

**KazTransOil JSC**

**Interim condensed separate financial statements**

*For the six months ended 30 June 2017*



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Report on review of interim financial information

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## Report on Review of Interim Financial Information

To the Shareholders of KazTransOil JSC

### Introduction

We have reviewed the accompanying interim condensed separate financial statements of KazTransOil JSC, which comprise the interim separate statement of financial position as at 30 June 2017 and the related interim separate statements of comprehensive income, changes in equity and cash flows for the six-month period then ended, and selected explanatory notes (interim financial information). Management is responsible for the preparation and presentation of this interim financial information in accordance with IAS 34, *Interim Financial Reporting*. Our responsibility is to express a conclusion on this interim financial information based on our review.

### Scope of review

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

### **Conclusion**

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

### **Consolidated financial statements presented separately**

Without modifying our conclusion, we draw attention to Note 2 to the interim condensed separate financial statements which states that the Company is the parent entity of KazTransOil JSC group and that the interim condensed consolidated financial statements of KazTransOil JSC and its subsidiaries ("the Group"), prepared in accordance with IAS 34, have been issued separately. We have performed review of the interim condensed consolidated financial statements of the Group for the six month period, ended 30 June 2017, and expressed an unqualified conclusion thereon in our report on review of interim condensed consolidated financial statements dated 21 August 2017.

*Ernst & Young LLP*



Gulmira Turmagambetova  
Auditor / General director  
Ernst & Young LLP

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21 August 2017



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 SEPARATE STATEMENT OF FINANCIAL POSITION**

<i>In thousands of Tenge</i>	<b>Notes</b>	<b>As at 30 June 2017 (unaudited)</b>	<b>As at 31 December 2016 (audited)</b>
<b>Assets</b>			
<b>Non-current assets</b>			
Property, plant and equipment	3	533,834,424	550,080,089
Intangible assets	4	1,059,373	1,181,457
Investments in subsidiaries	5	28,208,864	28,208,864
Investments in joint ventures	6	7,404,945	7,404,945
Advances to suppliers for property, plant and equipment	7	1,668,604	1,057,017
Bank deposits	13	3,931,444	4,182,770
Other non-current assets		14,081	15,065
		<b>576,121,735</b>	<b>592,130,207</b>
<b>Current assets</b>			
Inventories	8	5,048,177	2,592,270
Trade and other accounts receivable	9	6,925,305	5,194,119
Advances to suppliers	10	1,238,407	369,049
Prepayment for income tax		3,307,697	4,486,107
VAT recoverable and other prepaid taxes	11	54,117	1,016,750
Other current assets	12	5,760,100	5,606,478
Bank deposits	13	20,652,254	15,675,618
Cash and cash equivalents	14	28,065,974	64,802,346
		<b>71,052,031</b>	<b>99,742,737</b>
<b>Total assets</b>		<b>647,173,766</b>	<b>691,872,944</b>

*The accounting policy and explanatory notes on pages 7 through 25 form an integral part of these interim condensed separate financial statements.*

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

<i>In thousands of Tenge</i>	<b>Notes</b>	<b>As at 30 June 2017 (unaudited)</b>	<b>As at 31 December 2016 (audited)</b>
<b>Equity and liabilities</b>			
<b>Equity</b>			
Share capital	15	61,937,567	61,937,567
Treasury shares repurchased from shareholders		(9,549)	(9,549)
Asset revaluation reserve		181,669,272	192,430,443
Other capital reserves	15	(846,070)	(695,324)
Retained earnings		274,165,985	296,909,328
<b>Total equity</b>		<b>516,917,205</b>	<b>550,572,465</b>
<b>Non-current liabilities</b>			
Employee benefit liabilities	16	12,814,609	11,994,599
Deferred tax liabilities	29	61,679,910	61,032,546
Provision on asset retirement and land recultivation obligation	20	16,039,444	15,022,086
Deferred income		3,719	
		<b>90,537,682</b>	<b>88,049,231</b>
<b>Current liabilities</b>			
Employee benefit liabilities	16	501,908	543,418
Trade and other accounts payable	17	5,301,277	14,836,869
Advances received	18	17,373,062	16,189,798
Other taxes payable	19	1,269,282	976,530
Provisions	20	41,125	41,125
Other current liabilities	21	15,232,225	20,663,508
		<b>39,718,879</b>	<b>53,251,248</b>
<b>Total liabilities</b>		<b>130,256,561</b>	<b>141,300,479</b>
<b>Total equity and liabilities</b>		<b>647,173,766</b>	<b>691,872,944</b>
<b>Book value per ordinary shares (in Tenge)</b>	15	<b>1,341</b>	<b>1,428</b>

Signed and approved for issue on 21 August 2017.

General Director



Dossanov D.G.

Chief Accountant

Akhmedina A.S.

The accounting policy and explanatory notes on pages 7 through 25 form an integral part of these interim condensed separate financial statements.



**INTERIM SEPARATE STATEMENT OF COMPREHENSIVE INCOME**

<i>In thousands of Tenge</i>	<b>Notes</b>	<b>For the six months ended 30 June (unaudited)</b>	
		<b>2017</b>	<b>2016</b>
Revenue	22	100,841,492	96,191,650
Cost of sales	23	(61,518,397)	(51,004,735)
<b>Gross profit</b>		<b>39,323,095</b>	<b>45,186,915</b>
General and administrative expenses	24	(4,939,902)	(4,389,935)
Other operating income	25	809,507	1,568,955
Other operating expenses	26	(486,333)	(80,151)
<b>Operating profit</b>		<b>34,706,367</b>	<b>42,285,784</b>
Net foreign exchange (loss)/gain		(1,120,473)	(800,337)
Dividends income	30	–	1,487,160
Finance income	27	2,926,829	3,714,544
Finance costs	28	(1,189,718)	(1,146,940)
<b>Profit before income tax</b>		<b>35,323,005</b>	<b>45,540,211</b>
Income tax expense	29	(8,692,446)	(9,494,772)
<b>Net profit for the period</b>		<b>26,630,559</b>	<b>36,045,439</b>
<b>Earnings per share (in Tenge)</b>	<b>15</b>	<b>69</b>	<b>94</b>
<b>Other comprehensive (loss)/income</b>			
<b>Other comprehensive (loss)/income not to be reclassified to profit or loss in subsequent periods</b>			
(Impairment)/revaluation of property, plant and equipment, net	3	(3,818)	633
Income tax effect	29	763	(127)
		<b>(3,055)</b>	<b>506</b>
(Charge)/reversal of provision on asset retirement and land reclamation obligation of the Company	20	(643,329)	4,107,092
Income tax effect	29	128,666	(821,418)
		<b>(514,663)</b>	<b>3,285,674</b>
Write-off of deferred tax assets	15, 29	(150,746)	–
		<b>(150,746)</b>	<b>–</b>
<b>Total other comprehensive (loss)/income not to be reclassified to profit or loss in subsequent periods, net</b>		<b>(668,464)</b>	<b>3,286,180</b>
<b>Total other comprehensive (loss)/income for the period, net of tax</b>		<b>(668,464)</b>	<b>3,286,180</b>
<b>Total comprehensive income for the period, net of tax</b>		<b>25,962,095</b>	<b>39,331,619</b>

Signed and approved for issue on 21 August 2017.

