KazTransOil

ANNUAL REPORT 2012

«KAZTRANSOIL» JSC

Development of export and transit potential of Kazakhstan is one of key directions of state policy. The work on creation of new and expansion of existing export pipeline networks of transportation is important.

European markets are attractive directions for Kazakh oil export due to stable level of consumption in mid-term.

China is one of key target markets for delivery of Kazakh energy resources.

Along with development of export potential provision of the internal market of the country with oil products is one of the most important state goals.

RIGHT DECISION – WAY TO SUCCESS!

The 15th anniversary of «KazTransOil» JSC was marked by the participation in the important and large-scale state project - «People's IPO» program.

The results of «KazTransOil» JSC shares offering on the Kazakhstan Stock Exchange within the frames of «People's IPO" surpassed all expectations.

President Nursultan Nazarbayev said in his address to people of Kazakhstan «Strategy -2050» – «It is primarily distribution of national wealth to the people. «KazTransOil» company announced of placement of shares for 28 billion tenge, and the amount of applications has already exceeded the offer by almost twice».

The implementation of the «People's IPO» enabled to build a solid foundation to start the process of formation in Kazakhstan of a new class of retail investors, to provide an opportunity for citizens of Kazakhstan to become co-owners of national companies, to create an additional incentive to further development of the securities market in Kazakhstan.

It should be noted that special attention has been given to selection of companies to participate in the program.

«KazTransOil» Joint-stock company - the largest oil pipeline company in Kazakhstan, which transports 59% of total oil, produced in the country for export and for domestic market. It demonstrated the best fit to the established criteria and was chosen as the first company for shares offering on the Kazakhstan Stock Exchange.

The successful placement of shares of «KazTransOil» JSC on the Kazakhstan Stock Exchange has gained the trust of our citizens to invest in the domestic economy. Thousands of Kazakhstani citizens had a unique opportunity to become co-owners of large state-owned enterprise with high investment attractiveness.

38 463 559
shares
offered on KASE

33 989
individuals

10
pension funds

Acquired shares of the Company

Share price increased for

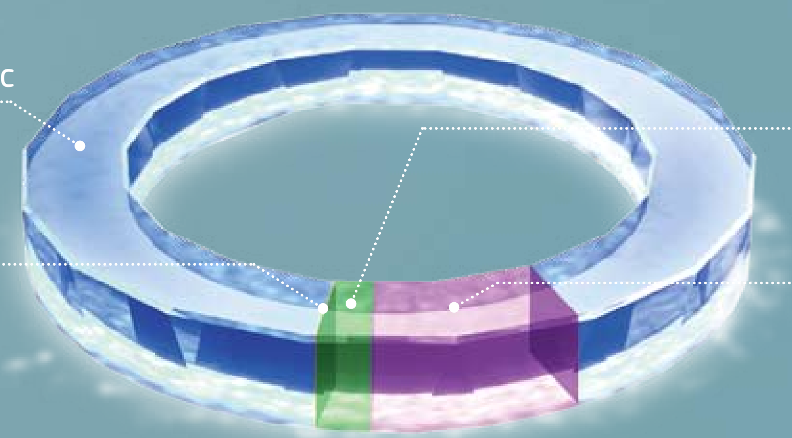
15%*

* closing price 30.04.2013

Dividends to the shareholders – not less than

40%
of net profit

Summarized distribution of all offered shares, %



ANNUAL REPORT 2012

«KAZTRANSOIL» JSC

CONTENT

ADDRESS OF CHAIR OF THE BOARD OF DIRECTORS

I am pleased to greet you in annual report of «KazTransOil» joint stock company.

The document is a public report on activity of the largest oil pipeline company of our country.

«KazTransOil» JSC – national operator of Kazakhstan on main oil pipeline, which during the last years doubled the pace of industrial activity, has implemented large-scale projects, an important milestone in the practical implementation of the strategy of multi-vector system of oil transportation. The Company transports raw materials to all the refineries of the country, is a national operator of the main pipeline for more than 70 major oil companies and transports 59% of the total oil produced in Kazakhstan. Due to growth of the financial and economic indicators the Company is one of the largest taxpayers. In the last four years «KazTransOil» JSC paid taxes amounting to almost 68 billion tenge.

Status of the main oil pipeline company of Kazakhstan and its important role for the economy in general and the national oil and gas industry in particular has become key factor in determining «KazTransOil» JSC as the first one in a group of large companies of «Samruk-Kazyna» JSC, placed on the stock market as a participant of the «People's IPO» Program. As a result, the successful launch of the Program was noted in address to the people of Kazkahstan «Strategy - 2050» by President Nursultan Nazarbayev.

The «People's IPO» turned out to be really “people's”, securities were purchased mainly by regular citizens. In addition to the high honor of being the first in such large-scale project it is also a particular responsibility for the success of the program, for the confidence of our citizens - the shareholders. And «KazTransOil» JSC successfully achieved its task.

I would like to express my gratitude and cordially thank all employees for their dedicated work. Achieved results speak for themselves and give us every reason to look in the future with confidence.

Sincerely,

Nurtas N.Shmanov

Chair of the Board of Directors of “KazTransOil” JSC

ADDRESS OF THE GENERAL DIRECTOR (CHAIR OF THE MANAGEMENT BOARD)

Dear Shareholders of «KazTransOil» JSC!

Last year the company celebrated its 15th anniversary. This anniversary year has been full of significant events that are notional not only to the company but also to whole Kazakhstan. In the first place - is the successful participation of «KazTransOil» JSC in the «People's IPO« Program.

Our company was given a high confidence to be a pioneer in this project, and we have honorably justified it. As part of the «People's IPO» program «KazTransOil» JSC placed on the Kazakhstan Stock Exchange 38,463,559 ordinary shares, and demand for the shares twice exceeded the amount of offering. As a result of placing 33,989 citizens and 10 pension funds with 8 million savers - Kazakh citizens became shareholders of the company.

Another indication of the national status and appreciation of the successful completion of the IPO was awarding of «KazTransOil» JSC by the President of the Republic of Kazakhstan with a Grand Prix at the national contest on the social responsibility of business «Paryz 2012». I am especially proud to point out that today «KazTransOil» JSC is the largest oil transportation enterprise in the Republic of Kazakhstan. Implementation of production program and the measures taken to control costs yielded in 2012 consolidated operating income of 143 billion 061 million tenge, which is 4.8% above the plan and 1.8% higher than in 2011. The consolidated net profit of «KazTransOil» JSC amounted to 33 billion 501 million tenge, which is 30% above plan, and 29.1% higher than in 2011.

One of the most important events of the past year was the acquisition by «KazTransOil» JSC of status of a national operator of Kazakhstan's main oil pipeline. Thanks to the new position the company continues to follow the chosen policy with confidence. Among the priorities - development of main oil pipeline network in Kazakhstan, ensuring their efficient, reliable and safe operation, and ensuring of the interests of our country and the other participants in transportation of products by pipeline to the domestic and foreign markets.

For the upcoming period «KazTransOil» JSC faces new goals and objectives.We seek to increase the market value of the company by ensuring, firstly, increase in transportation and cargo turnover of oil, water supply.

Efficient investment policy and mature financial strategy will allow the company to ensure financial stability in the long run. Key focus areas of «KazTransOil» JSC remain the same: it is unconditional compliance with environmental legislation and requirements for health and safety, maintaining and promoting the health of its employees, human resource development of the company.

Shareholders of the company can be sure that we will strictly fulfill the obligations stipulated in Dividend policy, protect the rights and interests of all shareholders. Summing up the results of 2012, it should be noted that the success of these important projects and tasks was achieved through professionalism and a strong corporate spirit of many thousand team of the company. Ability to work in a team for the good of the common cause has always been the hallmark of «KazTransOil» JSC.

Sincerely,

Kairgeldy M.Kabyldin

General Director
(Chair of the Management Board)
of “KazTransOil” JSC

KazTransOil

ANNUAL REPORT
2012

01

ABOUT THE COMPANY

HISTORY OF FOUNDATION

For the purposes of securing interests of the Republic of Kazakhstan in the field of oil transportation, export and import of oil and oil-products, by the resolution of the Government of the Republic of Kazakhstan No.461 dated 2 April 1997, closed joint-stock company "National Oil Transportation Company "KazTransOil" (CJSC "NOTC "KazTransOil") with 100 % state participation in its charter capital was created.

In 2001, the state bloc of shares of CJSC "NOTC "KazTransOil" (renamed to CJSC "KazTransOil") was transferred to charter capital of closed joint-stock company "National Company "Transport of Oil and Gas", which was created in accordance with resolution of the Government of the Republic of Kazakhstan No.591, dated 2 May 2001.

By the decree of the President of the Republic of Kazakhstan No.811, dated 20 February 2002 on the basis of reorganized (by means of merger) closed joint stock companies "National Oil and Gas Company "Kazakhoil" and "National Company "Transport of Oil and Gas", the Closed Joint-Stock Company "National Company "KazMunaiGas" was created and became the Sole Shareholder of CJSC "KazTransOil". On 31 May 2004 CSJC "KazTransOil" was renamed to "KazTransOil" JSC.

On 25 December 2012 secondary trading by "KazTransOil" JSC shares, placed within "People's IPO" program, were commenced on Kazakhstan Stock Exchange.

MISSION, VISION, STRATEGIC GOAL

Strategic goal - increase of market value (capitalization) of "KazTransOil" JSC and observance of strategic interests of the country in oil transportation via main oil pipeline

Mission

Provision of maximum benefits to Republic of Kazakhstan through performance of qualitative, timely, effective, and cost-competitive services on oil transportation via network of main oil pipelines with provision of equal conditions of customer access to regulated services of "KazTransOil" JSC.

Vision

"KazTransOil" JSC – public, competitive, and dynamic company, providing a wide range of services on oil transportation via modern, diversified pipeline network, which complies with the best practice in the field of safe operating activity and environment protection.

"KazTransOil" JSC, being a national operator of main oil pipeline, will tend to retain leading positions in the industry through participation in the largest oil transporting projects of Republic of Kazakhstan and outside. Unconditional priorities of «KazTransOil» are: safety and health of employees of «KazTransOil» JSC and environmental protection.

Strategic goal

Strategic goal - increase of market value (capitalization) of "KazTransOil" JSC and observance of strategic interests of the country in oil transportation via main oil pipeline through implementation of the following objectives:

- increase of oil transportation and cargo turnover, water supply and provision of competitive, reliable and safe services;
- stable performance growth and cost optimization of "KazTransOil" JSC and its subsidiary and jointly controlled organizations;
- effective investment policy and participation in large transportation projects;
- mature financial strategy aimed at maintenance of solvent cash flows;
- maintenance of high standards of corporate governance, risk management, human resources, health and safety, industrial and fire safety and environmental protection.

CORE ACTIVITIES OF “KAZTRANSOIL” JSC

- services on crude oil and oil products transportation (pumping, throughput, discharge, loading, storage, blending) through main pipelines;
- development and introduction of new technologies;
- conducting marketing research on market outlets for hydrocarbon material and its derivative products;
- carrying out professional development and retraining, and increasing qualification (capacity building) of staff of “KazTransOil” JSC;
- carrying out project drafting, funding, construction, ownership and exploitation of pipeline network on the territory of the Republic of Kazakhstan and beyond its borders, including objects of storage, loading and throughput to other types of transport, through which transportation of liquid hydrocarbon material is carried out;
- carrying out activities on operation and technical maintenance of main pipelines belonging to other legal entities;
- organization of transportation and transit of Kazakhstan crude oil through pipeline networks of other countries (operator’s activity on unified routing);
- provision of services on transportation of natural gas via distribution pipelines for consumers of the Republic of Kazakhstan;
- provision of services on power transfer and distribution;
- provision of services on heating energy production, transfer and distribution;
- provision of services on water supply via main pipeline;
- providing services on water supply via distributing network;
- providing services on sewage disposal;
- carrying out scientific-technical and production-economic activity;
- foreign economic activity;
- other activity, technologically or inextricably connected with services provided, as well as activity, accomplished in line with Law of the Republic of Kazakhstan “On Main Pipeline”.

10 KEY DEVELOPMENT STAGES

During the period since establishment, the Company's main efforts were aimed at development and integration of the network of main pipelines of Kazakhstan, increasing reliability of existing and construction of new facilities for oil transportation and throughput, increasing competitiveness of services and creation of the necessary contractual framework to ensure oil transportation across transit states. More than 1000 km of main pipelines of «KazTransOil» JSC were replaced, tank farm was upgraded for 60%.

4 railway piers for oil discharge/filling in were constructed/upgraded and the capacities of oil terminals of port of Aktau were increased. Alibekmola - Kenkiyak and North Buzachi - Karazhanbas pipelines were commissioned. Throughput capacity of the Atyrau-Samara section of Uzen - Atyrau - Samara oil pipeline was increased. Operating and new pumping stations were reconstructed and built. Ownership title of the Kazakh section of Tujmazy-Omsk-Novosibirsk-2 main oil pipeline was registered. SCADA system of automated control was introduced in the Company.

In 2001 Tengiz - Novorossiysk CPC main oil pipeline was commissioned. The company, to provide access to CPC pipeline shippers, launched on its «Atyrau» pumping station the facilities to transship to the CPC hydrocarbon delivered via Uzen - Atyrau, Kenkiyak - Atyrau, Martyshi - Atyrau and by rail road.

In 2003 as a part of Kazakhstan – China export network Kenkiyak – Atyrau oil pipeline (MunaiTas) was launched, in 2006 – Atasu-Alashankou (KCP), in 2009 – Kenkiyak-Kuimkol oil pipeline (KCP).

In 2008, the Company completed the acquisition of 100% stake in BIHL.

In 2011, commissioned a pipeline to bitumen plant based on Aktau Plastics Plant with expansion of 11.3 km and a diameter of 720 mm.

Strong partnership relations with oil transport companies of Russia, Ukraine, Belarus and Azerbaijan performing transit of Kazakh oil were established.

A stable customer base and secure contractual relations with oil companies (shippers) was established.

The legal framework and state regulation of oil transportation has been developing and improving.

Company was assigned with a credit rating of major international rating agencies: FitchRatings BBB-(Stable), Moody's Baa3 (stable), Standard & Poor's BBB - (Stable).

Terminology

Unless otherwise apparent from the context, all references to the «Company» or «KazTransOil» JSC in this document are referred to «KazTransOil» JSC, and all references to the «Group» are referred to the Company and its consolidated subsidiaries and jointly-controlled entities.
Below are the abbreviations, used herein:
KMG – "KazMunayGas" NC JSC;
KCP – "Kazakhstan-China Pipeline" LLP
MunaiTas – "NWPC "MunaiTas" JSC;
BIHL – "Batumi Industrial Holding Limited" company;
KTO-Service – "KazTransOil – Service" JSC
SJCO - subsidiary and jointly-controlled organizations
CPC – Caspian Pipeline Company;
ARNM – Agency of the Republic of Kazakhstan for Regulation of Natural monopolies.

KEY EVENTS OF 2012

june 2012

The Law of the Republic of Kazakhstan «On the main pipeline» regulating social relations that arise during design, construction, operation, conservation and liquidation of pipeline, and aimed to provide effective, reliable and safe operation of the pipeline was adopted;

The Company completed the process of splitting and increasing the number of authorized ordinary shares, the total amount of which as of 30 June 2012 amounted to 384 635 600 shares.

august 2012

KMG as a Sole shareholder of the Company decided to pay dividends on the ordinary shares of the Company for 2011, and adopted, the size of dividend for the year 2011 in calculation per one ordinary share of the Company - 173.33 tenge. Payment of the comprehensive amount of dividends has been made in favor of the KMG in the amount of 60 002 000 thousand tenge.

september 2012

21 September 2012 the Company completed the sale of 100% of the "KTO – Service" JSC to «KMG-Service» LLP

october 2012

In line with resolution of the Government of the Republic of Kazakhstan dated 8 October 2012 № 1273 «KazTransOil» JSC is defined as the national operator for the main pipeline. The activity of the national operator aims to develop a system of main pipelines in Kazakhstan and ensure their effective, reliable and safe operation;

In line with resolution of the Government of the Republic of Kazakhstan dated 31 October 2012 № 1376 the decision of the Board of Directors of «Samruk-Kazyna» JSC on the price, quantity and structure placement of authorized ordinary shares of «KazTransOil» JSC on the Kazakhstan Stock Exchange under the program «People's IPO» was confirmed. According to this decision the offering volume made up 38 463 559 ordinary shares at a price of 725 tenge per share.

november 2012

On 30 November 2012 a new water pumping station WPS 667 km was commissioned, its construction was carried out in the framework of implementation of the government order to increase the supply of Volga water for 15% through water pipeline Astrakhan-Mangyshlak towards Zhanaozen.

december 2012

From 1 December 2012 ARNM introduced new tariffs for regulated services for oil pumping through the pipelines of «KazTransOil» JSC in size: for export 4 732.6 tenge/1000 t * km exclusive of VAT, internal - 1 954.5 tenge/1000 t * km exclusive of VAT.

On 25 December 2012 the official opening ceremony of secondary market trading session with ordinary shares of «KazTransOil» JSC on the Kazakhstan Stock Exchange was held. During the subscription 33,989 citizens of the Republic of Kazakhstan and 10 pension funds acquired ordinary shares of «KazTransOil» JSC. The volume of applications is 2 times higher than the volume of offering.

On 25 December 2012 in Astana, President of Kazakhstan Nursultan Nazarbayev awarded «KazTransOil» with Grand Prix for the social responsibility of business «Paryz 2012».

INFORMATION ABOUT SECURITIES

The total number of shares of «KazTransOil» JSC is 384 635 600 (three hundred eighty-four million six hundred thirty-five thousand six hundred) ordinary shares.

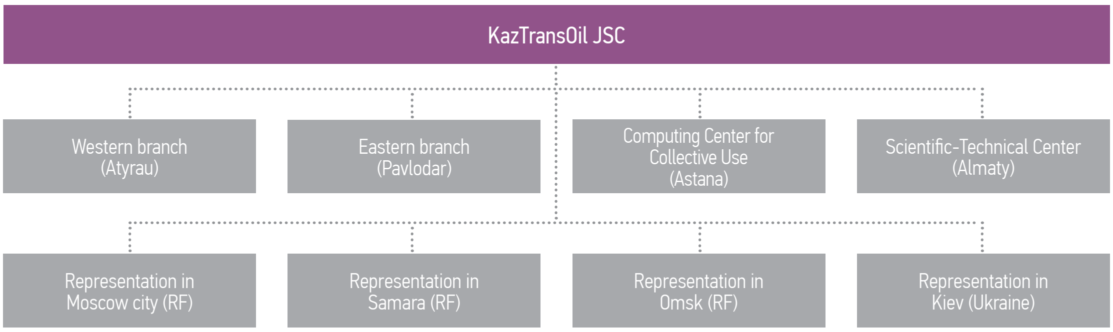
As of 31 December 2012 384,635,599 (three hundred eighty-four million six hundred thirty-five thousand five hundred ninety-nine) ordinary shares have been placed and paid, of which:

- 346,172,040 (three hundred forty-six million one hundred seventy-two thousand and forty) ordinary shares, or 90% of the total issued and outstanding shares are owned by «KazMunaiGas» NC JSC;
- 38,463,559 (thirty-eight million four hundred sixty-three thousand five hundred fifty-nine) ordinary shares, or 10% minus one share were offered by subscription on the Kazakhstan Stock Exchange
- One (1) common share was not placed for offering.

STRUCTURE OF "KAZTRANSOIL" JSC,

SUBSIDIARY, JOINTLY CONTROLLED, AND OTHER ORGANIZATIONS OF THE COMPANY

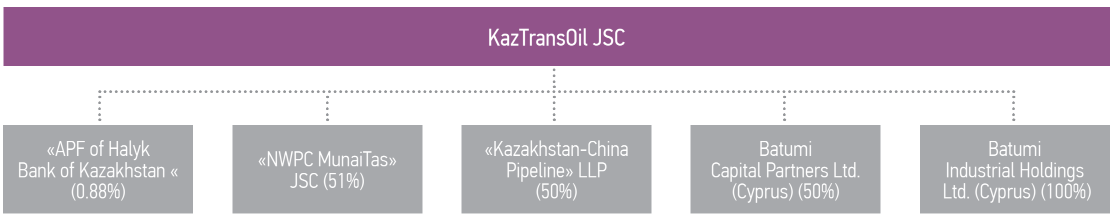
Structure of "KazTransOil" JSC[1]



The Company has four branches: The Western Branch (the city of Atyrau); The Eastern Branch (the city of Pavlodar); "Computing Center for Collective Use (the city of Astana); "Scientific-Technical Center (the city of Almaty).

The Company has three representations in the Russian Federation in the cities of Moscow, Samara, Omsk and one representation in Ukraine in the city of Kiev.

Subsidiary, jointly controlled, and other organizations of "KazTransOil" JSC as of 31 December 2012



[1] Company's structure as of December 31, 2012.

OPERATING ASSETS STRUCTURE

As of 31 December 2012 the following operating facilities were on the balance sheet of the Company

Main pipelines	
extension:	7 651,097 km
including	
Main oil pipelines:	
extension	5 502,997 km
Main water pipelines:	
extension	2 148,1 km
Tank farms:	1 434,2 thou.cub.m
including:	
For oil	1 279 thou.cub.m
For water	155,2 thou.cub.m
Oil pumping stations	37
Oil heating stations/points	7
Preheaters	64
Loading/unloading racks	4
Main disposal facilities	1
Water pump stations	4
Water treatment installations	1

As of 31 December 2012 the following operating facilities were on the balance sheet of KCP:

Main pipelines	
Extension of main oil pipelines	1 759,25 km
Oil pumping stations	2

As of 31 December 2012 the following operating facilities were on the balance sheet of MunaiTas:

Main pipelines	
Extension of main oil pipelines	448,85 km
Tank farms	40 thou.cub.m

As of 31 December 2012 the following storage tank capacities were on the balance sheet of Batumi Oil Terminal, included in BIHL group of companies:

Storage tank capacity:	563,4 thou.cub.m
including:	
Light oil products	134,9 thou.cub.m
Heavy oil products	54 thou.cub.m
Crude oil	369,5 thou.cub.m
On liquefied gas	5 thou.cub.m

TARIFF POLICY

in 2012 new tariffs on Company's regulated services were confirmed in the established procedure

In accordance with the Law of the Republic of Kazakhstan "On Natural Monopolies and Regulated Markets", the Company is included into the Republican Section of State Register of subjects of natural monopolies, confirmed by the order of the Chair of the Agency of the Republic of Kazakhstan for Regulation of Natural Monopolies (hereinafter – ARNM) No.16-OD dated 24 January 2005, in the following spheres of natural monopolies:

- service on transportation of oil and (or) oil products through main pipelines;
- services on transfer and (or) distribution of electricity;
- services on production, transfer, distribution and (or) provision of heating energy;
- services on water and (or) sewage systems.

Altogether the Company provides 53 regulated services. In accordance with the Law of the Republic of Kazakhstan "On Natural Monopolies and Regulated Markets" the tariffs on regulated services of the subject of natural monopoly shall be not lower than the cost of expenditures, necessary for provision of the regulated services and take into consideration the possibility of receiving revenue, which would ensure efficient functioning of the subject. The tariffs on the regulated services are confirmed by the authorized body – ARNM.

The existing Methodology of calculation of tariffs on the services of oil transportation through main pipelines is confirmed by the order of the ARNM No.202-OD, dated 27 July 2007. In accordance with the given Methodology, the tariffs on pumping of oil through sections are calculated on the basis of tariff per unit, i.e. tariff on pumping of 1 ton of oil per 1000km. Apart from that by the order of the ARNM No.304-OD, dated 5 July 2004 the Instruction on calculation of the rate of income on regulated base of employed assets of subjects of natural monopolies, providing services on transportation of oil through main pipeline system was confirmed.

In 2012 new tariffs on the following Company's regulated services were confirmed in the established procedure:

1. tariff on oil throughput on Kazakhstan section of "Tuimazy-Omsk-Novossibirsk-2" main pipeline in simplified procedure at the level of 1987.7 tenge per 1 ton for 1000 km with enactment starting from 15 June 2012;

2. tariff on oil throughput via main pipeline network of "KazTransOil" JSC with enactment from 1 December 2012:
   - for export 4 732.6 tenge per 1 ton for 1000 km exclusive of VAT;
   - internal 1 954.5 tenge . per 1 ton for 1000 km exclusive of VAT.

3. Tariffs with enactment starting from 1 January 2013 on services of:
   - Water supply via distribution network on "Priirtyshsk" OPS at the level of 35.28 tenge/m3 exclusive of VAT;
   - Disposal of sewage on "Priirtyshsk" OPS at the level of 49.56 tenge/m3 exclusive of VAT.

4. Tariffs with enactment starting from 1 February 2013 on services of:

On production, transfer and distribution of heating energy:

- For population, budget and non-commercial organizations, for enterprises, providing utility services to population at the level of 1 853 tenge/Hcal exclusive of VAT;
- For industrial enterprises and commercial organizations at the level of 12 690.2 tenge/Hcal exclusive of VAT;

On transfer and distribution f heating energy – 472.81 tenge/Hcal exclusive of VAT.

KEY MARKETS

Development of export and transit potential of Kazakhstan is one of the main directions of the state policy

The Caspian region is rich in hydrocarbon resources and consistently strengthens position of provider on the global energy market.

Republic of Kazakhstan:

- ranks 2nd in the CIS countries and 16th in the world in terms of oil production,
- 11th in the world in terms of proven oil reserves, three fields of Kazakhstan - Kashagan, Tengiz and Karachaganak, are among the largest in the world,
- is the largest producer of hydrocarbons in the Caspian region,
- occupies a strategically advantageous location for oil transportation in Europe and China.

Development of export and transit potential of Kazakhstan is one of the main directions of the state policy. The work on creation of new and expansion of existing export pipeline transportation systems is up to date.

European markets are attractive areas of Kazakhstan oil exports due to stable level of consumption in the medium term.

China is also one of the key target markets for supply of Kazakh energy resources.

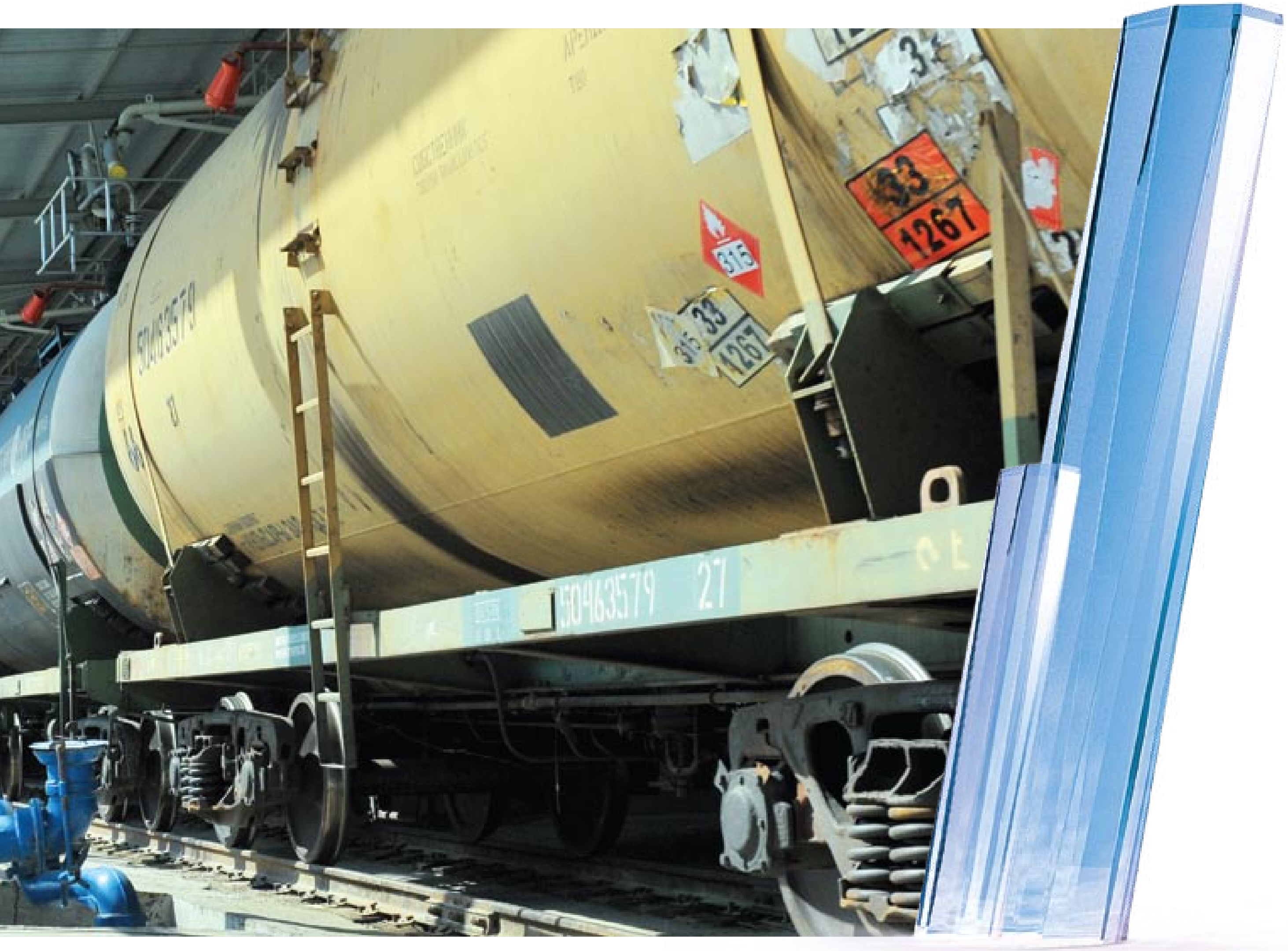
Along with the development of export potential, the most important task of the state is to ensure that the internal market of the country is provided with oil products.

«KazTransOil» JSC, being the national operator of the pipeline network transports oil from almost all Kazakh oil fields for processing in the domestic market and for export, as well as Russian oil on the domestic market of the Republic of Kazakhstan and for transit to China.

One of the major existing export routes of Kazakhstan is «Atyrau - Samara» oil pipeline.

A significant share of the oil is transported by Company «Kazakhstan-China» oil pipeline route.

Also an important export destination for Kazakh oil companies is the Caspian port of Aktau, where the Company carries out transshipment of oil from the pipeline and rail transport in tankers.



ANNUAL REPORT
2012

02
OPERATING ACTIVITY

KEY PERFORMANCE RESULTS

AS OF THE END OF THE YEAR, AS WELL AS IN DYNAMICS FOR THE LAST THREE YEARS

Net profit of the Group for 2012 is equal to

33,5 billion tenge

Key consolidated operating results of Group

Indicators	2010	2011	2012	2012 to 2011, %
Volume of transportation*, thousand tons	65 825	66 873	65 795	98%
Oil cargo turnover, mln.tons.km	41 351	42 244	42 163	100%
Supply of water, thousand cubic meter	21 361	21 192	22 799	108%
Average staff size as, persons	9 585	9 546	9 264	97%

* The volume of oil transportation includes results of oil products throughput of «Batumi Industrial Holdings Limited» company.

Key consolidated financial results of the Group, mln. tenge

Indicators	2010	2011	2012	2012 to 2011, %
Revenue from products sold and services provided	138 241	140 478	143 061	102%
Prime cost	82 407	96 299	99 604	103%
Gross margin	55 834	44 179	43 458	98%
Income before CIT	26 082	32 673	42 051	129%
Net income	19 618	25 945	33 501	129%
Assets at the year end	418 715	450 029	496 451	110%
Long term liabilities at the year end	44 214	45 207	66 113	146%
Current liabilities at the year end	36 186	33 324	38 024	114%
Equity	338 315	371 498	392 314	106%

Consolidated assets of the Group as of 31 December 2012 rose up to 496 billion tenge, which is for 10% higher than the indicator of 2011 (450 billion tenge). Consolidated Group's revenue from core activity in 2012 equals to 143 billion tenge, which is higher than the same indicator of 2011 (140.5 billion tenge) for 2% and higher than the same indicator of 2010 (138 billion tenge) for 3%. The main reason for growth of Group's revenues is growth of tariffs on oil transportation in 2012.

Net profit of the Group for 2012 is equal to 33.5 billion tenge, which is higher than the level of 2011 for 29% (25.9 billion tenge).

OIL TRANSPORTATION AND WATER SUPPLY

In 2012 consolidated volume of oil transportation was equal to 65.8 mln.tons, which is lower than the indicator of 2011 for 2% (66.9 mln. tons). The deterioration of volumes of oil transportation is mainly related to reduction of Russian oil delivery via "Omsk-Pavlodar" oil pipeline and re-distribution of oil deliveries from export route to load oil refineries of Kazakhstan.

Consolidated oil cargo turnover via the network of main oil pipelines of the Group for 2012 equals to 42.2 billion тon.km, which is similar to consolidated caorgo turnover in 2011.

Volumes of oil transportation separately by “KazTransOil” JSC (th.tons)

Direction	2011	2012
Atyrau oil refinery LLP	4 252	4 318
PetroKazkahstan oil Products LLP	4 355	4 560
Pavlodar OCR JSC	4 584	5 102
“Atyrau-Samara” pipeline section	15 427	15 433
Loading in tankers on HOPS Aktau	7 474	6 525
Loading in railway cisterns on oil loading racks	4 019	3 651
Throughput to “Atasu-Alashankou” oil pipeline	10 894	10 401

Water delivery volume via water line (th.cub.m)

	2011	2012
“Astrakhan-Mangyshlak” waterline	21 192	22 799

In 2012 the Company signed 85 contracts for provision of services for oil transportation and 148 contracts for provision of water supply via the pipeline.

Contracts for provision of services for oil transportation and for provision of water supply through the pipeline are concluded by «KazTransOil» JSC with customers in line with a standard form, approved by the Government of Kazakhstan on November 28, 2003 № 1194, by agreement of the parties, both on an annual, and in the long term.

OPERATION AND MAINTENANCE OF PIPELINE NETWORK OWNED BY THIRD PARTIES

Company as part of the operation and maintenance of the pipeline network owned by third parties serves two pipelines with a total length 2 857.8 km.

In 2012, the services in the framework of this activity were provided to the following organizations:
- Munaitas, length of main pipeline «Kenkiyak - Atyrau» 448.8 km;
- KCP, the length of the main pipeline «Atasu-Alashankou» 965.1 km, the length of the main pipeline «Kenkiyak - Kumkol» 794.1 km;
- «Turgai - Petroleum» JSC length of the pipeline 14.5 km;
- Karachaganak Petroleum Operating BV, the length of the main oil pipeline «Aksay - Bolshoy Chagan - Atyrau» 635.3 km.

For operation and maintenance of the pipeline network owned by third parties, in 2012, the company has been involving 798 people.

INVESTMENTS IN DEVELOPMENT

Company's capital expenditure program for 2012 aims to modernize, to maintain in a safe condition, and to develop its own system of main pipelines, according to the needs of shippers

In order to maintain safe oil transportation infrastructure, and the development of new projects in 2012, from its own funds the Company made investments that contribute to the further growth of capitalization.

Company's capital expenditure program for 2012

Company's capital expenditure program for 2012 aims to modernize, to maintain in a safe condition, and to develop its own system of main pipelines, according to the needs of shippers. Capital investments for the Group amounted to 24.9 billion, including separate Company's 22 billion. For more information, see «Analysis of the results of operations and financial performance.»

The second phase of the second stage of «Kazakhstan-China» pipeline, increase of capacity up to 20 million tons of oil per year

The project provides for a phased capacity expansion of «Kazakhstan-China» pipeline system up to 20 million tons a year. Implementation of the project will increase the volume of oil transportation to the fast-growing Chinese market and to increase the export capacity of the Republic of Kazakhstan.

As part of the project in 2012, the KCP started to build OPS # 8 and OPS # 10 of «Atasu-Alashankou» pipeline. The completion of given OPS is expected in 2013. The amount of capital investment is 24 456 million tenge.

In addition, in 2012, development of the base project «Second stage of the second phase of the Kazakhstan-China. Sections Atyrau-Kenkiyak and Kenkiyak-Kumkol. The increase in capacity up to 20 million tons/year» was initiated. Timing of implementation will depend on reaching agreements on reasonable volumes with Chinese partners, and according to the agreements at the inter-state level.

