

KazTransOil JSC

Interim condensed consolidated financial statements (unaudited)

31 March 2014



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Report on review of interim condensed consolidated financial statements

To the Shareholder and Management of JSC "KazTransOil":

Introduction

We have reviewed the accompanying interim condensed consolidated financial statements of JSC "KazTransOil" and its subsidiaries ("the Group"), comprising the interim consolidated statement of financial position as at 31 March 2014 and the related interim consolidated statements of comprehensive income, changes in equity and cash flows for the three-month period then ended and explanatory notes. Management is responsible for the preparation and presentation of these interim condensed consolidated financial statements in accordance with International Financial Reporting Standard IAS 34, Interim Financial Reporting ("IAS 34"). Our responsibility is to express a conclusion on these interim condensed consolidated financial statements based on our review.

Scope of review

We conducted our review in accordance with the International Standard on Review Engagements 2410, Review of Interim Financial Information Performed by the Independent Auditor of the Entity. A review of interim financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently, it 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.



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Conclusion

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

Ernst & Young LLP



Aisulu Narbayeva
Auditor

Auditor Qualification Certificate
No. 0000137 dated 21 October 1994

6 May 2014



Evgeny Zhemafetdinov
General Director
Ernst & Young LLP

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

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INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION

| <i>In thousands of Tenge</i> | Notes | As at | |
|---|-------|---------------------------------|----------------------------------|
| | | 31 March 2014 (unaudited) | 31 December 2013 (audited) |
| ASSETS | | | |
| Non-current assets | | | |
| Property, plant and equipment | 5 | 403,806,831 | 401,108,901 |
| Intangible assets | 6 | 6,658,883 | 5,701,002 |
| Investments in joint ventures | 7 | 43,538,252 | 53,554,027 |
| Advances to suppliers for property, plant and equipment | 8 | 10,250,450 | 5,835,651 |
| Bank deposits | 14 | 593,678 | 576,541 |
| Other non-current assets | | 124,725 | 123,904 |
| | | 464,972,819 | 466,900,026 |
| Current assets | | | |
| Inventories | 9 | 2,811,152 | 2,346,043 |
| Trade and other accounts receivable | 10 | 4,524,640 | 4,548,932 |
| Advances to suppliers | 11 | 1,203,261 | 842,702 |
| Prepayment for corporate income tax | | 4,915 | 3,994 |
| VAT recoverable and other prepaid taxes | 12 | 3,281,250 | 3,144,714 |
| Other current assets | 13 | 2,434,449 | 3,946,793 |
| Bank deposits | 14 | 78,982,453 | 83,116,538 |
| Cash and cash equivalents | 15 | 33,445,972 | 25,645,348 |
| | | 126,688,092 | 123,595,064 |
| Assets classified as held for sale | | 32,972 | 32,138 |
| | | 126,721,064 | 123,627,202 |
| TOTAL ASSETS | | 591,693,883 | 590,527,228 |

INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)

| <i>In thousands of Tenge</i> | Notes | As at | |
|--|-------|---------------------------------|----------------------------------|
| | | 31 March 2014 (unaudited) | 31 December 2013 (audited) |
| EQUITY AND LIABILITIES | | | |
| Equity | | | |
| Share capital | 16 | 61,937,567 | 61,937,567 |
| Asset revaluation reserve | | 168,298,812 | 171,902,104 |
| Other reserves | | (1,787,376) | (1,016,496) |
| Foreign currency translation reserve | | 16,549,539 | 10,069,002 |
| Retained earnings | | 233,057,347 | 224,377,740 |
| Total equity | | 478,055,889 | 467,269,917 |
| Non-current liabilities | | | |
| Employee benefit liability | 17 | 10,524,781 | 9,333,180 |
| Deferred tax liabilities | 30 | 43,843,742 | 43,537,849 |
| Provision for asset retirement and land recultivation obligation | 22 | 16,928,222 | 16,677,538 |
| Deferred income | 18 | 4,680,968 | 4,079,971 |
| | | 75,977,713 | 73,628,538 |
| Current liabilities | | | |
| Employee benefit liability | 17 | 221,895 | 322,000 |
| Corporate income tax payable | | 1,123,093 | 1,467,675 |
| Trade and other accounts payable | 19 | 4,240,733 | 11,096,007 |
| Advances received | 20 | 16,036,640 | 17,181,723 |
| Other taxes payable | 21 | 3,265,850 | 2,587,351 |
| Provisions | 22 | 262,639 | 228,125 |
| Other current liabilities | 23 | 12,509,431 | 16,745,892 |
| | | 37,660,281 | 49,628,773 |
| Total liabilities | | 113,637,994 | 123,257,311 |
| TOTAL EQUITY AND LIABILITIES | | 591,693,883 | 590,527,228 |
| Book value of one ordinary share (in Tenge) | 16 | 1,226 | 1,200 |

General Director



Kabyldin K.M.

Khmedina A.S.

Chief Accountant

INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

| <i>In thousands of Tenge</i> | Notes | For the three months ended 31 March | |
|---|-------|-------------------------------------|---------------------|
| | | 2014 (unaudited) | 2013 (unaudited) |
| Revenue | 24 | 45,384,872 | 47,069,521 |
| Cost of sales | 25 | (25,066,391) | (24,082,850) |
| Gross profit | | 20,318,481 | 22,986,671 |
| General and administrative expenses | 26 | (2,252,162) | (2,040,859) |
| Other operating income | 27 | 278,936 | 424,214 |
| Other operating expenses | | (49,190) | (103,794) |
| Reversal of impairment of property, plant and equipment | 5 | 2,947 | 1,916 |
| Operating profit | | 18,299,012 | 21,268,148 |
| Net foreign exchange loss | | (204,181) | (64,241) |
| Finance income | 28 | 1,341,303 | 756,236 |
| Finance costs | 29 | (354,934) | (326,452) |
| Share in (loss)/income of joint ventures | 7 | (10,064,333) | 2,944,319 |
| Profit before tax | | 9,016,867 | 24,578,010 |
| Income tax expense | 30 | (3,940,090) | (4,255,275) |
| Profit for the period net of income tax | | 5,076,777 | 20,322,735 |
| Earnings per share (in Tenge) | 16 | 13 | 53 |

INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (continued)

| <i>In thousands of Tenge</i> | Notes | For the three months ended 31 March | |
|---|-------|-------------------------------------|---------------------|
| | | 2014 (unaudited) | 2013 (unaudited) |
| Other comprehensive income | | | |
| Other comprehensive income to be reclassified to profit or loss in subsequent periods | | | |
| Exchange difference on translation of foreign operations | | 6,480,537 | 14,624 |
| Income tax effect | | - | - |
| Net other comprehensive income to be reclassified to profit or loss in subsequent periods | | 6,480,537 | 14,624 |
| Other comprehensive income not to be reclassified to profit or loss in subsequent periods | | | |
| (Impairment)/revaluation of property, plant and equipment | 5 | (578) | 3,403 |
| Income tax effect | | 116 | (680) |
| | | (462) | 2,723 |
| Actuarial re-measurement losses on defined benefit plans | 17 | (963,600) | - |
| Income tax effect | | 192,720 | - |
| | | (770,880) | - |
| Net other comprehensive (loss)/income not to be reclassified to profit or loss in subsequent periods | | (771,342) | 2,723 |
| Total other comprehensive income for the period, net of tax | | 5,709,195 | 17,347 |
| Total comprehensive income for the period, net of tax | | 10,785,972 | 20,340,082 |

General Director



Kabyldin K.M.

Akhmedina A.S.

