

**KazTransOil JSC**

**Interim condensed consolidated financial statements**

*For the three months ended 31 March 2020*



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**Interim condensed consolidated financial statements**

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## Report on Review of Interim Financial Information

To the Shareholders of KazTransOil JSC

### **Introduction**

We have reviewed the accompanying interim condensed consolidated financial statements of KazTransOil JSC and its subsidiaries, which comprise the interim consolidated statement of financial position as at 31 March 2020 and the related interim consolidated statements of comprehensive income, changes in equity and cash flows for the three-month period then ended, and selected explanatory notes (interim financial information). Management is responsible for the preparation and presentation of this interim financial information in accordance with IAS 34, *Interim Financial Reporting*. Our responsibility is to express a conclusion on this interim financial information based on our review.

### **Scope of review**

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

**Conclusion**

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

*Ernst & Young LLP*



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Adil Syzdykov  
Audit partner



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Gulmira Turmagambetova  
General Director  
Ernst & Young LLP

Auditor Qualification Certificate  
No. МФ - 0000172 dated 23 December 2013

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

050060, Republic of Kazakhstan, Almaty  
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27 May 2020

**INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

<i>In thousands of Tenge</i>	Note	31 March 2020 (unaudited)	31 December 2019 (audited)
<b>Assets</b>			
<b>Non-current assets</b>			
Property, plant and equipment	3	676,397,775	734,421,997
Right-of-use assets		3,849,583	3,902,044
Intangible assets		7,707,073	7,728,097
Investments in joint ventures	4	47,744,160	55,015,339
Advances to suppliers for property, plant and equipment		379,769	898,475
VAT recoverable		1,851,286	1,958,523
Long-term accounts receivable	5	1,191,178	1,128,626
Bank deposits	7	1,997,154	2,139,767
Investments in bonds		970,663	919,511
Other non-current assets		11,432	11,866
		<b>742,100,073</b>	<b>808,124,245</b>
<b>Current assets</b>			
Inventories		5,987,059	6,278,501
Trade and other accounts receivable	5	7,325,354	5,858,238
Advances to suppliers		1,251,687	1,258,565
Prepayment for income tax		897,727	1,823,885
VAT recoverable and other prepaid taxes		6,455,932	7,121,095
Other current assets	6	7,086,949	6,859,636
Bank deposits	7	40,404,567	45,960,400
Cash and cash equivalents	8	55,508,022	28,649,091
		<b>124,917,297</b>	<b>103,809,411</b>
Non-current assets held for sale		868,336	879,814
		<b>125,785,633</b>	<b>104,689,225</b>
<b>Total assets</b>		<b>867,885,706</b>	<b>912,813,470</b>

*The accounting policy and explanatory notes on pages 8 through 29 form an integral part of these interim condensed consolidated financial statements.*

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

<i>In thousands of Tenge</i>	Note	31 March 2020 (unaudited)	31 December 2019 (audited)
<b>Equity and liabilities</b>			
<b>Equity</b>			
Share capital		61,937,567	61,937,567
Treasury shares repurchased from shareholders		(9,549)	(9,549)
Asset revaluation reserve	9	245,498,758	299,585,499
Foreign currency translation reserve	9	40,733,103	37,737,309
Other capital reserves		(1,893,432)	(1,893,432)
Retained earnings		324,127,455	305,621,572
<b>Total equity</b>		<b>670,393,902</b>	<b>702,978,966</b>
<b>Non-current liabilities</b>			
Employee benefit obligations		16,030,639	15,756,306
Deferred tax liabilities	21	67,887,034	80,564,703
Provision for asset retirement and land recultivation obligation	14	32,865,082	27,780,887
Deferred income	10	9,453,718	8,141,994
Lease liabilities		2,061,814	2,891,445
		<b>128,298,287</b>	<b>135,135,335</b>
<b>Current liabilities</b>			
Employee benefit obligations		669,260	658,941
Income tax payable		1,103,059	1,187,559
Trade and other accounts payable	11	8,241,277	15,183,124
Advances received	12	21,789,001	18,478,982
Lease liabilities		2,006,108	1,912,220
Other taxes payable	13	7,610,189	5,697,566
Provisions	14	325,089	306,553
Liability on a contribution to charter capital of a joint venture		5,000,000	5,000,000
Other current liabilities	15	22,449,534	26,274,224
		<b>69,193,517</b>	<b>74,699,169</b>
<b>Total liabilities</b>		<b>197,491,804</b>	<b>209,834,504</b>
<b>Total equity and liabilities</b>		<b>867,885,706</b>	<b>912,813,470</b>
<b>Book value per ordinary share (in Tenge)</b>	9	<b>1,723</b>	<b>1,808</b>

Signed and approved for issue on 27 May 2020.

General Director (Chairman of the Management Board)



  
Dossanov D.G.

Chief Accountant


  
Sarmagambetova M.K.

*The accounting policy and explanatory notes on pages 8 through 29 form an integral part of these interim condensed consolidated financial statements.*

**INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**

<i>In thousands of Tenge</i>	Note	For the three months ended 31 March (unaudited)	
		2020	2019
Revenue	16	56,808,433	59,821,007
Cost of sales	17	(37,699,296)	(35,583,911)
<b>Gross profit</b>		<b>19,109,137</b>	<b>24,237,096</b>
General and administrative expenses	18	(2,985,651)	(5,269,007)
Other operating income	19	1,483,329	165,833
Other operating expenses	19	(2,511,031)	(969,474)
<b>Operating profit</b>		<b>15,095,784</b>	<b>18,164,448</b>
Net foreign exchange income/(loss)		9,768,677	(366,781)
Finance income	20	652,397	620,827
Finance costs	20	(956,435)	(900,709)
Share in (loss)/income of joint ventures	4	(6,050,330)	4,214,097
<b>Profit before income tax</b>		<b>18,510,093</b>	<b>21,731,882</b>
Income tax expense	21	(5,076,750)	(3,668,921)
<b>Net profit for the period</b>		<b>13,433,343</b>	<b>18,062,961</b>
<b>Earnings per share (in Tenge)</b>	9	<b>35</b>	<b>47</b>

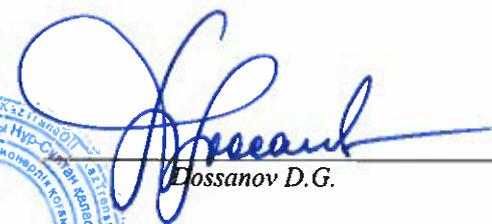
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**INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (continued)**

<i>In thousands of Tenge</i>	Note	For the three months ended 31 March (unaudited)	
		2020	2019
<b>Other comprehensive income</b>			
<i>Other comprehensive income/(loss) to be reclassified to profit or loss in subsequent periods</i>			
Exchange difference from translation of foreign operations of the Group		2,995,794	(696,413)
<b>Total other comprehensive income/(loss) to be reclassified to profit or loss in subsequent periods</b>		<b>2,995,794</b>	<b>(696,413)</b>
<i>Other comprehensive loss not to be reclassified to profit or loss in subsequent periods</i>			
Impairment of property, plant and equipment of the Group, net	3	(56,016,786)	(4,738,675)
Income tax effect	21	11,203,357	947,735
		<b>(44,813,429)</b>	<b>(3,790,940)</b>
Charge of provision for asset retirement and land reclamation obligation of the Group	14	(3,724,904)	-
Income tax effect	21	744,981	-
		<b>(2,979,923)</b>	<b>-</b>
Charge of provision for asset retirement and land reclamation obligation of the joint ventures		(1,526,061)	-
Income tax effect		305,212	-
	4	<b>(1,220,849)</b>	<b>-</b>
<b>Total other comprehensive loss not to be reclassified to profit or loss in subsequent periods, net</b>		<b>(49,014,201)</b>	<b>(3,790,940)</b>
<b>Total other comprehensive loss for the period, net of tax</b>		<b>(46,018,407)</b>	<b>(4,487,353)</b>
<b>Total comprehensive (loss)/income for the period, net of tax</b>		<b>(32,585,064)</b>	<b>13,575,608</b>

Signed and approved for issue on 27 May 2020.