Reconstruction of Kalamkas-Karazhanbas-Aktau (section Karazhanbas-Aktau) and Uzen-Zhetybay-Aktau main pipelines

With regard to the forecasted increase of oil production in the fields of Buzachinsk and reorientation of oil from Aktau sea port to the direction of Atyrau (pumping station named after T.Kasymov), the Company started to develop the project to expand the installed capacity of «Kalamkas-Karazhanbas-Aktau»and» Uzen-Zhetybay-Aktau»main pipelines in 2012.

These oil pipelines owned by the Company connect Kalamkas and Karazhanbas on Buzachi peninsula with the port of Aktau and «Uzen-Atyrau-Samara» pipeline.

Foreign assets development

As part of development of foreign assets of the Company in 2012, BIHL group of companies launched a project to increase the capacity of the Batumi sea port for transshipment of general cargo up to 2.5 million tons/year.

Project period: 2012-2014.
Project cost: 2654 million tenge.
Financing: the BIHL Group's own funds.

In 2012 the Company continued to restructure the Group's structure in order to reduce BIHL intermediate managerial levels between the Company and operating assets. In 2012, the Company approved an updated Restructuring Plan of BIHL Group.

OPERATING CONTROL

According to the Law of the Republic of Kazakhstan «On industrial safety at hazardous production facilities» and guidelines for the organization and implementation of the production control over industrial safety at hazardous production facilities agreed by the order of the Committee for State Control over Emergency Situations and Industrial Safety of the Ministry of Emergency Situations of the Republic of Kazakhstan, dated 12 April 2010 № 12, in 2012 in the central office and administrative staff of the Western and Eastern branches of the Company, in the oil pipeline department of given branches subdivisions, responsible for operating control over industrial safety were established.

In order to establish procedure of organization and implementation of production control over industrial safety at hazardous production facilities of the Company for these units Regulation on the Control over observance of provisions of industrial safety at hazardous production facilities of «KazTransOil» JSC was approved. In 2012, the Declaration of Security at main pipelines of JSC «KazTransOil» was actualized.

OCCUPATIONAL SAFETY AND HEALTH

The Company's operating is carried out in strict accordance with the laws of the Republic of Kazakhstan, standards and internal regulations governing the security and safety, industrial and fire safety.

In the reporting period, the Company conducted the required types of briefings on safety and health.

All production units are provided with safety cabinets, ablution facilities in accordance with established standards. Certification of all work positions on working conditions was checked.

Company employees are also provided with the required amount of clothing, footwear and other personal protective equipment.

During the reporting period in the Training Center of the Company and on specialized courses 5,657 employees were trained, including:

- engineers - 1863 people;
- workers - 3794 people.

In 2012, the Company recorded three accidents related to production:

1. rupture tear of the pipe of main waterline Astrakhan-Mangyshlak during hydraulic tests with injuries of two workers;
2. Disuse by employee of personal protective equipment;
3. crashing of the helicopter, which carried out the test flight of Atasu-Alashankou main pipeline.

In order to prevent occupational injuries for each case measures recommended by their investigation commission were implemented.

ENVIRONMENTAL PROTECTION

In 2012, the Company conducted environmental activities in accordance with the laws of the Republic of Kazakhstan and the internal standards of the Company.

To achieve the lowest level of negative environmental impact the Company approved the Register of significant environmental aspects of the Company for 2012.

Performance measures for environment protection are summarized in the following table

№	Indicator	Units	2011	2012
1	Emissions of pollutants	tons	25 597	27 227
2	Spillover of wastewaters	Thou. m3	589	966
3	Content of pollutants in wastes	tons	197	200
4	Wastes generation within the reporting period	tons	7 382	3 310
5	Re-cultivation of disturbed lands	ha	10	27
6	Environmental payments	Thou.tenge	74 777	58 235
7	Current expenses on environmental activities	Thou.tenge	634 097	523 027

The amount of pollution charges reduced in the result of reduction of the total amount of wastes generated.

The increase in total emissions into the atmosphere, compared to the same period last year, dues to:

- Increased pumping volume of Martyshinsk and Tengiz oil;
- The increase in the consumption of gas stoves for oil heating in Kulsary oil pipeline department;
- Increase of the amount of oil passing through the tank farm of HOPS «Kalamkas», HOPS «Uzen», HOPS «Kumkol», HOPS named after B.Dzhumagaliev.

The increase in waste water discharges is associated with:

- Increase in the number of periodicity washes of hydro-pump-deletion systems;
- Increased use of water by the villagers of Kigach (Atyrau region);
- Commissioning of evaporation pond at HOPS «Kumkol.»

In this case, the total number of discharges remained within the limit permitted for the Company.

Also in 2012, the soil was contaminated with oil, which is associated with the emergency exits of oil during illegal tapping on 1501.7 km and 1319.15 km of «Pavlodar-Shymkent» pipeline

FIRE SAFETY

During the 12 months of 2012 fires have not been reported at the Company's facilities.

Activities in the field of fire protection were carried out in accordance with Kazakhstan legislation, standards and work plans of the Company.

In order to train workers at Company's production facilities with fire safety measures mentoring programs were developed and approved, on which 35 779 sessions were held, 6728 employees were trained to fire-technical minimum of operating staff, 1,582 members of volunteer fire fighting units were trained.

In accordance with the regulations of the Ministry of Emergency Situations of the Republic of Kazakhstan for acquisition of practical and theoretical skills of action in the event of possible fires: 29 fire and tactical exercises, 1009 fire tactical training, 131 checking of stationary equipment with foam extinguishing with foam supply and cooling start of irrigation water in the ring, 858 inspections of technical condition of fire alarms, 1264 inspections of outdoor fire water, 833 verifications of workability of internal fire hydrants with the launch of water were conducted.

138 instructions on fire safety were developed or reconsidered.

MAIN OIL PIPELINES SECURITY

To combat the illegal tapping and theft of oil from oil pipeline network, the Company annually allocates significant funds for the protection of pipeline assets. Also, ground patrols of these facilities by personnel of emergency response-restoring centers of oil pipeline controls of Western and Eastern branches have been conducted regularly.

Company implements technical systems to prevent and detect tapping, upgrades and installs main pipelines with security equipment.

Overall 44% of the oil pipelines of the Company (the system of oil pipelines - 243.1 km, leak detection systems - 2 091.1 km) are covered by engineering and technical systems. Also, the system of security and perimeter alarm, video monitoring of facilities and access control system on HOPS «Uzen», OPS «Atyrau» and BPTOiKO «Atyrau» of Western Branch was implemented.

Data on number of illegal tapping during the period from 2010 to 2012

№	Sections of MOP	2010	2011	2012
1	Western branch	57	9	4
2	Eastern branch	28	9	22
Total in the Company:		85	18	26

During the operational-search activities on the facts of illegal tapping by law enforcement agencies and employees of security organization - LLP «Semser Security», for committing theft of oil from the pipeline about 20 people were apprehended, for nine of them measure of restraint was determined as arrest. On the facts of illegal tapping shown in the table, in 2012, 23 criminal cases were opened.

In order to ensure the safety of facilities from criminal offenses the Company works with law enforcement agencies in the field, with local authorities, the media of regions where the largest number of unauthorized taps takes place.

INFORMATION SECURITY MANAGEMENT SYSTEM

In 2012 JSC «KazTransOil» successfully confirmed at the annual inspection audit certificate BSI its compliance with the requirements of ISO / IEC 27001:2005 and performance of Information Security Management Systems (hereinafter - the ISMS).

As part of a phased development plan of ISMS in «KazTransOil» JSC for 2012-2013 30 employees of the Western and Eastern branches were trained in information security management. With consultants at the facilities of the Western and Eastern branches and branch «STC» of "KazTransOil» JSC works on the survey, detection and analysis of existing information systems tools and methods of information security to the international standard ISO / IEC 27001:2005 were carried out.

To provide a comprehensive information security management system, the Company updated current documentation and developed a number of new policies, procedures and instructions.

INFORMATION TECHNOLOGIES

The company focuses on the continuous development of its information technology platform with the regular technical maintenance of existing systems, implemented by the Company projects for modernization and development of information systems and telecommunications network base on the use of advanced technologies and focus on building a modern IT infrastructure.

In 2012, Strategy and Program of development of information technologies in «KazTransOil» JSC in 2013-2017 were developed and approved, with the basic priorities of development of information technology and promoting the achievement of the objectives in the current environment. A technical upgrade of SAP from SAP R / 3 4.7 version to SAP ERP 6.0 EHP6, and upgrade SAP BW 3.5 system to SAP BW 7.3 was successfully conducted. The transition to the new versions enabled taking advantage of using the latest features, as well as long-term protection of investment in the development of IT infrastructure. Projects for the development of human capital management SAP ERP HCM through the introduction of «Travel Management» and «Human Capital Management» modules were implemented.

In 2012, a number of measures to verify and detect security vulnerabilities in SAP, including, in particular, the security audit SAP was conducted.

In 2012, «STC» of KazTransOil JSC» branch has been equipped with modern technology, of IP-telephony and video conferencing.

In the West branch of the Company a reserve center of data transfer network was created to provide redundancy of the most critical and vulnerable network devices of corporate data transfer network.

In order to ensure the smooth operation of industrial and technological communication, the Company upgrades the fire and security systems, micro-climate and energy saving systems. In 2012, 9 communication nodes of the Company have been equipped with automatic fire extinguishing system.

As a pilot project on use of alternative energy sources wind-solar power plant was built in one of the remote communication nodes due to unstable power supply.

INNOVATION - TECHNOLOGICAL DEVELOPMENT

The Company strives to achieve the level of technological development of advanced oil transport companies to ensure sustainable development in the long term, competitiveness, both in the domestic and international markets.

The main objectives of innovation and technology program of the Company in the field of oil and water supply are:

- reducing costs;
- increase economic efficiency;
- energy efficiency and energy saving;
- increase productivity;
- increase adaptability, reliability, environmental and safety of production processes;
- improving the quality of services provided.

Innovation and technology program of the Company includes such core elements as:

- transfer of new technologies into the core business of the Company (the acquisition of modern technology and equipment, adaptation of technology solutions for the project);
- technical base and strengthening of the human capacity to create conditions for generation and implementation in practice of own technological solutions;
- operation of production facilities for the actual technical state with the application of the risk assessment system.

INTEGRATED MANAGEMENT SYSTEM

In 2004, the Company was one of the first in the KMG group to adopt international standards ISO 9001 and ISO 14001 and confirmed its conformity to the certification body «TUV Rheinland InterCert». In 2006, the quality management system and environmental management system has been added by health and safety management system. The company has implemented the standard OHSAS 18001 and certified its system of health and safety management in the international certification body «Det Norske Veritas» (DNV).

Every year the Company confirms the compliance of an integrated management system of quality, environment, health and safety with the requirements of international standards by engaging an independent international certification body DNV.

RISK MANAGEMENT AND INTERNAL CONTROL SYSTEM

During 2012, the Company has carried out measures to further implement and improve corporate risk management system (hereinafter - CRMS) and the internal control system (hereinafter - ICS) of the Company within the following components:

- Improving the methodological framework;
- Preparation of the internal environment;
- Risk management and internal control;
- Monitoring.

In 2012, methodological framework governing the CRMS and ICS Company, the risk register and risk map were updated.

Measures for risk management, risk and control matrix and flowcharts for processes of operating performance and the financial reporting process, and the risk matrix and controls of the corporate level were developed.

To introduce the principles of risk management and internal control in day-to-day operation of the Company corporate training for members of the Management Board of the Company, employees of the structural subdivisions of the central office, the Western and Eastern branches, employees of SJCO on the topic «Improving the system of internal control and risk management system in «KazTransOil» JSC and «Risk management in the enterprise» were conducted.

For the purpose of effective monitoring and early detection of risks to the Board of Directors of the Company provided a report on the dynamics of risk and the execution of the action plan for risk management of the Company.

INFORMATION ON LOCAL CONTENT

IN THE PROCUREMENT OF COMMODITIES, WORKS AND SERVICES

The share of local content in procurement of «KazTransOil» JSC for 2012 is

58%

In order to implement the state policy on the development of local content «KazTransOil» JSC has been increasing the number of open tenders among domestic producers, thus increasing the volume of purchases from Kazakhstan producers.

Following tenders long-term contracts for 2012-2014 with Kazakh producers for a total amount of 4.3 billion tenge were concluded. Additionally, in 2012 the contracts for 1 year period were signed with the domestic producers for the amount of 2 billion tenge.

All contracts concluded with domestic producers, including long-term in terms of performance in 2012 are implemented for 100%.

The share of local content in procurement of «KazTransOil» JSC for 2012 is 58% (including the goods - 23%, on the works and services - 76%). In contracts concluded in 2011 the share of local content was 50%.

03

CORPORATE SOCIAL RESPONSIBILITY AND HUMAN RESOURCES DEVELOPMENT

CORPORATE SOCIAL RESPONSIBILITY

Company voluntarily commits to socially responsible participation in the life of the Company's employees, the population in the regions of its operations and society on a whole

Company voluntarily commits to socially responsible participation in the life of the Company's employees, the population in the regions of its operations and society on a whole.

In this regard, in terms of social security and voluntary commitments to employees, the company implements measures for paying social benefits (financial assistance to workers and pensioners), provides health insurance for employees, as well as organizes sporting and mass -cultural events.

In 2012, the Company paid financial aid to:

1. employees in 20 834 cases (financial aid to employees at birth of the child and/or the adoption of children in connection with the death of the employee or his immediate family, the marriage of the employee or his children, recreation, medical treatment);
2. retired employees - the total number of not working pensioners 1 434 people (additional compensation in establishing disability, lump-sum payments dedicated to national holidays and emergencies);
3. employees taking leave to care for a child up to three years (a total of 268 people);
4. to employees at retirement – 125 persons.

Organization of work on health care of employees

Acting as a responsible employer, supporting partnership relations with team, the Company offers its employees a package of social services, including health insurance, financial assistance, including the treatment and rehabilitation of employees during the leave, and more. Due to insurance Company employees have the opportunity to seek and receive the necessary treatment in medical facilities in Kazakhstan. Totally Company insured 7906 employees in 2012.

Sporting and cultural events

In order to encourage and promote a healthy lifestyle Company holds annual sports days and various sporting activities among employees. In September 2012, in the city of Atyrau among labor groups of «KazTransOil» JSC Olympics was held dedicated to the 15th anniversary of the founding of the Company, with the participation of the Company's employees, KCP, Munaitas, and BIHL. Winners of Olympics joined the team of «KazTransOil» JSC and participated in international competitions, with the participation of employees of «Gomeltransneft Druzhba» (Republic of Belarus) and PAO «Ukrtransnafta» (Ukraine).

Sponsorship (charity) care.

In 2012, within the frames of sponsorship (charity) aid the Company provided support for socially vulnerable group and various public funds amounting to more than 1020 million tenge. Of these, 1 billion tenge to complete construction of multi-purpose sports complex in the city of Pavlodar. In October 2012, the Company completed the construction of a kindergarten for 170 places in Atasu village of Karaganda region.

PERSONNEL POLICY, HUMAN RESOURCES DEVELOPMENT

In 2012
7511
employees
of the Company took part in training programs

The Company realizes that human capital is the foundation for long-term growth and competitiveness enhancement, and is committed to develop social responsibility aimed at increasing efficiency, enabling the social protection of employees, the stability in the team.

Personnel Policy of "KazTransOil" JSC for 2010-2014, confirmed by resolution of the Board of Directors on 10 March 2010 sets the following key priorities:

- attraction, development, and retention of highly qualified employees;
- implementation of advanced methods of personnel management;
- development of the pull of high potential employees of the Company;
- support of innovation and changes in the Company;
- creation and development of joint values, social norms, settings, regulating behavior of the Company employees.

One of the main directions of personnel management is improvement of system of staff development through implementation of gradual and systematic approach to staff training and development.

The existing system of staff training – ensuring equal opportunities and support in professional development to every company's employee through regular qualification development courses for acquisition and development of necessary knowledge and skills, promoting more effective implementation of objectives set.

In 2012 7511 employees of the Company took part in training programs.

Also, the Company has organized training of its specialists for domestic and international certificates approving professional qualifications: ACCA, CIA, CFA, DipIFR and professional accountant.

An effective method of identifying and promoting the best talent and the exchange of experience between the subdivisions of the Company is the annual contest «Best in Profession», which demonstrates their professional skills highly qualified production units of the Company. In August 2012, in the city of Pavlodar on the basis of the Eastern Branch an international contest «Best in Profession», which was attended by leading trade workers of «KazTransOil» JSC, «AK «Transneft» OJSC, «Ukrtransnafta» PJSC, «Gomeltransneft Druzhba» JSC and the Caspian Pipeline Consortium was held. Company employees received seven of eight first places, thus confirming the high level of skills.

In 2012 the Company proceeded with implementation of "Personnel Pool" program, aimed at revelation of the strongest specialists with a potential of personal development both in professional and managerial areas, whose skills are needed to be developed and applied for Company's development. The unified data base of internal candidates consisting of 36 prospective employees, who passed a serious selection for their preparation for managerial positions, was updated. According to individual career development plans more than 10 areas of training programs for the development of personal skills of reservists were organized. In 2012, the 11 reservists of personnel pool were approved for study on master's programs at the expense of the Company.

Each year the company has been working to study the extent of involvement of staff in order to identify staff loyalty to the Company, awareness and the acceptance of corporate goals and objectives of the company, trust of stuff to its management, identify the material and psychological incentives that have the greatest impact on employee satisfaction. Company staff engagement index in 2012 was 65% (in 2011 - 63%, in 2010 - 62%).

The company has been running the «Intern» program, where students of specialized universities, selected on the basis of a comprehensive analysis of academic achievement, personal and professional qualities of the candidate, participate. Selection of students is made from 3 grade. Training program for young professionals provides for practical training at work sites of Company's structural subdivisions. Student during the practical training is provided with jobs for the selected profile, a place in the hostel, as well as pay per diem, travel from place of residence to the place of practice and back, wages at the rate of worker of the second category. Each student is assigned with a mentor from among experienced employees.

In 2012, 286 students, including those under the «Intern» program - 54 students of the Kazakh-British Technical University, Kazakh National Technical University named after K.I.Satpayev passed field studies in units of the Company.

KazTransOil

ANNUAL REPORT
2012

04

CORPORATE GOVERNANCE

Corporate governance is based on the principles of fairness, honesty, responsibility, transparency, professionalism and competence

The Company considers corporate governance as a tool to improve performance of the Company, strengthen its reputation and reduce expenditures on fund raising. The Company works on gradual implementation of best advanced practice of corporate governance.

Corporate governance is based on the principles of fairness, honesty, responsibility, transparency, professionalism and competence. Effective corporate governance structure involves respect of the rights and interests of all stakeholders of the Company and promotes to success of the Company, including the growth of the market value, maintaining financial stability, profitability, and will serve as a tool for achieving strategic goals.

The fundamental principles of corporate governance in the Company are:

- the principle of protecting the rights and interests of shareholders;
- the principle of effective management of the Company, the Board of Directors and the Management Board;
- the principle of activity at arm's length basis of the Company;
- transparency and objective disclosure of information about the activities of the Company;
- principles of law and ethics;
- principles of effective dividend policy;
- principles of effective human resources policies;
- the principle of environmental protection;
- policy regulating corporate conflicts and conflicts of interest;
- the principle of responsibility.

In 2012, within preparation for the «People's IPO» program, and the acquisition of the status of a public company, «KazTransOil» JSC implemented a set of measures aimed at improving corporate governance system.

During 2012, a new edition of the Charter of «KazTransOil» JSC, Corporate Governance Code of «KazTransOil» JSC and other documents aimed at improving corporate governance of the Company were adopted.

In the structure of the Board of Directors three committees were formed:

- Strategic Planning Committee,
- Internal Audit Committee,
- Nomination and Remuneration Committee.

Risk management program of «KazTransOil» JSC for 2012 – 2014 was approved, and the project «Improvement of the corporate risk management and internal controls system in connection with the offering of shares of «KazTransOil» JSC on the stock market" was implemented.

Investor Relations Service, Risk Management and Integrated Management System Department, Internal Audit Service were established in the Company.

Within preparation of the Company to primary offering in 2012 the Rules on information disclosure of "KazTransOil" JSC were confirmed by resolution of the Board of Directors of the Company.

Information disclosure of the Company is based on the principles of reliability, consistency and efficiency, to the extent necessary to make informed decisions.

THE BODIES OF THE CORPORATE GOVERNANCE

The bodies of the corporate governance of the Company are:
1. The supreme body is the General Meeting of Shareholders.
2. The managerial body is the Board of Directors, which carries out general governance of the Company's operation and determines strategic goals and priority directions of activity and sets main guidelines of the Company. The Board of Directors of the Company consists of three representatives of "KazMunayGas" NC JSC, two independent directors and the General Director (Chair of the Management Board) of the Company.
3. The Management Board is collegial executive body, which manages day-to-day operation of the Company aiming at implementation of Development strategy of the Company and execution of decisions of the Board of Directors and the General Meeting of the Shareholders. The Management Board of the Company consists of 7 persons.

INTERACTIONS WITH "KAZMUNAYGAS" NC JSC

«KazTransOil» JSC is a subsidiary of «National Company «KazMunayGas» JSC.

«KazMunayGas» NC JSC as of 31 December 2012 owns 90% of the voting ordinary shares of «KazTransOil» JSC.

«KazTransOil» JSC and «KazMunayGas» NC JSC act under the Law of the Republic of Kazakhstan «On Joint Stock Companies» and in accordance with the Charters of «KazTransOil» JSC and «KazMunayGas» NC JSC.

In connection with the placement of shares of the Company at «Kazakhstan Stock Exchange» JSC under the «People's IPO" program «KazTransOil» JSC and «KazMunayGas» NC JSC on 30 October, 2012 signed a relationship agreement between «KazMunayGas» NC JSC and «KazTransOil» JSC, stipulating the interaction between «KazTransOil» JSC and its major shareholder at arm's length basis and allowing «KazTransOil» JSC to act in the interests of all its shareholders.

INTERACTION WITH ITS SUBSIDIARIES AND JOINTLY - CONTROLLED ORGANIZATIONS

The company aims for a balanced development of its SJCO, based on effective corporate governance mechanisms. In order to exercise its rights as a shareholder (partner), the Company interacts with SJCO in accordance with the law, the Charter and internal documents of the Company, Charters of SJCO.

The main objectives of the company interactions with SJCO are:
- ensuring sustainable financial development, the profitability of the operation, increase of investment attractiveness of the Company and SJCO;
- to protect the rights and legitimate interests of the shareholders of the Company and shareholders (participants) of SJCO;
- harmonization of relations between the shareholders, officials and employees of the Company and SJCO, taking systematic measures to prevent the emergence of conflicts between and within these groups;
- development and implementation of a coordinated and effective strategy and investment policy of the Company and SJCO.

COMPOSITION OF THE BOARD OF DIRECTORS

(AS OF 31 DECEMBER 2012)

Nurtas Shmanov

Chair of the Board of Directors, representative of "KazMunayGas" NC JSC

Mr. Shmanov graduated from Ufa Oil Institute with specialization in Designing and Exploitation of Oil and Gas Pipelines, Gas Storages and Petroleum Installations, and later from the Institute of Market under the Kazakh State Academy with specialization in "Finance and Credit", and Massachusetts University (Boston, USA). For over 28 years he worked in pipeline transportation industry of the Republic of Kazakhstan. He occupied various responsible positions in companies like "Caspian Pipeline Consortium – Russia", "ChevronOil&Gas", "Chevron Overseas Petroleum Inc.".
In 2008 he was appointed to position of the General Director (Chair of the Management Board) of the Company.
Presently, he is a Deputy Chair of the Management Board of JSC NC "KazMunayGas" for transport infrastructure.

Ardak Kassymbek

Representative of "KazMunayGas" NC JSC

Graduated from "Al-Farabi Kazakh State National University" (Bachelor's and Master's Program) with specialization in "International Economic Relations", assigned qualification – Economist and "Business School of City University of London" (UK) with specialization on "Banking and International Finance", qualification – Financial Officer.
Has an experience in oil and gas sector management. From 2009 to 2012 he worked in the sphere of corporate development and asset management in NC "KazMunayGas" JSC. From March to July 2012 he was the Director for Corporate Finance and Asset Management in NC "KazMunayGas" JSC. Currently, he is the Deputy Chair of the Management Board of NC "KazMunayGas" JSC for Economy and Finance and member of the Board of Directors of "KazTransOil" JSC.

Arman Darbayev

Representative of "KazMunayGas" NC JSC

Mr. Darbayev graduated from the Academy of Management after S. Orjonikidze (Moscow, Russian Federation) with specialization in "Organization of management in construction". He has over 10 years of experience of work in the field of project management and oil transportation. From 1999 to 2002, he worked at the Ministry of Transport and Communications of the Republic of Kazakhstan and coordinated a number of major investment projects. In the period from 2002 to 2004 he worked at different positions of "KazTransOil" JSC. Later he became Deputy Director of the Department on Management of Projects on Pipeline Transport of Oil and Gas, and then Executive Director on Transportation of NC "KazMunayGas" JSC.

Daniel Mihalik

Independent Director

Mr. Mihalik has Master's degrees in chemical engineering and business administration, as well as a doctoral degree in law from University of Michigan, University of Houston and South Texas college of Law, respectively. He has over 30 years of work experience in the oil, gas and chemical industry. He has wide experience in technical, legal, and commercial areas on projects in the USA, Central Asia, Europe and the Middle East. He worked as senior production engineer and as manager of various oil and gas transportation companies in «Texaco». He was also Senior Vice-President of «Texaco Pipeline International». Most recently he has been a consultant in oil and gas projects in Kazakhstan as well as General Counsel at the Association of Oil Pipelines in Washington, DC.

Moustafa Habib

Independent Director

Mr. Habib has a bachelor's degree in Natural Sciences, and Master's degree in Physics. He graduated from the University of Caen (France). He has degrees in Electro-Technical and Petrochemical Engineering. He has extensive work experience in the USA, Central Asia, Europe, Africa and Middle East. For a long time he worked in such companies like Shell and Chevron. He coordinated marketing and crude oil and by-products transportation. He participated in designing and construction of demercaptanization plant at Tengiz, worked as the General Manager on marketing and development of alternative oil and gas transportation routes at Tengiz Chevroil, as a General Manager at Chevron Overseas Petroleum Inc. (COPI) in London, and as the vice president of Chevron International.

Kairgeldy Kabyldin

General Director
(Chair of the Management Board)

Graduated from Kazakh Polytechnic Institute named after V.I.Lenin with specialization in «Computing machines», qualification – electrical engineer. For over 30 years has been working in petroleum industry. He started his work experience as a service engineer in the Ministry of Petroleum Industry of USSR. Hold responsible posts in the Ministry of oil and gas industry of the Republic of Kazakhstan, CJSC "NCOT "KazTransOil", CJSC NC "Oil and Gas Transportation". Since 2002 has been working as a Managing Director for Transport infrastructure and Service Projects, than as Vice-President of JSC NC "KazMunaiGas". In 2007 was nominated as a Deputy Chair of the Management Board of JSC "Kazakhstan holding for state assets management "Samruk". From 2008 till October 2011 was a Chair of the Management Board of "KazMunaiGas" NC JSC. Since October 2011 – General Director (Chair of the Management Board) of "KazTransOil" JSC.
Has state awards: "Kurmet" and "Parasat" awards. Is awarded with "Honorable employee of main pipeline transport industry" and is the honorable oil man of the Russian Federation.

COMPOSITION OF THE MANAGEMENT BOARD

(AS OF 31 DECEMBER 2011)

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General Director
(Chair of the Management Board)

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Has state awards: "Kurmet" and "Parasat" awards. Is awarded with "Honorable employee of main pipeline transport industry" and is the honorable oil man of the Russian Federation.

Sisengali Utegaliyev

First Deputy
General Director
for Production

Graduated from geological faculty of Tumen Industrial Institute, specialization in "Geology and exploration of oil and gas deposits", qualification – Mining Engineer-Geologist. For over 40 years has been working in petroleum industry of the Republic of Kazakhstan. Hold various responsible posts. In 1995-1997 – Head of Chief Development Department in the Ministry of Oil and Gas Industry of the Republic of Kazakhstan, in 1997-2002 Director of Department for Production Management of "Kazakhoil", in 2002-2004 - Director of Department for Development and Production and Director of Department for Oil and Gas production of "KazMunayGas" NC. In March 2004 was appointed to position of Deputy General Director for Production of "KazMunayGas" EP" JSC. Starting from December 2007 to June 2009 – Managing Director of "KazMunayGas" NC JSC. During the period from June 2009 till February 2012 has been working as a General Manager for development projects of "KazMunayGas" NC JSC.
Has state awards: "Kurmet", "Enbegi ushin". Has been working in "KazTransOil" JSC starting from March 2, 2012 as a Deputy General Director. Starting from 2 May 2012 – First Deputy General Director for Production.

Aziz Ileuov

Deputy General Director for Economy and Finance

Graduated from Belarus State University, specialization in "Political economics" qualification - economist, teacher of politic economy and social studies.
Started his work experience in 1992, hold an office of Deputy Chair, acting Chair of External Borrowing Committee, a range of positions in companies «Almaty Power Consolidated» CJSC, «NC «Oil and Gas Transport» CJSC, «Intergas Central Asia» CJSC, "KazTransGas" CJSC, "North-West Pipeline Company "MunaiTas" CJSC, "Kazakhstan – China Pipeline" LLP, "NC "Social business corporation "Zhetysu" JSC, «KazMunaiGas – Processing and Marketing» JSC and "KazTransGas" JSC. On March 14, 2012 was appointed on position of the Managing Director for Economy and Finance of "KazTransOil" JSC. Starting from 2 May 2012 – Deputy General Director for Economy and Finance.

Bolat Otarov

Managing Director on Transportation

Graduated from Kazakh Polytechnic Institute after V.I.Lenin with specialization in "Technology of machine-building, metal-cutting machines and instruments", with qualification of engineering mechanic.
He has been working in the oil and gas industry since 1988. He worked at Oil and Gas Production Departments of "Karazhanbastermneft", "Komsomolskneft", "KalamkasMunaiGas", and "Yuzhnefteprovod". In February 1998, he was appointed as Deputy General Director of the Western branch of the Company on Transportation, head of Goods Transportation Department, and then worked in the capacity of the Director of the Transportation Department, Executive Director on goods transportation operations, Executive Director for Transportation, Managing Director for Transportation, Deputy General Director of "KazTransOil" JSC for Transportation. Awarded with "100 years to Kazakh crude oil" medal, jubilee medal "300 mln tons of oil "Atyrau – Samara", award "70 years to Kazakhstan pipeline transport", state award – "Yeren enbegi ushin".

Ruslan Mestoyev

Deputy General Director for Business Support

Graduated from Almaty State University named after Abai, with specialization in "Informatics and computerization manager". He started to work as operator of PC of state in State foreign trade company «Kazakhintorg» under Ministry of Foreign Trade Links of the Republic of Kazakhstan, than worked in «GLENCORE INTERNATIONAL AG», "Vneshinvest" company, CJSC Open Accumulative Pension Fund «Ular»; Akimat of Atyrau region, OJSC "Halyk Bank of Kazakhstan", CJSC "NC "Oil and Gas Transportation".
During 2003-2007 worked on position of Director of Contract Department of the Company, than head of Company's representation in Moscow. In 2007-2008 worked in JSC NC "Kazakhstan Temir Zholy" as Managing Director for Procurement. During 2009 - 2011 worked as Senior Contract Engineer, than Local Content Manager of KMG «Kashagan B.V». Starting from 2 May 2012 – Chief of Staff, starting from 20 September 2012 – Deputy General Director for Business Support.

Bulat Zakirov

Deputy General Director for Development

Graduated from Kazakh State Management Academy with specialty in "International Economic Affairs". Received MSc in Energy Studies, specialization oil and gas economics in Dundee University (UK).
Started his work experience in 1999 at «NKTN «KazTransOil» CJSC as a specialist of Strategic Planning Department. In 1999-2001 he held the positions of chief specialist, project coordinator, manager of Projects Management Department of the Company. In 2001-2006 he held the positions of chief manager, deputy director and director of Transport Logistics Department of the Company. From April 2006 to January 2009 he held the position of the Deputy General Director of "KazTransOil" JSC for Development. In 2009-2011 worked as First Deputy General Director, the General Director of «KMG-Transkaspi» LLP.
On January 16, 2012 he was appointed as the Adviser of the General Director of the Company. Starting from 1 March 2012 was transferred to position of Managing Director for Production. On 2 May 2012 – appointed to position of Deputy General Director for Development of "KazTransOil" JSC.

Zhaidarman Isakov

Director of Legal Department

Graduated from Kazakh State University after S.V. Kirov with specialization on "Jurisprudence" and qualification of the "Lawyer".
He started his work experience as a lawyer at Trade base No.456 of the Trade Department of Ministry of Defense of USSR, then worked in law firms, Kazakhstan Joint Stock Company "Turanbank" and the Ministry of Finance of the Republic of Kazakhstan. He started working in the oil and gas industry from December 2000 as a Deputy Director of the Legal Department of CJSC "KazTransGas", General Lawyer of the Legal Department of CJSC "NC "Transport of Oil and Gas" and the Department of legal provision of CJSC NC "KazMunaiGas". From October 1, 2002 he has been working as the Director of the Legal Department of "KazTransOil" JSC.
Awarded with state award – "Yeren enbegi ushin".

CRITERIONS OF SELECTION OF MEMBERS OF THE BOARD OF DIRECTORS,

AND THE MANAGEMENT BOARD, DETERMINATION OF THEIR INDEPENDENCE

The process of selection and election of members of the Board of Directors, including Independent Directors, is conducted in the procedure established by the legislation of the Republic of Kazakhstan and Charter of the Company in accordance with established internal procedures on the basis of sufficient data about the candidate, interactions of candidate with the Company (affiliation, cooperation etc.), independence criterions, information on correspondent work experience, knowledge, qualification, positive achievements, and impeccable reputation.

The candidate for membership in the Board of Directors and member of the Board of Directors shall be individuals, have the trust of the shareholders and other members of the Board of Directors, have impeccable reputation, professional skills and qualifications, experience of managerial work of not less than three years, preferable in the field corresponding to core activity of the Company, positive achievements and stainless reputation in business and industry circles.

Independent Director of the Board of Directors shall be a member of the Board of Directors, who is not affiliated entity of the Company and has not been the one during three years, preceding to his election in the Board of Directors (except for the case of occupying position of Independent Director of the Company), is not affiliated entity pursuing to affiliated entities of the Company, is not connected by subordination with officials of the Company or organizations – affiliated entities of the Company, and has not been connected by subordination with given entities for three years, preceding to his election to the Board of Directors; is not a state servant; is not an auditor of the Company and has not been the one during three years, preceding to his election in the Board of Directors; does not participate in audit of the Company as an auditor, working in auditing organization, and has not participated in such audit during three years, preceding to his election in the Board of Directors.

Determination of quantitative composition, term of powers of the Management Board, election (appointment) of members, early termination of the powers is carried out in accordance with legislation of the Republic of Kazakhstan and Charter of the Company.

Member of the Management Board must possess relevant work experience, knowledge, qualification, and business reputation.

KazTransOil

ANNUAL REPORT
2012

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ANALYSES OF FINANCIAL POSITION AND RESULTS OF FINANCIAL AND ECONOMIC ACTIVITY

Discussions and analyses below enable detecting and assessing key trends and significant changes in the results of financial activity and financial standing of the Company. The following discussion is based on the financial statements and should be read in conjunction with the same financial statements, the notes thereto and the other information contained elsewhere in this document.

Financial information

Consolidated financial statements of the Company upon the results of audit for two years ended 31 December 2012 and 2011 (the «Audited Financial Statements») included in this document have been prepared in accordance with International Financial Reporting Standards («IFRS») as adopted by the International Accounting Standards Council.

The audited consolidated financial statements for the two years ended 31 December 2012 and 2011 (the «Audited Financial Statements») contained in this document has been prepared in accordance with International Financial Reporting Standards («IFRS») as adopted by the International Accounting Standards Council.

