Notes
to the interim condensed consolidated financial statements of "KazTransOil" JSC (unaudited) as of 30 September 2013 and for the 9 months then ended

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 wlth the requirements of Kazakhstani legislation, Closed Joint Stock Company "KazTransOil" was re-registered as "KazTransOil" Joint Stock Company (the "Company").

As of 30 september 2013, 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.

In 2012 the Company performed a share split in proportion 1:10, as a result of which the number of authorized shares has increased from 34,617,204 to 346,172,040, however, share capital has not changed (34,617,204 thousand Tenge). Thereafter, the Company increased the number of authorized shares by 38,463,560 (10% from total amount of 384,635,600 shares), with a purpose to place them on the Kazakhstan Stock Exchange under the "People's IPO" programme. Trades in the shares of JSC "KazTransOil" on the Kazakhstan Stock Exchange were opened on 25 December, 2012. As a resuit, 38,463,559 common shares at 725 Tenge per share were sold for 27,886,080 thousand Tenge.

As at 30 September 2013 and 31 December 2012 the Company had interest ownership in the following companies:

		Place of incorporation	Principal activities	Ownership 30 September 2013	Ownership 31 December 2012
"SZTK MunaiTas" JSC ("MunaiTas")	Joint Venture	Kazakhstan	Oil transportation	**51%**	51%
"Kazakhstan–China Pipeline" LLP ("KCP")	Joint Venture	Kazakhstan	Oil transportation	**50%**	50%
"Batumi Capital Partners Limited" ("BCPL")	Subsidiary	Cyprus*	Forwarding, transhipment and storage of oil and oil products	**50%***	50%*
"Batumi Industrial Holdings Limited" ("BIHL")	Subsidiary	Cyprus*	Forwarding, transhipment and storage of oil and oil products and operating of Batumi Sea Port and Oil Terminal	**100%***	100%*

* Main activities of BCPL and BIHL are carried out by their subsidiaries located in Georgia. BIHL directly owns 50% of BCPL. Accordingly, the Company directly and indirectly, through its subsidiary BIHL, owns 100% of BCPL.

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 or 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 BIHL owns Batumi

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL (continued)

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").

NMRA 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.

On 1 December 2012 NMRA increased tariffs for oil transportation on domestic and export markets: the tariff for the domestic market for the transportation of one ton of oil per 1,000 km has been increased from 1,303 Tenge to 1,954.5 Tenge; tariff of oil transportation on export has been increased from 3,331 Tenge to 4,732.6 Tenge for 1 ton of oil per 1,000 km.

Interim condensed consolidated financial statements for nine months ended 30 September 2013 were approved for issue by the Deputy General director on Economics and Finance and the Chief Accountant of the Company on 30 December, 2013.

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

Basis of preparation of financial statements

Interim condensed consolidated financial statements for nine months ended 30 September 2013 have been prepared in accordance with International Financial Reporting IAS 34 *Interim Financial Reporting* ("IFRS 34").

Interim condensed consolidated financial statements have been prepared on a historical cost basis, except for: property plant and equipment which are stated at revalued amounts and financial assets that have been measured at fair value.

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 2012.

The interim condensed consolidated financial statements are presented in Tenge and all values are rounded to the nearest thousand, except when otherwise indicated.

Foreign currency translation

Weighted average currency exchange rates established by the Kazakhstan Stock Exchange ("KASE") are used as official currency exchange rates in the Republic of Kazakhstan. As at 30 September 2013 and 31 December 2012, the currency exchange rate of KASE was 153.62 and 150.74 Tenge to USD 1, respectively.

New standards, interpretations and amendments thereof, adopted by the Group for the first time

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 2012, except for the adoption of new standards and interpretations as of 1 January 2013.

The Group applies, for the first time, certain standards and amendments. These include IFRS 10 *Consolidated Financial Statements*, IFRS 11 *Joint Arrangements*. IAS 19 (Revised 2011) *Employee Benefits*, IFRS 13 *Fair Value Measurement and Amendments* to IAS 1 *Presentation of Financial Statements*. As required by IAS 34, the nature and the effect of these changes are disclosed below. In addition, the application of IFRS 12 *Disclosure of Interest in Other Entities* would result in additional disclosures in the annual consolidated financial statements. These standards and amendments did not impact the interim condensed consolidated financial statements of the Group.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

IAS 1 Presentation of Items of Other Comprehensive Income – Amendments to IAS 1

The amendments to IAS 1 introduce a grouping of items presented in other comprehensive income (OCI). Items that could be reclassified (or recycled) to profit or loss at a future point in time (e,g,, net gain on hedge of net investment, exchange differences on translation of foreign operations, net movement on cash flow hedges and net loss or gain on available-for-sale financial assets) now have to be presented separately from items that will never be reclassified (e,g,, actuarial gains and losses on defined benefit plans and revaluation of land and buildings). The amendment affected presentation only and had no impact on the Group's financial position or performance.

IAS 1 Clarification of the Requirement for Comparative Information (Amendment)

The amendment to IAS 1 clarifies the difference between voluntary additional comparative information and the minimum required comparative information. An entity must include comparative information in the related notes to the financial statements when it voluntarily provides comparative information beyond the minimum required comparative period. The additional voluntarily comparative information does not need to be presented in a complete set of financial statements.

An opening statement of financial position (known as the 'third balance sheet') must be presented when an entity applies an accounting policy retrospectively, makes retrospective restatements, or reclassifies items in its financial statements, provided any of those changes has a material effect on the statement of financial position at the beginning of the preceding period. The amendment clarifies that a third balance sheet does not have to be accompanied by comparative information in the related notes. Under IAS 34, the minimum items required for interim condensed financial statements do not include a third balance sheet.

IAS 32 Tax Effects of Distributions to Holders of Equity Instruments (Amendment)

The amendment to IAS 32 *Financial Instruments: Presentation* clarifies that income taxes arising from distributions to equity holders are accounted for in accordance with IAS 12 *Income Taxes*. The amendment removes existing income tax requirements from IAS 32 and requires entities to apply the requirements in IAS 12 to any income tax arising from distributions to equity holders. The amendment did not have an impact on the interim condensed consolidated financial statements for the Group, as there is no tax consequences attached to cash or non-cash distribution.

IAS 34 Interim Financial Reporting and Segment Information for Total Assets and Liabilities (Amendment)

The amendment clarifies the requirements in IAS 34 relating to segment information for total assets and liabilities for each reportable segment to enhance consistency with the requirements in IFRS 8 *Operating Segments.* Total assets and liabilities for a reportable segment need to be disclosed only when the amounts are regularly provided to the chief operating decision maker and there has been a material change in the total amount disclosed in the entity's previous annual consolidated financial statements for that reportable segment.

