

KazTransOil JSC

Unaudited interim condensed consolidated financial statements

For the nine months ended 30 September 2014

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Unaudited interim condensed consolidated financial statements

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Report on review of interim condensed consolidated financial statements

To the Shareholders of KazTransOil JSC

Introduction

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

Scope of review

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

Conclusion

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

Ernst & Young LLP


Alexander Nazarkulov
Auditor

Auditor Qualification Certificate
No. 0000059 dated 6 January 2012

10 November 2014


Evgeny Zhemaletdinov
General Director
Ernst & Young LLP

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

INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION**As at 30 September 2014**

| <i>In thousands of tenge</i> | Notes | As at 30 September 2014 (unaudited) | As at 31 December 2013 (audited) |
|---|--------------|--|---|
| Assets | | | |
| Non-current assets | | | |
| Property, plant and equipment | 4 | 435,624,193 | 401,108,901 |
| Intangible assets | 5 | 6,326,055 | 5,701,002 |
| Investments in joint ventures | 6 | 47,830,213 | 53,554,027 |
| Advances to suppliers for property, plant and equipment | 7 | 15,730,558 | 5,835,651 |
| Bank deposits | 13 | 561,232 | 576,541 |
| Other non-current assets | | 23,209 | 123,904 |
| | | 506,095,460 | 466,900,026 |
| Current assets | | | |
| Inventory | 8 | 3,374,768 | 2,346,043 |
| Trade and other accounts receivable | 9 | 9,598,295 | 4,548,932 |
| Advances to suppliers | 10 | 1,021,098 | 842,702 |
| Prepayment for corporate income tax | | 220,542 | 3,994 |
| VAT recoverable and other prepaid taxes | 11 | 4,838,269 | 3,144,714 |
| Other current assets | 12 | 2,949,437 | 3,946,793 |
| Bank deposits | 13 | 42,754,374 | 83,116,538 |
| Cash and cash equivalents | 14 | 29,620,456 | 25,645,348 |
| | | 94,377,239 | 123,595,064 |
| Assets classified as held for sale | | - | 32,138 |
| | | 94,377,239 | 123,627,202 |
| Total assets | | 600,472,699 | 590,527,228 |

The accounting policy and explanatory notes on pages 8 through 36 form an integral part of these interim condensed consolidated financial statements.

INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)

| <i>In thousands of tenge</i> | Notes | As at 30 September 2014 (unaudited) | As at 31 December 2013 (audited) |
|---|--------------|--|---|
| Equity and liabilities | | | |
| Equity | | | |
| Share capital | 15 | 61,937,567 | 61,937,567 |
| Asset revaluation reserve | | 172,914,690 | 171,902,104 |
| Other capital reserves | | (1,787,375) | (1,016,496) |
| Foreign currency translation reserve | | 16,348,635 | 10,069,002 |
| Retained earnings | | 231,620,230 | 224,377,740 |
| Total equity | | 481,033,747 | 467,269,917 |
| Non-current liabilities | | | |
| Employee benefit liabilities | 16 | 10,688,033 | 9,333,180 |
| Deferred tax liabilities | 30 | 44,760,113 | 43,537,849 |
| Provision on asset retirement and land reclamation obligation | 21 | 17,429,584 | 16,677,538 |
| Deferred income | 17 | 4,465,845 | 4,079,971 |
| | | 77,343,575 | 73,628,538 |
| Current liabilities | | | |
| Employee benefits liabilities | 16 | 322,825 | 322,000 |
| Income tax payable | | 906,772 | 1,467,675 |
| Trade and other accounts payable | 18 | 12,030,875 | 11,096,007 |
| Advances received | 19 | 15,270,063 | 17,181,723 |
| Other taxes payable | 20 | 2,680,867 | 2,587,351 |
| Provisions | 21 | 261,952 | 228,125 |
| Other current liabilities | 22 | 10,622,023 | 16,745,892 |
| | | 42,095,377 | 49,628,773 |
| Total liabilities | | 119,438,952 | 123,257,311 |
| Total equity and liabilities | | 600,472,699 | 590,527,228 |
| Book value per ordinary share (in tenge) | 15 | 1,234 | 1,200 |

Signed and approved for issue on 10 November 2014.

General Director



Kabyldin Z.M.

Chief Accountant

Sapargaliyeva M.K.

The accounting policy and explanatory notes on pages 8 through 36 form an integral part of these interim condensed consolidated financial statements.

INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**For the nine months ended 30 September 2014**

| <i>In thousands of tenge</i> | Notes | For the three months ended 30 September (unaudited) | | For the nine months ended 30 September (unaudited) | |
|--|-------|---|--------------|--|--------------|
| | | 2014 | 2013 | 2014 | 2013 |
| Revenue | 23 | 49,687,263 | 48,618,449 | 146,714,043 | 141,482,581 |
| Cost of sales | 24 | (31,251,406) | (27,019,496) | (84,084,163) | (74,758,429) |
| Gross profit | | 18,435,857 | 21,598,953 | 62,629,880 | 66,724,152 |
| General and administrative expenses | 25 | (4,097,734) | (2,708,617) | (8,846,647) | (7,157,171) |
| Other operating income | 26 | 2,122,989 | 1,594,722 | 6,018,732 | 3,347,304 |
| Other operating expenses | 27 | (28,143) | (139,614) | (136,347) | (499,967) |
| Loss from impairment of property, plant and equipment | 4 | (4,947,072) | (12,645,386) | (5,018,080) | (12,683,830) |
| Operating profit | | 11,485,897 | 7,700,058 | 54,647,538 | 49,730,488 |
| Net foreign exchange (loss)/gain | | 27,516 | 27,266 | (12,612) | (6,740) |
| Finance income | 28 | 1,024,022 | 1,014,880 | 4,085,776 | 2,730,762 |
| Finance cost | 29 | (354,930) | (329,464) | (1,064,796) | (999,770) |
| Dividend income | | – | – | 80,277 | – |
| Share in (loss)/income of joint ventures | 6 | 1,664,183 | 3,038,167 | (8,179,382) | 9,266,989 |
| Profit before income tax | | 13,846,688 | 11,450,907 | 49,556,801 | 60,721,729 |
| Income tax expense | 30 | (3,011,736) | (1,823,690) | (12,285,804) | (10,657,740) |
| Net profit for the period | | 10,834,952 | 9,627,217 | 37,270,997 | 50,063,989 |
| Earnings per share (in tenge) | 15 | 28 | 25 | 97 | 130 |

The accounting policy and explanatory notes on pages 8 through 36 form an integral part of these interim condensed consolidated financial statements.

INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (continued)

| <i>In thousands of tenge</i> | Notes | For the three months ended 30 September (unaudited) | | For the nine months ended 30 September (unaudited) | |
|--|-------|---|-------------------|--|-------------------|
| | | 2014 | 2013 | 2014 | 2013 |
| Other comprehensive income | | | | | |
| Other comprehensive income to be reclassified to profit or loss in subsequent periods | | | | | |
| Exchange difference from translation of foreign operations of the Group | | (408,841) | 508,345 | 6,231,328 | 697,004 |
| Exchange difference from translation of foreign operations of the joint ventures | | (2,722) | 3,408 | 48,305 | 4,976 |
| Total other comprehensive income/(loss) to be reclassified to profit or loss in subsequent periods, net | | (411,563) | 511,753 | 6,279,633 | 701,980 |
| Other comprehensive income/(loss) not to be reclassified to profit or loss in subsequent periods | | | | | |
| Revaluation of property, plant and equipment of the Group | 4 | 16,092,487 | 70,073,538 | 16,092,487 | 70,074,895 |
| Income tax effect | | (3,218,497) | (13,668,340) | (3,218,497) | (13,668,611) |
| | | 12,873,990 | 56,405,198 | 12,873,990 | 56,406,284 |
| Revaluation of property, plant and equipment of joint ventures | | 3,576,974 | 1,629,376 | 3,576,974 | 1,629,376 |
| Income tax effect | | (715,395) | (325,875) | (715,395) | (325,875) |
| | | 2,861,579 | 1,303,501 | 2,861,579 | 1,303,501 |
| Impairment of property, plant and equipment of the Group | 4 | (3,734,907) | (21,557,822) | (3,761,891) | (21,565,553) |
| Income tax effect | | 746,980 | 4,318,810 | 752,377 | 4,320,355 |
| | | (2,987,927) | (17,239,012) | (3,009,514) | (17,245,198) |
| Provision on asset retirement and land reclamation of the joint ventures | | 229,130 | – | 229,130 | – |
| Income tax effect | | (45,826) | – | (45,826) | – |
| | | 183,304 | – | 183,304 | – |
| Actuarial losses from employee benefit liabilities | 16 | – | – | (963,600) | – |
| Income tax effect | | – | – | 192,721 | – |
| | | – | – | (770,879) | – |
| Total other comprehensive income not to be reclassified to profit or loss in subsequent periods, net | | 12,930,946 | 40,469,687 | 12,138,480 | 40,464,587 |
| Total other comprehensive income for the period, net of taxes | | 12,519,383 | 40,981,440 | 18,418,113 | 41,166,567 |
| Total comprehensive income for the period, net of taxes | | 23,354,335 | 50,608,657 | 55,689,110 | 91,230,556 |

Signed and approved for issue on 10 November 2014.

General Director

Chief Accountant



KazTransOil
Kabyldin K.M.

Sarmagambetova M.K.

The accounting policy and explanatory notes on pages 8 through 36 form an integral part of these interim condensed consolidated financial statements.

INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS**For the nine months ended 30 September 2014**

| <i>In thousands of tenge</i> | Notes | For the nine months ended 30 September (unaudited) | |
|--|--------|---|-------------------|
| | | 2014 | 2013 |
| Cash flows from operating activities | | | |
| Profit before income tax | | 49,556,801 | 60,721,729 |
| Non-cash adjustment to reconcile profit before income tax to net cash flows | | | |
| Depreciation and amortization | 24, 25 | 25,401,518 | 21,990,762 |
| Charge of allowance for doubtful debts | 25 | 1,895 | 40,767 |
| Share in loss/(income) of joint ventures | 6 | 8,179,382 | (9,266,989) |
| Finance costs | 29 | 1,064,796 | 999,770 |
| Finance income | | (4,085,776) | (2,730,762) |
| Post-employment benefits | 24, 25 | 371,748 | 345,000 |
| (Reversal)/charge of provisions | 21, 27 | (7) | 45,467 |
| Loss on disposal of property, plant and equipment and intangible assets, net | 27 | 59,755 | 333,182 |
| Gain from disposal of asset held for sale, net | 26 | (61,090) | (95,198) |
| Impairment of property, plant and equipment | 4 | 5,018,080 | 12,683,830 |
| Impairment of intangible assets | 5, 25 | 135,808 | 165,060 |
| Income from write-off of accounts payable | 26 | (74,539) | (7,153) |
| Amortization of deferred income | 26 | (234,274) | (234,274) |
| Expenses on write-off of VAT recoverable | 25 | 277,756 | 136,348 |
| Expenses on liquidation of idle oil pumping stations | 27 | 43,207 | - |
| Amortization of financial guarantee issued on behalf of joint venture | 26 | - | (26,463) |
| Derecognition of financial guarantee issued on behalf of joint venture | 26 | - | (177,743) |
| Unrealized foreign exchange (gain)/loss | | (197,355) | 565,574 |
| Reversal of provision for obsolete and slow-moving inventory | 25 | (5,492) | (3,294) |
| Cash flows from operating activities before working capital changes | | 85,452,213 | 85,485,613 |
| (Increase)/decrease in operating assets | | | |
| Inventories | | 2,006,599 | (777,375) |
| Trade and other accounts receivable | | (5,052,158) | (584,050) |
| Advances to suppliers | | (177,481) | (629,300) |
| VAT recoverable and other prepaid taxes | | (2,644,502) | (806,349) |
| Other current assets | | 939,575 | 1,623,825 |
| Increase/(decrease) in operating liabilities | | | |
| Trade and other accounts payable | | 640,064 | 305,671 |
| Advances received | | (1,911,660) | (500,118) |
| Other taxes payable | | 93,516 | 771,675 |
| Other current and non-current liabilities and employee benefit liabilities | | (5,796,651) | (1,689,278) |
| Cash generated from operating activities | | 73,549,515 | 83,200,314 |
| Income taxes paid | | (14,118,011) | (4,978,340) |
| Interest received | | 4,361,906 | 1,092,511 |
| Net cash flow from operating activities | | 63,793,410 | 79,314,485 |

The accounting policy and explanatory notes on pages 8 through 36 form an integral part of these interim condensed consolidated financial statements.

INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS (continued)

| <i>In thousands of tenge</i> | Notes | For the nine months ended 30 September (unaudited) | |
|---|-------|---|---------------------|
| | | 2014 | 2013 |
| Cash flows from investing activities | | | |
| Withdrawal of bank deposits | | 92,503,433 | 40,950,000 |
| Placement of bank deposits | | (52,528,703) | (67,265,662) |
| Purchase of property, plant and equipment | | (58,611,295) | (23,011,742) |
| Purchase of intangible assets | | (198,857) | (178,389) |
| Proceeds from disposal of property, plant and equipment and intangible assets | | 30,521 | 686,273 |
| Proceeds from disposal of assets held for sale | | 193,982 | – |
| Dividends received | | 717,897 | 453,584 |
| Net cash flow generated from / (used in) investing activities | | (17,893,022) | (48,365,936) |
| Cash flows from financing activities | | | |
| Dividends paid | 15 | (41,925,280) | (28,847,670) |
| Net cash flow used in financing activities | | (41,925,280) | (28,847,670) |
| Net change in cash and cash equivalents | | 3,975,108 | 2,100,879 |
| Cash and cash equivalents at the beginning of the period | 14 | 25,645,348 | 18,954,044 |
| Cash and cash equivalents at the end of the period | 14 | 29,620,456 | 21,054,923 |

Signed and approved for issue on 10 November 2014.

General Director

Chief Accountant



KazTransOil JSC
Kubrydin N.M.

Сармагамбетова М.К.

The accounting policy and explanatory notes on pages 8 through 36 form an integral part of these interim condensed consolidated financial statements.

INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the nine months ended 30 September 2014

| <i>In thousands of tenge</i> | Share capital | Asset revaluation reserve | Foreign currency translation reserve | Other reserves | Retained earnings | Total |
|--|---------------|---------------------------|--------------------------------------|----------------|-------------------|--------------|
| As at 31 December 2013 (audited) | 61,937,567 | 171,902,104 | 10,069,002 | (1,016,496) | 224,377,740 | 467,269,917 |
| Net profit for the period | - | - | - | - | 37,270,997 | 37,270,997 |
| Other comprehensive income | - | 12,909,359 | 6,279,633 | (770,879) | - | 18,418,113 |
| Total comprehensive income for the period (unaudited) | - | 12,909,359 | 6,279,633 | (770,879) | 37,270,997 | 55,689,110 |
| Depreciation of revalued property, plant and equipment | - | (11,896,773) | - | - | 11,896,773 | - |
| Dividends (Note 15) | - | - | - | - | (41,925,280) | (41,925,280) |
| As at 30 September 2014 (unaudited) | 61,937,567 | 172,914,690 | 16,348,635 | (1,787,375) | 231,620,230 | 481,033,747 |
| As at 31 December 2012 (audited) | 61,937,567 | 144,421,031 | 9,875,876 | 17,104 | 176,062,485 | 392,314,063 |
| Net profit for the period | - | - | - | - | 50,063,989 | 50,063,989 |
| Other comprehensive income | - | 40,464,587 | 701,980 | - | - | 41,166,567 |
| Total comprehensive income for the period (unaudited) | - | 40,464,587 | 701,980 | - | 50,063,989 | 91,230,556 |
| Depreciation of revalued property, plant and equipment | - | (11,431,918) | - | - | 11,431,918 | - |
| Dividends (Note 15) | - | - | - | - | (28,847,670) | (28,847,670) |
| As at 30 September 2013 (unaudited) | 61,937,567 | 173,453,700 | 10,577,856 | 17,104 | 208,710,722 | 454,696,949 |

Signed and approved for issue on 10 November 2014.

General Director



K. M. Kalyanov

Chief Accountant



Sarmagamberova M.K.

The accounting policy and explanatory notes on pages 8 through 36 form an integral part of these interim condensed consolidated financial statements.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**For the nine months ended 30 September 2014****1. GENERAL**

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

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

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

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

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

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

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

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

The Company is a natural monopolist and, respectively, is subject to regulation of the Committee on Regulation of Natural Monopolies and Protection of Competition of the Ministry of National Economy of the Republic of Kazakhstan (hereinafter "CRNMandPC"). CRNMandPC (before – "Agency of the Republic of Kazakhstan on Regulation of Natural Monopolies") is responsible for approving the methodology for calculating the tariff and tariff rates, which serves as a base for receiving major part of the Group's revenue in the Republic of Kazakhstan. In general, tariff rates are based on the cost of capital return on operating assets. In accordance with the legislation in the Republic of Kazakhstan on regulation of natural monopolies, tariff rates cannot be lower than the cost of the expenditure required to provide services, and consider the possibility of making a profit, providing the effective functioning of a natural monopoly.

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

These interim condensed consolidated financial statements for the nine months ended 30 September 2014 were signed and approved for issue by the General Director and Chief Accountant on 10 November 2014.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(continued)**2. BASIS OF PREPARATION OF FINANCIAL STATEMENTS AND CHANGES IN ACCOUNTING POLICIES****Basis of preparation**

These interim condensed consolidated financial statements for the nine months ended 30 September 2014 have been prepared in accordance with International Financial Reporting Standard IAS 34 *Interim Financial Reporting*.

These interim condensed consolidated financial statements have been prepared on a historical cost basis, except for property, plant and equipment, which is stated on revalued basis.

These interim condensed consolidated financial statements do not include all information and disclosures required for annual financial statements and should be read in conjunction with the Group's annual financial statements for the year ended 31 December 2013.

These interim condensed consolidated financial statements are represented in tenge and all amounts are rounded to the nearest thousands, except for earnings per share, book value of ordinary share and when otherwise indicated. Each entity of the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Functional currency of the Company and its joint ventures MunaiTas and KCP is tenge. Functional currency of BTL is US dollar.

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

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

Several new standards and amendments apply for the first time in 2014. However, they do not impact the annual consolidated financial statements of the Group or the interim condensed consolidated financial statements of the Group.

The nature and the impact of each new standard or amendment are described below:

Amendments to IFRS 10, IFRS 12 and IAS 27 Investment Entities

These amendments provide an exception to the consolidation requirement for entities that meet the definition of an investment entity under IFRS 10 *Consolidated Financial Statements*. The exception to consolidation requires investment entities to account for subsidiaries at fair value through profit or loss. These amendments are not applicable to the Group.

Amendments to IAS 32 Offsetting Financial Assets and Financial Liabilities

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

Amendments to IAS 39 Novation of Derivatives and Continuation of Hedge Accounting

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

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

These amendments remove the unintended consequences of IFRS 13 *Fair Value Measurement* on the disclosures required under IAS 36 *Impairment of Assets*. In addition, these amendments require disclosure of the recoverable amounts for the assets or cash-generating units (CGUs) for which an impairment loss has been recognised or reversed during the period. Relevant information is disclosed in Note 4 "Property, plant and equipment".