Chief Accountant

INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS

| <i>In thousands of Tenge</i> | Notes | For the three months ended 31 March | |
|---|--------|-------------------------------------|---------------------|
| | | 2014 (unaudited) | 2013 (unaudited) |
| Cash flows from operating activities: | | | |
| Profit before tax | | 9,016,867 | 24,578,010 |
| Non-cash adjustments to reconcile profit before tax to net cash flows: | | | |
| Depreciation and amortization | 25, 26 | 8,384,945 | 7,207,624 |
| (Reversal)/charge of provision for allowance for doubtful debts | 26 | (2,436) | 5,782 |
| Share in loss/(income) of joint ventures | | 10,064,333 | (2,944,319) |
| Finance costs | | 354,934 | 326,452 |
| Finance income | | (1,341,303) | (756,236) |
| Post-employment benefits | 25, 26 | 123,750 | 115,000 |
| Charge of provision | 22 | – | 45,834 |
| Gain on disposal of property, plant and equipment and intangible assets, net amount | | 14,818 | 37,133 |
| Gain on disposal of other assets, net amount | 27 | (2,308) | (84,650) |
| Reversal of impairment of property, plant and equipment | 5 | (2,947) | (1,916) |
| Income from write-off of accounts payable | 27 | (29,141) | – |
| Amortization of deferred income | 27 | (78,091) | (78,091) |
| Write-off of VAT recoverable | 26 | 133,798 | 90,773 |
| Amortization of financial guarantee issued on behalf of joint venture | 27 | – | (26,463) |
| Derecognition of financial guarantee issued on behalf of joint venture | 27 | – | (177,743) |
| Unrealized foreign exchange (gain)/loss | | (475,322) | 688 |
| Charge/(reversal) of provision for obsolete and slow-moving inventories | 26 | 50 | (1,056) |
| Operating cash flows before working capital changes | | 26,161,947 | 28,336,822 |
| Changes in inventories | | (457,429) | (255,210) |
| Changes in trade and other accounts receivable | | 25,809 | (627,113) |
| Changes in advances to suppliers | | (359,625) | (359,003) |
| Changes in VAT recoverable and other prepaid taxes | | (151,202) | (442,974) |
| Changes in other current assets | | 1,520,265 | 1,107,096 |
| Changes in trade and other accounts payable | | (1,197,108) | (3,446,968) |
| Changes in advances received | | (1,145,083) | (560,468) |
| Changes in other taxes payable | | 678,499 | 1,389,608 |
| Changes in other current and non-current liabilities and employee benefit liabilities | | (3,657,477) | 158,922 |
| Cash generated from operations | | 21,418,596 | 25,300,712 |
| Income taxes paid | | (4,389,002) | (2,285,165) |
| Interest received | | 787,343 | 105,245 |
| Net cash flow from operating activities | | 17,816,937 | 23,120,792 |

INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS (continued)

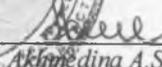
| <i>In thousands of Tenge</i> | Notes | For the three months ended 31 March | |
|---|-------|-------------------------------------|---------------------|
| | | 2014 (unaudited) | 2013 (unaudited) |
| Cash flows from investing activities: | | | |
| Withdrawal of bank deposits | | 24,887,623 | - |
| Placement of bank deposits | | (20,208,485) | (5,000,000) |
| Purchase of property, plant and equipment | | (14,599,218) | (2,496,722) |
| Purchase of intangible assets | | (126,080) | (67,121) |
| Proceeds from disposal of property, plant and equipment and intangible assets | | 29,847 | 161,177 |
| Net cash flow used in investing activities | | (10,016,313) | (7,402,666) |
| Net cash flow used in financing activities | | | |
| | | - | - |
| Net change in cash and cash equivalents | | 7,800,624 | 15,718,126 |
| Cash and cash equivalents at the beginning of the period | | 25,645,348 | 18,954,044 |
| Cash and cash equivalents at the end of the period | 15 | 33,445,972 | 34,672,170 |

General Director



Kabylidin K.M.

Chief Accountant



Akhmedina A.S.

INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

| <i>In thousands of Tenge</i> | Share capital | Asset revaluation reserve | Foreign currency translation reserve | Other reserves | Retained earnings | Total |
|---|---------------|---------------------------|--------------------------------------|----------------|-------------------|-------------|
| As at 1 January 2014 (audited) | 61,937,567 | 171,902,104 | 10,069,002 | (1,016,496) | 224,377,740 | 467,269,917 |
| Profit for the period | - | - | - | - | 5,076,777 | 5,076,777 |
| Other comprehensive income | - | (462) | 6,480,537 | (770,880) | - | 5,709,195 |
| Total comprehensive income for the period (unaudited) | - | (462) | 6,480,537 | (770,880) | 5,076,777 | 10,785,972 |
| Depreciation transfer of revalued property, plant and equipment | - | (3,602,830) | - | - | 3,602,830 | - |
| As at 31 March 2014 (unaudited) | 61,937,567 | 168,298,812 | 16,549,539 | (1,787,376) | 233,057,347 | 478,055,889 |
| As at 1 January 2013 (audited) | 61,937,567 | 144,421,031 | 9,875,876 | 17,104 | 176,062,485 | 392,314,063 |
| Profit for the period | - | - | - | - | 20,322,735 | 20,322,735 |
| Other comprehensive income | - | 2,723 | 14,624 | - | - | 17,347 |
| Total comprehensive income for the period (unaudited) | - | 2,723 | 14,624 | - | 20,322,735 | 20,340,082 |
| Depreciation transfer of revalued property, plant and equipment | - | (2,630,431) | - | - | 2,630,431 | - |
| As at 31 March 2013 (unaudited) | 61,937,567 | 141,793,323 | 9,890,500 | 17,104 | 199,015,651 | 412,654,145 |

General Director



Kabyldin K.M.

Akhmedina A.S.

Chief Accountant

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**1. GENERAL**

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

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

As at 31 March 2014, National Company KazMunayGas JSC ("KMG" or the "Parent Company") is a major shareholder of the Company (90 percent). KMG is owned by "Sovereign Wealth Fund Samruk-Kazyna" JSC ("Samruk-Kazyna"), which is controlled by the Government of the Republic of Kazakhstan.

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

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

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

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

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

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

Starting from 1 January 2014 order of NMRA dated 21 November 2013 increasing tariffs of the Company for oil pumping in domestic and export markets came into force. Accordingly, oil transportation tariff in domestic market for transportation of 1 ton of oil increased from 1,945.5 Tenge to 2,931.8 Tenge (increase for 50%); oil transportation tariff for exports of 1 ton of oil increased from 4,732.6 Tenge to 4,850.6 Tenge (increase by 2.5%).

These interim condensed consolidated financial statements for the three months ended 31 March 2014 were approved for issue by the General Director and the Chief Accountant on 6 May 2014.

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

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

These interim condensed consolidated financial statements for the three months ended 31 March 2014 have been prepared in accordance with International Financial Reporting (“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.

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

The interim condensed consolidated financial statements are presented in Tenge and all values are rounded to the nearest thousand, except when otherwise indicated. The Group’s interim consolidated financial statements are presented in Tenge. 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 and the joint ventures MunaiTas and KCP is Tenge. Functional currency of BTL is US Dollar.

Foreign exchange rates

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

Weighted average currency exchange rates established by the Kazakhstan Stock Exchange (“KASE”) are used as official currency exchange rates in the Republic of Kazakhstan. Weighted average currency exchange rate for the three months ended 31 March 2014 and 2013 was 170.21 Tenge and 150.66 Tenge per 1 US Dollar, respectively.

As at 31 March 2014 and 31 December 2013, the currency exchange rate of KASE was 182.04 and 153.61 Tenge per 1 US Dollar, respectively.

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

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

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

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

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

These amendments provide an exception to the consolidation requirement for entities that meet the definition of an investment entity under IFRS 10 *Consolidated Financial Statements*. The exception to consolidation requires investment entities to account for subsidiaries at fair value through profit or loss. These amendments have no impact to the Group.

Offsetting Financial Assets and Financial Liabilities – Amendments to IAS 32

These amendments clarify the meaning of currently has a legally enforceable right to set-off and the criteria for non-simultaneous settlement mechanisms of clearing houses to qualify for offsetting. The amendment had no impact on the Group’s financial position or performance.