IAS 19 Employee Benefits (Revised 2011) (IAS 19R)

IAS 19 includes a number of amendments to the accounting for defined benefit plans, including actuarial gains and losses that are now recognised in other comprehensive income (OCI) and permanently excluded from profit and loss; expected returns on plan assets that are no longer recognised in profit or loss, instead, there is a requirement to recognise interest on the net defined benefit liability (asset) in profit or loss, calculated using the discount rate used to measure the defined benefit obligation, and; unvested past service costs are now recognised in profit or loss at the earlier of when the amendment occurs or when the related restructuring or termination costs are recognised. Other amendments include new disclosures, such as, quantitative sensitivity disclosures. The amendment did not affect the interim condensed consolidated financial statements.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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

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

IFRS 7 Financial Instruments: Disclosures Offsetting Financial Assets and Financial Liabilities Amendments to IFRS 7

The amendment requires an entity to disclose information about rights to set-off financial instruments and related arrangements (e.g. collateral agreements). The disclosures would provide users with information that is useful in evaluating the effect of netting arrangements on an entity's financial position. The new disclosures are required for all recognised financial instruments that are set off in accordance with IAS 32. The disclosures also apply to recognised financial instruments that are subject to an enforceable master netting arrangement or similar agreement, irrespective of whether the financial instruments are set off in accordance with IAS 32. As the Group is not setting off financial instruments in accordance with IAS 32 and does not have relevant offsetting arrangements, the amendment does not have an impact on the Group.

IFRS 10 Consolidated Financial Statements and IAS 27 Separate Financial Statements

IFRS 10 establishes a single control model that applies to all entities including special purpose entities, IFRS 10 replaces the parts of previously existing IAS 27 *Consolidated and Separate Financial Statements* that dealt with consolidated financial statements and SIC-12 *Consolidation – Special Purpose Entities*, IFRS 10 changes the definition of control such that an investor controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. To meet the definition of control in IFRS 10, all three criteria must be met, including:

(a) an investor has power over an investee;

(b) the investor has exposure, or rights, to variable returns from its involvement with the investee; and

(c) the investor has the ability to use its power over the investee to affect the amount of the investor's returns.

IFRS 10 had no impact on the interim condensed consolidated financial statements of the Group.

IFRS 11 Joint Arrangements and IAS 28 Investment in Associates and Joint Ventures

IFRS 11 replaces IAS 31 *Interests in Joint Ventures* and SIC-13 *Jointly-controlled Entities – Non-monetary Contributions by Venturers*. IFRS 11 removes the option to account for jointly controlled entities (JCEs) using proportionate consolidation. Instead, JCEs that meet the definition of a joint venture under IFRS 11 must be accounted for using the equity method. IFRS 11 is effective for annual periods beginning on or after 1 January 2013. Application of this standard did not impact the financial position of the Group, as this method is been applied to joint ventures since 1 January 2009.

IFRS 12 Disclosure of Interests in Other Entities

IFRS 12 sets out the requirements for disclosures relating to an entity's interests in subsidiaries, joint arrangements, associates and structured entities. None of these disclosure requirements are applicable for interim condensed consolidated financial statements, unless significant events and transactions in the interim period requires that they are provided. Accordingly, the Group has not made such disclosures.

IFRS 13 Fair Value Measurement

IFRS 13 establishes a single source of guidance under IFRS for all fair value measurements. IFRS 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under IFRS when fair value is required or permitted. The application of IFRS 13 has not materially impacted the fair value measurements carried out by the Group.

IFRS 13 also requires specific disclosures on fair values, some of which replace existing disclosure requirements in other standards, including IFRS 7 *Financial Instruments: Disclosures*, Some of these disclosures are specifically required for financial instruments by IAS 34,16A(j), thereby affecting the interim condensed consolidated financial statements period. The Group disclosed reqiured information in Note 32.

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

In addition, to the above-mentioned amendments and new standards, IFRS 1 *First-time Adoption of International Financial Reporting Standards* was amended with effect for reporting periods starting on or after 1 January 2013. The Group is not a first-time adopter of IFRS therefore, this amendment is not relevant to the Group. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

Adjustments and reclassifications

In the interim condensed consolidated financial statement for the 9 months ended 30 September 2012, the following adjustments were made:

	For 9 months ended 30 September 2012			
In thousands Tenge	Initial presentation	Amount of adjustments	Note	Adjusted presentation
Statement of comprehensive income				
Cost of sales	(71,732,088)	(174,052)	[1]	(71,906,140)
General and administrative expense	(7,800,293)	7,036	[2]	(7,793,257)
Other operating income	1,365,794	(453,809)	[3]	911,985
Other operating expenses	(834,606)	453,809	[3]	(380,797)
Finance costs	(107,918)	(257,411)	[4]	(365,329)
Income tax expenses	(4,958,141)	(1,420,368)	[5]	(6,378,509)
	(84,067,252)	**(1,844,795)**		**(85,912,047)**
Earnings per share	**72**	**(6)**	**[6]**	**66**
Other comprehensive income				
Impairment of property, plant and equipment	**(2,888)**	**577**	**[7]**	**(2,311)**

[1] adjustments include:

decrease of post-employment benefit to the amount of 33,715 thousand tenge according to the report of independent actuary;

increase of the amortization to the amount of 207,767 thousand tenge related to the increase of property, plant and equipment due to accrual of provision according to the Law of the Republic of Kazakhstan "About the main pipeline", which came into force on July 4 2012;

[2] adjustment (decrease) of post-employment benefit according to the report of independent actuary;

[3] net of operating income and expenses, related to the disposal of property, plant and equipment and intangible assets (not influenced the financial result of the Group);

[4] the amount of unwinding of discount of liability (provision), related to the asset retirement obligation according to the Law of the Republic of Kazakhstan "About the main pipeline", which came into force on July 4 2012;

[5] adjustment, related to the change of the assessment in regards the recoverability of deferred tax asset on income from foreign companies under control, which were received in countries with preferential tax rules under the Tax code of the Republic of Kazakhstan;

[6] adjustment of earnings per share related to the adjustment of the profit for the 9 months ended 30 September 2012;

[7] adjustment of deferred tax income related to the loss from impairment of property, plant and equipment recognized in other comprehensive income.

The above adjustments has decreased the financial result (profit net of tax) to the amount of 1,844,795 thousand tenge.

Changes of the amounts are related to the reclassification (do not influence the financial results of Group) of separate statements of notes on cost of sales (Note 24) and the general administrative expenses (Note 25) of the financial statements for 9 months ended September 30, 2012, which was made in order to bring it into compliance with the form of financial statements for the year ended December 31, 2012, because the form of presentation of financial statements for the year ended December 31, 2012 gives more clear idea about the financial results of the Group.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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, Information on revenue and profit of the Group's segments for three months ended 30 September 2013 and 30 September 2012 respectively presented in table below:

	For three months ended 30 September 2013 (unaudited)						For three months ended 30 September 2012 (unaudited)					
In thousands Tenge	Oil Transportation and related services	Oil transshipment	Other	Total segments	Adjustments and elliminations	Consolidated	Oil transportation and related services	Oil transshipment	Other	Total segments	Adjustments and eliminations	Consolidated
Revenue												
External customers	43,519,956	4,048,369	1,050,125	48,618,450	–	48,618,450	31,648,599	3,805,393	1,214,799	36,668,791	–	36,668,791
Inter-segment (eliminated during consolidation)	–	–	–	–	–	–	–	–	131,777	131,777	(131,777)	–
Total revenue	43,519,956	4,048,369	1,050,125	48,618,450	–	48,618,450	31,648,599	3,805,393	1,346,576	36,800,568	(131,777)	36,668,791
Financial results												
Impairment of property, plant and equipment through profit or loss	(9,438,035)	–	–	(9,438,035)	–	(9,438,035)	(706,591)	–	–	(706,591)	–	(706,591)
Depreciation and amortization	(7,709,770)	(362,191)	(121,199)	(8,193,160)	–	(8,193,160)	(6,573,668)	(199,600)	(185,683)	(6,958,951)	–	(6,958,951)
Interest income	1,004,167	4,125	(405)	1,007,887	–	1,007,887	456,931	9,981	9,258	476,170	–	476,170
Interest expenses	–	–	–	–	–	–	–	(8,383)	7,265	(1,118)	(7,265)	(8,383)
CIT expense	(2,293,233)	159,933	93,523	(2,039,777)	(118,302)	(2,158,079)	(2,969,952)	–	(64,368)	(3,034,320)	–	(3,034,320)
Segment profit	9,905,166	(825,939)	96,555	8,982,672	2,935,566	11,918,238	5,064,091	265,257	105,896	5,435,244	630,494	6,065,738