General Director



Chief Accountant

Dossanov D.G.

Akhmedina A.S.

The accounting policy and explanatory notes on pages 7 through 25 form an integral part of these interim condensed separate financial statements.

**INTERIM SEPARATE STATEMENT OF CASH FLOWS**

<i>In thousands of Tenge</i>	Notes	For the six months ended 30 June (unaudited)	
		2017	2016
<b>Cash flows from operating activities</b>			
Profit before income tax		35,323,005	45,540,211
<b>Non-cash adjustment to reconcile profit before income tax to net cash flows</b>			
Depreciation and amortization	23, 24	23,035,750	16,782,564
Reversal of allowance for doubtful debts, net	24	(52,245)	(31,294)
Finance costs	28	1,189,718	1,146,940
Finance income	27	(2,926,829)	(3,714,544)
Dividends income	30	-	(1,487,160)
Employee benefits, current service cost	23, 24	559,272	534,999
Loss on disposal of property, plant and equipment and intangible assets, net	26	400,611	50,536
Charge/(reversal) of impairment of the property plant and equipment, net		433	(3,200)
Loss on disposal of assets held for sale, net		-	1,500
Gain from disposal of inventory, net	25, 26	(30,631)	(10,552)
Income from revision of estimates and reversal of provision on asset retirement and land recultivation obligation	25, 20	(260,173)	(1,316,196)
Income from write-off of accounts payable		(2,096)	(1,815)
Unrealized foreign exchange loss		1,120,474	800,336
Reversal of provision for obsolete inventories, net		(39)	-
<b>Operating cash flows before working capital changes</b>		<b>58,357,250</b>	<b>58,292,325</b>
<b>(Increase)/decrease in operating assets</b>			
Inventories		(2,649,296)	(1,389,506)
Trade and other accounts receivable		(1,688,289)	(899,440)
Advances to suppliers		(870,623)	657,814
VAT recoverable and other prepaid taxes		(132,741)	2,688,061
Other current assets		(149,158)	2,101,783
<b>Increase/(decrease) in operating liabilities</b>			
Trade and other accounts payable		143,350	(782,064)
Advances received		1,183,264	(3,127,663)
Other taxes payable		(178,817)	(923,338)
Other current and non-current liabilities and employee benefit liabilities		(5,763,852)	(3,290,219)
<b>Cash generated from operating activities</b>		<b>48,251,088</b>	<b>53,327,753</b>
Income taxes paid		(6,416,420)	(12,006,679)
Interest received		2,953,998	2,458,446
<b>Net cash flow from operating activities</b>		<b>44,788,666</b>	<b>43,779,520</b>

*The accounting policy and explanatory notes on pages 7 through 25 form an integral part of these interim condensed separate financial statements.*



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

<i>In thousands of Tenge</i>	Notes	For the six months ended 30 June (unaudited)	
		2017	2016
<b>Cash flows from investing activities</b>			
Withdrawal of bank deposits		21,840,303	13,210,857
Placement of bank deposits		(27,474,637)	(10,846,428)
Purchase of property, plant and equipment		(15,945,905)	(8,719,507)
Purchase of intangible assets		(32,926)	(21,358)
Proceeds from disposal of property, plant and equipment		5,912	121
Repayment of interest free loan		-	20,000,000
Dividends received	30	-	1,487,160
<b>Net cash flow (used in) / from investing activities</b>		<b>(21,607,253)</b>	<b>15,110,845</b>
<b>Cash flows from financing activities</b>			
Dividends paid	15	(59,617,355)	(51,156,460)
Treasury shares repurchased from shareholders		-	(9,549)
<b>Net cash flow used in financing activities</b>		<b>(59,617,355)</b>	<b>(51,166,009)</b>
Effects of changes in exchange rates on cash and cash equivalents		(300,430)	(566,047)
<b>Net change in cash and cash equivalents</b>		<b>(36,736,372)</b>	<b>7,158,309</b>
Cash and cash equivalents at the beginning of the period		64,802,346	44,010,416
<b>Cash and cash equivalents at the end of the period</b>		<b>28,065,974</b>	<b>51,168,725</b>

Signed and approved for issue on 21 August 2017.

General Director



Dossanov D.G.

Chief Accountant

Akhmedina A.S.

The accounting policy and explanatory notes on pages 7 through 25 form an integral part of these interim condensed separate financial statements.

**INTERIM SEPARATE STATEMENT OF CHANGES IN EQUITY**

<i>In thousands of Tenge</i>	Share capital	Asset revaluation reserve	Other capital reserves	Treasury shares	Retained earnings	Total
<b>As at 31 December 2016 (audited)</b>	61,937,567	192,430,443	(695,324)	(9,549)	296,909,328	550,572,465
Profit for the period	-	-	-	-	26,630,559	26,630,559
Other comprehensive loss	-	(517,718)	(150,746)	-	-	(668,464)
<b>Total comprehensive (loss)/income for the period</b>	-	(517,718)	(150,746)	-	26,630,559	25,962,095
Depreciation transfer of revalued property, plant and equipment	-	(10,243,453)	-	-	10,243,453	-
Dividends (Note 15)	-	-	-	-	(59,617,355)	(59,617,355)
<b>As at 30 June 2017 (unaudited)</b>	61,937,567	181,669,272	(846,070)	(9,549)	274,165,985	516,917,205
<b>As at 31 December 2015 (audited)</b>	61,937,567	98,847,414	(3,813,636)	-	286,399,082	443,370,427
Profit for the period	-	-	-	-	36,045,439	36,045,439
Other comprehensive income	-	3,286,180	-	-	-	3,286,180
<b>Total comprehensive income for the period</b>	-	3,286,180	-	-	36,045,439	39,331,619
Depreciation transfer of revalued property, plant and equipment	-	(4,867,905)	-	-	4,867,905	-
Treasury shares repurchased from shareholders (Note 15)	-	-	-	(9,549)	-	(9,549)
Dividends (Note 15)	-	-	-	-	(51,156,535)	(51,156,535)
<b>As at 30 June 2016 (unaudited)</b>	61,937,567	97,265,689	(3,813,636)	(9,549)	276,155,891	431,535,962

Signed and approved for issue on 21 August 2017.

General Director



*Dossanov D.G.*

Chief Accountant



*Akhmedina A.S.*

*The accounting policy and explanatory notes on pages 7 through 25 form an integral part of these interim condensed separate financial statements.*



**NOTES TO THE INTERIM CONDENSED SEPARATE FINANCIAL STATEMENTS****For the six months ended 30 June 2017****1. GENERAL**

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

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

As at 30 June 2017 10% of shares of the Company are owned by minority shareholders who acquired them within the “People’s IPO” program. The major shareholder of the Company, who owns the controlling interest of the Company (90%) is National Company “KazMunayGas” JSC (hereinafter – “KMG” or “Parent Company”). 90% of KMG shares are owned by Sovereign Wealth Fund “Samruk-Kazyna” JSC (hereinafter – “Samruk-Kazyna”), controlled by the Government of the Republic of Kazakhstan. 10% of KMG shares are owned by the National Bank of the Republic of Kazakhstan.