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

These amendments provide relief from discontinuing hedge accounting when novation of a derivative designated as a hedging instrument meets certain criteria. The amendment had no impact on the Group’s financial position or performance.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

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

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

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

These amendments remove the unintended consequences of IAS 36 on the disclosures required under IFRS 13. In addition, these amendments require disclosure of the recoverable amounts for the assets or cash-generating units (CGUs) for which an impairment loss has been recognised or reversed during the period. The amendment had no impact on the Group's interim condensed consolidated financial statements.

IFRIC 21 Levies

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

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

3. SEASONALITY OF OPERATIONS

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

4. SEGMENT INFORMATION

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

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

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

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

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

Management analyses its operating segments by segment profit. The following table presents the information on revenue and profit of the Group's segments for the three months ended 31 March 2014 and 31 March 2013 respectively:

| <i>In thousands Tenge</i> | For the three months ended 31 March 2014 (unaudited) | | | | | | For the three months ended 31 March 2013 (unaudited) | | | | | |
|---|--|-----------------------------|----------------|-------------------|------------------------------|-------------------|--|-----------------------------|------------------|-------------------|------------------------------|-------------------|
| | Oil transportation and related services (Kazakhstan) | Oil transshipment (Georgia) | Other | Total segments | Adjustments and eliminations | Consolidated | Oil transportation and related services (Kazakhstan) | Oil transshipment (Georgia) | Other | Total segments | Adjustments and eliminations | Consolidated |
| Revenue | | | | | | | | | | | | |
| External customers | 41,352,427 | 3,361,648 | 670,797 | 45,384,872 | - | 45,384,872 | 41,536,231 | 4,519,499 | 1,013,791 | 47,069,521 | - | 47,069,521 |
| Total revenue | 41,352,427 | 3,361,648 | 670,797 | 45,384,872 | - | 45,384,872 | 41,536,231 | 4,519,499 | 1,013,791 | 47,069,521 | - | 47,069,521 |
| Financial results | | | | | | | | | | | | |
| Reversal/(charge) of impairment of property, plant and equipment through profit or loss | 2,947 | - | - | 2,947 | - | 2,947 | 1,916 | - | - | 1,916 | - | 1,916 |
| Depreciation and amortization | (7,631,766) | (571,225) | (181,954) | (8,384,945) | - | (8,384,945) | (6,881,596) | (249,041) | (76,987) | (7,207,624) | - | (7,207,624) |
| Interest income | 1,330,178 | 4,425 | (510) | 1,334,093 | - | 1,334,093 | 733,693 | 5,876 | 6,327 | 745,896 | - | 745,896 |
| Share in (loss)/income of joint ventures | (10,064,333) | - | - | (10,064,333) | - | (10,064,333) | 2,944,319 | - | - | 2,944,319 | - | 2,944,319 |
| Income tax expense | (4,125,758) | (26,723) | 250,379 | (3,902,102) | (37,988) | (3,940,090) | (3,980,961) | (80,000) | (54,238) | (4,115,199) | (140,076) | (4,255,275) |
| Segment profit for the period excluding income tax | 15,139,951 | (92,425) | 131,572 | 15,179,098 | (10,102,321) | 5,076,777 | 16,749,373 | 612,885 | 156,234 | 17,518,492 | 2,804,243 | 20,322,735 |

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)**4. SEGMENT INFORMATION (continued)**

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

| <i>In thousands Tenge</i> | 31 March 2014 (unaudited) | | | | | | 31 December 2013 (audited) | | | | | |
|--|--|-----------------------------|------------|----------------|------------------------------|--------------|--|-----------------------------|------------|----------------|------------------------------|--------------|
| | Oil transportation and related services (Kazakhstan) | Oil transshipment (Georgia) | Other | Total segments | Adjustments and eliminations | Consolidated | Oil transportation and related services (Kazakhstan) | Oil transshipment (Georgia) | Other | Total segments | Adjustments and eliminations | Consolidated |
| Total assets | 529,931,382 | 36,517,405 | 17,320,560 | 583,769,347 | 7,924,536 | 591,693,883 | 527,084,407 | 31,127,379 | 14,636,268 | 572,848,054 | 17,679,174 | 590,527,228 |
| Total liabilities | 99,806,845 | 6,538,660 | 5,676,371 | 112,021,876 | 1,616,118 | 113,637,994 | 111,328,479 | 5,905,229 | 4,706,610 | 121,940,318 | 1,316,993 | 123,257,311 |
| Other disclosures | | | | | | | | | | | | |
| Investments in joint ventures (Note 7) | 43,538,252 | - | - | 43,538,252 | - | 43,538,252 | 53,554,027 | - | - | 53,554,027 | - | 53,554,027 |
| Capital expenditures | 4,404,324 | 151,279 | 121,057 | 4,676,660 | - | 4,676,660 | 24,900,504 | 3,066,226 | 2,268,820 | 30,235,550 | - | 30,235,550 |

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

| <i>In thousands of Tenge</i> | For the three months ended 31 March 2014 (unaudited) | For the three months ended 31 March 2013 (unaudited) |
|--|--|--|
| Reconciliation of profit | | |
| Segment profit | 15,179,098 | 17,518,492 |
| Share in (loss)/income of joint ventures | (10,064,333) | 2,944,319 |
| Other adjustments and eliminations | (37,988) | (140,076) |
| Group profit for the period net of income tax | 5,076,777 | 20,322,735 |

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

5. PROPERTY, PLANT AND EQUIPMENT

| <i>In thousands of Tenge</i> | Land | Pipelines | Transportation assets | Buildings and constructions | Machinery and equipment | Technological oil | Other | Construction in progress | Total |
|--|-------------------|--------------------|-----------------------|-----------------------------|-------------------------|-------------------|--------------------|--------------------------|---------------------|
| Cost as at 1 January 2014 (audited) | 11,087,844 | 97,334,066 | 8,110,780 | 71,906,718 | 88,628,416 | 89,518,453 | 12,477,480 | 36,960,887 | 416,024,644 |
| Foreign currency translation | 1,330,354 | – | 573,188 | 2,822,975 | 1,881,084 | – | 94,127 | 184,451 | 6,886,179 |
| Additions | 3 | – | – | – | 45,362 | – | 16,879 | 4,488,336 | 4,550,580 |
| Disposals | (8,993) | (18,527) | (3,066) | (8,305) | (24,317) | – | (9,241) | (7,730) | (80,179) |
| Transfer from construction-in-progress | 2,689 | 135,828 | 58,308 | 126,656 | 1,133,069 | – | 620,415 | (2,076,965) | – |
| Transfer to intangible assets | – | – | – | – | – | – | – | (123,333) | (123,333) |
| Transfer to assets held for sale | – | – | – | – | – | – | – | (834) | (834) |
| Transfers and reclassifications | – | (1,214,843) | – | 13,012 | (97,984) | – | 62,420 | 1,237,395 | – |
| Cost as at 31 March 2014 (unaudited) | 12,411,897 | 96,236,524 | 8,739,210 | 74,861,056 | 91,565,630 | 89,518,453 | 13,262,080 | 40,662,207 | 427,257,057 |
| Depreciation and impairment as at 1 January 2014 (audited) | – | (4,240,358) | (638,843) | (3,320,737) | (4,794,768) | (330,205) | (1,321,562) | (269,270) | (14,915,743) |
| Foreign currency translation | – | – | (33,042) | (142,249) | (117,186) | – | (22,553) | – | (315,030) |
| Depreciation charge | – | (2,521,242) | (360,538) | (1,647,686) | (2,937,012) | – | (793,166) | – | (8,259,644) |
| Disposals | – | 18,220 | 872 | 4,333 | 9,600 | – | 4,797 | – | 37,822 |
| Impairment through revaluation reserve | – | – | – | (578) | – | – | – | – | (578) |
| Reversal/(charge) of impairment through profit and loss | – | – | – | (263) | – | – | – | 3,210 | 2,947 |
| Transfers and reclassifications | – | 168 | – | (45) | (24) | – | (99) | – | – |
| Depreciation and impairment as at 31 March 2014 (unaudited) | – | (6,743,212) | (1,031,551) | (5,107,225) | (7,839,390) | (330,205) | (2,132,583) | (266,060) | (23,450,226) |
| As at 31 March 2014 (unaudited) | | | | | | | | | |
| Cost | 12,411,897 | 96,236,524 | 8,739,210 | 74,861,056 | 91,565,630 | 89,518,453 | 13,262,080 | 40,662,207 | 427,257,057 |
| Accumulated depreciation | – | (6,743,212) | (1,031,551) | (5,107,225) | (7,839,390) | (330,205) | (2,132,583) | (266,060) | (23,450,226) |
| Net book value | 12,411,897 | 89,493,312 | 7,707,659 | 69,753,831 | 83,726,240 | 89,188,248 | 11,129,497 | 40,396,147 | 403,806,831 |
| As at 31 December 2013 (audited) | | | | | | | | | |
| Cost | 11,087,844 | 97,334,066 | 8,110,780 | 71,906,718 | 88,628,416 | 89,518,453 | 12,477,480 | 36,960,887 | 416,024,644 |
| Accumulated depreciation | – | (4,240,358) | (638,843) | (3,320,737) | (4,794,768) | (330,205) | (1,321,562) | (269,270) | (14,915,743) |
| Net book value | 11,087,844 | 93,093,708 | 7,471,937 | 68,585,981 | 83,833,648 | 89,188,248 | 11,155,918 | 36,691,617 | 401,108,901 |