General Director (Chairman of the Management Board)



Dossanov D.G.

Chief Accountant



Sarmagambetova M.K.

The accounting policy and explanatory notes on pages 8 through 29 form an integral part of these interim condensed consolidated financial statements.

**INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS**

<i>In thousands of Tenge</i>	Note	For the three months ended 31 March (unaudited)	
		2020	2019
<b>Cash flows from operating activities</b>			
Profit before income tax		18,510,093	21,731,882
<b>Non-cash adjustments to reconcile profit before tax to net cash flows</b>			
Depreciation and amortization	17, 18	13,712,494	13,802,364
Unrealized foreign exchange (income)/loss		(9,768,677)	366,781
Share in loss/(income) of joint ventures	4	6,050,330	(4,214,097)
Write-off of VAT recoverable	18,19	1,846,926	31,369
Finance costs	20	956,435	900,709
Finance income	20	(652,397)	(620,827)
Revision of estimates on provision for asset retirement and land reclamation obligation	14	621,592	-
Employee benefits obligations, current service costs	17, 18	177,942	136,097
Charge/(reversal) of expected credit losses, net	18	50,251	(125,903)
Loss on disposal of property, plant and equipment, net	19	28,676	1,253
Gain on disposal of non-current assets held for sale, net	19	(19,004)	(1,652)
Charge of other current provisions	14	446	1,497,039
Impairment of non-current assets held for sale	19	-	960,745
Others		(8,080)	(29,927)
<b>Operating cash flows before working capital changes</b>		<b>31,507,027</b>	<b>34,435,833</b>
<b>(Increase)/decrease in operating assets</b>			
Inventories		254,170	(204,916)
Trade and other accounts receivable		(1,146,367)	231,834
Advances to suppliers		35,962	(693,027)
VAT recoverable and other prepaid taxes		(1,325,751)	258,094
Other current assets		(211,912)	2,815,163
<b>Increase/(decrease) in operating liabilities</b>			
Trade and other accounts payable		(2,798,018)	(2,648,454)
Advances received		3,281,603	(353,838)
Other taxes payable		1,609,039	582,139
Other current and non-current liabilities and employee benefit obligations		(4,206,084)	(4,903,221)
<b>Cash generated from operating activities</b>		<b>26,999,669</b>	<b>29,519,607</b>
Income taxes paid		(4,923,282)	(5,520,532)
Interest received		403,721	552,376
<b>Net cash flows from operating activities</b>		<b>22,480,108</b>	<b>24,551,451</b>

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

<i>In thousands of Tenge</i>	Note	For the three months ended 31 March (unaudited)	
		2020	2019
<b>Cash flows from investing activities</b>			
Placement of bank deposits		-	(13,974,360)
Withdrawal of bank deposits		11,489,490	7,009,689
Purchase of property, plant and equipment and intangible assets		(9,975,063)	(6,753,434)
Proceeds from bonds redemption		37,958	14,986
Proceeds from disposal of property, plant and equipment and non-current assets held for sale		30,769	10,207
<b>Net cash flows received/(used) in investing activities</b>		<b>1,583,154</b>	<b>(13,692,912)</b>
<b>Cash flows from financing activities</b>			
Payment of lease liabilities		(1,189,829)	(1,079,519)
<b>Net cash flows used in financing activities</b>		<b>(1,189,829)</b>	<b>(1,079,519)</b>
<b>Net change in cash and cash equivalents</b>		<b>22,873,433</b>	<b>9,779,020</b>
Net foreign exchange difference		3,996,186	(62,137)
Change in allowance for expected credit losses		(10,688)	(1,019)
Cash and cash equivalents at the beginning of the period		28,649,091	33,278,843
<b>Cash and cash equivalents at the end of the period</b>	8	<b>55,508,022</b>	<b>42,994,707</b>

Signed and approved for issue on 27 May 2020.

General Director (Chairman of the Management Board)



*Dossanov D.G.*

Chief Accountant

*Sarmagametova M.K.*

*The accounting policy and explanatory notes on pages 8 through 29 form an integral part of these interim condensed consolidated financial statements.*

**INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**

<i>In thousands of Tenge</i>	Share capital	Treasury shares repurchased from shareholders	Asset revaluation reserve	Foreign currency translation reserve	Other capital reserves	Retained earnings	Total
<b>As at 31 December 2019 (audited)</b>	61,937,567	(9,549)	299,585,499	37,737,309	(1,893,432)	305,621,572	702,978,966
Net profit for the period	-	-	-	-	-	13,433,343	13,433,343
Other comprehensive (loss)/income	-	-	(49,014,201)	2,995,794	-	-	(46,018,407)
<b>Total comprehensive (loss)/income for the period</b>	-	-	(49,014,201)	2,995,794	-	13,433,343	(32,585,064)
Amortization of revaluation reserve for revalued property, plant and equipment	-	-	(5,072,540)	-	-	5,072,540	-
<b>As at 31 March 2020 (unaudited)</b>	61,937,567	(9,549)	245,498,758	40,733,103	(1,893,432)	324,127,455	670,393,902
<b>As at 31 December 2018 (audited)</b>	61,937,567	(9,549)	243,588,977	39,572,764	(72,146)	280,398,586	625,416,199
Change in accounting policy	-	-	-	-	-	(822,530)	(822,530)
<b>As at 1 January 2019 (restated)</b>	61,937,567	(9,549)	243,588,977	39,572,764	(72,146)	279,576,056	624,593,669
Net profit for the period	-	-	-	-	-	18,062,961	18,062,961
Other comprehensive loss	-	-	(3,790,940)	(696,413)	-	-	(4,487,353)
<b>Total comprehensive (loss)/income for the period</b>	-	-	(3,790,940)	(696,413)	-	18,062,961	13,575,608
Amortization of revaluation reserve for revalued property, plant and equipment	-	-	(4,858,416)	-	-	4,858,416	-
<b>As at 31 March 2019 (unaudited)</b>	61,937,567	(9,549)	234,939,621	38,876,351	(72,146)	302,497,433	638,169,277

Signed and approved for issue on 27 May 2020.

General Director (Chairman of the Management Board)



*Dossanov D.G.*

*Sarmaganbetova M.K.*

Chief Accountant

The accounting policy and explanatory notes on pages 8 through 29 form an integral part of these interim condensed consolidated financial statements.

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS****For the three months ended 31 March 2020****1. GENERAL INFORMATION**

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

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

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

As at 31 March 2020 10% of shares of the Company are owned by minority shareholders who acquired them within the “People’s IPO” program. The major shareholder of the Company, who owns the controlling interest of the Company (90%) is National Company “KazMunayGas” JSC (hereinafter – “KMG” or “Parent Company”). 90% of KMG shares are owned by Sovereign Wealth Fund “Samruk-Kazyna” JSC (hereinafter – “Samruk-Kazyna”), controlled by the Government of the Republic of Kazakhstan. 10% of KMG shares are owned by the National Bank of the Republic of Kazakhstan.

