

**KazTransOil JSC**

**Interim condensed separate financial statements**

*For the six months ended 30 June 2018*



**CONTENTS**

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Report on review of interim financial information

**Interim condensed separate financial statements**

Interim separate statement of financial position .....	1-2
Interim separate statement of comprehensive income .....	3
Interim separate statement of cash flows .....	4-5
Interim separate statement of changes in equity .....	6
Notes to the interim condensed separate financial statements .....	7-30

## Report on Review of Interim Financial Information

To the Shareholders of KazTransOil JSC

### Introduction

We have reviewed the accompanying interim condensed separate financial statements of KazTransOil JSC, which comprise the interim separate statement of financial position as at 30 June 2018 and the related interim separate statements of comprehensive income, changes in equity and cash flows for the six-month period then ended, and selected explanatory notes (interim financial information). Management is responsible for the preparation and presentation of this interim financial information in accordance with IAS 34, *Interim Financial Reporting*. Our responsibility is to express a conclusion on this interim financial information based on our review.

### Scope of review

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


## Conclusion

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

## Consolidated financial statements presented separately

Without modifying our conclusion, we draw attention to *Note 2* to the interim condensed separate financial statements which states that the Company is the parent entity of KazTransOil JSC group and that the interim condensed consolidated financial statements of KazTransOil JSC and its subsidiaries ("the Group"), prepared in accordance with IAS 34, have been issued separately. We have performed review of the interim condensed consolidated financial statements of the Group for the six month period, ended 30 June 2018, and expressed an unqualified conclusion thereon in our report on review of interim condensed consolidated financial statements dated 25 August 2018.

*Ernst & Young LLP*



Gulmira Turmagambetova  
Auditor / General Director  
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25 August 2018



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

**INTERIM SEPARATE STATEMENT OF FINANCIAL POSITION**

<i>In thousands of Tenge</i>	<b>Notes</b>	<b>As at 30 June 2018 (unaudited)</b>	<b>As at 31 December 2017 (audited)</b>
<b>Assets</b>			
<b>Non-current assets</b>			
Property, plant and equipment	3	577,510,704	566,836,632
Intangible assets	4	1,535,544	1,489,927
Investments in subsidiaries	5	54,716,684	28,208,864
Investments in joint ventures	6	7,404,945	7,404,945
Advances to suppliers for property, plant and equipment	7	522,988	272,246
Bank deposits	13	3,288,757	3,948,692
Investments in bonds	15	795,239	748,962
Other non-current assets		12,771	13,100
		<b>645,787,632</b>	<b>608,923,368</b>
<b>Current assets</b>			
Inventories	8	6,013,158	3,152,484
Trade and other accounts receivable	9	4,669,198	6,197,900
Advances to suppliers	10	1,714,000	373,858
Prepayment for income tax		1,117,666	3,489,707
VAT recoverable and other prepaid taxes	11	1,325,142	3,027,649
Other current assets	12	4,556,459	5,786,633
Bank deposits	13	3,709,212	28,356,520
Cash and cash equivalents	14	45,413,387	36,011,198
		<b>68,518,222</b>	<b>86,395,949</b>
Non-current assets held for sale	3, 4	29,357,197	2,848,498
		<b>97,875,419</b>	<b>89,244,447</b>
<b>Total assets</b>		<b>743,663,051</b>	<b>698,167,815</b>

*The accounting policy and explanatory notes on pages 7 through 30 form an integral part of these interim condensed separate financial statements.*

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

<i>In thousands of Tenge</i>	<b>Notes</b>	<b>As at 30 June 2018 (unaudited)</b>	<b>As at 31 December 2017 (audited)</b>
<b>Equity and liabilities</b>			
<b>Equity</b>			
Share capital	16	61,937,567	61,937,567
Treasury shares repurchased from shareholders		(9,549)	(9,549)
Asset revaluation reserve		207,869,559	182,956,116
Other capital reserves	16	(622,717)	(622,717)
Retained earnings		281,960,069	304,506,370
<b>Total equity</b>		<b>551,134,929</b>	<b>548,767,787</b>
<b>Non-current liabilities</b>			
Employee benefit obligations	17	13,284,271	12,740,751
Deferred tax liabilities	30	70,743,320	63,299,288
Provision for asset retirement and land recultivation obligation	21	16,924,163	15,347,322
Deferred income		3,591	3,655
		<b>100,955,345</b>	<b>91,391,016</b>
<b>Current liabilities</b>			
Employee benefit obligations	17	560,000	600,175
Trade and other accounts payable	18	12,114,770	16,725,180
Advances received	19	44,381,940	17,915,831
Other taxes payable	20	657,289	1,224,538
Provisions	21	41,125	41,125
Other current liabilities	22	33,817,653	21,502,163
		<b>91,572,777</b>	<b>58,009,012</b>
<b>Total liabilities</b>		<b>192,528,122</b>	<b>149,400,028</b>
<b>Total equity and liabilities</b>		<b>743,663,051</b>	<b>698,167,815</b>
<b>Book value per ordinary share (in Tenge)</b>	16	<b>1,429</b>	<b>1,423</b>

Signed and approved for issue on 25 August 2018.

Acting General Director  
(Chairman of the Management Board)

Pirogov A.G.

Chief Accountant

Sarmagambetova M.K.

*The accounting policy and explanatory notes on pages 7 through 30 form an integral part of these interim condensed separate financial statements.*

**INTERIM SEPARATE STATEMENT OF COMPREHENSIVE INCOME**

<i>In thousands of Tenge</i>	<b>Notes</b>	<b>For the six months ended 30 June (unaudited)</b>	
		<b>2018</b>	<b>2017</b>
Revenue	23	104,902,081	100,841,492
Cost of sales	24	(63,936,345)	(61,518,397)
<b>Gross profit</b>		<b>40,965,736</b>	<b>39,323,095</b>
General and administrative expenses	25	(5,274,164)	(4,939,902)
Other operating income	26	318,290	809,507
Other operating expenses	27	(966,531)	(486,333)
<b>Operating profit</b>		<b>35,043,331</b>	<b>34,706,367</b>
Net foreign exchange gain/(loss)		808,034	(1,120,473)
Finance income	28	1,672,605	2,926,829
Finance costs	29	(1,229,229)	(1,189,718)
<b>Profit before income tax</b>		<b>36,294,741</b>	<b>35,323,005</b>
Income tax expense	30	(7,441,762)	(8,692,446)
<b>Net profit for the period</b>		<b>28,852,979</b>	<b>26,630,559</b>
<b>Earnings per share (in Tenge)</b>	<b>16</b>	<b>75</b>	<b>69</b>
<b>Other comprehensive income/(loss)</b>			
<b>Other comprehensive income/(loss) not to be reclassified to profit or loss in subsequent periods</b>			
Revaluation/(impairment) of property, plant and equipment, net	3	44,699,573	(3,818)
Income tax effect	30	(8,939,914)	763
		<b>35,759,659</b>	<b>(3,055)</b>
Charge of provision for asset retirement and land recultivation obligation	21	(830,586)	(643,329)
Income tax effect	30	166,118	128,666
		<b>(664,468)</b>	<b>(514,663)</b>
Write-off of deferred tax assets on employee benefit obligations	30	-	(150,746)
		-	<b>(150,746)</b>
<b>Total other comprehensive income/(loss) not to be reclassified to profit or loss in subsequent periods, net</b>		<b>35,095,191</b>	<b>(668,464)</b>
<b>Total other comprehensive income/(loss) for the period, net of tax</b>		<b>35,095,191</b>	<b>(668,464)</b>
<b>Total comprehensive income for the period, net of tax</b>		<b>63,948,170</b>	<b>25,962,095</b>

Signed and approved for issue on 25 August 2018.

Acting General Director  
(Chairman of the Management Board)

Chief Accountant



Pirogov A.G.

Sarmagambetova M.K.

*The accounting policy and explanatory notes on pages 7 through 30 form an integral part of these interim condensed separate financial statements.*