Reporting figures that are not provided by IFRS

The company means by EBITDA gross profit less general and administrative expenses, plus depreciation and amortization plus / (minus) charge / (reversal of provision) for doubtful debts, taxes and obsolete inventories. The company presents EBITDA, as it believes that this measure is frequently used by securities analysts, investors and other interested parties in the evaluation of companies in the same industry as the Group. The EBITDA as an analytical tool has some limitations, and should not be considered in isolated from, or instead of, the analysis of results of operations in accordance with IFRS. In addition, other companies in the industry can expect EBITDA differently or may use this figure for purposes other than the company, which limits its usefulness as a tool of comparison. EBITDA is a measure of operating performance of the Company which is not provided by IFRS and is not presented in accordance with IFRS. EBITDA is not a tool for evaluating the operating results of the Group in accordance with IFRS and should not be considered as an alternative to such indicators as «profit for the year», «operating income» or other indicators obtained in accordance with IFRS or as an alternative to cash flow from operating activities or as a tool to assess the liquidity of the Group.

Currency and Exchange Rates

Below is information on the tenge exchange rate and the U.S. dollar in relation to such periods, respectively, based on the official exchange rate of KASE. These rates may vary from the actual rates used in the preparation of financial statements and other financial information contained in this document.

Exchange rate of tenge and the U.S. dollar, as of December 31, 2011 amounted to 148.4 per U.S. $ 1. Exchange rate of tenge and the U.S. dollar, on December 31, 2012 was 150.74 tenge per 1 U.S. dollar[3].

Analysis of the results of operations and financial performance

The company owns the largest network of main oil and water pipelines in the Republic of Kazakhstan on the length and capacity according to statistics from the Agency of the Republic of Kazakhstan for Statistics. The Company's activities also include water supply services via the main water line Astrakhan - Mangyshlak, one of the major waterlines in the Republic of Kazakhstan. The Company also provides operating services for operation and maintenance of the pipeline network owned by third parties, including KCP and MunaiTas, joint ventures of the company with its foreign partners.

BIHL, a subsidiary of «KazTransOil» JSC, provides services for hydrocarbons throughput and storage of, throughput of dry cargo, and other services for cargo transshipment through the Batumi Oil Terminal and Batumi Sea Port in Georgia.

The company owns a 50% interest in KCP and 51% interest in MunaiTas, both of which are under joint control. The Company registered a contractual relationship with subsidiaries of CNPC, CNDOC in case of KCP and CNPC Exploration and Development Company Ltd. in case of MunaiTas, according to which the Company and its joint venture partners have joint control over the joint venture, including the financial and operating policies.

The Company's investments in jointly controlled entities are accounted for in the consolidated financial statements using the equity method. Statement of comprehensive income of the Group reflects its share in the results of jointly controlled entities, and the share in income of joint ventures is accounted for in the «Share of profits of jointly controlled entities». Thus, revenue and cost of sales of the Company are only available on the Company and its consolidated subsidiaries, net of revenues and expenses of joint ventures.

Operating figures in the annual report are submitted with the full reflection of the services provided, in accordance with the ownership interests in subsidiaries and jointly controlled entities.

[3] The average exchange rate, which was in the reporting period on Kazakhstan Stock Exchange is indicated.

In the consolidated statement of financial position investments in joint ventures are accounted for at initial cost plus changes arising after the acquisition of a share in the net assets of joint ventures.

Main Factors Affecting Results of Operations

The main factors that influenced the results of operations in the considered periods, and which may be expected to influence the results of operations in the future include the following:

The volume of oil transportation and cargo turnover

The table below shows the volume of oil transportation and oil turnover via the pipelines of Company for the periods indicated:

	For the years ended 31 December	
	2012	2011
Oil transportation volume (th.tons)*	53 459	54 019
For internal market*	14 054	13 502
For further export*	39 406	40 518
Oil cargo turnover (mln. ton km)*	34 530	34 493

*separate non-consolidated information related to the Company

During the considered period volume of oil transportation via main oil pipeline of the Company decreased. The volume of oil transportation by the Company decreased by 1% in 2012 (from 54 019 th.tons in 2011 to 53 459 th.tons in 2012).

As of 31 December 2012 oil transportation volume via main oil pipeline network of the Company to supply the domestic market and for further exports totaled 14 054 th.tons and 39 406 th.tons, respectively, compared to 13 502 th.tons and 40 518 th.tons, respectively, as of 31 December 2011. This increase in the Company's supply of oil for the domestic market and the decline in oil supply by the Company for further exports due to the decreased supply of Russian oil via the Omsk-Pavlodar oil pipeline and redistribution of oil supplies to the domestic market in order to provide load of oil enterprises of the country. (For the volume of oil transportation separately by «KazTransOil» JSC see «Transportation of oil and water supply»).

Transportation of oil is performed through the system of main pipelines of the Company and pipelines of joint ventures, KCP and MunaiTas.

In 2012, KCP has carried out transportation of 10 391 th.tons of oil, and the volume of oil cargo turnover of KCP was 13 745 million tons per km (in 2011 these data were 10 889 th.tons of oil and 13 859 million tons per km, respectively).

In 2012, MunaiTas company transported 3 825 th.tons of oil, and the volume of oil cargo turnover of MunaiTas was 1 490 million tons per km (in 2011 these data were 4 029 th.tons of oil and 1 612 million tons per km, respectively).

Hydrocarbons throughput

Services on oil and oil products throughput and storage, transshipment of dry cargo through the Batumi Oil Terminal and Batumi Sea Port in Georgia, as well as freight forwarding services related to the transportation of oil and oil products by rail from the border of Azerbaijan - Georgia to Batumi Oil Terminal, are provided by Petrotrans, which is included in BIHL group.

For 2012, 2011 the volume of oil and oil products transportation and transshipment through the Batumi oil terminal totaled 5 190 th.tons and 5 355 th.tons, respectively. The transshipment of oil from Kazakhstan amounted to 71% and 76% of the total volume of transshipped crude oil via terminal in 2012 and 2011, respectively.

In the period from 2011 to 2012, the volume of oil and oil products transshipped through the Batumi oil terminal in Batumi sea port decreased by 3.1%.

For the years ended 31 December 2012 and 2011, the throughput volume of dry cargo through Batumi Sea Port was 1 577 th.tons and 1 518th. tons, respectively.

The main elements of the statement of comprehensive income

Revenue

The Group's revenue consists of revenue for the following services:

- oil transportation via main pipelines network of the Company;
- services for the storage of oil in accordance with the terms of contracts for oil transportation services;
- freight forwarding services (operator activity on unified routing);
- supply of water to oil companies for their technical needs, to agricultural enterprises and to population via main waterline;
- services for operation and technical maintenance of pipelines, provided by the Company to joint ventures and third parties;
- crude oil and petroleum products throughput in the Batumi Oil Terminal and freight forwarding services of Petrotrans, including transportation by rail way from the borders of Azerbaijan-Georgia to Batumi Oil Terminal;
- Batumi sea port services (including transshipment of dry cargo);

- Other services including the Company's services, which are not related to the core business, such as the supply of electricity and heating to population and local businesses which do not have other sources of energy supplies, and services of KTO Service (medical and other ancillary services).

Cost of sales

Cost of sales consists of the following cost categories: depreciation and amortization, cost of personnel, railways services, fuel and materials, electricity, repairs and maintenance, taxes other than corporate income tax, security services, the cost of gas, air-patrolling services, costs on compensation to employees post-employment, the environmental protection, operating rent, travel expenses, insurance, pipelines diagnostics, communication and others.

General and administrative expenses

General and administrative expenses include personnel costs, depreciation and amortization, consulting services, taxes other than corporate income tax, the cost of social services, the cost to the charity, expenses on VAT not accepted as a credit, insurance and security, repairs and technical maintenance, operating rent expenses, travel expenses, materials and fuel, training, post-employment benefits, communication, bank costs, the costs of advertising, transportation, information technology, office maintenance, as well as provisions for allowance for doubtful debts, obsolete inventory and taxes, and other expenses.

Other operating income

Other operating income includes income from fines and penalties levied by the Company in violation by shippers of the terms of contracts for transportation of oil, amortization of deferred income, gain on disposal of inventory, income from writte-off of payables, amortization of financial guarantee of the Company issued to EBRD as collateral for MunaiTas loan agreement with the EBRD, as well as gain on disposal of non-current assets held for sale, and other income.

Other operating expenses

Other operating expenses include actuarial losses, loss on disposal of fixed assets and intangible assets, loss on disposal of non-current assets held for sale, loss on disposal of inventory and other expenses

Impairment of fixed assets and intangible assets

Impairment occurs when the carrying amount of an asset or cash-generating unit, exceeds its recoverable amount, which is the higher than fair value less costs to sell and value in use.

Financial income

Financial income of the Group consists of interest income on bank deposits, income from guarantees, income from dividends from joint ventures and other investments and other income.

The financial cost

The financial costs of the Group consist primarily of interest expense on borrowings and debt and discount write-off of the present value of long-term liabilities.

The results of operations for the year ended December 31, 2012, compared to the year ended December 31, 2011

The following tables show the positions of the report of the Group, by category for the periods indicated:

	For the years ended 31 December	
	2012	2011
Consolidated report on comprehensive revenue		
Revenue	143 061 325	140 478 092
Cost of sales	-99 603 631	-96 298 683
Gross profit	43 457 694	44 179 409
General and administrative expenses	-10 977 575	-6 730 370
Other operating income	1 658 170	1 645 165
Other operating expenses	-620 970	-2 766 295
Impairment of fixed assets and intangible assets	-766 227	-7 409 186
Gain on disposal of subsidiary	309 675	–
Operating profit	33 060 767	28 918 723
Foreign exchange rate loss	-220 281	-434 972
Financial revenues	1 950 357	2 895 026
Financial expenses	-847 531	-308 356
Share of income / (loss) of joint ventures	8 107 979	1 602 528
Income before taxation	42 051 291	32 672 949
Income tax	-8 550 163	-6 727 552
Profit for the year	33 501 128	25 945 397

th.tenge

	For the years ended 31 December	
	2012	2011
Indicators, not provided by IFRS		
EBITDA[(1)]	60 276 193	61 490 627
EBITDA margin[(2)] (%)	42,1	43,8
Gross profit margin[(3)] (%)	30,4	31,4
Net income margin[(4)] (%)	23,4	18,5
Net debt[(5)]	-18 954 044	-21 549 206

(1) EBITDA means gross profit minus general and administrative expenses, plus depreciation and amortization plus / (minus) charge / (reversal of provision) for doubtful debts, taxes and obsolete inventories.
(2) EBITDA margin means EBITDA divided by revenue.
(3) Gross profit margin means the gross profit divided by revenue.
(4) Net profit margin means the profit for the year divided by revenue.
(5) Net debt means the long-term and short-term debt, net of cash and cash equivalents.

The following table provides information about the components of the indicator EBITDA, measured in terms of profit for the year:

	For the years ended 31 December	
	2012	2011
Profit in the reporting year	33 501 128	25 945 397
Plus income tax expenses	8 550 163	6 727 552
Income before taxation	42 051 291	32 672 949
Plus loss from exchange rate difference	220 281	434 972
Plus financial expenses	847 531	308 356
Net financial income	-1 950 357	-2 895 026
Net share of income / (loss) of joint ventures	-8 107 979	-1 602 528
Operating income	33 060 767	28 918 723
Plus depreciation and amorization	27 663 345	27 715 962
Plus other operating expenses	620 970	2 766 295
Gain from disposal of subsidiary	-309 675	–
Net other operating revenues	-1 658 170	-1 645 165
Plus impairment of fixed assets and intangible asssets	766 227	7 409 186
charge/(reverse) of reserve on doubtful debts, taxes and obsolete inventories	132 729	-3 674 374
EBITDA	60 276 193	61 490 627

Revenue

For the year ended December 31, 2012, revenues increased by 2 583 233 thousand tenge, or for 1.8%, from 140 478 092 thousand tenge for the year ended December 31, 2011, up to 143 061 325 thousand tenge for the year ended 31 December 2012.

The following table contains data for the Group's revenue for the periods indicated:

th.tenge

	For the years ended 31 December	
	2012	2011
Services on crude oil transportation	110 260 550	109 585 457
Services on oil and oil products throughput and transportation by railway	14 880 582	13 795 329
Water supply services	6 431 874	6 119 862
Operation and technical maintenance of pipelines	5 968 264	5 227 305
Freight forwarding services	3 853 047	3 764 703
Oil storage	235 996	282 259
Other	1 431 012	1 703 177
Total	143 061 325	140 478 092

Crude oil transportation

For the year ended December 31, 2012, the Company's revenues from services for transportation of crude oil increased by 675 093 thousand tenge, or 0.6%, compared to the year ended December 31, 2011, which was primarily due to the higher rates for the transportation of oil from 1 December 2012.

Crude oil and petroleum products transportation by railway

For the year ended December 31, 2012, revenues from crude oil and petroleum products and transportation by railway increased by 1 085 253 thousand tenge, or for 7.9%, compared to the year ended December 31, 2011, that in the first place, was associated with an increase in railway tariffs and tariffs for oil transshipment.

Water supply

For the year ended December 31, 2012, the Company's revenues from services for water supply increased by 312 012 thousand tenge, or 5.1%, compared to the year ended December 31, 2011, which, in the first place, was due with the increase in water supply to oil and gas companies, in connection with the growth of consumption for industrial needs.

Services for operation and technical maintenance of pipelines

For the year ended December 31, 2012, the Company's revenues from services for operation and technical maintenance of pipelines increased by 740 959 thousand tenge, or 14.2%, compared to the year ended December 31, 2011, which was primarily due to the increase in demand for given services from KCP in connection with the commissioning of a new pumping station in December 2011. Furthermore, an increase in staff costs by a inflation coefficient has affected the growth of the Company's cost of service for operation and maintenance of pipelines.

Freight forwarding services to oil and sea port

For the year ended December 31, 2012, revenue from freight forwarding services grew by 88 344 thousand tenge, or for 2.3%, compared to the year ended December 31, 2011, which was primarily due to higher revenue from port charges in Batumi seaport.

Services for the storage of oil

For the year ended December 31, 2012, revenues from services for the storage of oil fell by 46 263 thousand tenge, or for 16.4%, compared to the year ended December 31, 2011.

Other revenues

For the year ended December 31, 2012, other revenues, which include revenues from services provided by KTO-Service as of September 21, 2012, as well as ancillary services provided by BIHL group and the Company decreased by 272 165 thousand tenge, or 16%, compared to the year ended December 31, 2011. The reduction was due to the sale of KTO-service, as well as with a decrease in income from fines for the storage of oil and oil products, exposed to customers of Batumi Industrial Holdings Ltd.

Cost of sales

For the year ended December 31, 2012, cost of sales increased by 3 304 948 thousand tenge, or 3.4%, from 96 298 683 thousand tenge for the year ended December 31, 2011, to 99 603 631 thousand tenge for the year ended December 31, 2012. This growth was due mainly to an increase in depreciation and amortization and an increase in staff costs.

The following table gives the cost of sales by object for the periods indicated:

th.tenge

	For the years ended 31 December	
	2012	2011
Depreciation and amortization	26 976 466	26 685 966
Personnel costs	29 063 058	26 621 785
Railway services	9 229 798	8 726 951
Fuel and materials	5 831 571	5 727 463
Energy costs	5 355 092	4 933 238
Repair and technical maintenance	4 994 652	4 737 422
Taxes, other than corporate income tax	4 324 473	4 079 963
Security services	3 587 876	3 403 589
Costs on gas	2 206 043	1 966 908
Air-patrolling services	1 931 505	1 942 330
Post-employment benefits	431 867	1 820 207
Environmental protection	888 008	954 634
Operating rent	744 589	750 735
Travel expenses	706 013	567 982
Insurance	476 373	480 034
Pipelines diagnostics	194 260	419 693
Communication services	214 538	213 967
Other	2 447 449	2 265 816
Total	99 603 631	96 298 683

Depreciation and amortization
For the year ended December 31, 2012, depreciation and amortization rose by 290 500 thousand tenge, or 1.1%, compared to the year ended December 31, 2011. The increase in the costs on this article was impacted by accrual of additional depreciation due to increased depreciation of fixed assets associated with accrual of reserve for commitments to liquidate pipelines and land reclamation.

Personnel costs
For the year ended December 31, 2012, personnel costs increased by 2 441 273 thousand tenge, or 9.2%, compared to the year ended December 31, 2011. This increase was primarily due to an increase in wages paid to operating personnel on the inflation rate with the upgrade of the operating staff.

The energy costs
For the year ended December 31, 2012, energy costs rose by 421 854 thousand tenge, or 8.6%, compared to the year ended December 31, 2011. This increase was associated with an increase in the water supply, as well as an increase in electricity tariffs in some areas.

Costs on railway
For the year ended December 31, 2012, the cost of rail services increased to 502 847 thousand tenge, or 5.8%, compared to the year ended December 31, 2011. This increase was due to higher tariffs for Georgian Railway.

The cost of fuel and materials
For the year ended December 31, 2012, the cost of fuel and materials increased by 104 108 thousand tenge, or 1.8%, compared to the year ended December 31, 2011. This growth was due to the higher cost of fuel and materials.

Travel expenses
For the year ended December 31, 2012, travel expenses increased by 138 031 thousand tenge, or 24.3%, compared to the year ended December 31, 2011. This increase was associated with changes in the per-diem allowance of costs and accommodation expenses, according to the changes of the Rules on business-trips of employees of the Company.

The costs of diagnostic pipeline
For the year ended December 31, 2012, the cost of diagnostics pipeline decreased by 225 433 thousand tenge, or 53.7%, compared to the year ended December 31, 2011. This decrease was due to fewer planned surveys of the pipeline in accordance with the requirements of the Company's periodic diagnostics.

Costs of security services
For the year ended December 31, 2012, the cost of security services increased by 184 287 thousand tenge, or 5.4%, compared to the year ended December 31, 2011. This growth was due to transfer of costs to outsource security services of Batumi Oil Terminal and Batumi Sea Port.

Post-employment benefits
For the year ended December 31, 2012, the costs for post-employment benefit declined by 1 388 340 thousand tenge, or 76.3%, compared to the year ended December 31, 2011. This decline is due to the fact that in 2011 the recalculation of actuarial liabilities for the previous year due to an increase in welfare benefits as a result of collective agreements was made.

Gross profit

In 2012, the gross profit of the Group decreased by 721 715 thousand tenge, or 1.6%, from 44 179 409 thousand tenge for the year ended December 31, 2011, to 43,457,694 thousand tenge for the year ended December 31, 2012. This decrease reflects a higher rate of growth of production costs compared to revenue growth, mainly due to the increased cost of production personnel. The gross profit margin decreased from 31.4% in 2011 to 30.4% in 2012.

General and administrative expenses

For the year ended December 31, 2012, general and administrative expenses increased by 4 247 205 thousand tenge, or 63.1%, to 6 730 370 thousand tenge for the year ended December 31, 2011, to 10,977,575 thousand tenge for the year ended December 31, 2012. The low value of general and administrative expenses in 2011 was primarily due to the cancellation of the provision for tax liabilities in the amount of 3 718 848 thousand tenge, in connection with litigation involving the Tax Committee of the city of Astana, which was completed with the decision in favor of the Company. Excluding the reserves and their reversal general and administrative expenses increased in 2012 by 5% compared with 2011.

The following table describes the general administrative expenses by category for the periods indicated:

th.tenge

	For the years ended 31 December	
	2012	2011
Personnel costs	5 447 561	5 190 023
Depreciation and amortization	686 879	1 029 996
Consulting services	767 630	703 429
Taxes other than corporate income tax	361 723	446 316
Social sphere expenses	172 820	378 841
Charity expenses	1 079 886	329 503
Expenses on VAT write-off for reimbursement	309 957	316 627
Insurance and security	232 607	256 020
Repair and technical maintenance	218 156	239 297
Rent expense	149 098	198 919
Business trip expense	215 928	180 017
Materials and fuel	140 532	164 879
Training	132 182	157 450
Post-employment benefits	28 133	113 793
Communication services	124 219	98 699
Bank costs	102 622	98 192
Advertising expenses	186 903	84 835
Transportation expenses	14 366	79 271
Information expenses	77 118	76 182
Provision for allowance for doubtful debts	119 756	41 582
Office maintenance	121 661	34 956
Provision allowance for obsolete and slow-moving inventories	12 973	2 892
Reversal of tax provisions	0	-3 718 848
Other	274 865	227 499
Total	10 977 575	6 730 370

Personnel costs
For the year ended December 31, 2012, personnel costs rose by 257 538 thousand tenge, or 5%, compared to the year ended December 31, 2011, which was primarily due to an increase in the size of the salaries paid to employees of administrative staff of the Company's production units by a factor of inflation.

Depreciation and amortization
For the year ended December 31, 2012, depreciation and amortization decreased by 343 117 thousand tenge, or 33.3%, compared to the year ended December 31, 2011, which was mainly due to the decrease in depreciation of BIHL assets, in due to changes in estimates, and sale of KTO-Service.

Consultancy costs
For the year ended December 31, 2012, the costs for consulting services increased by 64 201 thousand tenge, or 9.1%, compared to the year ended December 31, 2011, which was primarily due to the involvement of experts to hold technical audit of the Company in 2012.

Expenses for taxes other than corporate income tax
For the year ended December 31, 2012, expenses for the payment of taxes other than corporate income tax decreased by 84 593 thousand tenge, or 19%, compared to the year ended December 31, 2011, which was primarily associated with reversal of the VAT, due to pre-issuing additional VAT to the shippers.

Social sphere expenses
For the year ended December 31, 2012, the cost of social services declined by 206 021 thousand tenge, or 54.4%, compared to the year ended December 31, 2011, which was primarily due to a decrease in the cost of cultural and recreational activities within the framework of cost management program.

Charity expenses
For the year ended December 31, 2012, the charity expenses increased by 750 383 thousand tenge, or 227.7%, compared to the year ended December 31, 2011, which was primarily due to the provision of charity to the public association «Pavlodar - our common home» for the construction of a sports complex in the city of Pavlodar.

Training costs
For the year ended December 31, 2012, training costs decreased by 25 268 thousand tenge, or 16%, compared to the year ended December 31, 2011, which was associated with a decrease in the number of applications of employees.

Post-employment benefits
For the year ended December 31, 2012, the cost of post-employment benefits decreased by 85 660 thousand tenge, or 75.3%, compared to the year ended December 31, 2011. This decline is due to the fact that in 2011 the recalculation of actuarial liabilities for 2011 and the previous years due to an increase in welfare benefits as a result of collective agreements was made.

Communication costs
For the year ended December 31, 2012, the cost of services increased by 25 520 thousand tenge, or 25.9%, compared to the year ended December 31, 2011, which was primarily due to reclassifications in postage communication services.

Bank costs
For the year ended December 31, 2012, the cost of banking services increased by 4 430 thousand tenge, or 4.5%, compared to the year ended December 31, 2011, which was primarily due to the increase in fees of some banking transactions, collected by the range of Kazakh banks.

Advertising costs
For the year ended December 31, 2012, advertising expenses increased by 102 068 thousand tenge, or 120.3%, compared to the year ended December 31, 2011, which was primarily due to the advertising campaign of «People's IPO».

Reversal of tax provision
In 2008, the tax authorities of Astana issued a notice of additional taxes in the amount of 4 488 881 th. tenge to the Company. The company did not agree with the additional accrual and lodged an appeal to the tax authorities, which was satisfied only partially. The company appealed in the Court a notice of tax authorities and accrued a provision in the amount of 3 718 848 thousand tenge, which, according to the Company, is the estimate of the amount that must be done, if the proceedings are not decided in favor of the Company. In 2011, the decision of the High Court on the dispute was in favor of the Company in connection with this, provision was reversed.

Other operating income
3For the year ended December 31, 2012, other operating income of the Group increased by 13 005 thousand tenge, or 0.8%, from 1 645 165 th for the year ended December 31, 2011, up to 1 658 170 thousand tenge for the year ended December 31, 2012. This growth reflects the receipt of income from assets received free of charge from the suppliers, the process of modernizing equipment LPDS Kenkiyak and receive income due to the increase of penalties and interest held by the suppliers for non-compliance with contract terms.

Other operating expenses
For the year ended December 31, 2012, other operating expenses of the Group decreased by 2 145 325 thousand tenge, or 77.6%, from 2 766 295 thousand tenge for the year ended December 31, 2011, to 620 970 thousand tenge for the year ended December 31, 2012. The reduction was primarily due to lower accrued actuarial losses in 2012, compared with the accrued actuarial losses in 2011, due to the adoption of collective agreements with employees of the Company, as well as the disposal of assets of KTO-Service in 2011.

Impairment of fixed assets and intangible assets
For the years ended December 31, 2012, 2011, the Group recognized an impairment loss of fixed assets and intangible assets at the amount of 766 227 thousand tenge and 7 409 186 thousand tenge, respectively. In 2011, significant impairment of BIHL assets on test results was recognized. In 2012, impairment applied to non-core assets, in particular the complex of kindergartens in the village of Atasu and playgrounds in Usharal.

Gain on disposal of subsidiary
For the year ended 31 December 2012, the Group recognized a gain from the sale of KTO-Service in the amount of 309 675 thousand tenge. Remuneration received in cash amounted to 11 647 889 thousand tenge. Net identifiable assets, liabilities and contingent liabilities of KTO - Services related to the 100% stake sold to «KMG-Service» LLC as of the date of disposal amounted to 11 338 214 thousand tenge.

Operation profit
Operating income for the year ended December 31, 2012, increased by 4 142 044 thousand tenge, or 14.3%, from 28 918 723 th.tenge for the year ended December 31, 2011, up to 33 060 767 th.tenge for the year ended December 31, 2012. Such an increase, despite the decline in gross profit of the Group was primarily associated with lower impairment of fixed assets and intangible assets for 89.7% in 2012 compared with 2011.

Net foreign exchange loss
For the year ended December 31, 2012, the net foreign exchange loss decreased by 214 691 thousand tenge, or 49.4%, from 434 972 thousand tenge for the year ended December 31, 2011, to 220 281 thousand tenge for the year ended December 31, 2012. Such a reduction in loss was primarily due to the strengthening of the U.S. dollar against the tenge.

Financial income
For the year ended December 31, 2012, the financial income of the Group decreased by 944 669 thousand tenge, or 32.6%, from 2 895 026 thousand tenge for the year ended December 31, 2011, to 1,950,357 thousand tenge for the year ended December 31, 2012. The reduction was primarily due to lower income received on bank deposits by 34.3% in 2012 compared

with 2011, and also due to the reduced free cash flow, and non-receipt of dividend income for the year ended December 31, 2012, compared to the dividend yield of 17 608 thousand tenge for the year ended December 31, 2011.

The financial cost

For the year ended December 31, 2012, the financial costs of the Group increased by 539 175 thousand tenge, or 174.9%, compared to the year ended December 31, 2011. This increase was primarily related to the amortization of discount on provisions for liabilities to liquidate the pipeline and lands reclamation. Also, the increase was affected by write-offs of the discount of present value of employee benefit, with the increasing interest in 2012, which in turn was associated with a corresponding increase in liabilities as of December 31, 2011.

Share of profits / (losses) of jointly controlled entities

For the year ended 31 December 2012, the Group's share of profits from joint ventures increased by 6 505 451 thousand tenge, or 405.9%, from 1 602 528 th.tenge for the year ended December 31, 2011, up to 8 107 979 thousand tenge for the year ended December 31, 2012, due to the increase in recognized profit share of the KCP.

The following table shows the Company's investment in KCP and MunaiTas at indicated dates.

th.tenge

	For the years ended 31 December	
	2012	2011
KCP	30 188 246	22 879 691
MunaiTas	10 627 303	9 539 213
Total	40 815 549	32 418 904

Consolidated share of profit of jointly controlled entities in the considered periods equaled to:

th.tenge

	For the years ended 31 December	
	2012	2011
KCP	7 019 889	1 181 464
MunaiTas	1 088 090	421 065
Share of recognized profit Of jointly controlled entities	8 107 979	1 602 529

The share of Group in KCP profit in 2011 made 9 241 644 thousand tenge, however because of an unrecognized loss of last years at the amount of 8 060 180 thousand tenge, the Group recognized 1 181 464 thousand tenge.

Income tax expenses

For the year ended December 31, 2012 and 2011 expenses on income tax made:

th.tenge

	For the years ended 31 December	
	2012	2011
Expenses on current income tax	8 172 066	9 473 951
Expenses/(economy) on deferred income tax	378 097	-2 746 399
Income tax	8 550 163	6 727 552

For the year ended December 31, 2012, the cost of the Group's current income tax decreased by 1 301 885 thousand tenge, or 13.7%, compared to the year ended December 31, 2011. Deferred tax savings in 2011 amounted to 2 746 399 thousand tenge, while in 2012, the cost of deferred income tax amounted to 378 097 thousand tenge, deviation compared with 2011 amounted to 3 124 496 thousand tenge. This change is due to the fact that the Group has discontinued recognition of deferred income tax asset of controlled foreign companies due to the estimates by the Group of probability of non-implementation of this deferred tax asset at the Group level.

Profit for the year

As a result of the above factors, profit for the year ended December 31, 2012, increased by 7 555 731 thousand tenge, or 29.1%, from 25,945,397 thousand tenge for the year ended December 31, 2011, to 33 501 128 thousand tenge compared to the year ended December 31, 2012. This increase was associated with a reduction in depreciation of fixed assets, as well as the increase in the share of income from joint ventures.

Liquidity and Capital Resources

The main sources of working capital and long-term financing of the Group is the receipt of cash from operations. The Group's liquidity is primarily used to finance operating activities and capital expenditures.

Cash flow

The following table provides information on the basic positions of the statement of cash flows for the periods indicated:

th.tenge

	For the years ended 31 December	
	2012	2011
Net operating cash flow	62 907 456	58 008 383
Net cash flow from / (used in) investing activities	-33 095 921	-33 452 217
Net cash flow from / (used in) financing activity	-32 709 878	-19 618 173
Net change in cash and cash equivalents	-2 898 343	4 937 993
Cash and cash equivalents at the beginning of the year	21 852 387	16 914 394
Cash and cash equivalents at the end of the year	18 954 044	21 852 387

Net cash flows from operating activities
Net cash flows from operating activities are mainly formed by receipts from customers and other income from operating activities minus cash paid to suppliers and employees, and taxes other than income tax, and paid interest.

For the year ended December 31, 2012, net cash flow from operating activities increased by 8.4% compared to the year ended December 31, 2011. This increase was due mainly to an increase in advances received. In addition, there are changes in taxes receivable and other current assets due to increased freight forwarding operations, loading and unloading, as well as for transportation of crude oil.

Net cash flows from / (used in) investing activities
Net cash flows used in investing activities consist primarily of cash paid in connection with the acquisition of fixed assets and intangible assets, the payment of dividends and the placement of time deposits.

For the year ended December 31, 2012, net cash flows used in investing activities decreased by 1.1% compared to the year ended December 31, 2011. The reduction was primarily due to lower cash used for the acquisition of fixed assets for 7 765 308 thousand tenge, which was partially offset by proceeds from the sale of a subsidiary, net of cash of disposed subsidiary in the amount of 5 671 856 thousand tenge, and a reduction of funds to be deposited.

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Net cash flows from/(used in) financing activities
Net cash flows used in financing activities primarily reflect cash received from the issue of shares, dividends to KMG and repayment of loans and borrowings.

For the year ended December 31, 2012, net cash flows used in financing activities increased by 66.7% compared to the year ended December 31, 2011. This growth primarily reflects dividends paid at the amount of 60 002 000 thousand tenge, which were partially offset by cash inflow from the issue of shares amounting to 27 886 080 thousand tenge.

Cash and cash equivalents

Cash and cash equivalents available at the Group as of 31 December 2012 amounted to 18 954 044 th.tenge and as of 31 December 2011 – 21 852 387th. tenge.

Statement of financial position

The following table provides information on the basic positions of the statement of financial position for the periods indicated:

th.tenge

	For the years ended 31 December	
	2012	**2011**
Long-term assets	410 572 959	376 152 417
Current assets	85 877 581	73 876 510
Total assets	**496 450 540**	**450 028 927**
Total equity	392 314 063	371 498 086
Long-term liabilities	66 112 646	45 206 572
Current liabilities	38 023 831	33 324 269
Total equity and liabilities	**496 450 540**	**450 028 927**

Long-term assets

For the year ended December 31, 2012, long-term assets increased by 9.2%, or 34,420,542 tenge compared to the year ended December 31, 2011. This growth reflects the increase in fixed assets, due to accrual of provision for liquidation of pipelines and land reclamation in the amount of 15 084 384 thousand tenge, the re-evaluation of process oil in the amount of 23 982 196 thousand tenge and increase in the cost of investments in jointly controlled entities in the amount of 8 396 645 thousand tenge.

Current assets

For the year ended December 31, 2012, current assets of the Group increased by 16.2% or 12 001 071 tenge compared to the year ended December 31, 2011. This growth reflects the increase in cash intended for short-term bank deposits.

Capital

For the year ended December 31, 2012, equity of the Group increased by 5.6%, or 20 815 977 thousand tenge compared to the year ended December 31, 2011. This increase mainly reflected placement of shares of the Company in the amount of 27 886 080 thousand tenge.

Long-term liabilities

For the year ended December 31, 2012, long-term liabilities of the Group increased by 46.2% or 20 906 074 tenge compared to the year ended December 31, 2011. This increase primarily reflects provisions for liquidation of pipelines and land reclamation in the amount of 15 531 037 thousand tenge, and an increase in deferred income tax.

Current liabilities

For the year ended December 31, 2012, the current liabilities of the Group increased by 14.1%, or 4 699 562 thousand tenge compared to the year ended December 31, 2011. This growth reflects an increase of advances received for transportation of crude oil.

Personnel

As of 31 December 2012 the Group employed 9 264 people. The following table provides information on the number of employees of the Group, excluding employees of KCP and MunaiTas.

	For the years ended 31 December	
	2012	2011
Operating staff of KTO	7 296	7 277
Administrative and managerial staff of KTO	458	471
BIHL group	1 510	1 798
Total	9 264	9 546

In determining the amount of wages the Company is constantly researching the salaries market. As of 31 December 2011 and 2012 payroll (except similar expenses of KCP and MunaiTas) totaled 26 956 103 thousand tenge and 28 491 109 thousand tenge, respectively.

Capital expenditures

Capital expenditures amounted to 24.9 billion tenge for the year ended December 31, 2012, and 33.7 billion tenge for the year ended December 31, 2011.

The most significant capital expenditures include the costs of the Group aimed at improving the reliability of the system of pipelines of West Branch, the reconstruction of the system of oil pipelines of the Eastern branch, upgrading and maintaining the Batumi oil terminal and other infrastructure facilities of Batumi sea port.

For the years ended December 31, 2012, the most significant capital expenditure of the Group included:

- 20.8 billion tenge, for the repair and maintenance of the pipeline;
- KZT 2.9 billion tenge for modernization and maintenance of the Batumi sea port and Batumi oil terminal;
- 1.2 billion tenge, to support the ongoing work Astrahan-Mangyshlak waterline.

Borrowings and guarantees

During 2012, the Group repaid short-term debt in the amount of 303 181 thousand tenge as of 31 December 2012 does not have long-term and short-term borrowings.

Loan of JSC «Halyk Bank Georgia»

In October 2011, «Halyk Bank Georgia» JSC issued to the «Batumi Oil Terminal» loan for one year period for a total of 2 040 000 U.S. dollars at an interest rate of 11% per annum in order to refinance the loan, issued earlier by TBC Bank to Batumi Port Holdings, an affiliated company of «Batumi Oil Terminal» to finance the company in Georgia. The loan was repaid in full on October 27, 2012.

Warranties

In July 2004, the EBRD opened a credit line for MunaiTas for ten years period for a total of 81 600 000 U.S. dollars with quarterly interest payments at a rate equal to three-month LIBOR rate plus 2.25%, further increased by 0.25% for each year after July 29, 2011. The credit line is secured by a guarantee provided by the Company to EBRD. This guarantee ensures that MunaiTas shall fulfill its obligations under the credit line in full, including the repayment of debt and interest payments, and remain in force until repayment by MunaiTas of credit line in full. Under the provisions of the loan documents, if the Company decides to withdraw guarantees, the interest rate on the credit line will be increased to three-month LIBOR plus 3.5% per annum. During 2012 MunaiTas partially repaid the loan in the amount of 2 463 268 thousand tenge (16 480 thousand U.S. dollars), and as of December 31, 2012 balance of the debt amounted to 1 642 197 thousand tenge (10 987 thousand U.S. dollars).