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

5. PROPERTY, PLANT AND EQUIPMENT (continued)

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

- main oil pipelines under construction (including: construction of main oil pipeline Kumkol-Karakoin, realized as a part of Kazakhstan-China interstate oil pipeline construction project);
- reconstruction of main oil pipelines Kalamkas-Karazhanbas-Aktau (Karazhanbas-Aktau route) and Uzen-Zhetybai-Aktau;
- reconstruction of oil pumping station “Kenkiyak”;
- reconstruction of firefighting system, electricity supply systems and others.

As at 31 March 2014 construction in progress included materials and spare parts in the amount of 13,435,266 thousand Tenge, including pipelines in the amount of 12,802,801 thousand Tenge (as at 31 December 2013: 13,613,707 thousand Tenge including pipelines in the amount of 12,908,073 thousand Tenge), which were acquired for construction works.

The amount of depreciation for the three months ended 31 March 2014 included in the cost of construction in progress was 2,931 thousand Tenge (for the three months ended 31 March 2013: 2,369 thousand Tenge).

As at 31 March 2014, certain items of property, plant and equipment of Batumi Oil Terminal with the net book value of 50,000 thousand US Dollars (equivalent to 9,102,000 thousand Tenge) were pledged in favour of TBC Bank, which provided performance guarantee to Georgian Railways on performance of Georgian Transit under the transshipment contract. The maximum guarantee amounts to 10,000 thousand US Dollars (equivalent to 1,820,400 thousand Tenge).

6. INTANGIBLE ASSETS

| <i>In thousands of Tenge</i> | Licenses | Software | Land use rights | Other | Total |
|--|----------------|------------------|------------------|---------------|------------------|
| Net book value as at 31 December 2013 (audited) | 184,757 | 997,520 | 4,490,163 | 28,562 | 5,701,002 |
| Foreign currency translation | 7,360 | 385 | 828,955 | – | 836,700 |
| Additions | – | 125,471 | – | 609 | 126,080 |
| Amortization charge | (19,628) | (77,919) | (29,957) | (728) | (128,232) |
| Transfers from property, plant and equipment | 17,516 | 104,579 | – | 1,238 | 123,333 |
| Transfers and reclassifications | 13,368 | (13,368) | – | – | – |
| Net book value as at 31 March 2014 (unaudited) | 203,373 | 1,136,668 | 5,289,161 | 29,681 | 6,658,883 |
| As at 31 March 2014 (unaudited) | | | | | |
| Cost | 496,715 | 4,380,920 | 7,236,803 | 78,066 | 12,192,504 |
| Accumulated amortization and impairment | (293,342) | (3,244,252) | (1,947,642) | (48,385) | (5,533,621) |
| Net book value | 203,373 | 1,136,668 | 5,289,161 | 29,681 | 6,658,883 |
| As at 31 December 2013 (audited) | | | | | |
| Cost | 455,682 | 4,163,442 | 6,106,597 | 76,219 | 10,801,940 |
| Accumulated amortization and impairment | (270,925) | (3,165,922) | (1,616,434) | (47,657) | (5,100,938) |
| Net book value | 184,757 | 997,520 | 4,490,163 | 28,562 | 5,701,002 |

7. INVESTMENTS IN JOINT VENTURES

| <i>In thousands of Tenge</i> | 31 March 2014 (unaudited) | 31 December 2013 (audited) |
|------------------------------|---------------------------------|----------------------------------|
| KCP | 30,829,273 | 40,878,930 |
| MunaiTas | 12,708,979 | 12,675,097 |
| | 43,538,252 | 53,554,027 |

During the three month ended 31 March 2014, the Group has recognized its share in income of MunaiTas in the amount of 33,882 thousand Tenge (during the three months ended 31 March 2013: 444,863 thousand Tenge). Decrease in income of MunaiTas is caused by decrease in volume of oil transportation.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

7. INVESTMENTS IN JOINT VENTURES (continued)

During the three months ended 31 March 2014, the Group has recognized its share in loss of KCP in the amount of 10,098,215 thousand Tenge (during three month ended March 31, 2013 Group's share in income of KCP was equal to 2,499,456 thousand Tenge), and share in other comprehensive income in the amount of 48,558 thousand Tenge (for the three months ended 31 March 2013: 172 thousand Tenge).

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

| <i>In thousands of Tenge</i> | 31 March 2014 (unaudited) | | 31 December 2013 (audited) | |
|--|---------------------------|-------------------|----------------------------|-------------------|
| | KCP | MunaiTas | KCP | MunaiTas |
| Share in total assets and liabilities of joint ventures | | | | |
| Current assets | 14,717,406 | 1,607,910 | 22,462,883 | 1,448,667 |
| including: cash and cash equivalents | 6,340,200 | 60,359 | 5,941,869 | 162,279 |
| Non-current assets | 126,991,765 | 14,566,603 | 128,663,581 | 14,835,854 |
| Current liabilities | (19,960,452) | (192,238) | (19,868,226) | (296,701) |
| including: short-term financial liabilities | - | - | - | - |
| Non-current liabilities | (90,919,446) | (3,273,296) | (90,379,308) | (3,312,723) |
| including: long-term financial liabilities | (80,911,812) | - | 77,829,046 | - |
| Share in net assets | 30,829,273 | 12,708,979 | 40,878,930 | 12,675,097 |

| <i>In thousands of Tenge</i> | For the three months ended 31 March | | | |
|---|-------------------------------------|---------------|------------------|----------------|
| | 2014 | | 2013 | |
| | KCP | MunaiTas | KCP | MunaiTas |
| Share in total revenue and net income of joint ventures for the period | | | | |
| Revenue | 6,312,673 | 596,420 | 7,642,270 | 1,083,007 |
| Depreciation and amortization | (1,827,042) | (269,250) | (1,620,678) | (240,412) |
| Interest income | 104,707 | 1,871 | 107,037 | 3,770 |
| Interest expense | (998,383) | (9,473) | (1,341,819) | (5,238) |
| Income tax (expense)/benefit | 2,428,611 | (9,283) | (701,876) | (108,157) |
| (Loss)/profit for the period | (10,098,215) | 33,882 | 2,499,456 | 444,863 |
| Other comprehensive income | 48,558 | - | 172 | - |
| Total comprehensive (loss)/income | (10,049,657) | 33,882 | 2,499,628 | 444,863 |

As a result of the national currency devaluation (*Note 2*) foreign exchange loss of KCP was recognised due to the translation of financial liabilities (loans) denominated in US Dollars. Loss of KCP from foreign currency translation, related to loans, for the three months ended 31 March 2014 and 2013 amounted to 30,280,031 thousand Tenge and 113,649 thousand Tenge respectively.