**INTERIM SEPARATE STATEMENT OF CASH FLOWS**

<i>In thousands of Tenge</i>	<b>Notes</b>	<b>For the six months ended 30 June (unaudited)</b>	
		<b>2018</b>	<b>2017</b>
<b>Cash flows from operating activities</b>			
Profit before income tax		<b>36,294,741</b>	<b>35,323,005</b>
<b>Non-cash adjustment to reconcile profit before income tax to net cash flows</b>			
Depreciation and amortization	24, 25	<b>24,694,731</b>	<b>23,035,750</b>
Charge/(reversal) of allowance for expected credit losses, net	25	<b>44,865</b>	<b>(53,510)</b>
Finance costs	29	<b>1,229,229</b>	<b>1,189,718</b>
Finance income	28	<b>(1,672,605)</b>	<b>(2,926,829)</b>
Employee benefits, current service costs	17	<b>281,139</b>	<b>559,272</b>
Loss on disposal of property, plant and equipment, net	27	<b>868,188</b>	<b>400,611</b>
Revision of estimates on provision on asset retirement and land recultivation obligation	21	<b>72,577</b>	<b>(260,173)</b>
Income from write-off of accounts payable		<b>-</b>	<b>(2,096)</b>
Unrealized foreign exchange (gain)/loss		<b>(808,034)</b>	<b>1,120,474</b>
Others		<b>13,138</b>	<b>(28,972)</b>
<b>Operating cash flows before working capital changes</b>		<b>61,017,969</b>	<b>58,357,250</b>
<b>(Increase)/decrease in operating assets</b>			
Inventories		<b>(3,274,718)</b>	<b>(2,649,296)</b>
Trade and other accounts receivable		<b>1,401,838</b>	<b>(1,688,289)</b>
Advances to suppliers		<b>(1,339,515)</b>	<b>(870,623)</b>
VAT recoverable and other prepaid taxes		<b>975,139</b>	<b>(132,741)</b>
Other current assets		<b>1,232,570</b>	<b>(149,158)</b>
<b>Increase/(decrease) in operating liabilities</b>			
Trade and other accounts payable		<b>1,957,972</b>	<b>143,350</b>
Advances received		<b>1,624,438</b>	<b>1,183,264</b>
Other taxes payable		<b>(848,252)</b>	<b>(178,817)</b>
Other current and non-current liabilities and employee benefit obligations		<b>(8,175,738)</b>	<b>(5,763,852)</b>
<b>Cash generated from operating activities</b>		<b>54,571,703</b>	<b>48,251,088</b>
Income taxes paid		<b>(6,118,482)</b>	<b>(6,416,420)</b>
Interest received		<b>1,841,663</b>	<b>2,953,998</b>
<b>Net cash flows from operating activities</b>		<b>50,294,884</b>	<b>44,788,666</b>

*The accounting policy and explanatory notes on pages 7 through 30 form an integral part of these interim condensed separate financial statements.*



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

In thousands of Tenge	Notes	For the six months ended 30 June (unaudited)	
		2018	2017
<b>Cash flows from investing activities</b>			
Withdrawal of bank deposits		28,845,923	21,840,303
Proceeds from disposal of property, plant and equipment	3	26,006,640	5,912
Proceeds from bonds redemption	15	17,982	-
Placement of bank deposits		(3,201,000)	(27,474,637)
Purchase of property, plant and equipment		(23,915,875)	(15,945,905)
Purchase of intangible assets		(23,585)	(32,926)
Contributions to the share capital of a subsidiary	5	(26,202,497)	-
<b>Net cash flows from/(used in) investing activities</b>		<b>1,527,588</b>	<b>(21,607,253)</b>
<b>Cash flows from financing activities</b>			
Dividends paid	16	(42,540,496)	(59,617,355)
<b>Net cash flows used in financing activities</b>		<b>(42,540,496)</b>	<b>(59,617,355)</b>
<b>Net change in cash and cash equivalents</b>		<b>9,281,976</b>	<b>(36,435,942)</b>
Net foreign exchange difference		120,213	(300,430)
Cash and cash equivalents at the beginning of the period		36,011,198	64,802,346
<b>Cash and cash equivalents at the end of the period</b>		<b>45,413,387</b>	<b>28,065,974</b>

Signed and approved for issue on 25 August 2018.

Acting General Director  
(Chairman of the Management Board)



*Pirogov A.G.*

Chief Accountant

*Sarmagambetova M.K.*

*The accounting policy and explanatory notes on pages 7 through 30 form an integral part of these interim condensed separate financial statements.*

**INTERIM SEPARATE STATEMENT OF CHANGES IN EQUITY**

<i>In thousands of Tenge</i>	Share capital	Treasury shares repurchased from shareholders	Asset revaluation reserve	Other capital reserves	Retained earnings	Total
<b>As at 31 December 2017 (audited)</b>	61,937,567	(9,549)	182,956,116	(622,717)	304,506,370	548,767,787
Changes in accounting policy (Notes 9,13 and 14)	-	-	-	-	(40,532)	(40,532)
<b>As at 1 January 2018 (restated)</b>	61,937,567	(9,549)	182,956,116	(622,717)	304,465,838	548,727,255
Net profit for the period	-	-	-	-	28,852,979	28,852,979
Other comprehensive income	-	-	35,095,191	-	-	35,095,191
<b>Total comprehensive income for the period</b>	-	-	35,095,191	-	28,852,979	63,948,170
Amortization of revaluation reserve for property, plant and equipment	-	-	(10,181,748)	-	10,181,748	-
Dividends (Note 16)	-	-	-	-	(61,540,496)	(61,540,496)
<b>As at 30 June 2018 (unaudited)</b>	61,937,567	(9,549)	207,869,559	(622,717)	281,960,069	551,134,929
<b>As at 31 December 2016 (audited)</b>	61,937,567	(9,549)	192,430,443	(695,324)	296,909,328	550,572,465
Net profit for the period	-	-	-	-	26,630,559	26,630,559
Other comprehensive loss	-	-	(517,718)	(150,746)	-	(668,464)
<b>Total comprehensive (loss)/income for the period</b>	-	-	(517,718)	(150,746)	26,630,559	25,962,095
Amortization of revaluation reserve for property, plant and equipment	-	-	(10,243,453)	-	10,243,453	-
Dividends (Note 16)	-	-	-	-	(59,617,355)	(59,617,355)
<b>As at 30 June 2017 (unaudited)</b>	61,937,567	(9,549)	181,669,272	(846,070)	274,165,985	516,917,205

Signed and approved for issue on 25 August 2018.

Acting General Director  
(Chairman of the Management Board)

Chief Accountant



Pirogov A.G.

Sarmagambetova M.K.

The accounting policy and explanatory notes on pages 7 through 30 form an integral part of these interim condensed separate financial statements.

## NOTES TO THE INTERIM CONDENSED SEPARATE FINANCIAL STATEMENTS

For the six months ended 30 June 2018

## 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.

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

As at 30 June 2018 10% of shares of the Company are owned by minority shareholders who acquired them within the “People’s IPO” program. The major shareholder of the Company, who owns the controlling interest of the Company (90%) is National Company “KazMunayGas” JSC (hereinafter “KMG” or “Parent Company”). 90% of KMG shares are owned by Sovereign Wealth Fund “Samruk-Kazyna” JSC (hereinafter – “Samruk-Kazyna”), controlled by the Government of the Republic of Kazakhstan. 10% of KMG shares are owned by the National Bank of the Republic of Kazakhstan.

As at 30 June 2018 and 31 December 2017 the Company had interest ownership in the following companies:

	Place of incorporation	Principal activities	Ownership	
			30 June 2018	31 December 2017
NWPC “MunaiTas” JSC (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 (hereinafter – “Main Waterline”)	Kazakhstan	Water transportation	100%	–

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

The Company’s head office is located in Astana, Kazakhstan, at 20 Turan Avenue. The Company has a branch, which is located in Almaty (Research and Development Centre) and representative offices in the Russian Federation (Omsk and Samara).

The Company operates network of main oil pipelines of 5,377 km and water pipelines of 1,975 km. Also the Company is engaged in storage, loading, transshipment and transfer of crude oil to other related pipeline systems. Company’s joint ventures MunaiTas and KCP own Kenkiyak – Atyrau, Kenkiyak – Kumkol, and Atasu – Alashankou pipelines 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 – “CRNMPCandCR”). CRNMPCandCR is responsible for approving the methodology for calculating the tariff and tariff rates for oil transportation in domestic market of the Republic of Kazakhstan.

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

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

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

\* The rate came into effect on 1 January 2018.

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

### 1. GENERAL INFORMATION (continued)

Starting from 1 April 2018 tariffs for pumping oil on the export from the Republic of Kazakhstan equals to 6,398.92 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 4,292.4 Tenge per ton for 1,000 kilometers.

Tariffs for transportation of Russian oil to Republic of Uzbekistan through the territory of Republic of Kazakhstan is 25.12 US Dollars per ton.

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 3.11 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.

In accordance with the Law of the Republic of Kazakhstan *On Natural Monopolies*, the Company, as a subject of natural monopolies, within the approved maximum tariffs for 2015-2019, has an obligation to execute an investment program aimed at capital construction / reconstruction / overhaul / diagnostics of production facilities for 2015-2019 (approved by the joint order of the Ministry of Energy of the Republic of Kazakhstan No. 68 from 27 February 2018 and the CRNMPCandCR No. 43-OD from 23 February 2018), in the total amount of 191 billion Tenge including:

- 2015 – 57.1 billion Tenge, including on the domestic market – 18.4 billion Tenge;
- 2016 – 38.4 billion Tenge, including on the domestic market – 12.5 billion Tenge;
- 2017 – 37.09 billion Tenge, including on the domestic market – 11.7 billion Tenge;
- 2018 – 37.09 billion Tenge, including on the domestic market – 11.5 billion Tenge;
- 2019 – 21.36 billion Tenge, including on the domestic market – 6.6 billion Tenge.

In accordance with the above-mentioned law for failure to implementation the actions with the approved investment program, CRNMPCandCR has to apply a compensating tariff from the moment of making a decision on its application.

As at 30 June 2018, Company’s commitments for the execution of the investment program is 57 billion Tenge (31 December 2017: 63.4 billion Tenge).

Management of the Company believes that the activities of the approved investment program will be adjusted and implemented by the Company within 5 years period in the order established by law.

These interim condensed separate financial statements for the six months ended 30 June 2018 were approved by internal audit committee of the Company’s Board of Directors and signed by the Acting General Director and the Chief Accountant on 25 August 2018.

