ended 30 June 2019 (unaudited)				For the six months ended 30 June 2018 (unaudited)			
	Oil transportation and related services (Kazakhstan)	Oil transshipment (Georgia)	Other	Total segments	Oil transportation and related services (Kazakhstan)	Oil transshipment (Georgia)	Other	Total segments
<b>Revenue</b>								
External customers	114,423,899	2,315,944	2,555,277	119,295,120	104,902,081	1,649,629	2,960,321	109,512,031
<b>Total revenue</b>	<b>114,423,899</b>	<b>2,315,944</b>	<b>2,555,277</b>	<b>119,295,120</b>	<b>104,902,081</b>	<b>1,649,629</b>	<b>2,960,321</b>	<b>109,512,031</b>
<b>Financial results</b>								
Impairment of property, plant and equipment and intangible assets through profit and loss	(40,421)	(3,418,161)	-	(3,458,582)	(1,124)	(2,119,506)	(111,021)	(2,231,651)
Depreciation and amortization	(25,801,155)	(1,015,738)	(468,423)	(27,285,316)	(24,697,488)	(1,035,753)	(439,184)	(26,172,425)
Interest income	1,181,037	21,240	24,275	1,226,552	1,685,220	2,612	19,592	1,707,424
Share in income of joint ventures	7,893,825	-	-	7,893,825	2,281,008	-	-	2,281,008
Income tax expense	(8,561,356)	-	-	(8,561,356)	(7,363,408)	-	(33,306)	(7,396,714)
<b>Segment profit/(loss) for the period</b>	<b>37,893,736</b>	<b>(4,047,313)</b>	<b>(28,826)</b>	<b>33,817,597</b>	<b>30,820,505</b>	<b>(3,758,360)</b>	<b>576,322</b>	<b>27,638,467</b>
	As at 30 June 2019 (unaudited)				As at 31 December 2018 (audited)			
<i>In thousands of Tenge</i>	Oil transportation and related services (Kazakhstan)	Oil transshipment (Georgia)	Other	Total segments	Oil transportation and related services (Kazakhstan)	Oil transshipment (Georgia)	Other	Total segments
Total assets	755,875,173	45,088,619	15,237,561	816,201,353	735,182,860	51,206,176	17,051,565	803,440,601
Total liabilities	191,661,244	6,864,382	10,744,265	209,269,891	159,972,764	6,973,998	11,077,640	178,024,402

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)****26. 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 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 the three and six months ended 30 June 2019 and 2018 and also the related balances as at 30 June 2019 and 31 December 2018.

Non-current advances given to related parties for property, plant and equipment are as follows:

<i>In thousands of Tenge</i>	30 June 2019 (unaudited)	31 December 2018 (audited)
<b>Non-current advances given to related parties for property, plant and equipment</b>		
Non-current advances to entities under common control of KMG	-	16,118
<b>Total non-current advances given to related parties for property, plant and equipment</b>	<b>-</b>	<b>16,118</b>

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

<i>In thousands of Tenge</i>	Notes	30 June 2019 (unaudited)	31 December 2018 (audited)
<b>Trade and other accounts receivable from related parties</b>			
Trade accounts receivable from entities under common control of KMG		1,098,140	607,582
Trade accounts receivable from entities under common control of Samruk-Kazyna Group		816,873	817,719
Trade accounts receivable from joint ventures		799,916	994,993
<b>Total trade accounts receivable from related parties</b>	<b>7</b>	<b>2,714,929</b>	<b>2,420,294</b>
Other accounts receivable from entities under common control of KMG and Samruk-Kazyna Group		509	19,761
<b>Total other accounts receivable from related parties</b>	<b>7</b>	<b>509</b>	<b>19,761</b>
Less: allowance for expected credit losses		(3,587)	(7,295)
<b>Total trade and other accounts receivable from related parties</b>		<b>2,711,851</b>	<b>2,432,760</b>

Advances provided to related parties are as follows:

<i>In thousands of Tenge</i>	Notes	30 June 2019 (unaudited)	31 December 2018 (audited)
<b>Advances paid to related parties</b>			
Advances paid to entities under common control of KMG		293,743	210,957
Advances paid to entities under common control of Samruk Kazyna Group		50,545	14,842
<b>Total advances paid to related parties</b>	<b>8</b>	<b>344,288</b>	<b>225,799</b>

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)****26. RELATED PARTY TRANSACTIONS (continued)**

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

<i>In thousands of Tenge</i>	<b>Notes</b>	<b>30 June 2019 (unaudited)</b>	<b>31 December 2018 (audited)</b>
<b>Trade accounts payable to related parties for goods and services</b>			
Trade accounts payable to entities under common control of Samruk-Kazyna Group		876,317	1,334,743
Trade accounts payable to entities under common control of KMG		559,450	720,259
Trade accounts payable to joint ventures		10,457	7,158
<b>Total trade accounts payable to related parties for goods and services</b>	<b>15</b>	<b>1,446,224</b>	<b>2,062,160</b>
<b>Other payables to entities under common control</b>			
of Samruk-Kazyna Group		82	2,493
Other payables to entities under common control of KMG		-	697
<b>Total other accounts payable to related parties</b>	<b>15</b>	<b>82</b>	<b>3,190</b>
<b>Total trade and other accounts payable to related parties</b>		<b>1,446,306</b>	<b>2,065,350</b>