As at 31 March 2020 and 31 December 2019 the Company had interest ownership in the following companies:

	Place of incorporation	Principal activities	Ownership	
			31 March 2020	31 December 2019
“MunaiTas” LLP (hereinafter “MunaiTas”)	Kazakhstan	Oil transportation	51%	51%
“Kazakhstan-China Pipeline” LLP (hereinafter KCP)	Kazakhstan	Oil transportation	50%	50%
“Batumi Oil Terminal” (hereinafter “BOT”)*	Georgia	Forwarding, transshipment and storage of oil and oil products and operating of Batumi Sea Port	100%	100%
“Petrotrans Limited” (hereinafter “PTL”) **	United Arab Emirates	Forwarding of oil and oil products	100%	100%
“Main Waterline “ LLP	Kazakhstan	Water transportation	100%	100%

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

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

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

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

The Company has production facilities, which are located in Mangystau, Atyrau, Western-Kazakhstan, Aktubinsk, Karaganda, Pavlodar, Turkestan, North-Kazakhstan regions of the Republic of Kazakhstan and in Shymkent, also the Company has a branch, which is located in Almaty (Research and Development Centre) and representative offices in Russian Federation (Moscow, Omsk and Samara).

The Company is the national operator of the Republic of Kazakhstan on the main oil pipeline. The Group operates network of main oil pipelines of 5,378 km and water pipelines of 1,945 km. The company provides services on oil transportation via main pipelines, a transport expedition of Kazakhstani oil via pipeline networks of other states, services for the operation and maintenance of oil pipelines of other companies, including joint ventures of the Group. Group’s joint ventures MunaiTas and KCP own Kenkiyak – Atyrau, Kenkiyak – Kumkol, and Atasu – Alashankou pipelines mainly used for transportation of Kazakhstani crude oil, and also for transit of Russian oil to China.

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

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

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### 1. GENERAL INFORMATION (continued)

According to the Law of the Republic of Kazakhstan *On Natural Monopolies* transit of crude oil through the pipelines on the territory of the Republic of Kazakhstan and export from the Republic of Kazakhstan are excluded from the regulation of natural monopolies.

Starting from 1 January 2020, the temporary tariff for pumping oil to the domestic market is 4,109.50 Tenge per ton for 1,000 kilometers without VAT (from 1 January to 31 August 2019 – 4,721.72 Tenge per ton for 1,000 kilometers without VAT; from 1 September – 4,716.62 Tenge per 1 ton for 1,000 kilometers without VAT).

Starting from 1 April 2018 to 29 February 2020 tariff for pumping oil on export from the Republic of Kazakhstan equals to 6,398.92 Tenge per ton for 1,000 kilometers without VAT. Starting from 1 March 2020, the tariff for this service was increased to 7,358.76 Tenge per ton for 1,000 kilometers without VAT.

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

Starting from 1 January 2019 tariff for transportation of Russian oil through the territory of Kazakhstan to the People’s Republic of China on the route border of Russian Federation-border of Republic of Kazakhstan (Priirtyshsk) – Atasu (Republic of Kazakhstan) – Alashankou (People’s Republic of China) is 4.23 US Dollars per ton (in Priirtyshsk – Atasu sector).

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

These interim condensed consolidated financial statements were approved by internal audit committee of the Company’s Board of Directors and signed by the General Director (Chairman of the Management Board) and the Chief Accountant on 27 May 2020.

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

#### Basis of preparation

The interim condensed consolidated financial statements for the three months ended 31 March 2020 have been prepared in accordance with International Financial Reporting Standards (hereafter – “IFRS”) IAS 34 *Interim Financial Reporting*.

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

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 2019.

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

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

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

#### **New and amended standards and interpretations applied by the Group**

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2019, except for the adoption of new standards and interpretations effective as of 1 January 2020. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

Some amendments are applied for the first time in 2020. The nature and the impact of each new standard and amendment are described below:

#### *Revised version of Conceptual Framework for Financial Reporting*

In March 2018, the IASB issued a revised version of *Conceptual Framework for Financial Reporting*. In particular, the revised version introduces new definitions of assets and liabilities, as well as amended definitions of income and expenses. The new version is effective for annual periods starting on or after 1 January 2020. The revised version of *Conceptual Framework* had no impact on the interim condensed consolidated financial statements.

#### *Amendments to IFRS 3 Definition of a Business Combinations*

In October 2018, the IASB issued amendments to IFRS 3 *Business Combinations*. The amendments enhance definition of a business set out by the standard. The amendments are effective for acquisitions to occur on or after 1 January 2020. Since the amendments apply prospectively to transactions or other events after the date of first application, these amendments had no impact on the interim condensed consolidated financial statements.

#### *Amendments to IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors*

In October 2018, the IASB issued amendments to IAS 1 *Presentation of Financial Statements* and IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*. Amendments to IAS 1 and IAS 8 introduce the new definition of materiality. The amendments to IAS 1 and IAS 8 are effective on or after 1 January 2020. The amendments to the definition of materiality had no significant impact on its interim condensed consolidated financial statements.

#### *Amendments to IFRS 7 Financial instruments: Disclosures and IFRS 9 Financial Instruments Named Interest Rate Benchmark Reform*

In September 2019, the IASB issued amendments to IFRS 7 *Financial instruments: Disclosures* and IFRS 9 *Financial Instruments Named Interest Rate Benchmark Reform*. The amendments provide relief from certain requirements of hedge accounting, as their fulfillment can lead to discontinuation of hedge accounting due to uncertainty caused by the reform. The amendments are effective on or after 1 January 2020. The amendments had no material effect on the interim condensed consolidated financial statements.

#### **Seasonality of operations**

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

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

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

#### Foreign currency translation

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

Weighted average currency exchange rates for the three months ended 31 March 2020 and 2019 are as follows:

<i>Tenge</i>	<b>For the three months ended 31 March</b>	
	<b>2020</b>	2019
US Dollars	<b>391.72</b>	378.04
Russian Rubles	<b>5.89</b>	5.73
Euro	<b>431.82</b>	429.41
Georgian Lari	<b>135.87</b>	142.40

As at 31 March 2020 and 31 December 2019 the currency exchange rates of KASE are:

<i>Tenge</i>	<b>31 March 2020</b>	31 December 2019
US Dollars	<b>447.67</b>	382.59
Russian Rubles	<b>5.74</b>	6.16
Euro	<b>491.36</b>	429
Georgian Lari	<b>138.17</b>	134.48