As at 30 June 2017 and 31 December 2016 the Company had interest ownership in the following companies:

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

The Company’s head office is located in Astana, Kazakhstan, 19, Kabanbay Batyr avenue. The Company has 3 branches, which are located in Atyrau (Western branch), Pavlodar (Eastern branch), Almaty (Research and Development Centre), and representative offices in Russian Federation (Omsk and Samara). On 26 May 2017 Board of Directors decided to close branch in Astana (Main Information and Computing Center).

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

As at 30 June 2017 BTL was liquidated. Based on the decision of the BTL liquidator of 7 March 2017 100% of shares to Petrotrans Limited (hereinafter – “PTL”) and 100% of the interest in Batumi Oil Terminal LLC (hereinafter – “BOT”), that was previously owned by BTL, were transferred to the Company. As at 30 June 2017, the Company received a certificate confirming its ownership of investment in PTL; the ownership of the Company for investment in BOT is at the stage of registration in the authorized bodies of Georgia. BOT has the exclusive right to manage 100% of the shares of Batumi Sea Port LLC (hereinafter – “BSP”). These changes did not affect the interim condensed separate financial statements.

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

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

### 1. GENERAL (continued)

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

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

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

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

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

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

In accordance with the Law of the Republic of Kazakhstan *On Natural Monopolies and Regulated Markets*, the Company, as a subject of natural monopolies, within the approved maximum tariffs for 2015-2019, has an obligation to execute an investment program aimed at capital construction/reconstruction/overhaul/diagnostics of production facilities for 2015-2019 (approved by the joint order of the Ministry of Energy of the Republic of Kazakhstan No. 73 of 28 February 2017 and the CRNMandPC No. 29-OD of 17 February 2017), in the total amount of 187.3 billion Tenge including:

- 2015 – 57.1 billion Tenge, including on the domestic market – 18.4 billion Tenge;
- 2016 – 38.4 billion Tenge, including on the domestic market – 12.5 billion Tenge;
- 2017 – 43.5 billion Tenge, including on the domestic market – 13.6 billion Tenge;
- 2018 – 28.9 billion Tenge, including on the domestic market – 9.6 billion Tenge;
- 2019 – 19.4 billion Tenge, including on the domestic market – 6.5 billion Tenge.

In accordance with the above-mentioned law for failure to implementation the actions with the approved investment program, CRNMandPC has the right to apply a compensating tariff.

The actual implementation of the investment program as at 30 June 2017 is as follows:

- 2015 – 70.5 billion Tenge;
- 2016 – 35.9 billion Tenge;
- 2017 – 3.6 billion Tenge (the main execution will be during the second half of 2017).

In accordance with the Rules for approval of the temporary compensating tariff approved by the order of the Minister of the National Economy of the Republic of Kazakhstan No. 484 of 23 November 2016, the temporary compensating tariff shall be applied upon the expiry of the tariff ceiling, which is, after 2019.

It is expected that the actions of the approved investment program will be implemented in general for a period of 5 years in accordance with the procedure established by law.

These interim condensed separate financial statements for the six months ended 30 June 2017 were signed and approved for issue by the Deputy General Director for Economics and Finance and Chief accountant on 21 August 2017.

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

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### 2. BASIS OF PREPARATION AND CHANGES IN ACCOUNTING POLICIES

#### Basis of preparation

The interim condensed separate financial statements for the six months ended 30 June 2017 have been prepared in accordance with International Financial Reporting Standard IAS 34 *Interim Financial Reporting*.

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

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

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

These interim condensed separate financial statements were issued in addition to the interim condensed consolidated financial statements of the Company and its subsidiary. These interim condensed consolidated financial statements were signed and approved for issue by the General Director and the Chief Accountant of the Company on 21 August 2017. A copy of the consolidated financial statements may be obtained from the head office of the Company (*Note 1*).

#### New standards, interpretations and amendments thereof, adopted by the Company

The accounting policies adopted in the preparation of the interim condensed separate financial statements are consistent with those followed in the preparation of the Company's annual separate financial statements for the year ended 31 December 2016, except for the adoption of new standards and interpretations effective as of 1 January 2017.

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

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

#### *Amendments to IAS 7 Statement of Cash Flows: Disclosure Initiative*

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

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

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

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

The Company applied the amendments retrospectively. However, their application has no effect on the Company's financial position and performance as the Company has no deductible temporary differences or assets that are in the scope of the amendments.

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

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

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

##### *Annual improvements 2014-2016 cycle*

##### *Amendments to IFRS 12 Disclosure of Interests in Other Entities: Clarification of the scope of disclosure requirements in IFRS 12*

The amendments clarify that the disclosure requirements in IFRS 12, other than those in paragraphs B10-B16, apply to an entity's interest in a subsidiary, a joint venture or an associate (or a portion of its interest in a joint venture or an associate) that is classified (or included in a disposal group that is classified) as held for sale.

These amendments do not affect the interim condensed separate financial statements since as at 30 June 2017 the Group does not have interests in other entities classified as held for sale.

#### Seasonality of operations

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

#### Foreign currency translation

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

Weighted average currency exchange rates for the six months ended 30 June 2017 and 2016 are as follows:

<i>Tenge</i>	<b>For the six months ended 30 June</b>	
	<b>2017</b>	<b>2016</b>
US dollars	<b>318.69</b>	345.34
Russian rubles	<b>5.50</b>	4.93
Euro	<b>344.87</b>	385.25

As at 30 June 2017 and 31 December 2016 the currency exchange rates of KASE were:

<i>Tenge</i>	<b>30 June 2017</b>	<b>31 December 2016</b>
US dollars	<b>322.27</b>	333.29
Russian rubles	<b>5.44</b>	5.43
Euro	<b>367.52</b>	352.42



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

Property, plant and equipment as at 30 June 2016 are as follows:

<i>In thousands of Tenge</i>	Land	Pipelines	Transportation assets	Buildings and constructions	Machinery and equipment	Technological oil	Other	Construction in progress	Total
<b>At revalued amount as at 31 December 2016 (audited)</b>	5,930,619	202,402,253	10,401,644	75,299,876	133,165,450	88,061,076	15,070,260	37,663,609	567,994,787
Additions	380	124,682	84,779	-	593,899	1,164	265,417	6,035,971	7,106,292
Disposals	-	(63,838)	(1,680)	(9,525)	(102,248)	(500,204)	(58,438)	(13,946)	(749,879)
Revaluation (revaluation reserve)	-	-	-	-	-	136	-	-	136
Transfers to intangible assets (Note 4)	-	-	-	-	-	-	-	(35,907)	(35,907)
Transfers from construction in progress	763	321,370	-	553	1,236,881	-	308,134	(1,867,701)	-
Transfers and reclassifications	-	8,498	(80,000)	151,878	312,565	-	133,068	(526,009)	-
<b>At revalued amount as at 30 June 2017 (unaudited)</b>	<b>5,931,762</b>	<b>202,792,965</b>	<b>10,404,743</b>	<b>75,442,782</b>	<b>135,206,547</b>	<b>87,562,172</b>	<b>15,718,441</b>	<b>41,256,017</b>	<b>574,315,429</b>
<b>Accumulated depreciation and impairment as at 31 December 2016 (audited)</b>	-	(5,664,218)	(717,047)	(1,766,980)	(7,682,042)	(199,540)	(1,827,230)	(57,641)	(17,914,698)
Depreciation charge	-	(7,607,766)	(862,414)	(2,404,269)	(9,793,003)	-	(2,213,944)	-	(22,881,396)
Disposals	-	25,140	1,680	8,714	47,883	199,540	36,519	-	319,476
Impairment (through expenses)	-	(369)	-	-	(64)	-	-	-	(433)
Impairment (revaluation reserve)	-	(3,701)	-	-	(253)	-	-	-	(3,954)
Transfers and reclassifications	-	73	-	(8,147)	8,578	-	(504)	-	-
<b>Accumulated depreciation and impairment as at 30 June 2017 (unaudited)</b>	<b>-</b>	<b>(13,250,841)</b>	<b>(1,577,781)</b>	<b>(4,170,682)</b>	<b>(17,418,901)</b>	<b>-</b>	<b>(4,005,159)</b>	<b>(57,641)</b>	<b>(40,481,005)</b>
<b>As at 30 June 2017 (unaudited)</b>									
At revalued amount	5,931,762	202,792,965	10,404,743	75,442,782	135,206,547	87,562,172	15,718,441	41,256,017	574,315,429
Accumulated depreciation and impairment	-	(13,250,841)	(1,577,781)	(4,170,682)	(17,418,901)	-	(4,005,159)	(57,641)	(40,481,005)
<b>Net book value (unaudited)</b>	<b>5,931,762</b>	<b>189,542,124</b>	<b>8,826,962</b>	<b>71,272,100</b>	<b>117,787,646</b>	<b>87,562,172</b>	<b>11,713,282</b>	<b>41,198,376</b>	<b>533,834,424</b>
<b>As at 31 December 2016 (audited)</b>									
At revalued amount	5,930,619	202,402,253	10,401,644	75,299,876	133,165,450	88,061,076	15,070,260	37,663,609	567,994,787
Accumulated depreciation and impairment	-	(5,664,218)	(717,047)	(1,766,980)	(7,682,042)	(199,540)	(1,827,230)	(57,641)	(17,914,698)
<b>Net book value (audited)</b>	<b>5,930,619</b>	<b>196,738,035</b>	<b>9,684,597</b>	<b>73,532,896</b>	<b>125,483,408</b>	<b>87,861,536</b>	<b>13,243,030</b>	<b>37,605,968</b>	<b>550,080,089</b>

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

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

As at 30 June 2017 construction in progress mainly includes the following production projects:

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

As at 30 June 2017:

- The initial cost and corresponding accumulated depreciation of fully depreciated property, plant and equipment were 1,296,283 thousand Tenge (31 December 2016: 1,482,726 thousand Tenge);
- The volume of oil in pipelines, included in property, plant and equipment, amounted to 2,460 thousand tons (31 December 2016: 2,460 thousand tons);
- Construction in progress included materials and spare parts in the amount of 2,446,185 thousand Tenge (as at 31 December 2016: 1,531,574 thousand Tenge), which were acquired for construction works.

The amount of depreciation for six months ended 30 June 2017 included in the cost of construction in progress was 18,598 thousand Tenge (for six months ended 30 June 2016: 8,293 thousand Tenge).

### 4. INTANGIBLE ASSETS

Intangible assets as at 30 June 2017 and 31 December 2016 are as follows:

<i>In thousands of Tenge</i>	<b>Licenses</b>	<b>Software</b>	<b>Other</b>	<b>Total</b>
<b>Net book value as at 31 December 2016</b>				
(audited)	66,254	1,087,480	27,723	1,181,457
Additions	2,616	12,345	–	14,961
Amortization charge	(12,563)	(158,611)	(1,778)	(172,952)
Transfers and reclassifications	(16)	16	–	–
Transfers from property, plant and equipment (Note 3)	11,221	24,686	–	35,907
<b>Net book value as at 30 June 2017</b>				
(unaudited)	67,512	965,916	25,945	1,059,373
<b>As at 30 June 2017 (unaudited)</b>				
At cost	504,863	4,569,245	84,851	5,158,959
Accumulated amortization and impairment	(437,351)	(3,603,329)	(58,906)	(4,099,586)
<b>Net book value (unaudited)</b>	67,512	965,916	25,945	1,059,373
<b>As at 31 December 2016 (audited)</b>				
At cost	491,042	4,532,198	84,851	5,108,091
Accumulated amortization and impairment	(424,788)	(3,444,718)	(57,128)	(3,926,634)
<b>Net book value (audited)</b>	66,254	1,087,480	27,723	1,181,457

### 5. INVESTMENTS IN SUBSIDIARIES

As a result of liquidation of BTL, which was completed during the six month ended 30 June 2017, the Company obtained control over BTL’s subsidiaries (Note 1). The Company, for the purpose of allocating the cost of an investment in BTL between investments in PTL and BOT, engaged an independent appraiser. Based on the valuation reports, the Company allocated the cost of the investment in BTL in proportion to the fair value of each of the companies (PTL and BOT).

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

### 5. INVESTMENTS IN SUBSIDIARIES (continued)

Investments in subsidiaries as at 30 June 2017 and 31 December 2016 are as follows:

<i>In thousands of Tenge</i>	30 June 2017 (unaudited)	31 December 2016 (audited)
BTL	–	28,208,864
BOT	25,387,978	–
PTL	2,820,886	–
<b>Total</b>	<b>28,208,864</b>	<b>28,208,864</b>

### 6. INVESTMENTS IN JOINT VENTURES

Investments in joint ventures as at 30 June 2017 and 31 December 2016 are as follows:

<i>In thousands of Tenge</i>	30 June 2017 (unaudited)	31 December 2016 (audited)
KCP	6,500,000	6,500,000
MunaiTas	904,945	904,945
<b>Total</b>	<b>7,404,945</b>	<b>7,404,945</b>

### 7. ADVANCES TO SUPPLIERS FOR PROPERTY, PLANT AND EQUIPMENT

Advances to suppliers for property, plant and equipment as at 30 June 2017 and 31 December 2016 are as follows:

<i>In thousands of Tenge</i>	30 June 2017 (unaudited)	31 December 2016 (audited)
Advances to third parties for property, plant and equipment and construction services	1,447,331	1,095,580
Advances to related parties for property, plant and equipment and construction services (Note 30)	274,531	14,695
	<b>1,721,862</b>	<b>1,110,275</b>
Less: allowance for doubtful debts	(53,258)	(53,258)
<b>Total</b>	<b>1,668,604</b>	<b>1,057,017</b>

### 8. INVENTORIES

Inventories as at 30 June 2017 and 31 December 2016 are as follows:

<i>In thousands of Tenge</i>	30 June 2017 (unaudited)	31 December 2016 (audited)
Spare parts	2,217,631	1,315,537
Fuel	822,494	528,839
Chemical reagents	717,447	52,781
Construction materials	631,345	196,667
Overalls	324,421	144,234
Goods	80,717	133,548
Other	254,122	220,664
<b>Total</b>	<b>5,048,177</b>	<b>2,592,270</b>

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

### 9. TRADE AND OTHER ACCOUNTS RECEIVABLE

Trade and other accounts receivable as at 30 June 2017 and 31 December 2016 are as follows:

<i>In thousands of Tenge</i>	<b>30 June 2017 (unaudited)</b>	<b>31 December 2016 (audited)</b>
Trade accounts receivable from related parties (Note 30)	5,026,078	2,951,440
Trade accounts receivable from third parties	1,911,481	2,213,667
Other accounts receivable from third parties	577,055	672,110
Other accounts receivable from related parties (Note 30)	788	509
	<b>7,515,402</b>	<b>5,837,726</b>
Less: allowance for doubtful debts	<b>(590,097)</b>	<b>(643,607)</b>
<b>Total</b>	<b>6,925,305</b>	<b>5,194,119</b>

Movement in allowance for doubtful debts related to trade and other accounts receivable for the six months ended 30 June 2017 and 2016 is presented as follows:

<i>In thousands of Tenge</i>	<b>For the six months ended 30 June</b>	
	<b>2017</b>	<b>2016</b>
At the beginning of the period (audited)	643,607	736,090
Reversal for the period	(53,510)	(31,294)
Write-off of accounts receivable	-	(1,351)
<b>At the end of the period (unaudited)</b>	<b>590,097</b>	<b>703,445</b>

Trade and other accounts receivable of the Company as at 30 June 2017 and 31 December 2016 are denominated in the following currencies:

<i>In thousands of Tenge</i>	<b>30 June 2017 (unaudited)</b>	<b>31 December 2016 (audited)</b>
Tenge	6,923,687	5,192,550
Other currency	1,618	1,569
<b>Total</b>	<b>6,925,305</b>	<b>5,194,119</b>

### 10. ADVANCES TO SUPPLIERS

Advances to suppliers as at 30 June 2017 and 31 December 2016 are as follows:

<i>In thousands of Tenge</i>	<b>30 June 2017 (unaudited)</b>	<b>31 December 2016 (audited)</b>
Advances to related parties (Note 30)	842,137	257,916
Advances to third parties	397,535	111,171
	<b>1,239,672</b>	<b>369,087</b>
Less: allowance for doubtful debts	<b>(1,265)</b>	<b>(38)</b>
<b>Total</b>	<b>1,238,407</b>	<b>369,049</b>

### 11. VAT RECOVERABLE AND OTHER PREPAID TAXES

VAT recoverable and other prepaid taxes as at 30 June 2017 and 31 December 2016 are as follows:

<i>In thousands of Tenge</i>	<b>30 June 2017 (unaudited)</b>	<b>31 December 2016 (audited)</b>
Withholding tax at the source of payment	30,810	18,949
Property tax	6,602	231,808
VAT recoverable	5,234	757,468
Other taxes prepaid	11,471	8,525
<b>Total</b>	<b>54,117</b>	<b>1,016,750</b>



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

### 12. OTHER CURRENT ASSETS

Other current assets as at 30 June 2017 and 31 December 2016 are as follows:

<i>In thousands of Tenge</i>	<b>30 June 2017 (unaudited)</b>	<b>31 December 2016 (audited)</b>
Due for oil transportation coordination services	4,835,823	5,551,741
Prepaid insurance	857,208	31,629
Due from employees	57,988	8,254
Deferred expenses from third parties	3,750	7,883
Deferred expenses from related parties (Note 30)	3,135	5,791
Other	2,196	1,180
<b>Total</b>	<b>5,760,100</b>	<b>5,606,478</b>

### 13. BANK DEPOSITS

Bank deposits as at 30 June 2017 and 31 December 2016 are as follows:

<i>In thousands of Tenge</i>	<b>30 June 2017 (unaudited)</b>	<b>31 December 2016 (audited)</b>
Short-term bank deposits – US dollar	20,517,169	14,498,115
Short-term bank deposits – Tenge	–	1,000,000
Long-term bank deposits – Tenge	3,931,444	4,182,770
Accrued interest on deposits – US dollar	78,970	80,788
Accrued interest on deposits – Tenge	56,115	96,715
<b>Total</b>	<b>24,583,698</b>	<b>19,858,388</b>

As at 30 June 2017 bank deposits comprised of the following:

- US dollar denominated short-term bank deposits placed with Kazakhstani banks with maturity from 3 to 12 months, with interest from 0.6% to 2% per annum (as at 31 December 2016: from 1% to 2% per annum), maturing mainly in July and December 2017 (as at 31 December 2016: maturing in July and August 2017);
- Restricted long-term bank deposits with interest from 2% to 3.5% per annum maturing in 2029 and in 2027, respectively (as at 31 December 2016: from 2% to 3.5% per annum maturing in 2029 and 2026, respectively), arranged for the purpose of preferential lending rates for the Company's employees for the purchase of residential property.

### 14. CASH AND CASH EQUIVALENTS

Cash and cash equivalents as at 30 June 2017 and 31 December 2016 are as follows:

<i>In thousands of Tenge</i>	<b>30 June 2017 (unaudited)</b>	<b>31 December 2016 (audited)</b>
Time deposits with banks – Tenge	25,278,771	52,590,424
Time deposits with banks – US dollars	–	10,699,446
Current accounts with banks – Tenge	1,917,734	285,255
Current accounts with banks – Russian ruble	5,250	4,999
Current accounts with banks – US dollars	606	1,206,547
Other current accounts with banks	9,428	15,127
Cash in transit	853,490	52
Cash on hand	695	496
<b>Total</b>	<b>28,065,974</b>	<b>64,802,346</b>

As at 30 June 2017 most current accounts and time deposits with maturity less than 3 months in Tenge placed with Kazakhstani banks carried interest ranging from 0.5% to 9.43% per annum (as at 31 December 2016: from 0.5% to 10.5% per annum).

Interest for current accounts and time deposits with maturity less than 3 months placed in US dollars ranged from 0.25% to 2% per annum (as at 31 December 2016: from 0.25% to 4% per annum).

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

### 15. EQUITY

#### Share capital

As at 30 June 2017 and 31 December 2016 the Company's share capital comprised of 384,635,600 common shares authorized, issued and fully paid in the amount of 62,503,284 thousand Tenge, except for 1 share, which was authorized but not issued and not paid.

As at 30 June 2017 and 31 December 2016 the share capital was equal to 61,937,567 thousand Tenge, net of consulting costs related to the issuance of shares in the amount of 565,717 thousand Tenge.

#### Other capital reserves

As at 30 June 2017, other capital reserves comprised a loss of 846,070 thousand Tenge (as at 31 December 2016: 695,324 thousand Tenge). The change in other capital reserves is due to the write-off of deferred tax assets related to long-term liabilities for employee benefits in the amount of 150,746 thousand Tenge.