Advances received from related parties are as follows:

<i>In thousands of Tenge</i>		<b>30 June 2019 (unaudited)</b>	<b>31 December 2018 (audited)</b>
<b>Advances received from related parties</b>			
Advances received from entities under common control of KMG		12,411,666	12,869,915
Advances received from entities under common control of Samruk-Kazyna Group		294,078	328,173
<b>Total advances received from related parties</b>		<b>12,705,744</b>	<b>13,198,088</b>

Dividends payable to the related parties are as follows:

<i>In thousands of Tenge</i>	<b>Notes</b>	<b>30 June 2019 (unaudited)</b>	<b>31 December 2018 (audited)</b>
<b>Dividends payable to related parties</b>			
Dividends payable to the KMG		36,001,892	-
<b>Total dividend payable to related parties</b>	<b>14</b>	<b>36,001,892</b>	<b>-</b>

Other current liabilities to related parties are as follows:

<i>In thousands of Tenge</i>	<b>Notes</b>	<b>30 June 2019 (unaudited)</b>	<b>31 December 2018 (audited)</b>
<b>Accounts payable for oil transportation coordination services to related parties</b>			
Accounts payable for oil transportation coordination services to entities under common control of KMG		7,377,995	8,437,279
<b>Total accounts payable for oil transportation coordination services to related parties</b>	<b>18</b>	<b>7,377,995</b>	<b>8,437,279</b>
<b>Employee benefits obligation of key management personnel</b>			
Employee benefits obligation of key management personnel		54,805	55,559
<b>Total employee benefits obligation of key management personnel</b>		<b>54,805</b>	<b>55,559</b>
<b>Total other current liabilities to related parties</b>		<b>7,432,800</b>	<b>8,492,838</b>

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)****26. RELATED PARTY TRANSACTIONS (continued)**

The following tables provide the total amount of transactions, which have been entered into with related parties during the three and six months ended 30 June 2019 and 2018:

<i>In thousands of Tenge</i>	For the three months ended 30 June (unaudited)		For the six months ended 30 June (unaudited)	
	2019	2018	2019	2018
<b>Sales to related parties</b>				
Revenue from main activities with entities under common control of KMG	31,485,844	30,577,713	63,500,270	59,154,904
Revenue from main activities with joint ventures	2,336,531	2,316,376	4,675,078	4,641,277
Revenue from main activities with entities under common control of Samruk-Kazyna Group	2,004,518	955,742	3,986,528	1,837,090
Revenue from other activities with entities under common control of KMG	518,138	5,268	521,319	15,993
Revenue from other activities with entities under common control of Samruk-Kazyna Group	467	-	5,201	-
<b>Total</b>	<b>36,345,498</b>	<b>33,855,099</b>	<b>72,688,396</b>	<b>65,649,264</b>

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

<i>In thousands of Tenge</i>	For the three months ended 30 June (unaudited)		For the six months ended 30 June (unaudited)	
	2019	2018	2019	2018
<b>Purchases from related parties</b>				
Purchases of property, plant and equipment and intangible assets from entities under common control of Samruk-Kazyna Group	7,236,956	305,863	10,797,231	587,470
Purchases of services from entities under common control of KMG	2,550,802	1,388,564	4,133,618	3,043,034
Purchases of services from entities under common control of Samruk-Kazyna Group	656,700	694,875	1,084,812	1,395,034
Purchases of inventory from entities under common control of KMG	80	345,743	572,619	1,069,111
Purchases of property, plant and equipment and intangible assets from entities under common control of KMG	84,304	-	166,370	-
Purchases of services from joint ventures	20,616	6,182	41,232	12,932
Purchases of inventory entities under common control of Samruk-Kazyna Group	45	-	90	-
<b>Total</b>	<b>10,549,503</b>	<b>2,741,227</b>	<b>16,795,972</b>	<b>6,107,581</b>

In the reporting period, the Company acquired property, plant and equipment from a related party under common control of Samruk-Kazyna Group in the amount of 10,797,231 thousand Tenge, as part of the projects under overhaul with replacement of the pipeline of the main oil pipeline Prorva-Kulsary and reconstruction of the "Astrakhan – Mangyshlak" water pipeline.

Cash flows to related parties related to the payment of dividends are as follows:

<i>In thousands of Tenge</i>	For the six months ended 30 June (unaudited)	
	2019	2018
<b>Cash flows to related parties</b>		
Dividends paid to the KMG (Note 14)	-	36,387,527
<b>Total</b>	<b>-</b>	<b>36,387,527</b>

Total accrued compensation to key management personnel for the six months ended 30 June 2019 amounts to 167,319 thousand Tenge (for the six months ended 30 June 2018: 166,208 thousand Tenge). Payments to key personnel consist primarily of payroll costs and remuneration established by contracts and Company's internal provisions.