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

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

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

Interpretation to IFRIC 21 Levies

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

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

Seasonality of operations

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

Foreign currency translation

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

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

Weighted average currency exchange rates for the nine months ended 30 September 2014 and 2013 were as follows:

| <i>tenge</i> | For the nine months ended 30 September | |
|----------------|---|--------|
| | 2014 | 2013 |
| US dollars | 178.46 | 153.62 |
| Russian rubles | 5.04 | 4.73 |
| Euro | 241.96 | 207.56 |
| Georgian lari | 101.84 | 92.77 |

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

| <i>tenge</i> | 30 September | 31 December |
|----------------|--------------|-------------|
| | 2014 | 2013 |
| US dollars | 181.90 | 153.61 |
| Russian rubles | 4.60 | 4.69 |
| Euro | 230.56 | 211.17 |
| Georgian lari | 104.50 | 88.47 |

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(continued)

3. SEGMENT INFORMATION

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

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

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

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

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

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

| <i>In thousands tenge</i> | For the three months ended 30 September 2014 (unaudited) | | | | | For the three months ended 30 September 2013 (unaudited) | | | | | | |
|--|--|-----------------------------|------------------|-------------------|------------------------------|--|--|-----------------------------|------------------|-------------------|------------------------------|-------------------|
| | Oil Transportation and related services (Kazakhstan) | Oil transshipment (Georgia) | Other | Total segments | Adjustments and eliminations | Consolidated | Oil Transportation and related services (Kazakhstan) | Oil transshipment (Georgia) | Other | Total segments | Adjustments and eliminations | Consolidated |
| Revenue | | | | | | | | | | | | |
| External customers | 44,680,624 | 3,868,675 | 1,137,964 | 49,687,263 | – | 49,687,263 | 43,519,956 | 4,048,369 | 1,050,124 | 48,618,449 | – | 48,618,449 |
| Total revenue | 44,680,624 | 3,868,675 | 1,137,964 | 49,687,263 | – | 49,687,263 | 43,519,956 | 4,048,369 | 1,050,124 | 48,618,449 | – | 48,618,449 |
| Financial results | | | | | | | | | | | | |
| Impairment of property, plant and equipment and intangible assets for the period | (1,588) | (4,858,574) | (222,718) | (5,082,880) | – | (5,082,880) | (12,645,386) | – | – | (12,645,386) | – | (12,645,386) |
| Depreciation and amortization | (7,667,122) | (619,311) | (192,703) | (8,479,136) | – | (8,479,136) | (7,047,000) | (362,191) | (121,957) | (7,531,148) | – | (7,531,148) |
| Interest income | 1,009,566 | 3,666 | 7,519 | 1,020,751 | – | 1,020,751 | 1,004,167 | 4,125 | (405) | 1,007,887 | – | 1,007,887 |
| Share in income of joint ventures | 1,664,183 | – | – | 1,664,183 | – | 1,664,183 | 3,038,167 | – | – | 3,038,167 | – | 3,038,167 |
| Income tax expense | (3,691,354) | 679,359 | 259 | (3,011,736) | – | (3,011,736) | (1,792,159) | (37,109) | 60,482 | (1,768,786) | (54,904) | (1,823,690) |
| Segment profit for the period | 15,012,682 | (4,301,976) | 124,246 | 10,834,952 | – | 10,834,952 | 8,013,734 | (1,471,174) | 101,394 | 6,643,954 | 2,983,263 | 9,627,217 |

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

Information on revenue and profit of the Group's segments for the nine months ended 30 September 2014 and 2013 respectively is reflected in the table below:

| <i>In thousands tenge</i> | For the nine months ended 30 September 2014 (unaudited) | | | | | For the nine months ended 30 September 2013 (unaudited) | | | | | | |
|--|---|-----------------------------|------------------|--------------------|------------------------------|---|--|-----------------------------|------------------|--------------------|------------------------------|--------------------|
| | Oil Transportation and related services (Kazakhstan) | Oil transshipment (Georgia) | Other | Total segments | Adjustments and eliminations | Consolidated | Oil Transportation and related services (Kazakhstan) | Oil transshipment (Georgia) | Other | Total segments | Adjustments and eliminations | Consolidated |
| Revenue | | | | | | | | | | | | |
| External customers | 132,545,747 | 11,346,308 | 2,821,988 | 146,714,043 | - | 146,714,043 | 125,894,668 | 12,643,969 | 2,943,944 | 141,482,581 | - | 141,482,581 |
| Total revenue | 132,545,747 | 11,346,308 | 2,821,988 | 146,714,043 | - | 146,714,043 | 125,894,668 | 12,643,969 | 2,943,944 | 141,482,581 | - | 141,482,581 |
| Financial results | | | | | | | | | | | | |
| Impairment of property, plant and equipment and intangible assets for the period | (72,596) | (4,858,574) | (222,718) | (5,153,888) | - | (5,153,888) | (12,683,830) | - | - | (12,683,830) | - | (12,683,830) |
| Depreciation and amortization | (23,021,041) | (1,818,329) | (562,148) | (25,401,518) | - | (25,401,518) | (20,726,061) | (987,630) | (277,071) | (21,990,762) | - | (21,990,762) |
| Interest income | 4,047,458 | 12,135 | 9,459 | 4,069,052 | - | 4,069,052 | 2,681,759 | 11,519 | 10,308 | 2,703,586 | - | 2,703,586 |
| Share in (loss)/income of joint ventures | (8,179,382) | - | - | (8,179,382) | - | (8,179,382) | 9,266,989 | - | - | 9,266,989 | - | 9,266,989 |
| Income tax expense | (13,005,232) | 603,607 | 115,821 | (12,285,804) | - | (12,285,804) | (10,127,914) | (98,521) | (39,559) | (10,265,994) | (391,746) | (10,657,740) |
| Segment profit for the period | 41,286,828 | (4,143,429) | 127,598 | 37,270,997 | - | 37,270,997 | 41,406,792 | (133,535) | 369,073 | 41,642,330 | 8,421,659 | 50,063,989 |

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

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

| <i>In thousands tenge</i> | 30 September 2014 (unaudited) | | | | | 31 December 2013 (audited) | | | | | | |
|--|--|-----------------------------|------------|----------------|------------------------------|----------------------------|--|-----------------------------|------------|----------------|------------------------------|--------------|
| | Oil Transportation and related services (Kazakhstan) | Oil transshipment (Georgia) | Other | Total segments | Adjustments and eliminations | Consolidated | Oil Transportation and related services (Kazakhstan) | Oil transshipment (Georgia) | Other | Total segments | Adjustments and eliminations | Consolidated |
| Total assets | 555,141,036 | 27,593,321 | 17,738,342 | 600,472,699 | – | 600,472,699 | 544,763,581 | 31,127,379 | 14,636,268 | 590,527,228 | – | 590,527,228 |
| Total liabilities | 108,555,328 | 5,148,135 | 5,735,489 | 119,438,952 | – | 119,438,952 | 114,242,880 | 4,307,821 | 4,706,610 | 123,257,311 | – | 123,257,311 |
| Other disclosures | | | | | | | | | | | | |
| Investments in joint ventures (Note 6) | 47,830,213 | – | – | 47,830,213 | – | 47,830,213 | 53,554,027 | – | – | 53,554,027 | – | 53,554,027 |
| Capital expenditures | 42,189,954 | 674,582 | 349,424 | 43,213,960 | – | 43,213,960 | 24,900,504 | 3,066,226 | 2,268,820 | 30,235,550 | – | 30,235,550 |

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)**4. PROPERTY, PLANT AND EQUIPMENT**

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

| <i>In thousands of tenge</i> | Land | Pipelines | Transportation assets | Buildings and constructions | Machinery and equipment | Techno-logical oil | Other | Construction in progress | Total |
|---|-------------------|---------------------|-----------------------|-----------------------------|-------------------------|--------------------|--------------------|--------------------------|---------------------|
| At revalued amount as at 31 December 2013 (audited) | 11,087,844 | 97,334,066 | 8,110,780 | 71,906,718 | 88,628,416 | 89,518,453 | 12,477,480 | 36,960,887 | 416,024,644 |
| Foreign currency translation | 1,324,669 | – | 565,209 | 2,799,724 | 1,863,486 | – | 97,860 | 193,007 | 6,843,955 |
| Additions | 415 | – | 452,090 | 5,000 | 680,945 | – | 524,661 | 44,441,823 | 46,104,934 |
| Disposals | (8,993) | (20,683) | (11,736) | (14,965) | (120,897) | (732) | (157,366) | (30,583) | (365,955) |
| Revaluation for the period (revaluation reserve) | – | – | – | – | – | 16,092,487 | – | – | 16,092,487 |
| Transfers from construction-in-progress | 53,428 | 16,985,241 | 168,950 | 1,716,510 | 7,169,583 | – | 1,126,737 | (27,220,449) | – |
| Transfers to intangible assets (Note 5) | – | – | – | – | (123) | – | – | (172,998) | (173,121) |
| Transfers and reclassifications | – | (2,459) | (93,094) | 8,010 | (76,450) | – | 146,145 | 17,848 | – |
| At revalued amount as at 30 September 2014 (unaudited) | 12,457,363 | 114,296,165 | 9,192,199 | 76,420,997 | 98,144,960 | 105,610,208 | 14,215,517 | 54,189,535 | 484,526,944 |
| Accumulated depreciation and impairment as at 31 December 2013 (audited) | – | (4,240,358) | (638,843) | (3,320,737) | (4,794,768) | (330,205) | (1,321,562) | (269,270) | (14,915,743) |
| Foreign currency translation | – | – | (46,861) | (227,248) | (175,819) | – | (24,079) | – | (474,007) |
| Depreciation charge for the period | – | (7,562,191) | (1,080,587) | (4,959,439) | (8,857,429) | – | (2,545,347) | – | (25,004,993) |
| Disposals | – | 18,551 | 5,038 | 8,812 | 93,289 | – | 146,273 | – | 271,963 |
| Impairment through equity (Impairment)/reversal of impairment through profit and loss | – | (33,791) | (105,827) | (2,304,590) | (1,314,471) | – | (3,212) | – | (3,761,891) |
| Transfers and reclassifications | – | (61,757) | (623,182) | (2,297,777) | (1,918,113) | – | (120,461) | 3,210 | (5,018,080) |
| Transfers and reclassifications | – | 253 | – | (45) | 326 | – | (534) | – | – |
| Accumulated depreciation and impairment as at 30 September 2014 (unaudited) | – | (11,879,293) | (2,490,262) | (13,101,024) | (16,966,985) | (330,205) | (3,868,922) | (266,060) | (48,902,751) |
| As at 30 September 2014 (unaudited) | | | | | | | | | |
| At revalued amount | 12,457,363 | 114,296,165 | 9,192,199 | 76,420,997 | 98,144,960 | 105,610,208 | 14,215,517 | 54,189,535 | 484,526,944 |
| Accumulated depreciation and impairment | – | (11,879,293) | (2,490,262) | (13,101,024) | (16,966,985) | (330,205) | (3,868,922) | (266,060) | (48,902,751) |
| Net book value (unaudited) | 12,457,363 | 102,416,872 | 6,701,937 | 63,319,973 | 81,177,975 | 105,280,003 | 10,346,595 | 53,923,475 | 435,624,193 |
| As at 31 December 2013 (audited) | | | | | | | | | |
| At revalued amount | 11,087,844 | 97,334,066 | 8,110,780 | 71,906,718 | 88,628,416 | 89,518,453 | 12,477,480 | 36,960,887 | 416,024,644 |
| Accumulated depreciation and impairment | – | (4,240,358) | (638,843) | (3,320,737) | (4,794,768) | (330,205) | (1,321,562) | (269,270) | (14,915,743) |
| Net book value (audited) | 11,087,844 | 93,093,708 | 7,471,937 | 68,585,981 | 83,833,648 | 89,188,248 | 11,155,918 | 36,691,617 | 401,108,901 |

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

4. PROPERTY, PLANT AND EQUIPMENT (continued)

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

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

As at 30 September 2014 construction in progress included materials and spare parts in the amount of 2,296,757 thousand Tenge, including pipeline in the amount of 47,199 thousand Tenge (31 December 2013: 13,613,707 thousand Tenge including pipeline in amount of 12,908,073 thousand Tenge), which were purchased for construction works.

