KazTransOil JSC

Interim condensed consolidated financial statements

For the nine months ended 30 September 2018

Building a better working world

CONTENTS

Building a better working world

«Эрнст энд Янг» ЖШС
Әл-Фараби д-лы, 77/7
«Есентай Тауэр» гимараты
Алматы қ., 050060
Қазақстан Республикасы
Тел.: +7 727 258 5960
Факс: +7 727 258 5961
www.ey.com

ТОО «Эрнст энд Янг»
пр. Аль-Фараби, 77/7
здание «Есентай Тауэр»
г. Алматы, 050060
Республика Казахстан
Тел.: +7 727 258 5960
Факс: +7 727 258 5961

Ernst & Young LLP
Al-Farabi ave., 77/7
Esentai Tower
Almaty, 050060
Republic of Kazakhstan
Tel.: +7 727 258 5960
Fax: +7 727 258 5961

Report on Review of Interim Financial Information

To the Shareholders of KazTransOil JSC

Introduction

We have reviewed the accompanying interim condensed consolidated financial statements of KazTransOil JSC and its subsidiaries, which comprise the interim consolidated statement of financial position as at 30 September 2018 and the related interim consolidated statements of comprehensive income for the three- and nine-month periods then ended, interim consolidated statement of changes in equity and cash flows for the nine-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.

Building a better working world

Conclusion

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

Ernst & Young LLP

Gulmira Turmagambetova
Auditor / General Director
Ernst and Young LLP

Auditor qualification certificate No. 0000374 dated 21 February 1998

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

050060, Republic of Kazakhstan, Almaty
Al-Farabi ave., 77/7, Esentai Tower

19 November 2018

INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION

In thousands of Tenge	Notes	As at 30 September 2018 (unaudited)	As at 31 December 2017 (audited)
Assets			
Non-current assets			
Property, plant and equipment	3	**670,391,722**	619,260,520
Intangible assets	4	**6,670,667**	6,545,801
Investments in joint ventures	5	**29,552,118**	31,736,986
Advances to suppliers for property, plant and equipment	6	**505,806**	295,842
Long-term accounts receivable		**78,423**	71,783
Bank deposits	12	**2,960,557**	3,948,692
Investments in bonds	14	**891,412**	748,962
Other non-current assets		**12,722**	13,100
		711,063,427	662,621,686
Current assets			
Inventories	7	**6,369,117**	4,068,718
Trade and other accounts receivable	8	**11,804,570**	7,067,133
Advances to suppliers	9	**1,067,409**	504,796
Prepayment for income tax		**18,614**	3,489,707
VAT recoverable and other prepaid taxes	10	**8,877,932**	8,542,998
Other current assets	11	**4,185,575**	5,856,422
Bank deposits	12	**15,626,495**	28,356,520
Cash and cash equivalents	13	**31,740,177**	40,870,527
		79,689,889	98,756,821
Non-current assets held for sale		**2,823,854**	2,848,498
		82,513,743	101,605,319
Total assets		**793,577,170**	764,227,005

INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)

In thousands of Tenge	Notes	As at 30 September 2018 (unaudited)	As at 31 December 2017 (audited)
Equity and liabilities			
Equity			
Share capital	15	**61,937,567**	61,937,567
Treasury shares repurchased from shareholders		**(9,549)**	(9,549)
Asset revaluation reserve	15	**249,765,809**	226,395,595
Foreign currency translation reserve	15	**37,452,187**	33,068,230
Other capital reserves	15	**(623,415)**	(623,415)
Retained earnings		**271,896,951**	278,922,619
Total equity		**620,419,550**	599,691,047
Non-current liabilities			
Employee benefit obligations	16	**13,484,653**	12,740,751
Deferred tax liabilities	30	**72,109,635**	63,123,255
Provision for asset retirement and land recultivation obligation	21	**17,823,388**	15,347,322
Deferred income	17	**8,016,151**	7,498,361
		111,433,827	98,709,689
Current liabilities			
Employee benefit obligations	16	**607,000**	600,175
Income tax payable		**5,696,718**	1,119,287
Trade and other accounts payable	18	**12,342,752**	17,612,359
Advances received	19	**19,847,383**	18,197,647
Other taxes payable	20	**7,252,413**	5,565,433
Provisions	21	**252,068**	223,242
Other current liabilities	22	**15,725,459**	22,508,126
		61,723,793	65,826,269
Total liabilities		**173,157,620**	164,535,958
Total equity and liabilities		**793,577,170**	764,227,005
Book value per ordinary share (in Tenge)	15	**1,596**	1,542

Signed and approved for issue on 19 November 2018.

General Director
(Chairman of the Management Board) *Dossanov D.G.*

Chief Accountant *Sarmagambetova M.K.*

The accounting policy and explanatory notes on pages 8 through 41 form an integral part of these interim condensed consolidated financial statements.

INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

In thousands of Tenge	Notes	For the three months ended 30 September (unaudited) 2018	2017	For the nine months ended 30 September (unaudited) 2018	2017
Revenue	23	**57,551,070**	56,980,706	**167,063,101**	164,618,262
Cost of sales	24	**(36,530,106)**	(34,652,997)	**(104,943,829)**	(102,276,859)
Gross profit		**21,020,964**	22,327,709	**62,119,272**	62,341,403
General and administrative expenses	25	**(3,714,495)**	(3,239,037)	**(10,191,121)**	(9,421,193)
Other operating income	26	**621,940**	1,561,724	**1,006,516**	2,321,849
Other operating expenses	27	**44,171**	(138,351)	**(1,276,025)**	(622,352)
Impairment of property, plant and equipment and intangible assets	3, 4	**(74,791)**	(38,368)	**(2,306,442)**	(38,801)
Operating profit		**17,897,789**	20,473,677	**49,352,200**	54,580,906
Net foreign exchange gain/(loss)		**481,887**	774,736	**1,228,137**	(285,504)
Finance income	28	**519,169**	805,023	**2,298,797**	3,744,599
Finance cost	29	**(648,729)**	(599,663)	**(1,874,845)**	(1,789,381)
Share in (loss)/income of joint ventures	5	**(2,204,643)**	(2,125,491)	**76,365**	4,511,536
Profit before income tax		**16,045,473**	19,328,282	**51,080,654**	60,762,156
Income tax expense	30	**(8,409,913)**	(3,984,796)	**(15,806,627)**	(12,684,572)
Net profit for the period		**7,635,560**	15,343,486	**35,274,027**	48,077,584
Earnings per share (in Tenge)	15	**20**	40	**92**	125
Other comprehensive income					
Other comprehensive income to be reclassified to profit or loss in subsequent periods					
Exchange difference from translation of foreign operations of the Group		**1,972,504**	2,674,236	**4,383,957**	2,684,806
Total other comprehensive income to be reclassified to profit or loss in subsequent periods, net		**1,972,504**	**2,674,236**	**4,383,957**	**2,684,806**

The accounting policy and explanatory notes on pages 8 through 41 form an integral part of these interim condensed consolidated financial statements.

INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (continued)

In thousands of Tenge	Notes	For the three months ended 30 September (unaudited) 2018	2017	For the nine months ended 30 September (unaudited) 2018	2017
Other comprehensive income/(loss) not to be reclassified to profit or loss in subsequent periods					
Revaluation/(impairment) of property, plant and equipment of the Group, net	3	**15,115,657**	(109,796)	**57,874,336**	(113,614)
Income tax effect	30	**(3,034,996)**	21,962	**(11,974,910)**	22,725
		12,080,661	(87,834)	**45,899,426**	(90,889)
(Charge)/reversal of provision for asset retirement and land recultivation obligation of the Group	21	**(377,796)**	1,398,881	**(1,208,382)**	755,552
Income tax effect	30	**75,558**	(279,777)	**241,676**	(151,111)
		(302,238)	1,119,104	**(966,706)**	604,441
Write-off of deferred tax assets on employee benefit obligations	30	**–**	–	**–**	(150,746)
		–	–	**–**	(150,746)
Impairment of property, plant and equipment of the joint venture		**–**	–	**(2,520,814)**	–
Income tax effect		**–**	–	**504,163**	–
	5	**–**	–	**(2,016,651)**	–
Reversal/(charge) of provision on asset retirement and land recultivation obligation of the joint ventures		**46,678**	445,606	**(300,639)**	372,452
Income tax effect		**(9,336)**	(89,121)	**60,127**	(74,491)
	5	**37,342**	356,485	**(240,512)**	297,961
Total other comprehensive income not to be reclassified to profit or loss in subsequent periods, net		**11,815,765**	1,387,755	**42,675,557**	660,767
Total other comprehensive income for the period, net of tax		**13,788,269**	4,061,991	**47,059,514**	3,345,573
Total comprehensive income for the period, net of tax		**21,423,829**	19,405,477	**82,333,541**	51,423,157

Signed and approved for issue on 19 November 2018.

General Director
(Chairman of the Management Board)

Dossanov D.G.

Chief Accountant

Sarmagambetova M.K.

The accounting policy and explanatory notes on pages 8 through 41 form an integral part of these interim condensed consolidated financial statements.

INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS

In thousands of Tenge	Notes	For the nine months ended 30 September (unaudited) 2018	2017
Cash flows from operating activities			
Profit before income tax		**51,080,654**	60,762,156
Non-cash adjustment to reconcile profit before income tax to net cash flows			
Depreciation and amortization	24, 25	**39,176,835**	36,721,040
Charge/(reversal) of expected credit losses, net	25	**541,247**	(41,766)
Share in income of joint ventures	5	**(76,365)**	(4,511,536)
Finance costs	29	**1,874,845**	1,789,381
Finance income	28	**(2,298,797)**	(3,744,599)
Employee benefits, current service costs	24, 25	**438,587**	837,053
Loss on disposal of property, plant and equipment and intangible assets, net	27	**1,001,149**	453,654
Impairment of the property, plant and equipment and intangible assets	3, 4	**2,306,442**	38,801
Gain on sale of the non-current assets held for sale	26	**(374,647)**	–
Revision of estimates on provision on asset retirement and land recultivation obligation	26, 27	**148,386**	(1,311,571)
Unrealized foreign exchange (gain)/loss		**(1,228,137)**	227,994
Others		**(31,968)**	52,754
Operating cash flows before working capital changes		**92,558,231**	91,273,361
(Increase)/decrease in operating assets			
Inventories		**(2,576,997)**	(1,944,381)
Trade and other accounts receivable		**(5,146,858)**	(1,621,304)
Advances to suppliers		**(553,555)**	(693,409)
VAT recoverable and other prepaid taxes		**(662,871)**	344,564
Other current assets		**1,688,556**	(612,830)
Increase/(decrease) in operating liabilities			
Trade and other accounts payable		**1,858,663**	272,546
Advances received		**1,627,740**	1,268,305
Other taxes payable		**599,264**	(695,651)
Other current and non-current liabilities and employee benefit obligations		**(2,687,652)**	(4,456,463)
Cash generated from operating activities		**86,704,521**	83,134,738
Income taxes paid		**(10,244,477)**	(9,237,972)
Interest received		**2,417,805**	3,724,138
Net cash flows from operating activities		**78,877,849**	77,620,904

The accounting policy and explanatory notes on pages 8 through 41 form an integral part of these interim condensed consolidated financial statements.

INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS (continued)

In thousands of Tenge	Notes	For the nine months ended 30 September (unaudited) 2018	2017
Cash flows from investing activities			
Withdrawal of bank deposits		**32,853,307**	44,608,562
Proceeds from bonds redemption	14	**32,968**	–
Proceeds from disposal of property, plant and equipment		**9,080**	10,127
Placement of bank deposits		**(18,583,700)**	(63,840,425)
Purchase of property, plant and equipment		**(41,961,484)**	(23,822,212)
Purchase of intangible assets		**(23,625)**	(136,023)
Net cash flow used in investing activities		**(27,673,454)**	(43,179,971)
Cash flows from financing activities			
Dividends paid	15	**(61,540,496)**	(59,617,355)
Net cash flows used in financing activities		**(61,540,496)**	(59,617,355)
Net change in cash and cash equivalents		**(10,336,101)**	(25,176,422)
Net foreign exchange difference		**1,205,751**	(365,993)
Cash and cash equivalents at the beginning of the period		**40,870,527**	69,294,429
Cash and cash equivalents at the end of the period		**31,740,177**	43,752,014

Signed and approved for issue on 19 November 2018.

General Director
(Chairman of the Management Board) *Dossanov D.G.*

Chief Accountant *Sarmagambetova M.K.*

INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

In thousands of Tenge	Share capital	Treasury shares repurchased from shareholders	Asset revaluation reserve	Foreign currency translation reserve	Other capital reserves	Retained earnings	Total
As at 31 December 2017 (audited)	61,937,567	(9,549)	226,395,595	33,068,230	(623,415)	278,922,619	599,691,047
Changes in accounting policy *(Notes 5, 8, 12 and 13)*	–	–	–	–	–	(64,542)	(64,542)
As at 1 January 2018 (restated)	61,937,567	(9,549)	226,395,595	33,068,230	(623,415)	278,858,077	599,626,505
Net profit for the period	–	–	–	–	–	**35,274,027**	**35,274,027**
Other comprehensive income	–	–	**42,675,557**	**4,383,957**	–	–	**47,059,514**
Total comprehensive income for the period	–	–	**42,675,557**	**4,383,957**	–	**35,274,027**	**82,333,541**
Amortization of revaluation reserve for revalued property, plant and equipment	–	–	**(19,305,343)**	–	–	**19,305,343**	–
Dividends *(Note 15)*	–	–	–	–	–	**(61,540,496)**	**(61,540,496)**
As at 30 September 2018 (unaudited)	**61,937,567**	**(9,549)**	**249,765,809**	**37,452,187**	**(623,415)**	**271,896,951**	**620,419,550**
As at 31 December 2016 (audited)	61,937,567	(9,549)	230,346,658	32,918,111	(695,389)	263,477,884	587,975,282
Net profit for the period	–	–	–	–	–	48,077,584	48,077,584
Other comprehensive income/(loss)	–	–	811,513	2,684,806	(150,746)	–	3,345,573
Total comprehensive income/(loss) for the period	–	–	811,513	2,684,806	(150,746)	48,077,584	51,423,157
Amortization of revaluation reserve for revalued property, plant and equipment	–	–	(17,680,454)	–	–	17,680,454	–
Dividends *(Note 15)*	–	–	–	–	–	(59,617,355)	(59,617,355)
As at 30 September 2017 (unaudited)	61,937,567	(9,549)	213,477,717	35,602,917	(846,135)	269,618,567	579,781,084