8. ADVANCES TO SUPPLIERS FOR PROPERTY, PLANT AND EQUIPMENT

| <i>In thousands of Tenge</i> | 31 March | 31 December |
|--|---------------------|-------------------|
| | 2014 (unaudited) | 2013 (audited) |
| Advances to third parties for property, plant and equipment and construction works | 10,349,795 | 5,934,981 |
| Less: allowance for doubtful debts | (99,345) | (99,330) |
| | 10,250,450 | 5,835,651 |

Movement in allowance for doubtful debts was as follows:

| <i>In thousands of Tenge</i> | For the three months ended 31 March | |
|-----------------------------------|-------------------------------------|---------------|
| | 2014 | 2013 |
| As at 1 January (audited) | 99,330 | 99,330 |
| Charge for the period | 15 | - |
| As at 31 March (unaudited) | 99,345 | 99,330 |

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

9. INVENTORIES

| <i>In thousands of Tenge</i> | 31 March 2014 (unaudited) | 31 December 2013 (audited) |
|--|--|----------------------------------|
| Spare parts | 1,138,148 | 937,047 |
| Fuel | 874,031 | 698,546 |
| Construction materials | 195,570 | 138,466 |
| Goods | 33,973 | 76,520 |
| Chemical reagents | 26,954 | 33,496 |
| Other | 590,261 | 510,181 |
| Less: provision for slow-moving and obsolete inventory | (47,785) | (48,213) |
| | 2,811,152 | 2,346,043 |

10. TRADE AND OTHER ACCOUNTS RECEIVABLE

| <i>In thousands of Tenge</i> | 31 March 2014 (unaudited) | 31 December 2013 (audited) |
|--|--|----------------------------------|
| Trade accounts receivable from related parties (Note 31) | 3,045,383 | 1,416,969 |
| Trade accounts receivable from third parties | 1,507,385 | 1,203,023 |
| Other accounts receivable from third parties | 603,825 | 2,526,184 |
| Other accounts receivable from related parties (Note 31) | - | 35,828 |
| Less: allowance for doubtful debts | (631,953) | (633,072) |
| | 4,524,640 | 4,548,932 |

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

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

| <i>In thousands of Tenge</i> | For the three months ended 31 March | |
|-----------------------------------|--|----------------|
| | 2014 | 2013 |
| As at 1 January (audited) | 633,072 | 578,189 |
| Charge for the period | 15,326 | 17,275 |
| Reversal of allowance | (16,843) | (11,523) |
| Currency translation | 398 | 2 |
| As at 31 March (unaudited) | 631,953 | 583,943 |

Trade and other accounts receivable of the Group are denominated as follows:

| <i>In thousands of Tenge</i> | 31 March 2014 (unaudited) | 31 December 2013 (audited) |
|------------------------------|--|----------------------------------|
| Tenge | 3,963,045 | 4,128,283 |
| US Dollars | 471,120 | 357,911 |
| Russian rubles | 2,004 | 1,756 |
| Other currency | 88,471 | 60,982 |
| | 4,524,640 | 4,548,932 |

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(continued)**
11. ADVANCES TO SUPPLIERS

| <i>In thousands of Tenge</i> | 31 March 2014 (unaudited) | 31 December 2013 (audited) |
|---------------------------------------|--|----------------------------------|
| Advances to third parties | 737,792 | 587,519 |
| Advances to related parties (Note 31) | 466,517 | 257,165 |
| Less: allowance for doubtful debts | (1,048) | (1,982) |
| | 1,203,261 | 842,702 |

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

| <i>In thousands of Tenge</i> | For the three months ended 31 March | |
|-----------------------------------|--|--------------|
| | 2014 | 2013 |
| As at 1 January (audited) | 1,982 | 1,482 |
| Charge for the period | 64 | 362 |
| Reversal of provision | (998) | (332) |
| As at 31 March (unaudited) | 1,048 | 1,512 |

12. VAT RECOVERABLE AND OTHER PREPAID TAXES

| <i>In thousands of Tenge</i> | 31 March 2014 (unaudited) | 31 December 2013 (audited) |
|------------------------------|--|----------------------------------|
| VAT recoverable | 3,058,643 | 3,038,279 |
| Other taxes prepaid | 222,607 | 106,435 |
| | 3,281,250 | 3,144,714 |

13. OTHER CURRENT ASSETS

| <i>In thousands of Tenge</i> | 31 March 2014 (unaudited) | 31 December 2013 (audited) |
|--|--|----------------------------------|
| Due for oil transportation coordination services | 1,981,799 | 3,770,279 |
| Prepaid insurance | 320,714 | 38,840 |
| Due from employees | 78,051 | 93,731 |
| Deferred expenses to third parties | 29,069 | 20,445 |
| Deferred expense to related parties (Note 31) | 490 | - |
| Other | 26,942 | 26,114 |
| Less: allowance for doubtful debts | (2,616) | (2,616) |
| | 2,434,449 | 3,946,793 |

14. BANK DEPOSITS

| <i>In thousands of Tenge</i> | 31 March 2014 (unaudited) | 31 December 2013 (audited) |
|------------------------------|--|----------------------------------|
| Short-term bank deposits | 76,819,121 | 81,554,300 |
| Long-term bank deposits | 593,678 | 576,541 |
| Accrued interest on deposits | 2,163,332 | 1,562,238 |
| | 79,576,131 | 83,693,079 |

As at 31 March 2014 the bank deposits placed with Kazakhstani and foreign banks comprised of the following:

- short-term bank deposits denominated in Tenge placed with Kazakhstani banks with maturity from 3 to 12 months, and interest rate from 3.7% to 8% per annum (31 December 2013: from 3.7% to 7.2% per annum), maturing in December 2014 (31 December 2013: December 2014);
- short-term bank deposits denominated in Tenge placed with foreign banks with maturity from 3 to 12 months, and interest rate from 0.5% to 3% per annum (31 December 2013: null), maturing in July 2014;
- restricted long-term bank deposits with interest rate of 2% per annum maturing in 2028, which are the guarantee of real estate loan issued by Halyk Bank Kazakhstan JSC to the employees of the Company.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

15. CASH AND CASH EQUIVALENTS

| <i>In thousands of Tenge</i> | 31 March 2014 (unaudited) | 31 December 2013 (audited) |
|---|--|----------------------------------|
| Time deposits with banks – Tenge | 23,000,000 | 22,980,000 |
| Current accounts with banks – Russian Ruble | 8,203,220 | 5,194 |
| Current accounts with banks – US Dollars | 1,258,295 | 1,152,074 |
| Current accounts with banks – Tenge | 817,792 | 1,374,515 |
| Current accounts with banks – Lari | 140,535 | 67,742 |
| Current accounts with banks – Euro | 16,748 | 57,604 |
| Other current accounts with banks | 12,648 | 11,374 |
| Cash on hand | 1,837 | 1,547 |
| Less: allowance for impairment | (5,103) | (4,702) |
| | 33,445,972 | 25,645,348 |

As at 31 March 2014 most current accounts and time deposits up to 3 months placed with Kazakhstani banks carried interest ranging from 6.5% to 7.1% per annum (31 December 2013: from 1.7% to 10.25% per annum).

16. EQUITY

Share capital

As at 31 March 2014 and 31 December 2013 the Company's share capital was 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 31 March 2014 and 31 December 2013 the share capital amounting to 61,937,567 thousand Tenge is net of consulting costs related to the issuance of shares in the amount of 565,717 thousand Tenge.