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

Property, plant and equipment as at 31 March 2020 and 31 December 2019 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 2019 (audited)</b>	23,949,576	233,143,081	19,294,537	87,817,200	165,639,253	166,121,927	10,110,133	49,263,659	755,339,366
Foreign currency translation	<b>3,035,786</b>	-	<b>347,104</b>	<b>236,752</b>	<b>368,492</b>	-	<b>6,825</b>	<b>32,779</b>	<b>4,027,738</b>
Additions	-	-	<b>65,700</b>	-	<b>4,910</b>	-	-	<b>6,978,197</b>	<b>7,048,807</b>
Additions of asset retirement and land reclamation obligation (Note 14)	-	<b>233,363</b>	-	-	-	-	-	-	<b>233,363</b>
Disposals	-	<b>(77,683)</b>	<b>(4,238)</b>	<b>(682)</b>	<b>(53,242)</b>	<b>(49)</b>	<b>(37,171)</b>	<b>(1,512)</b>	<b>(174,577)</b>
Revaluation/(impairment) (through revaluation reserve)	-	<b>65,834</b>	-	-	-	<b>(56,082,480)</b>	-	-	<b>(56,016,646)</b>
Transfers to non-current assets held for sale	-	-	<b>(10,047)</b>	-	-	-	-	-	<b>(10,047)</b>
Transfers to intangible assets	-	-	-	-	-	-	-	<b>(7,356)</b>	<b>(7,356)</b>
Transfers from construction in progress	-	<b>7,300,558</b>	<b>256,979</b>	<b>2,926,343</b>	<b>2,617,744</b>	-	<b>162,714</b>	<b>(13,264,338)</b>	-
Transfers and reclassifications	-	-	<b>(83,860)</b>	<b>52,085</b>	<b>25,593</b>	-	<b>6,182</b>	-	-
<b>At revalued amount as at 31 March 2020 (unaudited)</b>	<b>26,985,362</b>	<b>240,665,153</b>	<b>19,866,175</b>	<b>91,031,698</b>	<b>168,602,750</b>	<b>110,039,398</b>	<b>10,248,683</b>	<b>43,001,429</b>	<b>710,440,648</b>
<b>Accumulated depreciation and impairment as at 31 December 2019 (audited)</b>	-	(5,385,993)	(1,176,504)	(2,616,469)	(10,120,061)	-	(1,618,342)	-	(20,917,369)
Foreign currency translation	-	-	<b>(26,270)</b>	<b>(11,453)</b>	<b>(35,687)</b>	-	<b>(2,943)</b>	-	<b>(76,353)</b>
Depreciation charge	-	<b>(3,538,941)</b>	<b>(718,290)</b>	<b>(1,681,039)</b>	<b>(6,370,625)</b>	-	<b>(876,215)</b>	-	<b>(13,185,110)</b>
Disposals	-	<b>47,769</b>	<b>2,010</b>	<b>591</b>	<b>46,184</b>	-	<b>37,171</b>	-	<b>133,725</b>
Impairment (through profit and loss)	-	<b>(35)</b>	-	-	-	-	-	-	<b>(35)</b>
Impairment (through revaluation reserve)	-	<b>(140)</b>	-	-	-	-	-	-	<b>(140)</b>
Transfers to non-current assets held for sale	-	-	<b>2,409</b>	-	-	-	-	-	<b>2,409</b>
Transfers and reclassifications	-	-	<b>980</b>	<b>12</b>	<b>(965)</b>	-	<b>(27)</b>	-	-
<b>Accumulated depreciation and impairment as at 31 March 2020 (unaudited)</b>	-	<b>(8,877,340)</b>	<b>(1,915,665)</b>	<b>(4,308,358)</b>	<b>(16,481,154)</b>	-	<b>(2,460,356)</b>	-	<b>(34,042,873)</b>

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

<i>In thousands of Tenge</i>	Land	Pipelines	Transportation assets	Buildings and constructions	Machinery and equipment	Technological oil	Other	Construction in progress	Total
<b>As at 31 March 2020 (unaudited)</b>									
At revalued amount	26,985,362	240,665,153	19,866,175	91,031,698	168,602,750	110,039,398	10,248,683	43,001,429	710,440,648
Accumulated depreciation and impairment	–	(8,877,340)	(1,915,665)	(4,308,358)	(16,481,154)	–	(2,460,356)	–	(34,042,873)
<b>Net book value</b>	<b>26,985,362</b>	<b>231,787,813</b>	<b>17,950,510</b>	<b>86,723,340</b>	<b>152,121,596</b>	<b>110,039,398</b>	<b>7,788,327</b>	<b>43,001,429</b>	<b>676,397,775</b>
<b>As at 31 December 2019 (audited)</b>									
At revalued amount	23,949,576	233,143,081	19,294,537	87,817,200	165,639,253	166,121,927	10,110,133	49,263,659	755,339,366
Accumulated depreciation and impairment	–	(5,385,993)	(1,176,504)	(2,616,469)	(10,120,061)	–	(1,618,342)	–	(20,917,369)
<b>Net book value</b>	<b>23,949,576</b>	<b>227,757,088</b>	<b>18,118,033</b>	<b>85,200,731</b>	<b>155,519,192</b>	<b>166,121,927</b>	<b>8,491,791</b>	<b>49,263,659</b>	<b>734,421,997</b>

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

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

As at 31 March 2020 construction in progress mainly includes the following production facilities:

- Overhaul with replacement of the separate sections of the Uzen – Atyrau – Samara main oil pipeline;
- Replacement and reconstruction of the objects of main oil pipeline (communication lines, power supply, automation system and other).

As at 31 March 2020:

- The initial cost and corresponding accumulated depreciation of fully depreciated property, plant and equipment still in use were 1,054,560 thousand Tenge (as at 31 December 2019: 1,030,764 thousand Tenge);
- Construction in progress included materials and spare parts in the amount of 3,502,367 thousand Tenge (as at 31 December 2019: 3,669,128 thousand Tenge), which were acquired for construction works.

Depreciation for three months ended 31 March 2020, included in the cost of construction in progress amounted to 6,620 thousand Tenge (for three months ended 31 March 2019: 7,622 thousand Tenge).

Due to significant changes in the oil price on domestic market, the fair value of the Group's technological oil as at 31 March 2020 was reduced for the amount of 56,082,480 thousand Tenge. Oil price as at 31 March 2020 was 42,244 Tenge per ton (as at 31 December 2019: 63,774 Tenge per ton), the volume of oil in pipelines, included in property, plant, and equipment, amounted 2,605 thousand tons (as at 31 December 2019: 2,605 thousand tons).

### 4. INVESTMENTS IN JOINT VENTURES

Investments in joint ventures as at 31 March 2020 and 31 December 2019 are as follows:

<i>In thousands of Tenge</i>	<b>31 March 2020 (unaudited)</b>	31 December 2019 (audited)
Investments in MunaiTas	<b>25,605,341</b>	25,447,935
Investments in KCP	<b>22,138,819</b>	29,567,404
<b>Total</b>	<b>47,744,160</b>	55,015,339

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

<i>In thousands of Tenge</i>	<b>Total</b>
<b>As at 31 December 2019 (audited)</b>	55,015,339
Share in loss of joint ventures	<b>(6,050,330)</b>
Share in other comprehensive income of joint ventures	<b>(1,220,849)</b>
<b>As at 31 March 2020 (unaudited)</b>	<b>47,744,160</b>

The Company's share in comprehensive (loss)/income of joint ventures for the three months periods ended 31 March 2020 and 2019 is as follows:

<i>In thousands of Tenge</i>	<b>For the three months ended 31 March (unaudited)</b>	
	2020	2019
<b>Share in (loss)/income of joint ventures</b>		
KCP	<b>(6,413,458)</b>	3,850,043
MunaiTas	<b>363,128</b>	364,054
<b>Total share in (loss)/income of joint ventures</b>	<b>(6,050,330)</b>	4,214,097
<b>Share in other comprehensive loss of joint ventures</b>		
KCP	<b>(1,015,127)</b>	-
MunaiTas	<b>(205,722)</b>	-
<b>Total share in other comprehensive loss of joint ventures</b>	<b>(1,220,849)</b>	-
<b>Total share in comprehensive (loss)/income of joint ventures</b>	<b>(7,271,179)</b>	4,214,097

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

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

The decrease in the value of investments in KCP is related with recognition by joint venture of foreign exchange loss on loans denominated in US Dollars.