Signed and approved for issue on 19 November 2018.

General Director
(Chairman of the Management Board) ________________ *Dossanov D.G.*

Chief Accountant ________________ *Sarmagambetova M.K.*

The accounting policy and explanatory notes on pages 8 through 41 form an integral part of these interim condensed consolidated financial statements.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the nine months ended 30 September 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 "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 September 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 September 2018 and 31 December 2017 the Company had interest ownership in the following companies:

			Ownership	
	Place of incorporation	**Principal activities**	**30 September 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	Kazakhstan	Water transportation	**100%**	–

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

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

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 Group operates network of main oil pipelines of 5,377 km and water pipelines of 1,975 km. Also the Group is engaged in storage, loading, transshipment and transfer of crude oil to other related pipeline systems. Group's joint ventures MunaiTas and KCP own Kenkiyak-Atyrau, Kenkiyak-Kumkol, and Atasu-Alashankou pipelines 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.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

1. GENERAL INFORMATION (continued)

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.*

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 September 2018, Company's commitments for the execution of the investment program is 42.6 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 consolidated financial statements for the nine months ended 30 September 2018 were approved by internal audit committee of the Company's Board of Directors and signed by the General Director (Chairman of the Management Board) and the Chief Accountant on 19 November 2018.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

2. BASIS OF PREPARATION AND CHANGES IN ACCOUNTING POLICIES

Basis of preparation

These interim condensed consolidated financial statements for the nine months ended 30 September 2018 have been prepared in accordance with International Financial Reporting Standards (hereafter –"IFRS") IAS 34 *Interim Financial Reporting.*

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

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

These interim condensed consolidated 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. Each entity of the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Functional currency of the Company, "Main Waterline" LLP and the joint ventures MunaiTas and KCP is Tenge. Functional currency of PTL and BOT is US Dollar, functional currency of BSP is Georgian Lari.

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

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

The Group 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 Group 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 consolidated financial statements. During 2017, the Group performed a detailed analysis of the effects of IFRS 15, which showed absence of impact on the financial position and results of the Group.

The Group's activities mainly relates to the transportation of oil through main pipelines on the territory of the Republic of Kazakhstan, as well as with the transshipment of oil and oil products in Georgia.

(a) Rendering of services

The Group 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. The obligation to perform transshipment of oil and oil products in Georgia is also performed on a monthly basis and the revenue from the provision of services is recognized on the basis of actual volumes 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 Group's contractual obligations. Application of IFRS 15 to service contracts does not affect the Group's revenue and profit or loss.

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

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

IFRS 15 Revenue from Contracts with Customers (continued)

(b) Presentation and disclosure requirements

As required for the interim condensed consolidated financial statements, the Group 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. Disclosure of disaggregated revenue is discussed in *Note 23*.

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.

With the exception of hedge accounting, which is applied prospectively, the Group has applied IFRS 9 retrospectively, with the initial application date of 1 January 2018. The management of the Group 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 8, 12, 13 and 18)*;
- The adjustment to the opening balance of retained earnings as at 1 January 2018 is recognized in the interim condensed consolidated statement of changes in equity for the nine months ended 30 September 2018. The information on this adjustment is disclosed as follows:

In thousands of Tenge	**Adjustments**	**1 January 2018**
Assets		
Non-current assets		
Investments in joint ventures *(Note 5)*	(c)	(4,070)
Bank deposits *(Note 12)*	(b)	(31,251)
Total non-current assets		**(35,321)**
Current assets		
Trade and other accounts receivable *(Note 8)*	(b)	(27,623)
Bank deposits *(Note 12)*	(b)	(264)
Cash and cash equivalents *(Note 13)*	(b)	(1,334)
Total current assets		**(29,221)**
Total assets		**(64,542)**
Equity		
Retained earnings	(b), (c)	(64,542)
Total equity		**(64,542)**

(a) Classification and measurement

Under IFRS 9, the Group 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 Group 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".