As at 30 September 2014 the carrying value of fully depreciated but still in use property, plant and equipment was equal to 3,772,572 thousand tenge (31 December 2013: 2,938,299 thousand tenge).

Depreciation charge for the nine months ended 30 September 2014 included in the cost of construction in progress was equal to 9,261 thousand tenge (for the nine months ended 30 September 2013: 7,803 thousand tenge).

As at 30 September 2014 certain fixed assets of the Batumi oil terminal with net book value of 50,000 thousand US dollars (equal to 9,095,000 thousand tenge) were pledged as security in favor of TBC Bank, which acted as a guarantor to ensure obligations of Georgian Transit Ltd towards the Georgian railways under transportation agreement. The maximum guarantee amount is 5,100 thousand US dollars (equal to 927,690 thousand tenge).

Impairment of Georgian entities

BTL Group includes following Cash Generating Units (hereinafter “CGUs”):

- Batumi Oil Terminal LLC (hereinafter “BOT”);
- Batumi Sea Port LLC (hereinafter “BSP”).

The Group reviews its 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 as of 30 September 2014 Group identified indicators of impairment in CGU’s of BTL Group, which was due to decrease in the planned volume of the transshipment of oil and oil products.

Total recoverable amount of the BTL Group is equal to 37,598,566 thousand tenge, including BSP CGU in the amount of 15,206,005 thousand tenge and BOT CGU in the amount of 22,392,561 thousand tenge, has been determined based on value in use calculation using cash flow forecast according to financial budget for 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 14.21% (31 December 2013: BOT – 14.7%, BSP – 14.5%), cash flows beyond the 10-years period are extrapolated using a 2% growth rate that is the same as the long-term average inflation rate (31 December 2013: 2.2%).

As a result of the impairment test the management identified the total impairment loss as of 30 September 2014 amounting 8,796,651 thousand tenge, including 5,081,292 thousand tenge recognised in profit and loss and 3,715,359 thousand tenge in other comprehensive income. Amount of impairment loss proportionally allocated to intangible assets (right for land use) was equal to 135,808 thousand tenge (*Note 5*) and 8,660,843 thousand tenge were 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 planned period; and
- Oil and cargo shipment volumes.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

4. PROPERTY, PLANT AND EQUIPMENT (continued)

Impairment of Georgian entities (continued)

Key assumptions used in value-in-use calculations (continued)

Discount rate. 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 BTL.

Tariffs during the budget period. BSP and BOT 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.

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 BTL'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 stated 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.

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.

Oil and cargo shipment volumes. Management takes into account the possibility that the actual volumes will be lower than planned. Any decrease in the volume of transshipment will lead to a further impairment.

5. INTANGIBLE ASSETS

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

| <i>In thousands of tenge</i> | Licenses | Software | Right for land use | Other | Total |
|---|-----------|-------------|--------------------|----------|-------------|
| Net book value | | | | | |
| as at 31 December 2013 (audited) | 184,757 | 997,520 | 4,490,163 | 28,562 | 5,701,002 |
| Foreign currency translation | 7,096 | 754 | 822,507 | - | 830,357 |
| Additions | 3,569 | 156,181 | - | 3,419 | 163,169 |
| Disposals | (576) | (2,218) | - | (528) | (3,322) |
| Accumulated amortization on disposals | 576 | 2,218 | - | 528 | 3,322 |
| Amortization charge for the period | (59,554) | (248,654) | (94,405) | (3,173) | (405,786) |
| Impairment through profit and loss (Note 25) | - | - | (135,808) | - | (135,808) |
| Transfers from property, plant and equipment (Note 4) | 17,516 | 154,209 | - | 1,396 | 173,121 |
| Transfers and reclassifications | 17,378 | (17,378) | - | - | - |
| Net book value | | | | | |
| as at 30 September 2014 (unaudited) | 170,762 | 1,042,632 | 5,082,457 | 30,204 | 6,326,055 |
| As at 30 September 2014 (unaudited) | | | | | |
| At cost | 503,737 | 4,455,028 | 7,231,238 | 80,506 | 12,270,509 |
| Accumulated amortization and impairment | (332,975) | (3,412,396) | (2,148,781) | (50,302) | (5,944,454) |
| Net book value (unaudited) | 170,762 | 1,042,632 | 5,082,457 | 30,204 | 6,326,055 |
| As at 31 December 2013 (audited) | | | | | |
| At cost | 455,682 | 4,163,442 | 6,106,597 | 76,219 | 10,801,940 |
| Accumulated amortization and impairment | (270,925) | (3,165,922) | (1,616,434) | (47,657) | (5,100,938) |
| Net book value (audited) | 184,757 | 997,520 | 4,490,163 | 28,562 | 5,701,002 |

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

6. INVESTMENTS IN JOINT VENTURES

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

| <i>In thousands of tenge</i> | 30 September 2014 (unaudited) | 31 December 2013 (audited) |
|------------------------------|----------------------------------|-------------------------------|
| KCP | 35,436,352 | 40,878,930 |
| MunaiTas | 12,393,861 | 12,675,097 |
| Total | 47,830,213 | 53,554,027 |

During the nine months ended 30 September 2014 the Group has recognized its share in net profit of MunaiTas in the amount of 356,384 thousand tenge, share in other comprehensive income is equal to nil (during the nine months ended 30 September 2013: share in net profit of MunaiTas was equal to 1,102,508 thousand tenge, share in other comprehensive income – 1,303,501 thousand tenge). The Group also decreased investments by the amount of dividends receivable of 637,620 thousand tenge (during the nine months ended 30 September 2013: 453,584 thousand tenge).

During the nine months ended 30 September 2014 the Group has recognized its share in net loss of KCP in the amount of 8,535,766 thousand tenge (during the nine months ended 30 September 2013 share in net profit of KCP was equal to 8,164,481 thousand tenge) and share in other comprehensive income of 3,093,188 thousand tenge (for the nine months ended 30 September 2013: 4,976 thousand tenge).

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

| <i>In thousands of tenge</i> | 30 September 2014 (unaudited) | | 31 December 2013 (audited) | |
|--|----------------------------------|-------------------|-------------------------------|-------------------|
| | KCP | MunaiTas | KCP | MunaiTas |
| Share in total assets and liabilities of joint ventures | | | | |
| Current assets | 9,619,109 | 1,698,060 | 22,462,883 | 1,448,667 |
| including: cash and cash equivalents | 4,899,916 | 992,679 | 5,941,869 | 162,279 |
| Non-current assets | 127,128,613 | 14,095,134 | 128,663,581 | 14,835,854 |
| Current liabilities | (20,035,403) | (202,447) | (19,868,226) | (296,701) |
| including: short-term financial liabilities | (13,491,104) | - | (12,637,964) | - |
| Non-current liabilities | (81,275,967) | (3,196,886) | (90,379,308) | (3,312,723) |
| including: long-term financial liabilities | (69,878,003) | - | (77,829,046) | - |
| Share in net assets | 35,436,352 | 12,393,861 | 40,878,930 | 12,675,097 |

| <i>In thousands of tenge</i> | For the nine months ended 30 September (unaudited) | | | |
|---|--|------------------|------------------|------------------|
| | 2014 | | 2013 | |
| | KCP | MunaiTas | KCP | MunaiTas |
| Share in total revenue and net income of joint ventures for the period | | | | |
| Revenue | 17,606,782 | 2,301,968 | 24,341,944 | 3,125,944 |
| Depreciation and amortization | (5,454,029) | (807,274) | (4,880,034) | (720,804) |
| Interest income | 142,584 | 10,102 | 395,415 | 14,248 |
| Finance expense | (3,031,127) | (28,418) | (3,318,162) | (31,695) |
| Income tax benefit/(expense) | 1,664,823 | (95,186) | (2,191,425) | (279,374) |
| (Loss)/profit for the period | (8,535,766) | 356,384 | 8,164,481 | 1,102,508 |
| Other comprehensive income | 3,093,188 | - | 4,976 | 1,303,501 |
| Total comprehensive (loss)/income | (5,442,578) | 356,384 | 8,169,457 | 2,406,009 |
| Dividends payable | - | (637,620) | - | (453,584) |

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

6. INVESTMENTS IN JOINT VENTURE (continued)

| <i>In thousands of tenge</i> | For the three months ended 30 September | | | |
|---|---|----------------|------------------|------------------|
| | 2014 | | 2013 | |
| | KCP | MunaiTas | KCP | MunaiTas |
| Share in total revenue and net income of joint ventures for the period | | | | |
| Revenue | 5,619,060 | 902,711 | 8,289,805 | 1,003,103 |
| Depreciation and amortization | (1,803,618) | (269,945) | (1,631,264) | (239,953) |
| Interest income | 10,767 | 4,221 | 160,613 | 5,568 |
| Finance expense | (944,329) | (9,473) | (803,824) | (10,843) |
| Income tax expense | (495,817) | (36,969) | (685,605) | (85,102) |
| Profit for the period | 1,521,159 | 143,025 | 2,781,754 | 272,115 |
| Other comprehensive income | 3,042,161 | - | 3,408 | 1,103,501 |
| Total comprehensive income | 4,563,320 | 143,025 | 2,785,162 | 1,559,915 |

Foreign exchange loss was recognized by KCP due to the translation of financial liabilities (loans) denominated in US dollars. Net loss of KCP from foreign currency translation related to loans for the nine months ended 30 September 2014 and 2013 was equal to 30,320,718 thousand tenge and 2,838,937 thousand tenge, respectively.