#### Dividends

On 30 June 2017 the Company accrued and paid dividends as the result of 2016 year to the shareholders based on the decision of the shareholders meeting dated 25 May 2017 in the amount of 59,617,355 thousand Tenge based on 155 Tenge per 1 share (as at 31 December 2016: 51,156,535 thousand Tenge based on 133 Tenge per 1 share), including 53,656,666 thousand Tenge related to KMG (as at 31 December 2016: 46,040,881 thousand Tenge) and 5,960,689 thousand Tenge related to minority shareholders (as at 31 December 2016: 5,115,654 thousand Tenge).

#### Earnings per share

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

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

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

<i>In thousands of Tenge</i>	For the six months ended 30 June (unaudited)	
	2017	2016
Net profit for the period attributable to ordinary equity holders	26,630,559	36,045,439
Weighted average number of ordinary shares for the period for basic earnings per share	384,628,099	384,634,349
<b>Basic earnings per share, in relation to profit for the period attributable to ordinary equity holders of the Company, (in Tenge)</b>	<b>69</b>	<b>94</b>

#### Book value per ordinary share

Book value per ordinary shares is calculated in accordance with requirements of KASE of the Company is as follows:

<i>In thousands of Tenge</i>	30 June 2017 (unaudited)	31 December 2016 (audited)
<b>Total assets</b>	<b>647,173,766</b>	<b>691,872,944</b>
Less: intangible assets (Note 4)	(1,059,373)	(1,181,457)
Less: total liabilities	(130,256,561)	(141,300,479)
<b>Net assets for calculation of book value per ordinary share</b>	<b>515,857,832</b>	<b>549,391,008</b>
Number of ordinary shares	384,628,099	384,628,099
<b>Book value per ordinary share (in Tenge)</b>	<b>1,341</b>	<b>1,428</b>

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

### 16. EMPLOYEE BENEFIT LIABILITIES

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

Employee benefit liabilities as at 30 June 2017 and 31 December 2016 are as follows:

<i>In thousands of Tenge</i>	30 June 2017 (unaudited)	31 December 2016 (audited)
Current portion of employee benefit liabilities	501,908	543,418
Non-current portion of employee benefit liabilities	12,814,609	11,994,599
<b>Total</b>	<b>13,316,517</b>	<b>12,538,017</b>

Changes in the present value of employee benefit liabilities for the six months periods ended 30 June 2017 and 2016 are as follows:

<i>In thousands of Tenge</i>	For the six months ended 30 June	
	2017	2016
At the beginning of the period (audited)	12,538,017	15,533,710
Interest cost (Note 28)	559,272	534,999
Current services cost (Notes 23, 24)	555,516	416,171
Benefits paid	(336,288)	(278,195)
<b>At the end of the period (unaudited)</b>	<b>13,316,517</b>	<b>16,206,685</b>

### 17. TRADE AND OTHER ACCOUNTS PAYABLE

Trade and other accounts payable as at 30 June 2017 and 31 December 2016 are as follows:

<i>In thousands of Tenge</i>	30 June 2017 (unaudited)	31 December 2016 (audited)
Accounts payable to third parties for goods and services	4,402,503	12,816,838
Accounts payable to related parties for goods and services (Note 30)	775,333	1,912,739
Other accounts payable to third parties	122,668	106,515
Other accounts payable to related parties (Note 30)	773	777
<b>Total</b>	<b>5,301,277</b>	<b>14,836,869</b>

As at 30 June 2017 trade and other accounts payable included payables to related and third parties for property, plant and equipment, for works and services related to the construction-in-progress in the amount of 1,950,131 thousand Tenge (as at 31 December 2016: 11,562,030 thousand Tenge).

Trade and other accounts payable as at 30 June 2017 and 31 December 2016 are denominated in the following currencies:

<i>In thousands of Tenge</i>	30 June 2017 (unaudited)	31 December 2016 (audited)
Tenge	5,300,393	14,755,776
Russian rubles	884	44,737
US dollars	–	21,554
Euro	–	14,802
<b>Total</b>	<b>5,301,277</b>	<b>14,836,869</b>

### 18. ADVANCES RECEIVED

Advances received as at 30 June 2017 and 31 December 2016 are as follows:

<i>In thousands of Tenge</i>	30 June 2017 (unaudited)	31 December 2016 (audited)
Advances received from related parties (Note 30)	10,783,636	10,407,356
Advances received from third parties	6,589,426	5,782,442
<b>Total</b>	<b>17,373,062</b>	<b>16,189,798</b>

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

### 19. OTHER TAXES PAYABLE

Other taxes payable as at 30 June 2017 and 31 December 2016 are as follows:

<i>In thousands of Tenge</i>	30 June 2017 (unaudited)	31 December 2016 (audited)
VAT payable	525,920	8,650
Personal income tax	377,328	455,757
Social tax	340,918	417,256
Property tax	–	71,467
Other taxes	25,116	23,400
<b>Total</b>	<b>1,269,282</b>	<b>976,530</b>

### 20. PROVISIONS

Short-term provisions as at 30 June 2017 and 31 December 2016 included other provisions in the amount of 41,125 thousand Tenge.

#### Long-term provisions

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

As at 30 June 2017 the Company revised the long-term provisions considering current best estimate, which was based on the discount rate of 8.32% (as at 31 December 2016: 8.72%). As at 30 June 2017 and 31 December 2016 the inflation rate was 5.58%.

<i>In thousands of Tenge</i>	For the six months ended 30 June	
	2017	2016
At the beginning of the period (audited)	15,022,086	21,999,701
Charge for the period	–	41,661
Income from revision of estimates and write-off of provision through profit and loss (Note 25)	(260,173)	(1,316,196)
Revision of estimates through revaluation reserve	643,329	(4,107,092)
Unwinding of discount (Note 28)	634,202	730,769
<b>At the end of the period (unaudited)</b>	<b>16,039,444</b>	<b>17,348,843</b>

### 21. OTHER CURRENT LIABILITIES

Other current liabilities as at 30 June 2017 and 31 December 2016 are as follows:

<i>In thousands of Tenge</i>	30 June 2017 (unaudited)	31 December 2016 (audited)
Accounts payable for oil transportation coordination services to related parties (Note 30)	5,717,075	5,656,284
Salaries and other compensations	4,510,140	9,256,978
Accounts payable for oil transportation coordination services to third parties	4,418,978	5,067,651
Payable to pension funds	486,403	580,524
Short term deferred income from related parties	128	–
Other	99,501	102,071
<b>Total</b>	<b>15,232,225</b>	<b>20,663,508</b>

Salaries and wages comprise current salary payable and vacation payments payable.