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

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

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

IFRS 9 Financial Instruments (continued)

(a) Classification and measurement (continued)

Under the new requirements, the Group 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 Group includes in this category trade and other receivables and funds in credit institutions (bank deposits, cash and cash equivalents). The Group 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 Group includes bonds of "Special financial company DSFK" LLP to this category. Under IAS 39, these financial assets of the Group 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 September 2018 the Group revised the fair value of these financial assets using discount rate 10.2% *(Note 14)*.

The assessment of the Group'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 Group'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 Group 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 Group 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 Group has applied the standard's simplified approach and has calculated ECLs based on lifetime ECLs of these financial instruments. The Group used a provision model that is prepared taking into account Group'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 Group 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 Group 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 Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

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

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

IFRS 9 Financial Instruments (continued)

(b) Impairment (continued)

The adoption of the ECL requirements of IFRS 9 resulted in increase in impairment allowances of the Group'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 27,623 thousand Tenge, 1,334 thousand Tenge, 31,515 thousand Tenge and 64,542 thousand Tenge, respectively.

(c) Other adjustments

In addition to the adjustments described above, upon adoption of IFRS 9, other items of the primary financial statements such as investments in joint ventures were adjusted as necessary. These adjustments are due to an increase in estimated provisions for impairment losses on debt financial assets of joint ventures. As a result of this increase, the amount of Retained earnings for the beginning of the period was adjusted. The effect of the adjustment is a decrease in balances of Investments in joint ventures and Retained earnings by 4,070 thousand Tenge.

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 Group's interim condensed consolidated 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 Group's interim condensed consolidated financial statements.

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 Group's accounting policy for cash-settled share based payments is consistent with the approach clarified in the amendments. In addition, the Group 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 Group's interim condensed consolidated 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 Group.

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

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

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 Group's interim condensed consolidated 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 Group's interim condensed consolidated financial statements.

Amendments that have been issued but not yet effective

The Group 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 consolidated financial statements of the Group. The Group 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 Group'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.

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 nine months ended 30 September 2018 and 2017 are as follows:

	For the nine months ended 30 September	
Tenge	**2018**	2017
US Dollars	**336.51**	323.3
Russian Rubles	**5.48**	5.55
Euro	**401.61**	360.23
Georgian Lari	**136.10**	131.32

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

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

Foreign currency translation (continued)

As at 30 September 2018 and 31 December 2017 the currency exchange rates of KASE are:

Tenge	**30 September 2018**	31 December 2017
US Dollars	**363.07**	332.33
Russian Rubles	**5.52**	5.77
Euro	**420.91**	398.23
Georgian Lari	**139.91**	128.16

3. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment as at 30 September 2018 and 31 December 2017 are as follows:

In thousands of Tenge	Land	Pipelines	Transportation assets	Buildings and constructions	Machinery and equipment	Technological oil	Other	Construction in progress	Total
At revalued amount as at 31 December 2017 (audited)	19,890,305	227,862,264	14,563,900	109,033,695	157,269,793	102,839,808	17,899,977	35,937,112	685,296,854
Foreign currency translation	1,279,553	-	364,475	2,105,907	1,177,236	-	40,176	60,377	5,027,724
Additions	-	33,635	5,211,578	-	4,148,936	-	1,285,418	25,163,281	35,842,848
Disposals	(132,042)	(475,924)	(51,202)	(947,176)	(420,941)	(76,014)	(351,630)	(7,740)	(2,462,669)
Revaluation (through revaluation reserve)	-	-	-	-	-	59,921,089	-	-	59,921,089
Additions of provision for asset retirement and land recultivation obligation *(Note 21)*	-	97,284	-	-	-	-	-	-	97,284
Transfers from non-current assets held for sale	-	-	15,874	-	-	-	-	-	15,874
Transfers to intangible assets *(Note 4)*	-	-	-	-	-	-	-	(481,260)	(481,260)
Transfers from construction in progress	3,064	7,431,546	2,933,582	3,967,311	15,710,592	-	1,069,895	(31,115,990)	-
Transfers to non-current assets held for sale	(168,288)	-	-	(4,270,070)	(578,375)	-	(29,015)	-	(5,045,748)
Transfers and reclassifications	-	(135,504)	(516,753)	(37,919)	667,528	-	22,648	-	-
At revalued amount as at 30 September 2018 (unaudited)	**20,872,592**	**234,813,301**	**22,521,454**	**109,851,748**	**177,974,769**	**162,684,883**	**19,937,469**	**29,555,780**	**778,211,996**
Accumulated depreciation and impairment as at 31 December 2017 (audited)	-	(20,559,375)	(2,747,072)	(8,191,902)	(28,283,381)	-	(6,196,923)	(57,681)	(66,036,334)
Foreign currency translation	-	-	(75,939)	(387,238)	(286,755)	-	(12,071)	-	(762,003)
Depreciation charge	-	(11,770,971)	(1,703,712)	(4,794,243)	(16,397,622)	-	(3,829,144)	-	(38,495,692)
Disposals	-	264,707	34,632	188,804	329,669	50,835	346,756	-	1,215,403
Transfers from non-current assets held for sale	-	-	(3,251)	-	-	-	-	-	(3,251)
Transfers to non-current assets held for sale	-	-	-	237,984	283,028	-	17,735	-	538,747
Impairment (through expenses)	-	(1,234)	(249,017)	(820,075)	(1,121,966)	(6,398)	(31,632)	(69)	(2,230,391)
Impairment (through revaluation reserve)	-	(1,940)	(41,391)	(1,341,665)	(612,609)	(44,437)	(4,711)	-	(2,046,753)
Transfers and reclassifications	-	-	226	1,201	321	-	(1,748)	-	-
Accumulated depreciation and impairment as at 30 September 2018 (unaudited)	**-**	**(32,068,813)**	**(4,785,524)**	**(15,107,134)**	**(46,089,315)**	**-**	**(9,711,738)**	**(57,750)**	**(107,820,274)**