Earnings per share

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

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

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

| <i>In thousands Tenge</i> | For the three months ended 31 March | |
|---|--|-----------------------------|
| | 2014 (unaudited) | 2013 (unaudited) |
| Net profit attributable to ordinary equity holders of the Parent Company for basic earnings | 5,076,777 | 20,322,735 |
| Weighted average number of ordinary shares for basic earnings per share | 384,635,599 | 384,635,599 |
| Basic earnings per share, in relation to profit for the period attributable to ordinary equity holders of the company, as a parent Company of the Group (in Tenge) | 13 | 53 |

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

16. EQUITY (continued)

Book value of ordinary shares

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

| <i>In thousands Tenge</i> | 31 March 2014 (unaudited) | 31 December 2013 (audited) |
|--|---------------------------------|----------------------------------|
| Total Assets | 591,693,883 | 590,527,228 |
| Less: Intangible assets | (6,658,883) | (5,701,002) |
| Less: Total liabilities | (113,637,994) | (123,257,311) |
| Net assets for calculation of book value of ordinary shares | 471,397,006 | 461,568,915 |
| Number of ordinary shares | 384,635,599 | 384,635,599 |
| Book value per ordinary share (in Tenge) | 1,226 | 1,200 |

17. EMPLOYEE BENEFIT LIABILITY

Changes in defined benefit obligations are as follows:

| <i>In thousands of Tenge</i> | For the three months ended 31 March | |
|--|--|---------------------|
| | 2014 (unaudited) | 2013 (unaudited) |
| Present value of defined benefit obligation at the beginning of the period | 9,655,180 | 6,800,263 |
| Past services cost | - | - |
| Current services cost | 123,750 | 115,000 |
| Unwinding of discount (Note 29) | 104,250 | 93,000 |
| Actuarial losses* | 963,600 | - |
| Benefit paid | (100,104) | (91,539) |
| Present value of defined benefit obligation at the end of the period | 10,746,676 | 6,916,724 |
| Less: current portion of present value of defined benefit obligation | (221,895) | (228,429) |
| Non-current portion of present value of defined benefit obligation | 10,524,781 | 6,688,295 |

* Company recognized actuarial losses in amount of 963,600 thousand Tenge as at 31 March 2014 due to changes in inflation rate from 5.0% to 5.6% used for calculations of the defined benefit obligations.

18. DEFERRED INCOME

| <i>In thousands of Tenge</i> | 31 March 2014 (unaudited) | 31 December 2013 (audited) |
|--|---------------------------------|----------------------------------|
| Deferred income from third parties | 4,498,755 | 3,819,666 |
| Deferred income from related parties (Note 31) | 182,213 | 260,305 |
| | 4,680,968 | 4,079,971 |

19. TRADE AND OTHER ACCOUNTS PAYABLE

| <i>In thousands of Tenge</i> | 31 March 2014 (unaudited) | 31 December 2013 (audited) |
|--|---------------------------------|----------------------------------|
| Accounts payable to third parties for goods and services | 3,482,276 | 10,194,390 |
| Accounts payable to related parties for goods and services (Note 31) | 536,167 | 650,602 |
| Other accounts payable to third parties | 222,290 | 249,065 |
| Other accounts payable to related parties (Note 31) | - | 1,950 |
| | 4,240,733 | 11,096,007 |

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

19. TRADE AND OTHER ACCOUNTS PAYABLE (continued)

As at 31 March 2014 trade and other accounts payable included payable to related and third parties, related to the construction-in-progress in the amount of 2,081,992 thousand Tenge (As at 31 December 2013: 7,711,017 thousand Tenge).

Trade and other accounts payable are denominated as follows:

| <i>In thousands of Tenge</i> | 31 March 2014 (unaudited) | 31 December 2013 (audited) |
|------------------------------|--|----------------------------------|
| Tenge | 3,987,939 | 10,550,602 |
| US Dollars | 39,121 | 351,156 |
| Euro | 31,718 | 13,480 |
| Russian roubles | 8,289 | 48,590 |
| Other currency | 173,666 | 132,179 |
| | 4,240,733 | 11,096,007 |

20. ADVANCES RECEIVED

| <i>In thousands of Tenge</i> | 31 March 2014 (unaudited) | 31 December 2013 (audited) |
|--|--|----------------------------------|
| Advances received from related parties (Note 31) | 10,279,502 | 10,706,153 |
| Advances received from third parties | 5,757,138 | 6,475,570 |
| | 16,036,640 | 17,181,723 |

21. OTHER TAXES PAYABLE

| <i>In thousands of Tenge</i> | 31 March 2014 (unaudited) | 31 December 2013 (audited) |
|------------------------------|--|----------------------------------|
| Personal income tax | 923,795 | 998,348 |
| VAT payable | 823,071 | 564 |
| Property tax | 369,710 | 355,611 |
| Social tax | 331,151 | 550,961 |
| Other taxes | 818,123 | 681,867 |
| | 3,265,850 | 2,587,351 |

22. PROVISIONS

Short-term provisions

| <i>In thousands of Tenge</i> | Tax provisions (BTL) | Environmental provisions (Company) | Other provisions | Total |
|--|-------------------------|--|------------------|----------------|
| As at 1 January 2014 (audited) | 186,483 | 41,642 | – | 228,125 |
| Foreign currency translation | 34,514 | – | – | 34,514 |
| As at 31 March 2014 (unaudited) | 220,997 | 41,642 | – | 262,639 |
| As at 1 January 2013 (audited) | 174,406 | 167,477 | 11,814 | 353,697 |
| Charged for the period | – | – | 45,834 | 45,834 |
| Use of provision | – | – | (11,814) | (11,814) |
| Foreign currency translation | 117 | – | – | 117 |
| As at 31 March 2013 (unaudited) | 174,523 | 167,477 | 45,834 | 387,834 |

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

22. PROVISIONS (continued)

Short-term provisions (continued)

BTL Tax provisions

Reserve was accrued in the prior periods due to involvement of BTL in tax disputes with Georgian Tax Authorities in respect of additional accruals of withholding tax.

Environmental provisions

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

Long-term provisions

| <i>In thousands of Tenge</i> | For the three months ended 31 March | |
|--|--|-------------------|
| | 2014 | 2013 |
| As at 1 January (audited) | 16,677,538 | 15,531,037 |
| Unwinding of discount on asset retirement obligation and land reclamation obligation (Note 29) | 250,684 | 233,452 |
| As at 31 March 2013 (unaudited) | 16,928,222 | 15,764,489 |

Provision for asset retirement and land reclamation obligation

According to the Law of the Republic of Kazakhstan "About the main pipeline", which came into force on 4 July 2012 the Company has a legal obligation to decommission the main pipeline (oil pipeline) after the operation and subsequent activities to restore the environment, including land reclamation.

During 2012 the Group's Management has created provision for asset retirement and land reclamation obligation.

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

23. OTHER CURRENT LIABILITIES

| <i>In thousands of Tenge</i> | 31 March 2014 (unaudited) | 31 December 2013 (audited) |
|--|---------------------------------|----------------------------------|
| Accounts payable for oil transportation coordination services to related parties (Note 31) | 4,333,646 | 4,153,476 |
| Salaries and wages | 4,420,107 | 7,385,065 |
| Accounts payable for oil transportation coordination services to third parties | 2,593,671 | 3,281,040 |
| Current portion of deferred income from third parties | 376,095 | 324,578 |
| Accounts payable to pension funds | 357,222 | 593,575 |
| Current portion of deferred income from related parties (Note 31) | 312,366 | 312,366 |
| Accounts payable under the agency agreement for the transportation of oil to related parties (Note 31) | - | 651,706 |
| Other accruals | 116,324 | 44,086 |
| | 12,509,431 | 16,745,892 |

In December 2013 the Board of Directors of the Company made a decision to pay the employees remunerations based on the year results in the amount of 4,424,784 thousand Tenge. Remuneration was paid in February 2014.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

24. REVENUE

| <i>In thousands of Tenge</i> | For the three months ended 31 March | |
|--|-------------------------------------|---------------------|
| | 2014 (unaudited) | 2013 (unaudited) |
| Crude oil transportation | 37,506,918 | 38,207,563 |
| Oil, oil products reloading and railway shipment | 3,361,648 | 4,519,499 |
| Pipeline operation and maintenance services | 1,944,229 | 1,596,616 |
| Water transportation | 1,641,733 | 1,482,478 |
| Transshipment of dry cargo | 564,927 | 851,681 |
| Oil transportation coordination services | 167,460 | 180,674 |
| Oil storage services | 46,314 | 31,234 |
| Other | 151,643 | 199,776 |
| | 45,384,872 | 47,069,521 |

During the three months ended 31 March 2014 the revenue from sales to three major customers amounted to 9,734,228 thousand Tenge, 4,980,505 thousand Tenge and 3,597,587 thousand Tenge, respectively (for the three months ended 31 March 2013 the revenue from sales to three major customers amounted to 9,998,776 thousand Tenge, 6,506,784 thousand Tenge and 4,632,657 thousand Tenge respectively).