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

### 22. REVENUE

Revenue for the six months ended 30 June 2017 and 2016 are as follows:

<i>In thousands of Tenge</i>	For the six months ended 30 June (unaudited)	
	2017	2016
Crude oil transportation	89,883,100	87,121,037
Pipeline operation services	4,927,127	4,602,809
Water transportation	3,558,868	3,493,077
Fees for undelivered oil volumes	1,995,246	512,782
Oil transportation coordination services	330,296	353,896
Oil storage services	61,499	38,326
Other	85,356	69,723
<b>Total</b>	<b>100,841,492</b>	<b>96,191,650</b>

During the six months ended 30 June 2017 the revenue from three major customers amounted to 24,532,176 thousand Tenge, 12,379,752 thousand Tenge and 6,850,070 thousand Tenge (for the six months ended 30 June 2016: 26,037,455 thousand Tenge, 11,979,836 thousand Tenge and 6,842,689 thousand Tenge, respectively).

### 23. COST OF SALES

Cost of sales for the six months ended 30 June 2017 and 2016 are as follows:

<i>In thousands of Tenge</i>	For the six months ended 30 June (unaudited)	
	2016	2015
Depreciation and amortization	22,515,183	16,434,019
Personnel costs	21,055,146	18,472,791
Taxes other than income tax	3,608,445	2,657,855
Electric energy	3,511,313	3,276,788
Materials and fuel	2,143,991	1,812,643
Repair and maintenance	2,088,898	1,848,717
Security services	1,941,793	1,798,450
Gas expense	1,494,444	1,754,048
Air services	671,043	745,621
Post-employment benefits (Note 16)	527,088	502,242
Business trip expense	409,132	385,510
Insurance	239,426	261,861
Communication services	116,488	119,129
Environmental protection	97,471	105,088
Operating lease expense	94,789	45,403
Diagnostics of pipelines	22,033	50,475
Other	981,714	734,095
<b>Total</b>	<b>61,518,397</b>	<b>51,004,735</b>

Increase in personnel costs is due to the indexation of salaries of operating personnel made starting from 1 January 2017 and accrual of premiums on statutory holidays.

The increase in depreciation and amortization expenses and taxes (except for income tax) is primarily associated with a significant commissioning of objects of construction in progress as well as a significant revaluation of property, plant and equipment during 2016.

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

### 24. GENERAL AND ADMINISTRATIVE EXPENSES

General and administrative expenses for the six months ended 30 June 2017 and 2016 are as follows:

<i>In thousands of Tenge</i>	For the six months ended 30 June (unaudited)	
	2017	2016
Personnel costs	2,873,686	2,697,277
Depreciation and amortization	520,567	348,545
Consulting services	238,907	177,630
Office maintenance	232,456	207,835
Taxes other than income tax and VAT	160,589	100,537
Business trip expenses	122,406	97,843
Repair and technical maintenance	116,105	85,056
Training	72,230	49,482
Operational rent expense	62,079	19,269
Insurance and security	57,870	60,028
Bank costs	54,770	48,271
Information expenses	50,545	44,127
Social sphere expenses	45,421	5,658
Communication services	44,978	44,515
Write off of VAT recoverable	44,702	57,579
Post-employment benefits (Note 16)	32,184	32,757
Advertising expense	31,794	23,915
Materials and fuel	18,594	22,866
Reversal of allowance for doubtful debt, net	(52,245)	(31,294)
Charity	–	65,912
Other	212,264	232,127
<b>Total</b>	<b>4,939,902</b>	<b>4,389,935</b>

### 25. OTHER OPERATING INCOME

Other operating income for the six months ended 30 June 2017 and 2016 are as follows:

<i>In thousands of Tenge</i>	For the six months ended 30 June (unaudited)	
	2017	2016
Income from revision of estimates and reversal of asset retirement and land reclamation obligation, net (Note 20)	260,173	1,316,196
Income from fines and penalties	226,836	188,051
Reimbursement of expenses from liquidation of temporary constructions	217,054	–
Income from disposal of inventory	82,245	26,014
Other income	23,199	38,694
<b>Total</b>	<b>809,507</b>	<b>1,568,955</b>

### 26. OTHER OPERATING EXPENSES

Other operating expenses for the six months ended 30 June 2017 and 2016 are as follows:

<i>In thousands of Tenge</i>	For the six months ended 30 June (unaudited)	
	2017	2016
Net loss on disposal of property, plant and equipment and intangible assets	400,611	50,536
Loss on disposal of inventories	51,614	15,462
Other expenses	34,108	14,153
<b>Total</b>	<b>486,333</b>	<b>80,151</b>



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

### 27. FINANCE INCOME

Finance income for the six months ended 30 June 2017 and 2016 are as follows:

<i>In thousands of Tenge</i>	For the six months ended 30 June (unaudited)	
	2017	2016
Interest income on bank deposits and current accounts	2,923,349	2,443,612
Undwinding of discount on interest free loan (Note 30)	–	1,264,921
Unwinding of discount on loans to employees	3,480	6,011
<b>Total</b>	<b>2,926,829</b>	<b>3,714,544</b>

### 28. FINANCE COSTS

Finance costs for the six months ended 30 June 2017 and 2016 are as follows:

<i>In thousands of Tenge</i>	For the six months ended 30 June (unaudited)	
	2017	2016
Unwinding of discount on asset retirement and land recultivation obligation (Note 20)	634,202	730,769
Interest cost on employee benefit liabilities (Note 16)	555,516	416,171
<b>Total</b>	<b>1,189,718</b>	<b>1,146,940</b>

### 29. INCOME TAX EXPENSE

Income tax expenses for the six months periods ended 30 June 2017 and 2016 are as follows:

<i>In thousands of Tenge</i>	For the six months ended 30 June (unaudited)	
	2017	2016
Current income tax expense	8,066,399	10,016,748
Deferred income tax expenses/(benefit)	626,047	(521,976)
<b>Income tax expense</b>	<b>8,692,446</b>	<b>9,494,772</b>

Movement in deferred income tax liabilities for the six months ended 30 June 2017 and 2016 are as follows:

<i>In thousands of Tenge</i>	For the six months ended 30 June	
	2017	2016
<b>At the beginning of the period (audited)</b>	<b>61,032,546</b>	<b>37,516,962</b>
Charged to profit and loss	626,047	(521,976)
Charged to other comprehensive loss	21,317	821,545
<b>At the end of the period (unaudited)</b>	<b>61,679,910</b>	<b>37,816,531</b>

The accrual of deferred income tax expense for the six-month period ended 30 June 2017 is mainly attributable to the Company's revision of estimates in respect of the deductibility of employee benefits expenses for the purpose of determination of taxable income.

### 30. RELATED PARTY TRANSACTIONS

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

Related party transactions were made on terms agreed between the parties that may not necessarily be at market rates, except for certain regulated services, which were 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 six months ended 30 June 2017 and 30 June 2016 and the related balances as at 30 June 2017 and 31 December 2016.