3. PROPERTY, PLANT AND EQUIPMENT (continued)

In thousands of Tenge	Land	Pipelines	Transportation assets	Buildings and constructions	Machinery and equipment	Technological oil	Other	Construction in progress	Total
As at 30 September 2018 (unaudited)									
At revalued amount	**20,872,592**	**234,813,301**	**22,521,454**	**109,851,748**	**177,974,769**	**162,684,883**	**19,937,469**	**29,555,780**	**778,211,996**
Accumulated depreciation and impairment	**–**	**(32,068,813)**	**(4,785,524)**	**(15,107,134)**	**(46,089,315)**	**–**	**(9,711,738)**	**(57,750)**	**(107,820,274)**
Net book value (unaudited)	**20,872,592**	**202,744,488**	**17,735,930**	**94,744,614**	**131,885,454**	**162,684,883**	**10,225,731**	**29,498,030**	**670,391,722**
As at 31 December 2017 (audited)									
At revalued amount	19,890,305	227,862,264	14,563,900	109,033,695	157,269,793	102,839,808	17,899,977	35,937,112	685,296,854
Accumulated depreciation and impairment	–	(20,559,375)	(2,747,072)	(8,191,902)	(28,283,381)	–	(6,196,923)	(57,681)	(66,036,334)
Net book value (audited)	19,890,305	207,302,889	11,816,828	100,841,793	128,986,412	102,839,808	11,703,054	35,879,431	619,260,520

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

3. PROPERTY, PLANT AND EQUIPMENT (continued)

Impairment of assets located in Georgia

Due to the existence of impairment indicators, the Group performed an analysis of its property, plant and equipment located in Georgia and the BSP's right for land use for impairment as at current reporting period. The recoverable amount of these assets has been determined based on a value in use, using a discounted cash flow model. The value in use of property, plant and equipment and the right for land use has been defined as the value of the business, adjusted for the fair value of net working capital and non-specialized property, plant and equipment. Forecasting cash flows is based on financial budgets approved by management of the Group covering 2018-2023 years period, and on estimated forecasts until 2031, as well as publicly available macroeconomic information. The above-mentioned assets were grouped into two cash generating units (hereinafter – "CGU") – the BSP and the BOT. The following assumptions were used in calculation value in use:

	Cash-generating units	
	BOT	BSP
Discount rate	12.6%	13.3%
Long-term growth rate	1.9%	1.9%

The results of the assessment of value in use are sensitive to expected volumes of services provided, the level of tariffs for services provided, start of transshipment of additional volumes of oil, the amount of capital and operating expenditures.

As a result of analysis the carrying value of property, plant and equipment and the right for land use exceeded their recoverable amount. The Group recognized impairment of property, plant and equipment in the amount of 12,549 thousand US Dollars (equivalent to 4,222,864 thousand Tenge), including 6,605 thousand US Dollars (equivalent to 2,222,649 thousand Tenge) through profit and loss and 5,944 thousand US Dollars (equivalent to 2,000,215 thousand Tenge) through decrease in asset revaluation reserve, as well as impairment of the right for land use in the amount of 226 thousand US Dollars (equivalent to 76,051 thousand Tenge) recognized through profit and loss *(Note 4)*.

The calculation of value in use for both CGUs is most sensitive to the assumption associated with additional volumes of crude oil transshipment of Kazakhstan origin since 2023. Thus, the shift in the transshipment of this oil from 2023 to 2025 and decrease in volumes by 10% for the period from 2023 to 2031 would reduce the recoverable value of these assets by 28,000 thousand US Dollars (equivalent to 10,165,960 thousand Tenge) and 14,716 thousand US Dollars (equivalent to 5,342,938 thousand Tenge), respectively.