25. COST OF SALES

| <i>In thousands of Tenge</i> | For the three months ended 31 March | |
|---------------------------------------|-------------------------------------|---------------------|
| | 2014 (unaudited) | 2013 (unaudited) |
| Depreciation and amortization | 8,189,995 | 7,024,862 |
| Personnel costs | 7,865,165 | 7,273,712 |
| Railway services | 2,063,485 | 2,647,725 |
| Electricity | 1,597,691 | 1,534,860 |
| Taxes other than corporate income tax | 1,196,268 | 1,197,946 |
| Security services | 879,204 | 823,833 |
| Materials and fuel | 849,651 | 804,042 |
| Gas expenses | 835,934 | 759,304 |
| Repair and maintenance costs | 363,173 | 635,485 |
| Air security services | 336,418 | 318,660 |
| Business trip expenses | 163,683 | 136,475 |
| Post-employment benefits | 115,839 | 107,882 |
| Insurance | 96,488 | 53,957 |
| Communication services | 55,139 | 59,600 |
| Diagnostics of pipelines | 49,676 | 96 |
| Environmental protection | 36,444 | 32,934 |
| Operating rent | 34,155 | 182,517 |
| Other | 337,983 | 488,960 |
| | 25,066,391 | 24,082,850 |

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

26. GENERAL AND ADMINISTRATIVE EXPENSES

| <i>In thousands of Tenge</i> | For the three months ended 31 March | |
|---|-------------------------------------|---------------------|
| | 2014 (unaudited) | 2013 (unaudited) |
| Personnel costs | 1,364,517 | 1,199,861 |
| Depreciation and amortization | 194,950 | 182,762 |
| Write-off of VAT recoverable | 133,798 | 90,773 |
| Office maintenance | 94,865 | 78,647 |
| Taxes other than corporate income tax | 66,347 | 52,622 |
| Business trip expenses | 50,811 | 40,469 |
| Consulting | 37,997 | 56,337 |
| Bank costs | 35,503 | 24,410 |
| Communication services | 27,072 | 25,661 |
| Insurance and security | 24,332 | 52,213 |
| Information expenses | 21,974 | 12,701 |
| Social sphere expenses | 20,960 | 59,068 |
| Repair and technical maintenance | 20,317 | 35,207 |
| Operating rent | 17,568 | 35,542 |
| Transportation expenses | 13,276 | 6,780 |
| Materials and fuel | 9,872 | 9,917 |
| Training | 9,815 | 3,953 |
| Post-employment benefits | 7,911 | 7,118 |
| Charity expenses | 7,149 | 10,714 |
| Advertising expenses | 2,037 | 329 |
| Charge/(reversal) of provision for obsolete and slow-moving inventories | 50 | (1,056) |
| (Reversal) /charge of provision for allowance for doubtful debts (Note 8, 10, 11) | (2,436) | 5,782 |
| Other | 93,477 | 51,049 |
| | 2,252,162 | 2,040,859 |

27. OTHER OPERATING INCOME

| <i>In thousands of Tenge</i> | For the three months ended 31 March | |
|--|-------------------------------------|---------------------|
| | 2014 (unaudited) | 2013 (unaudited) |
| Income from fines and penalties | 126,481 | 29,137 |
| Amortization of deferred income (Note 31) | 78,091 | 78,091 |
| Income from write-off of accounts payable | 29,141 | – |
| Gain on disposal of inventory | 24,671 | – |
| Gain on disposal of other assets, net amount | 2,308 | 84,650 |
| Amortization of financial guarantee issued on behalf of joint venture (Note 31) | – | 26,463 |
| Derecognition of financial guarantee issued on behalf of joint venture (Note 31) | – | 177,743 |
| Other income | 18,244 | 28,130 |
| | 278,936 | 424,214 |

In March 2013 MunaiTas repaid all obligations to EBRD under the loan agreement and Company's obligations under the financial guarantee Agreement were terminated. Consequently the Company derecognized remaining amount of unamortized financial guarantee.

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

28. FINANCE INCOME

| <i>In thousands of Tenge</i> | For the three months ended 31 March | |
|---|-------------------------------------|---------------------|
| | 2014 (unaudited) | 2013 (unaudited) |
| Interest income on bank deposits | 1,332,561 | 744,390 |
| Loans to employees: unwinding of discount | 3,636 | 6,272 |
| Other finance income | 5,106 | 5,574 |
| | 1,341,303 | 756,236 |

29. FINANCE COSTS

| <i>In thousands of Tenge</i> | For the three months ended 31 March | |
|--|-------------------------------------|---------------------|
| | 2014 (unaudited) | 2013 (unaudited) |
| Unwinding of discount on provisions for asset retirement and land recultivation obligation (Note 22) | 250,684 | 233,452 |
| Employee benefit: unwinding of discount (Note 17) | 104,250 | 93,000 |
| | 354,934 | 326,452 |

30. INCOME TAX EXPENSE

| <i>In thousands of Tenge</i> | For the three months ended 31 March | |
|------------------------------|-------------------------------------|---------------------|
| | 2014 (unaudited) | 2013 (unaudited) |
| Current income tax expense | 4,023,518 | 5,047,042 |
| Deferred income tax benefit | (83,428) | (791,767) |
| Income tax expense | 3,940,090 | 4,255,275 |

Movement for deferred tax liabilities was represented as follows:

| <i>In thousands of Tenge</i> | 2014 | 2013 |
|---------------------------------------|-------------------|-------------------|
| As at January 1 (audited) | 43,537,849 | 39,406,770 |
| Charged to profit and loss | (83,428) | (791,767) |
| Charged to other comprehensive income | (192,836) | 680 |
| Foreign currency translation | 582,157 | 754 |
| As at 31 March (unaudited) | 43,843,742 | 38,616,437 |

31. RELATED PARTY TRANSACTIONS

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

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

31. 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 2014 and 31 March 2013 and the related balances as at 31 March 2014 and 31 December 2013:

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

| <i>In thousands of Tenge</i> | 31 March 2014 (unaudited) | 31 December 2013 (audited) |
|--|---------------------------------|----------------------------------|
| Trade and other accounts receivable from related parties | | |
| Trade accounts receivable from joint ventures | 1,724,423 | 806,094 |
| Trade accounts receivable from entities under common control of KMG | 1,320,771 | 609,882 |
| Trade accounts receivable from entities under common control of Samruk-Kazyna Group | 189 | 993 |
| | 3,045,383 | 1,416,969 |
| Other accounts receivables from entities under common control of KMG and Samruk-Kazyna Group | - | 35,828 |
| Total trade and other accounts receivable from related parties | 3,045,383 | 1,452,797 |