### 5. TRADE AND OTHER ACCOUNTS RECEIVABLE

Trade and other accounts receivable as at 31 March 2020 and 31 December 2019 are as follows:

<i>In thousands of Tenge</i>	<b>31 March 2020 (unaudited)</b>	31 December 2019 (audited)
Trade accounts receivable from third parties	<b>96,697</b>	82,639
Other accounts receivable from third parties	<b>1,171,966</b>	1,123,472
Less: allowance for expected credit losses	<b>(77,485)</b>	(77,485)
<b>Total</b>	<b>1,191,178</b>	1,128,626

Short-term trade and other accounts receivable as at 31 March 2020 and 31 December 2019 are as follows:

<i>In thousands of Tenge</i>	<b>31 March 2020 (unaudited)</b>	31 December 2019 (audited)
Trade accounts receivable from third parties	<b>7,506,977</b>	7,406,294
Trade accounts receivable from related parties (Note 23)	<b>4,440,112</b>	2,446,713
Other accounts receivable from third parties	<b>758,123</b>	767,842
Other accounts receivable from related parties (Note 23)	<b>509</b>	509
Less: allowance for expected credit losses	<b>(5,380,367)</b>	(4,763,120)
<b>Total</b>	<b>7,325,354</b>	5,858,238

Trade and other accounts receivable as at 31 March 2020 and 31 December 2019 are denominated in the following currencies:

<i>In thousands of Tenge</i>	<b>31 March 2020 (unaudited)</b>	31 December 2019 (audited)
Tenge	<b>6,063,052</b>	5,152,735
US Dollars	<b>1,168,866</b>	693,253
Russian Ruble	<b>2,111</b>	2,303
Other currency	<b>91,325</b>	9,947
<b>Total</b>	<b>7,325,354</b>	5,858,238

### 6. OTHER CURRENT ASSETS

Other current assets as at 31 March 2020 and 31 December 2019 are as follows:

<i>In thousands of Tenge</i>	<b>31 March 2020 (unaudited)</b>	31 December 2019 (audited)
Due for oil transportation coordination services	<b>6,632,435</b>	6,726,960
Prepaid insurance	<b>332,659</b>	35,760
Due from employees	<b>38,123</b>	31,905
Deferred expenses	<b>31,096</b>	34,805
Other	<b>52,636</b>	30,206
<b>Total</b>	<b>7,086,949</b>	6,859,636

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

### 7. BANK DEPOSITS

Bank deposits as at 31 March 2020 and 31 December 2019 are as follows:

<i>In thousands of Tenge</i>	<b>31 March 2020 (unaudited)</b>	31 December 2019 (audited)
Short-term bank deposits – US Dollar	<b>40,290,299</b>	45,910,799
Long-term bank deposits – Tenge	<b>2,014,191</b>	2,158,180
Accrued interest on deposits – US Dollar	<b>129,308</b>	69,414
Accrued interest on deposits – Tenge	<b>17,318</b>	39,791
Less: allowance for expected credit losses	<b>(49,395)</b>	(78,017)
<b>Total</b>	<b>42,401,721</b>	48,100,167

In accordance with the maturity, bank deposits as at 31 March 2020 and 31 December 2019 are as follows:

<i>In thousands of Tenge</i>	<b>31 March 2020 (unaudited)</b>	31 December 2019 (audited)
Short-term bank deposits with maturity under 1 year	<b>40,404,567</b>	45,960,400
Long-term bank deposits with maturity over 1 year	<b>1,997,154</b>	2,139,767
<b>Total</b>	<b>42,401,721</b>	48,100,167

As at 31 March 2020 bank deposits comprised the following:

- US Dollar denominated short-term deposits with maturity from 3 to 12 months, with interest from 0.65% to 0.9% per annum (as at 31 December 2019: from 0.5% per annum), maturing from April to June 2020 (as at 31 December 2019: maturing from January to June 2020);
- Restricted long-term bank deposits with interest from 2% to 3.4% per annum maturing in 2028 and in 2027, respectively (as at 31 December 2019: from 2% to 3.4% per annum maturing in 2028 and in 2027, respectively), arranged for the purpose of preferential lending rates for the Company's employees for the purchase of residential property.

### 8. CASH AND CASH EQUIVALENTS

Cash and cash equivalents as at 31 March 2020 and 31 December 2019 are as follows:

<i>In thousands of Tenge</i>	<b>31 March 2020 (unaudited)</b>	31 December 2019 (audited)
Current accounts with banks – US Dollars	<b>29,313,751</b>	4,365,671
Time deposits with banks – Tenge	<b>21,500,971</b>	19,238,432
Current accounts with banks – Tenge	<b>3,585,499</b>	2,920,193
Current accounts with banks – Lari	<b>968,758</b>	2,080,907
Current accounts with banks – Russian Ruble	<b>85,891</b>	32,182
Current accounts with banks – Euro	<b>53,273</b>	22,573
Other current accounts with banks	<b>23,276</b>	23,175
Cash on hand	<b>237</b>	280
Allowance for expected credit losses	<b>(23,634)</b>	(34,322)
<b>Total</b>	<b>55,508,022</b>	28,649,091

As at 31 March 2020:

- Current accounts and time deposits with maturity less than 3 months placed in Tenge, interest was accrued at rates from 6.49% to 8.2% per annum (as at 31 December 2019: from 6.75% to 8.60% per annum);
- Interest for current accounts and time deposits with maturity less than 3 months placed in US Dollars ranged from 0.25% to 4% per annum (as at 31 December 2019: from 0.25% to 4% per annum).

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

### 9. EQUITY

#### Asset revaluation reserve

The change in Group's revaluation reserve for property, plant and equipment for the three months ended 31 March 2020 is mainly due to impairment of the technological oil of the Group (*Note 3*), revision of estimates of provision for asset retirement and land recultivation obligation and the depreciation of this reserve.

#### Foreign currency translation reserve

As at 31 March 2020 foreign currency translation reserve was equal to 40,733,103 thousand Tenge (as at 31 December 2019: 37,737,309 thousand Tenge). Change in foreign currency translation reserve is due to the translation of the operations of the foreign subsidiaries.

#### Earnings per share

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

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

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

<i>In thousands of Tenge</i>	<b>For the three months ended 31 March (unaudited)</b>	
	<b>2020</b>	2019
Net profit for the period attributable to ordinary equity holders of the Parent of the Group	<b>13,433,343</b>	18,062,961
Weighted average number of ordinary shares for basic earnings per share	<b>384,628,099</b>	384,628,099
<b>Basic earnings per share, in relation to profit for the period attributable to ordinary equity holders of the Company, as a Parent of the Group (in Tenge)</b>	<b>35</b>	47

#### Book value per ordinary share

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

<i>In thousands of Tenge</i>	<b>31 March 2020 (unaudited)</b>	31 December 2019 (audited)
<b>Total assets</b>	<b>867,885,706</b>	912,813,470
Less: intangible assets	<b>(7,707,073)</b>	(7,728,097)
Less: total liabilities	<b>(197,491,804)</b>	(209,834,504)
<b>Net assets for calculation of book value per ordinary share</b>	<b>662,686,829</b>	695,250,869
Number of ordinary shares	<b>384,628,099</b>	384,628,099
<b>Book value per ordinary share (in Tenge)</b>	<b>1,723</b>	1,808

### 10. DEFERRED INCOME

As at 31 March 2020 deferred income represents a guarantee of the group in the amount of 9,453,718 thousand Tenge (as at 31 December 2019: 8,141,994 thousand Tenge), ensuring the provision of individual BSP assets for long-term lease to a counterparty.

The change in the amount of these liabilities as at 31 March 2020 is due to change currency exchange rates at the reporting date and amortization of liabilities for the period.

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

### 11. TRADE AND OTHER ACCOUNTS PAYABLE

Trade and other accounts payable as at 31 March 2020 and 31 December 2019 are as follows:

<i>In thousands of Tenge</i>	<b>31 March 2020 (unaudited)</b>	31 December 2019 (audited)
Accounts payable to third parties for goods and services	<b>6,535,685</b>	10,318,431
Accounts payable to related parties for goods and services (Note 23)	<b>701,705</b>	3,743,715
Other accounts payable to third parties	<b>859,662</b>	1,116,797
Other accounts payable to related parties (Note 23)	<b>144,225</b>	4,181
<b>Total</b>	<b>8,241,277</b>	15,183,124

As at 31 March 2020 trade and other accounts payable included payables to related and third parties, related to the construction-in-progress in the amount of 3,640,962 thousand Tenge (as at 31 December 2019: 7,730,268 thousand Tenge).