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

#### Basis of preparation

The interim condensed separate financial statements for the six months ended 30 June 2018 have been prepared in accordance with International Financial Reporting Standard (hereinafter – “IFRS”) IAS 34 *Interim Financial Reporting*.

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

The interim condensed separate financial statements do not include all information and disclosures required for annual separate financial statements and should be read in conjunction with the Company’s annual separate financial statements for the year ended 31 December 2017.

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

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

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

#### Basis of preparation (continued)

These interim condensed separate financial statements were issued in addition to the interim condensed consolidated financial statements of the Company and its subsidiaries. Interim condensed consolidated financial statements were approved for issue by internal audit committee of the Company's Board of Directors and signed by the Acting General Director (Chairman of the Management Board) and the Chief Accountant of the Company on 25 August 2018. A copy of the interim condensed consolidated financial statements may be obtained from the head office of the Company (*Note 1*).

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

The accounting policies adopted in the preparation of the interim condensed separate financial statements are consistent with those followed in the preparation of the Company's annual separate financial statements for the year ended 31 December 2017, except for the adoption of new standards and interpretations effective as at 1 January 2018. The Company has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

The Company applies, for the first time, IFRS 15 *Revenue from Contracts with Customers* and IFRS 9 *Financial Instruments* that require restatement of previous financial statements. As required by IAS 34, the nature and effect of these changes are disclosed below.

#### *IFRS 15 Revenue from Contracts with Customers*

IFRS 15 supersedes IAS 11 *Construction Contracts*, IAS 18 *Revenue* and related Interpretations and it applies to all revenue arising from contracts with customers, unless those contracts are in the scope of other standards. The new standard establishes a five-step model to account for revenue arising from contracts with customers. Under IFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

The standard requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The standard also specifies the accounting for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract.

The Company adopted the new standard on the required effective date using the modified retrospective method to not completed contracts at the date of initial application in its interim condensed separate financial statements. During 2017, the Company performed a detailed analysis of the effects of IFRS 15, which showed absence of impact on the financial position and results of the Company.

The Company's activities relates to the transportation of oil through main pipelines on the territory of the Republic of Kazakhstan.

#### (a) *Rendering of services*

The Company fulfills the obligation to execute on a monthly basis and recognizes the proceeds from the provision of oil transportation services, transport expedition of oil and other related services, based on the actual volume of services rendered. Revenues from pipeline operation and maintenance services are recognized over time, as the buyer simultaneously receives and benefits from the performance of the Company's contractual obligations. Application of IFRS 15 to service contracts does not affect the Company's revenue and profit or loss.

#### (b) *Presentation and disclosure requirements*

As required for the interim condensed separate financial statements, the Company disaggregated revenue recognised from contracts with customers in to categories that depict how the nature, amount, timing and uncertainty of revenue and cash flows are affected by economic factors.

#### *IFRS 9 Financial Instruments*

IFRS 9 *Financial Instruments* replaces IAS 39 *Financial Instruments: Recognition and Measurement* for annual periods beginning on or after 1 January 2018, bringing together all three aspects of the accounting for financial instruments: classification and measurement; impairment; and hedge accounting.

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

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

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

##### IFRS 9 Financial Instruments (continued)

With the exception of hedge accounting, which is applied prospectively, the Company has applied IFRS 9 retrospectively, with the initial application date of 1 January 2018. The management of the Company decided not to restate the comparative information for the period beginning 1 January 2017, hence:

- The comparative information on financial assets and liabilities is disclosed in accordance with classification and measurement requirements of IAS 39 (Notes 9, 13, 14 and 18);
- The adjustment to the opening balance of retained earnings as at 1 January 2018 is recognized in the interim separate statement of changes in equity for the six months ended 30 June 2018. The information on this adjustment is disclosed as follows:

<i>In thousands of Tenge</i>	<b>Adjust- ments</b>	<b>1 January 2018</b>
<b>Assets</b>		
<b>Non-current assets</b>		
Bank deposits (Note 13)	(b)	(31,251)
<b>Total non-current assets</b>		<b>(31,251)</b>
<b>Current assets</b>		
Trade and other accounts receivable (Note 9)	(b)	(8,680)
Bank deposits (Note 13)	(b)	(264)
Cash and cash equivalents (Note 14)	(b)	(337)
<b>Total current assets</b>		<b>(9,281)</b>
<b>Total assets</b>		<b>(40,532)</b>
<b>Equity</b>		
Retained earnings	(b)	(40,532)
<b>Total equity</b>		<b>(40,532)</b>

#### (a) Classification and measurement

Under IFRS 9, the Company initially measures financial assets at fair value plus, in the case of financial assets not at fair value through profit or loss, transaction costs.

Under IFRS 9, debt financial instruments are subsequently measured at fair value through profit or loss (FVPL), at amortised cost or at fair value through other comprehensive income (FVOCI). The classification depends on two criteria: the business model used by the Company to manage financial assets; and whether the contractual cash flows for financial instruments are “solely payments of principal and interest on the outstanding principal amount”.

Under the new requirements, the Company classifies and measures debt financial assets as follows:

- Debt instruments at amortised cost for financial assets that are held within a business model with the objective to hold the financial assets in order to collect contractual cash flows that are solely payments of principal and interest on the outstanding principal amount of the debt. The Company includes in this category trade and other receivables and funds in credit institutions (bank deposits, cash and cash equivalents). The Company analysed the characteristics of contractual cash flows of these instruments and concluded that they meet the criteria for amortised cost measurement under IFRS 9. Therefore, reclassification of these instruments is not required.
- Financial assets at fair value through profit or loss include debt instrument that are not held within a business model whose objective is either to collect contractual cash flows or to both collect contractual cash flows and sell, and the cash flows characteristics are not solely payments of the principal and interest on the outstanding principal amount of the debt. The Company includes bonds of “Special financial company DSFK” LLP to this category. Under IAS 39, these financial assets of the Company were classified as held-to-maturity investments. However, the change in the classification starting from 1 January 2018 has no impact on book value of bonds at the beginning of the year, as the bonds were acquired at the end of December 2017 and were measured at fair value on initial recognition, and accordingly, an adjustment to retained earnings at the beginning of the period is not required. As at 30 June 2018 the Company revised the fair value of these financial assets using discount rate 12.7% (Note 15).

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

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

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

##### *IFRS 9 Financial Instruments (continued)*

##### *(a) Classification and measurement (continued)*

The assessment of the Company's business model was made as of the date of initial application, 1 January 2018, and then applied retrospectively to those financial assets that were not derecognized before 1 January 2018. The assessment of whether contractual cash flows on debt instruments are solely comprised of principal and interest was made based on the facts and circumstances as at the initial recognition of these assets.

##### *(b) Impairment*

The adoption of IFRS 9 has fundamentally changed the Company's accounting for impairment losses for financial assets by replacing IAS 39's incurred loss approach with a forward-looking expected credit loss (ECL) approach.

IFRS 9 requires the Company to record an allowance for ECLs for all loans and other debt financial assets not held at FVPL.

ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Company expects to receive. ECL is discounted at a rate approximately equal to the original effective interest rate for a similar instrument with a similar credit rating.

For trade and other receivables, the Company has applied the standard's simplified approach and has calculated ECLs based on lifetime ECLs of these financial instruments. The Company used a provision model, that is prepared taking into account Company's historical credit losses experience, adjusted for forward-looking factors specific to debtors and economic environment.

For funds in credit institutions (bank deposits, cash and cash equivalents), investments in bonds, the Company calculated ECLs based on the 12-month ECL. The 12-month ECL is the portion of lifetime ECLs that results from default events on a financial instrument that are possible within 12 months after the reporting date. However, when there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime ECL.

The Company considers that there has been a significant increase in credit risk when contractual payments are more than 30 days past due. Also it is considered a financial asset in default when contractual payment are 90 days past due. However, in certain cases, the Company may also consider a financial asset to be in default when internal or external information indicates that the Company is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Company.

The adoption of the ECL requirements of IFRS 9 resulted in increase in impairment allowances of the Company's debt financial assets. The increase in allowance resulted in adjustment to Retained earnings as at 1 January 2018. The effect of the adjustment is as follows: decreases in Trade and other receivables, Cash and cash equivalents, Bank deposits and Retained earnings amounting to 8,680 thousand Tenge, 337 thousand Tenge, 31,515 thousand Tenge and 40,532 thousand Tenge, respectively.

##### *IFRIC Interpretation 22 Foreign Currency Transactions and Advance Considerations*

The Interpretation clarifies that, in determining the spot exchange rate to use on initial recognition of the related asset, expense or income (or part of it) on the derecognition of a non-monetary asset or non-monetary liability relating to advance consideration, the date of the transaction is the date on which an entity initially recognises the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, then the entity must determine a date of the transactions for each payment or receipt of advance consideration. This Interpretation does not have any impact on the Company's interim condensed separate financial statements.

##### *Amendments to IAS 40 Transfers of Investment Property*

The amendments clarify when an entity should transfer property, including property under construction or development into, or out of investment property. The amendments state that a change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. A mere change in management's intentions for the use of a property does not provide evidence of a change in use. These amendments do not have any impact on the Company's interim condensed separate financial statements.