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

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**27. 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 2018. During the six months ended 30 June 2019 there were no significant changes, except for the following:

**Contractual commitments to acquire property, plant and equipment**

As at 30 June 2019 the Group had contractual obligations to acquire property, plant and equipment, and construction services for the amount of 34,261,031 thousand Tenge (31 December 2018: 38,927,686 thousand Tenge).

Share of the Group as at 30 June 2019 in contractual obligations of joint ventures to acquire property, plant and equipment, and construction services amounted to 9,761,219 thousand Tenge (31 December 2018: 3,707,759 thousand Tenge).

**Investment program commitments**

In accordance with the Law of the Republic of Kazakhstan *On Natural Monopolies*, the Company, as a subject of natural monopolies, within the approved maximum tariffs for 2015-2019, has an obligation to execute an investment program aimed at capital construction/reconstruction/overhaul/diagnostics of production facilities for 2015-2019.

In accordance with the above-mentioned law CRNMPCandCR is obliged to apply a compensating tariff for non-fulfillment of the approved investment program from the moment when decision on its application is made.

As at 30 June 2019 Company's commitments for the execution of the investment program is 45.5 billion Tenge (31 December 2018: 51.8 billion Tenge).

In relation to production needs, in order to maintain the current level of production, in the second half of 2018, the Company sent to the Ministry of Energy of the Republic of Kazakhstan and CRNMPCandCR proposals for adjusting the above investment program for 2018-2019. In response to the Company's appeal, CRNMPCandCR refused to adjust the investment program in connection with the existing remarks, which accordingly entails the risk of applying a temporary compensating tariff for non-performance of certain measures of the investment program related to the services for pumping oil to the domestic market and returning unreasonably received income related to the water transportation service to consumers.

A temporary compensating tariff can be applied to the Company's services for pumping oil to the domestic market for twelve months, starting from 1 July 2020. In relation to the water transportation service, the Company assesses the risk of returning unreasonably received income as remote, since starting from 2 July 2018, this activity has been transferred to the subsidiary "Main Waterline" LLP.

In turn, the Company disagreeing with remarks of CRNMPCandCR will appeal its refusal to adjust the above-mentioned investment program in court.

**Legal proceedings of BOT against the Georgian Railway**

In 2005, "Georgian Railway" JSC (hereinafter – GR) filed a claim to the Tbilisi City Court against BOT for the recovery of the 14 million Lari (equivalent to 1,985 million Tenge) for using tank wagons and storing cargo related to idle tank wagons in dead ends of BOT, for the period from 1 January 2003 to 10 July 2003. The statement of claim and the appeal of the GR were not satisfied by the courts of first and appeal instances. However, in 2014, the Supreme Court of Georgia satisfied the cassation appeal of the GR and the case was returned to the lower courts for reconsideration. On 16 April 2019 the Tbilisi City Court partially satisfied the claim of the GR in the amount of 8.4 million lari (equivalent to 1,129 million Tenge). The court decision has not entered into force, the Group did not recognize the provision. BOT does not agree with the decision of the court and on 28 May 2019 filed an appeal, the case is expected to be in the appeals instance.

**Termination of the BSP management agreement**

In accordance with BSP Management Right agreement between BOT and the Georgia Government, the last one has the right for termination of this agreement, in case the BSP in the course of 2 years does not meet its obligations on minimum volume of transshipment, which is 4 million tons per year. In addition, if the transshipment volume is less than 6 million tons per year, BOT shall pay the following penalties for:

- Non-fulfillment of up to 1 million tons in the amount of 0.1 US Dollars (ten US cents) per ton;
- Non-fulfillment of 1 to 2 million tons in the amount of 0.2 US Dollars (twenty US cents) per ton;
- Non-fulfillment of over 2 million tons in the amount of 1 US Dollars per ton.

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

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**27. CONTINGENT LIABILITIES AND COMMITMENTS (continued)****Termination of the BSP management agreement (continued)**

In the opinion of the management of the Group, as at 30 June 2019, BSP was not subject to the risk of termination of this agreement by the Georgia Government, since the actual transshipment through the BSP for the six months of 2019 amounted to 2.5 million tons (as at 31 December 2018: 5.6 million tons). In accordance with the above-mentioned agreement, based on actual volumes for the six months of 2019, the Group accrued a reserve of 94 thousand US Dollars (equivalent to 35,653 thousand Tenge) (*Note 17*).

**Oil contamination in Druzhba pipeline**

In connection with cases of oil contamination detected in April of this year in the Druzhba pipeline owned by "Transneft" PJSC, the Group determined that it would not incur any costs associated with cases of contamination of Kazakh oil in this pipeline, because under the agreement on provision of transportation services for Kazakh oil in transit through the territory of the Russian Federation for 2019 between the Company and "Transneft" PJSC, the last one should compensate to the Kazakh oil companies with documented expenses.

**28. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES**

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

**Fair value of financial instruments**

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

**29. SUBSEQUENT EVENTS****Dividends payable**

Based on the decision of General meeting of shareholders of the Company, on 3 July 2019 the Company paid dividends in the amount of 40,001,322 thousand Tenge (*Note 14*).