Trade and other accounts payable as at 31 March 2020 and 31 December 2019 are denominated in the following currencies:

<i>In thousands of Tenge</i>	<b>31 March 2020 (unaudited)</b>	31 December 2019 (audited)
Tenge	<b>7,465,425</b>	14,576,983
US Dollars	<b>343,732</b>	179,750
Euro	<b>31,400</b>	23,667
Russian Roubles	<b>6,769</b>	4,830
Other currency	<b>393,951</b>	397,894
<b>Total</b>	<b>8,241,277</b>	15,183,124

### 12. ADVANCES RECEIVED

Other taxes payable as at 31 March 2020 and 31 December 2019 are as follows:

<i>In thousands of Tenge</i>	<b>31 March 2020 (unaudited)</b>	31 December 2019 (audited)
Advances received from related parties (Note 23)	<b>13,323,665</b>	11,220,896
Advances received from third parties	<b>8,465,336</b>	7,258,086
<b>Total</b>	<b>21,789,001</b>	18,478,982

### 13. OTHER TAXES PAYABLE

Other taxes payable as at 31 March 2020 and 31 December 2019 are as follows:

<i>In thousands of Tenge</i>	<b>31 March 2020 (unaudited)</b>	31 December 2019 (audited)
Personal income tax	<b>3,296,025</b>	3,382,103
VAT payable	<b>2,047,263</b>	19,067
Withholding tax at the source of payment to non-residents	<b>1,095,448</b>	1,071,635
Social tax	<b>613,516</b>	708,284
Property tax	<b>157,477</b>	126,139
Other taxes	<b>400,460</b>	390,338
<b>Total</b>	<b>7,610,189</b>	5,697,566

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

### 14. PROVISIONS

Movements in provisions for the three months ended 31 March 2020 and 2019 are as follows:

#### Short-term provisions

<i>In thousands of Tenge</i>	Tax provisions (BOT)	Provision on compensating tariff (Company)	Sponsorship (Company)	Other provisions	Total
<b>As at 31 December 2019 (audited)</b>	179,052	2,972	–	124,529	306,553
Charge for the period	–	–	–	446	446
Used in the reporting period	–	(143)	–	–	(143)
Foreign currency translation	4,045	–	–	14,188	18,233
<b>As at 31 March 2020 (unaudited)</b>	<b>183,097</b>	<b>2,829</b>	<b>–</b>	<b>139,163</b>	<b>325,089</b>
<b>As at 31 December 2018 (audited)</b>	192,484	1,046,994	–	396,126	1,635,604
Charge for the period	–	–	1,200,000	297,039	1,497,039
Foreign currency translation	(3,224)	–	–	(3,844)	(7,068)
<b>As at 31 March 2019 (unaudited)</b>	189,260	1,046,994	1,200,000	689,321	3,125,575

#### Long-term provisions

##### *Asset retirement and land reclamation obligation*

The movement of provision for asset retirement and land reclamation obligation for the three months ended 31 March 2020 and 2019 is as follows:

<i>In thousands of Tenge</i>	2020	2019
<b>As at 1 January (audited)</b>	<b>27,780,887</b>	21,109,397
Charge for the period through asset (Note 3)	<b>233,363</b>	–
Unwinding of discount on asset retirement and land reclamation obligation (Note 20)	<b>504,336</b>	455,271
Revision of estimates through profit and loss (Note 19)	<b>621,592</b>	–
Revision of estimates through other comprehensive income	<b>3,724,904</b>	–
<b>As at 31 March (unaudited)</b>	<b>32,865,082</b>	21,564,668

As at 31 March 2020 the Group revised the long-term provisions considering current best estimate, which was based on the discount rate of 6.44% (as at 31 December 2019: 7.46%). As at 31 March 2020 the inflation rate was 5.61% (as at 31 December 2019: 5.48%).

### 15. OTHER CURRENT LIABILITIES

Other current liabilities as at 31 March 2020 and 31 December 2019 are as follows:

<i>In thousands of Tenge</i>	31 March 2020 (unaudited)	31 December 2019 (audited)
Accounts payable for oil transportation coordination services to related parties (Note 23)	<b>8,278,317</b>	8,193,956
Salaries and other compensations	<b>7,248,189</b>	11,099,128
Accounts payable for oil transportation coordination services to third parties	<b>5,177,469</b>	5,192,306
Accounts payable to pension fund	<b>817,724</b>	870,184
Current portion of deferred income from third parties	<b>674,874</b>	576,806
Other accruals	<b>252,961</b>	341,844
<b>Total</b>	<b>22,449,534</b>	26,274,224

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

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)****16. REVENUE**

Revenue for the three months ended 31 March 2020 and 2019 are as follows:

<i>In thousands of Tenge</i>	For three months ended 31 March 2020 (unaudited)				
	Oil transportation and related services	Oil transshipment	Water transportation	Others	Total for segments
Crude oil transportation	46,777,016	-	-	-	46,777,016
Pipeline operation and maintenance services	4,021,846	-	-	-	4,021,846
Water transportation	-	-	1,799,711	-	1,799,711
Fees for undelivered oil volumes	1,113,840	-	-	-	1,113,840
Seaport services	-	-	-	1,384,338	1,384,338
Oil, oil-products and gas transshipment and railway shipment	-	1,351,042	-	-	1,351,042
Oil transportation coordination services	160,623	-	-	-	160,623
Oil storage services	14,298	-	-	-	14,298
Other	15,682	-	422	169,615	185,719
<b>Total for segments</b>	<b>52,103,305</b>	<b>1,351,042</b>	<b>1,800,133</b>	<b>1,553,953</b>	<b>56,808,433</b>
<b>Geographic regions of customers</b>					
Kazakhstan	46,218,320	895,864	1,800,133	-	48,914,317
Russia	5,884,985	-	-	-	5,884,985
Georgia	-	368,217	-	1,553,953	1,922,170
Others	-	86,961	-	-	86,961
<b>Total revenue under contracts with customers</b>	<b>52,103,305</b>	<b>1,351,042</b>	<b>1,800,133</b>	<b>1,553,953</b>	<b>56,808,433</b>
<b>Timing of revenue recognition</b>					
At a point in time	48,081,459	1,351,042	1,800,133	1,553,953	52,786,587
Over time	4,021,846	-	-	-	4,021,846
<b>Total revenue under contracts with customers</b>	<b>52,103,305</b>	<b>1,351,042</b>	<b>1,800,133</b>	<b>1,553,953</b>	<b>56,808,433</b>

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)****16. REVENUE (continued)**