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

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

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

##### *Amendments to IFRS 2 Classification and Measurement of Share-based Payment Transactions*

The IASB issued amendments to IFRS 2 *Share-based Payment* that address three main areas: the effects of vesting conditions on the measurement of a cash-settled share-based payment transaction; the classification of a share-based payment transaction with net settlement features for withholding tax obligations; and accounting where a modification to the terms and conditions of a share-based payment transaction changes its classification from cash settled to equity settled. On adoption, entities are required to apply the amendments without restating prior periods, but retrospective application is permitted if elected for all three amendments and other criteria are met. The Company's accounting policy for cash-settled share based payments is consistent with the approach clarified in the amendments. In addition, the Company has no share-based payment transaction with net settlement features for withholding tax obligations and had not made any modifications to the terms and conditions of its share-based payment transaction. Therefore, these amendments do not have any impact on the Company's interim condensed separate financial statements.

##### *Amendments to IFRS 4 Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts*

The amendments address concerns arising from implementing the new financial instruments standard, IFRS 9, before implementing IFRS 17 Insurance Contracts, which replaces IFRS 4. The amendments introduce two options for entities issuing insurance contracts: a temporary exemption from applying IFRS 9 and an overlay approach. These amendments are not relevant to the Company.

##### *Amendments to IAS 28 Investments in Associates and Joint Ventures – Clarification that measuring investees at fair value through profit or loss is an investment-by-investment choice*

The amendments clarify that an entity that is a venture capital organisation, or other qualifying entity, may elect, at initial recognition on an investment-by-investment basis, to measure its investments in associates and joint ventures at fair value through profit or loss. This election is made separately for each investment at initial recognition. If an entity, that is not itself an investment entity, has an interest in an associate or joint venture that is an investment entity, the entity may, when applying the equity method, elect to retain the fair value measurement applied by that investment entity associate or joint venture to the investment entity associate's or joint venture's interests in subsidiaries. This election is made separately for each investment entity associate or joint venture, at the later of the date on which: (a) the investment entity associate or joint venture is initially recognised; (b) the associate or joint venture becomes an investment entity; and (c) the investment entity associate or joint venture first becomes a parent. These amendments do not have any impact on the Company's interim condensed separate financial statements.

##### *Amendments to IFRS 1 First-time Adoption of International Financial Reporting Standards – Deletion of short-term exemptions for first-time adopters*

Short-term exemptions in paragraphs E3-E7 of IFRS 1 were deleted because they have now served their intended purpose. These amendments do not have any impact on the Company's interim condensed separate financial statements.

#### Amendments that have been issued but not yet effective

The Company did not apply early the standards, clarifications or amendments that were issued, but did not yet effective. The following are the standards and interpretations that have been issued but not yet effective as of the date of the interim condensed separate financial statements of the Company. The Company intends to apply these standards and interpretations from the date of their effective date on 1 January 2019:

- Amendments to IFRS 9 *Prepayment Features with Negative Compensation*;
- Amendments to IAS 28 *Long-term Interests in Associates and Joint Ventures*;
- Amendments to IAS 19 *Plan Amendment, Curtailment or Settlement*.

#### Seasonality of operations

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



## NOTES TO THE INTERIM CONDENSED SEPARATE 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 six months ended 30 June 2018 and 2017 are as follows:

<i>Tenge</i>	For the six months ended 30 June	
	2018	2017
US Dollars	326.53	318.69
Russian Rubles	5.50	5.50
Euro	395.39	344.87

As at 30 June 2018 and 31 December 2017 the currency exchange rates of KASE were:

<i>Tenge</i>	30 June 2018	31 December 2017
US Dollars	341.08	332.33
Russian Rubles	5.44	5.77
Euro	397.26	398.23

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

## 3. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment as at 30 June 2018 and 31 December 2017 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 2017 (audited)</b>	6,057,069	227,862,264	10,519,904	85,464,187	144,214,874	102,839,808	17,509,489	35,052,454	629,520,049
Additions	-	39,081	1,253,077	-	1,636,456	-	447,728	15,230,328	18,606,670
Disposals	(123,655)	(464,648)	(26,638)	(878,782)	(361,823)	(5,373)	(270,163)	(6,561)	(2,137,643)
Revaluation (through revaluation reserve)	-	-	-	-	-	44,701,053	-	-	44,701,053
Transfers from construction in progress	3,064	42,502	7,606	294,487	3,483,553	-	727,352	(4,558,564)	-
Contribution to the share capital of a subsidiary	(47,137)	-	-	(158,722)	-	-	-	-	(205,859)
Transfers to non-current assets held for sale	(698,843)	(2,845)	(720,706)	(8,796,535)	(20,366,938)	-	(899,592)	(1,041,486)	(32,526,945)
Transfers to intangible assets (Note 4)	-	-	-	-	-	-	-	(406,884)	(406,884)
Transfers and reclassifications	-	14,490	1,947,637	(31,812)	820,016	-	42,995	(2,793,326)	-
<b>At revalued amount as at 30 June 2018 (unaudited)</b>	<b>5,190,498</b>	<b>227,490,844</b>	<b>12,980,880</b>	<b>75,892,823</b>	<b>129,426,138</b>	<b>147,535,488</b>	<b>17,557,809</b>	<b>41,475,961</b>	<b>657,550,441</b>
<b>Accumulated depreciation and impairment as at 31 December 2017 (audited)</b>	-	(20,559,375)	(2,284,801)	(6,570,464)	(27,082,673)	-	(6,128,463)	(57,641)	(62,683,417)
Depreciation charge	-	(7,921,264)	(901,712)	(2,581,198)	(10,435,708)	-	(2,511,689)	-	(24,351,571)
Disposals	-	262,386	25,025	121,856	275,106	-	265,959	-	950,332
Impairment (through expenses)	-	(1,124)	-	-	-	-	-	-	(1,124)
Impairment (through revaluation reserve)	-	(1,480)	-	-	-	-	-	-	(1,480)
Contribution to the share capital of a subsidiary	-	-	-	9,448	-	-	-	-	9,448
Depreciation of property, plant and equipment transferred to non-current assets held for sale	-	421	198,505	892,284	4,524,342	-	422,523	-	6,038,075
Transfers and reclassifications	-	-	226	994	165	-	(1,385)	-	-
<b>Accumulated depreciation and impairment as at 30 June 2018 (unaudited)</b>	-	(28,220,436)	(2,962,757)	(8,127,080)	(32,718,768)	-	(7,953,055)	(57,641)	(80,039,737)
<b>As at 30 June 2018 (unaudited)</b>									
At revalued amount	5,190,498	227,490,844	12,980,880	75,892,823	129,426,138	147,535,488	17,557,809	41,475,961	657,550,441
Accumulated depreciation and impairment	-	(28,220,436)	(2,962,757)	(8,127,080)	(32,718,768)	-	(7,953,055)	(57,641)	(80,039,737)
<b>Net book value (unaudited)</b>	<b>5,190,498</b>	<b>199,270,408</b>	<b>10,018,123</b>	<b>67,765,743</b>	<b>96,707,370</b>	<b>147,535,488</b>	<b>9,604,754</b>	<b>41,418,320</b>	<b>577,510,704</b>
<b>As at 31 December 2017 (audited)</b>									
At revalued amount	6,057,069	227,862,264	10,519,904	85,464,187	144,214,874	102,839,808	17,509,489	35,052,454	629,520,049
Accumulated depreciation and impairment	-	(20,559,375)	(2,284,801)	(6,570,464)	(27,082,673)	-	(6,128,463)	(57,641)	(62,683,417)
<b>Net book value (audited)</b>	<b>6,057,069</b>	<b>207,302,889</b>	<b>8,235,103</b>	<b>78,893,723</b>	<b>117,132,201</b>	<b>102,839,808</b>	<b>11,381,026</b>	<b>34,994,813</b>	<b>566,836,632</b>

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

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

As at 30 June 2018 the Company's construction in progress mainly includes the following production projects:

- Construction and reconstruction realized as a part of interstate "Kazakhstan – China" oil pipeline construction project;
- Reconstruction of the WPS-5 to increase the supply of water for the water pipeline "Astrakhan – Mangyshlak";
- Overhaul with replacement of the pipeline on the section 1,001.9-1,187.5 kilometers of the main oil pipeline "Tuymazy – Omsk – Novosibirsk-2" (the second stage of construction) and the main oil pipeline "Uzen – Atyrau – Samara" on the section 1,031-1,065 kilometers;
- Upgrading the trunking radio network and others.

As at 30 June 2018:

- The initial cost and correspondingly accumulated depreciation of fully depreciated, plant and equipment were 1,465,100 thousand Tenge (31 December 2017: 2,027,373 thousand Tenge);
- The volume of oil in pipelines, included in property, plant and equipment, amounted 2,498 thousand tons (31 December 2017: 2,498 thousand tons);
- Construction in progress included materials and spare parts in the amount of 4,078,822 thousand Tenge (as at 31 December 2017: 4,977,784 thousand Tenge), which were acquired for construction works.

Due to significant changes in the oil price on domestic market, the fair value of the Company's technological oil as at 30 June 2018 was determined based on the price of 59,073 Tenge per ton (31 December 2017: 41,175 tenge per ton). The effect of the change in fair value of the technological oil for the period amounted to 44,701,053 thousand Tenge.

The amount of depreciation for six months ended 30 June 2018 included in the cost of construction in progress was 16,762 thousand Tenge (for six months ended 30 June 2017: 18,598 thousand Tenge).