KazTransOil

ANNUAL REPORT
2012

06
CONSOLIDATED FINANCIAL STATEMENTS

INDEPENDENT AUDITORS' REPORT

ERNST & YOUNG

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Independent auditors' report

To the shareholders of KazTransOil JSC:

We have audited the accompanying consolidated financial statements of KazTransOil JSC and its subsidiaries ("the Group"), which comprise the consolidated statement of financial position as at 31 December 2012, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the consolidated financial statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

INDEPENDENT AUDITORS' REPORT

ERNST & YOUNG

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of KazTransOil JSC as at 31 December 2012, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Ernst & Young LLP

Gulmira Turmagambetova Auditor	Evgeny Zhemaletdinov General Director Ernst & Young LLP
Auditor Qualification Certificate No. 0000374 dated 21 February 1998	State Audit License for audit activities on the territory of the Republic of Kazakhstan: series МФЮ-2, No. 0000003 issued by the Ministry of Finance of the Republic of Kazakhstan on 15 July 2005

26 February 2013

A member firm of Ernst & Young Global Limited

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

In thousands of Tenge

	Note	31 December 2012	31 December 2011*
ASSETS			
Non-current assets			
Property, plant and equipment	7	362,869,105	330,514,478
Intangible assets	8	6,233,226	6,229,037
Investments in joint ventures	10	40,815,549	32,418,904
Advances to suppliers for property, plant and equipment	11	524,274	638,912
Bank deposits	17	–	6,000,000
Other non-current assets		130,805	351,086
		410,572,959	376,152,417
Current assets			
Inventories	12	2,599,941	2,784,431
Trade and other accounts receivable	13	2,527,881	3,054,223
Advances to suppliers	14	603,109	744,898
Prepayment for corporate income tax	35	1,580,756	1,756,038
VAT recoverable and other prepaid taxes	15	2,092,013	3,633,715
Other current assets	16	4,405,862	4,897,493
Bank deposits	17	53,084,676	35,123,823
Cash and cash equivalents	18	18,954,044	21,852,387
		85,848,282	73,847,008
Assets classified as held for sale		29,299	29,502
		85,877,581	73,876,510
Total assets		496,450,540	450,028,927
EQUITY AND LIABILITIES			
Equity			
Share capital	19	61,937,567	34,617,204
Asset revaluation reserve		144,421,031	138,056,828
Other capital reserves		17,104	17,104
Foreign currency translation reserve		9,875,876	9,334,129
Retained earnings		176,062,485	189,472,821
Total equity		392,314,063	371,498,086
Non-current liabilities			
Financial guarantee issued on behalf of related party	37	199,654	338,919
Employee benefit liability	21	6,562,263	5,909,892
Deferred tax liabilities	35	39,406,770	34,201,711
Provision on asset retirement obligation	26	15,531,037	–
Deferred income	22	4,412,922	4,756,050
		66,112,646	45,206,572
Current liabilities			
Loans and borrowings	20	–	303,181
Employee benefit liability	21	238,000	226,000
Income tax payable	35	919,213	1,156,184
Trade and other accounts payable	23	6,771,926	6,545,623
Advances received	24	15,970,695	11,226,796
Other taxes payable	25	1,639,801	1,269,317
Provisions	26	353,697	287,727
Other current liabilities	27	12,130,499	12,309,441
		38,023,831	33,324,269
Total liabilities		104,136,477	78,530,841
TOTAL EQUITY AND LIABILITIES		496,450,540	450,028,927
Book value of ordinary shares (in Tenge)	6	1,004	1,055

* Certain amounts shown here differ from the amount shown in 2011 consolidated financial statements and reflect adjustments made as detailed in Note 5

The accounting policy and explanatory notes on pages 65 through 105 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

In thousands of Tenge

	Note	2012	2011
Revenue	28	143,061,325	140,478,092
Cost of sales	29	(99,603,631)	(96,298,683)
Gross profit		43,457,694	44,179,409
General and administrative expenses	30	(10,977,575)	(6,730,370)
Other operating income	31	1,658,170	1,645,165
Other operating expenses	32	(620,970)	(2,766,295)
Impairment of property, plant and equipment and intangible assets	7,8	(766,227)	(7,409,186)
Gain on disposal of subsidiary	9	309,675	–
Operating profit		33,060,767	28,918,723
Net foreign exchange loss		(220,281)	(434,972)
Finance income	33	1,950,357	2,895,026
Finance costs	34	(847,531)	(308,356)
Share in income of joint ventures	10	8,107,979	1,602,528
Profit before tax		42,051,291	32,672,949
Income tax expense	35	(8,550,163)	(6,727,552)
Profit for the year less income tax		33,501,128	25,945,397
Earnings per share (in Tenge)	6	96	77
Other comprehensive income of the Group			
Foreign currency translation		537,833	742,221
Revaluation of property, plant and equipment	7	23,982,196	13,582,220
Income tax effect	35	(4,796,439)	(2,716,444)
		19,185,757	10,865,776
Impairment of property, plant and equipment	7	(19,713)	(8,791,902)
Income tax effect	35	3,943	1,353,218
		(15,770)	(7,438,684)
Other comprehensive income for the year of the Group net of tax		19,707,820	4,169,313
Share of the other comprehensive income of joint ventures accounted for using the equity method			
Foreign currency translation		3,914	1,673
Revaluation of property, plant and equipment		–	27,120,693
Income taxe effect		–	(5,424,139)
		–	21,696,554
Provision on asset retirement obligation		312,361	–
		312,361	–
Impairment of property, plant and equipment		(27,609)	–
		(27,609)	–
Share of the other comprehensive income of joint ventures accounted for using the equity method, net of tax	10	288,666	21,698,227
Total other comprehensive income for the year, net of tax		19,996,486	25,867,540
Total comprehensive income for the year, net of tax		53,497,614	51,812,937

The accounting policy and explanatory notes on pages 65 through 105 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

In thousands of Tenge

	Note	For the years ended 31 December 31 December 2012	31 December 2011*
Cash flows from operating activities:			
Profit before tax		42,051,291	32,672,949
Non-cash adjustment to reconcile profit before tax to net cash flows:			
Depreciation and amortization	29,30	27,663,345	27,715,962
Gain on disposal of subsidiary	9	(309,675)	–
Allowance on doubtful debts	30	119,756	41,582
Share in income of joint ventures	10	(8,107,979)	(1,602,529)
Finance costs	34	847,531	308,356
Finance income	33	(1,950,357)	(2,895,026)
Actuarial losses	32	153,000	1,540,000
Employee benefits	21	460,000	1,934,000
Charge / (reversal) of environmental provisions	26	305,542	(3,657,377)
Loss on disposal of property, plant and equipment and intangible assets	32	46,050	523,329
Gain on disposal of long-term assets classified as held for sale	31,32	–	(13,749)
Impairment of property plant and equipment and intangible assets	7,8	766,227	7,409,186
Income from write-off of payables	31	(11,222)	(9,930)
Amortization of deferred income	31	(312,365)	(312,365)
Write-off of VAT recoverable	30	309,957	316,627
Amortization of financial guarantee issued on behalf of related party	31	(138,570)	(136,070)
Unrealized foreign exchange (gain) / loss		(94,322)	576,333
Provision for slow-moving and obsolete inventory	30	12,973	2,892
Operating cash flows before working capital changes:		61,811,182	64,414,170
Changes in inventories		191,142	403,765
Changes in trade and other accounts receivable		311,800	(515,536)
Changes in advances to suppliers		52,754	(5,317)
Changes in taxes recoverable and other current assets		917,746	(261,996)
Changes in trade and other accounts payable		(32,026)	(18,909)
Changes in advances received		4,765,455	340,386
Changes in taxes payable		381,972	(179,786)
Changes in other current and non-current liabilities and employee benefit liabilities		(714,433)	(504,024)
Cash generated from operations:		67,685,592	63,672,753
Income taxes paid		(7,488,276)	(7,910,075)
Interest received		2,738,100	2,311,977
Interest paid		(27,960)	(66,272)
Net cash flow from operating activities		62,907,456	58,008,383

* Certain amounts shown here differ from the amounts shown in 2011 consolidated financial statements and reflect adjustments made as detailed in Note 5

CONSOLIDATED STATEMENT OF CASH FLOWS

In thousands of Tenge

		For the years ended 31 December	
	Note	31 December 2012	31 December 2011*
Cash flows from investing activities:			
Withdrawal of term deposits		49,811,934	51,483,846
Placement of term deposits		(62,600,000)	(51,145,698)
Purchase of property, plant and equipment		(26,010,001)	(33,775,309)
Purchase of intangible assets		(287,119)	(289,221)
Proceeds from disposal of property, plant and equipment and intangible assets		317,409	27,096
Monetory proceeds from sale of subsidiary	9	5,671,856	–
Repayment of loans provided to related parties		–	229,461
Proceeds from disposal of assets classified as held for sale		–	17,608
Net cash flow used in investing activities		(33,095,921)	(33,452,217)
Cash flows from financing activities:			
Proceeds from share issue	19	27,886,080	–
Payments for consulting serviced related to the issuance of shares	19	(289,774)	–
Proceeds from loans and borrowings		690,000	299,105
Repayment of loans and borrowings		(994,184)	(586,480)
Dividends paid	19	(60,002,000)	(19,330,798)
Net cash flow used in financing activities		(32,709,878)	(19,618,173)
Net change in cash and cash equivalents		(2,898,343)	4,937,993
Cash and cash equivalents at the beginning of the year	18	21,852,387	16,914,394
Cash and cash equivalents at the end of the year	18	18,954,044	21,852,387

* Certain amounts shown here differ from the amounts shown in 2011 consolidated financial statements and reflect adjustments made as detailed in Note 5

Non-cash transactions

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

Depreciation included in cost of construction in progress
The amount of depreciation for 2012 included in cost of construction in progress was 22,996 thousand Tenge (2011: 11,054 thousand Tenge).

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

In thousands of Tenge

	Note	Share capital	Asset revaluation reserve	Other capital reserves	Foreign currency translation reserve	Retained earnings	Total
As at 1 January 2011		32,916,055	124,828,954	17,104	8,590,235	171,962,450	338,314,798
Profit for the year		–	–	–	–	25,945,397	25,945,397
Other comprehensive income		–	25,123,646	–	743,894	–	25,867,540
Total other comprehensive income for the year		–	25,123,646	–	743,894	25,945,397	51,812,937
Depreciation transfer of revalued property, plant and equipment		–	(12,424,089)	–	–	12,424,089	–
Shares issuance	19	1,701,149	–	–	–	–	1,701,149
Dividends	19	–	–	–	–	(19,330,798)	(19,330,798)
Other distributions	19	–	–	–	–	(1,000,000)	(1,000,000)
Foreign currency translation		–	528,317	–	–	(528,317)	–
As at 31 December 2011		34,617,204	138,056,828	17,104	9,334,129	189,472,821	371,498,086
Profit for the year		–	–	–	–	33,501,128	33,501,128
Other comprehensive income		–	19,454,739	–	541,747	–	19,996,486
Total other comprehensive income for the year		–	19,454,739	–	541,747	33,501,128	53,497,614
Depreciation transfer of revalued property, plant and equipment		–	(13,090,536)	–	–	13,090,536	–
Shares issuance	19	27,886,080	–	–	–	–	27,886,080
Consulting services expense related to the issuance of shares	19	(565,717)	–	–	–	–	(565,717)
Dividends	19	–	–	–	–	(60,002,000)	(60,002,000)
As at 31 December 2012		61,937,567	144,421,031	17,104	9,875,876	176,062,485	392,314,063

The accounting policy and explanatory notes on pages 65 through 105 form an integral part of these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL

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

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

As of 31 December 2012, National Company KazMunayGas JSC ("KMG" or the "Parent Company") is a major shareholder of the Company (90 percent). KMG is owned by "Sovereign Wealth Fund Samruk-Kazyna" JSC ("Samruk-Kazyna"), which is controlled by the Government of the Republic of Kazakhstan.

In 2012 the Company performed a share split in proportion 1:10, as a result of which the number of authorized shares has increased from 34,617,204 to 346,172,040, however, share capital has not changed (34,617,204 thousand Tenge). Thereafter, the Company increased the number of authorized shares by 38,463,560 (10% from total amount of 384,635,600 shares), with a purpose to place them on the Kazakhstan Stock Exchange under the "People's IPO" programme. Trades in the shares of JSC «KazTransOil» on the Kazakhstan Stock Exchange were opened on December 25, 2012. As a result, 38,463,559 common shares at 725 Tenge per share were sold for 27,886,080 thousand Tenge (Note 19).

As at December 31, the Company had interest ownership in the following companies:

	Place of incorporation	Principal activities	Ownership 31 December 2012	Ownership 31 December 2011
"KTO–Service" JSC ("KTO–Service")	Kazakhstan	Management of non-production assets	–*	100%
"SZTK MunaiTas" JSC ("MunaiTas")	Kazakhstan	Oil transportation	51%	51%
"Kazakhstan–China Pipeline" LLP ("KCP")	Kazakhstan	Oil transportation	50%	50%
"Batumi Capital Partners Limited" ("BCPL")	Cyprus**	Forwarding, transhipment and storage of oil and oil products	50%**	50%**
"Batumi Industrial Holdings Limited" ("BIHL")	Cyprus**	Forwarding, transhipment and storage of oil and oil products and operating of Batumi Sea Port and Oil Terminal	100%**	100%**

* On 21 September 2012, the Company sold 100% of common shares of "KTO-Service" JSC to "KazMunayGas-Service" JSC (related party) (Note 9).

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

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

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

The Group operates network of main oil pipelines of 5,503 km and water pipelines of 2,148 km within the Republic of Kazakhstan. Also the Group is engaged in storage, loading, transshipment or transfer of crude oil to other related pipeline systems. Group's joint ventures MunaiTas and KCP own Kenkiyak-Atyrau, Kenkiyak-Kumkol, and Atasu-Alashankou pipelines used for transportation of Kazakhstani crude oil to China. Group's subsidiary BIHL owns Batumi Oil Terminal and has controlling interest of Batumi Sea Port, main activity of which is storage and transshipment of oil cargoes.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

These consolidated financial statements were approved for issue by the General Director and the Chief Accountant of the Company on 26 February 2013.

2. BASIS OF PREPARATION

The consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

These consolidated financial statements have been prepared on a historical cost basis, except for property, plant and equipment which are stated at revalued amounts and financial assets that have been measured at fair value. The consolidated financial statements are presented in Tenge and all values are rounded to the nearest thousand, except when otherwise indicated.

3. BASIS OF CONSOLIDATION

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at 31 December 2012.

Subsidiaries are fully consolidated from the date of acquisition, being the date on which the Company obtains control, and continue to be consolidated until the date when such control ceases. The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. All intra-group balances, transactions, unrealised gains and losses resulting from intra-group transactions and dividends are eliminated in full.

Total comprehensive income within a subsidiary is attributed to the non-controlling interest even if that results in a deficit balance.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it:

- derecognises the assets (including goodwill) and liabilities of the subsidiary;
- derecognises the carrying amount of any non-controlling interest;
- derecognises the cumulative translation differences recorded in equity;
- recognises the fair value of the consideration received;
- recognises the fair value of any investment retained;
- recognises any surplus or deficit in profit or loss;
- reclassifies the parent's share of components previously recognised in other comprehensive income to profit or loss or retained earnings, in accordance with the requirement of IFRS.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

4.1 Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any non-controlling interest in the acquiree. For each business combination, the Group decides whether to measure the non-controlling interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Costs related to the acquisition are expensed and included in administrative expenses at the moment when they are incurred.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date through profit or loss.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of IAS 39 "Financial Instruments: Recognition and Measurement", is measured at fair value with changes in fair value recognised either in profit or loss or as a change to other comprehensive income. If the contingent consideration is not within the scope of IAS 39, it is measured in accordance with the appropriate IFRS. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity.

Goodwill is initially measured at cost being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interest over the net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognised in profit or loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where the goodwill forms part of a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

4.2 Interest in a joint venture

The Group has interests in joint ventures which are jointly controlled entities, whereby the venturers have a contractual arrangement that establishes joint control over the economic activities of these entities. Arrangements require participants to have agreed votes in regards, to financial and operational policies. The Group's investment in its joint ventures is accounted for using the equity method.

Under the equity method, the investments in joint ventures are carried in the consolidated statement of financial position at cost plus post acquisition changes in the Group's share of net assets of the joint ventures, that arise after the acquision date. Goodwill relating to joint ventures is included in the carrying amount of the investment and is neither amortised nor individually tested for impairment.

The consolidated statement of comprehensive income reflects the Group share of the results of operations of joint ventures. Where there has been a change recognised directly in the equity of the joint ventures, the Group recognizes its share of any changes and discloses this, when applicable, in the statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and joint ventures are eliminated to the extent of the interest in the joint ventures.

The Group share of profit or loss of joint ventures is shown on the face of the statement of comprehensive income. This is the profit or loss after tax.

The financial statements of joint ventures are prepared for the same reporting period as for the Group. Where necessary, adjustments are made to bring the accounting policies in line with those of the Group.

After application of the equity method, the Group determines whether it is necessary to recognise an additional impairment loss on own investments in its joint ventures. The Group determines at each reporting date whether there is any objective evidence that the investment in a joint venture is impaired. If this is the case the Group calculates the amount of impairment as the difference between the recoverable amount of the joint venture and its carrying value and recognises the amount in statement of comprehensive income under "Share of profit or loss of joint ventures".

Upon loss of joint control over joint ventures and provided the former jointly controlled entity does not become a subsidiary or associate, the Group measures and recognises its remaining investment at its fair value. Any differences between the carrying amount of the former jointly controlled entity upon loss of joint control and the fair value of the remaining investment and proceeds from disposal are recognised in statement of comprehensive income. In case the Group retains significant influence over its investments, remaining investments are accounted for as investments in an associate using the equity method.

4.3 Foreign currency translation

The Group's consolidated financial statements are presented in Tenge, which is also the Company's functional currency and presentation currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency.

Transactions and balances

Transactions in foreign currencies are initially recorded by the Group entities at their respective functional currency spot rates prevailing at the date of the transaction first qualified for recognition.

Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency spot rate of exchange the reporting date.

All differences are taken to the statement of comprehensive income.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. The gain or loss arising on retranslation of non-monetary items is treated in line with the recognition of gain or loss on change in fair value of the item (i.e. translation differences on items whose fair value gain or loss is recognised in other comprehensive income or profit or loss is also recognised in other comprehensive income or profit or loss, respectively).

Goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition are treated as assets and liabilities of the foreign operation and translated at the spot rate of exchange at the reporting date.

Group companies

On consolidation the assets and liabilities of foreign operations are translated into Tenge at the rate of exchange prevailing at the reporting date and their income statements are translated at weigthed average currency exchange rates. The exchange differences arising on translation for consolidation are recognised in other comprehensive income. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in profit or loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Exchange rates

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

As at 31 December, the currency exchange rates of KASE were:

Tenge

	2012	2011
US dollar	150.74	148.40
Russian ruble	4.96	4.61
Euro	199.22	191.72
Georgian Lari	90.99	88.63

4.4 Non-current assets held for sale and discontinued operations

The Group classifies non-current assets and disposal groups as held for sale if their carrying amounts will be recovered principally through a sale transaction rather than through continuing usage. Non-current assets and disposal groups classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell. The criteria for held for sale classification is regarded as met only when the sale is highly probable and the asset or disposal group is available for immediate sale in its present condition. Management must committ to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

Discontinued operations are excluded from the results of continuing operations and are presented as a single amount as profit or loss after tax from discontinued operations in the statement of comprehensive income.

Property, plant and equipment and intangible assets once classified as held for sale are not depreciated or amortized.

4.5 Property, plant and equipment

Property, plant and equipment are measured at fair value less accumulated depreciation (except for land, technological oil and construction in process) and impairment losses recognised after the date of the revaluation. The Group periodically engages independent appraisers to revalue property, plant and equipment to their depreciated replacement cost. Valuations are performed frequently to ensure that the fair value of a revalued asset does not differ materially from its carrying amount.

Any revaluation surplus is recorded in other comprehensive income and, have credited to the asset revaluation reserve in equity, except to the extent that it reverses a revaluation decrease of the same asset previously recognised as expense in the statement of comprehensive income, in this case the increase is recognised through profit in the statement of comprehensive income. A revaluation deficit is recognised as expense in the statement of comprehensive income, except to the extent that it offsets an existing surplus on the same asset recognised in the asset revaluation reserve.

An annual transfer from the asset revaluation reserve to retained earnings is made for the difference between depreciation based on the revalued carrying amount of the assets and depreciation based on the assets' original cost. Additionally, accumulated depreciation, as at the revaluation date, is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset. Upon disposal, any revaluation reserve relating to the particular asset being sold is transferred to retained earnings.

The present value of the expected cost for the decommissioning of an asset after its use is included in the cost of the respective asset if the recognition criteria for a provision are met. Refer to significant accounting judgments, estimates and assumptions and provisions for further information about the recorded decommissioning provision (Notes 5, 7 and 26).

Depreciation is calculated on a straight-line basis over the estimated useful lives of the assets as follows:

	Years
Buildings	5-50
Machinery and equipment	3-30
Pipelines and transportation assets	5-30
Other	2-10

According to the Group's accounting policy, technological oil and land are not subject to depreciation.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

An item of property, plant and equipment and any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of comprehensive income when the asset is derecognised.

The assets' residual values, useful lives and methods of depreciation are reviewed at each financial year end and adjusted prospectively, if appropriate.

4.6 Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and accumulated impairment losses, if any. Internally generated intangible assets, excluding capitalised development costs, are not capitalised and expenditure is reflected in the income statement in the year in which the expenditure is incurred.

The useful lives of intangible assets except for goodwill are assessed as finite.

Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. Amortization is provided on a straight-line basis over the estimated useful economic life of the assets. Intangible assets are generally amortized over five years. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in the statement of comprehensive income in the expense category consistent with the function of the intangible assets.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the statement of comprehensive income when the asset is derecognised.

4.7 Impairment of non-financial assets

The Group assesses whether there is an indication that an asset may be impaired at each reporting date. If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's ("CGU") fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets.

Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices or other available fair value indicators.

The Group bases its impairment calculation on detailed budgets and forecast calculations which are prepared separately for each of the Group's cash-generating units to which the individual assets are allocated. These budgets and forecast calculations are generally covering a period of five years. For longer periods, a long term growth rate is calculated and applied to project future cash flows after the fifth year.

Impairment losses of continuing operations. including impairment on inventories, are recognised in the statement of comprehensive income in expense categories consistent with the function of the impaired asset, except for a property previously revalued where the revaluation was taken to other comprehensive income. In this case, the impairment is also recognised in other comprehensive income up to the amount of any previous revaluation.

At each reporting date the Group makes an assessment as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Group estimates the asset's or cash-generating unit's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceeds the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised through profit in the statement of comprehensive income unless the asset is carried at a revalued amount, in which case the reversal is treated as a revaluation increase.

Goodwill

Goodwill is tested for impairment annually (as at 30 September) and when circumstances indicate that the carrying value may be impaired.

Impairment is determined for goodwill by assessing the recoverable amount of each cash-generating unit (or group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit is less than their carrying amount, an impairment loss is recognised. Impairment losses relating to goodwill cannot be reversed in future periods.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

4.8 Financial assets

Initial recognition and measurement

Financial assets within the scope of IAS 39 are classified as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, available-for-sale financial assets, as appropriate. The Group determines the classification of its financial assets at initial recognition.

Financial assets are recognised initially at fair value plus transaction costs, except in the case of financial assets recorded at fair value through profit or loss. Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the marketplace (regular way trades) are recognised on the trade date, i.e. the date that the Group commits to purchase or sell the asset.

The Group's financial assets include cash and short-term deposits, trade and other receivables.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortised cost using the effective interest rate method (EIR), less impairment.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR.

The EIR amortisation is included in finance income in the statement of comprehensive income. The losses arising from impairment are recognised in the income statement in finance costs for loans and in cost of sales or other operating expenses for receivables.

Held-to-maturity investments

Non-derivative financial assets with fixed or determinable payments and fixed maturities are classified as held-to maturity when the Group has the positive intention and ability to hold them to maturity. After initial measurement, held-to-maturity investments are measured at amortised cost using the EIR, less impairment.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included in finance income in the statement of comprehensive income. The losses arising from impairment are recognised in the statement of comprehensive income in finance costs. The Group had deposits during the years ended 31 December 2012 and 2011.

Derecognition

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- the rights to receive cash flows from the asset have expired;
- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the asset is recognised to the extent of the Group's continuing involvement in the asset. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

4.9 Impairment of financial assets

The Group assesses at each reporting date whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated.

Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Financial assets carried at amortised cost

For financial assets carried at amortised cost, the Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.
If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

between the assets carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial assets original effective interest rate. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate.

The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the income statement. Interest income continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recorded as part of finance income in the comprehensive statement of comprehensive income. Loans together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Group. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a future write-off is later recovered, the recovery is credited to finance costs in the statement of comprehensive income.

4.10 Financial liabilities

Initial recognition and measurement

Financial liabilities within the scope of IAS 39 are classified as financial liabilities at fair value through profit or loss, loans and borrowings, as appropriate. The Group determines the classification of its financial liabilities at initial recognition.

Financial liabilities are recognised initially at fair value and in the case of loans and borrowings, net of directly attributable transaction costs.

The Group's financial liabilities include trade and other payables, loans and borrowings, financial guarantee contracts.

Subsequent measurement

The measurement of financial liabilities depends on their classification as follows:

Financial liabilities at fair value through profit or loss

Financial liabilities, recognized at fair value through profit or loss, are classified to this category at the date of initial recognition, solely when it meets criteria of IAS 39. The Group has not designated any financial liabilities upon initial recognition as at fair value through profit or loss.

Loans and borrowings

After initial recognition, interest bearing loans and borrowings are subsequently measured at amortised cost using the effective interest rate method. Gains and losses are recognised in the income statement when the liabilities are derecognised as well as through the effective interest rate method (EIR) amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included in finance costs in the statement of comprehensive income.

Financial guarantee contracts

Financial guarantee contracts issued by the Group are those contracts that require a payment to be made to reimburse the holder for a loss it incurs because the specified debtor fails to make a payment when due in accordance with the terms of a debt instrument. Financial guarantee contracts are recognised initially as a liability at fair value, adjusted for transaction costs that are directly attributable to the issuance of the guarantee. Subsequently, the liability is measured at the higher of the best estimate of the expenditure required to settle the present obligation at the reporting date and the amount recognised less cumulative amortisation.

Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the statement of comprehensive income as income or expense.

4.11 Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the consolidated statement of financial position if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

4.12 Fair value of financial instruments

The fair value of financial instruments that are traded in active markets at each reporting date is determined by reference to quoted market prices or dealer price quotations (bid price for long positions and ask price for short positions), without any deduction for transaction costs.
For financial instruments not traded in an active market, the fair value is determined using appropriate valuation techniques. Such techniques may include:

- using recent arm's length market transactions;
- reference to the current fair value of another instrument that is substantially the same;
- a discounted cash flow analysis or other valuation models.

An analysis of fair values of financial instruments and further details as to how they are measured are provided in Note 39.

4.13 Inventories

Inventories are stated at the lower of cost and net realizable value on a first-in first-out ("FIFO") basis. Cost includes all costs incurred in the normal course of business in bringing each product to its present location and condition.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

4.14 Cash and cash equivalents

Cash and cash equivalents in the statement of financial position comprise cash at banks and on hand and short-term deposits with a maturity of three months or less.

For the purpose of the consolidated statement cash flows, cash and cash equivalents consist of cash and short-term deposits as defined above, net of outstanding bank overdrafts.

4.15 Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Group expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the statement of comprehensive income net of any reimbursement.

The Group records a provision asset retirement obligation. Asset retirement obligation costs are provided at the present value of expected costs to settle the obligation using estimated cash flows and are recognised as part of the cost of the particular asset. The cash flows are discounted at a current pre-tax rate that reflects the risks specific to the decommissioning liability. The unwinding of the discount is expensed as incurred and recognised in the income statement as a finance cost. The estimated future costs of decommissioning are reviewed annually and adjusted as appropriate. Changes in the estimated future costs or in the discount rate applied are added to or deducted from the cost of the asset (Note 5).

4.16 Employment benefits

The Company provides long-term employee benefits to employees before, on and after retirement, in accordance with the Collective agreement between the Company and its employees. The Collective agreement provides for one-off retirement payments, financial aid for employees' disability, anniversaries and funeral. The entitlement to benefits is usually conditional on the employee remaining in service up to retirement age.

The expected costs of the benefits associated with one-off retirement payments are accrued over the period of employment using the same accounting methodology as used for defined benefit post-employment plans with defined payments on the end of labor activity. Actuarial gains and losses arising in the year are taken to other operating income and expenses. For this purpose, actuarial gains and losses comprise both the effects of changes in actuarial assumptions and experience adjustments arising because of differences between the previous actuarial assumptions and what has actually occurred. Other movements are recognised in the current period, including current service cost, any past service cost and the effect of any curtailments or settlements.

The most significant assumptions used in accounting for defined benefit obligations are discount rate and mortality assumptions. The discount rate is used to determine the net present value of future liabilities and each year the unwinding of the discount on those liabilities is charged to the consolidated statement of comprehensive income as interest cost. The mortality assumption is used to project the future stream of benefit payments, which is then discounted to arrive at a net present value of liabilities.

Employee benefits other than one-off retirement payments are considered as other long-term employee benefits. The expected cost of these benefits is accrued over the period of employment using the same accounting methodology as used for the defined benefit plan.

These obligations are valued by independent qualified actuaries on an annual basis.

4.17 Revenue and other income recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured, regardless of when the payment is being made. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duty. The Group assesses its revenue arrangements against specific criteria in order to determine if it is acting as principal or agent. The Group has concluded that it is acting as a principal in all of its revenue arrangements, except for transportation expedition contract where the Group is acting as an agent. The following specific recognition criteria must also be met before revenue is recognised:

Rendering of transportation services
Revenue from rendering of transportation and transhipment services is recognized on the basis of actual volumes of oil and water transported during the reporting period.

Rendering of other services
Revenue from rendering of other services is recognized as services are provided.

Interest income
For all financial instruments measured at amortised cost and interest bearing financial assets classified as available for sale, interest income or expense is recorded using the effective interest rate (EIR), which is the rate that exactly discounts the estimated future cash payments or receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or liability. Interest income is included in finance income in the statement of comprehensive income.

Dividends
Dividend income is recognised when the Group's right to receive the payment is established.

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Property, plant and equipment received from customers

The Group assesses whether the transferred item meets the definition of an asset, and if so, recognises the transferred asset as property, plant and equipment. At initial recognition, its cost is measured at fair value, and a corresponding amount is recognised as deffered income as the Company has future performance obligations related to future periods or as a component of other income from operations when the Group has no such liabilities.

4.18 Taxes

Current income tax

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date in the countries where the Group operates and generates taxable income.

Current income tax relating to items recognised in other comprehensive income is recognised in equity and not in the statement of comprehensive income. The Group management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Deferred tax

Deferred tax is provided using the liability method on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- Where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss;
- In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised, except:

- Where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss;
- In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction recognized in other comprehensive income or in equity.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Value Added Tax (VAT)

VAT related to sales is payable to the Kazakhstani budget when goods are shipped or services are rendered. Input VAT can be offset against output VAT upon the receipt of a tax invoice from a supplier.

Revenue, expenses and assets are recognized after deduction of value added tax, except for instances, where amount of value added tax is recognized as a part of costs for asset acquisitions or as a part of expenses.

Tax legislation allows the settlement of VAT on a net basis. Accordingly, VAT related to sales and purchases unsettled at the balance sheet date is stated in the statement of financial position on a net basis.

Due to specifics of tax legislation and the Group's operations a certain part of input VAT can be carried over into subsequent years. Such portion of VAT is classified as long-term asset and assessed for impairment and considered as a corporate asset allocated to existing CGU.

4.19 Equity

Share capital

External costs directly attributable to the issue of new shares, excluding business combinations are shown as a deduction from the proceeds in equity.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Dividends

Dividends payable are recognized as a liability and deducted from equity at the reporting date only if they are declared before or on the reporting date. Dividends are disclosed when they are proposed before the reporting date or proposed or declared after the reporting date but before the consolidated financial statements are authorized for issue.

4.20 Changes in Accounting policies and disclosures

The accounting policies adopted are consistent with those of the previous financial year, except for the following new and amended IFRS and IFRIC interpretations effective as of 1 January 2012:

New and amended standards and interpretations

- IAS 12 Income Taxes (Amendment) – Deferred Taxes: Recovery of Underlying Assets
- IFRS 7 Financial Instruments: Disclosures – Enhanced Derecognition Disclosure Requirements

The adoption of the standards or interpretations is described below:

IAS 12 Income Taxes (Amendment) – Deferred Taxes: Recovery of Underlying Assets

The amendment clarified the determination of deferred tax on investment property measured at fair value and introduces a rebuttable presumption that deferred tax on investment property measured using the fair value model in IAS 40 should be determined on the basis that its carrying amount will be recovered through sale. It includes the requirement that deferred tax on non-depreciable assets that are measured using the revaluation model in IAS 16 should always be measured on a sale basis. The amendment is effective for annual periods beginning on or after 1 January 2012 and has been no effect on the Group's financial position, performance or its disclosures.

IFRS 7 Financial Instruments: Disclosures — Enhanced Derecognition Disclosure Requirements

The amendment requires additional disclosure about financial assets that have been transferred but not derecognised to enable the user of the Group's financial statements to understand the relationship with those assets that have not been derecognised and their associated liabilities. In addition, the amendment requires disclosures about the entity's continuing involvement in derecognised assets to enable the users to evaluate the nature of, and risks associated with, such involvement. The amendment is effective for annual periods beginning on or after 1 July 2011. The Group does not have any assets with these characteristics so there has been no effect on the presentation of its financial statements.

Standards issued but not yet effective

The standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Group's consolidated financial statements are disclosed below. This listing of standards and interpretations issued are those that the Group reasonably expects to have an impact on disclosures, financial position or performance when applied at a future date. The Group intends to adopt these standards, if applicable, when they become effective.

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

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

The amendment becomes effective for annual periods beginning on or after 1 July 2012, and will therefore be applied in the Group's first annual report after becoming effective.

IAS 19 Employee Benefits (Revised)

The IASB has issued numerous amendments to IAS 19. These range from fundamental changes such as removing the corridor mechanism and the concept of expected returns on plan assets to simple clarifications and re-wording. The amendment affects only the presentation and does not affect the financial position or performance of the Group. The amendment is effective for annual periods beginning on or after January 1, 2013 or after that date and, therefore, will be used after its entry into force.

IAS 28 Investments in Associates and Joint Ventures (as revised in 2011)

As a consequence of the new IFRS 11 Joint Arrangements, and IFRS 12 Disclosure of Interests in Other Entities, IAS 28 Investments in Associates, has been renamed IAS 28 Investments in Associates and Joint Ventures, and describes the application of the equity method to investments in joint ventures in addition to associates. This ammendment will not impact the financial position or financial performance of the Group. The revised standard becomes effective for annual periods beginning on or after 1 January 2013.

IAS 32 Offsetting Financial Assets and Financial Liabilities — Amendments to IAS 32

These amendments clarify the meaning of "currently has a legally enforceable right to set-off". The amendments also clarify the application of the IAS 32 offsetting criteria to settlement systems (such as central clearing house systems) which apply gross settlement mechanisms that are not simultaneous. These amendments are not expected to impact the Group's financial position or performance. These amendments are not expected to impact the Group's financial position or performance and become effective for annual periods beginning on or after 1 January 2014.

IFRS 1 Government Loans – Amendments to IFRS 1

These amendments require first-time adopters to apply the requirements of IAS 20 Accounting for Government Grants and Disclosure of Government Assistance, prospectively to government loans existing at the date of transition to IFRS. Entities may choose to apply the requirements of IFRS 9 (or IAS 39, as

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

applicable) and IAS 20 to government loans retrospectively if the information needed to do so had been obtained at the time of initially accounting for that loan. The exception would give first-time adopters relief from retrospective measurement of government loans with a below-market rate of interest. The amendment is effective for annual periods on or after 1 January 2013. The amendment has no impact on the Group.