In thousands of Tenge	For three months ended September 30 2013 (unaudited)	For three months ended September 30 2012 (unaudited)
Reconciliation of profit		
Segment profit	8,982,672	5,435,244
Share in income of joint ventures	3,053,868	1,977,885
Adjustments and eliminations	(118,302)	(1,347,391)
Group profit	**11,918,238**	**6,065,738**

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

4. SEGMENT INFORMATION (continued)

Information on revenue and profit of the Group's segments for nine months ended 30 September 2013 and 30 September 2012 respectively presented in table below:

	For nine months ended 30 September 2013 (unaudited)						For nine months ended 30 September 2012 (unaudited)					
In thousands Tenge	Oil Transportation and related services	Oil transshipment	Other	Total segments	Adjustments and eliminations	Consoildated	Oil transportation and related services	Oil transshipment	Other	Total segments	Adjustments and eliminations	Consolidated
Revenue												
External customers	125,894,668	12,643,969	2,943,944	**141,482,582**	–	**141,482,582**	88,953,717	10,769,209	3,303,419	**103,026,345**	–	**103,026,345**
Inter-segment (eliminated during consolidation)	–	–	–	–	–	–	–	–	394,544	394,544	(394,544)	–
Total revenue	125,894,668	12,643,969	2,943,944	**141,482,582**	–	**141,482,582**	**88 ,953,717**	**10,769,209**	**3,697,963**	**103,420,889**	**(394,544)**	**103,026,345**
Financial results												
Impairment of property, plant and equipment through profit or loss	(9,476,479)	–	–	(9,476,479)	–	(9,476,479)	(707,486)	–	–	**(707,486)**	–	**(707,486)**
Depreciation and amortization	(21,388,831)	(987,630)	(276,313)	(22,652,774)	–	(22,652,774)	(19,620,252)	(742,458)	(401,949)	**(20,764,659)**	–	**(20,764,659)**
Interest income	2,681,759	11,519	10,308	2,703,586	–	2,703,586	1,467,457	16,056	41,438	**1,524,951**	–	**1,524,951**
Interest expenses	–	–	–	–	–	–	–	(24,977)	–	**(24,977)**	–	**(24,977)**
CIT expense	(10,628,988)	98,521	(6,518)	(10,536,985)	(455,144)	(10,992,129)	(6,229,542)	–	(148,967)	**(6,378,509)**	–	**(6,378,509)**
Segment profit	43,298,224	511,700	171,124	43,981,048	8,358,261	52,339,309	**18,315,044**	**964,572**	**(79,790)**	**19,199,826**	**3,765,671**	**22,965,497**

In thousands of Tenge	**For nine months ended September 30 2013 (unaudited)**	For nine months ended September 30 2012 (unaudited)
Reconciliation of profit		
Segment profit	43,981,048	19,199,826
Share in income of joint ventures	9,282,690	4,832,850
Adjustments and eliminations	(455,144)	1,067,179
Adjustment on dividends from joint ventures	(453,584)	–
Group profit	**52,339,309**	**22,965,497**

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

5. PROPERTY, PLANT AND EQUIPMENT

In thousands of Tenge	Land	Pipelines	Transportation assets	Buildings and facilities	Machinery and equipment	Technological oil	Other	Construction in progress	Total
Net book value as at 31 December 2012 (audited)	**10,461,817**	**94,187,717**	**5,785,732**	**66,766,431**	**66,671,736**	**82,892,325**	**10,243,220**	**25,860,127**	**362,869,105**
Foreign currency translation	133,717	–	69,580	257,358	85,499	–	7,437	48,746	**602,337**
Additions	71,531	2,904	145,552	430,110	670,591	2,200	732,872	12,500,397	**14,556,157**
Disposals	(55,885)	(38,706)	(92,376)	(403,117)	(360,019)	(67,394)	(173,856)	(13,776)	**(1,205,129)**
Depreciation charge	–	(7,626,737)	(927,322)	(4,646,705)	(6,954,153)	–	(2,087,402)	–	**(22,242,319)**
Accumulated depreciation on disposal	–	27,902	81,089	226,522	311,976	–	171,811	–	**819,300**
Impairment (included in net profit)	(676,093)	(3,903,246)	(552,188)	(4,975,774)	(3,977,153)	(44,560)	(701,812)	(583,309)	**(15,414,135)**
Revaluation (included in net profit)	616,142	1,195,556	277,680	1,882,652	1,656,964	–	308,662	–	**5,937,656**
Impairment (revaluation reserve)	(24,669)	(6,317,954)	(123,013)	(8,267,257)	(1,060,394)	(60,477)	(18,937)	(42,288)	**(15,914,989)**
Revaluation (revaluation reserve)	550,654	23,394,968	2,141,430	23,312,883	19,148,744	5,798,529	2,783,041	1,655,261	**78,785,510**
Transfer from construction-in-progress	10,050	3,261,146	1,462,638	3,008,007	3,536,985	–	174,578	(11,453,404)	–
Transfer to long-term asset held for sale	–	–	–	(804,992)	–	–	–	–	**(804,992)**
Transfer to intangible assets	–	–	–	–	(477)	–	(205)	(10,200)	**(10,882)**
Transfers and reclassifications	–	16,296	1,977,281	1,838,050	(3,924,366)	–	92,138	601	–
Net book value as at 30 September 2013 (unaudited)	**11,087,264**	**104,199,846**	**10,246,083**	**78,624,168**	**75,805,933**	**88,520,623**	**11,531,547**	**27,962,155**	**407,977,619**
As at 30 September 2013 (unaudited)									
At fair value	11,087,264	106,211,570	10,564,498	79,930,331	77,595,812	88,520,623	12,112,213	27,962,155	413,984,466
Accumulated depreciation	–	(2,011,724)	(318,415)	(1,306,163)	(1,789,879)	–	(580,666)	–	(6,006,847)
Net book value	**11,087,264**	**104,199,846**	**10,246,083**	**78,624,168**	**75,805,933**	**88,520,623**	**11,531,547**	**27,962,155**	**407,977,619**
As at 31 December 2012 (audited)									
At fair value	10,461,817	117,778,752	8,395,851	81,619,611	86,669,540	82,892,325	14,654,033	25,860,127	**428,332,056**
Accumulated depreciation	–	(23,591,035)	(2,610,119)	(14,853,180)	(19,997,804)	–	(4,410,813)	–	**(65,462,951)**
Net book value	**10,461,817**	**94,187,717**	**5,785,732**	**66,766,431**	**66,671,736**	**82,892,325**	**10,243,220**	**25,860,127**	**362,869,105**