*Transfers to non-current assets held for sale*

As at 30 June 2018, the Company classified the property of the "Astrakhan-Mangyshlak" main water pipeline and administrative building in Astana, including property, plant and equipment and intangible assets (*Note 4*) as non-current assets held for sale, as their carrying amount is planned to be recovered through sale rather than through continuing use. These assets are available for immediate sale in their present condition.

Management of the Company expects to complete the sale of the above assets by the end of July 2018. These assets held for sale are recognized at the amount of 26,514,285 thousand Tenge, which is the lowest of their carrying amount and fair value less costs to sell.

As at 30 June 2018, the amounts of advances received for the sale of the property of the main water pipeline "Astrakhan – Mangyshlak" and tender security received, included in other accounts payable, which will be offset against the payment of abovementioned assets are 24,841,671 thousand Tenge (*Note 31*) and 1,160,826 thousand Tenge, respectively.

In addition, during the six months ended 30 June 2018, the Company sold vehicles classified as at 31 December 2017 as non-current assets held for sale for a total amount 5,586 thousand Tenge.

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

### 4. INTANGIBLE ASSETS

Intangible assets as at 30 June 2018 and 31 December 2017 are as follows:

<i>In thousands of Tenge</i>	<b>Licenses</b>	<b>Software</b>	<b>Other</b>	<b>Total</b>
<b>Net book value as at 31 December 2017 (audited)</b>	169,562	1,290,053	30,312	1,489,927
Additions	5,521	–	18,549	24,070
Transfers from construction in progress (Note 3)	104,316	302,568	–	406,884
Transfers to non-current assets held for sale (Note 3)	(2,779)	(8,007)	(18,549)	(29,335)
Amortization charge	(24,113)	(334,128)	(1,681)	(359,922)
Amortization of intangible assets transferred to assets held for sale	939	2,981	–	3,920
<b>Net book value as at 30 June 2018 (unaudited)</b>	<b>253,446</b>	<b>1,253,467</b>	<b>28,631</b>	<b>1,535,544</b>
<b>As at 30 June 2018 (unaudited)</b>				
At cost	708,898	5,264,634	88,887	6,062,419
Accumulated amortization and impairment	(455,452)	(4,011,167)	(60,256)	(4,526,875)
<b>Net book value (unaudited)</b>	<b>253,446</b>	<b>1,253,467</b>	<b>28,631</b>	<b>1,535,544</b>
<b>As at 31 December 2017 (audited)</b>				
At cost	601,840	5,034,201	88,887	5,724,928
Accumulated amortization and impairment	(432,278)	(3,744,148)	(58,575)	(4,235,001)
<b>Net book value (audited)</b>	<b>169,562</b>	<b>1,290,053</b>	<b>30,312</b>	<b>1,489,927</b>

### 5. INVESTMENTS IN SUBSIDIARIES

Investments in subsidiaries as at 30 June 2018 and 31 December 2017 are as follows:

<i>In thousands of Tenge</i>	<b>30 June 2018 (unaudited)</b>	<b>31 December 2017 (audited)</b>
Main Waterline	26,507,820	–
BOT	25,387,978	25,387,978
PTL	2,820,886	2,820,886
<b>Total</b>	<b>54,716,684</b>	<b>28,208,864</b>

In order to separate water transportation services from the Company's activities on 28 December 2017, a subsidiary "Main Waterline" LLP was established and registered with an authorized capital of 28 billion Tenge. As at 30 June 2018, the Company made a contribution to the share capital of "Main Waterline" LLP in the amount of 26,507,820 thousand tenge, including cash and cash equivalents of 26,202,497 thousand Tenge and property, plant and equipment of 305,323 thousand Tenge.

### 6. INVESTMENTS IN JOINT VENTURES

Investments in joint ventures as at 30 June 2018 and 31 December 2017 are as follows:

<i>In thousands of Tenge</i>	<b>30 June 2018 (unaudited)</b>	<b>31 December 2017 (audited)</b>
KCP	6,500,000	6,500,000
MunaiTas	904,945	904,945
<b>Total</b>	<b>7,404,945</b>	<b>7,404,945</b>

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

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

Advances to suppliers for property, plant and equipment and construction services as at 30 June 2018 and 31 December 2017 are as follows:

<i>In thousands of Tenge</i>	<b>30 June 2018 (unaudited)</b>	<b>31 December 2017 (audited)</b>
Advances to third parties for property, plant and equipment and construction services	576,246	278,577
Advances to related parties for property, plant and equipment and construction services (Note 31)	–	46,927
	<b>576,246</b>	<b>325,504</b>
Less: allowance for doubtful debts	(53,258)	(53,258)
<b>Total</b>	<b>522,988</b>	<b>272,246</b>

### 8. INVENTORIES

Inventories as at 30 June 2018 and 31 December 2017 are as follows:

<i>In thousands of Tenge</i>	<b>30 June 2018 (unaudited)</b>	<b>31 December 2017 (audited)</b>
Spare parts	2,507,799	1,846,954
Fuel	1,082,801	530,647
Chemical reagents	907,381	87,826
Overalls	527,932	173,167
Construction materials	486,156	244,394
Goods	56,817	81,554
Other	444,272	187,942
<b>Total</b>	<b>6,013,158</b>	<b>3,152,484</b>

### 9. TRADE AND OTHER ACCOUNTS RECEIVABLE

Trade and other accounts receivable as at 30 June 2018 and 31 December 2017 are as follows:

<i>In thousands of Tenge</i>	<b>30 June 2018 (unaudited)</b>	<b>31 December 2017 (audited)</b>
Trade accounts receivable from related parties (Note 31)	2,424,084	3,507,303
Trade accounts receivable from third parties	2,130,825	2,573,175
Other accounts receivable from third parties	767,359	716,947
Other accounts receivable from related parties (Note 31)	509	509
	<b>5,322,777</b>	<b>6,797,934</b>
Less: allowance for expected credit losses	(653,579)	(600,034)
<b>Total</b>	<b>4,669,198</b>	<b>6,197,900</b>

Movement in allowance for expected credit losses related to trade and other receivables is as follows:

<i>In thousands of Tenge</i>	<b>For the six months ended 30 June</b>	
	<b>2018</b>	<b>2017</b>
At the beginning of the period (audited)	600,034	643,607
Changes in accounting policy (Note 2)	8,680	–
Charge/(reversal) for the period, net (Note 25)	44,865	(53,510)
<b>At the end of the period (unaudited)</b>	<b>653,579</b>	<b>590,097</b>

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

### 9. TRADE AND OTHER ACCOUNTS RECEIVABLE (continued)

Trade and other accounts receivable of the Company as at 30 June 2018 and 31 December 2017 are denominated in the following currencies:

<i>In thousands of Tenge</i>	<b>30 June 2018 (unaudited)</b>	<b>31 December 2017 (audited)</b>
Tenge	<b>4,664,228</b>	6,196,180
Other currency	<b>4,970</b>	1,720
<b>Total</b>	<b>4,669,198</b>	6,197,900

### 10. ADVANCES TO SUPPLIERS

Advances to suppliers as at 30 June 2018 and 31 December 2017 are as follows:

<i>In thousands of Tenge</i>	<b>30 June 2018 (unaudited)</b>	<b>31 December 2017 (audited)</b>
Advances to related parties (Note 31)	<b>860,368</b>	204,462
Advances to third parties	<b>854,270</b>	170,661
	<b>1,714,638</b>	375,123
Less: allowance for doubtful debts	<b>(638)</b>	(1,265)
<b>Total</b>	<b>1,714,000</b>	373,858

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

<i>In thousands of Tenge</i>	<b>For the six months ended 30 June</b>	
	<b>2018</b>	<b>2017</b>
At the beginning of the period (audited)	<b>1,265</b>	38
(Reversal)/charge for the period	<b>(627)</b>	1,265
Write-off for the period	<b>-</b>	(38)
<b>At the end of the period (unaudited)</b>	<b>638</b>	1,265

### 11. VAT RECOVERABLE AND OTHER PREPAID TAXES

VAT recoverable and other prepaid taxes as at 30 June 2018 and 31 December 2017 are as follows:

<i>In thousands of Tenge</i>	<b>30 June 2018 (unaudited)</b>	<b>31 December 2017 (audited)</b>
VAT recoverable	<b>1,240,967</b>	2,751,956
Property tax	<b>43,805</b>	244,839
Withholding tax at the source of payment	<b>29,871</b>	18,451
Other taxes prepaid	<b>10,499</b>	12,403
<b>Total</b>	<b>1,325,142</b>	3,027,649

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

### 12. OTHER CURRENT ASSETS

Other current assets as at 30 June 2018 and 31 December 2017 are as follows:

<i>In thousands of Tenge</i>	<b>30 June 2018 (unaudited)</b>	<b>31 December 2017 (audited)</b>
Due for oil transportation coordination services	3,803,235	5,678,717
Prepaid insurance	661,919	65,716
Due from employees	89,312	42,195
Deferred expenses from third parties	96	-
Deferred expenses from related parties (Note 31)	5	5
Other	1,892	-
<b>Total</b>	<b>4,556,459</b>	<b>5,786,633</b>

### 13. BANK DEPOSITS

Bank deposits as at 30 June 2018 and 31 December 2017 are as follows:

<i>In thousands of Tenge</i>	<b>30 June 2018 (unaudited)</b>	<b>31 December 2017 (audited)</b>
Short-term bank deposits – US Dollar	3,608,627	18,005,639
Short-term bank deposits – Tenge	-	10,000,000
Long-term bank deposits – Tenge	3,316,770	3,948,692
Accrued interest on deposits – Tenge	68,173	309,811
Accrued interest on deposits – US Dollar	33,312	41,070
Less: allowance for expected credit losses	(28,913)	-
<b>Total</b>	<b>6,997,969</b>	<b>32,305,212</b>

Movement in allowance for expected credit losses on short-term bank deposits is as follows:

<i>In thousands of Tenge</i>	<b>For the six months ended 30 June</b>	
	<b>2018</b>	<b>2017</b>
At the beginning of the period (audited)	-	-
Changes in accounting policy (Note 2)	264	-
Charge for the period, net (Note 28)	636	-
<b>At the end of the period (unaudited)</b>	<b>900</b>	<b>-</b>

Movement in allowance for expected credit losses on long-term bank deposits is as follows:

<i>In thousands of Tenge</i>	<b>For the six months ended 30 June</b>	
	<b>2018</b>	<b>2017</b>
At the beginning of the period (audited)	-	-
Changes in accounting policy (Note 2)	31,251	-
Reversal for the period (Note 28)	(3,238)	-
<b>At the end of the period (unaudited)</b>	<b>28,013</b>	<b>-</b>

As at 30 June 2018 bank deposits comprised of the following:

- US Dollar denominated deposits with maturity from 3 to 12 months, with interest of 1% per annum (as at 31 December 2017: from 0.5% to 1% per annum), maturing in July and August 2018 (as at 31 December 2017: maturing from June to August 2018);
- Restricted long-term bank deposits with interest from 2% to 3.5% per annum maturing in 2029 and in 2027, respectively (as at 31 December 2017: from 2% to 3.5% per annum maturing in 2029 and in 2027, respectively), arranged for the purpose of preferential lending rates for the Company's employees for the purchase of residential property.

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

### 14. CASH AND CASH EQUIVALENTS

Cash and cash equivalents as at 30 June 2018 and 31 December 2017 are as follows:

<i>In thousands of Tenge</i>	30 June 2018 (unaudited)	31 December 2017 (audited)
Time deposits with banks – Tenge	38,310,424	35,566,876
Current accounts with banks – US Dollars	6,781,538	207
Current accounts with banks – Tenge	288,409	419,768
Current accounts with banks – Russian Ruble	10,231	16,926
Other current accounts with banks	28,177	13,093
Cash on hand	541	112
Less: allowance for expected credit losses	(5,933)	(5,784)
<b>Total</b>	<b>45,413,387</b>	<b>36,011,198</b>

Movement in allowance for expected credit losses of cash and cash equivalents is as follows:

<i>In thousands of Tenge</i>	For the six months ended 30 June	
	2018	2017
<b>At the beginning of the period (audited)</b>	<b>5,784</b>	<b>5,443</b>
Changes in accounting policy (Note 2)	337	–
Charge for the period, net (Note 28)	142	–
Foreign currency translation	(330)	10
<b>At the end of the period (unaudited)</b>	<b>5,933</b>	<b>5,453</b>

As at 30 June 2018 most current accounts and time deposits with maturity less than 3 months in Tenge placed with Kazakhstani banks carried interest ranging from 6.5% to 7.25% per annum (as at 31 December 2017: from 0.5% to 9.84% per annum).

Interest for current account placed in US Dollars is 0.25% per annum (as at 31 December 2017: 0.25% per annum).

### 15. INVESTMENTS IN BONDS

Investments in bonds are presented as “Special financial company DSFK” LLP bonds which carry coupon interest of 0.01% per annum and mature in 15 years.

In the current reporting period the issuer repurchased 17,982 thousand bonds at a price of 1 Tenge per 1 bond. The Company also revised the fair value of bonds based on the discount rate of 12.7%. As a result, the book value of the investments in bonds as at 30 June 2018 was 795,239 thousand Tenge.

### 16. EQUITY

#### Share capital

As at 30 June 2018 and 31 December 2017 the Company’s share capital comprised of 384,635,600 common shares authorized, issued and fully paid in the amount of 62,503,284 thousand Tenge, except for 1 share, which was authorized but not issued and not paid.

As at 30 June 2018 and 31 December 2017 the share capital was equal to 61,937,567 thousand Tenge, net of consulting costs related to the issuance of shares in the amount of 565,717 thousand Tenge.

#### Asset revaluation reserve

As at 30 June 2018 and 31 December 2017 the asset revaluation reserve was equal to 207,869,559 thousand Tenge and 182,956,116 thousand Tenge, respectively. Change in the asset revaluation reserve of the Company for the six months ended 30 June 2018 is mainly due to the revaluation of technological oil (Note 3) and amortization of this reserve.

#### Other capital reserves

As at 30 June 2018 and 31 December 2017 other capital reserves amounted to 622,717 thousand Tenge. Other capital reserves are presented as long-term employee benefit obligations.



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

### 16. EQUITY (continued)

#### Dividends

On 30 June 2018 the Company accrued dividends payable based on the decision of the general meeting of shareholders dated 24 May 2018 in the amount 61,540,496 thousand Tenge based on the results of 2017, with the use of consolidated net income of the Company received in 2017, in the amount 50,117,856 thousand Tenge and retained earnings of previous years in the amount 11,422,640 thousand Tenge calculated as 160 Tenge per 1 share (as at 31 December 2017: 59,617,355 thousand Tenge based on 155 Tenge per 1 share), including 55,387,527 thousand Tenge related to KMG (as at 31 December 2017: 53,656,666 thousand Tenge) and 6,152,969 thousand Tenge related to minority shareholders (as at 31 December 2017: 5,960,689 thousand Tenge).

In reporting period the Company paid dividends in the amount of 42,540,496 thousand Tenge (for the six months ended 30 June 2017: 59,617,355 thousand Tenge).

#### Earnings per share

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

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

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

<i>In thousands of Tenge</i>	<b>For the six months ended 30 June (unaudited)</b>	
	<b>2018</b>	<b>2017</b>
Net profit attributable to ordinary equity holders	<b>28,852,979</b>	26,630,559
Weighted average number of ordinary shares for the period 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, (in Tenge)</b>	<b>75</b>	69

#### Book value per ordinary share

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

<i>In thousands of Tenge</i>	<b>30 June 2018 (unaudited)</b>	<b>31 December 2017 (audited)</b>
<b>Total assets</b>	<b>743,663,051</b>	698,167,815
Less: intangible assets (Note 4)	<b>(1,535,544)</b>	(1,489,927)
Less: total liabilities	<b>(192,528,122)</b>	(149,400,028)
<b>Net assets for calculation of book value per ordinary share</b>	<b>549,599,385</b>	547,277,860
<b>Number of ordinary shares</b>	<b>384,628,099</b>	384,628,099
<b>Book value per ordinary share (in Tenge)</b>	<b>1,429</b>	1,423

### 17. EMPLOYEE BENEFIT OBLIGATIONS

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

Employee benefit obligations as at 30 June 2018 and 31 December 2017 are as follows:

<i>In thousands of Tenge</i>	<b>30 June 2018 (unaudited)</b>	<b>31 December 2017 (audited)</b>
Current portion of employee benefit obligations	<b>560,000</b>	600,175
Non-current portion of employee benefit obligations	<b>13,284,271</b>	12,740,751
<b>Total</b>	<b>13,844,271</b>	13,340,926

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

### 17. EMPLOYEE BENEFIT OBLIGATIONS (continued)

Changes in the present value of employee benefit obligations for the six months ended 30 June 2018 and 2017 are as follows:

<i>In thousands of Tenge</i>	<b>For the six months ended 30 June</b>	
	<b>2018</b>	<b>2017</b>
Employee benefit obligations at the beginning of the period (audited)	13,340,926	12,538,017
Interest cost (Note 29)	555,551	555,516
Current services cost (Notes 24, 25)	281,139	559,272
Benefits paid	(333,345)	(336,288)
Employee benefit obligations at the end of the period (unaudited)	13,844,271	13,316,517

### 18. TRADE AND OTHER ACCOUNTS PAYABLE

Trade and other accounts payable as at 30 June 2018 and 31 December 2017 are as follows:

<i>In thousands of Tenge</i>	<b>30 June 2018 (unaudited)</b>	<b>31 December 2017 (audited)</b>
Accounts payable to third parties for goods and services	5,801,397	15,234,298
Accounts payable to related parties for goods and services (Note 31)	3,514,309	1,142,698
Other accounts payable to related parties (Note 31)	2,327,006	2,190
Other accounts payable to third parties	472,058	345,994
<b>Total</b>	<b>12,114,770</b>	<b>16,725,180</b>

As at 30 June 2018 trade and other accounts payable included payables to related and third parties for property, plant and equipment, for works and services related to the construction in progress in the amount of 5,024,008 thousand Tenge (as at 31 December 2017: 12,509,741 thousand Tenge).