7. ADVANCES TO SUPPLIERS FOR PROPERTY, PLANT AND EQUIPMENT

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

| <i>In thousands of tenge</i> | 30 September 2014 (unaudited) | 31 December 2013 (audited) |
|---|----------------------------------|-------------------------------|
| Advances to third parties for property, plant and equipment | 15,829,903 | 5,934,981 |
| Less: allowance for doubtful debts | (99,345) | (99,330) |
| Total | 15,730,558 | 5,835,651 |

Increase in advances to suppliers for property, plant and equipment is mainly due to the prepayment under the following contracts:

- reconstruction and expansion of oil pumping station “OPS 663 km” in the amount of 5,852,465 thousand tenge;
- reconstruction of Head oil pumping stations (hereinafter “HOPS”) “Aktau”, “Uzen” and “Kenkiyak” in the amount of 2,266,850 thousand tenge;
- supply of the main line pumps in the amount of 2,313,457 thousand tenge;
- replacement of the pipeline segment Kumkol-Karakoiyn and TON-2 in the amount of 3,268,891 thousand tenge.

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

| <i>In thousands of tenge</i> | For the three months ended 30 September | | For the nine months ended 30 September | |
|---------------------------------------|---|---------------|--|---------------|
| | 2014 | 2013 | 2014 | 2013 |
| As at beginning of the period | 99,345 | 99,330 | 99,330 | 99,330 |
| Charge for the period (Note 25) | - | - | 15 | - |
| As at 30 September (unaudited) | 99,345 | 99,330 | 99,345 | 99,330 |

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

8. INVENTORY

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

| <i>In thousands of tenge</i> | 30 September 2014 (unaudited) | 31 December 2013 (audited) |
|--|----------------------------------|-------------------------------|
| Spare parts | 1,205,288 | 937,047 |
| Fuel | 817,244 | 698,546 |
| Uniform | 303,341 | 82,764 |
| Construction materials | 236,489 | 138,466 |
| Chemical reagents | 227,807 | 33,496 |
| Goods | 55,959 | 76,520 |
| Other | 564,823 | 427,417 |
| | 3,410,951 | 2,394,256 |
| Less: provision for slow-moving and obsolete inventory | (36,183) | (48,213) |
| Total | 3,374,768 | 2,346,043 |

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

| <i>In thousands of tenge</i> | For the three months ended 30 September | | For the nine months ended 30 September | |
|--|--|--------|---|----------|
| | 2014 | 2013 | 2014 | 2013 |
| At the beginning of the period | 41,135 | 49,856 | 48,213 | 65,413 |
| (Reversal)/charge of provision (Note 25) | 1,218 | - | (5,492) | (4,456) |
| Write-off of inventories | (6,026) | - | (9,025) | (11,190) |
| Foreign currency translation | (144) | - | 2,487 | 89 |
| As at 30 September (unaudited) | 36,183 | 49,856 | 36,183 | 49,856 |

9. TRADE AND OTHER ACCOUNTS RECEIVABLE

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

| <i>In thousands of tenge</i> | 30 September 2014 (unaudited) | 31 December 2013 (audited) |
|--|----------------------------------|-------------------------------|
| Trade accounts receivable from related parties (Note 31) | 5,895,943 | 1,416,969 |
| Other accounts receivable from third parties | 2,313,693 | 2,526,184 |
| Trade accounts receivable from third parties | 1,901,620 | 1,203,023 |
| Other accounts receivable from related parties (Note 31) | 123,302 | 35,828 |
| | 10,234,558 | 5,182,004 |
| Less: allowance for doubtful debts | (636,263) | (633,072) |
| Total | 9,598,295 | 4,548,932 |

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

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

| <i>In thousands of tenge</i> | For the three months ended 30 September | | For the nine months ended 30 September | |
|---------------------------------------|--|---------|---|---------|
| | 2014 | 2013 | 2014 | 2013 |
| At the beginning of the period | 627,712 | 604,638 | 633,072 | 578,189 |
| Charge for the period (Note 25) | 8,573 | 14,146 | 2,795 | 40,577 |
| Write-off of accounts receivable | - | (1,066) | - | (1,066) |
| Reclassifications | (418) | - | - | - |
| Foreign currency translation | 396 | 27 | 396 | 45 |
| As at 30 September (unaudited) | 636,263 | 617,745 | 636,263 | 617,745 |

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

9. TRADE AND OTHER ACCOUNTS RECEIVABLE (continued)

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

| <i>In thousands of tenge</i> | 30 September 2014 (unaudited) | 31 December 2013 (audited) |
|------------------------------|----------------------------------|-------------------------------|
| Tenge | 9,082,617 | 4,128,283 |
| US dollars | 455,296 | 357,911 |
| Russian rubles | 1,811 | 1,756 |
| Other currency | 58,571 | 60,982 |
| Total | 9,598,295 | 4,548,932 |

10. ADVANCES TO SUPPLIERS

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

| <i>In thousands of tenge</i> | 30 September 2014 (unaudited) | 31 December 2013 (audited) |
|---------------------------------------|----------------------------------|-------------------------------|
| Advances to third parties | 605,844 | 587,519 |
| Advances to related parties (Note 31) | 416,321 | 257,165 |
| | 1,022,165 | 844,684 |
| Less: allowance for doubtful debts | (1,067) | (1,982) |
| Total | 1,021,098 | 842,702 |

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

| <i>In thousands of tenge</i> | For the three months ended 30 September | | For the nine months ended 30 September | |
|--|--|--------------|---|--------------|
| | 2014 | 2013 | 2014 | 2013 |
| At the beginning of the period | 986 | 1,452 | 1,982 | 1,482 |
| (Reversal)/charge for the period (Note 25) | 81 | 220 | (915) | 190 |
| As at 30 September (unaudited) | 1,067 | 1,672 | 1,067 | 1,672 |

11. VAT RECOVERABLE AND OTHER PREPAID TAXES

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

| <i>In thousands of tenge</i> | 30 September 2014 (unaudited) | 31 December 2013 (audited) |
|------------------------------|----------------------------------|-------------------------------|
| VAT recoverable | 4,769,103 | 3,038,279 |
| Withholding tax | - | 21,708 |
| Other taxes prepaid | 69,166 | 84,727 |
| Total | 4,838,269 | 3,144,714 |

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

12. OTHER CURRENT ASSETS

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

| <i>In thousands of tenge</i> | 30 September 2014 (unaudited) | 31 December 2013 (audited) |
|---|--|-------------------------------|
| Receivable for oil transportation coordination services | 2,452,658 | 3,770,279 |
| Prepaid insurance | 333,175 | 38,840 |
| Due from employees | 119,305 | 93,731 |
| Deferred expenses from third parties | 15,224 | 20,445 |
| Deferred expenses from related parties (Note 31) | 222 | - |
| Other | 31,469 | 26,114 |
| | 2,952,053 | 3,949,409 |
| Less: Allowance for doubtful debts | (2,616) | (2,616) |
| Total | 2,949,437 | 3,946,793 |

13. BANK DEPOSITS

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

| <i>In thousands of tenge</i> | 30 September 2014 (unaudited) | 31 December 2013 (audited) |
|------------------------------|--|-------------------------------|
| Short-term bank deposits | 41,489,987 | 81,554,300 |
| Long-term bank deposits | 561,232 | 576,541 |
| Accrued interest on deposits | 1,264,387 | 1,562,238 |
| Total | 43,315,606 | 83,693,079 |

Decrease in short-term bank deposits as at 30 September 2014 is mainly due to dividends paid in July 2014 in the amount of 41,925,280 thousand tenge (Note 15).

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

- tenge denominated short-term bank deposits placed with Kazakhstani banks with maturity from 3 to 12 months in the amount of 33,030,000 thousand tenge (31 December 2013: 81,550,000 thousand tenge) and interest rate varied from 6.0% to 8.55% per annum (31 December 2013: from 3.7% to 7.2% per annum) maturing in August 2015 (31 December 2013: December 2014);
- US dollar denominated short-term bank deposits placed with Kazakhstani banks with maturity from 3 to 12 months in the amount of 8,458,350 thousand tenge (31 December 2013: nil) with interest rate varied from 2.2% to 2.7% per annum (31 December 2013: nil) maturing in April 2015;
- bank deposits placed with foreign banks with maturity from 3 to 12 months in the amount of 1,637 thousand tenge (31 December 2013: 4,300 thousand tenge) and interest rate varied from 0.5% to 3.0% per annum (31 December 2013: nil) maturing in January 2015;
- restricted long-term deposits with maturity till 2029 in the amount of 561,232 thousand tenge (31 December 2013: 576,541 thousand tenge) with interest rate at 2% per annum, placed in order to secure mortgage loans issued by "Halyk Bank of Kazakhstan" JSC to the Company's employees.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

14. CASH AND CASH EQUIVALENTS

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

| <i>In thousands of tenge</i> | 30 September 2014 (unaudited) | 31 December 2013 (audited) |
|---|--|-------------------------------|
| Time deposits with banks – tenge | 26,689,257 | 22,980,000 |
| Current accounts with banks – US dollars | 1,690,579 | 1,152,074 |
| Current accounts with banks – lari | 523,690 | 67,742 |
| Current accounts with banks – tenge | 513,923 | 1,374,515 |
| Current accounts with banks – euro | 172,623 | 57,604 |
| Current accounts with banks – Russian ruble | 17,668 | 492 |
| Other current accounts with banks | 10,966 | 11,374 |
| Cash on hand | 1,750 | 1,547 |
| Total | 29,620,456 | 25,645,348 |

As at 30 September 2014 the major part of current accounts and time deposits up to 3 (three) months placed with Kazakhstani banks generated interest rate ranging from 0.47% to 6.75% per annum (31 December 2013: from 1.7% to 10.3% per annum).

15. EQUITY

Share capital

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

As at 30 September 2014 and 31 December 2013 the share capital was equal to 61,937,567 thousand tenge, net of consulting costs related to the issuance of shares in the amount of 565,717 thousand tenge.

Dividends

On 3 July 2014 the Company paid dividends to the shareholders based on the decision of the shareholders meeting as at 28 May 2014 in the amount of 41,925,280 thousands tenge based on 109 tenge per 1 share (2013: 28,847,670 thousands tenge based on 75 tenge per 1 share), including 37,732,752 thousand tenge related to KMG (2013: 25,962,903 thousand tenge) and 4,192,528 thousand tenge related to minority shareholders (2013: 2,884,767 thousand tenge).