As at 30 September 2013 and 31 December 2012, CIP mainly includes production projects under construction, main oil pipelines, (including construction of main oil pipeline Kumkol-Karakoin, realized as a part of interstate Kazakhstan-China oil pipeline construction project), and reconstruction of fire fighting system, reconstruction of electricity supply systems and other.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

5. PROPERTY, PLANT AND EQUIPMENT (continued)

Property, plant and equipment (except for technological oil, which is revalued annually as of September 30) were revalued to fair value as of 31 July 2013 (previous revaluation was performed as of 30 June, 2010). The revaluation was performed on the basis of an appraisal performed by an independent professional real estate appraisal company operating under an appropriate license. The methods used to fair value property, plant and equipment were the cost (for specialised assets – depreciated replacement cost approach), the comparative (using comparative sales method) and the income approaches. Interim condensed consolidated financial statements includes the preliminary results of the revaluation of prpoperty, plant and equipment.

Technological oil is annually revalued as of 30 September, due to the fact that fiuctuations are quite frequent and significant. Technological oil was revalued on 30 September 2013.

Taking into account all these factors, the management concluded that the most appropriate price to reflect fair value for the technological oil in pipeline that would be determined by informed market participant would be 264.7 US Dollars per tonne as of September 30, 2013 (40,663 Tenge) (30 September 2012: 252 US Dollars (38,000 Tenge) per tonne). As a result of test on adequate profitability in terms of revaluation of technological oil by using income approach no economical deterioration was revealed.

As of 30 September 2013, the amount of oil in the pipeline included as part of property, plant and equipment was 2,176,933 tonne (2012: 2,151,546 tonne).

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

6. INTANGIBLE ASSETS

In thousands of Tenge	Licenses	Software	Right for land use	Other	Total
Net book value at 31 December 2012 (audited)	**254,920**	**1,060,376**	**4,639,163**	**278,767**	**6,233,226**
Additions	5,021	133,657	39,711	–	**178,389**
Disposals	–	(102,862)	–	(631,762)	**(734,624)**
Accumulated amortization on disposals	–	102,862	–	409,087	**511,949**
Amortization charge	(59,913)	(246,963)	(82,909)	(28,473)	**(418,258)**
Transfer from property, plant and equipment	–	10,882	–	–	**10,882**
Transfers and reclassifications	1,818	(1,818)	–	–	–
Usage of provisions in impairment of other disposals	–	–	–	170	**170**
Foreign currency translation	1,411	23	88,051	1,364	**90,849**
Net book value at 30 September 2013 (unaudited)	**203,257**	**956,157**	**4,684,016**	**29,153**	**5,872,583**
As at 30 September 2013 (unaudited)					
At cost	455,703	4,036,475	6,106,994	76,049	10,675,221
Accumulated impairment	–	–	(549,969)	–	(549,969)
Accumulated amortization	(252,446)	(3,080,318)	(873,009)	(46,896)	(4,252,669)
Net book value	**203,257**	**956,157**	**4,684,016**	**29,153**	**5,872,583**
As at 31 December 2012 (audited)					
At cost	447,373	3,996,520	5,953,009	704,353	11,101,255
Accumulated Impairment	–	–	(549,969)	–	(549,969)
Accumulated amortization	(192,453)	(2,936,144)	(763,877)	(425,586)	(4,318,060)
Net book value	**254,920**	**1,060,376**	**4,639,163**	**278,767**	**6,233,226**

7. INVESTMENTS IN JOINT VENTURES

In thousands of Tenge	**30 September 2013 (unaudited)**	31 December 2012 (audited)
KCP	**38,357,703**	30,188,246
MunaiTas	**12,579,728**	10,627,303
	50,937,431	40,815,549

During nine months ended 30 September 2013, the Group has recognized its share in income and comperehensive income of MunaiTas in the amount of 1,102,508 and 1,303,501 thousand Tenge, respectively (during nine months ended 30 September 2012: 683,527 thousand Tenge and null, respectively). During the nine months ended 30 September 2013, the Group has received dividends from MunaiTas in the amount of 453,584 thousand Tenge (for the nine months ended 30 September 2012: nil).

During nine months ended 30 September 2013, the Group has recognized its share in income of KCP in the amount of 8,164,481 thousand Tenge (during nine months ended 30 September 2012: 4,149,323 thousand Tenge), and share in other comprehensive income of 4,976 thousand Tenge (for nine months ended 30 September 2012: 2,426 thousand Tenge).

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

In thousands of Tenge	**30 September 2013 (unaudited)**	31 December 2012 (audited)
Share in total assets and liabilities of joint ventures		
Current assets	**24,151,881**	23,918,509
Non-current assets	**140,792,633**	136,049,737
Current liabilities	**(20,092,167)**	(15,339,074)
Non-current liabilities	**(93,914,916)**	(103,813,623)
Share in net assets	**50,937,431**	40,815,549

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

7. INVESTMENTS IN JOINT VENTURES (continued)

In thousands of Tenge	For three months ended 30 September		For nine months ended 30 September	
	2013 (unaudited)	2012 (unaudited)	2013 (unaudited)	2012 (unaudited)
Total revenue and net income of joint ventures for the period				
Revenue and operating income	**9,322,220**	8,298,722	**27,504,550**	22,488,700
Net income	**3,038,167**	1,977,886	**9,266,989**	4,832,850
Other comprehensive income/ (loss)	**1,306,909**	740	**1,308,477**	2,426

8. ADVANCES TO SUPPLIERS FOR PROPERTY, PLANT AND EQUIPMENT

In thousands of Tenge	30 September 2013 (unaudited)	31 December 2012 (audited)
Advances to third parties for property, plant and equipment	8,751,163	623,604
Less: allowance for doubtful debts	(99,330)	(99,330)
	8,651,833	**524,274**

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

In thousands of Tenge	For three months ended 30 September		For nine months ended 30 September	
	2013 (unaudited)	2012 (unaudited)	2013 (unaudited)	2012 (unaudited)
As at 1 January (audited)	–	–	(99,330)	–
Accrued in the period	–	(76)	–	(76)
Rehabiliation of accounts receivable	–	–	–	(99,330)
As at 30 September (unaudited)	–	(76)	(99,330)	99,406

9. INVENTORIES

In thousands of Tenge	30 September 2013 (unaudited)	31 December 2012 (audited)
Spare parts	**1,278,390**	962,951
Fuel	**897,806**	770,441
Construction materials	**285,394**	154,549
Chemical reagents	**170,534**	89,053
Goods	**40,234**	76,248
Other	**826,966**	612,112
Less: provision for slow-moving and obsolete inventory	**(50,034)**	(65,413)
	3,449,290	2,599,941

10. TRADE AND OTHER ACCOUNTS RECEIVABLE

In thousands of Tenge	30 September 2013 (unaudited)	31 December 2012 (audited)
Trade accounts receivable from related parties (*Note 30*)	**1,906,884**	1,031,480
Trade accounts receivable from third parties	**1,282,254**	1,049,790
Other accounts receivable from third parties	**642,270**	825,882
Other accounts receivable from related parties (*Note 30*)	**3,594**	198,918
Less: allowance for doubtful debts	**(617,745)**	(578,189)
	3,217,257	2,527,881