IFRS 7 Disclosures — Offsetting Financial Assets and Financial Liabilities — Amendments to IFRS 7
These amendments require an entity to disclose information about rights to set-off and related arrangements (e.g. collateral agreements). The disclosures would provide users with information that is useful in evaluating the effect of netting arrangements on an entity's financial position. The new disclosures are required for all recognised financial instruments that are set off in accordance with IAS 32 "Financial Instruments: Presentation".

The disclosures also apply to recognised financial instruments that are subject to an enforceable master netting arrangement or similar agreement, irrespective of whether they are set off in accordance with IAS 32. These amendments will not impact the Group's financial position or performance and become effective for annual periods beginning on or after 1 January 2013.

IFRS 9 Financial Instruments: Classification and Measurement
IFRS 9, as issued, reflects the first phase of the IASB's work on the replacement of IAS 39 and applies to classification and measurement of financial assets and financial liabilities as defined in IAS 39. The standard was initially effective for annual periods beginning on or after 1 January 2013, but Amendments to IFRS 9 "Mandatory Effective Date of IFRS 9 and Transition Disclosures", issued in December 2011, moved the mandatory effective date to 1 January 2015. In subsequent phases, the IASB will address hedge accounting and impairment of financial assets. The adoption of the first phase of IFRS 9 will have an effect on the classification and measurement of the Group's financial assets, but will not have an impact on classification and measurements of financial liabilities. The Group will quantify the effect in conjunction with the other phases, when the final standard including all phases is issued.

IFRS 10 Consolidated Financial Statements, IAS 27 Separate Financial Statements
IFRS 10 replaces the portion of IAS 27 "Consolidated and Separate Financial Statements" that addresses the accounting for consolidated financial statements. It also addresses the issues raised in SIC-12 "Consolidation - Special Purpose Entities". IFRS 10 establishes a single control model that applies to all entities including special purpose entities.

The changes introduced by IFRS 10 will require management to exercise significant judgment to determine which entities are controlled and therefore are required to be consolidated by a parent, compared with the requirements that were in IAS 27. Based on the preliminary analyses performed, IFRS 10 is not expected to have any impact on the currently held investments of the Group. This standard becomes effective for annual periods beginning on or after 1 January 2013.

IFRS 11 Joint Arrangements
IFRS 11 replaces IAS 31 "Interests in Joint Ventures" and SIC-13 "Jointly-controlled Entities - Non-monetary Contributions by Venturers". IFRS 11 removes the option to account for jointly controlled entities (JCEs) using proportionate consolidation. Instead, JCEs that meet the definition of a joint venture must be accounted for using the equity method. The application of this new standard will not impact the financial position of the Group, because the Group uses the equity method in accounting joint ventures.

IFRS 12 Disclosure of Interests in Other Entities
IFRS 12 includes all of the disclosures that were previously in IAS 27 related to consolidated financial statements, as well as all of the disclosures that were previously included in IAS 31 and IAS 28. These disclosures relate to an entity's interests in subsidiaries, joint arrangements, associates and structured entities. A number of new disclosures are also required, but has no impact on the Group's financial position or performance. This standard becomes effective for annual periods beginning on or after 1 January 2013.

IFRS 13 Fair Value Measurement
IFRS 13 establishes a single source of guidance under IFRS for all fair value measurements. IFRS 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under IFRS when fair value is required or permitted. The Group is currently assessing the impact that this standard will have on the financial position and performance, but based on the preliminary analyses, no material impact is expected. This standard becomes effective for annual periods beginning on or after 1 January 2013.

Annual Improvements May 2012
These improvements will not have an impact on the Group, but include:

IFRS 1 First-time Adoption of International Financial Reporting Standards
This improvement clarifies that an entity that stopped applying IFRS in the past and chooses, or is required, to apply IFRS, has the option to re-apply IFRS 1. If IFRS 1 is not re-applied, an entity must retrospectively restate its financial statements as if it had never stopped applying IFRS.

IAS 1 Presentation of Financial Statements
This improvement clarifies the difference between voluntary additional comparative information and the minimum required comparative information. Generally, the minimum required comparative information is the previous period.

IAS 16 Property Plant and Equipment
This improvement clarifies that major spare parts and servicing equipment that meet the definition of property, plant and equipment are not inventory.

IAS 32 Financial Instruments, Presentation
This improvement clarifies that income taxes arising from distributions to equity holders are accounted for in accordance with IAS 12 "Income Taxes".

These improvements are effective for annual periods beginning on or after 1 January 2013.

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5. SIGNIFICANT ACCOUNTINTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of the Group's consolidated financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of the reporting period. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.

Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Group based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

Revaluation of property, plant and equipment

Property, plant and equipment (except for technological oil, which is revalued annually as of September 30) were revalued to fair value as of 30 June 2010 (previous revaluation was performed as of 30 June, 2007) except for the property, plant and equipement of BIHL, that were revalued as of 31 December 2010. The revaluation was performed on the basis of an appraisal performed by an independent professional real estate appraisal company operating in the Republic of Kazakhstan under an appropriate license. The methods used to fair value property, plant and equipment were the cost (for specialised assets – depreciated replacement cost approach), the comparative (using comparative sales method) and the income approaches.

The Company assesses at each reporting date whether the carrying amount of its property, plant and equipment does not differ materially from that, which would be determined using estimated fair value at the balance sheet date. For the Company's business environment, a period of "sufficient regularity" is usually assumed to be three years for the purpose of determination of fair value of property, plant and equipment. On December 31, 2012 the management of the Company re-visited its assessments with respect to the fair value of its property, plant and equipment. As a result, management concluded that there were no significant changes in the fair value of the Company's property, plant and equipment as of December 31, 2012 from the date of last revaluation on June 30, 2010. As a result, the fair value of the Group's property, plant and equipment approximated their carrying amount.

Revaluation of technological oil

Technological oil is annually revalued as of 30 September, due to the fact that fluctuations are quite frequent and significant. Technological oil was revalued on 30 September 2012.

The following judgments were taken into account by the Group's management when determining fair value of technological oil:

- technological oil is an integral part of the process of operating the pipeline without which the transportation is not possible;
- technological oil cannot be sold or otherwise disposed due to regulations imposed by Antimonopoly Committee;
- tariffs are being closely monitored by Antimonopoly Committee and Government to ensure they will not adversely affect general price index in the country, and thus may be set at the level which will not allow to recover cost of oil, if it was valued at international market price;
- the Group is affected by regulations set by KMG and, should there be a decision to sell some part of oil, subject for approval of Antimonopoly Committee, it would be sold only to the KMG -group's trading division at internal price;
- and should the Group need to buy additional oil to fill in new parts of pipeline, it would buy from the KMG -group entities at the same internal price.

Taking into account all these factors, the management concluded that the most appropriate price to reflect fair value for the technological oil in pipeline that would be determined by informed market participant would be 252 US Dollars per tonne as of September 30, 2012 (38,000 Tenge) (30 September 2011: 184 US Dollars (27,290 Tenge) per tonne). As a result of test on adequate profitability in terms of revaluation of technological oil by using income approach no economical deterioration was revealed.

As of 30 September 2012, the amount of oil in the pipeline included as part of property, plant and equipment was 2,151,546 tonne (2011: 2,136,158 tonne). According to the results of inventory stock count held on December 31, 2012, the oil surplus in the amount of 29,951 tonne (2011: 20,832 tonne) was identified. The volume of oil in the pipeline as of 31 December 2012 amounted to 2,181,377 tonne (31 December 2011: 2,156,653 tonne). The Group recognizes the excess oil as an asset (property, plant and equipment) by changing a revaluation of assets in equity.

Impairment of property, plant and equipment

An impairment exists when the carrying value of an asset or cash generating unit exceeds its recoverable amount, which is the higher of its fair value less costs to sell and its value in use. The fair value less costs to sell calculation is based on available data from binding sales transactions, conducted at arm's length, for similar assets or observable market prices less incremental costs for disposing of the asset. The value in use calculation is based on a discounted cash flow model. The cash flows are derived from the budget for the next five years and do not include restructuring activities that the Group is not yet committed to or significant future investments that will enhance the asset's performance of the CGU being tested. The recoverable amount is most sensitive to the discount rate used for the discounted cash flow model as well as the expected future cash-inflows and the growth rate used for extrapolation purposes.

In 2012 the Group recognized an impairment of 785,940 thousand Tenge (2011: 15,666,218 thousand Tenge) where the impairment of 766,227 thousand Tenge (2011: 6,874,316

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thousand Tenge) was recognized in profit and losses and 19,713 thousand Tenge (2011: 8,791,902 thousand Tenge) was recognized in other comprehensive income (Note 7).
The Group assesses the remaining useful lives of items of property, plant and equipment at least at each financial year-end and, if expectations differ from previous estimates, the changes are accounted for as a change in an accounting estimate in accordance with IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors".

Asset retirement obligation

According to the Law of the Republic of Kazakhstan «About the main pipeline», which came into force on July 4 2012, the Group has a legal obligation to decommission its oil pipelines at the end of their operating life and to restore the land to its original condition. This will happen when the crude oil reserves of the entities, using the pipeline, are fully depleted.

Asset retirement obligation is estimated based on the value of the work to decommission and rehabiliate calculated by the Group in accordance with the technical regulations of the Republic of Kazakhstan (pipeline decommission expense is equal to 2,891 thousand Tenge per km). The allowance was determined at the end of the reporting period using the projected inflation rate for the expected period of fulfillment of obligations (17 years), and the discount rate at the end of the reporting period which are presented below:

In percent	2012
Discount rate as of 31 December	6.01%
Inflation rate as of 31 December	5.60%

The discount rate is based on the risk-free government bonds of the Republic of Kazakhstan.

As at December 31, 2012 the carrying amount of the asset retirement obligation was 15,531,037 thousand Tenge (December 31, 2011: nil Tenge) (Notes 7 and 26).

Assessing the cost of rehabilitation of the environment is subject to potential changes in environmental requirements and interpretations of the law. Furthermore, uncertainties in the estimates of these costs include potential changes in alternative liquidation methods, recovery of damaged land, levels of discount, inflation rates and periods of obligation.

If the estimated discount rate before tax used in the calculation was 1% higher than management's estimates, the carrying amount of the provision would have been by 2,354,717 thousand Tenge less than recognized amount.

Allowances for doubdful debts

The Group accrues allowances for doubtful accounts receivable, advances to suppliers and other assets. In estimating doubtful accounts historical and anticipated customer performance are considered. Changes in the economy, industry, or specific customer conditions may require adjustments to the allowance for doubtful accounts recorded in the consolidated financial statements. As at 31 December 2012 and 2011 allowances for doubtful accounts have been created for the amount of 681,617 thousand Tenge and 115,747 thousand Tenge, respectively (Notes 11, 13, 14 and 16).

Taxes

Uncertainties exist with respect to the interpretation of complex tax regulations, changes in tax laws, and the amount and timing of future taxable income. Given the wide range of international business relationships and the long-term nature and complexity of existing contractual agreements, differences arising between the actual results and the assumptions made, or future changes to such assumptions, could necessitate future adjustments to tax income and expense already recorded. The Group establishes provisions, based on reasonable estimates, for possible consequences of audits by the tax authorities of the respective counties in which it operates. The amount of such provisions is based on various factors, such as experience of previous tax audits and differing interpretations of tax regulations by the taxable entity and the responsible tax authority. Such differences of interpretation may arise on a wide variety of issues depending on the conditions prevailing in the respective domicile of the Group companies.

Deferred tax assets

Deferred tax assets are recognised for unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and the level of future taxable profits together with future tax planning strategies.The amount of recognized deferred tax assets as of 31 December 2012 was 5,021,726 thousand Tenge (2011: 2,913,773 thousand Tenge) (Note 35).

Employee benefits

The cost of defined long-term employee benefits to employees before, on and after retirement and the present value of the obligation are determined using actuarial valuations. An actuarial valuation involves making various assumptions that may differ from actual developments in the future. These include the determination of the discount rate, future salary increases, mortality rates and future pension increases.

Due to the complexity of the valuation, the underlying assumptions and its long-term nature, a defined benefit obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date.

As there is no active market for corporate securities in Kazakhstan, in determining the appropriate discount rate, management considers the interest rates of government securities (MEOKAM) with extrapolated maturities corresponding to the expected duration of the defined benefit obligation. The underlying securities are further reviewed for quality on a timely basis.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

The mortality rate is based on publicly available mortality tables for the specific country. Future salary increases and pension increases are based on expected future inflation rates for the respective country. Further details about the assumptions used are given in Note 21.

Reclassifications

The consolidated financial statements as at December 31, 2011 and for the year then ended contain reclassifications to be consistent with the presentation of the consolidated financial statements as at December 31, 2012 and for the year then ended due to the fact that the presentation of this year consolidated financial statements give a clearer representation of the financial position of the Group. Reclassification does not affect the financial indicators of the Group.

In thousands of Tenge

	31 December 2011			
	Initial presentation	Reclassification amount	Note	Adjusted presentation
Statement of financial position				
Trade and other accounts receivable	7,689,387	(4,635,164)	[1]	3,054,223
Other current assets	262,329	4,635,164	[1]	4,897,493
	7,951,716			7,951,716
Trade and other accounts payable	15,149,470	(8,603,847)	[2]	6,545,623
Other current liabilities	3,705,594	8,603,847	[2]	12,309,441
	18,855,064			18,855,064

[1] amounts, which were transferred to transport companies of other countries for the upcoming oil transportation of Kazakhstani shippers via related pipeline systems, have been reclassified from trade and other receivables to other current assets.

[2] amounts, which were received from Kazakhstani shippers for the upcoming oil transportation via related pipeline systems of other states, have been reclassified from trade and other payables to other current liabilities.

6. EARNINGS PER SHARE AND BOOK VALUE PER SHARE

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

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

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

In thousands Tenge

	31 December 2012	31 December 2011
Net profit attributable to ordinary equity holders of the parent for basic earnings	33,501,128	25,945,397
Weighted average number of ordinary shares for basic earnings per share	349,130,775	338,320,583
Basic earnings per share,in relation to profit for the year attributable to ordinary equity holders of the company, as a parent company of the Group (in Tenge)	96	77

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

In thousands Tenge

	31 December 2012	31 December 2011
Total Assets	496,450,540	450,028,927
Less: Intangible assets	(6,233,226)	(6,229,037)
Less: Total Liabilities	(104,136,477)	(78,530,841)
Net assets for calculation of book value of ordinary shares	386,080,837	365,269,049
Number of ordinary shares	384,635,599	346,172,040
Book value per ordinary share (in Tenge)	1,004	1,055

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7 PROPERTY, PLANT AND EQUIPMENT

In thousands of Tenge

	Land	Pipelines	Transportation assets	Buildings	Machinery and equipment	Technological oil	Other	Construction in progress	Total
Net book value as at 1 January 2011	15,944,625	90,937,665	6,796,872	73,078,571	75,020,891	45,090,713	11,085,672	7,567,550	325,522,559
Foreign currency translation	32,977	–	359,123	792,840	(903,405)	–	(18,505)	113,176	**376,206**
Additions	192,386	765,482	616,071	1,766,247	2,010,881	6,945	997,231	28,515,312	**34,870,555**
Disposals	(3,581)	(186,521)	(41,196)	(745,484)	(172,285)	(1,728)	(172,452)	(320,670)	**(1,643,917)**
Depreciation charge	–	(9,320,851)	(1,094,561)	(6,313,079)	(8,181,093)	–	(1,928,669)	–	**(26,838,253)**
Accumulated depreciation on disposal	–	161,344	36,832	47,033	95,796	–	121,666	–	**462,671**
Impairment (included in net profit)	(5,320,693)	(73,367)	(124,319)	(858,623)	(654,279)	–	(19,181)	–	**(7,050,462)**
Impairment (revaluation reserve)	(136,943)	(244,996)	(142,275)	(5,931,915)	(2,301,384)	–	(34,389)	–	**(8,791,902)**
Revaluation (revaluation reserve)	–	–	–	–	–	13,582,220	–	–	**13,582,220**
Recovery of impairment reserve (included in net profit)	–	–	–	–	–	175,822	–	324	**176,146**
Transfer from construction-in-progress	17,197	2,896,812	133,304	3,035,890	6,230,224	–	1,474,425	(13,787,852)	–
Transfer to Intangible assets	–	–	–	–	(4,347)	–	(3,279)	(143,719)	**(151,345)**
Transfers and reclassifications	–	(13,002)	(137,151)	6,702,971	(4,585,667)	–	(1,862,025)	(105,126)	–
Net book value as at 31 December 2011	10,725,968	84,922,566	6,402,700	71,574,451	66,555,332	58,853,972	9,640,494	21,838,995	330,514,478
Foreign currency translation	127,675	–	38,713	179,353	72,790	–	24,926	50,645	**494,102**
Additions	36,444	1,339	426,863	184,318	1,547,242	2,622	774,205	23,332,530	**26,305,563**
Disposals	(26,442)	(26,078)	(7,321)	(231,653)	(117,953)	(89,182)	(195,720)	(128,190)	**(822,539)**
Depreciation charge	–	(9,254,120)	(1,020,554)	(5,972,179)	(8,617,312)	–	(2,262,125)	–	**(27,126,290)**
Accumulated depreciation on disposal	–	9,729	5,134	167,919	80,614	–	181,315	–	**444,711**
Disposal of subsidiary (Note 9)	(423,021)	–	(15,099)	(3,813,876)	(773,623)	–	(246,353)	(325,360)	**(5,597,332)**
Accumulated depreciation related to the disposal of subsidiary (Note 9)	–	–	2,468	383,117	200,676	–	58,714	–	**644,975**
Impairment (included in net profit)	–	(244)	(1,388)	(683,880)	(88,863)	(57,574)	(36,387)	(98,288)	**(966,624)**
Impairment (revaluation reserve)	–	(1,510)	(24)	(3,831)	(1,565)	–	(94)	(12,689)	**(19,713)**
Revaluation (revaluation reserve)	–	–	–	–	–	23,982,196	–	–	**23,982,196**
Recovery of impairment reserve (included in net profit)	–	–	–	–	106	200,291	–	–	**200,397**
Provision on asset retirement obligation (Note 26)	–	15,084,384	–	–	–	–	–	–	**15,084,384**
Transfer from construction-in-progress	22,597	3,107,388	75,255	5,416,807	7,797,758	–	2,165,244	(18,585,049)	–
Transfer to and from Intangible assets	–	–	–	–	(39,794)	–	(16,942)	(212,467)	**(269,203)**
Transfers and reclassifications	(1,404)	344,263	(121,015)	(434,115)	56,328	–	155,943	–	–
Net book value as at 31 December 2012	10,461,817	94,187,717	5,785,732	66,766,431	66,671,736	82,892,325	10,243,220	25,860,127	362,869,105
As at 31 December 2012									
At fair value	10,461,817	117,778,752	8,395,851	81,619,611	86,669,540	82,892,325	14,654,033	25,860,127	**428,332,056**
Accumulated depreciation	–	(23,591,035)	(2,610,119)	(14,853,180)	(19,997,804)	–	(4,410,813)	–	**(65,462,951)**
Net book value	10,461,817	94,187,717	5,785,732	66,766,431	66,671,736	82,892,325	10,243,220	25,860,127	362,869,105
As at 31 December 2011									
At fair value	10,725,968	99,225,404	7,999,909	80,953,314	78,079,881	58,853,972	12,111,553	21,838,995	**369,788,996**
Accumulated depreciation	–	(14,302,838)	(1,597,209)	(9,378,863)	(11,524,549)	–	(2,471,059)	–	**(39,274,518)**
Net book value	10,725,968	84,922,566	6,402,700	71,574,451	66,555,332	58,853,972	9,640,494	21,838,995	330,514,478

Property, plant and equipment are revalued, depending on changes in fair value of property, plant and equipment. The Group generally revalues property, plant and equipment once in three years, except for technological oil, which is revalued annually as at 30 September, as fluctuations in fair value of technological oil are quite often and significant. Property, plant and equipment have been revalued to fair value at 30 June 2010, except for property, plant and equipment of BIHL, revalued at 31 December 2010. The revaluation was performed based on the reports of independent appraisers, who hold a recognised and relevant professional qualification and experience (Note 5).

Accumulated depreciation has been eliminated against carrying value of property, plant and equipment and net amount has been reflected to revalued value of property, plant and equipment.

2012 increase of property, plant and equipment in the group pipelines mainly includes provisions related to the asset retirement obligation in the amount of 15,084,384 thousand Tenge (2011: nil) (Notes 5, 26).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2011 additions of property, plant and equipment include Kazakhstani part of "Tuimazy-Omsk-Novosibirsk 2" oil pipeline and corresponding infrastructure objects and land plots, for the total amount of 1,701,149 thousand Tenge for the contribution paid for shares issued by the Group (Note 19).

As at 31 December 2012 and 2011, construction in progress ("CIP") mainly includes production projects under construction, main oil pipelines, (including construction of main oil pipeline Kumkol-Karakoin, realized as a part of interstate Kazakhstan-China oil pipeline construction project), reconstruction of oil pumping station "Kenkiyak" and reconstruction of fire fighting system, reconstruction of electricity supply systems.

As at 31 December 2012 construction-in-progress includes materials and spare parts in the amount of 12,836,006 thousand Tenge (2011: 10,664,024 thousand Tenge), which were purchased for construction purposes.

As at 31 December 2012 the carrying value of fully depreciated but still in use property, plant and equipment were 5,743,628 thousand Tenge (2011: 1,792,193 thousand Tenge).

As at 31 December 2012 carrying value of property, plant and equipment which temporarily are not in use is 1,609,715 thousand Tenge (2011: 1,521,241 thousand Tenge).

As at 31 December 2012 the amount of oil in the pipeline included as a part of property, plant and equipment was 2,181 thousand tons (2011: 2,157 thousand tons).

As at December 31, 2012 there was created a provision for impairment of the complex of kindergartens in Atasu village of Karaganda region amounted to 768,463 thousand Tenge and playground in Usharal city of Almaty region amounted to 37,800 thousand Tenge. A provision was created due to the fact these objects are for the social purpose and they will not bring economic benefits in the future. Also, in year 2012, impairment of other assets including project and development works, in the amount of 160,361 thousand Tenge was recognized through profit or loss.

In the year 2011, the Group recognized the impairment of property, plant and equipment in the amount of 15,666,218 thousand tenge. Impairment of property, plant and equipment in the amount of 7,050,462 thousand tenge was recognised through profit and loss. This amount mainly consists of the impairment of the property, plant and equipment of BIHL in the amount of 6,935,566 thousand tenge and property, plant and equipment of the Company in the amount of 114,896 thousand tenge. In addition, Group recognized reversal of the impairment of property, plant and equipment of the Company in the amount of 176,146 thousand tenge.The Group recognized impairment of property, plant and equipment in the amount of 8,791,902 thousand Tenge through revaluation provision of property, plant and equipment, including property, plant and equipment of BIHL in the amount of 8,103,246 thousand Tenge and property, plant and equipment of the Company in the amount of 688,656 thousand Tenge. Most of this property, plant and equipment was idle and subject for disposal, such as tanks, pumping station Peterfeld and 26 km second line of the Atyrau-Samara.

Impairment Testing of Georgian property, plant and equipment

BIHL includes two cash generating units:
- Batumi Oil Terminal LLC ("BOT")
- Batumi Sea Port LLC ("BSP")

The Group reviews its Cash Generating Units ("CGUs") for indicators of impairment on an annual basis and considers both internal and external sources of information for assessing if the CGUs are impaired. As a result of assessment made in 2012 indicators of impairment were not identified (2011: the Group identified indicators of impairment in its two CGUs: BSP and BOT, significant impairment was caused due to decrease of projected revenue).

BSP CGU:
The recoverable amount of the BSP CGU as of 30 September 2011, has been determined based on a value in use calculation using cash flow projections from financial budgets approved by management covering a 10-year period. The projected cash flows have been updated to reflect the decreased level of transshipments. The pre-tax discount rate applied to cash flow projections is 16.53% in 2011 and cash flows beyond the 10-year period are extrapolated using at 1.77% growth rate that is the same as the long-term average inflation rate in 2011. As a result of the analysis in 2011, the Management identified an impairment loss of this CGU in the amount of 1,517,224 thousand Tenge. 982,354 thousand Tenge were allocated to property plant and equipment and 534,870 were allocated to right for land use.

BOT CGU:
The recoverable amount of the BOT CGU as of 30 September 2011, is also determined based on a value in use calculation using cash flow projections from financial budgets approved by management covering a ten-year period. The projected cash flows have been updated to reflect the decreased transshipment level. The pre-tax discount rate applied to the cash flow projections is 16.19% in 2011. The growth rate used to extrapolate the cash flows of the CGU after the ten-year period is 1.77%, a long-term inflation rate in 2011. As a result of the analysis in 2011, the Management identified an impairment loss of this CGU in the amount of 14,056,458 thousand Tenge, whole amount was allocated to property, plant and equipment.

Key assumptions used in value-in-use calculations
The calculation of value-in-use for cash-generating unit is most sensitive to the following assumptions:
- Discount rates;
- Tariffs during the budget period; and
- Oil and cargo shipment volumes.

Discount rates.
Discount rates reflect the current market assessment of the risks specific to each cash generating unit. The discount rate was estimated as a weighted average cost of capital for BIHL.

Tariffs during the budget period.
Batumi Sea Port and Batumi Oil Terminal set tariffs for shipment of cargo and oil individually for each customer based on volumes of shipment, relationships history and market trends at the date of conclusion of shipment contract.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Oil and cargo shipment volumes.
These assumptions are important because, as well as using industry data for growth rates management assesses how future changes of oil and cargo shipment volumes through Black Sea ports will affect BIHL's operations.

Sensitivity of changes in assumptions
With regard to the assessment of value-in-use possible change in any of the above key assumptions would result in a further impairment loss. The implications of the key assumptions for the recoverable amount are discussed below:

Discount rate: Management has considered the possibility of greater than determined weighted-average cost of capital. Any increase in discount rate would result in a further impairment.

Long-term growth rate: Management has considered the possibility of greater than determined long-term growth rate. Any increase in long-term growth rate would result in a further impairment.

Tariffs during the budget period: Increase of tariff projected by the management for the purposes of goodwill impairment testing are indexed to underlying costs. Should the Group be unable to keep tariffs at such a level that covers related costs, a further impairment may result.
The carrying value of each revalued class of property, plant and equipment that would have been recognized in the consolidated financial statements had the assets been carried at cost less any accumulated depreciation and any accumulated impairment loss was as follows:

In thousands of Tenge

	Land	Pipelines	Transpor-tation assets	Buildings	Machinery and equipment	Techno-logical oil	Other	Construc-tion in progress	Total
At 31 December 2012	12,301,711	55,640,022	4,968,375	35,448,469	55,695,049	1,171,845	8,557,559	25,541,269	**199,324,299**
At 31 December 2011	12,120,206	42,228,209	5,213,019	35,772,599	53,908,121	1,172,541	7,737,682	21,740,845	**179,893,222**

8. INTANGIBLE ASSETS

In thousands of Tenge

	Licenses	Software	Right for land use	Other	Total
Net book value at 1 January 2011	260,225	1,007,092	5,508,045	414,594	7,189,956
Additions	22,908	265,790	–	523	289,221
Disposals	(1,118)	(14,110)	–	–	(15,228)
Amortization charge	(67,986)	(443,905)	(321,978)	(54,894)	(888,763)
Accumulated amortization on disposals	1,118	10,933	–	–	12,051
Impairment (included in net profit)	–	–	(534,870)	–	(534,870)
Transfers from property, plant and equipment	9,056	142,289	–	–	151,345
Foreign currency translation	(294)	639	23,203	1,777	25,325
Transfers and reclassifications	28,564	(32,354)	–	3,790	–
Net book value at 31 December 2011	252,473	936,374	4,674,400	365,790	6,229,037
Additions	42,734	201,780	–	4,363	248,877
Disposals	(2)	(8,887)	–	(471)	(9,360)
Amortization charge	(68,266)	(324,687)	(107,807)	(59,291)	(560,051)
Accumulated amortization on disposals	2	8,887	–	441	9,330
Disposal of subsidiary (Note 9)	(181)	(5,363)	–	(48,221)	(53,765)
Accumulated depreciation related to the disposal of subsidiary(Note 9)	–	2,842	–	19,866	22,708
Transfers from property, plant and equipment	23,008	245,726	–	469	269,203
Foreign currency translation	679	(120)	72,570	4,118	77,247
Transfers and reclassifications	4,473	3,824	–	(8,297)	–
Net book value at 31 December 2012	254,920	1,060,376	4,639,163	278,767	6,233,226
As at 31 December 2012					
At cost	447,373	3,996,520	5,953,009	704,353	11,101,255
Accumulated Impairment	–	–	(549,969)	–	(549,969)
Accumulated amortization	(192,453)	(2,936,144)	(763,877)	(425,586)	(4,318,060)
Net book value	254,920	1,060,376	4,639,163	278,767	6,233,226
As at 31 December 2011					
At cost	377,246	3,555,659	5,860,598	742,115	10,535,618
Accumulated Impairment	–	–	(534,870)	–	(534,870)
Accumulated amortization	(124,773)	(2,619,285)	(651,328)	(376,325)	(3,771,711)
Net book value	252,473	936,374	4,674,400	365,790	6,229,037

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

9. DISPOSAL OF A SUBSIDIARY

On 18th of September 2012 the Group entered into an agreement to sell 100% of the common shares of “KazTransOil-Service” to “KazMunaiGas-Service”. The amount of contract was equal to 11,647,889 thousand Tenge and was paid on 20 September 2012. According to the contract terms, ownership rights were transferred to “KazMunaiGas-Service” JSC on 21 September 2012.

The carrying value of identifiable assets, liabilities and contingent liabilities of “KTO-Service” sold to “KazMunaiGas-Service” at the date of disposal were as follows:

In thousands of Tenge

	Carrying value at disposal date
Property, plant and equipment	4,952,357
Intangible assets	31,057
Bank deposits	531
Inventory	195,678
Trade and other accounts receivables	100,249
Advances to suppliers	86,818
Prepayment for corporate income tax	516
VAT recoverable and other prepaid taxes	53,340
Other current assets	36,543
Cash and cash equivalents	5,976,033
Total assets	11,433,122
Trade and other accounts payable	6,392
Advances received	21,556
Other tax payables	11,488
Other current liabilities	55,472
Total liabilities	94,908
Total net assets disposed	11,338,214
Consideration received in cash	11,647,889
Gain on disposal of subsidiary	309,675

The amount of consideration received in the consolidated statement of cash flows is shown net of cash and cash equivalents of «KTO Service» JSC at the date of disposal for the amount of 5,671,856 thousand Tenge.

10. INVESTMENTS IN JOINT VENTURES

In thousands of Tenge

	31 December 2012	31 December 2011
KCP	30,188,246	22,879,691
MunaiTas	10,627,303	9,539,213
	40,815,549	32,418,904

During 2012, the Group has recognized its share in income of KCP in the amount of 7,019,889 thousand Tenge (2011: 9,241,644 thousand Tenge), and share in other comprehensive income 288,666 thousand Tenge (2011: 21,698,227 thousand Tenge). As of 1 January 2011 the Group's share in unrecognized losses in KCP amounted to 8,060,180 thousand Tenge.

During 2012, the Group has recognized its share in income of MunaiTas in the amount of 1,088,090 thousand Tenge (2011: 421,065 thousand Tenge). In 2012 and 2011 MunaiTas did not pay dividends.

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

In thousands of Tenge

	31 December 2012	31 December 2011
Share in total assets and liabilities of joint ventures		
Current assets	23,918,509	17,317,510
Non-current assets	136,049,737	136,015,551
Current liabilities	(15,339,074)	(8,759,544)
Non-current liabilities	(103,813,623)	(112,154,613)
Share in net assets	40,815,549	32,418,904
	2012	2011
Total revenue and net income of joint ventures for the year		
Revenue	31,336,421	30,312,259
Net income	8,107,979	9,662,709
Other comprehensive income	288,666	21,698,227

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

11. ADVANCES TO SUPPLIERS FOR PROPERTY, PLANT AND EQUIPMENT

In thousands of Tenge

	31 December 2012	31 December 2011
Advances to third parties for property, plant and equipment	623,604	638,912
Less: allowance for doubtful debts	(99,330)	–
	524,274	638,912

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

In thousands of Tenge

	2012	2011
As at 1 January	–	99,330
Write-off of advances	–	(99,330)
Reinstatement of advances with related provision	99,330	–
As at 31 December	99,330	–

12. INVENTORIES

In thousands of Tenge

	31 December 2012	31 December 2011
Spare parts	962,951	962,954
Fuel	770,441	710,189
Construction materials	154,549	155,431
Chemical reagents	89,053	126,207
Goods	76,248	82,744
Other	612,112	801,184
Less: provision for slow-moving and obsolete inventory	(65,413)	(54,278)
	2,599,941	2,784,431

Movements in the provision for slow-moving and obsolete inventory were as follows:

In thousands of Tenge

	2012	2011
As at 1 January	54,278	56,764
Charge for the year	17,148	3,512
Write-off of inventories	(106)	(5,243)
Disposal of subsidiary	(1,648)	–
Reversal of provision	(4,175)	(620)
Currency translation difference	(84)	(135)
As at 31 December	65,413	54,278

13. TRADE AND OTHER ACCOUNTS RECEIVABLE

In thousands of Tenge

	31 December 2012	31 December 2011
Trade accounts receivable from third parties	1,049,790	917,274
Trade accounts receivable from related parties (Note 37)	1,031,480	1,969,984
Other accounts receivable from third parties	825,882	218,168
Other accounts receivable from related parties (Note 37)	198,918	58,485
Less: allowance for doubtful debts	(578,189)	(109,688)
	2,527,881	3,054,223

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

In thousands of Tenge

	2012	2011
As at 1 January	109,688	498,177
Reinstatement of accounts receivable with related provision	409,688	–
Charge for the year	136,104	61,037
Write-off of receivable	(42,266)	(425,841)
Reversal of allowance	(23,112)	(24,498)
Disposal of subsidiary	(11,961)	–
Currency translation	48	813
As at 31 December	578,189	109,688

Trade and other accounts receivable are denominated as follows:

In thousands of Tenge

	31 December 2012	31 December 2011
Tenge	2,052,571	2,650,306
US Dollars	429,910	371,583
Russian rubles	780	724
Other currency	44,620	31,610
	2,527,881	3,054,223

As at 31 December the ageing analysis of trade and other receivables is as follows:

In thousands of Tenge

			Past due but not impaired				
	Total	Neither past due nor impaired	<30 days	30-60 days	60-90 days	90-120 days	>120 days
2012	2,527,881	1,984,584	405,000	53,068	1,725	32,516	50,988
2011	3,054,223	2,777,892	30,421	144,360	10,976	24,672	65,902

14. ADVANCES TO SUPPLIERS

In thousands of Tenge

	31 December 2012	31 December 2011
Advances to related parties (Note 37)	420,284	233,277
Advances to third parties	184,307	515,064
Less: allowance for doubtful debts	(1,482)	(3,443)
	603,109	744,898

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

In thousands of Tenge

	31 December 2012	31 December 2011
As at 1 January	3,443	2,063
Charge for the year	11,249	6,899
Reinstatement of advances with related provision	847	–
Write-off of advances	(5,025)	(1,047)
Reversal of provision	(9,032)	(4,472)
As at 31 December	1,482	3,443

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

15. VAT RECOVERABLE AND OTHER PREPAID TAXES

In thousands of Tenge

	31 December 2012	31 December 2011
VAT recoverable	1,974,968	3,337,369
Other taxes prepaid	117,045	296,346
	2,092,013	3,633,715

During 2011, there were significant accrual of output VAT, that was partially offset using accumulated input VAT.

16. OTHER CURRENT ASSETS

In thousands of Tenge

	31 December 2012	31 December 2011
Due for oil transportation coordination services	4,284,419	4,637,780
Due from employees	41,315	49,669
Prepaid insurance	34,635	8,645
Deferred expenses to third parties	7,409	15,652
Deferred expenses to related parties (Note 37)	–	149,104
Other	40,700	39,259
Less: allowance	(2,616)	(2,616)
	4,405,862	4,897,493

17. BANK DEPOSITS

In thousands of Tenge

	31 December 2012	31 December 2011
Short-term bank deposits	53,000,000	34,155,205
Long-term bank deposit	–	6,000,000
Accrued interest on deposits	84,676	968,618
	53,084,676	41,123,823

As at 31 December 2012 short-term bank deposits comprised of Tenge denominated deposits placed with Kazakhstani banks with maturity from 3 to 12 months, which earn interest of from 3% to 7% per annum (2011: from 3.75% to 9% per annum), maturing in December 2013, (2011: December 2012).