<i>In thousands of Tenge</i>	For three months ended 31 March 2019 (unaudited)				
	Oil transportation and related services	Oil transshipment	Water transportation	Others	Total for segments
Crude oil transportation	50,400,027	-	-	-	50,400,027
Pipeline operation and maintenance services	3,944,317	-	-	-	3,944,317
Water transportation	-	-	1,812,538	-	1,812,538
Fees for undelivered oil volumes	1,175,419	-	-	-	1,175,419
Seaport services	-	-	-	1,162,473	1,162,473
Oil, oil-products and gas transshipment and railway shipment	-	972,319	-	-	972,319
Oil transportation coordination services	175,513	-	-	-	175,513
Oil storage services	23,446	-	-	-	23,446
Other	30,063	-	2,785	122,107	154,955
<b>Total for segments</b>	<b>55,748,785</b>	<b>972,319</b>	<b>1,815,323</b>	<b>1,284,580</b>	<b>59,821,007</b>
<b>Geographic regions of customers</b>					
Kazakhstan	49,871,940	-	1,815,323	-	51,687,263
Russia	5,876,845	-	-	-	5,876,845
Georgia	-	402,991	-	1,284,580	1,687,571
Others	-	569,328	-	-	569,328
<b>Total revenue under contracts with customers</b>	<b>55,748,785</b>	<b>972,319</b>	<b>1,815,323</b>	<b>1,284,580</b>	<b>59,821,007</b>
<b>Timing of revenue recognition</b>					
At a point in time	51,804,468	972,319	1,815,323	1,284,580	55,876,690
Over time	3,944,317	-	-	-	3,944,317
<b>Total revenue under contracts with customers</b>	<b>55,748,785</b>	<b>972,319</b>	<b>1,815,323</b>	<b>1,284,580</b>	<b>59,821,007</b>

For the three months ended 31 March 2020 the revenue from the three major customers amounted to 12,818,993 thousand Tenge, 7,603,528 thousand Tenge and 3,091,766 thousand Tenge, respectively (for the three months ended 31 March 2019: 13,276,579 thousand Tenge, 8,296,927 thousand Tenge and 3,909,118 thousand Tenge, respectively).

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

### 17. COST OF SALES

Cost of sales for the three months ended 31 March 2020 and 2019 are as follows:

<i>In thousands of Tenge</i>	For the three months ended 31 March (unaudited)	
	2020	2019
Depreciation and amortization	13,302,356	13,443,715
Personnel cost	13,060,263	11,491,193
Taxes other than income tax	2,373,564	2,129,283
Electric energy	1,740,749	1,804,876
Security services	1,425,436	1,305,005
Repair and maintenance	1,301,267	1,196,466
Materials and fuel	1,254,028	1,068,597
Gas expense	972,691	963,996
Railway services	695,303	321,712
Food and accomodation	478,378	502,047
Post-employment benefits	169,893	126,747
Insurance	162,233	154,292
Business trip expenses	160,894	160,377
Communication services	89,455	109,185
Outstaffing services	83,500	80,384
Environmental protection	70,620	84,288
Air services	-	232,315
Other	358,666	409,433
<b>Total</b>	<b>37,699,296</b>	<b>35,583,911</b>

The increase in personnel costs in the reporting period is mainly due to the indexation of salary, as well as changes in the wage system for employees of the Company's production divisions.

The lack of air services in the reporting period is due to a temporary cessation of flights from the second quarter of 2019.

### 18. GENERAL AND ADMINISTRATIVE EXPENSES

General and administrative expenses for the three months ended 31 March 2020 and 2019 are as follows:

<i>In thousands of Tenge</i>	For the three months ended 31 March (unaudited)	
	2020	2019
Personnel costs	1,810,344	1,732,391
Depreciation and amortization	410,138	358,649
Office maintenance	147,170	128,058
Repair and maintenance	65,669	74,237
Taxes other than income tax	64,380	80,499
Charge/(reversal) of allowance for expected credit losses, net	50,251	(125,903)
Outstaffing services	49,132	51,839
Business trip expenses	43,296	72,426
Information services	33,494	30,129
Consulting services	28,378	27,796
Communication services	27,880	39,528
Materials and fuel	25,099	16,757
Write-off of VAT recoverable	23,223	31,369
Bank costs	17,947	17,374
Insurance and security	9,124	16,306
Charity expenses	8,618	2,207,939
Post-employment benefits	8,049	9,350
Administrative fines	-	297,039
Other	163,459	203,224
<b>Total</b>	<b>2,985,651</b>	<b>5,269,007</b>

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

### 18. GENERAL AND ADMINISTRATIVE EXPENSES (continued)

Charity expenses for 3 months of 2019 are due to provision of sponsorship by the Company for the construction of a facility in Turkestan in the amount of 2,200,000 thousand Tenge.

### 19. OTHER OPERATING INCOME AND EXPENSES

Other operating income for the three months ended 31 March 2020 and 2019 are as follows:

<i>In thousands of Tenge</i>	For the three months ended 31 March (unaudited)	
	2020	2019
Income from fines and penalties	1,387,103	79,560
Amortization of deferred revenue	63,128	60,926
Income from sale of non-current assets held for sale, net	19,004	1,652
Income from disposal of inventories, net	8,640	12,423
Other income	5,454	11,272
<b>Total</b>	<b>1,483,329</b>	<b>165,833</b>

Other operating expenses for the three months ended 31 March 2020 and 2019 are as follows:

<i>In thousands of Tenge</i>	For the three months ended 31 March (unaudited)	
	2020	2019
Loss on write-off of VAT	1,823,703	-
Revision of estimates on provision on asset retirement and land reclamation obligation (Note 14)	621,592	-
Loss on disposal of property, plant and equipment, net	28,676	1,253
Impairment of non-current assets held for sale	-	960,745
Other expenses	37,060	7,476
<b>Total</b>	<b>2,511,031</b>	<b>969,474</b>

### 20. FINANCE INCOME AND EXPENSES

Finance income for the three months ended 31 March 2020 and 2019 is as follows:

<i>In thousands of Tenge</i>	For the three months ended 31 March (unaudited)	
	2020	2019
Interest income on bank deposits and current accounts	473,083	561,932
Income from revision the fair value of bonds	89,110	46,800
Unwinding of discount on long-term receivables	48,801	-
Reversal of provision for expected credit losses of cash and cash equivalents, bank deposits, net	37,629	8,014
Other finance income	3,774	4,081
<b>Total</b>	<b>652,397</b>	<b>620,827</b>

Finance expenses for the three months ended 31 March 2020 and 2019 are as follows:

<i>In thousands of Tenge</i>	For the three months ended 31 March (unaudited)	
	2020	2019
Unwinding of discount on asset retirement and land reclamation obligation (Note 14)	504,336	455,271
Interest cost on employee benefit obligations	295,701	280,469
Unwinding of discount on lease liabilities	156,398	164,969
<b>Total</b>	<b>956,435</b>	<b>900,709</b>

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

### 21. INCOME TAX EXPENSE

Income tax expenses for the three months ended 31 March 2020 and 2019 are as follows:

<i>In thousands of Tenge</i>	For the three months ended 31 March (unaudited)	
	2020	2019
Current income tax expense	5,736,254	4,488,811
Adjustments of the past periods	69,953	(83,663)
Deferred income tax benefits	(729,457)	(736,227)
<b>Income tax expense</b>	<b>5,076,750</b>	<b>3,668,921</b>

Movement in deferred tax liabilities for the three months ended 31 March 2020 and 2019 are as follows:

<i>In thousands of Tenge</i>	2020	2019
<b>As at January 1 (audited)</b>	<b>80,564,703</b>	67,394,342
Charged to other comprehensive income	(11,948,338)	(947,735)
Charged to profit and loss	(729,457)	(736,227)
Foreign currency translation	126	–
Changes in accounting policy	–	(106,009)
<b>As at 31 March (unaudited)</b>	<b>67,887,034</b>	<b>65,604,371</b>

### 22. SEGMENT INFORMATION

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

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

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

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

Services on transshipment of oil, oil-products and gas through BSP with operation of BOT are included in “Oil transshipment” segment. Revenue from oil terminal is generated through storage, transshipment of oil, oil-products and gas and expedition. Expedition services rendered by PTL, represent transshipment of oil, oil-products and gas services through railway from Azerbaijanian-Georgian border to oil 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)

### 23. RELATED PARTY TRANSACTIONS

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

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

The following tables provide the total amount of transactions, which have been entered into with related parties during three months ended 31 March 2020 and 2019 and the related balances as at 31 March 2020 and 31 December 2019:

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

<i>In thousands of Tenge</i>	<b>Note</b>	<b>31 March 2020 (unaudited)</b>	31 December 2019 (audited)
<b>Trade and other accounts receivable from related parties</b>			
Trade accounts receivable from joint ventures of the Company		2,517,140	931,715
Trade accounts receivable from entities under common control of Samruk-Kazyna Group		973,445	875,953
Trade accounts receivable from entities under common control of KMG		949,527	639,045
<b>Total trade accounts receivable from related parties</b>	5	<b>4,440,112</b>	2,446,713
Other accounts receivables from entities under common control of KMG and Samruk-Kazyna Group			
		509	509
<b>Total other accounts receivable from related parties</b>	5	<b>509</b>	509
Less: allowance for expected credit losses		(3,390)	(4,586)
<b>Total trade and other accounts receivable from related parties</b>		<b>4,437,231</b>	2,442,636

Advances provided to related parties are as follows:

<i>In thousands of Tenge</i>		<b>31 March 2020 (unaudited)</b>	31 December 2019 (audited)
<b>Advances paid to related parties</b>			
Advances paid to entities under common control of KMG		371,411	548,107
Advances paid to entities under common control of Samruk-Kazyna Group		14	1,105
<b>Total advances paid to related parties</b>		<b>371,425</b>	549,212

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

### 23. RELATED PARTY TRANSACTIONS (continued)

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

<i>In thousands of Tenge</i>	<b>Note</b>	<b>31 March 2020 (unaudited)</b>	31 December 2019 (audited)
<b>Trade accounts payable to related parties for goods and services</b>			
Trade accounts payable to entities under common control of KMG		<b>627,597</b>	815,957
Trade accounts payable to entities under common control of Samruk-Kazyna Group		<b>69,097</b>	2,919,074
Trade accounts payable to joint ventures		<b>5,011</b>	8,684
<b>Total trade accounts payable to related parties for goods and services</b>	<b>11</b>	<b>701,705</b>	<b>3,743,715</b>
<b>Other payables to related parties</b>			
Other payables to entities under common control of Samruk-Kazyna Group		<b>133,667</b>	2,344
Other payables to entities under common control of KMG		<b>7,820</b>	-
Other payables to joint ventures		<b>2,738</b>	1,837
<b>Total other payables to related parties</b>	<b>11</b>	<b>144,225</b>	<b>4,181</b>
<b>Total trade and other accounts payable to related parties</b>		<b>845,930</b>	<b>3,747,896</b>

Advances received from related parties are as follows:

<i>In thousands of Tenge</i>	<b>Note</b>	<b>31 March 2020 (unaudited)</b>	31 December 2019 (audited)
<b>Advances received from related parties</b>			
Advances from entities under common control of KMG		<b>13,071,529</b>	10,979,288
Advances from entities under common control of Samruk-Kazyna Group		<b>252,136</b>	241,608
<b>Total advances received from related parties</b>	<b>12</b>	<b>13,323,665</b>	<b>11,220,896</b>

Other current liabilities to related parties are as follows:

<i>In thousands of Tenge</i>	<b>Note</b>	<b>31 March 2020 (unaudited)</b>	31 December 2019 (audited)
<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		<b>8,278,317</b>	8,193,956
<b>Total accounts payable for oil transportation coordination services to related parties</b>	<b>15</b>	<b>8,278,317</b>	<b>8,193,956</b>
<b>Employee benefits obligation of key management personnel</b>			
Employee benefits obligation of key management personnel		<b>36,377</b>	52,873
<b>Total employee benefits obligation of key management personnel</b>		<b>36,377</b>	<b>52,873</b>
<b>Total other current liabilities to related parties</b>		<b>8,314,694</b>	<b>8,246,829</b>

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

### 23. RELATED PARTY TRANSACTIONS (continued)

The following tables provide the total amount of transactions, which have been entered into with related parties during the three months ended 31 March 2020 and 2019:

<i>In thousands of Tenge</i>	<b>For the three months ended 31 March (unaudited)</b>	
	<b>2020</b>	<b>2019</b>
<b>Sales to related parties</b>		
Revenue from main activities with entities under common control of KMG	<b>30,966,226</b>	32,014,426
Revenue from main activities with joint ventures of the Company	<b>2,358,402</b>	2,338,547
Revenue from main activities with entities under common control of Samruk-Kazyna Group	<b>1,787,382</b>	1,982,010
Revenue from other activities with entities under common control of KMG	<b>64,132</b>	3,181
Revenue from other activities with entities under common control of Samruk-Kazyna Group	<b>19,116</b>	4,734
<b>Total</b>	<b>35,195,258</b>	<b>36,342,898</b>

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

<i>In thousands of Tenge</i>	<b>For the three months ended 31 March (unaudited)</b>	
	<b>2020</b>	<b>2019</b>
<b>Purchases from related parties</b>		
Purchases of services from entities under common control of KMG	<b>1,523,704</b>	1,582,816
Purchases of inventory from entities under common control of KMG	<b>460,678</b>	572,539
Purchases of property, plant and equipment and intangible assets from entities under common control of Samruk-Kazyna Group	<b>406,697</b>	3,560,275
Purchases of services from joint ventures of the Company	<b>19,256</b>	20,616
Purchases of services from entities under common control of Samruk-Kazyna Group	-	428,112
Purchases of property, plant and equipment from entities under common control of KMG	-	82,066
Purchases of inventory from entities under common control of Samruk-Kazyna Group	-	45
<b>Total</b>	<b>2,410,335</b>	<b>6,246,469</b>

The decrease of the acquisition of property, plant and equipment from related parties and accounts payable to them is due to the fact that the Group's counterparty, which provides construction and overhaul services for the Group's production facilities was withdrawn from the enterprises under the common control of Samruk-Kazyna Group at the beginning of the reporting period.

Total accrued compensation to key management personnel for the three months ended 31 March 2020 amounts to 91,307 thousand Tenge (for the three months ended 31 March 2019: 77,800 thousand Tenge). Payments to key personnel consist primarily of payroll costs and remuneration established by contracts and Company's internal regulations.

### 24. CONTINGENT LIABILITIES AND COMMITMENTS

Information on contingent liabilities and commitments of the Group is disclosed in the consolidated financial statements for the year ended 31 December 2019. During three months ended 31 March 2020 there were no significant changes, except for the following:

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

As at 31 March 2020, the Group had contractual obligations to acquire property, plant and equipment, and construction services for the amount of 29,113,748 thousand Tenge (as at 31 December 2019: 22,828,704 thousand Tenge).

Share of the Group as at 31 March 2020 in contractual obligations of joint ventures to acquire property, plant and equipment, and construction services amounted to 10,299,839 thousand Tenge (as at 31 December 2019: 8,193,937 thousand Tenge).

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

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**24. CONTINGENT LIABILITIES AND COMMITMENTS (continued)****Termination of the BSP Management agreement**

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

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

The actual transshipment through the BSP for the first quarter of 2020 amounted to 1.7 million tons (for the first quarter of 2019: 1.1 million tons). Fines were not accrued, because in the opinion of the management of the Group, the actual transshipment volumes for the first quarter of 2020 do not provide a sufficient basis for charging a fine.

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

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

**Fair value of financial instruments**

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

**26. SUBSEQUENT EVENTS**

On 27 May 2020 by the decision of General meeting of shareholders of the Company decided to approve dividends payment in the amount of 45,386,116 thousand Tenge (118 Tenge per 1 ordinary share) based on the 2019 annual results.

As at 27 May 2020, exchange rate of US Dollar at the end of KASE session amounted to 413.12 Tenge per 1 Dollar.