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

10. TRADE AND OTHER ACCOUNTS RECEIVABLE (continued)

Movement in allowance for doubtful accounts in regards trade and other receivables was as follows:

	For three months ended 30 September		For nine months ended 30 September	
In thousands of Tenge	**2013**	2012	**2013**	2012
As at 1 January (audited)	**604,638**	551,885	**578,189**	109,690
Charge for the period	**14,146**	20,259	**40,577**	70,569
Write-off of receivable	**(1,066)**	7,721	**(1,066)**	(10,269)
Recovery of accounts receivable with related allowance	**–**	(25)	**–**	409,686
Currency translation	**27**	71	**45**	235
Disposal of subsidiary	**–**	(24,067)	**–**	(24,067)
As at 30 September (unaudited)	**617,745**	**555,844**	**617,745**	**555,844**

Trade and other accounts receivable are denominated as follows:

In thousands of Tenge	**30 September 2013 (unaudited)**	31 December 2012 (audited)
Tenge	**2,368,271**	2,052,571
US Dollars	**795,291**	429,910
Russian rubles	**3,462**	780
Other currency	**50,233**	44,620
	3,217,257	2,527,881

11. ADVANCES TO SUPPLIERS

In thousands of Tenge	**30 September 2013 (unaudited)**	31 December 2012 (audited)
Advances to third parties	**887,538**	184,307
Advances to related parties (*Note 30*)	**346,353**	420,284
Less: allowance for doubtful debts	**(1,672)**	(1,482)
	1,232,219	603,109

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

	For three months ended 30 September		For nine months ended 30 September	
In thousands of Tenge	**2013**	2012	**2013**	2012
As at 1 January (audited)	**1,452**	3,164	**1,482**	3,443
Charge/ (Reversal) of provision for the period	**220**	(627)	**190**	1,654
Write-off of advances	**–**	2,361	**–**	(199)
Disposal of subsidiary	**–**	(1,013)	**–**	(1,013)
As at 30 September (unaudited)	**1,672**	**3,885**	**1,672**	**3,885**

12. VAT RECOVERABLE AND OTHER PREPAID TAXES

In thousands of Tenge	**30 September 2013 (unaudited)**	31 December 2012 (audited)
VAT recoverable	**2,519,116**	1,974,968
Other taxes prepaid	**66,831**	117,045
	2,585,947	2,092,013

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

13. OTHER CURRENT ASSETS

In thousands of Tenge	30 September 2013 (unaudited)	31 December 2012 (audited)
Due for oil transportation coordination services	**2,272,127**	4,284,419
Prepaid insurance	**247,164**	34,635
Due from employees	**222,904**	41,315
Deferred expenses to third parties	**9,278**	7,409
Prepaid expense to related party *(Note 30)*	**266**	–
Other	**68,975**	40,700
Less: allowance for doubtful debts	**(2,616)**	(2,616)
	2,818,098	4,405,862

14. BANK DEPOSITS

In thousands of Tenge	30 September 2013 (unaudited)	31 December 2012 (audited)
Short-term bank deposits	**78,004,147**	53,000,000
Accrued interest on deposits	**1,697,140**	84,676
Long-term bank deposits	**657,831**	–
	80,359,118	53,084,676

As at 30 September 2013 bank deposits comprised of the following:

Short-term deposits denominated in Tenge placed with Kazakhstani banks with maturity from 7 to 12 months (31 December 2012: 3 to 12 months), which earn interest of from 3,7% to 6,1% per annum (31 December 2012: from 3% to 7% per annum), maturing in June 2014 (31 December 2012: December 2013).

Long-term deposits, restricted in use, with interest rate 2% per annum and maturity year 2028, ensure the mortgage loan of "Halyk Bank"JSC given to the employees of the Company.

15. CASH AND CASH EQUIVALENTS

In thousands of Tenge	30 September 2013 (unaudited)	31 December 2012 (audited)
Time deposits with banks – Tenge	**2,000,000**	10,000,000
Current accounts with banks – Tenge	**18,445,637**	8,114,269
Current accounts with banks – US Dollars	**475,144**	332,576
Current accounts with banks – Lari	**86,027**	475,434
Current accounts with banks – Euro	**33,336**	11,908
Current accounts with banks – Russian Ruble	**1,482**	4,759
Current accounts with banks – Other currencies	**–**	152
Other current accounts with banks	**10,519**	12,365
Cash on hand	**2,777**	2,581
	21,054,922	18,954,044

As at 30 September 2013 most current accounts and time deposits up to 3 months placed with Kazakhstani banks carried interest at 4,10% per annum (31 December 2012: from 1,65% to 4% per annum).

16. EQUITY

Share capital

As at September 30, 2013 and December 31, 2012 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 September 30, 2013 and December 31, 2012 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.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

16. EQUITY (continued)

Dividends

On annual general meeting of the Company's shareholders held on 28 May 2013, it was decided to pay out dividends on common shares in the amount of 28,847,670 thousand Tenge (75 Tenge per share), of which 25,962,903 thousand Tenge related to the parent Company JSC "National Company KazMunaiGas".

Earnings per share

Basic earnings per share amounts are calculated by dividing net profit for the year attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the year. Increase in the number of share as a result of share split is applied retrospectively from the beginning of the reporting period and for previous periods.

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

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

	For three months ended 30 September		For nine months ended 30 September	
In thousands Tenge	**2013 (unaudited)**	2012 (unaudited)	**2013 (unaudited)**	2012 (unaudited)
Net profit attributable to ordinary equity holders of the parent for basic earnings	**11,902,537**	6,065,738	**52,339,309**	22,965,497
Weighted average number of ordinary shares for basic earnings per share	**384,635,599**	346,172,040	**384,635,599**	346,172,040
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)*	**31**	18	**136**	66

Book value of ordinary shares

Book value of the ordinary shares in accordance with requirements of KASE of the Parent company of the Group is as follows (share split was taken into account for the purpose of comparability):

In thousands Tenge	**30 September 2013 (unaudited)**	31 December 2012 (audited)
Total Assets	**588,558,195**	496,450,540
Less: Intangible assets	**(5,872,583)**	(6,233,226)
Less: Total Liabilities	**(120,159,323)**	(104,136,477)
Net assets for calculation of book value of ordinary shares	**462,526,289**	386,080,837
Number of ordinary shares	**384,635,599**	384,635,599
Book value per ordinary share *(in Tenge)*	**1,202**	1,004

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

17. DEFERRED INCOME

In thousands of Tenge	**30 September 2013 (unaudited)**	31 December 2012 (audited)
Deferred income from third parties	**3,843,265**	3,840,252
Deferred income from related parties (*Note 30*)	**338,396**	572,670
	4,181,661	4,412,922

18. TRADE AND OTHER ACCOUNTS PAYABLE

In thousands of Tenge	**30 September 2013(unaudited)**	31 December 2012(audited)
Accounts payable to third parties for goods and services	**5,541,910**	5,905,433
Accounts payable to related parties for goods and services (*Note 30*)	**468,065**	596,783
Other payables to third parties	**479,698**	269,141
Other payables to related parties (*Note 30*)	**–**	569
	6,489,673	6,771,926