As at 31 December 2011 long-term bank deposits comprised of Tenge denominated deposits placed with Kazakhstani banks with maturity date 13 April 2013, which earn interest of 6% per annum. However, due to the need to pay the dividends for the year 2011, contributions were prematurely withdrawn before the end of 2012.

18. CASH AND CASH EQUIVALENTS

In thousands of Tenge

	31 December 2012	31 December 2011
Time deposits with banks – Tenge	10,000,000	12,000,000
Current accounts with banks – Tenge	8,114,269	7,628,046
Current accounts with banks – Lari	475,434	459,743
Current accounts with banks – US Dollars	332,576	1,316,131
Current accounts with banks – Euro	11,908	184,906
Current accounts with banks – Russian Ruble	9,306	16,090
Current accounts with banks – Other currencies	152	228,833
Other current accounts with banks	12,365	10,240
Cash on hand	2,581	8,398
Less: allowance for impairment	(4,547)	–
	18,954,044	21,852,387

At 31 December 2012 most current accounts and time deposits placed with Kazakhstani banks carried interest ranging from 1.65% to 4% per annum (2011: from 1% to 3.25% per annum).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

19. EQUITY

Share capital

On June 22, 2011, the Company issued 1,701,149 common shares with the price of 1,000 Tenge per share, which were acquired by the Parent Company. In return for the shares the Parent Company contributed Kazakhstani section of the pipeline Tuimazy-Omsk-Novosibirsk 2 with associated infrastructure facilities and land plots (Note 7).

On June 26, 2012 the Company increased the number of authorized shares (certificate of state registration of the securities, the issue number A2995 dated May 26, 2012). As a result of a share split at a ratio 1:10 shares, the number of authorized shares increased from 34,617,204 shares to 346,172,040 shares, with the share capital remaining unchanged (34,617,204 thousand Tenge). In addition, the Company increased the number of authorized shares by 38,463,560 shares. The total number of shares as of 31 December 2012 amounted to 384,635,600 shares.

Trades in the shares of JSC «KazTransOil» on the Kazakhstan Stock Exchange were opened on December 25, 2012. As a result, 38,463,559 common shares at 725 Tenge per share were sold for 27,886,080 thousand Tenge. As at 31 December 2012, the Company's share capital was comprised of 384,635,600 common shares (31 December 2011: 34,617,204 common shares) authorized, issued and fully paid in the amount of 62,503,284 thousand Tenge, except for 1 share which was authorized but not issued and not paid (31 December 2011: 34,617,204 thousand Tenge). As of 31 December 2012 the share capital amounting to 61,937,567 thousand Tenge net of consulting costs related to the issuance of shares in the amount of 565,717 thousand Tenge (of which 289,774 thousand Tenge was paid as of 31 December 2012).

Distributions to the shareholder

Dividends

During 2012, the Group declared and paid dividends for 2011, totaling 60,002,000 thousand Tenge from 2011 income (2011: 19,330,798 thousand Tenge from 2010 income). The dividend amounted to 173.33 Tenge per common share according to the total number of shares equaling to 346,172,040 (2011: 55.8 Tenge according to the total number of shares equaling to 346,172,040).

Other distributions

In accordance with the regulations of the Government of the Republic of Kazakhstan No. 411 dated April 13, 2011, and No. 420 dated April 18, 2011, during twelve months ended 31 December 2011, the Group distributed Tenge 1,000,000 thousand in order to construct housing for residents of West Kazakhstan region affected by the flood.

Asset revaluation reserve

Revaluation reserve was formed based on a revaluation of property, plant and equipment which is performed every 3 years in accordance with the accounting policy of the Group (except for technological oil, which is revalued annually as of 30 September).

20. LOANS AND BORROWINGS

In thousands of Tenge

	Currency	Maturity	Effective Interest rate	31December 2012	31December 2011
Halyk Bank Georgia	US dollars	27 October 2012	11%	–	303,181
	–	–	–	–	303.181
Less: amounts due for settlement within 12 monts	–	–	–	–	303,181
Total long–term portion of interest bearing loans and borrowings	–	–	–	–	–

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

21. EMPLOYEE BENEFIT LIABILITY

Employee benefits other than one–off retirement payments are considered as other long–term employee benefits. The entitlement to these benefits is usually conditional on the completion of a minimum service period. The expected cost of these benefits is accrued over the service period, using methodology similar to that used for the defined benefit plan. The Group did not create any funds to cover these future benefit payments.

On May 20, 2011, the Company approved Collective agreement on social support of employees of the Group ("Agreement"). In Agreement the Group increased amount of post retirement benefits to pensioners and also clarified most of its payments to pensioners, which caused substantial increase of long term obligations as of December 31, 2012. The contract is valid until 31 December 2013 and there were no additions to the contract during the year 2012.

Changes in defined benefit obligations are as follows:

In thousands of Tenge

	31 December 2012	31 December 2011
Present value of defined benefits obligation at the beginning of the year	6,135,892	2,721,804
Past services cost	–	1,638,000
Current services cost	460,000	296,000
Unwinding of discount (Note 34)	372,000	163,000
Actuarial losses (Note 32)	153,000	1,540,000
Benefits paid	(320,629)	(222,912)
Present value of defined benefit obligation at the end of the year	6,800,263	6,135,892
Less: current portion of present value of defined benefit obligation	(238,000)	(226,000)
Non-current portion of present value of defined benefit obligation	6,562,263	5,909,892

Amounts recognized in the consolidated statement of financial position and consolidated statement of comprehensive income for the current year is as follows:

	31 December 2012	31 December 2011
Present value of defined benefit obligation at end of the year	6,800,263	6,135,892
Net liability	6,800,263	6,135,892
Past service cost	–	1,638,000
Current service cost	460,000	296,000
Actuarial losses (Note 32)	153,000	1,540,000
Unwinding of discount (Note 34)	372,000	163,000
Expenses recognized in the current period	985,000	3,637,000

Current and past services costs are included in the consolidated statement of comprehensive income as part of 'cost of sales' and 'general and administrative expenses (Notes 29, 30).

Principal actuarial assumptions used for valuation of employee benefit obligation at 31 December 2012 and 2011 were as follows:

	2012	2011
Discount rate	6.0%	6.0%
Future salary increases	6.0%	6.0%
Mortality rate	12.0%	12.0%

22. DEFERRED INCOME

In thousands of Tenge

	31 December 2012	31 December 2011
Deferred income from third parties	3,840,252	3,871,014
Deferred income from related parties (Note 37)	572,670	885,036
	4,412,922	4,756,050

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

23. TRADE AND OTHER ACCOUNTS PAYABLE

In thousands of Tenge

	31 December 2012	31 December 2011
Accounts payable to third parties for goods and services	5,905,433	5,498,346
Accounts payable to related parties for goods and services (Note 37)	596,783	531,875
Other payables to third parties	269,141	513,642
Other payables to related parties (Note 37)	569	1,760
	6,771,926	6,545,623

Trade and other accounts payables are denominated as follows:

In thousands of Tenge

	31 December 2012	31 December 2011
Tenge	6,274,570	4,587,084
US Dollars	223,020	1,497,885
Russian roubles	58,192	291,158
Euro	12,289	10,191
Other currency	203,855	159,305
	6,771,926	6,545,623

24. ADVANCES RECEIVED

In thousands of Tenge

	31 December 2012	31 December 2011
Advances received from related parties (Note 37)	10,426,287	7,021,835
Advances received from third parties	5,544,408	4,204,961
	15,970,695	11,226,796

25. OTHER TAXES PAYABLE

In thousands of Tenge

	31 December 2012	31 December 2011
Personal income tax	432,489	566,590
Social tax	309,878	339,974
VAT payable	297,528	–
Property tax	79,651	49,437
Other taxes	520,255	313,316
	1,639,801	1,269,317

26. PROVISIONS

Movements in provision were represented as follows:

In thousands of Tenge

	KazTransOil (tax provisions)	BIHL (tax provisions)	Others	Total
As at 1 January 2011	3,718,848	226,112	1,700	3,946,660
Charged for the year	–	–	61,471	61,471
Use of provision	–	–	(3,090)	(3,090)
Reversal of provision	(3,718,848)	–	–	(3,718,848)
Foreign currency translation	–	1,534	–	1,534
As at 31 December 2011	–	227,646	60,081	287,727
Charged for the year	–	–	306,318	306,318
Use of provision	–	(56,214)	(186,332)	(242,546)
Reversal of provision	–	–	(776)	(776)
Foreign currency translation	–	2,974	–	2,974
As at 31 December 2012	–	174,406	179,291	353,697

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

KazTransOil Tax Provisions

According to the tax audit results related to the period 2003-2006 the Tax Committee of Astana City ("Tax Authority") proposed an additional assessment of withholding tax payable in the amount of 3,221,780 thousand Tenge and corporate income tax in the amount of 1,267,101 thousand Tenge. On 13 February 2009 the Group made an appeal to the Ministry of Finance and the Tax Committee of the Republic of Kazakhstan. On 23 February 2010 the Group received a reply from the Tax Committee, which satisfied an appeal only partially. The management of the Group believed that the Group might be found liable to the Tax Authority. In 2008, the management has therefore made a provision in the amount of 3,718,848 thousand Tenge, which it believes to be the best estimate of the amount the Group may be required to pay if the legal proceeding are found to be not in the claimants favour.

Based on results of the legal proceedings the resolution of the supervisory Board of the Supreme Court dated May 25, 2011 did not satisfy the claim of the Tax Committee. Accordingly, the Group reversed a tax provision of 3,718,848 thousand Tenge and as of 31 December 2012 and 2011 there was no tax provision.

BIHL Tax Provisions

As of 31 December 2011, the Group was involved in tax disputes with Georgian Tax Authorities in respect of additional accruals of withholding tax of 1,534 thousand US Dollars (equivalent of 227,646 thousand Tenge), and in consolidated financial statement provision an appropriate amount was reflected. During 2012 the Group has used part of the provision in the amount of 377 thousand US dollars and as of 31 December 2012 the amount of tax provision of BIHL amounted to 1,157 thousand US dollars, which is equivalent to 174,406 thousand Tenge (2011: 1,534 thousand US dollars, which is equivalent to 227,646 thousand Tenge).

Other Provisions

Other provisions include provisions related to environmental pollution and other. During 2012 the management of the Company made a provision in the amount of 306,318 thousand Tenge for environmental pollution due to oil spill as a result of unauthorized penetration of Pavlodar-Shymkent pipeline.

During 2011 the management of the Group made a provision in the amount of 49,657 thousand Tenge for environmental pollution due to oil spill as result of Tuimazy-Omsk-Novosibirsk 2 pipeline system and other provision in the amount of 11,814 thousand Tenge.

Asset retirement obligation

According to the Law of the Republic of Kazakhstan «About the main pipeline», which became effective on July 4 2012, the Group has a legal obligation to decommission the main pipeline (oil pipeline) after the operation and obligation to perform further work to restore the environment, including land rehabilitation.

During 2012, the Company's management accrued provision for asset retirement obligation in the amount of 15,084,384 thousand Tenge. Unwinding of discount amounted to 446,653 thousand Tenge. As at 31 December 2012, the carrying value of asset retirement obligation was 15,531,037 thousand Tenge (31 December 2011: nil Tenge).

In thousands of Tenge

	Asset retirement obligation
As at 31 December 2011	–
Accrued for the year	15,084,384
Unwinding of discount on asset retirement obligation (Note 34)	446,653
As at 31 December 2012	15,531,037

27. OTHER CURRENT LIABILITIES

In thousands of Tenge

	31 December 2012	31 December 2011
Accounts payable for oil transportation coordination services to related parties (Note 37)	4,839,624	3,915,508
Accounts payable for oil transportation coordination services to third parties	3,190,974	4,688,339
Salaries and wages	2,941,700	2,620,037
Current portion of deferred income from third parties	444,532	353,010
Payable to pension funds	338,898	382,588
Current portion of deferred income from related parties (Note 37)	312,365	312,365
Other accruals	62,406	37,594
	12,130,499	12,309,441

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

28. REVENUE

In thousands of Tenge

	2012	2011
Crude oil transportation	110,260,550	109,585,457
Oil reloading and railway shipment	14,880,582	13,795,329
Water transportation	6,431,874	6,119,862
Pipeline operation services	5,968,264	5,227,305
Oil transportation coordination services and seaport	3,853,047	3,764,703
Oil storage services	235,996	282,259
Other	1,431,012	1,703,177
	143,061,325	140,478,092

29. COST OF SALES

In thousands of Tenge

	2012	2011
Personnel cost	29,063,058	26,621,785
Depreciation and amortization	26,976,466	26,685,966
Railway services	9,229,798	8,726,951
Materials and fuel	5,831,571	5,727,463
Electric energy	5,355,092	4,933,238
Repair and maintenance costs	4,994,652	4,737,422
Taxes other than corporate income tax	4,324,473	4,079,963
Security services	3,587,876	3,403,589
Gas expense	2,206,043	1,966,908
Air services	1,931,505	1,942,330
Environmental protection	888,008	954,634
Rent expense	744,589	750,735
Business trip expenses	706,013	567,982
Insurance	476,373	480,034
Post-employment benefits	431,867	1,820,207
Communication services	214,538	213,967
Diagnostics of pipelines	194,260	419,693
Other	2,447,449	2,265,816
	99,603,631	96,298,683

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

30. GENERAL AND ADMINISTRATIVE EXPENSES

In thousands of Tenge

	31 December 2012	31 December 2011
Personnel costs	5,447,561	5,190,023
Charity expenses	1,079,886	329,503
Consulting	767,630	703,429
Depreciation and amortization	686,879	1,029,996
Taxes other than corporate income tax	361,723	446,316
Expenses on VAT	309,957	316,627
Insurance and security	232,607	256,020
Repair and technical maintenance	218,156	239,297
Business trip expenses	215,928	180,017
Advertising expense	186,903	84,835
Social sphere expenses	172,820	378,841
Rent expense	149,098	198,919
Materials and fuel	140,532	164,879
Training	132,182	157,450
Communication services	124,219	98,699
Office maintenance	121,661	34,956
Provision for allowance for doubtful debts	119,756	41,582
Bank costs	102,622	98,192
Information expenses	77,118	76,182
Post-employment benefits	28,133	113,793
Transportation expenses	14,366	79,271
Provision allowance for obsolete and slow-moving inventories	12,973	2,892
Reversal of tax provisions (Note 26)	–	(3,718,848)
Other	274,865	227,499
	10,977,575	6,730,370

In 2012 the Company has provided a financial aid in the amount of 1,000,000 thousand Tenge to the public association “Pavlodar-our common home” for the construction of multifunctional sport complex in Pavlodar city.

31. OTHER OPERATING INCOME

In thousands of Tenge

	31 December 2012	31 December 2011
Income from fines and penalties	928,945	786,025
Amortization of deferred income (Note 37)	312,365	312,365
Amortization of financial guarantee issued to related party	138,570	136,070
Income from write-off of payables	11,222	9,930
Gain on disposal of inventory	–	56,998
Gain on disposal of other non-current assets	–	229,465
Other income	267,068	114,312
	1,658,170	1,645,165

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

32. OTHER OPERATING EXPENSES

In thousands of Tenge

	31 December 2012	31 December 2011
Actuarial losses (Note 21)	153,000	1,540,000
Loss on disposal of property, plant and equipment and intangible assets	46,050	523,329
Loss on disposal of other non-current assets	–	215,716
Loss on disposal of inventory	–	51,482
Other expenses	421,920	435,768
	620,970	2,766,295

33. FINANCE INCOME

In thousands of Tenge

	31 December 2012	31 December 2011
Interest income on bank deposits	1,851,365	2,816,026
Income from guarantees	–	17,741
Dividends income (Note 37)	–	17,608
Other finance income	98,992	43,651
	1,950,357	2,895,026

34. FINANCE COSTS

In thousands of Tenge

	31 December 2012	31 December 2011
Unwinding of discount on asset retirement obligation (Note 26)	446,653	–
Employee benefits: unwinding of discount (Note 21)	372,000	163,000
Interest on loans and borrowings	27,436	139,297
Other	1,442	6,059
	847,531	308,356

35. INCOME TAX EXPENSE

As at 31 December 2012 prepayment for income tax in the amount of 1,580,756 thousand Tenge (2011: 1,756,038 thousand Tenge) represents corporate income tax.

As at 31 December 2012 income tax liabilities in the amount of 919,213 thousand Tenge (2011: 1,156,184 thousand Tenge) represents corporate income tax.

Income tax expenses for the years ended 31 December comprise:

In thousands of Tenge

	31 December 2012	31 December 2011
Current income tax expense	8,172,066	9,473,951
Deferred income tax (benefit) / expense	378,097	(2,746,399)
Income tax expense	8,550,163	6,727,552

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

A reconciliation of income tax expense applicable to profit before income tax at the statutory income tax rate (20%) to current income tax expense for the years ended 31 December, is as follows:

In thousands of Tenge

	31 December 2012	31 December 2011
Profit before income tax	42,051,291	32,672,949
Statutory rate	20%	20%
Income tax expense on accounting profit	8,410,258	6,534,590
Tax effect of permanent differences		
Reversal of provisions for taxes	–	(743,770)
Other non deductible expenses	612,375	1,294,111
Tax effect of other adjustments		
Adjustment of tax return for prior years	–	259,935
Derecognition of deferred taxes on income of foreign subsidiaries	1,110,119	–
Income from joint ventures recognized according to equity method	(1,621,596)	(320,506)
Effect of difference in tax rates	39,007	(296,808)
Corporate income tax expense reported in the statement of comprehensive income	8,550,163	6,727,552

Deferred income tax balances, calculated by applying the statutory income tax rates in effect at the respective balance sheet dates to the temporary differences between the basis of assets and liabilities and the amounts reported in the consolidated financial statements, are comprised of the following at 31 December:

In thousands of Tenge

	31 December 2012	Charged to profit and loss	Foreign currency translation	Charged to revaluation reserve	31 December 2011	Charged to profit and loss	Foreign currency translation	Charged to revaluation reserve	1 January 2011
Deferred tax assets									
Bonuses and other employee compensation and related costs	1,565,969	152,212	–	–	1,413,757	409,354	–	–	1,004,403
Financial guarantee issued on behalf of related party	39,931	(27,853)	–	–	67,784	21,371	–	–	46,413
Allowance for doubtful debts	34,350	18,506	–	–	15,844	(96,154)	–	–	111,998
Provision for slow-moving and obsolete inventory	13,083	2,943	–	–	10,140	(883)	–	–	11,023
Provision on environmental protection	70,739	70,739	–	–	–	–	–	–	–
Provision on asset retirement obligation	3,106,207	3,106,207	–	–	–	–	–	–	–
Taxes payable	–	(50,997)	–	–	50,997	29,728	–	–	21,269
Financial aid to related parties and loans to employees	14,440	8,787	–	–	5,653	(8,404)	–	–	14,057
Deferred Income from related party	177,007	(62,473)	–	–	239,480	(62,473)	–	–	301,953
Income of foreign entities under control	–	(1,110,118)	–	–	1,110,118	79,571	–	–	1,030,547
	5,021,726	2,107,953	–	–	2,913,773	372,110	–	–	2,541,663
Deferred tax liabilities									
Taxes payable	(33,759)	(33,759)	–	–	–	–	–	–	–
Investments in joint ventures	–	–	–	–	–	176,032	–	–	(176,032)
Property, plant and equipment	(44,394,737)	(2,452,291)	(34,466)	(4,792,496)	(37,115,484)	2,198,257	459,378	(1,363,226)	(38,409,893)
	(44,428,496)	(2,486,050)	(34,466)	(4,792,496)	(37,115,484)	2,374,289	459,378	(1,363,226)	(38,585,925)
Net deferred income tax liabilities	(39,406,770)	(378,097)	(34,466)	(4,792,496)	(34,201,711)	2,746,399	459,378	(1,363,226)	(36,044,262)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

The deferred taxes on property, plant and equipment represent differences between tax and book base of property, plant and equipment due to different depreciation rates in tax and accounting books and impairment of property, plant and equipment.

A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

In 2012 the Group has changed its assessment in regards the recoverability of deferred tax asset on income from foreign companies under control, which were received in countries with preferential tax rules under the Tax code of the Republic of Kazakhstan. Accordingly, as of 31 December 2012 the Group has ceased the recognition of relevant deferred tax asset in the amount of 1,110,118 thousand Tenge.

36. SEGMENT INFORMATION

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

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

Segments that are identified, but do not separately exceed quantitative limits (amount of separate segment revenue composes less than 10% of combined revenue) are combined in "Other segments". Such services include services provided by subsidiary KTO-Service, and also transshipment of dry cargo (sugar-airbrick, ammonium nitrate, cement, grain, sunflower and oil cake) in Batumi sea port with operation of dry-cargo, ferry and container terminal, and also passenger terminal services.

Oil transportation and related services provided by the Company, which do not exceed quantitative limits and are intimately connected with the Group's main operating activities, or with main asset of the Group – pipelines, such as: water transportation, oil storage, expedition services, services on support and maintenance of pipelines, are included into service related to oil transportation. Separate management report is not provided to the Management of the Group on some types of these services and accordingly they cannot be identified as a separate segments. Services on transshipment of oil and oil-products through Batumi sea port with operation of Batumi oil terminal are included in "Oil transshipment" segment.

Revenue from oil terminal is generated through storage, transshipment of oil and oil-products and expedition. Expedition services represent transshipment of oil and oil-products services through railway from Azerbaijanian-Georgian border to terminal in Batumi. This type of activity is directly related to oil transshipment, and therefore is not shown as a separate segment.

Management analyses its operating segments by segment profit.

In thousands of Tenge

	31 December 2012						31 December 2011					
	Oil Transportation and related services	Oil transshipment	Other	Total segments	Adjustments and eliminations	Consolidated	Oil Transportation and related services	Oil transshipment	Other	Total segments	Adjustments and eliminations	Consolidated
Revenue												
External customers	123,931,842	14,880,582	4,248,901	143,061,325	–	143,061,325	122,258,114	14,296,770	3,923,208	140,478,092	–	140,478,092
Inter-segment	–	–	394,544	394,544	(394,544)	–	–	–	537,747	537,747	(537,747)	–
Total revenue	123,931,842	14,880,582	4,643,445	143,455,869	(394,544)	143,061,325	122,258,114	14,296,770	4,460,955	141,015,839	(537,747)	140,478,092
Results												
Impairment of property, plant and equipment (included in net profit)	(766,227)	–	–	(766,227)	–	(766,227)	61,250	(5,953,279)	(982,287)	(6,874,316)	–	(6,874,316)
Impairment of Intangible assets	–	–	–	–	–	–	–	–	(534,870)	(534,870)	–	(534,870)
Depreciation and amortization	(26,184,824)	(1,021,851)	(456,670)	(27,663,345)	–	(27,663,345)	(25,508,041)	(1,580,270)	(627,651)	(27,715,962)	–	(27,715,962)
Interest income	1,783,562	21,770	60,198	1,865,530	–	1,865,530	2,741,951	43,400	37,859	2,823,210	–	2,823,210
Interest expenses	–	(27,436)	–	(27,436)	–	(27,436)	(74,638)	(70,524)	(14,122)	(159,284)	14,122	(145,162)
CIT expense	(8,432,962)	53,680	(170,880)	(7,379,444)	–	(8,550,162)	(7,869,141)	1,091,879	(201,456)	(6,978,718)	251,166	(6,727,552)
Segment profit	24,164,234	1,472,012	(262,312))	25,373,934	8,127,194	33,501,128	29,463,371	(4,965,724)	(1,934,668)	22,562,979	3,382,418	25,945,397

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Inter-segment revenues are eliminated upon consolidation and reflected in the adjustments and eliminations'column. All other adjustments and eliminations are part of detailed reconciliations presented further below.

In thousands of Tenge

	31 December 2012	31 December 2011
Reconciliation of profit		
Segment profit	25,373,934	22,562,979
Adjustments and eliminations	19,215	1,779,890
Recognition of share in income of joint ventures	8,107,979	1,602,528
Group profit	33,501,128	25,945,397

37. RELATED PARTY TRANSACTIONS

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

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

The following tables provides the total amount of transactions, which have been entered into with related parties during 2012 and 2011 and the related balances as at 31 December 2012 and 2011:

Other non-current assets include long term trade accounts receivables from related parties are as follows:

In thousands of Tenge

	31 December 2012	31 December 2011
Long-term trade accounts receivable from related parties		
Long-term trade accounts receivable from entities under common control of KMG	–	202,705
Total long-term trade accounts receivable from related parties	–	202,705

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

In thousands of Tenge

	31 December 2012	31 December 2011
Trade and other accounts receivable from related parties		
Trade accounts receivable from joint ventures	471,451	1,396,428
Trade accounts receivable from entities under common control of KMG	559,841	573,349
Trade accounts receivable from entities under common control of Samruk-Kazyna Group	188	207
	1,031,480	1,969,984
Other accounts receivables from entities under common control of KMG and Samruk-Kazyna Group	198,918	58,485
Total trade and other accounts receivable from related parties	1,230,398	2,028,469

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Advances provided to related parties are as follows:

In thousands of Tenge

	31 December 2012	31 December 2011
Advances given to related parties		
Advances given to entities under common control of KMG	219,298	170,207
Advances given to entities under common control of Samruk-Kazyna Group	2,612	63,070
Advances given to other related parties	198,374	–
Total advances paid to related parties	420,284	233,277

JSC "Halyk bank Kazakhstan" and its subsidiaries which are included in "Halyk Group" were excluded from the list of related parties of the Company from January 6, 2012 as it is not controlled by a member of key management personnel of the KMG and Samruk Kazyna. Thus transactions in cash, bank deposits, deferred expense, interest receivable as of 31 December 2012 and interest income for the year 2012 related to JSC "Halyk Bank Kazakhstan" are not disclosed in the information with related parties.

Deferred expenses to related parties are as follows:

In thousands of Tenge

	31 December 2012	31 December 2011
Deferred expenses		
Halyk Bank Kazakhstan JSC – other affiliate	–	149,104
Total deferred expenses to related parties	–	149,104

Cash and cash equivalents placed in banks which are related parties are as follows:

In thousands of Tenge

	31 December 2012	31 December 2011
Current accounts		
Halyk Bank Kazakhstan JSC – other affiliate	–	14,917,426
Total current accounts placed in banks which are related parties	–	14,917,426

As at 31 December 2011current accounts comprised of Tenge denominated deposits placed in Halyk Bank in amount of 12,000,000 Tenge with maturity less than 3 months, which earn interest 2% per annum and of other current accounts with interest rate from 0.1% to 3% per annum.

In thousands of Tenge

	31 December 2012	31 December 2011
Bank deposits		
Halyk Bank Kazakhstan JSC – other affiliate	–	5,000,000
Total bank deposits placed in banks which are related parties	–	5,000,000

As at 31 December 2011 bank deposits comprised of Tenge denominated deposits placed in Halyk Bank Kazakhstan, which earn interest from 3.5% to 6%per annum.

In thousands of Tenge

	31 December 2012	31 December 2011
Interest receivable on bank deposits		
Halyk Bank Kazakhstan JSC – other affiliate	–	195,528
Total interest receivable on bank deposits	–	195,528

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

In thousands of Tenge

	31 December 2012	31 December 2011
Accounts payables to related parties for goods and services		
Accounts payables to entities under common control of KMG	567,859	454,221
Accounts payables to entities under common control of Samruk-Kazyna Group	28,924	77,654
	596,783	531,875
Other payables to related parties		
Other payables to entities under common control of Samruk-Kazyna Group	569	1,760
Total trade and other accounts payable to related parties	597,352	533,635

Financial guarantee issued on behalf of related parties:

In thousands of Tenge

	31 December 2012	31 December 2011
Financial guarantee issued on behalf of MunaiTas JSC	199,654	338,919
Total financial guarantee issued on behalf of related parties	199,654	338,919

Advances received from related parties are as follows:

In thousands of Tenge

	31 December 2012	31 December 2011
Advances received from related parties		
Advances from entities under common control of KMG	9,143,441	6,111,963
Advances from entities under common control of Samruk-Kazyna Group	1,282,846	909,872
Total advances received from related parties	10,426,287	7,021,835

Loans and borrowings to related parties are as follows:

In thousands of Tenge

	31 December 2012	31 December 2011
Loans received from related parties		
Halyk Bank Kazakhstan JSC – other affiliate	–	303,181
Total loans received from related parties	–	303,181

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Other current liabilities to related parties are as follows:

In thousands of Tenge

	31 December 2012	31 December 2011
Accounts payable for oil transportation expedition for related parties		
Accounts payable for oil transportation expedition for entities under common control of KMG	4,839,624	3,915,508
	4,839,624	3,915,508
Employee benefits		
Employee benefits of key management personnel	19,940	4,943
	19,940	4,943
Current portion of deferred income from related parties		
Current portion of deferred income from entities under common control of KMG	312,365	312,365
	312,365	312,365
Total other current liabilities to related parties	5,171,929	4,232,816

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

In thousands of Tenge

	31 December 2012	31 December 2011
Non-current deferred income from related parties		
Non-current deferred income from entities under common control of KMG	572,670	885,036
Total other non-current deffered income from related parties	572,670	885,036

During years ended 31 December the Group had the following transactions with the related parties:

In thousands of Tenge

	31 December 2012	31 December 2011
Sales to related parties:		
Income from main acitivties with entities under common control of KMG	68,484,274	66,603,554
Income from main activities with entities under common control of Samruk-Kazyna Group	7,505,538	9,155,985
Income from other activities with related parties	16,104	–
Income from main activities with joint ventures	4,937,616	4,372,631
Income from other activities with entities under common control of KMG	209,442	373,899
Income from other activities with joint ventures	4,209	1,060
Income from other activities with entities under common control of Samruk-Kazyna Group	–	425
Sale of property, plant and equipment to other entities under common control of KMG	–	240,093
Income from sale of subsidiary	11,647,889	–
	92,805,072	80,747,647
Purchases from related parties:		
Purchases of services from entities under common control of KMG	7,222,887	6,812,352
Purchases of services from entities under common control of Samruk-Kazyna Group	932,503	1,759,717
Purchases of services from other related parties	9,015,787	–
Purchases of inventory from entities under common control of Samruk-Kazyna Group	12,837	5,354
Purchases of property, plant and equipment from entities under common control of Samruk-Kazyna Group	–	19,205
	17,184,014	8,596,628

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

In thousands of Tenge

	2012	2011
Interest income on bank deposits		
Halyk Bank Kazakhstan JSC – other affiliate	–	866,619
	–	866,619
Dividend income		
Other dividend income	–	17,608
	–	17,608
Other operating income from related parties		
Amortization of deferred income from related parties	312,365	312,365
Amortization of financial guarantee issued to related party	138,570	136,070
	450,935	448,435
Interest expenses on loans from related parties		
Halyk Bank Kazakhstan JSC – other affiliate	–	6,011
	–	6,011
Financial income from related parties		
Income on discounting of debts from related parties	65,199	9,439
Other financial income from related party	8,499	–
	73,698	9,439
Financial expenses from related parties		
Expenses on discounting of debts from related parties	–	74,638
	–	74,638

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

In thousands of Tenge

	31 December 2012	31 December 2011
Salary	126,329	98,997
Bonuses	26,508	37,430
Benefits based on the results of the year 2011	101,002	–
Post–employment benefits	451	1,908
	254,290	138,335
Number of persons	8	7

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

38. CONTINGENT LIABILITIES AND COMMITMENTS

Taxation

Kazakhstan's tax legislation and regulations are subject to ongoing changes and varying interpretations. Instances of inconsistent opinions between local, regional and national tax authorities are not usual. The current regime of penalties and interest related to reported and discovered violations of Kazakhstan's tax laws are severe. Penalties are generally 50% of the taxes additionally assessed and interest is assessed at the refinancing rate established by the National Bank of Kazakhstan multiplied by 2.5. As a result, penalties and interest can amount to multiples of any assessed taxes. Fiscal periods remain open to review by tax authorities for five calendar years preceding the year of review. Under certain circumstances reviews may cover longer periods.

Because of the uncertainties associated with Kazakhstan's tax system, the ultimate amount of taxes, penalties and interest, if any, may be in excess of the amount expensed to date and accrued as at 31 December 2012.

As at 31 December 2012 management believes that its interpretation of the relevant legislation is appropriate and that it is probable that the Groups's tax positions will be sustained, except as provided for or otherwise disclosed in these consolidated financial statements.

Transfer pricing control

Transfer pricing control in Kazakhstan has a very wide scope and applies to many transactions that directly or indirectly relate to international business regardless of whether the transaction participants are related or not. The transfer pricing legislation requires that all taxes applicable to a transaction should be calculated based on market price determined in accordance with the arm's length principle.

The new law on transfer pricing came into effect in Kazakhstan from 1 January 2009. The new law is not explicit and there is little precedence with some of its provisions. Moreover, the law is not supported by detailed guidance, which is still under development. As a result, application of transfer pricing control to various types of transactions is not clearly regulated.

Because of the uncertainties associated with the Kazakhstan transfer pricing legislation, there is a risk that the tax authorities may take a position that differs from the Group's position, which could result in additional taxes, fines and interest as at December 31, 2012.

As at December 31, 2012 management believes that its interpretation of the transfer pricing legislation is appropriate and that it is probable that the Group's positions with regard to transfer pricing will be sustained.

Tax commitments of Georgian entities

According to the Tax Code of Georgia ("TCG"), tax administration is authorized to make motivated written decision on use of market prices for taxation purposes if transaction takes place between related parties. Although TCG contains certain guidance on the determination of market prices of goods and services, the mechanism is not sophisticated and there is no separate transfer pricing legislation in Georgia. Existence of such ambiguity creates uncertainties as related to the position that tax authorities might take when considering taxation of transactions between related parties.

The Georgian subsidiaries of the Group have significant transactions with off-shore subsidiaries of the Group as well as amongst each other. These transactions fall within the definition of transactions between related parties and may be challenged by tax authorities of Georgia. Management believes that it has sufficient arguments to assert that pricing of transactions between entities of the Group is at arm's length, however due to absent legislative basis for determination of market prices tax authorities might take position different from that of the Group.

VAT taxation of import and export cargo trasshipment services of Georgian entities

On 28 October 2011 BIHL applied to the Georgian Tax Authorities ("GTA") with request to issue advance tax ruling in relation to certain matters related to VAT taxation of port operations in Georgia. In particular, the Management has requested the official position of the GTA on VAT taxation of import and export cargo transshipment services since the provisions of the Tax Code of Georgia ("TCG") in this respect are ambiguous. During discussions with GTA held in December 2011, GTA expressed the position that according to the provisions of the TCG transshipment services in relation to the cargo declared in export regime are exempted from VAT taxation. The Management believes that whether the cargo is declared in export regime or not and, therefore, whether VAT exemption applies, should be assessed upon completion of transshipment operations and issuance of relevant invoice for the rendered services.

However, the GTA's current position is that transshipment operation should be broken down into unloading, storage and loading operations and whether VAT exemption applies to the particular component shall be assessed on the basis of whether cargo was declared in export regime before commencement of that particular component. If, for example, cargo was not yet declared in export regime upon commencement of unloading, this component of cargo transshipment service should be taxed with VAT.

GTA have already issued the final signed advance tax ruling, however as of the reporting date the ruling has not been delivered to the Management. The Management strongly opposes the position by GTA and intends to initiate formal appeal process against the ruling. As of the reporting date the management is not able to calculate the exact exposure in monetary terms due to

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

impracticability of determining it since the accounting records do not contain sufficient information to make this assessment as detailed check of supporting documents is required.

Based on approximate calculations the Management assess maximum amount of tax exposure for US Dollars 3,928 thousand (equivalent to 582,915 thousand Tenge).

Environmental matters

The enforcement of environmental regulation in Kazakhstan is evolving and subject to ongoing changes. Potential liabilities which may arise as a result of changes in legislation cannot be reasonably estimated. Under existing legislation management believes that there are no probable or possible liabilities which could have a material adverse effect on the Group's financial position or results of operations.

Insurance matters

The insurance industry in the Republic of Kazakhstan is in a developing state and many forms of insurance protection common in other parts of the world are not yet generally available.

The Group has insurance coverage over property, third party liability in respect of property or environmental damage arising from accidents on Group's property or relating to Group's operations.