Trade and other accounts payable as at 30 June 2018 and 31 December 2017 are denominated in the following currencies:

<i>In thousands of Tenge</i>	<b>30 June 2018 (unaudited)</b>	<b>31 December 2017 (audited)</b>
Tenge	12,110,221	16,675,818
Russian Rubles	4,549	14,574
US Dollars	-	18,062
Euro	-	16,726
<b>Total</b>	<b>12,114,770</b>	<b>16,725,180</b>

### 19. ADVANCES RECEIVED

Advances received as at 30 June 2018 and 31 December 2017 are as follows:

<i>In thousands of Tenge</i>	<b>30 June 2018 (unaudited)</b>	<b>31 December 2017 (audited)</b>
Advances received from related parties (Note 31)	36,750,792	10,919,781
Advances received from third parties	7,631,148	6,996,050
<b>Total</b>	<b>44,381,940</b>	<b>17,915,831</b>

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

### 20. OTHER TAXES PAYABLE

Other taxes payable as at 30 June 2018 and 31 December 2017 are as follows:

<i>In thousands of Tenge</i>	<b>30 June 2018 (unaudited)</b>	<b>31 December 2017 (audited)</b>
Personal income tax	327,676	593,794
Social tax	264,269	568,570
VAT payable	2,235	8,075
Property tax	–	33,271
Other taxes	63,109	20,828
<b>Total</b>	<b>657,289</b>	<b>1,224,538</b>

### 21. PROVISIONS

Short-term provisions as at 30 June 2018 and 31 December 2017 included other provisions in the amount of 41,125 thousand Tenge.

#### Long-term provisions

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

As at 30 June 2018 the Company revised the long-term provisions considering current best estimate, which was based on the discount rate of 8.48% (as at 31 December 2017: 9.05%). As at 30 June 2018 the inflation rate was 5.56% (as at 31 December 2017: 5.55%).

<i>In thousands of Tenge</i>	<b>For the six months ended 30 June</b>	
	<b>2018</b>	<b>2017</b>
<b>At the beginning of the period (audited)</b>	<b>15,347,322</b>	<b>15,022,086</b>
Revision of estimates through other comprehensive loss	830,586	643,329
Revision of estimates and write-off of provision through profit and loss (Notes 26 and 27)	72,577	(260,173)
Unwinding of discount on asset retirement and land reclamation obligation (Note 29)	673,678	634,202
<b>At the end of the period (unaudited)</b>	<b>16,924,163</b>	<b>16,039,444</b>

### 22. OTHER CURRENT LIABILITIES

Other current liabilities as at 30 June 2018 and 31 December 2017 are as follows:

<i>In thousands of Tenge</i>	<b>30 June 2018 (unaudited)</b>	<b>31 December 2017 (audited)</b>
Dividends payable to related parties (Note 31)	19,000,000	–
Liability for oil transportation coordination services to related parties (Note 31)	6,099,161	6,589,984
Salaries and other compensations	4,457,469	9,911,112
Liability for oil transportation coordination services to third parties	3,700,778	4,118,923
Payable to pension fund	440,679	741,564
Current portion of deferred income from third parties	128	128
Other accruals	119,438	140,452
<b>Total</b>	<b>33,817,653</b>	<b>21,502,163</b>

Salaries and other compensations include current salary payable and vacation payments payable.

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

### 23. REVENUE

Revenue for the six months ended 30 June 2018 and 2017 are as follows:

<i>In thousands of Tenge</i>	For the six months ended 30 June (unaudited)	
	2018	2017
Crude oil transportation	93,133,439	89,883,100
Pipeline operation services	5,394,140	4,927,127
Water transportation	3,615,285	3,558,868
Fees for undelivered oil volumes	2,302,761	1,995,246
Oil transportation coordination services	359,325	330,296
Oil storage services	39,986	61,499
Other	57,145	85,356
<b>Total</b>	<b>104,902,081</b>	<b>100,841,492</b>

For the six months ended 30 June 2018 the revenue from three major customers amounted to 24,753,535 thousand Tenge, 14,505,590 thousand Tenge and 6,914,102 thousand Tenge (for the six months ended 30 June 2017: 24,532,176 thousand Tenge, 12,379,752 thousand Tenge and 6,850,070 thousand Tenge, respectively).

### 24. COST OF SALES

Cost of sales for the six months ended 30 June 2018 and 2017 are as follows:

<i>In thousands of Tenge</i>	For the six months ended 30 June (unaudited)	
	2018	2017
Depreciation and amortization	23,814,764	22,515,183
Personnel costs	19,743,069	21,055,146
Taxes other than income tax	4,007,637	3,608,445
Electric energy	3,622,792	3,511,313
Repair and maintenance	2,622,071	2,088,898
Security services	2,284,979	1,941,793
Materials and fuel	2,047,429	2,143,991
Gas expense	1,550,708	1,494,444
Transportation services	748,964	52,830
Air services	659,782	671,043
Business trip expenses	408,581	409,132
Post-employment benefits (Note 17)	270,410	527,088
Obligatory social medical insurance	183,456	-
Outstaffing services	170,549	161,634
Environmental protection	134,904	97,471
Communication services	120,988	116,488
Insurance	73,825	239,426
Operational rent expenses	59,736	41,959
Diagnostics of pipelines	3,977	22,033
Other	1,407,724	820,080
<b>Total</b>	<b>63,936,345</b>	<b>61,518,397</b>

The increase in depreciation and amortization expenses and taxes (except for income tax) is primarily associated with significant commissioning of objects of construction in progress at the end of 2017.

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

### 25. GENERAL AND ADMINISTRATIVE EXPENSES

General and administrative expenses for the six months ended 30 June 2018 and 2017 are as follows:

<i>In thousands of Tenge</i>	For the six months ended 30 June (unaudited)	
	2018	2017
Personnel costs	2,732,843	2,873,686
Depreciation and amortization	879,967	520,567
Office maintenance	278,795	232,456
Repair and maintenance	205,459	116,105
Taxes other than income tax	173,046	160,589
Business trip expenses	110,138	122,406
Outstaffing services	84,416	203,889
Transportation services	77,903	50,503
Write off of VAT recoverable	67,172	44,702
Social sphere expenses	57,769	45,421
Information expenses	53,759	50,545
Communication services	48,625	44,978
Charge/(reversal) of allowance for expected credit losses, net (Note 9)	44,865	(53,510)
Training	39,136	72,230
Consulting services	37,097	35,018
Insurance and security	36,986	57,870
Bank costs	35,231	54,770
Materials and fuel	32,867	18,594
Advertising expense	28,422	31,794
Obligatory social medical insurance	14,405	-
Operational rent expenses	11,695	11,576
Post-employment benefits (Note 17)	10,729	32,184
Other	212,839	213,529
<b>Total</b>	<b>5,274,164</b>	<b>4,939,902</b>

### 26. OTHER OPERATING INCOME

Other operating income for the six months ended 30 June 2018 and 2017 are as follows:

<i>In thousands of Tenge</i>	For the six months ended 30 June (unaudited)	
	2018	2017
Income from disposal of inventories, net	111,546	82,245
Income from fines and penalties	107,397	226,836
Insurance payments	87,852	-
Cost recovery from temporary constructions	-	217,054
Revision of estimates on provision on asset retirement and land recultivation obligation (Note 21)	-	260,173
Other income	11,495	23,199
<b>Total</b>	<b>318,290</b>	<b>809,507</b>

### 27. OTHER OPERATING EXPENSES

Other operating expenses for the six months ended 30 June 2018 and 2017 are as follows:

<i>In thousands of Tenge</i>	For the six months ended 30 June (unaudited)	
	2018	2017
Loss on disposal of property, plant and equipment, net	868,188	400,611
Revision of estimates on provision on asset retirement and land recultivation obligation (Note 21)	72,577	-
Other expenses	25,766	85,722
<b>Total</b>	<b>966,531</b>	<b>486,333</b>

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

### 28. FINANCE INCOME

Finance income for the six months ended 30 June 2018 and 2017 are as follows:

<i>In thousands of Tenge</i>	For the six months ended 30 June (unaudited)	
	2018	2017
Interest income on bank deposits and current accounts	1,603,819	2,923,349
Income from revision of bond's fair value	64,259	–
Reversal of allowance for expected credit losses of cash and cash equivalents and bank deposits, net (Notes 13, 14)	2,460	–
Unwinding of discount on loans to employees	1,120	3,480
Other finance income from third parties	947	–
<b>Total</b>	<b>1,672,605</b>	<b>2,926,829</b>

### 29. FINANCE COSTS

Finance costs for the six months ended 30 June 2018 and 2017 are as follows:

<i>In thousands of Tenge</i>	For the six months ended 30 June (unaudited)	
	2018	2017
Unwinding of discount on asset retirement and land recultivation allowance on obligations (Note 21)	673,678	634,202
Interest cost on employee benefit obligations (Note 17)	555,551	555,516
<b>Total</b>	<b>1,229,229</b>	<b>1,189,718</b>

### 30. INCOME TAX EXPENSE

Income tax expenses for the six months ended 30 June 2018 and 2017 are as follows:

<i>In thousands of Tenge</i>	For the six months ended 30 June	
	2018	2017
Current income tax expense	8,673,561	8,066,399
Adjustments of the past periods	97,965	–
Deferred income tax (benefit)/ expense	(1,329,764)	626,047
<b>Income tax expense</b>	<b>7,441,762</b>	<b>8,692,446</b>

Movement in deferred income tax liabilities for the six months ended 30 June 2018 and 2017 are as follows:

<i>In thousands of Tenge</i>	For the six months ended 30 June	
	2018	2017
<b>At the beginning of the period (audited)</b>	<b>63,299,288</b>	<b>61,032,546</b>
Charged to profit and loss	(1,329,764)	626,047
Charged to other comprehensive loss	8,773,796	21,317
<b>At the end of the period (unaudited)</b>	<b>70,743,320</b>	<b>61,679,910</b>

### 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 between the parties that may not necessarily be at market rates, except for certain regulated services, which are provided based on the tariffs available to related and third parties.