Trade and other accounts payables are denominated as follows:

In thousands of Tenge	**30 September 2013 (unaudited)**	31 December 2012 (audited)
Tenge	**5,469,505**	6,274,570
US Dollars	**786,418**	223,020
Russian roubles	**81,205**	58,192
Euro	**7,835**	12,289
Other currency	**144,710**	203,855
	6,489,673	6,771,926

19. ADVANCES RECEIVED

In thousands of Tenge	**30 September 2013 (unaudited)**	31 December 2012 (audited)
Advances received from related parties *(Note 30)*	**9,942,552**	10,426,287
Advances received from third parties	**5,528,025**	5,544,408
	15,470,577	15,970,695

20. OTHER TAXES PAYABLE

In thousands of Tenge	**30 September 2013 (unaudited)**	31 December 2012 (audited)
VAT payable	**770,765**	297,528
Personal income tax	**561,471**	432,489
Social tax	**224,695**	309,878
Property tax	**272,784**	79,651
Other taxes	**694,627**	520,255
	2,524,342	1,639,801

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

21. PROVISIONS

Movements in provisions were represented as follows:

In thousands of Tenge	KazTransOil (environmental provision)	KazTransOil (provisions on apartments)	BIHL (tax provisions)	Others	Total
As at 31 December 2012	167,477	–	174,406	11,814	**353,697**
Charged for nine months ended September 30, 2013	–	45,467	–	–	**45,467**
Use of provision	(24,392)	(33,206)	–	(11,814)	**(69,412)**
Foreign currency translation	–	–	3,332	–	**3,332**
As at September 30, 2013	**143,085**	**12,261**	**177,738**	**–**	**333,084**

On February 27, 2013 the Board of Directos adopted Rules on granting apartments to employees of "KazTransOil" JSC. Thus, as of 30 September 2013 the Group has accrued a provision for the obligation to provide apartments free of charge to employees, who have reached retirement age, and also to those who will achieve this age during 2013-2020, in the amount of 45,467 thousand Tenge, which is equal to the carrying value of apartments to be provided.

Asset retirement obligation

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

Also long-term liabilities include provision on liquidation of waste disposal landfill. Provision was created in accordance with the requirements of the Environmental Code of the Republic of Kazakhstan, under which the owner of the waste disposal landfill creates a liquidation fund for land rehabilitation and monitoring of the environmental impact after closure of the landfill. The same paragraph prohibits the operation of the landfill without a liquidation fund. The amount of provision for the liquidation of the landfill is based on the discounted amount of related future expenses that will be incurred at the date of actual liquidation of the landfill. The interest rate on government securities (treasury bills) was applied as a discount rate.

Provision on asset retirement obligation

In thousands of Tenge	
As at 31 December 2012	**15,531,037**
Charged for nine months ended September 30, 2013	**189,263**
Unwinding of discount on asset retirement obligation *(Note 28)*	**720,770**
As at September 30, 2013	**16,441,070**

22. OTHER CURRENT LIABILITIES

In thousands of Tenge	30 September 2013 (unaudited)	31 December 2012 (audited)
Accounts Payable for oil transportation coordination services to related parties (*Note 30*)	**3,996,761**	4,839,624
Salaries and wages	**2,683,070**	2,941,700
Accounts Payable for oil transportation coordination services to third parties	**2,657,136**	3,190,974
Current portion of deferred income from third parties	**416,617**	444,532
Current portion of deferred income from related parties (*Note 30*)	**312,365**	312,365
Payable to pension funds	**254,424**	338,898
Other payables	**411,089**	62,406
	10,731,462	12,130,499

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

23. REVENUE

In thousands of Tenge	For three months ended 30 September		For nine months ended 30 September	
	2013 (unaudited)	2012 (unaudited)	**2013 (unaudited)**	2012 (unaudited)
Crude oil transportation	**39,936,464**	28,078,213	**115,466,162**	78,649,559
Oil reloading and railway shipment	**4,048,369**	3,805,393	**12,643,969**	10,769,209
Water transportation	**1,763,503**	1,721,236	**4,917,705**	4,917,002
Pipeline operation services	**1,597,206**	1,518,296	**4,799,456**	4,470,393
Transshipment of dry cargo	**940,020**	903,550	**2,483,474**	2,309,440
Oil transportation coordination services	**179,451**	185,467	**534,033**	550,825
Oil storage services	**34,872**	89,061	**119,925**	149,247
Other	**118,565**	367,575	**517,858**	1,210,670
	48,618,450	36,668,791	**141,482,582**	103,026,345

For the nine months ended September 30, 2013 the revenue from the major three customers amounted to 30,442,011 thousand Tenge, 13,925,414 thousand Tenge and 13.297.723 thousand Tenge, respectively (For the nine months ended September 30, 2012 revenue from major three customers: 20,518,640 thousand Tenge, 9,889,436 thousand Tenge and 9,651,335 thousand Tenge, respectively).

24. COST OF SALES

In thousands of Tenge	For three months ended 30 September		For nine months ended 30 September	
	2013 (unaudited)	2012 (unaudited)	**2013 (unaudited)**	2012 (unaudited)
Personnel cost	**8,313,344**	7,688,047	**22,329,589**	20,920,035
Depreciation and amortization	**7,979,040**	6,809,062	**22,083,587**	20,307,522
Railway services	**2,118,818**	2,074,701	**7,019,078**	5,956,861
Electric energy	**1,579,473**	1,434,371	**4,574,250**	3,982,649
Materials and fuel	**1,934,846**	1,854,679	**3,959,638**	4,015,732
Taxes other than corporate income tax	**1,318,033**	1,054,716	**3,704,620**	3,176,791
Repair and maintenance costs	**1,502,731**	1,780,890	**3,149,504**	3,308,010
Security services	**880,018**	924,492	**2,579,366**	2,682,325
Gas expenses	**332,877**	290,525	**1,573,777**	1,583,307
Air services	**299,850**	566,403	**979,100**	1,509,416
Business trip expenses	**267,177**	194,728	**621,518**	500,553
Post-employment benefits	**107,711**	69,560	**323,646**	208,680
Insurance	**126,168**	118,816	**322,475**	355,771
Rent expense	**40,560**	189,976	**257,515**	556,735
Communication services	**78,095**	50,060	**196,467**	159,708
Environmental protection	**58,365**	3,701	**134,628**	391,381
Diagnostics of pipelines	**90,348**	102,636	**111,484**	109,648
Other	**749,006**	863,840	**1,595,151**	2,181,016
	27,776,460	26,071,203	**75,515,393**	71,906,140