Earnings per share

Basic earnings per share amounts are calculated by dividing net profit for the period attributable to ordinary equity holders of the Parent by the weighted average number of ordinary shares outstanding during the period. As the Parent 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 net profit and share data used in the basic earnings per share computations:

| <i>In thousands tenge</i> | For the three months ended 30 September (unaudited) | | For the nine months ended 30 September (unaudited) | |
|---|--|-------------|---|-------------|
| | 2014 | 2013 | 2014 | 2013 |
| Net profit for the period attributable to ordinary equity holders of the Parent for basic earnings | 10,834,952 | 9,627,217 | 37,270,997 | 50,063,989 |
| Weighted average number of ordinary shares for the period for basic earnings per share | 384,635,599 | 384,635,599 | 384,635,599 | 384,635,599 |
| Basic earnings per share, in relation to profit for the period attributable to ordinary equity holders of the Company, as a Parent of the Group (in tenge) | 28 | 25 | 97 | 130 |

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

15. EQUITY (continued)

Book value of ordinary shares

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

| <i>In thousands tenge</i> | 30 September 2014 (unaudited) | 31 December 2013 (audited) |
|--|----------------------------------|-------------------------------|
| Total assets | 600,472,699 | 590,527,228 |
| Less: intangible assets | (6,326,055) | (5,701,002) |
| Less: total liabilities | (119,438,952) | (123,257,311) |
| Net assets for calculation of book value of ordinary shares | 474,707,692 | 461,568,915 |
| Number of ordinary shares | 384,635,599 | 384,635,599 |
| Book value per ordinary share (in tenge) | 1,234 | 1,200 |

16. EMPLOYEE BENEFIT LIABILITIES

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

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

| <i>In thousands tenge</i> | 30 September 2014 (unaudited) | 31 December 2013 (audited) |
|---|----------------------------------|-------------------------------|
| Current portion of employee benefit liabilities | 322,825 | 322,000 |
| Non-current portion of employee benefit liabilities | 10,688,033 | 9,333,180 |
| Total | 11,010,858 | 9,655,180 |

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

| <i>In thousands tenge</i> | For the three months ended 30 September (unaudited) | | For the nine months ended 30 September (unaudited) | |
|--|---|-----------|--|-----------|
| | 2014 | 2013 | 2014 | 2013 |
| Employee benefit liabilities at the beginning of the year | 10,882,422 | 7,048,613 | 9,655,180 | 6,800,263 |
| Unwinding of discount (Note 29) | 104,250 | 93,000 | 312,750 | 279,000 |
| Current services cost | 124,247 | 115,000 | 371,748 | 345,000 |
| Actuarial losses* | – | – | 963,600 | – |
| Benefits paid | (100,061) | (89,397) | (292,420) | (257,047) |
| Employee benefit liabilities at the end of the period (unaudited) | 11,010,858 | 7,167,216 | 11,010,858 | 7,167,216 |

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

17. DEFERRED INCOME

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

| <i>In thousands tenge</i> | 30 September 2014 (unaudited) | 31 December 2013 (audited) |
|--|----------------------------------|-------------------------------|
| Deferred income from third parties | 4,439,815 | 3,819,666 |
| Deferred income from related parties (Note 31) | 26,030 | 260,305 |
| Total | 4,465,845 | 4,079,971 |

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

18. TRADE AND OTHER ACCOUNTS PAYABLE

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

| <i>In thousands tenge</i> | 30 September 2014 (unaudited) | 31 December 2013 (audited) |
|--|--|-------------------------------|
| Accounts payable to third parties for goods and services | 11,412,100 | 10,194,390 |
| Accounts payable to related parties for goods and services (Note 31) | 443,881 | 650,602 |
| Other payables to third parties | 174,894 | 249,065 |
| Other payables to related parties (Note 31) | - | 1,950 |
| Total | 12,030,875 | 11,096,007 |

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

| <i>In thousands tenge</i> | 30 September 2014 (unaudited) | 31 December 2013 (audited) |
|---------------------------|--|-------------------------------|
| Tenge | 11,833,924 | 10,550,602 |
| US dollars | 25,466 | 351,156 |
| Russian roubles | 5,250 | 48,590 |
| Euro | 3,429 | 13,480 |
| Other currency | 162,806 | 132,179 |
| Total | 12,030,875 | 11,096,007 |

19. ADVANCES RECEIVED

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

| <i>In thousands of tenge</i> | 30 September 2014 (unaudited) | 31 December 2013 (audited) |
|--|--|-------------------------------|
| Advances received from related parties (Note 31) | 10,427,968 | 10,706,153 |
| Advances received from third parties | 4,842,095 | 6,475,570 |
| Total | 15,270,063 | 17,181,723 |

20. OTHER TAXES PAYABLE

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

| <i>In thousands of tenge</i> | 30 September 2014 (unaudited) | 31 December 2013 (audited) |
|---|--|-------------------------------|
| Personal income tax | 1,183,972 | 998,348 |
| Withholding tax at the source of payment to non-residents | 636,468 | 507,988 |
| Property tax | 375,078 | 355,611 |
| Social tax | 265,598 | 550,961 |
| VAT payable | 1,576 | 564 |
| Other taxes | 218,175 | 173,879 |
| Total | 2,680,867 | 2,587,351 |

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

21. PROVISIONS

Movements in provisions for the nine months period ended 30 September 2014 and 2013 were presented as follows:

Short-term provisions

| <i>In thousands of tenge</i> | Tax provisions (BTL) | Environment al provision (Company) | Others | Total |
|--|-------------------------|--|---------------|----------------|
| As at 1 January 2014 (audited) | 186,483 | 41,642 | - | 228,125 |
| Use of provision | - | (510) | - | (510) |
| Reversal of provision for the period (Note 27) | - | (7) | - | (7) |
| Foreign currency translation | 34,344 | - | - | 34,344 |
| As at 30 September 2014 (unaudited) | 220,827 | 41,125 | - | 261,952 |
| As at 1 January 2013 (audited) | 174,406 | 167,477 | 11,814 | 353,697 |
| Charge for the period (Note 27) | - | - | 45,467 | 45,467 |
| Use of provision | - | (24,392) | (45,020) | (69,412) |
| Foreign currency translation | 3,332 | - | - | 3,332 |
| As at 30 September 2013 (unaudited) | 177,738 | 143,085 | 12,261 | 333,084 |

BTL tax provisions

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

Environmental provisions

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

Long-term provisions

| <i>In thousands of tenge</i> | For the three month period ended 30 September | | For the nine months period ended 30 September | |
|--|--|------------|--|------------|
| | 2014 | 2013 | 2014 | 2013 |
| At the beginning of the period | 17,178,904 | 16,204,606 | 16,677,538 | 15,531,037 |
| Charge for the period | - | - | - | 189,263 |
| Unwinding of discount on asset retirement obligation and land reclamation obligation (Note 29) | 250,680 | 236,464 | 752,046 | 720,770 |
| At the end of the period (unaudited) | 17,429,584 | 16,441,070 | 17,429,584 | 16,441,070 |

Provision for asset retirement and land reclamation obligation

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

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

22. OTHER CURRENT LIABILITIES

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

| <i>In thousands of tenge</i> | 30 September 2014 (unaudited) | 31 December 2013 (audited) |
|--|--|-------------------------------|
| Payable for oil transportation coordination services to related parties (Note 31) | 3,659,508 | 4,153,476 |
| Salaries and wages payable | 3,307,922 | 7,385,065 |
| Payable for oil transportation coordination services to third parties | 2,635,166 | 3,281,040 |
| Current portion of deferred income from third parties | 318,689 | 324,578 |
| Payable to pension funds | 304,374 | 593,575 |
| Current portion of deferred income from related parties (Note 31) | 312,366 | 312,366 |
| Payable under the agency agreement for the transportation of oil to related parties (Note 31) | - | 651,706 |
| Other payables | 83,998 | 44,086 |
| Total | 10,622,023 | 16,745,892 |

23. REVENUE

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

| <i>In thousands of tenge</i> | For the three months ended 30 September (unaudited) | | For the nine months ended 30 September (unaudited) | |
|--|--|------------|---|-------------|
| | 2014 | 2013 | 2014 | 2013 |
| Crude oil transportation | 40,590,873 | 39,936,464 | 120,619,827 | 115,466,162 |
| Oil reloading and railway shipment | 3,868,675 | 4,048,369 | 11,346,308 | 12,643,969 |
| Pipeline operation services | 2,090,845 | 1,597,206 | 6,049,856 | 4,799,456 |
| Water transportation | 1,829,195 | 1,763,503 | 5,239,586 | 4,917,705 |
| Transshipment of dry cargo | 877,863 | 940,020 | 2,244,313 | 2,483,474 |
| Oil transportation coordination services | 152,188 | 179,451 | 486,508 | 534,033 |
| Oil storage services | 14,989 | 34,872 | 77,923 | 119,925 |
| Other | 262,635 | 118,564 | 649,722 | 517,857 |
| Total | 49,687,263 | 48,618,449 | 146,714,043 | 141,482,581 |

For the nine months ended 30 September 2014 the revenue from sales to three major customers amounted to 33,299,476 thousand tenge, 16,780,854 thousand tenge and 10,373,051 thousand tenge (for the nine months ended 30 September 2013 the revenue from sales to three major customers amounted to 30,442,011 thousand tenge, 13,925,414 thousand tenge and 13,297,723 thousand tenge).