Covenants

Guarantees

As at 31 December 2012, the Company has guaranteed to EBRD in respect of the obligations of MunaiTas under the loan agreement with EBRD. According to the Guarantee Agreement concluded between the Company and EBRD, the Company has to comply with the following covenants:

- Current ratio of not less than 1:1;
- Ratio of earnings before interest, income tax, depreciation and amortization to Interest of not less than 2:1; and
- Ratio of debt to equity of not more than 2:1;

The Guarantor shall not enter into any transactions that are not based on arm's-length arrangements unless transaction is approved by regulatory bodies. The Guarantor shall not sell, lease or dispose its assets in excess of 30% of total assets or undertake any merger or reorganization. As of 31 December 2012 and 2011, the Company fully complied with covenants.

Contractual commitments

As at 31 December 2012, the Group had contractual obligations to acquire property, plant and equipment, and construction services for the amount of 5,607,369 thousand Tenge (2011: 10,267,168). In addition, as at 31 December 2012, the Group has committed to purchase inventory (materials and spare parts) and services for the amount of 1,948,794 thousand Tenge (2011: 2,002,637 thousand Tenge).

Share of the Group as at 31 December 2012 in contractual obligations of joint ventures to acquire property, plant and equipment, and construction services for the amount of 11,623,922 thousand Tenge (2011: 141,092 thousand Tenge) and has commitments to purchase inventory (materials and spare parts) and services for the amount of 986,037 thousand Tenge (2011: 169,364 thousand Tenge).

Expropriation of the Batumi Sea Port (BSP) assets

In accordance with BSP Management Right agreement between BIHL and Georgia Government, Georgian Government has the right for expropriation of the BSP's assets, in case the BSP will not meet its obligations on minimum volume of transshipment, which is 6 mln tone per year. As at 31 December 2012, BSP was not exposed to risk of asset expropriation from the Government of Georgia, as actual volumes of transshipment were 6.750 mln tonne.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

39. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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

The Group is exposed to market risk that comprises: interest rate risk, credit risk, currency risk and liquidity risk.

The management of the Group reviews and agrees policies for managing each of these risks which are summarized below.

Interest Rate Risk

The Group is not exposed to risks associated with interest rates, because there are no loans with floating or fixed rate in the years 2012 and 2011.

Credit risk

The Group trades only with recognized, creditworthy parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant. Maximum exposure is the carrying amount. There are no significant concentrations of credit risk within the Group.

The Group places deposits with Kazakhstani banks (Notes 17 and 18). The Group's management reviews credit ratings of these banks periodically to eliminate extraordinary credit risk exposure. The Group's management believes that recent international credit crisis and subsequent changes in credit rating of local banks does not justify extraordinary credit risk. Accordingly, no impairment provision against bank deposits is required.

The table below shows the balances of bank accounts and deposits at the balance sheet date using the "Moody's" "Fitch" and "Standard & Poors" credit ratings.

In thousands of Tenge

Bank	Location	Rating		2012	2011
		2012	2011		
Halyk Bank Kazakhstan JSC	Kazakhstan	Ba2/Stable	Ba2/Stable	34,783,201	20,112,954
KazKommerstBank JSC	Kazakhstan	Ba2/Negative	Ba3/Negative	28,543,632	8,253,742
JSC Cesna Bank	Kazakhstan	B/Stable	–	7,005,347	–
JSC Bank Kassa Nova	Kazakhstan	B/Stable	–	1,000,542	–
TBC Bank	Georgia	B1/Stable	B	258,519	264,597
BNP Paribas	Cyprus	–	AA-	142,449	38,881
Bank of Georgia	Georgia	B1/Stable	BB-	106,573	99,131
Bank of Cyprus	Georgia	Caa2/Negative	Ba2/Negative	74,164	195,146
Basis Bank	Georgia	B-	B-	55,171	33,093
Republic Bank	Georgia	–	A+	16,883	15,878
Berenberg Bank	Cyprus	–	–	14,773	870,663
SberBank of Russia JSC	Kazakhstan	Ba2/Stable	Ba2/Stable	4,690	19,562,153
Cartu Bank	Georgia	–	–	1,960	5,046
RBS Bank Kazakhstan JSC	Kazakhstan	A3/Negative	A2/Negative	350	6,059
CITI Bank Kazakhstan JSC	Kazakhstan	A3/Negative	A1/Negative	269	669
ATF Bank JSC	Kazakhstan	B1/Stable	Ba3/Negative	7	13,321,930
HSBC Bank Kazakhstan JSC	Kazakhstan	–	–	6	–
Procredit Bank	Georgia	BB	BB	–	14,840
AMT Bank LLC	Russia	–	–	–	4,622
VTB Bank	Georgia	BB	BB-	–	148
Other	Kazakhstan	–	–	27,603	168,260
				72,036,139	62,967,812

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Liquidity Risks

The Group monitors its risk to a shortage of funds using a current liquidity planning tool. This tool considers the maturity of both its financial investments and financial assets (e.g. accounts receivables, other financial assets) and projected cash flows from operations.

The table below summarizes the maturity profile of the Group's financial liabilities at 31 December 2012 and 2011 based on contractual undiscounted payments.

In thousands of Tenge

	On demand	<1 year	1 to 2 years	2 to 5 years	>5 years	Total
As at 31 December 2012						
Trade and other payable	–	6,500,714	92,453	178,759	–	6,771,926
Other liabilities	–	2,941,700	–	–	–	2,941,700
	–	9,442,414	92,453	178,759	–	9,713,626
As at 31 December 2011						
Loans and borrowings	–	303,181	–	–	–	303,181
Trade and other payable	–	5,288,216	1,257,407	–	–	6,545,623
Other liabilities	–	2,620,037	–	–	–	2,620,037
	–	8,211,434	1,257,407	–	–	9,468,841

Currency Risk

The table below shows the total amount of foreign currency denominated assets and liabilities that give rise to foreign exchange exposure.

In thousands of Tenge

	US Dollar	Russian Ruble	Euro	Other currencies	Total
At 31 December 2012					
Assets	762,486	10,086	11,908	520,206	1,304,686
Liabilities	948,682	77,546	30,076	227,458	1,283,762
At 31 December 2011					
Assets	1,687,714	16,814	184,906	720,186	2,609,620
Liabilities	440,595	310,262	30,967	290,700	1,072,524

The Group does not have formal arrangements to mitigate foreign exchange risks of the Group's operations. The Group also has transactional currency exposures. Such exposure arises from revenues in US Dollars.

The following table demonstrates the sensitivity to a reasonably possible change in the US dollar and Russian ruble exchange rate, with all other variables held constant, of the Group's profit before tax (due to changes in the fair value of monetary assets and liabilities). There is no impact on the Group's equity.

In thousands of Tenge

	Increase / decrease in US dollar rate	Effect on profit before tax
2012	+1.57%	(2.923)
US Dollar	-1.57%	2.923
2012	+10,74%	(7.245)
Rissian ruble	-10,74%	7.245
2011	+10.72%	133.691
US Dollar	-10.72%	(133.691)
2011	+16,01%	(46.981)
Rissian ruble	-16,01%	46.981

Capital management

The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy equity ratios in order to support its business and maximize shareholder value.

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholder, return capital to shareholder or issue new shares.

No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2012 and 2011.

The Group monitors equity using a gearing ratio, which is net debt divided by total equity plus net debt. The Group's net debt includes interest bearing loans and borrowings and trade and other payables, less cash and cash equivalents.

As of December 31, 2012 and 2011 the Group does not have significant debts. The Group has sufficient cash, exceeding its debt as of the reporting date.

Fair value of financial instruments

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

In thousands of Tenge

	Carrying amount		Fair Value	
	31 December 2012	31 December 2011	31 December 2012	31 December 2011
Financial Assets				
Cash and cash equivalents	18,954,044	21,852,387	18,954,044	21,852,387
Bank deposits	53,084,676	41,123,823	53,084,676	41,123,823
Trade and other receivables	2,527,881	3,054,223	2,527,881	3,054,223
Financial liabilities				
Fixed rate borrowings	–	303,181	–	303,181
Trade and other payables	6,771,926	6,545,623	6,771,926	6,545,623
Other financial liabilities	3,480,252	3,345,708	3,480,252	3,345,708

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

40. EVENTS AFTER THE REPORTING PERIOD

There were no significant events in the Company after the reporting date.

ANNUAL REPORT
2012

07

ANNUAL REPORT OF THE BOARD OF DIRECTORS OF “KAZTRANSOIL” JSC ON WORK ACCOMPLISHED IN 2012

1. General information about the Board of Directors

Managerial body of the Joint Stock Company "KazTransOil" is the Board of Directors. The Board of Directors operates in accordance with the Law of the Republic of Kazakhstan "On Joint Stock Companies", Charter, Code of Corporate Governance, Regulation on the Board of Directors and other internal documents of the Company.

Determination of composition of the Board of Directors of the Company, election of its members, including Chair of the Board of Directors, and early termination of their powers, determination of size and conditions of payment of remuneration and reimbursement of expenses to the members of the Board of Directors for execution of their duties, as well as confirmation of Terms of Reference of the Board of Directors is attributed to the exceptional competence of the General Meeting of Shareholders of the Company.

In accordance with the Law of the Republic of Kazakhstan "On Joint Stock Companies" the number of members of the Board of Directors shall comprise at least three persons. Not less than thirty percent of composition of the Board of Directors of the Company shall be represented by the Independent Directors.

2 Independent Directors – Daniel Mihalik and Moustafa Habib – were elected into the Board of Directors of the Company.

General Director Kayrgeldy Kabyldin, heading the Management Board, is also the member of the Board of Directors of the Company and is the sole representative of executive body of the Company in the Board of Directors.

Three other members of the Board of Directors, including the Chair Nurtas Shmanov, are the representatives of Major Shareholder.

2. Composition of the Board of Directors as of December 31, 2012

As of December 31, 2012 the Board of Directors consisted of six members, represented by:

Name	Position
Nurtas Shmanov	Chair of the Board of Directors
Kairgeldy Kabyldin	member of the Board of Directors
Ardak Kassymbek	member of the Board of Directors
Arman Darbayev	member of the Board of Directors
Daniel Mihalik	Independent Director
Moustafa Habib	Independent Director

In accordance with resolution of the Sole Shareholder of the Company dated 8 September 2011 (minutes #127) three-years term of powers of the Board of Directors of the Company was determined and five people were elected in its composition.

In line with resolution of the Board of Directors of "KazMunayGas" NC JSC dated 19 October 2012 (minutes #8/2012) composition of the Board of Directors was determined as 6 members. In line with the same resolution Ardak Kassymbek was elected as a representative of "KazMunayGas" NC JSC for the term of powers, determined for the Board of Directors of the Company on a whole.

3. Criterions of selection of members of the Board of Directors

Criterions of selection of members of the Board of Directors, including Independent Directors, are specified in the Law of the Republic of Kazakhstan "On Joint Stock Companies", Company's Charter and Corporate Governance Code of the Company.

In accordance with Code of Corporate Governance the Board of Directors established a fact of independency of directors and considers that Moustafa Habib and Daniel Mihalik are independent in terms of taking decisions. The Board of Directors established absence of relations or circumstances which affect or might affect significantly the independent decisions of indicated directors.

4. Competence of the Board of Directors

The Board of Directors determines strategic goals, priority directions of development and sets basic milestones of activity of the Company for a long term prospective, ensures availability of necessary financial and human resources to implement the goals set and considers other substantial issues.

The issues attributed to exceptional competence of the Board of Directors can not be transferred for resolving to the Management Board of the Company.

The Board of Directors is not entitled to take decisions on the issues attributed to the competence of the Management Board of the Company in accordance with Company's Charter, as well as take decisions, contradicting to the decisions of the General Meeting of Shareholders.

5. Liability of the Board of Directors

Distribution of powers between the Board of Directors, the Management Board and the General Director (Chair of the Management Board) is stipulated in articles 11 and 12 of the Charter of the Company.

The Board of Directors is liable to the General Meeting of Shareholders for effective administration and proper control over operation of the Company in accordance with confirmed system of taking decisions.

The Board of Directors oversees activity of the Management Board.

6. Information on the meetings of the Board of Directors

The Board of Directors holds the meetings basing on the principle of rationality, effectiveness and regularity.

During 2012 the Board of Directors held 17 meetings, including 13 formal and 4 – by the means of absentee voting, having taken decisions on 171 issues.

7. Core issues, considered by the Board of Directors in 2012

In order to develop Kazakhstan's stock market and the economy in general, through attraction of population's savings to the capital market, increasing financial literacy and providing necessary conditions for trading on the stock market for a wide range of public and private companies the Government of the Republic of Kazakhstan approved a program for transfer of shares of subsidiaries and affiliates of "National Welfare Fund "Samruk-Kazyna" JSC to the securities market (hereinafter - the "People's IPO" program) by resolution dated 8 September 2011 № 1027.

Within "People's IPO" program "KazTransOil" JSC has become the first company traded on the stock exchange market. Preparation for the IPO was an ongoing process that required for coordinated work of all bodies of the Company.

One of the key factors affecting the high-quality preparation and the successful IPO, is the level of corporate governance in the Company, which is rated on:

- transparency of the ownership structure;
- compliance with the basic corporate procedures;
- disclosure of financial and nonfinancial information;
- composition, powers and principles of work of the Board of Directors.

Taking into account that the governing body is one of the key elements in the system of corporate governance, as well as the most important component in the interactions of the Company and its supreme body, the Board of Directors of the Company is actively involved in the process of Company's IPO.

The Board of Directors considered the issues of increasing the number of authorized ordinary shares of the Company, and subsequently offering of shares on the stock market, including the number of shares placed within the number of authorized shares, the method and the price of their placement.

The Board of Directors considered a number of issues on the valuation of the Company, technical audit, and corporate governance.

The fundamental documents of the Company were approved, such as new editions of Charter, Code of Corporate Governance, Dividend policy, Methods of determining the value of shares at their repurchase by the Company on the unauthorized securities market, Procedure of distribution of the net profit, as well as other key issues were discussed, from which overall success of the program depended.

As part of the company's IPO members of the Board of Directors hold a range of meetings with the management of "KazMunayGas" NC JSC and "Fund of National Welfare "Samruk-Kazyna" JSC on the issues of diagnostics and improvement of corporate governance system, Company's valuation, structure of shares placement, preparation of documentation necessary for listing on Kazakhstan Stock Exchange.

During the year, the Board of Directors considered, among other things, the following issues:

- Draft Development strategy of the Company for 2012-2022;
- Preliminary approval of consolidated financial statements and stand-alone financial statements for previous year;
- Proposals to the Sole Shareholder on procedure of distribution of net income of the Company for 2011 and dividend size for 2011 in calculation per one simple share of the Company;
- Determination of quantitative composition, term of powers of the Management Board of the Company and election of its members;
- Determination of sizes of salaries, terms of payment and bonuses payment to the members of the Management Board;
- Confirmation of Labor payment scheme of employees of the central office of the Company;
- On payment of alternate part of salary upon the annual results for 2011;
- Confirmation of Business-plan of the Company for 2013-2017;
- Consideration of Report on results of achievement of key performance indicators of the Company for 2011;
- Election of Committee members of the Board of Directors;
- Conclusion by the Company of the interested-party transactions;
- Structure of the central office of the Company;
- The issues attributed to the competence of General Meetings of Participants/Shareholders of subsidiary and jointly controlled organizations of the Company;
- Annual report of the Board of Directors and the Management Board on work done in 2011;
- Annual report of the Company for 2011;

- The issues associated with labor and industrial safety;
- Results of evaluation of performance of the Board of Directors for 2011;
- Confirmation of List of incentive ley performance indicators of top management of the Company for 2012;
- Selection of Company's registrar.

The Board of Directors on the monthly basis considers key changes in Company's operation and managerial reports.

In 2012 the Board of Directors confirmed the following documents of the Company:
- Rules on risk management process organization
- Methods of detection and assessment of risks, selection of risk management methods
- Risk management program for 2012-2014
- Instructions on ensuring security of office and commercial secret;
- Anti-fraud policy;
- Policy on improving qualification of members of the Board of Directors and engagement of external experts by the Board of Directors;
- Terms of Reference of Internal Audit Service;
- Terms of Reference of Nomination and Remuneration Committee;
- Terms of Reference of Strategic Planning Committee;
- Rules governing the payment of remuneration to top and senior management upon the annual results;
- New edition of Accounting policies of the group of companies of "KazTransOil" JSC;
- Rules on disclosure of information.

Additional information on resolutions of the Board of Directors in 2012 is available on web-site of the Company at www.kaztransoil.kz

Attendance of meetings of the Board of Directors by members of the Board of Directors:

Members of the Board of Directors	Number of meetings of the Board of Directors held in 2012	
	13 – formal	4 – absentee
Nurtas Shmanov	13	4
Kairgeldy Kabyldin	13	4
Ardak Kassymbek	3	0
Arman Darbayev	11	4
Daniel Mihalik	13	4
Moustafa Habib	13	4

8. Committees of the Board of Directors

The law of the Republic of Kazakhstan "On amending certain legislation acts of the Republic of Kazakhstan on the issues of regulation of banking and financial activities in terms of risk minimization" amended the Law of the Republic of Kazakhstan "On joint stock companies" providing for among the others requirements to composition of the Board of Directors and obligatory establishment of the following Committees of the Board of Directors on the issues of:
- Strategic planning;
- Nomination and remuneration;
- Internal audit;
- Social issues.

In this regard, for the purposes of following existing legislation provisions and facilitating efficient functions implementation, the Board of Directors of the Company established the following committees:
- Nomination and Remuneration Committee (15 November 2012, minutes #15/2012);
- Committee for Strategic Planning (13 December 2012, minutes #16/2012);
- Committee for Internal Audit (13 December 2012, minutes #16/2012).

Committees shall consist of members of the Board of Directors and experts, possessing necessary professional knowledge to work in committees. Determination of quantitative composition of committee, election of Chair and members of committees, as well as early termination of their powers is attributed to the competence of the Board of Directors of the Company.

The experts can be elected from among the employees of the Company and attend the Committee meetings without the voting right.

Terms of powers of members of Committees coincide with terms of their powers as members of the Board of Directors; however they can be annually reconsidered by the Board of Directors.

Nomination and Remuneration Committee

Most of the members of the Committee, including the Chairman of the Committee shall be independent. Chairman of the Board of Directors and General Director (CEO) of the Company shall not be members of the Committee.

In 2012, Committee was composed of two independent directors, namely: Daniel Mihalik (Chairman), Moustafa Habib and Ardak Kassymbek.

The main purpose of the Committee is to assist the Board of Directors in the implementation of its powers relating to the selection, appointment (election), evaluation and remuneration of the Board of Directors, General Director (CEO) and members of the Management Board, Corporate Secretary.

The meetings of the Nomination and Remuneration Committee shall be held as necessary.

During 2012, the Nomination and Remuneration Committee held 1 meeting, addressing the following issues:

- the recommendations on the approval of the list of incentive key performance indicators of the Company executives in 2012;
- the recommendations concerning payment of the alternate part of the salary upon the results of 2011;
- the recommendations on the adoption of a scheme of salaries of the central office of the Company.

Committee for Strategic Planning

The Committee consists of members of the Board of Directors with the necessary expertise to serve on the Committee. At the same time, the chairman of the Committee shall be an independent director.

The composition of this Committee in 2012 included Moustafa Habib (Chairman), Daniel Mihalik, Arman Darbayev and Kairgeldy Kabyldin.

Committee has been set up to improve the efficiency and quality of the Board of Directors through the preliminary review and recommendations to the Board of Directors on the Company's development strategy, including the identification of priority activities.

Internal Audit Committee

Most of the members of the Board of Directors, included in the Committee, including the Chairman of the Committee shall be independent directors. Chairman of the Board of Directors of the Company shall not be a member of the Internal Audit Committee.

The composition of this Committee in 2012 consisted of Daniel Mihalik (Chairman), Moustafa Habib and Ardak Kassymbek.

Activities of the Internal Audit Committee aim to assist the Board of Directors on internal and external audit, financial reporting, internal control and risk management, compliance with legislation of the Republic of Kazakhstan, as well as other issues on instruction of the Board of Directors.

Strategic Planning Committee and the Internal Audit Committee did not hold the meetings during considered period.

However, the work of previously acting committees of the Board of Directors in 2012 included the following.

Nomination Committee

In 2012, the Nomination Committee held 9 meetings, having considered the following questions:

- The draft Regulation on evaluation of performance of the Board of Directors, Committees of the Board of Directors, members of the Board of Directors of the Company, the Management Board, the CEO and members of the Management Board, Internal Audit and its head;
- an evaluation of the Board of Directors of the Company for 2011;
- approving the conditions of technical specifications for the procurement of consulting services for the evaluation of the Board of Directors for 2011 (including the requirements for experience and qualifications of independent consultants);
- candidature for the post of Managing Director of the Company for Development;
- the consideration of candidates Murinov S.I. and Utegaliev S. for position of Deputy General Director;
- the consideration of candidates Abdirov T.K. and Zakirov B.K. to the position of Managing Director for Production;
- election of members of the Management Board of the Company;
- the consideration of candidates Ileuov A.T. and Eseneev M.A. to the position of Managing Director for Economy and Finance;
- the election of Ileuov A.T. as member of the Management Board;
- the recommendations on determination of the number, term of office of the Management Board and the election of its members;
- consideration of appointment of Ryspaev K.O. to the position of General Director (CEO) of «KazTransOil - Service» JSC;
- Election of Ryspaev K.O. to the Board of Directors of «KazTransOil - Service» JSC;
- Election of Ileuov A.T. to the Board of Directors of «North-West Pipeline Company «MunaiTas» JSC;
- consideration of appointment of Mestoev R.A. as the Deputy General Director of the Company for Transportation;
- consideration of appointment of Ungarsynov A.A. to the position of Chief of Staff of the Company;
- recommendations with respect to qualification requirements for candidates for the position of independent director of the Company;
- The recommendations with respect to composition of the Board of Directors of the Company and candidates to an independent director of the Company;
- consideration of appointment of Mestoev R.A. to the position of Deputy General Director for Business Support;
- consideration of appointment of Otarov B.I. as Deputy General Director for Transportation.

Remuneration Committee

In the reporting period, the Remuneration Committee held three meetings, addressing the following questions:

- development of recommendations on determination of size of the salary and terms of remuneration and bonuses payment to Ileuov A.T. proposed for election to the Management Board of the Company;
- development of recommendations on determination of size of the salary and terms of remuneration and bonuses payment to Utegaliev S. and Zakirov B.K. proposed for election to the Management Board of the Company;
- recommendations on the adoption of a scheme of salaries of the central office of the Company;
- recommendations on determination of the size of salaries and conditions of labor and bonuses payment to the chairman and members of the Management Board of the Company;
- consideration of the Rules on payment of compensation to top and senior management of the Company at the end of the year;
- consideration of the list of incentive key performance indicators for executives of the Company in 2012;
- the recommendations on the size and terms of remuneration of independent director.

9. Interaction with the Shareholders

The Board of Directors focuses on the development of relationships with shareholders and investors. The Company maintains an ongoing dialogue with shareholders, the various groups of analysts and investors, organizing regular meetings, press conferences, presentations of strategic plans and results of operations.

The Board of Directors ensures the equal treatment of all shareholders and gives them the opportunity to participate in the management of the Company through the General Meeting of Shareholders and exercise their right to receive dividends and information on the activities of the Company.

Company built an effective system of corporate governance and internal control over financial and economic activity in order to protect the rights and interests of its shareholders.

In connection with the listing of shares on the Kazakhstan Stock Exchange, the Company is required a high level of transparency, ensuring timely disclosure of complete and credible information about its financial position, performance, ownership structure in order to provide shareholders and investors with an opportunity to make informed decisions.

To achieve the above goals in building effective relationships with shareholders and potential investors, and maintaining high level of transparency, in 2012 the Board of Directors of the Company created a specialized Service for investor relations (IR-Service).

In October 2012, the Company and its major shareholder - the National Company «KazMunayGas» concluded Relationship agreement. The agreement defines the principles of interaction between the Company and its major shareholder and is aimed at ensuring the activity of the Company at arm's length basis in the interests of all shareholders.

10. Remuneration of the Independent Directors

The procedure of payment of remuneration and reimbursement of expenses to the Independent Directors are provided in Rules on payment of remuneration and reimbursement of expenses to independent directors of joint stock companies of NC "KazMunaiGas" JSC.

The Independent Directors shall receive the following remuneration:

- Fixed remuneration;
- Additional remuneration for participation in formal meetings of committees under the Board of Directors.

The Company reimburses to the Independent Directors expenses (for travelling, accommodation, per diem allowances), related to participation at meetings of Committees of the Board of Directors conducted in a place other than the place of permanent residence of Independent Directors.

Remuneration to Independent Directors shall be paid subject to fulfillment of the following terms:

- Fulfillment in good faith of powers of a member of the Board of Directors, using the ways that at most reflect interests of KTO;
- Governance by the RoK legislation and KTO Charter in decision making;
- Participation at in-person meetings, except for cases of being ill, being on a business trip or on leave, and participation in all absentee meetings of KTO Board of Directors.

Amounts of remuneration accrued to Independent Directors for a year ended December 31, 2012, KZT

Independent Director	Annual Remuneration	Participation at in-person meeting of the Committee	Total net of taxes	Total inclusive of taxes
Moustafa Habib	9 939 067	1 482 740	11 421 807	12 682 676
Daniel Mihalik	9 939 067	1 482 740	11 421 807	12 682 676
Total:	19 878 134	2 965 480	22 843 614	25 365 353

All the other members of the Board of Directors do not receive any remuneration as members of the Board of Directors for their work in this body.

11. Assessment of position of the Company and prospective of its development

The Company is a national operator of the main oil pipeline and the largest pipeline company in the Republic of Kazakhstan.

The Company currently has a powerful branching network of oil pipelines, providing transportation of 59% of crude oil produced in the country. In 2012 consolidated volume of oil transportation totaled 65 795 th. tons, turnover of oil - 42 163 million tons per km.

According to the Development strategy for 2012-2022 strategic goal of the Company is increasing the market value (capitalization) and compliance with the strategic interests of the state in the field of oil transportation through the main pipeline through implementation of the following tasks:

• increase of oil transportation and cargo turnover, water supply and provision of competitive, reliable and safe services;
• steady increase of efficiency and cost optimization of the Company, its subsidiaries and jointly controlled entities;
• effective investment policy and participation in major transport projects;
• well-developed financial strategy aimed at maintaining stable cash flows;
• maintaining high standards of corporate governance, risk management, human resources, as well as in health and safety, industrial and fire safety, and environmental protection.

The resulting indicator of Company's assessment is economic impact in the form of increased net profits, maximized shareholder value and provision of reliable, high quality and competitive oil transportation services.

The success of the long-term development plans will be largely determined by the efficiency of corporate governance and determination to address the tasks the Company is facing.

12. Risk Management and Internal Control

One of the strategic directions in the area of improvement of management efficiency provided in Development strategy for 2012-2022, is the development of the system of internal control and corporate risk management system.

The process of risk management and internal control system is designed to identify, manage and reduce the risks leading to the inability of the Company to achieve its strategic and operational objectives through the identification, evaluation, selection of method of management and development of risk management activities, monitoring and control of risk indicators, as well as effectiveness of risk management measures.

The Company uses the classification of risks in the following categories:

- strategic risks;
- financial risks;
- legal risks;
- operating (production) risks.

The Board of Directors plays a key role in ensuring the effectiveness of risk management and internal control system and regularly examines the key risks, their dynamics and effectiveness of risk management measures.

The Board of Directors during the reporting period reviewed reports on:

- independent evaluation of the effectiveness of corporate risk management system;
- the dynamics of risk and the execution of the action plan for risk management of the Company for the 3rd quarter of 2012.

The Directors confirm that in 2012 processes that identify, assess and manage a substantial risk faced by the Company were in place. These processes continue to be integrated at all levels of management and operations, and are also closely associated with strategic planning.

Key measures to improve the system of risk management and internal control are:

- integration of risk management process to the strategic planning and operational processes;
- implementation of a project to improve the system of risk management and internal controls in connection with the placement of shares of the Company on the Kazakhstan Stock Exchange by consultants of «KPMG Tax and Advisory» LLP;

- an independent evaluation of the effectiveness of risk management and internal controls system.

13. Report of the Management Board of the Company for 2012

The management of current activity of the Company is carried out by a collegial executive body represented by the Management Board.

The basic principles of activity of the Management Board are honesty, scrupulosity, rationality, prudence, regularity, as well as full observance of rights and interests of the shareholders of the Company and accountability to the decisions of the General Meeting of Shareholders and the Board of Directors.

The Management Board carries out its functions on the basis of the Charter of the Company, Regulation on the Management Board and other internal documents of the Company.

The Management Board is entitled to take decisions on any issues regarding the operating of the Company, not attributed to the exceptional competence of the General Meeting of Shareholders and the Board of Directors of the Company by the legislation of the Republic of Kazakhstan and the Charter.

The Management Board of the Company is headed by the General Director (Chairman of the Management Board).

Powers allocation between the Management Board and General Director (Chairman of the Management Board) of the Company is specified in Article 12 of the Charter and Article 4 of the Regulation on Management Board of the Company.

14. Responsibility of the Management Board

The Management Board shall be responsible for disclosure of information and media coverage of the Company operation in line with provisions of the legislation of the Republic of Kazakhstan and shall ensure protection and safety of the internal (official) information.

The Management Board is responsible for allocation of financial and human resources to achieve goals, set by the General Meeting of Shareholders and the Board of Directors.

The Management Board shall be accountable to the Board of Directors for the activities conducted for implementation of the Company goals.

In 2012 the composition of the Management Board of KTO included the General Director, Deputy General Directors, and other key officials of the Company.

Due to expiration on 22 May 2012 of term of powers of the Management Board of the Company on 22 May 2012 (minutes of the meeting #5/2012) starting from 23 May 2012 the Board of Directors determined quantitative composition of the Management Board of as seven people with term of powers three years. In line with the same resolution new composition of the Management Board of the Company was elected.

15. Composition of the Management Board as of December 31, 2012

Name	Position
Kairgeldy Kabyldin	General Director (Chairman of the Management Board)
Sisengali Utegaliyev	Deputy General Director for Production
Aziz Ileuov	Deputy General Director for Economy and Finance
Bolat Otarov	Deputy General Director for Transportation
Ruslan Mestoyev	Deputy General Director for Business Support
Bulat Zakirov	Deputy General Director for Development
Zhaidarman Isakov	Director of Legal Department

16. Information on meetings of the Management Board

The Management Board holds its meeting on the regular basis and when the need arises.

In 2012 41 meetings of the Management Board of the Company were held, where 258 items were considered.

In the reporting period the Management Board of the Company held a range of activities, related to implementation of "People's IPO" program.

The Management Board confirmed the following internal documents for the purposes of organization of Company's activities:

- Rules on development and update of development strategy;
- Regulation on Commission for assets restructure;
- Regulation on Information Council;
- Regulation on Technical Council;
- Regulation on Budget commission;
- Rules on development of technological regulations of safe operation of main oil pipelines and waterlines;
- Concept of development of IT for 2013-2017;
- Regulation on operating control over observance of provisions of industrial safety on hazardous facilities;
- Rules on forming and implementation of fund of innovative activity;
- Methodology of calculation of economic efficiency of innovation and technological projects;
- Procedure;
- Standards of organization, documentation in integrated management system area.

Also in 2012 the Management Board took decisions on rendering by the Company of sponsorship (charity) aid and conclusion by the Company of interested-party transactions with the companies of the group of JSC "Samruk-Kazyna".

In the reporting period in line with provisions of the Company Charter the Management Board provisionally approved the issues submitted consequently for consideration of the Company bodies; among them the following was approved: decisions on issues of activity referred to the competence of the General Meeting of Shareholders (Participants) of subsidiary and jointly-controlled organizations, ten and over per cent of shares (participation shares in the chartered capital) of which belong to the Company; draft documents of the Company on risk management aimed at ensuring observance and analysis of efficiency, as well as improvement of such procedures; the issues on conclusion by the Company of interested-party transactions in lien with Law of the Republic of Kazakhstan "On Joint Stock Companies"; annual financial statements and consolidated financial statements of the Company for 2011, proposals of the Board of Directors to the Sole Shareholder on procedure of distribution of net profit of the Company for 2011 and size of dividend for 2011 in calculation per one ordinary share of the Company; draft Annual report of the Company for 2011, semi-annual reports on management of subsidiary and jointly controlled organizations, on impact of results of financial and economic activity of subsidiary and jointly controlled organizations on the Company performance indicators; annual report on implementation of the Company business-plan; draft business-plans of the Company for 2013-2017 on revaluated and historical costs of fixed assets, new edition of the Company Charter, Corporate Governance Code of the Company, Dividend Policy of the Company, Procedure of Distribution of net profit of the Company, new edition of Methods of determination of price of shares at their repurchase by "KazTransOil" JSC on informal securities market, Development Strategy of "KazTransOil" JSC for 2012-2022, Information disclosure rules in the Company, Instruction on ensuring protection of office and commercial secret in the Company, Terms of Reference of the Management Board of the Company.

All meetings of the Management Board of the Company were held in formal in the reporting period.