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

25. GENERAL AND ADMINISTRATIVE EXPENSES

In thousands of Tenge	For three months ended 30 September		For nine months ended 30 September	
	2013 (unaudited)	2012 (unaudited)	**2013 (unaudited)**	2012 (unaudited)
Personnel costs	**1,479,930**	1,402,070	**4,014,310**	3,731,648
Depreciation and amortization	**214,120**	149,889	**569,187**	457,137
Office maintenance	**103,726**	19,937	**254,960**	37,761
Consulting	**81,912**	127,150	**196,531**	595,566
Social sphere expenses	**71,652**	23,576	**193,611**	147,089
Taxes other than corporate income tax	**58,095**	47,729	**167,982**	251,798
Business trip expenses	**53,927**	51,471	**164,151**	140,736
Insurance and security	**55,735**	55,805	**162,533**	176,087
Charity expenses	**15,771**	1,015,071	**139,987**	1,052,869
Expenses on VAT	**2,840**	113,376	**136,348**	229,144
Materials and fuel	**108,108**	29,127	**136,062**	61,757
Repair and technical maintenance	**47,455**	42,303	**131,804**	151,396
Rent expense	**38,064**	36,992	**113,107**	111,248
Communication services	**27,868**	39,978	**78,674**	89,446
Bank costs	**28,718**	30,544	**77,393**	77,327
Training	**33,623**	26,978	**61,685**	65,019
Information expenses	**20,779**	28,091	**52,363**	57,103
Provision for allowance for doubtful debts *(Note 10, 11)*	**14,366**	19,708	**40,767**	72,299
Advertising expense	**10,634**	85,006	**30,550**	93,914
Post-employment benefits	**7,289**	4,439	**21,354**	13,320
Transportation expense	**347**	2,622	**10,004**	13,734
Reversal of provision for obsolete and slow-moving inventories	**1,162**	(1,798)	**(3,294)**	(3,659)
Other	**85,499**	15,658	**260,105**	170,518
	2,561,620	3,365,722	**7,010,174**	7,793,257

26. OTHER OPERATING INCOME

In thousands of Tenge	For three months ended 30 September		For nine months ended 30 September	
	2013 (unaudited)	2012 (unaudited)	**2013 (unaudited)**	2012 (unaudited)
Income from fines and penalties	**1,389,388**	138,848	**2,603,833**	372,946
Amortization of deferred income (Note 30)	**78,092**	78,092	**234,274**	234,274
Derecognition of financial guarantee issued to joint venture	**–**	–	**177,743**	–
Gain on disposal of property, plant and equipment and intangible assets	**10,548**	–	**95,198**	–
Gain on disposal of inventory	**86,387**	1,040	**86,742**	16,600
Amortization of financial guarantee issued to joint venture (*Note 30*)	**–**	35,059	**26,463**	103,337
Gain on diposal on accounts payable	**7,153**	3,071	**7,153**	3,071
Income from rent	**–**	3,529	**–**	10,751
Other income	**26,770**	12,424	**119,514**	171,006
	1,598,338	272,063	**3,350,920**	911,985

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

26. OTHER OPERATING INCOME (continued)

In March 2013 MunaiTas has early repaid its obligation to EBRD under the loan agreement and obligations of the Company as s guarantor for the loan was terminated. Respectively, the Company derecognized the remaining amount of unamortized guarantee liability during the nine months ended 30 September 2013 (*Note 31*).

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

27. FINANCE INCOME

	For three months ended 30 September		For nine months ended 30 September	
In thousands of Tenge	**2013 (unaudited)**	2012 (unaudited)	**2013 (unaudited)**	2012 (unaudited)
Interest income on bank deposits	**1,006,358**	474,674	**2,699,190**	1,520,640
Loans to employees: unwinding of discount	**3,640**	2,750	**19,749**	13,950
Other finance income	**4,881**	5,100	**11,822**	28,299
	1,014,879	482,524	**2,730,761**	1,562,889

28. FINANCE COSTS

	For three months ended 30 September		For nine months ended 30 September	
In thousands of Tenge	**2013 (unaudited)**	2012 (unaudited)	**2013 (unaudited)**	2012 (unaudited)
Unwinding of discount on asset retirement obligation	**236,464**	216,660	**720,770**	216,660
Employee benefits: unwinding of discount	**93,000**	40,751	**279,000**	122,251
Interest on loans and borrowings	**–**	9,824	**–**	26,418
	329,464	267,235	**999,770**	365,329

29. INCOME TAX EXPENSE

	For three months ended 30 September		For nine months ended 30 September	
In thousands of Tenge	**2013 (unaudited)**	2012 (unaudited)	**2013 (unaudited)**	2012 (unaudited)
Current income tax expense	**4,775,595**	1,915,529	**14,989,656**	6,613,102
Deferred income tax benefit	**(2,617,516)**	1,118,791	**(3,997,527)**	(234,593)
Income tax expense	**2,158,079**	3,034,320	**10,992,129**	6,378,509

30. RELATED PARTY TRANSACTIONS

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

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

The following tables provide the total amount of transactions, which have been entered into with related parties during three and nine months ended 30 September 2013 and 30 September 2012 and the related balances as at 30 September 2013 and 31 December 2012:

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

30. RELATED PARTY TRANSACTIONS (continued)

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

In thousands of Tenge	**30 September 2013 (unaudited)**	31 December 2012 (audited)
Trade and other accounts receivable from related parties		
Trade accounts receivable from joint ventures	**1,359,401**	471,451
Trade accounts receivable from entities under common control of KMG	**546,521**	559,841
Trade accounts receivable from entities under common control of Samruk-Kazyna Group	**962**	188
	1,906,884	1,031,480
Other accounts receivables from entities under common control of KMG and Samruk-Kazyna Group	**3,594**	198,918
Total trade and other accounts receivable from related parties	**1,910,478**	1,230,398

Advances provided to related parties are as follows:

In thousands of Tenge	**30 September 2013 (unaudited)**	31 December 2012 (audited)
Advances given to related parties		
Advances given to entities under common control of KMG	**268,738**	219,298
Advances given to entities under common control of Samruk-Kazyna Group	**77,615**	2,612
Advances given to other related parties	**–**	198,374
Total advances paid to related parties	**346,353**	420,284

Prepaid expenses on transactions with related parties are as follows:

In thousands of Tenge	**30 September 2013 (unaudited)**	31 December 2012 (audited)
Prepaid expenses on transactions with related parties		
Prepaid expenses on transactions with related parties	**266**	–
	266	–

Financial guarantee issued on behalf of joint ventures:

In thousands of Tenge	**30 September 2013 (unaudited)**	31 December 2012 (audited)
Financial guarantee issued on behalf of joint ventures		
Financial guarantee issued on behalf of joint ventures	**–**	199,654
Total financial guarantee issued on behalf of joint ventures	**–**	199,654

Deferred income to related parties is as follows:

In thousands of Tenge	**30 September 2013 (unaudited)**	31 December 2012 (audited)
Non-current portion of deferred income from related parties		
Non-current portion of deferred income from entities under common control of KMG	**338,396**	572,670
Total non-current portion of deferred income from related parties	**338,396**	572,670
Current portion of deferred income from related parties		
Current portion of deferred income from entities under common control of KMG	**312,365**	312,365
Total current portion of deferred income from related parties	**312,365**	312,365

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

30. RELATED PARTY TRANSACTIONS (continued)

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

In thousands of Tenge	30 September 2013 (unaudited)	31 December 2012 (audited)
Accounts payables to related parties for goods and services		
Accounts payables to entities under common control of KMG	**458,243**	567,859
Accounts payables to entities under common control of Samruk-Kazyna Group	**9,822**	28,924
	468,065	596,783
Other payables to related parties		
Other payables to entities under common control of Samruk-Kazyna Group	**–**	569
Total other payables to related parties	**–**	569
Total trade and other accounts payable to related parties	**468,065**	597,352