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

### 30. RELATED PARTY TRANSACTIONS (continued)

Advances given to related parties for property, plant and equipment are as follows:

<i>In thousands of Tenge</i>	<b>Notes</b>	<b>30 June 2017 (unaudited)</b>	<b>31 December 2016 (audited)</b>
<b>Advances given to related parties for property, plant and equipment and construction services</b>			
Advances given to entities under common control of KMG		15,139	14,695
Advances given to entities under common control of Samruk-Kazyna Group		259,392	–
<b>Total advances given to related parties for property, plant and equipment and construction services</b>	<b>7</b>	<b>274,531</b>	<b>14,695</b>

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

<i>In thousands of Tenge</i>	<b>Notes</b>	<b>30 June 2017 (unaudited)</b>	<b>31 December 2016 (audited)</b>
<b>Trade and other accounts receivable from related parties</b>			
Trade accounts receivable from joint ventures		4,359,859	2,218,268
Trade accounts receivable from entities under common control of KMG		664,369	732,736
Trade accounts receivable from entities under common control of Samruk-Kazyna Group		1,850	436
<b>Total trade accounts receivable from related parties</b>	<b>9</b>	<b>5,026,078</b>	<b>2,951,440</b>
Other accounts receivables from entities under common control of KMG and Samruk-Kazyna Group	9	788	509
<b>Total trade and other accounts receivable from related parties</b>		<b>5,026,866</b>	<b>2,951,949</b>

Advances provided to related parties are as follows:

<i>In thousands of Tenge</i>	<b>Notes</b>	<b>30 June 2017 (unaudited)</b>	<b>31 December 2016 (audited)</b>
<b>Advances paid to related parties</b>			
Advances paid to entities under common control of KMG		483,299	140,560
Advances paid to entities under common control of Samruk-Kazyna Group		358,838	117,356
<b>Total advances paid to related parties</b>	<b>10</b>	<b>842,137</b>	<b>257,916</b>

Deferred expenses on transactions with related parties are as follows:

<i>In thousands of Tenge</i>	<b>Notes</b>	<b>30 June 2017 (unaudited)</b>	<b>31 December 2016 (audited)</b>
<b>Deferred expenses from related parties</b>			
Deferred expenses from entities under common control of Samruk-Kazyna Group		3,135	5,791
<b>Total deferred expenses from related parties</b>	<b>12</b>	<b>3,135</b>	<b>5,791</b>

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

### 30. RELATED PARTY TRANSACTIONS (continued)

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

<i>In thousands of Tenge</i>	<i>Notes</i>	<b>30 June 2017 (unaudited)</b>	<b>31 December 2016 (audited)</b>
<b>Accounts payable to related parties for goods and services</b>			
Accounts payable to entities under common control of KMG		437,247	634,448
Accounts payable to entities under common control of Samruk-Kazyna Group		338,086	1,278,291
<b>Total accounts payable to related parties for goods and services</b>	17	<b>775,333</b>	<b>1,912,739</b>
<b>Other payable to related parties</b>			
Other payable to entities under common control of Samruk-Kazyna Group	17	773	777
<b>Total trade and other accounts payable to related parties</b>		<b>776,106</b>	<b>1,913,516</b>

Advances received from related parties are as follows:

<i>In thousands of Tenge</i>	<i>Notes</i>	<b>30 June 2017 (unaudited)</b>	<b>31 December 2016 (audited)</b>
<b>Advances received from related parties</b>			
Advances from entities under common control of KMG		10,430,828	9,990,855
Advances from entities under common control of Samruk-Kazyna Group		352,805	416,492
Advances from joint ventures		3	9
<b>Total advances received from related parties</b>	18	<b>10,783,636</b>	<b>10,407,356</b>

Other current liabilities to related parties are as follows:

<i>In thousands of Tenge</i>	<i>Notes</i>	<b>30 June 2017 (unaudited)</b>	<b>31 December 2016 (audited)</b>
<b>Accounts payable for oil transportation coordination services to related parties</b>			
Accounts payable for oil transportation coordination services to entities under common control of KMG		5,717,075	5,656,284
<b>Total accounts payable for oil transportation coordination services to related parties</b>	21	<b>5,717,075</b>	<b>5,656,284</b>
<b>Employee benefit obligations of key management personnel</b>			
Employee benefit obligations of key management personnel		267,266	43,840
<b>Total employee benefit obligations of key management personnel</b>		<b>267,266</b>	<b>43,840</b>
<b>Total other current liabilities to related parties</b>		<b>5,984,341</b>	<b>5,700,124</b>

The following tables provide the total amount of transactions, which have been entered into with related parties during the six months ended 30 June 2017 and 2016:

<i>In thousands of Tenge</i>	<b>For the six months ended 30 June (unaudited)</b>	
	<b>2017</b>	<b>2016</b>
<b>Sales to related parties</b>		
Revenue from main activities with entities under common control of KMG	56,941,336	57,284,867
Revenue from main activities with joint ventures	4,189,790	3,953,166
Revenue from main activities with entities under common control of Samruk-Kazyna Group	1,969,989	2,336,424
Revenue from other activities with entities under common control of KMG	66,955	21,057
Revenue from other activities with entities under common control of Samruk-Kazyna Group	279	1,338
<b>Total</b>	<b>63,168,349</b>	<b>63,596,852</b>

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

### 30. RELATED PARTY TRANSACTIONS (continued)

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

<i>In thousands of Tenge</i>	For the six months ended 30 June (unaudited)	
	2017	2016
<b>Purchases from related parties</b>		
Purchases of services from entities under common control of KMG	3,911,484	4,797,058
Purchases of services from entities under common control of Samruk-Kazyna Group	1,543,176	1,391,521
Purchases of property, plant and equipment and intangible assets from entities under common control of Samruk-Kazyna Group	732,053	–
Purchases of inventory from entities under common control of KMG	765,051	639,083
Purchases of property, plant and equipment and intangible assets from entities under common control of KMG	170,564	237,891
Purchases of inventory from entities under common control of Samruk-Kazyna Group	–	17,362
Purchases of services from joint ventures	–	4,877
<b>Total</b>	<b>7,122,328</b>	<b>7,087,792</b>

Other income of the Company from transactions with related parties is as follows:

<i>In thousands of Tenge</i>	Notes	For the six months ended 30 June (unaudited)	
		2017	2016
<b>Other income from related parties</b>			
Dividend income from MunaiTas		–	1,487,160
<b>Total</b>		–	1,487,160

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

<i>In thousands of Tenge</i>	Notes	For the six months ended 30 June (unaudited)	
		2017	2016
<b>Finance income from related parties</b>			
Discounting of interest-free loans provided to KMG	27	–	1,264,921
<b>Total</b>		–	1,264,921

Total accrued compensation to key management personnel for the six months ended 30 June 2017 amounts to 124,170 thousand Tenge (for the six months ended 30 June 2016: 321,835 thousand Tenge). Payments to key personnel consist primarily of payroll costs and remuneration established by contracts and Company's internal regulations.

### 31. CONTRACTUAL LIABILITIES AND COMMITMENTS

Information on contractual liabilities and commitments of the Company is disclosed in the separate financial statements for the year ended 31 December 2016. During six months ended 30 June 2017 there were no significant changes, except for the following:

#### Contractual commitments

As at 30 June 2017 the Company had contractual obligations to acquire property, plant and equipment, and construction services for the amount of 36,958,653 thousand Tenge (31 December 2016: 24,940,800 thousand Tenge). Given contractual obligations are part of investment program (*Note 1*).



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

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**32. FINANCIAL INSTRUMENTS**

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

**Fair value of financial instruments**

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