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

24. COST OF SALES

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

| <i>In thousands of tenge</i> | For the three months ended 30 September (unaudited) | | For the nine months ended 30 September (unaudited) | |
|--|---|-------------------|--|-------------------|
| | 2014 | 2013 | 2014 | 2013 |
| Personnel costs | 10,067,798 | 8,313,344 | 26,505,468 | 22,329,589 |
| Depreciation and amortization | 8,270,416 | 7,334,135 | 24,794,226 | 21,438,682 |
| Railway services | 2,403,364 | 2,118,818 | 6,871,023 | 7,019,078 |
| Electric energy | 1,532,825 | 1,579,473 | 4,667,121 | 4,574,250 |
| Materials and fuel | 2,116,435 | 1,934,846 | 4,194,376 | 3,959,638 |
| Taxes other than corporate income tax | 1,308,411 | 1,206,125 | 3,786,903 | 3,592,712 |
| Repair and maintenance of property, plant and equipment | 1,711,178 | 1,502,731 | 3,284,079 | 3,149,504 |
| Security services | 1,331,796 | 880,018 | 3,224,838 | 2,579,366 |
| Gas expenses | 315,052 | 332,877 | 1,650,021 | 1,573,777 |
| Air services | 376,956 | 299,850 | 1,078,121 | 979,100 |
| Business trip expenses | 230,684 | 267,177 | 716,357 | 621,518 |
| Environmental protection | 273,307 | 58,365 | 402,457 | 134,628 |
| Insurance | 136,175 | 126,168 | 374,006 | 322,475 |
| Post-employment benefits | 115,838 | 107,711 | 347,516 | 323,646 |
| Diagnostics of production assets | 193,747 | 90,348 | 306,025 | 111,484 |
| Communication services | 67,868 | 78,095 | 188,333 | 196,467 |
| Operational rent expense | 44,531 | 40,560 | 117,827 | 257,515 |
| Other | 755,025 | 748,855 | 1,575,466 | 1,595,000 |
| Total | 31,251,406 | 27,019,496 | 84,084,163 | 74,758,429 |

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

25. GENERAL AND ADMINISTRATIVE EXPENSES

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

| <i>In thousands of tenge</i> | For the three months ended 30 September (unaudited) | | For the nine months ended 30 September (unaudited) | |
|---|---|------------------|--|------------------|
| | 2014 | 2013 | 2014 | 2013 |
| Personnel costs | 1,874,146 | 1,479,930 | 4,778,678 | 4,014,310 |
| Charity expenses | 1,050,155 | 15,771 | 1,071,680 | 139,987 |
| Depreciation and amortization | 208,720 | 197,013 | 607,292 | 552,080 |
| Office maintenance | 95,795 | 103,726 | 290,650 | 254,960 |
| Write-off of VAT recoverable | 96,604 | 2,840 | 277,756 | 136,348 |
| Consulting services | 130,145 | 81,912 | 228,644 | 196,531 |
| Business trip expenses | 69,111 | 53,927 | 210,836 | 164,151 |
| Taxes other than corporate income tax | 40,822 | 57,137 | 154,544 | 167,024 |
| Impairment of intangible assets | 135,808 | 165,060 | 135,808 | 165,060 |
| Social sphere expenses | 34,499 | 71,652 | 128,476 | 193,611 |
| Repair and technical maintenance | 37,213 | 47,455 | 105,604 | 131,804 |
| Bank costs | 34,090 | 28,718 | 100,321 | 77,393 |
| Materials and fuel | 51,920 | 108,108 | 92,221 | 136,062 |
| Training | 51,456 | 33,623 | 92,198 | 61,685 |
| Communication services | 30,323 | 27,868 | 86,353 | 78,674 |
| Insurance and security | 27,191 | 55,735 | 77,913 | 162,533 |
| Information expenses | 23,703 | 20,779 | 68,919 | 52,363 |
| Operational rent expense | 16,818 | 38,064 | 51,995 | 113,107 |
| Post-employment benefits | 8,409 | 7,289 | 24,232 | 21,354 |
| Transportation expenses | 1,063 | 347 | 15,883 | 10,004 |
| Advertising expense | 7,840 | 10,634 | 14,519 | 30,550 |
| (Reversal)/charge of provision for allowance for doubtful debts (Note 7, 9, 10) | 8,654 | 14,366 | 1,895 | 40,767 |
| Provision for obsolete and slow-moving inventory (Note 8) | 1,218 | 1,162 | (5,492) | (3,294) |
| Other | 62,031 | 85,501 | 235,722 | 260,107 |
| Total | 4,097,734 | 2,708,617 | 8,846,647 | 7,157,171 |

The increase in charity expenses is mainly due to the sponsorship for the construction of a secondary school for 300 pupils in the Atyrau region and a kindergarten for 280 children in the South Kazakhstan region.

26. OTHER OPERATING INCOME

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

| <i>In thousands of tenge</i> | For the three months ended 30 September (unaudited) | | For the nine months ended 30 September (unaudited) | |
|--|---|------------------|--|------------------|
| | 2014 | 2013 | 2014 | 2013 |
| Income from fines and penalties | 1,867,037 | 1,385,772 | 5,440,828 | 2,600,217 |
| Amortization of deferred income from related parties (Note 31) | 78,091 | 78,092 | 234,274 | 234,274 |
| Gain on disposal of inventory | 109,942 | 86,387 | 156,380 | 86,742 |
| Income from write-off of payables | 8 | 7,153 | 74,539 | 7,153 |
| Gain from disposal of assets held for sale | 60,624 | 10,548 | 61,090 | 95,198 |
| Amortization of financial guarantee issued on behalf of joint venture (Note 31) | - | - | - | 26,463 |
| Derecognition of financial guarantee issued on behalf of joint venture (Note 31) | - | - | - | 177,743 |
| Other income | 7,287 | 26,770 | 51,621 | 119,514 |
| Total | 2,122,989 | 1,594,722 | 6,018,732 | 3,347,304 |

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

26. OTHER OPERATING INCOME (continued)

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

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

27. OTHER OPERATING EXPENSES

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

| <i>In thousands of tenge</i> | For the three months ended 30 September (unaudited) | | For the nine months ended 30 September (unaudited) | |
|---|---|----------------|--|----------------|
| | 2014 | 2013 | 2014 | 2013 |
| Loss on disposal of property, plant and equipment and intangible assets | 27,193 | 47,393 | 59,755 | 333,182 |
| Expenses on disposal of inventory | – | – | 14,912 | – |
| Expenses on liquidation of idle oil pumping stations | 2,466 | – | 43,207 | – |
| (Reversal)/charge of provisions (Note 21) | – | – | (7) | 45,467 |
| Other expenses | (1,516) | 92,221 | 18,480 | 121,318 |
| Total | 28,143 | 139,614 | 136,347 | 499,967 |

28. FINANCE INCOME

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

| <i>In thousands of tenge</i> | For the three months ended 30 September (unaudited) | | For the nine months ended 30 September (unaudited) | |
|---|---|------------------|--|------------------|
| | 2014 | 2013 | 2014 | 2013 |
| Interest income on bank deposits | 1,019,106 | 1,006,358 | 4,064,055 | 2,699,190 |
| Unwinding of discount on loans to employees | 2,672 | 3,640 | 10,656 | 19,749 |
| Financial lease | 1,645 | – | 4,997 | – |
| Other finance income from related parties (Note 31) | – | 18 | – | 4,092 |
| Other finance income from third parties | 599 | 4,864 | 6,068 | 7,731 |
| Total | 1,024,022 | 1,014,880 | 4,085,776 | 2,730,762 |

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

29. FINANCE COSTS

Finance costs for the three and nine months periods ended 30 September 2014 and 2013 were presented as follows:

| <i>In thousands of tenge</i> | For the three months ended 30 September (unaudited) | | For the nine months ended 30 September (unaudited) | |
|---|---|----------------|--|----------------|
| | 2014 | 2013 | 2014 | 2013 |
| Unwinding of discount on asset retirement and land reclamation obligation (Note 21) | 250,680 | 236,464 | 752,046 | 720,770 |
| Unwinding of discount on employee benefits (Note 16) | 104,250 | 93,000 | 312,750 | 279,000 |
| Total | 354,930 | 329,464 | 1,064,796 | 999,770 |

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

30. INCOME TAX EXPENSE

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

| <i>In thousands of tenge</i> | For the three months ended 30 September (unaudited) | | For the nine months ended 30 September (unaudited) | |
|------------------------------|---|------------------|--|-------------------|
| | 2014 | 2013 | 2014 | 2013 |
| Current income tax expense | 3,757,226 | 4,775,595 | 13,878,184 | 14,989,656 |
| Deferred income tax benefit | (745,490) | (2,951,905) | (1,592,380) | (4,331,916) |
| Income tax expense | 3,011,736 | 1,823,690 | 12,285,804 | 10,657,740 |

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

| <i>In thousands of tenge</i> | For the three months ended 30 September (unaudited) | | For the nine months ended 30 September (unaudited) | |
|---------------------------------------|---|-------------------|--|-------------------|
| | 2014 | 2013 | 2014 | 2013 |
| At the beginning of the period | 43,077,046 | 38,041,814 | 43,537,849 | 39,406,770 |
| Credited to profit and loss | (745,490) | (2,951,905) | (1,592,380) | (4,331,916) |
| Charged to other comprehensive income | 2,471,517 | 9,349,530 | 2,273,399 | 9,348,256 |
| Foreign currency translation | (42,960) | (76,774) | 541,245 | (60,445) |
| As at 30 September (unaudited) | 44,760,113 | 44,362,665 | 44,760,113 | 44,362,665 |

31. RELATED PARTY TRANSACTIONS

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

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

The following tables provide the total amount of transactions, which have been entered into with related parties during the nine months ended 30 September 2014 and 2013 and also the related balances as at 30 September 2014 and 31 December 2013:

Carrying amount of transactions with related parties

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

| <i>In thousands of tenge</i> | Notes | 30 September 2014 (unaudited) | 31 December 2013 (audited) |
|--|-------|----------------------------------|-------------------------------|
| Trade and other accounts receivable from related parties | | | |
| Trade accounts receivable from joint ventures | | 5,246,749 | 806,094 |
| Trade accounts receivable from entities under common control of KMG | | 647,943 | 609,882 |
| Trade accounts receivable from entities under common control of Samruk-Kazyna Group | | 1,251 | 993 |
| | 9 | 5,895,943 | 1,416,969 |
| Other accounts receivables from entities under common control of KMG and Samruk-Kazyna Group | | 123,302 | 35,828 |
| | 9 | 123,302 | 35,828 |
| Total | | 6,019,245 | 1,452,797 |

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

31. RELATED PARTY TRANSACTIONS (continued)

Carrying amount of transactions with related parties (continued)

Advances provided to related parties were presented as follows:

| <i>In thousands of tenge</i> | Notes | 30 September 2014 (unaudited) | 31 December 2013 (audited) |
|---|-------|----------------------------------|-------------------------------|
| Advances paid to related parties | | | |
| Advances paid to entities under common control of KMG | | 291,551 | 176,380 |
| Advances paid to entities under common control of Samruk-Kazyna Group | | 124,770 | 80,785 |
| Total | 10 | 416,321 | 257,165 |