Advances provided to related parties are as follows:

| <i>In thousands of Tenge</i> | 31 March 2014 (unaudited) | 31 December 2013 (audited) |
|--|---------------------------------|----------------------------------|
| Advances given to related parties | | |
| Advances given to entities under common control of KMG | 363,224 | 176,380 |
| Advances given to entities under common control of Samruk-Kazyna Group | 103,293 | 80,785 |
| Total advances paid to related parties | 466,517 | 257,165 |

Deferred expenses on transactions with related parties are as follows:

| <i>In thousands of Tenge</i> | 31 March 2014 (unaudited) | 31 December 2013 (audited) |
|---|---------------------------------|----------------------------------|
| Deferred expenses on transactions with related parties | | |
| Deferred expenses on transactions with related parties | 490 | - |
| | 490 | - |

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

| <i>In thousands of Tenge</i> | 31 March 2014 (unaudited) | 31 December 2013 (audited) |
|---|---------------------------------|----------------------------------|
| Non-current deferred income from related parties | | |
| Non-current deferred income from entities under common control of KMG | 182,213 | 260,305 |
| Total other non-current deferred income from related parties | 182,213 | 260,305 |

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

31. RELATED PARTY TRANSACTIONS (continued)

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

| <i>In thousands of Tenge</i> | 31 March 2014 (unaudited) | 31 December 2013 (audited) |
|--|---------------------------------|----------------------------------|
| Accounts payable to related parties for goods and services | | |
| Accounts payable to entities under common control of KMG | 383,706 | 632,581 |
| Accounts payable to entities under common control of Samruk-Kazyna Group | 152,461 | 18,021 |
| Total accounts payable to related parties for goods and services | 536,167 | 650,602 |
| Other accounts payable to related parties | | |
| Other accounts payable to entities under common control of Samruk-Kazyna Group | - | 1,950 |
| Total other accounts payable to related parties | - | 1,950 |
| Total trade and other accounts payable to related parties | 536,167 | 652,552 |

Advances received from related parties are as follows:

| <i>In thousands of Tenge</i> | 31 March 2014 (unaudited) | 31 December 2013 (audited) |
|--|---------------------------------|----------------------------------|
| Advances received from related parties | | |
| Advances from entities under common control of KMG | 9,633,082 | 8,764,571 |
| Advances from entities under common control of Samruk-Kazyna Group | 646,405 | 1,941,567 |
| Advances received from joint ventures | 15 | 15 |
| Total advances received from related parties | 10,279,502 | 10,706,153 |

Other current liabilities to related parties are as follows:

| <i>In thousands of Tenge</i> | 31 March 2014 (unaudited) | 31 December 2013 (audited) |
|--|---------------------------------|----------------------------------|
| Accounts payable for oil transportation expedition for related parties | | |
| Accounts payable for oil transportation expedition for entities under common control of KMG | 4,333,646 | 4,153,476 |
| | 4,333,646 | 4,153,476 |
| Accounts payable under the agency agreement to the related parties | | |
| Accounts payable under the agency agreement for the transportation of oil to the joint parties | - | 651,706 |
| | - | 651,706 |
| Employee benefits of key management personnel | | |
| Employee benefits of key management personnel | 6,310 | 5,516 |
| | 6,310 | 5,516 |
| Current portion of deferred income from related parties | | |
| Current portion of deferred income from entities under common control of KMG | 312,366 | 312,366 |
| | 312,366 | 312,366 |
| Total other current liabilities to related parties | 4,652,322 | 5,123,064 |

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

31. RELATED PARTY TRANSACTIONS (continued)

During three month ended 31 March the Group had the following transactions with related parties:

| <i>In thousands of Tenge</i> | For the three months ended 31 March | |
|---|-------------------------------------|---------------------|
| | 2014 (unaudited) | 2013 (unaudited) |
| Sales to related parties: | | |
| Revenue from services provided to entities under common control of KMG | 23,409,247 | 23,300,756 |
| Revenue from services provided to entities under common control of Samruk-Kazyna Group | 2,114,664 | 2,470,577 |
| Revenue from main activities with joint ventures | 1,677,928 | 1,351,078 |
| Revenue from main activities with other related parties | - | 4,068 |
| Revenue from other activities with entities under common control of KMG | 11,973 | 1,014 |
| Revenue from other activities with entities under common control of Samruk-Kazyna Group | - | 89 |
| | 27,213,812 | 27,127,582 |

| <i>In thousands of Tenge</i> | For the three months ended 31 March | |
|--|-------------------------------------|---------------------|
| | 2014 (unaudited) | 2013 (unaudited) |
| Purchases from related parties: | | |
| Purchases of services from entities under common control of KMG | 2,149,579 | 1,978,022 |
| Purchases of services from entities under common control of Samruk-Kazyna Group | 329,833 | 323,327 |
| Purchases of services from other related parties | - | 2,694,855 |
| Purchases of inventory from entities under common control of KMG | 2,043 | 21,394 |
| Purchases of inventory from entities under common control of Samruk-Kazyna Group | - | 2 |
| Purchases of intangible assets from entities under common control of Samruk-Kazyna Group | 111,221 | - |
| | 2,592,676 | 5,017,600 |

Finance income of the Group on transactions with related parties is as follows:

| <i>In thousands of Tenge</i> | For the three months ended 31 March | |
|---|-------------------------------------|---------------------|
| | 2014 (unaudited) | 2013 (unaudited) |
| Finance income from related parties: | | |
| Other finance income from related parties | - | 4,068 |
| | - | 4,068 |

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

| <i>In thousands of Tenge</i> | For the three months ended 31 March | |
|--|-------------------------------------|---------------------|
| | 2014 (unaudited) | 2013 (unaudited) |
| Other income from related parties: | | |
| Amortization of deferred income from related parties | 78,091 | 78,091 |
| Amortization of financial guarantee issued on behalf of joint venture | - | 26,463 |
| Derecognition of financial guarantee issued on behalf of joint venture | - | 177,743 |
| | 78,091 | 282,297 |

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

31. RELATED PARTY TRANSACTIONS (continued)

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

| <i>In thousands of Tenge</i> | For the three months ended 31 March | |
|------------------------------|-------------------------------------|---------------------|
| | 2014 (unaudited) | 2013 (unaudited) |
| Salary | 32,748 | 24,711 |
| Bonuses | 7,557 | 3,601 |
| Post-employment benefits | 325 | 103 |
| | 40,630 | 28,415 |
| Number of persons | 7 | 7 |

32. CONTINGENT LIABILITIES AND COMMITMENTS

Contingent liabilities and commitments of the Group are disclosed in the financial statements for the year ended 31 December 2013. During the three months ended 31 March 2014, there were no significant transactions except for the following:

Contractual commitments

As at 31 March 2014 the Group had contractual obligations to acquire property, plant and equipment, and construction services for the amount of 38,115,179 thousand Tenge (31 December 2013: 33,130,344 thousand Tenge). In addition, as at 31 March 2014, the Group has committed to purchase inventory (materials and spare parts) and services for the amount of 13,823,261 thousand Tenge (31 December 2013: 4,646,947 thousand Tenge).

Share of the Group as at 31 March 2014 in contractual obligations of joint ventures to acquire property, plant and equipment, and construction services amounted to 428,706 thousand Tenge (31 December 2013: 1,248,036 thousand Tenge) and in commitments to purchase inventory (materials and spare parts) and services amounted to 4,256,315 thousand Tenge (31 December 2013: 240,636 thousand Tenge).

33. FINANCIAL INSTRUMENTS

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

Fair value of financial instruments

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

34. EVENTS AFTER THE REPORTING PERIOD

Starting from 1 April 2014 order of NMRA dated as at 20 March 2014 increasing tariffs of the Company came into force. Accordingly, oil transportation tariff for export market for transportation of 1 ton of oil per 1,000 km for export increased from 4,850.6 Tenge till 5,817.2 Tenge (increase by 19.9%).

On 17 April 2014 the Board of Directors made a decision to propose dividends payment in the amount of 41,925,280 thousand Tenge (109 Tenge per share) on the next General meeting of shareholders.