The following tables provide the total amount of transactions, which have been entered into with related parties during the six months ended 30 June 2018 and 2017 and also the related balances as at 30 June 2018 and 31 December 2017.

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

### 31. RELATED PARTY TRANSACTIONS (continued)

Non-current advances given to related parties for property, plant and equipment and construction services are as follows:

<i>In thousands of Tenge</i>	<b>Notes</b>	<b>30 June 2018 (unaudited)</b>	<b>31 December 2017 (audited)</b>
<b>Non-current advances given to related parties for property, plant and equipment and construction services</b>			
Non-current advances given to entities under common control of Samruk-Kazyna Group		-	46,927
<b>Total non-current advances given to related parties for property, plant and equipment and construction services</b>	<b>7</b>	<b>-</b>	<b>46,927</b>

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

<i>In thousands of Tenge</i>	<b>Notes</b>	<b>30 June 2018 (unaudited)</b>	<b>31 December 2017 (audited)</b>
<b>Trade and other accounts receivable from related parties</b>			
Trade accounts receivable from joint ventures		1,605,180	2,495,886
Trade accounts receivable from entities under common control of KMG		816,883	1,007,975
Trade accounts receivable from entities under common control of Samruk-Kazyna Group		2,021	3,442
<b>Total trade accounts receivable from related parties</b>	<b>9</b>	<b>2,424,084</b>	<b>3,507,303</b>
Other accounts receivables from entities under common control of KMG and Samruk-Kazyna Group	9	509	509
<b>Total trade and other accounts receivable from related parties</b>		<b>2,424,593</b>	<b>3,507,812</b>
Less: allowance for expected credit losses		(6,274)	-
<b>Total</b>		<b>2,418,319</b>	<b>3,507,812</b>

Advances provided to related parties are as follows:

<i>In thousands of Tenge</i>	<b>Notes</b>	<b>30 June 2018 (unaudited)</b>	<b>31 December 2017 (audited)</b>
<b>Advances paid to related parties</b>			
Advances paid to entities under common control of Samruk-Kazyna Group		482,854	101,281
Advances paid to entities under common control of KMG		377,514	103,181
<b>Total advances paid to related parties</b>	<b>10</b>	<b>860,368</b>	<b>204,462</b>

Deferred expenses from operations with related parties are as follows:

<i>In thousands of Tenge</i>	<b>Notes</b>	<b>30 June 2018 (unaudited)</b>	<b>31 December 2017 (audited)</b>
<b>Deferred expenses from operations with related parties</b>			
Deferred expenses from entities under common control of Samruk-Kazyna Group		5	5
<b>Total deferred expenses from related parties</b>	<b>12</b>	<b>5</b>	<b>5</b>

## NOTES TO THE INTERIM CONDENSED SEPARATE 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>	<b>Notes</b>	<b>30 June 2018 (unaudited)</b>	<b>31 December 2017 (audited)</b>
<b>Trade accounts payable to related parties for goods and services</b>			
Trade accounts payable to entities under common control of KMG		2,944,016	910,337
Trade accounts payable to entities under common control of Samruk-Kazyna Group		570,293	232,361
<b>Total trade accounts payable to related parties for goods and services</b>	18	<b>3,514,309</b>	<b>1,142,698</b>
<b>Other payables to related parties</b>			
Other payables to entities under common control of KMG		2,321,652	-
Other payables to entities under common control of Samruk-Kazyna Group	18	5,354	2,190
<b>Total other payables to related parties</b>		<b>2,327,006</b>	<b>2,190</b>
<b>Total trade and other accounts payable to related parties</b>		<b>5,841,315</b>	<b>1,144,888</b>

Advances received from related parties are as follows:

<i>In thousands of Tenge</i>	<b>Notes</b>	<b>30 June 2018 (unaudited)</b>	<b>31 December 2017 (audited)</b>
<b>Advances received from related parties</b>			
Advances received from a subsidiary for non-current assets held for sale	3	24,841,671	-
Advances received from entities under common control of KMG		11,594,638	10,560,712
Advances received from entities under common control of Samruk-Kazyna Group		314,482	359,068
Advances received from joint ventures		1	1
<b>Total advances received from related parties</b>	19	<b>36,750,792</b>	<b>10,919,781</b>

Other current liabilities to related parties are as follows:

<i>In thousands of Tenge</i>	<b>Notes</b>	<b>30 June 2018 (unaudited)</b>	<b>31 December 2017 (audited)</b>
<b>Accounts payable for oil transportation coordination services to related parties</b>			
Accounts payable for oil transportation coordination services to entities under common control of KMG		6,099,161	6,589,984
<b>Total accounts payable for oil transportation coordination services to related parties</b>	22	<b>6,099,161</b>	<b>6,589,984</b>
<b>Dividend payable to related parties</b>			
Dividend payable to entities under common control of KMG		19,000,000	-
<b>Total dividend payable to related parties</b>	22	<b>19,000,000</b>	<b>-</b>
<b>Employee benefits obligation of key management personnel</b>			
Employee benefits obligation of key management personnel		50,656	44,502
<b>Total employee benefits obligation of key management personnel</b>		<b>50,656</b>	<b>44,502</b>
<b>Total other current liabilities to related parties</b>		<b>25,149,817</b>	<b>6,634,486</b>



## NOTES TO THE INTERIM CONDENSED SEPARATE 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 six months ended 30 June 2018 and 2017:

<i>In thousands of Tenge</i>	For the six months ended 30 June (unaudited)	
	2018	2017
<b>Sales to related parties</b>		
Revenue from main activities with entities under common control of KMG	58,894,333	56,941,336
Revenue from main activities with joint ventures	4,641,277	4,189,790
Revenue from main activities with entities under common control of Samruk-Kazyna Group	1,837,090	1,969,989
Revenue from other activities with entities under common control of KMG	321,316	66,955
Revenue from other activities with entities under common control of Samruk-Kazyna Group	-	279
<b>Total</b>	<b>65,694,016</b>	<b>63,168,349</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>	For the six months ended 30 June (unaudited)	
	2018	2017
<b>Purchases from related parties</b>		
Purchases of property, plant and equipment and intangible assets from entities under common control of KMG	4,993,178	170,564
Purchases of services from entities under common control of KMG	3,394,166	3,911,484
Purchases of inventory from entities under common control of KMG	2,708,612	765,051
Purchases of services from entities under common control of Samruk-Kazyna Group	1,392,016	1,543,176
Purchases of property, plant and equipment and intangible assets from entities under common control of Samruk-Kazyna Group	587,470	732,053
Purchases of services from joint ventures	12,932	-
<b>Total</b>	<b>13,088,374</b>	<b>7,122,328</b>

Cash flows to related parties are as follows:

<i>In thousands of Tenge</i>	Notes	30 June 2018 (unaudited)	31 December 2017 (audited)
<b>Cash flows to related parties</b>			
Payment of KMG dividends		36,387,527	53,656,666
Contribution to the share capital of a subsidiary	5	26,202,497	-
<b>Total</b>		<b>62,590,024</b>	<b>53,656,666</b>

Total accrued compensation to key management personnel for the six months ended 30 June 2018 amounts to 166,208 thousand Tenge (for the six months ended 30 June 2017: 124,170 thousand Tenge). Payments to key personnel consist primarily of payroll costs and remuneration established by contracts and Company's internal regulations.

### 32. CONTINGENT LIABILITIES AND COMMITMENTS

Information on contingent liabilities and commitments of the Company is disclosed in the separate financial statements for the year ended 31 December 2017. During six months ended 30 June 2018 there were no significant changes, except for the following:

#### Contractual commitments

As at 30 June 2018 the Company had contractual obligations to acquire property, plant and equipment, and construction services for the amount of 47,236,298 thousand Tenge (31 December 2017: 26,440,947 thousand Tenge). Given contractual obligations are part of investment program (Note 1).

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

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**32. CONTINGENT LIABILITIES AND COMMITMENTS (continued)****Tariffs for rendered services**

Based on the results of a selective inspection of the CRNMPCandCR, an act was issued on 14 May 2018, providing introduction of a compensating tariff for water supply services starting from 1 July 2018 and for a service of pumping oil, which comes into effect from July 2020.

Disagreeing with the decision adopted in the act, the Company is appealing the above-mentioned act in accordance with the established procedure.

**33. FINANCIAL INSTRUMENTS**

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

**Fair value of financial instruments**

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

**34. SUBSEQUENT EVENTS**

On 2 July 2018 the Company realized the property of the main water pipeline "Astrakhan- Mangyshlak" which was classified as of 30 June 2018 as assets held for sale to the subsidiary organization "Main Waterline" LLP in the total amount of 26,002,497 thousand Tenge (including VAT).

On 31 July 2018 at the meeting of the Board of Directors of PTL the decision on payment of interim dividends to the Company until 1 September 2018 in the amount of 12,500 thousand US dollars (equivalent to 4,333,750 thousand Tenge) was taken.