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

| <i>In thousands of tenge</i> | Notes | 30 September 2014 (unaudited) | 31 December 2013 (audited) |
|--|-------|----------------------------------|-------------------------------|
| Prepaid expenses on transactions with related parties | | | |
| Prepaid expenses on transactions with related parties | | 222 | – |
| Total | 12 | 222 | – |

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

| <i>In thousands of tenge</i> | Notes | 30 September 2014 (unaudited) | 31 December 2013 (audited) |
|--|-------|----------------------------------|-------------------------------|
| Non-current portion of deferred income from related parties | | | |
| Non-current portion of deferred income from entities under common control of KMG | | 26,030 | 260,305 |
| Total | 17 | 26,030 | 260,305 |

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

| <i>In thousands of tenge</i> | Notes | 30 September 2014 (unaudited) | 31 December 2013 (audited) |
|---|-------|----------------------------------|-------------------------------|
| Accounts payables to related parties for goods and services | | | |
| Accounts payables to entities under common control of KMG | | 381,992 | 632,581 |
| Accounts payables to entities under common control of Samruk-Kazyna Group | | 61,889 | 18,021 |
| Total accounts payable to related parties for goods and services | | 443,881 | 650,602 |
| Other payables to related parties | | | |
| Other payables to entities under common control of Samruk-Kazyna Group | | – | 1,950 |
| Total other accounts payable to related parties | | – | 1,950 |
| Total | 18 | 443,881 | 652,552 |

Advances received from related parties were presented as follows:

| <i>In thousands of tenge</i> | Notes | 30 September 2014 (unaudited) | 31 December 2013 (audited) |
|--|-------|----------------------------------|-------------------------------|
| Advances received from related parties | | | |
| Advances from entities under common control of KMG | | 9,880,103 | 8,764,571 |
| Advances from entities under common control of Samruk-Kazyna Group | | 547,850 | 1,941,567 |
| Advances from joint ventures | | 15 | 15 |
| Total | 19 | 10,427,968 | 10,706,153 |

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(continued)**
31. RELATED PARTY TRANSACTIONS (continued)
Carrying amount of transactions with related parties (continued)

Other current liabilities to related parties were presented as follows:

| <i>In thousands of tenge</i> | Notes | 30 September 2014 (unaudited) | 31 December 2013 (audited) |
|--|-------|----------------------------------|-------------------------------|
| Accounts payable for oil transportation expedition to related parties | | | |
| Accounts payable for oil transportation expedition to entities under common control of KMG | | 3,659,508 | 4,153,476 |
| | 22 | 3,659,508 | 4,153,476 |
| Accounts payable under the agency agreement to the related parties | | | |
| Accounts payable under the agency agreement for the transportation of oil to the joint venture | | - | 651,706 |
| | 22 | - | 651,706 |
| Employee benefits of key management personnel | | | |
| Employee benefits of key management personnel | | 6,964 | 5,516 |
| | | 6,964 | 5,516 |
| Current portion of deferred income from related parties | | | |
| Current portion of deferred income from entities under common control of KMG | | 312,366 | 312,366 |
| | 22 | 312,366 | 312,366 |
| Total other current liabilities to related parties | | 3,978,838 | 5,123,064 |

Transactions with related parties

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

| <i>In thousands of tenge</i> | For the three months ended 30 September (unaudited) | | For the nine months ended 30 September (unaudited) | |
|---|---|-------------------|--|-------------------|
| | 2014 | 2013 | 2014 | 2013 |
| Sales to related parties | | | | |
| Revenue from main activities with entities under common control of KMG | 26,436,594 | 24,592,903 | 77,200,991 | 70,510,678 |
| Revenue from main activities with entities under common control of Samruk-Kazyna Group | 1,550,001 | 3,077,809 | 5,173,354 | 8,694,853 |
| Revenue from main activities with joint ventures | 1,817,889 | 1,343,058 | 5,241,082 | 4,041,195 |
| Revenue from other activities with entities under common control of KMG | 359,227 | 116,483 | 624,982 | 182,602 |
| Revenue from main activities with other related parties | - | 18 | - | 4,092 |
| Revenue from other activities with entities under common control of Samruk-Kazyna Group | - | 14 | - | 103 |
| Total | 30,163,711 | 29,130,285 | 88,240,409 | 83,433,523 |

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(continued)**
31. RELATED PARTY TRANSACTIONS (continued)
Transactions with related parties (continued)

| <i>In thousands of tenge</i> | For the three months ended 30 September (unaudited) | | For the nine months ended 30 September (unaudited) | |
|--|---|------------------|--|------------------|
| | 2014 | 2013 | 2014 | 2013 |
| Purchases from related parties | | | | |
| Purchases of services from entities under common control of KMG | 1,796,756 | 1,885,876 | 5,893,877 | 5,867,624 |
| Purchases of services from entities under common control of Samruk-Kazyna Group | 307,713 | 298,809 | 952,150 | 910,435 |
| Purchases of services from joint ventures | 17,108 | – | 17,108 | – |
| Purchases of services from other related parties | – | (2,994) | – | 2,695,976 |
| Purchases of inventory from entities under common control of KMG | 191,052 | 9,801 | 864,449 | 78,464 |
| Purchases of inventory from entities under common control of Samruk-Kazyna Group | 7,388 | 4,481 | 14,795 | 9,108 |
| Purchases of property, plant and equipment and intangible assets from entities under common control of Samruk-Kazyna Group | 48,000 | 109,901 | 159,221 | 109,901 |
| Total | 2,368,017 | 2,305,874 | 7,901,600 | 9,671,508 |

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

| <i>In thousands of tenge</i> | Notes | For the three months ended 30 September (unaudited) | | For the nine months ended 30 September (unaudited) | |
|---|-------|---|------|--|-------|
| | | 2014 | 2013 | 2014 | 2013 |
| Finance income | | | | | |
| Other finance income from related parties | | – | 18 | – | 4,092 |
| Total | 28 | – | 18 | – | 4,092 |

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

| <i>In thousands of tenge</i> | Notes | For the three months ended 30 September (unaudited) | | For the nine months ended 30 September (unaudited) | |
|--|-------|---|---------------|--|----------------|
| | | 2014 | 2013 | 2014 | 2013 |
| Other operating income from related parties | | | | | |
| Amortization of deferred income from related parties | 26 | 78,091 | 78,092 | 234,274 | 234,274 |
| Derecognition of financial guarantee issued on behalf of joint venture | 26 | – | – | – | 177,743 |
| Amortization of financial guarantee issued on behalf of joint venture | 26 | – | – | – | 26,463 |
| Total | | 78,091 | 78,092 | 234,274 | 438,480 |

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

| <i>In thousands of tenge</i> | For the three months ended 30 September (unaudited) | | For the nine months ended 30 September (unaudited) | |
|---|---|---------------|--|----------------|
| | 2014 | 2013 | 2014 | 2013 |
| Bonuses based on the results of the previous year | 13,316 | 5,384 | 218,266 | 148,893 |
| Salary | 48,710 | 23,425 | 131,525 | 111,796 |
| Other short-term benefits | 7,487 | 3,606 | 15,044 | 7,207 |
| Post-employment benefits | 228 | 123 | 679 | 331 |
| Total | 69,741 | 32,538 | 365,514 | 268,227 |
| Number of persons | 8 | 7 | 8 | 7 |

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

32. CONTINGENT LIABILITIES AND COMMITMENTS

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

Contractual obligations

As at 30 September 2014 the Group had contractual obligations to purchase property, plant and equipment, and construction services in the amount of 42,476,185 thousand tenge (31 December 2013: 33,130,344 thousand tenge). In addition, as at 30 September 2014 the Group has committed to purchase inventory (materials and spare parts) and services in the amount of 15,216,653 thousand tenge (31 December 2013: 4,646,947 thousand tenge).

Share of the Group as 30 September 2014 in contractual obligations of joint ventures to acquire property, plant and equipment, and construction services was equal to 394,498 thousand tenge (31 December 2013: 1,248,036 thousand tenge). The Group has commitments to purchase inventory (materials and spare parts) and services for the amount of 2,294,741 thousand tenge (31 December 2013: 240,636 thousand tenge).

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

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

On 1 April 2014 after repeated notifications on violating of contractual terms Port discontinued providing discounts. In turn Transsystem filed a claim against Port requesting termination of agreement and requesting compensation for the lost profit in amount of 1,428 thousand of US dollars (equivalent to 259,753 thousand tenge).

The Group's management considers the claim of Transsystem as groundless and estimates the risk of losses as possible and, accordingly, no provision for losses was recognized.

Legal proceedings with Georgian Railway

In December 2005 Georgian Railway appealed to the court with the claim against Batumi Oil Terminal, which is the part of BTL Group, requesting for debt collection in amount of 13,942 thousand of lari (equivalent to 7,956 thousand of US dollars) as a result of the tank cars being idle from May 2003 till November 2005.

The Group's management considers the claim of Georgian Railway as groundless and estimates the risk of losses as possible and, accordingly, no provision for losses was recognized.

Expropriation of the Batumi Sea Port (BSP) assets

In accordance with BSP Management Right agreement between BTL (before BIHL) and Georgia Government, Georgian Government has the right for expropriation of the BSP's assets, in case the BSP in the course of two years does not meet its obligations on minimum volume of transshipment, which is 4 mln tonne per year. As at 30 September 2014, The Group's management considers BSP was not exposed to risk of asset expropriation from the Government of Georgia, as actual volumes of transshipment were more than 5 mln tonne (31 December 2013: more than 10 mln tonne).

33. FINANCIAL INSTRUMENTS

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

Fair value of financial instruments

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

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

34. EVENTS AFTER THE REPORTING PERIOD

The Order of the CRNMandPC dated 4 November 2014 on the setting of the tariffs on Russian oil transportation through the territory of the Republic of Kazakhstan to the People's Republic of China from the border of the Russian Federation till the border of the Republic of Kazakhstan (Priirtyshsk) – Atasu (Republic of Kazakhstan), including oil transshipment on HOPS "Atasu" amounting 2.63 US dollar per 1 ton without VAT came into force starting from 1 January 2014. Earlier tariffs were set in tenge, including tariff for oil transportation equal to 117.31 tenge per 1 ton without VAT, tariff for oil transshipment at 284.41 tenge per 1 ton without VAT.