Advances received from related parties are as follows:

In thousands of Tenge	30 September 2013 (unaudited)	31 December 2012 (audited)
Advances received from related parties		
Advances from entities under common control of KMG	**8,482,612**	9,143,441
Advances from entities under common control of Samruk-Kazyna Group	**1,459,925**	1,282,846
Advances from joint ventures	**15**	–
Total advances received from related parties	**9,942,552**	10,426,287

Other current liabilities to related parties are as follows:

In thousands of Tenge	30 September 2013 (unaudited)	31 December 2012 (audited)
Accounts payable for oil transportation expedition for related parties		
Accounts payable for oil transportation expedition for entities under common control of KMG	**3,996,761**	4,839,624
	3,996,761	4,839,624

In thousands of Tenge	30 September 2013 (unaudited)	31 December 2012 (audited)
Employee benefits of key management personnel		
Employee benefits of key management personnel	**5,339**	19,940
	5,339	19,940

The Group had the following transactions with related parties:

In thousands of Tenge	For three months ended 30 September 2013 (unaudited)	For three months ended 30 September 2012 (unaudited)	For nine months ended 30 September 2013 (unaudited)	For nine months ended 30 September 2012 (unaudited)
Sales to related parties:				
Income from main acitivties with entities under common control of KMG	**24,592,903**	17,148,848	**70,510,678**	49,102,054
Income from main activities with entities under common control of Samruk-Kazyna Group	**3,077,809**	2,305,115	**8,694,853**	5,152,697
Income from main activities with joint ventures	**1,343,058**	1,231,252	**4,041,195**	3,694,536
Income from main activities with other related parties	**18**	4,040	**4,092**	12,042
Income from other activities with entities under common control of KMG	**116,483**	625,444	**182,602**	636,088
Income from other activities with entities under common control of Samruk-Kazyna Group	**14**	–	**103**	–
Income from other activities with joint ventures	**–**	–	**–**	4,209
	29,130,285	21,314,699	**83,433,523**	58,601,626

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

30. RELATED PARTY TRANSACTIONS (continued)

In thousands of Tenge	For three months ended 30 September 2013 (unaudited)	For three months ended 30 September 2012 (unaudited)	For nine months ended 30 September 2013 (unaudited)	For nine months ended 30 September 2012 (unaudited)
Purchases from related parties:				
Purchases of services from entities under common control of KMG	**9,849,372**	9,064,819	**5,867,624**	5,579,194
Purchases of services from entities under common control of Samruk-Kazyna Group	**1,522,061**	1,177,682	**910,435**	693,332
Purchases of services from other related parties	**5,394,945**	10,499,736	**2,695,976**	6,338,545
Purchases of inventory from entities under common control of KMG	**147,127**	166,594	**78,464**	116,161
Purchases of inventory from entities under common control of Samruk-Kazyna Group	**13,735**	25,674	**9,108**	12,837
Purchases of property, plant and equipment from other related parties	**109,901**	–	**109,901**	–
	17,037,141	20,934,505	**9,671,508**	12,740,069

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

In thousands of Tenge	For three months ended 30 September 2013 (unaudited)	For three months ended 30 September 2012 (unaudited)	For nine months ended 30 September 2013 (unaudited)	For nine months ended 30 September 2012 (unaudited)
Financial income from related parties:				
Dividends received from joint ventures	–	–	**453,584**	–
Other financial income from related parties	**18**	3,583	**4,092**	23,967
	18	3,583	**457,676**	23,967

Amortization of income from related parties is as follows:

In thousands of Tenge	For three months ended 30 September 2013 (unaudited)	For three months ended 30 September 2012 (unaudited)	For nine months ended 30 September 2013 (unaudited)	For nine months ended 30 September 2012 (unaudited)
Amortization of income from related parties:				
Amortization of deferred income from related parties	**78,092**	78,092	**234,274**	234,274
Amortization of financial guarantee issued to related party	–	35,059	**26.463**	103,337
	78.092	113,151	**260,737**	337,611

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

In thousands of Tenge	For three months ended 30 September 2013 (unaudited)	For three months ended 30 September 2012 (unaudited)	For nine months ended 30 September 2013 (unaudited)	For nine months ended 30 September 2012 (unaudited)
Bonuses	**5,384**	–	**148,893**	–
Salary	**23,425**	19,216	**111,796**	99,906
Short-term benefits	**3,606**	7,808	**7,207**	11,409
Post–employment benefits	**123**	83	**331**	203
	32,538	27,107	**268,227**	111,518
Number of persons	**7**	7	**7**	7

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

31. CONTINGENT LIABILITIES AND COMMITMENTS

Contingent liabilities and commitments of the Group are disclosed in the finacial statements for the year ended 31 December 2012. During nine months ended 30 September 2013, there were no significant transactions except for the following:

Covenants

Guarantees

On 29 July 2004 MunaiTas (joint venture of the Company) and Eurasian Bank of Reconstruction and Development (EBRD) entered into credit agreement in the amount of 81,600,000 USD. This amount was guaranteed by the Contract dated 29 July 2004, signed by EBRD and the Company, who acted as a guarantor.

In March 2013 MunaiTas has repaid its obligation to EBRD under the loan agreement and obligations of the Company under the Contract as guarantor was terminated.

Contractual commitments

As at 30 September 2013, the Group had contractual obligations to acquire property, plant and equipment, and construction services for the amount of 34,551,413 thousand Tenge (31 December 2012: 5,607,369 thousand Tenge). In addition, as at 30 September 2013, the Group has committed to purchase inventory (materials and spare parts) and services for the amount of 6,498,022 thousand Tenge (31 December 2012: 1,948,794 thousand Tenge).

Share of the Group as at 30 September 2013 in contractual obligations of joint ventures to acquire property, plant and equipment, and construction services for the amount of 4,868,448 thousand Tenge (31 December 2012: 11,623,922 thousand Tenge) and has commitments to purchase inventory (materials and spare parts) and services for the amount of 2,282,556 thousand Tenge (31 December 2012: 986,037 thousand Tenge).

32. FINANCIAL INSTRUMENTS

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

Fair value of financial instruments

Set out below is a comparison by category of carrying amounts and fair values of all of the Group's financial instruments:

	Carrying amount		Fair Value	
In thousands of Tenge	**30 September 2013**	31 December 2012	**30 September 2013**	31 December 2012
Financial assets				
Cash and cash equivalents	**21,054,922**	18,954,044	**21,054,922**	18,954,044
Bank deposits	**80,359,118**	53,084,676	**80,359,118**	53,084,676
Trade and other receivables	**3,217,257**	2,527,881	**3,217,257**	2,527,881
Financial liabilities				
Trade and other payables	**6,489,673**	6,771,926	**6,489,673**	6,771,926
Other financial liabilities	**2,937,494**	3,480,252	**2,937,494**	3,480,252

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.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

33. EVENTS AFTER THE REPORTING DATE

On December 11, 2013 the process of reorganization of the BIHL group companies (including BCPL) was completed, as a result, the Company became a 100% shareholder of the Batumi Terminals Limited company.

Deputy General director on Economics and Finance ________________ Nassypova A.B.

Chief Accountant ________________ Akhmedina A.S.