LIST OF INTERESTED-PARTY TRANSACTIONS

CONCLUDED BY "KAZTRANSOIL" JSC IN 2012

№	Organization and transaction	Resolution of "KazTransOil" JSC body
«Kazakhoil-Aktobe» LLP		
1.	agreement on provision of services on water supply to HOPS "Alibekmola" of Aktobe oil pipeline department of Western branch of "KazTransOil" JSC via "Kumzhargan-Munaishi rotation village"	Resolution of the Board of Directors of "KazTransOil" JSC dated 16 February 2012 (minutes №1/2012)
2.	additional agreement №1 agreement on provision of services on water supply via "Kumzhargan-Munaishi rotation village" dated 30 December 2010 №90ТЕМ1Ук10/WDW 587/2010	Resolution of the Board of Directors of "KazTransOil" JSC dated 16 February 2012 (minutes №1/2012)
3.	agreement on procurement of oil for boiler houses of Aktobe oil pipeline department of Western branch of "KazTransOil" JSC	Resolution of the Board of Directors of "KazTransOil" JSC dated 18 April 2012 (minutes №3/2012)
4.	freight-forwarding agreement	Resolution of the Board of Directors of "KazTransOil" JSC dated 13 December 2012 (minutes №16/2012)
«Mangistaumunaigas» JSC		
5.	agreement on provision of services on water supply for the needs of HOPS "Kalamkas" and OPS "Karazhanbas" of Mangistau oil pipeline department of Western branch of "KazTransOil" JSC	Resolution of the Board of Directors of "KazTransOil" JSC dated 16 February 2012 (minutes №1/2012)
6.	agreement on delivery and acceptance of natural gas for production needs of OPS "Karazhanbas" of Mangistau oil pipeline department of Western branch of "KazTransOil" JSC	
7.	agreement on delivery (consumption) of heating energy in hot water for HOPS "Kalamkas" of Mangistau oil pipeline department of Western branch of "KazTransOil" JSC	
8.	freight-forwarding agreement	Resolution of the Board of Directors of "KazTransOil" JSC dated 13 December 2012 (minutes №16/2012)
«Tengizchevroil» LLP		
9.	agreement on sale and purchase (dry gas at FCS terms)	Resolution of the Board of Directors of "KazTransOil" JSC dated 16 February 2012 (minutes №1/2012)
10.	amendment №1 к to freight forwarding agreement dated 9 September 2012 №EX 06/2012	Resolution of the Board of Directors of "KazTransOil" JSC dated 13 December 2012 (minutes №16/2012)
«PetroKazakhstan Oil Products» LLP		
11.	agreement on delivery of oil and wastewater receiving on PSP of Shymkent oil pipeline department of Eastern branch of "KazTransOil" JSC	Resolution of the Board of Directors of "KazTransOil" JSC dated 16 February 2012 (minutes №1/2012)

№	Organization and transaction	Resolution of "KazTransOil" JSC body
«CNPC-Aktobemunaygas» JSC		
12.	agreement on gratuitous performance of works on upgrade of oil metering unit at LPDS "Kenkiyak"of Aktobe oil pipeline department of Western branch of "KazTransOil" JSC	Resolution of the Board of Directors of "KazTransOil" JSC dated 16 February 2012 (minutes №1/2012)
13.	agreement on provision of services of water supply to hostel of Aktobe oil pipeline department of Western branch of "KazTransOil" JSC in Zhanazhol rotation village	
14.	agreement on termination of freight-forwarding agreement dated 28 October 2010 №EX 18/2011	Resolution of the Board of Directors of "KazTransOil" JSC dated 22 June 2012 (№7/2012)
15.	freight-forwarding agreement	
16.	additional agreement №1 to freight-forwarding agreement dated 9 July 2012 № EX 35/2012	Resolution of the Board of Directors of "KazTransOil" JSC dated 13 December 2012 (minutes №16/2012)
«Subsidiary insurance company of Halyk bank of Kazakhstan «Halyk-Kazakhinstrakh» JSC		
17.	agreement on voluntary insurance of property	Resolution of the Board of Directors of "KazTransOil" JSC dated 16 February 2012 (minutes №1/2012)
18.	agreement on compulsory insurance of civil liability of owners of facilities activity of which is hazardous to the third-parties	
19.	agreement on voluntary health insurance for cases of illnesses of employees of "KazTransOil" JSC (Central office and CCCU branch)	Resolution of the Board of Directors of "KazTransOil" JSC dated 16 March 2012 (minutes №2/2012)
20.	agreement on voluntary health insurance for cases of illnesses of employees of Western branch of "KazTransOil" JSC	
21.	agreement on voluntary health insurance for cases of illnesses of employees of Eastern branch of "KazTransOil" JSC	
22.	agreement on voluntary health insurance for cases of illnesses of employees of "KazTransOil" JSC (STC of "KazTransOil" JSC)	
«Subsidiary company of Halyk bank of Kazakhstan on life insurance «Halyk-Life» JSC		
23.	agreement on compulsory insurance of employee from accidents during performance of labor duties	Resolution of the Board of Directors of "KazTransOil" JSC dated 16 March 2012 (minutes №2/2012)
24.	agreement on compulsory insurance of employee from accidents during performance of labor duties	Resolution of the Board of Directors of "KazTransOil" JSC dated 22 May 2012 (minutes №5/2012)
25.	agreement on compulsory insurance of employee from accidents during performance of labor duties	Resolution of the Board of Directors of "KazTransOil" JSC dated 30 May 2012 (minutes №6/2012)
«Halyk Savings Bank of Kazakhstan» JSC		
26.	agreement on issuance and serving of corporate bank card	Resolution of the Board of Directors of "KazTransOil" JSC dated 18 April 2012 (minutes №3/2012)

№	Organization and transaction	Resolution of "KazTransOil" JSC body
«Bioengineering» LLP		
27.	agreement on provision of services on liquidation of consequences of accidental pollution of environment on 1501,7 km of "Pavlodar – Shymkent" MOP	Resolution of the Board of Directors of "KazTransOil" JSC dated 22 May 2012 (minutes №5/2012)
28.	agreement on procurement of services on liquidation of consequences of accidental pollution of environment on resulted in by illegal tapping on 1319,15 km of "Pavlodar – Shymkent" MOP	Resolution of the Board of Directors of "KazTransOil" JSC dated 13 December 2012 (minutes №16/2012)
«Kazakhstan – China Pipeline» LLP		
29.	agreement on operation and technical maintenance of Atasu-Alashankou pipeline	Resolution of the Board of Directors of "KazTransOil" JSC dated 22 May 2012 (minutes №5/2012)
30.	agreement on operation and technical maintenance of Kenkiyak-Kumkol pipeline	Resolution of the Board of Directors of "KazTransOil" JSC dated 22 May 2012 (minutes №5/2012)
«TenizService» LLP		
31.	contractual agreement on performance of works on automated cleaning (with minimal human resources participation) of VST – 20 000 m3 №18 of HOPS «Aktau» of Western branch of "KazTransOil" JSC from sediments, with further transportation and utilization (processing)	Resolution of the Board of Directors of "KazTransOil" JSC dated 22 May 2012 (minutes №5/2012)
32.	additional agreement №1 to contractual agreement dated 24 May 2012 № MT 385/2012	Resolution of the Board of Directors of "KazTransOil" JSC dated 10 September
33.	additional agreement №2 to contractual agreement dated 24 May 2012 № MT 385/2012	Resolution of absentee meeting of Board of Directors of "KazTransOil" JSC dated 24 October 2012 (№14/2012)
«KAMAZ-Engineering» JSC		
34.	agreement on supply of dump cars for the needs of Western branch of "KazTransOil" JSC	Resolution of absentee meeting of Board of Directors of "KazTransOil" JSC dated 24 October 2012 (№14/2012)
«Karachaganak Petroleum Operating BV»		
35.	additional agreement №1 to freight-forwarding agreement dated 24 December 2011 № EX 30/2012	Resolution of the Board of Directors of "KazTransOil" JSC dated 13 December 2012 (minutes №16/2012)
«Karazhanbas munay» JSC		
36.	freight-forwarding agreement	Resolution of the Board of Directors of "KazTransOil" JSC dated 13 December 2012 (minutes №16/2012)

№	Organization and transaction	Resolution of "KazTransOil" JSC body
«Kazkommerts Securities» (subsidiary of "Kazkommertsbank" JSC)		
37.	Additional agreement №1 to agreement on procurement of advisory financial services on shares offering of "KazTransOil" JSC at Kazakhstan stock exchange of "KazTransOil" JSC dated 30 November 2011 №US679/2011	Resolution of the Board of Directors of "KazTransOil" JSC dated 18 April 2012 (minutes №3/2012)
38.	agreement on market-maker services on securities of "KazTransOil" JSC	Resolution of the Board of Directors of "KazTransOil" JSC dated 10 September 2012 (minutes №12/2012)
39.	additional agreement №2 to agreement on procurement of advisory financial services on shares offering of "KazTransOil" JSC at Kazakhstan stock exchange of "KazTransOil" JSC dated 30 November 2011 №US679/2011	Resolution of the Board of Directors of "KazTransOil" JSC dated 15 November 2012 (minutes №15/2012)
40.	agreement on provision of brokerage services and nominal holding services	
41.	agreement on market-maker services on securities of "KazTransOil" JSC	Resolution of the Board of Directors of "KazTransOil" JSC dated 13 December 2012 (minutes №16/2012)
«Corporate University «Samruk-Kazyna» Private Entity		
42.	agreement on procurement of services on training, re-training and upgrade of employees of "KazTransOil" JSC	Resolution of the Board of Directors of "KazTransOil" JSC dated 16 March 2012 (minutes №2/2012)
43.	agreement on provision of HR-consulting services to "KazTransOil" JSC	Resolution of the Board of Directors of "KazTransOil" JSC dated 13 December 2012 (minutes №16/2012)
«KazMunayGas Onimderi» JSC		
44.	agreement on sale-purchase of oil products on coupon system for 1Q 2012	Resolution of the Management Board of "KazTransOil" JSC dated 24 January 2012 (minutes №2)
45.	agreement on sale-purchase of oil products on coupon system for 2Q 2012	Resolution of the Management Board of "KazTransOil" JSC dated 28 April 2012 (minutes №8)
46.	agreement on sale-purchase of oil products on coupon system for 3Q 2012	Resolution of the Management Board of "KazTransOil" JSC dated 3 July 2012 (minutes №19)
47.	agreement on sale-purchase of oil products on coupon system for 4Q 2012	Resolution of the Management Board of "KazTransOil" JSC dated 9 October 2012 (minutes №31)

№	Organization and transaction	Resolution of "KazTransOil" JSC body
(Kazakhstan Electricity Grid Operating Company) «KEGOC» JSC		
48.	agreement on provisions of services on maintenance of equipment of electricity grid on open distributing facility PS-220 kV «Kumkol» of JSC «KEGOC»	Resolution of the Management Board of "KazTransOil" JSC dated 24 January 2012 (minutes №2)
49.	agreement on provisions of services on maintenance of electric equipment installed at PS «Inder-220» of JSC «KEGOC»	Resolution of the Management Board of "KazTransOil" JSC dated 25 December 2012 (minutes №40)
50.	agreement on provisions of services on maintenance of electric equipment installed at PS 220 kV « Kumkol » of JSC «KEGOC»	
«Kazpost» JSC		
51.	agreement on acquisition of periodicals for the needs of administrative staff, Atyrau, and Kulsary oil pipeline departments, PTM&EB «Atyrau», LPDS «Kigach», Mangistau oil pipeline department, Training center, Aktobe and Uralsk oil pipeline departments of Eastern branch of "KazTransOil" JSC;	Resolution of the Management Board of "KazTransOil" JSC dated 24 January 2012 (minutes №2)
52.	agreement on acquisition of periodicals for the needs of administrative staff, Pavlodar, Karaganda, Zhezkazgan and Shymkent oil pipeline department, PTM&EB of Eastern branch of "KazTransOil" JSC;	
53.	agreement on acquisition of periodicals for the needs of LPDS «Aralsk» of Zhezkazgan oil pipeline department of Eastern branch of "KazTransOil" JSC;	
54.	agreement on acquisition of periodicals for the needs of North-Kazakhstan oil pipeline department of Eastern branch of "KazTransOil" JSC;	
55.	agreement on acquisition of periodicals for the needs of Usharal oil pipeline department of Eastern branch of "KazTransOil" JSC;	
56.	agreement on delivery of periodicals for the needs of "STC of "KazTransOil" JSC;	
57.	agreement on payment of benefits to non-working retirees of Eastern branch of "KazTransOil" JSC;	Resolution of the Management Board of "KazTransOil" JSC dated 29 February 2012 (minutes №6)
58.	agreement on sale and purchase of postage services for the needs of Karaganda and Zhezkazgan oil pipeline departments of Eastern branch of "KazTransOil" JSC;	Resolution of the Management Board of "KazTransOil" JSC dated 12 March 2012 (minutes №7)
59.	agreement on sale and purchase of postage services for the needs of managerial office, Pavlodar oil pipeline department and PTM&EB of Eastern branch of "KazTransOil" JSC;	
60.	lease contract for office box for the needs of administrative staff, Pavlodar oil pipeline department and PTM&EB of Eastern branch of "KazTransOil" JSC;	

№	Organization and transaction	Resolution of "KazTransOil" JSC body
61.	agreement on provision of core services of special communication for the needs of managerial staff of Eastern branch of "KazTransOil" JSC;	Resolution of the Management Board of "KazTransOil" JSC dated 12 March 2012 (minutes №7)
62.	agreement on provision of services of special communication (other) for the needs of North-Kazakhstan oil pipeline department of "KazTransOil" JSC;	
63.	agreement on provision of services of special communication for the needs of Usharal oil pipeline department of Eastern branch of "KazTransOil" JSC;	
64.	agreement on provision of services on distribution of advert within "KazTransOil" JSC participation in "People's IPO" program for the needs of central office of "KazTransOil" JSC;	Resolution of the Management Board of "KazTransOil" JSC dated 4 September 2012 (minutes №27)
65.	additional agreement №1 to agreement on payment of benefits to non-working retirees of western brnahc of "KazTransOil" JSC dated 17April 2012 № WTR 375/2012.	Resolution of the Management Board of "KazTransOil" JSC dated 7 December 2012 (minutes №37)
«Semser-Ort Sondirushi» LLP		
66.	agreement on provision of services on fire guard of facilities of North-Kazakhstan oil pipeline department of "KazTransOil" JSC	Resolution of the Management Board of "KazTransOil" JSC dated 24 January 2012 (minutes №2)
«Atyrau oil refinery» LLP		
67.	agreement on procurement of services on renting of non-residential premises on the territory of «AOR» LLP;	Resolution of the Management Board of "KazTransOil" JSC dated 29 February 2012 (minutes №6)
68.	agreement on providing tickets to «AOR» LLP;	
69.	agreement on procurement of services on renting of non-residential premises on the territory of «AOR» LLP.	Resolution of the Management Board of "KazTransOil" JSC dated 27 December 2012 (minutes №41)
«Eurasia Air company» JSC		
70.	agreement on termination of agreement on provision of air services (plane) dated 28 December 2011 №US35/2012/2012-20;	Resolution of the Management Board of "KazTransOil" JSC dated 29 February 2012 (minutes №6)
71.	agreement on termination of agreement on provision of air services (helicopter) dated 28 December 2011 №US36/2012/2012-21;	
72.	agreemet on provision of air services (plane);	Resolution of the Management Board of "KazTransOil" JSC dated 6 April 2012 (minutes №9)
73.	agreement on provision of air services (helicopter);	
74.	agreement on provision of air services (helicopter) for operating needs of Western branch of "KazTransOil" JSC;	Resolution of the Management Board of "KazTransOil" JSC dated 25 December 2012 (minutes №40)
75.	agreement on provision of air services (helicopter) for operating needs of Eastern branch of "KazTransOil" JSC;	

№	Organization and transaction	Resolution of "KazTransOil" JSC body
«Kazakhtelecom» JSC		
76.	agreement on procurement of services on provision of land-line numbers (telephone communication and other services of telecommunication) for the needs of central office of "KazTransOil" JSC;	Resolution of the Management Board of "KazTransOil" JSC dated 29 February 2012 (minutes №6)
77.	agreement on procurement of services on provision of channels in telephone conduit for the needs of central office of "KazTransOil" JSC;	
78.	agreement on procurement of local, inter-city and international communication, ADSL for the needs of the central office of "KazTransOil" JSC;	
79.	agreement on provision of services on organization of data transfer channel Astana-Moscow and access to the Internet;	
80.	agreement on provision of services on organization of data transfer channel Aktobe-Astana;	
81.	agreement on provision of services on organization of data transfer channel Almaty-Astana;	
82.	agreement on procurement of local, inter-city and international communication in Aktau;	
83.	agreement on provision of services of telecommunication (services of local, inter-city and international communication) in Aktobe and for the needs of LPDS «MunaiTas» of Western branch of "KazTransOil" JSC (Aktobe);	
84.	agreement on provision of services of local, inter-city and international communication in Atyrau and for the needs of LPDS «MunaiTas» and LPDS «KPO» of Western branch of "KazTransOil" JSC (Atyrau);	
85.	standard agreement on provision of telecommunication services (services of local, inter-city and international communication) in Uralsk and for the needs of LPDS «KPO» of Western branch of "KazTransOil" JSC (Uralsk);	
86.	agreement on lease of non-residential premises for telecom equipment (radio relay equipment) on the section of Aktobe oil pipeline department of Western branch of "KazTransOil" JSC;	
87.	agreement on procurement of services on provision of land-line numbers (telephone communication and other telecommunications) for the needs of «CCCU branch of "KazTransOil" JSC";	
88.	agreement on procurement of local, inter-city and international communication for the needs of "CCCU branch of "KazTransOil" JSC";	
89.	agreement on procurement of services on rent of non-residential premises for installation of telecom equipment for the needs of "CCCU branch of "KazTransOil" JSC";	
90.	agreement on lease of non-residential premises for telecom equipment for the needs of Pavlodar oil pipeline department of Eastern branch;	Resolution of the Management Board of "KazTransOil" JSC dated 12 March 2012 (minutes №7)
91.	agreement on lease (for technological facilities) of non-residential premises for telecom equipment installation for the needs of Karaganda oil pipeline department of Eastern branch;	
92.	agreement on lease (for technological facilities) of non-residential premises for telecom equipment installation for the needs of Zhezkazgan oil pipeline department of Eastern branch;	
93.	standard agreement on provision of telecommunication services (local communication services) for the needs of HOPS "Aktau" of Karaganda oil pipeline department of Eastern branch of "KazTransOil" JSC;	

№	Organization and transaction	Resolution of "KazTransOil" JSC body
94.	standard agreement on provision of telecommunication services (local communication services) for the needs of OPS «Suzak» of Shymkent oil pipeline department of Eastern branch of "KazTransOil" JSC;	Resolution of the Management Board of "KazTransOil" JSC dated 12 March 2012 (minutes №7)
95.	standard agreement on provision of telecommunication services (services of local, inter-city and international communication) to customers, not owning the premises, for the needs of OPS Bulayevo of North-Kazakhstan oil pipeline department of Eastern branch of "KazTransOil" JSC;	
96.	standard agreement on provision of telecommunication services (services of local, inter-city and international communication) to customers, not owning the premises, for the needs of OPS «Peterfeld» of North-Kazakhstan oil pipeline department of Eastern branch of "KazTransOil" JSC;	
97.	standard agreement on provision of telecommunication services (services of local, inter-city and international communication) to customers, not owning the premises, for the needs of North-Kazakhstan oil pipeline department of Eastern branch of "KazTransOil" JSC;	
98.	standard agreement on provision of telecommunication services (services of local, inter-city and international communication) in Zhezkazgan;	
99.	standard agreement on provision of telecommunication services (services of local, inter-city and international communication) in Karaganda;	
100.	standard agreement on provision of telecommunication services (services of local, inter-city and international communication) in Pavlodar;	
101.	standard agreement on provision of telecommunication services (services of local, inter-city and international communication) in Shymkent;	
102.	agreement on rent of channels (or part of channels) of cable conduit in Pavlodar;	
103.	agreement on rent of channels (or part of channels) of cable conduit in Karaganda;	
104.	agreement on rent of channels (or part of channels) of cable conduit in Zhezkazgan;	
105.	agreement on rent of channels (or part of channels) of cable conduit in Shymkent;	
106.	standard agreement on provision of telecommunication services for the needs of Ush-aral oil pipeline department of Eastern branch of "KazTransOil" JSC (local, inter-city and international communication services) during operating and technical maintenance of main oil pipeline "Atasu-Alashankou";	
107.	agreement on provision of network resources when connecting the owner of corporate network top network of "KazTransOil" JSC at local level	
«Tynys» JSC		
108.	agreement on supply of fire safety equipment for the needs of LPDS "MunaiTas" of Western branch of "KazTransOil" JSC	Resolution of the Management Board of "KazTransOil" JSC dated 6 April 2012 (minutes №9)
109.	agreement on supply of fire safety equipment for the needs of LPDS "MunaiTas" of Eastern branch of "KazTransOil" JSC	

№	Organization and transaction	Resolution of "KazTransOil" JSC body
«MunaiTas» NWPC JSC		
110.	agreement on procurement of services on operation and technical maintenance of "Kenkoyak-Atyrau" main oil pipeline.	Resolution of the Management Board of "KazTransOil" JSC dated 6 April 2012 (minutes №9)
«Exploration Production «KazMunayGas» JSC		
111.	agreement on provision of services on organization of accomodation of emplohees, working at the rotation basis on OPS «Martyshi» of Atyrau oil pipeline deprtment of Western branch of "KazTransOil" JSC.	Resolution of the Management Board of "KazTransOil" JSC dated 6 April 2012 (minutes №9)
«Exploration Production «KazMunayGaz» JSC and «Administration for water production and transportation» LLP		
112.	agreement on provision of services on transportation and acceptance of waste water (produced water) from HOPS «Aktau» of Mangistau oil pipeline department of Western branch of "KazTransOil" JSC via main pipeline.	Resolution of the Management Board of "KazTransOil" JSC dated 7 June 2012 (minutes №16)
«Kazakh Institute of Oil and Gas» JSC		
113.	agreement on procurement of works on development of ST AO "Main waterlines. Technical operation"	Resolution of the Management Board of "KazTransOil" JSC dated 28 April 2012 (minutes №12)
114.	contracting agreement on development of "Reconstruction and expansion of OPS 663 km".	Resolution of the Management Board of "KazTransOil" JSC dated 13 July 2012 (minutes №21)
«Kazakh-British Technical University» JSC		
115.	agreement on scientific and research works aimed to undertake in the subsequent development and engineering works to develop and implement multi-depressant dispersant additives to improve the flow and prevent the loss of paraffin of oil from the fields in the South Turgay basin, transported by "KazTransOil" pipeline	Resolution of the Management Board of "KazTransOil" JSC dated 28 April 2012 (minutes №12)
116.	agreement on scientific and research works aimed to undertake in the subsequent development and engineering works to test software of "KBTU" JSC for subsequent introduction in "KazTransOil" JSC for the operating conditions of oil pumping through pipelines;	
117.	agreement on scientific and research works aimed to undertake in the subsequent development and engineering works on development of methods of cleaning of waste water from ammonia, organic and solids with manufacturing pilot plant;	
118.	agreement on scientific and research works aimed to undertake in the subsequent development and engineering works on development of systems for preparation of drinking water transported by Astrahan-Mangyshlak waterline using inter-gel systems;	
119.	agreement on scientific and research works aimed to undertake in the subsequent development and engineering works on creation of design of the device to reduce the viscosity and high-paraffin and high –resinous oil transported through the pipeline "Uzen-Atyrau-Samara".	

№	Organization and transaction	Resolution of "KazTransOil" JSC body
TOO «Semser Security»		
120.	additional agreement № 1 to agreement on provision of security services dated 29 December 2011 № US 38/2012;	Resolution of the Management Board of "KazTransOil" JSC dated 3 July 2012 (minutes №19)
121.	agreement on provision of security services of facilities of the central office of "KazTransOil" JSC and branch "CCCU of "KazTransOil" JSC" from illegal actions and proprietary damage;	Resolution of the Management Board of "KazTransOil" JSC dated 25 December 2012 (minutes №40)
122.	agreement on provision of security services of facilities and linear part of main pipelines of Western branch of "KazTransOil" JSC from illegal actions and proprietary damage;	
123.	agreement on provision of security services of facilities and linear part of main pipelines of Eastern branch of "KazTransOil" JSC from illegal actions and proprietary damage;	
124.	agreement on provision of security services of facilities of Usaharal oil pipeline department of Eastern branch of "KazTransOil" JSC from illegal actions and proprietary damage;вреда.	
«Ozenmunaigas» JSC		
125.	freight forwarding agreement;	Resolution of the Management Board of "KazTransOil" JSC dated 3 July 2012 (minutes №19)
126.	freight forwarding agreement.	Resolution of the Management Board of "KazTransOil" JSC dated 6 November 2012 (minutes №34)
«KazMunayGas-Service» LLP		
127.	agreement on sale – purchase of shares of "KazTransOil – Service" JSC	Resolution of the Management Board of "KazTransOil" JSC dated 12 September 2012 (minutes №28)
128.	agreement on provision of services on maintenance, operation and communal services of administrative building of the central office of "KazTransOil" JSC;	Resolution of the Management Board of "KazTransOil" JSC dated 25 December 2012 (minutes №40)
129.	agreement on provision of services on maintenance, operation of administrative building of "CCCU branch of "KazTransOil" JSC	
130.	agreement on provision of services on maintenance, operation and communal services of administrative building of administrative staff of Western branch of "KazTransOil" JSC;	
131.	agreement on provision of services on maintenance, operation and communal services of building of Atyrau oil pipeline department of Western branch of "KazTransOil" JSC;	
132.	agreement on provision of services on maintenance, operation and communal services of hostel for 64 seats of Western branch of "KazTransOil" JSC;	
133.	agreement on provision of services on maintenance, operation of administrative building of administrative staff of Eastern branch of "KazTransOil" JSC.	

№	Organization and transaction	Resolution of "KazTransOil" JSC body
«Embamunaygas» JSC		
134.	freight forwarding agreement	Resolution of the Management Board of "KazTransOil" JSC dated 27 September 2012 (minutes №30)
135.	freight forwarding agreement	Resolution of the Management Board of "KazTransOil" JSC dated 6 November 2012 (minutes №34)
«Samruk-Kazyna Contract» LLP		
136.	agreement on provision of services on provision for the use of the Unified Product Guide of goods, works and services	Resolution of the Management Board of "KazTransOil" JSC dated 27 September 2012 (minutes №30)
137.	agreement on provision of services on determination of price ranges of commodities, planned for procurement	Resolution of the Management Board of "KazTransOil" JSC dated 29 November 2012 (minutes №36)
«KazMunayGas» NC JSC		
138.	relationaship agreement between «KazMunayGas» NC JSC and "KazTransOil" JSC	Resolution of the Management Board of "KazTransOil" JSC dated 30 October 2012 (minutes №33)
«Marine Oil Company «KazMunayTeniz» JSC		
139.	freight forwarding agreement	Resolution of the Management Board of "KazTransOil" JSC dated 6 November 2012 (minutes №34)
«KAZAHTURKMUNAY» LLP		
140.	freight forwarding agreement	Resolution of the Management Board of "KazTransOil" JSC dated 6 November 2012 (minutes №34)
Private company with limited liability «KMG Kashagan BV»		
141.	freight forwarding agreement	Resolution of the Management Board of "KazTransOil" JSC dated 6 November 2012 (minutes №34)
«KazTransOil-Service» JSC		
142.	additional agreement №1 to agreement dated 20 March 2012 № US 270/2012	Resolution of the Management Board of "KazTransOil" JSC dated 7 December 2012 (minutes №37)

№	Organization and transaction	Resolution of "KazTransOil" JSC body
«KazTransGas Aimal» JSC		
143.	contract on retail sales of marketable gas for the needs of Base for operations support of Uralsk oil pipeline department of the Western branch of "KazTransOil" JSC	Resolution of the Management Board of "KazTransOil" JSC dated 25 December 2012 (minutes №40)
144.	contract on retail sales of marketable gas for the needs of Base for operations support of Aktobe oil pipeline department of the Western branch of "KazTransOil" JSC	
145.	agreement on sale-purchase of natural gas for the needs of SPN 112km, OPS «Zhetybay», HOPS «Uzen», SPN «Sai-Utes» and OPS «Beyneu» of Mangistau oil pipeline department of Western branch of "KazTransOil" JSC	
146.	contract on retail sales of marketable gas for the needs of OPS «Makat», SPN «Karmanovo», CTT&CT 1-section, UPTR of Atyrau oil pipeline department of Western branch of "KazTransOil" JSC	
«МАЭК – Kazatomprom» LLP		
147.	agreement on power supply to facilities of Mangistau oil pipeline department of Western branch of "KazTransOil" JSC	Resolution of the Management Board of "KazTransOil" JSC dated 25 December 2012 (minutes №40)
148.	agreement on delivery and consumption of potable water	
149.	agreement on delivery (consumption) of heating energy on steam and non-return of condensate	
150.	agreement on heating of facilities of Mangistau oil pipeline department of Western branch of "KazTransOil" JSC	
151.	agreement on delivery and consumption of distillate	
«МАЭК – Kazatomprom» LLP and State communal enterprise «Aktau department for electric grids» at right of economic conduit of akimat of Aktau		
152.	agreement on power supply of facilities of Mangistau oil pipeline department of Western branch of "KazTransOil" (administrative building and hostel) and Training center of Western branch of "KazTransOil" JSC	Resolution of the Management Board of "KazTransOil" JSC dated 25 December 2012 (minutes №40)
«МАЭК- Kazatomprom» LLP and RSE «Aktau international marine trade port»		
153.	agreement on power supply of facilities of Mangistau oil pipeline department of Western branch of "KazTransOil" (piers №4,5,8,9,10)	Resolution of the Management Board of "KazTransOil" JSC dated 25 December 2012 (minutes №40)
«МАЭК- Kazatomprom» LLP and «Buzachi Operating Ltd»		
154.	agreement on delivery and consumption of electricity on facilities of OPS "Severnye Buzachi" of Mangistau oil pipeline department of Western branch of "KazTransOil" JSC	Resolution of the Management Board of "KazTransOil" JSC dated 25 December 2012 (minutes №40)
«МАЭК- Kazatomprom» LLP and State communal enterprise «Caspiy zhylu, su arnasy» of Department of energy and housing and communal affairs of Mangistau region		
155.	agreement on heat supply of Mangistau oil pipeline department of the Western branch of "KazTransOil" JSC (dormitory and office building) and Training center of Western branch of "KazTransOil" JSC	Resolution of the Management Board of "KazTransOil" JSC dated 25 December 2012 (minutes №40)
156.	agreement on water supply of administrative building and hostel of Mangistau oil pipeline department and Training center of Western branch of "KazTransOil" JSC	
«Energoinform» JSC		
157.	agreement on provision of services of telecommunication on АСКУЭ PS Inder-220 of «KEGOC» JSC	Resolution of the Management Board of "KazTransOil" JSC dated 25 December 2012 (minutes №40)

INFORMATION FOR SHAREHOLDERS

Shareholders' inquiries

The Company's shareholders may address inquiries about proxy voting, dividends and to report changes in personal data and other related matters to the registrar of the Company:

JSC «Unified Registrar of Securities»
Address: 141, Abylai Khan ave., Almaty
E-mail: info@tisr.kz.

Website

Information about the Company, including a description of activities, press releases, annual and interim reports are available on the corporate web site at www.kaztransoil.kz.

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Astana, 010000, Republic of Kazakhstan
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Fax: +7 (7172) 55-51-48

PR

(for media inquiries)
Tel.: +7 (7172) 55-51-35
Fax: +7 (7172) 55-51-47
E-mail: Raisa.Samakova @ kaztransoil.kz

Corporate Secretary

(shareholders' inquiries)
Tel.: +7 (7172) 55-50-34
E-mail: Maikenov@kaztransoil.kz

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(requests for institutional investors)
Tel.: +7 (7172) 55-50-49
E-mail: Masalin@kaztransoil.kz

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The Republic of Kazakhstan
Almaty, 050059,
str. , Almaty, 240 / G,
Tel.: +7 (727) 258-59-60
Fax: +7 (727) 258-59-61

Registrar

JSC «United Registrar of Securities»
Address: Almaty, Abylai Khan d.141
E-mail: info@tisr.kz

Payment agent

(only for shares in the nominal holding of “Central Securities Depository” JSC)
“Central Securities Depository” JSC
28, Samal-1 distr.
050051, Almaty
Republic of Kazakhstan
Tel.: 7 (727) 262-03-09, 262-04-02, 262-06-22, 262-11-01, 262-12-23, 262-14-04

KazTransOil

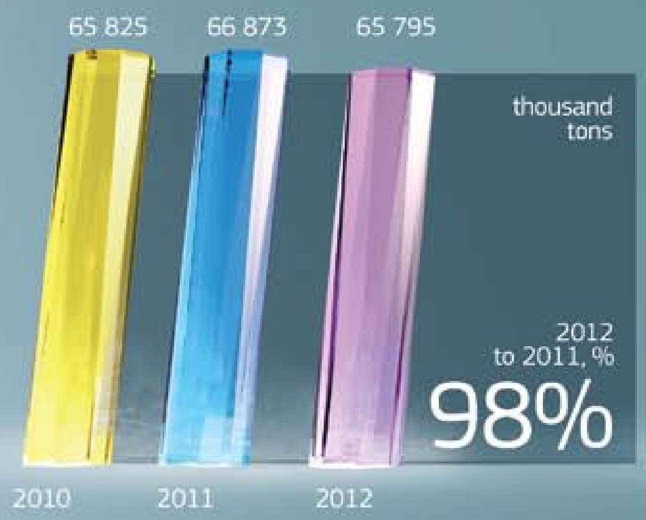
KEY PERFORMANCE RESULTS AS OF THE END OF THE YEAR,

AS WELL AS IN DYNAMICS FOR THE LAST THREE YEARS

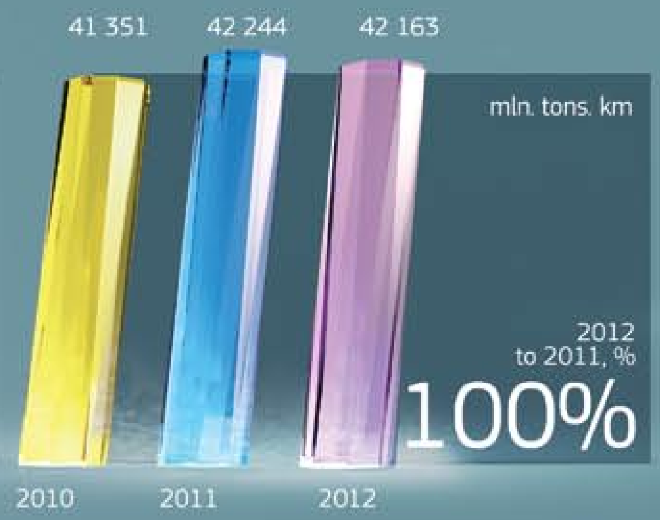
KazTransOil

KEY CONSOLIDATED OPERATING RESULTS OF THE GROUP

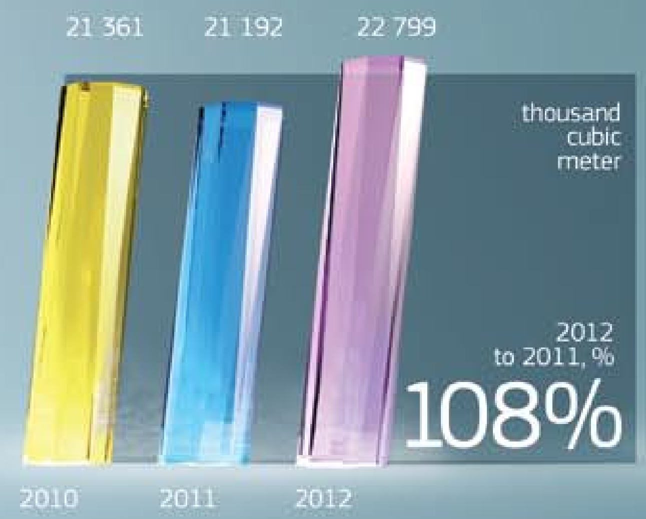
Volume of transportation *



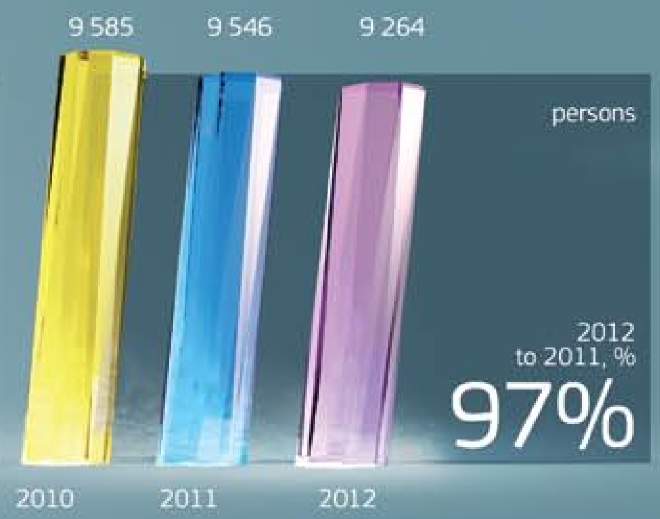
Oil cargo turnover



Supply of water



Staff size as

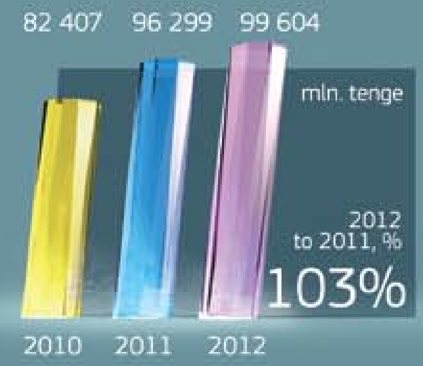


* Volume of oil transportation includes data on transfer of oil products of BIHL

KEY CONSOLIDATED FINANCIAL RESULTS OF THE GROUP

Revenue from products sold and services provided

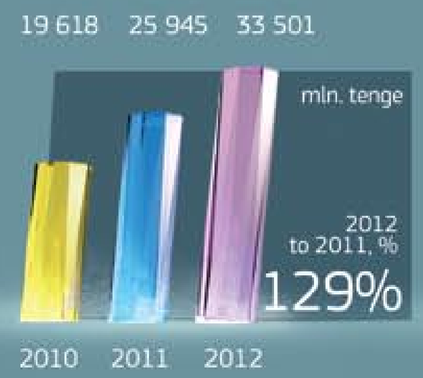
Prime cost



Gross margin

Income before CIT

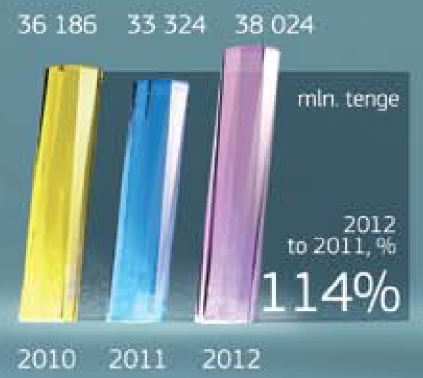
Net income



Assets at the year end

Long term liabilities at the year end

Current liabilities at the year end



Equity

MAP OF MAIN PIPELINES OF "KAZTRANSOIL" JSC

KazTransOil