The increase in discount rate by 0.5% would result in decrease of recoverable amount of the above-mentioned assets by 11,146 thousand US Dollars (equivalent to 4,046,778 thousand Tenge).

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

- Reconstruction of the "Astrakhan – Mangyshlak" water pipeline's objects;
- Overhaul with replacement of the pipeline of the main oil pipeline "Prorva-Kulsary" with the length of 47.6 kilometers;
- Reconstruction of fire-fighting system and power supply for facilities, upgrading the trunking radio network and others.

As at 30 September 2018:

- The initial cost and correspondingly accumulated depreciation of fully depreciated, but still in use property, plant and equipment were 1,536,551 thousand Tenge (as at 31 December 2017: 2,065,226 thousand Tenge);
- The volume of oil in pipelines, included in property, plant and equipment, amounted to 2,496 thousand tons (as at 31 December 2017: 2,498 thousand tons);
- Construction in progress included materials and spare parts in the amount of 4,080,289 thousand Tenge (as at 31 December 2017: 5,644,338 thousand Tenge), which were acquired for construction works.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

3. PROPERTY, PLANT AND EQUIPMENT (continued)

Impairment of assets located in Georgia (continued)

Due to significant changes in the oil price on domestic market, the fair value of the Group's technological oil as at 30 September 2018 was determined based on the price of 65,170 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 59,921,089 thousand Tenge.

The amount of depreciation for nine months ended 30 September 2018 included in the cost of construction in progress was 24,314 thousand Tenge (for nine months ended as at 30 September 2017: 26,244 thousand Tenge).

Transfers to non-current assets held for sale

In the current reporting period, the Group classified the property of 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 held for sale were recognized at the lowest of their carrying and fair value less costs to sell in the amount of 4,525,550 thousand Tenge. The Group sold the above assets in September of the current year to KMG.

4. INTANGIBLE ASSETS

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

In thousands of Tenge	Licenses	Software	Right for land use	Other	Total
Net book value as at 31 December 2017 (audited)	312,106	1,290,744	4,912,491	30,460	6,545,801
Additions	**6,590**	**–**	**18,549**	**4,218**	**29,357**
Amortization charge	**(66,560)**	**(504,743)**	**(131,575)**	**(2,579)**	**(705,457)**
Impairment	**–**	**–**	**(76,051)**	**–**	**(76,051)**
Transfers from construction in progress *(Note 3)*	**123,275**	**357,985**	**–**	**–**	**481,260**
Foreign currency translation	**11,877**	**–**	**402,429**	**–**	**414,306**
Transfers to non-current assets held for sale	**–**	**–**	**(18,549)**	**–**	**(18,549)**
Net book value as at 30 September 2018 (unaudited)	**387,288**	**1,143,986**	**5,107,294**	**32,099**	**6,670,667**
As at 30 September 2018 (unaudited)					
At cost	**1,001,297**	**5,311,630**	**8,860,708**	**93,275**	**15,266,910**
Accumulated amortization and impairment	**(614,009)**	**(4,167,644)**	**(3,753,414)**	**(61,176)**	**(8,596,243)**
Net book value (unaudited)	**387,288**	**1,143,986**	**5,107,294**	**32,099**	**6,670,667**
As at 31 December 2017 (audited)					
At cost	859,601	5,037,905	8,181,950	89,058	14,168,514
Accumulated amortization and impairment	(547,495)	(3,747,161)	(3,269,459)	(58,598)	(7,622,713)
Net book value (audited)	312,106	1,290,744	4,912,491	30,460	6,545,801

5. INVESTMENTS IN JOINT VENTURES

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

In thousands of Tenge	KCP	MunaiTas	Total
As at 31 December 2017 (audited)	14,331,613	17,405,373	31,736,986
Changes in accounting policy *(Note 2)*	**(3,844)**	**(226)**	**(4,070)**
Share in (loss)/income of joint ventures	**(1,391,371)**	**1,467,736**	**76,365**
Share in other comprehensive loss of joint ventures	**(240,512)**	**(2,016,651)**	**(2,257,163)**
As at 30 September 2018 (unaudited)	**12,695,886**	**16,856,232**	**29,552,118**

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

5. INVESTMENTS IN JOINT VENTURES (continued)

The following tables below show summarized financial information about joint ventures, including the Group's proportionate share:

	KCP			
	30 September 2018 (unaudited)		31 December 2017 (audited)	
In thousands of Tenge	**50%**	**100%**	50%	100%
Assets and liabilities of joint ventures				
Current assets	**13,101,736**	**26,203,472**	11,193,076	22,386,152
Non-current assets	**107,831,521**	**215,663,042**	112,914,233	225,828,466
Current liabilities	**(17,382,722)**	**(34,765,444)**	(20,394,094)	(40,788,188)
Non-current liabilities	**(90,854,649)**	**(181,709,298)**	(89,381,602)	(178,763,204)
Net assets / net book value of investment	**12,695,886**	**25,391,772**	14,331,613	28,663,226
Additional information				
Cash and cash equivalents	**3,465,051**	**6,930,102**	4,342,244	8,684,488
Short-term financial liabilities, net of trade and other payables and provisions	**(13,334,992)**	**(26,669,984)**	(16,057,521)	(32,115,042)
Long-term financial liabilities, net of trade and other payables and provisions	**(84,432,135)**	**(168,864,270)**	(83,384,876)	(166,769,752)

	MunaiTas			
	30 September 2018 (unaudited)		31 December 2017 (audited)	
In thousands of Tenge	**51%**	**100%**	51%	100%
Assets and liabilities of joint ventures				
Current assets	**10,084,929**	**19,774,371**	8,082,188	15,847,427
Non-current assets	**9,782,244**	**19,180,871**	13,032,214	25,553,361
Current liabilities	**(888,093)**	**(1,741,359)**	(969,387)	(1,900,759)
Non-current liabilities	**(2,122,848)**	**(4,162,447)**	(2,739,642)	(5,371,847)
Net assets / net book value of investment	**16,856,232**	**33,051,436**	17,405,373	34,128,182
Additional information				
Cash and cash equivalents	**9,933,887**	**19,478,210**	7,690,327	15,079,073
Short-term financial liabilities, net of trade and other payables and provisions	–	–	–	–
Long-term financial liabilities, net of trade and other payables and provisions	–	–	–	–

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

5. INVESTMENTS IN JOINT VENTURES (continued)

	KCP			
	For the nine months ended 30 September (unaudited)			
	2018		2017	
In thousands of Tenge	**50%**	**100%**	50%	100%
Information on profit or loss and other comprehensive income of joint ventures for the period				
Revenue	**22,447,096**	**44,894,192**	23,317,396	46,634,792
Income from continuing operations for the period	**(1,391,371)**	**(2,782,742)**	3,863,657	7,727,314
Unrecognised income	**–**	**–**	(836,291)	(1,672,582)
Income/(loss) from discontinuing operations for the period	**–**	**–**	–	–
Other comprehensive (loss)/income	**(240,512)**	**(481,024)**	297,961	595,922
Total comprehensive (loss)/income	**(1,631,883)**	**(3,263,766)**	3,325,327	6,650,654
Dividends	**–**	**–**	–	–
Additional information				
Depreciation and amortization	**(4,474,220)**	**(8,948,440)**	(5,414,063)	(10,828,126)
Interest income	**84,914**	**169,828**	64,253	128,506
Interest expense	**(4,511,853)**	**(9,023,706)**	(4,647,016)	(9,294,032)
Foreign exchange loss	**(7,668,915)**	**(15,337,830)**	(1,784,397)	(3,568,793)
Income tax expense	**(18,873)**	**(37,746)**	(1,054,383)	(2,108,766)

	KCP			
	For the three months ended 30 September (unaudited)			
	2018		2017	
In thousands of Tenge	**50%**	**100%**	50%	100%
Information on profit or loss and other comprehensive income of joint ventures for the period				
Revenue	**7,864,454**	**15,728,908**	8,131,456	16,262,912
Loss from continuing operations for the period	**(2,587,560)**	**(5,175,120)**	(2,461,528)	(4,923,056)
Income/(loss) from discontinuing operations for the period	**–**	**–**	–	–
Other comprehensive income	**37,342**	**74,684**	356,485	712,970
Total comprehensive loss	**(2,550,218)**	**(5,100,436)**	(2,105,043)	(4,210,086)
Dividends	**–**	**–**	–	–
Additional information				
Depreciation and amortization	**(1,508,413)**	**(3,016,826)**	(1,805,664)	(3,611,328)
Interest income	**39,582**	**79,164**	25,691	51,382
Interest expense	**(1,410,199)**	**(2,820,498)**	(1,599,224)	(3,198,448)
Foreign exchange loss	**(5,456,416)**	**(10,912,832)**	(5,489,307)	(10,978,613)
Income tax benefit	**433,459**	**866,918**	586,934	1,173,868

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

5. INVESTMENTS IN JOINT VENTURES (continued)

	MunaiTas			
	For the nine months ended 30 September (unaudited)			
	2018		2017	
In thousands of Tenge	51%	100%	51%	100%
Information on profit or loss and other comprehensive income of joint ventures for the period				
Revenue	**3,568,212**	**6,996,494**	3,348,486	6,565,659
Income from continuing operations for the period	**1,467,736**	**2,877,914**	1,484,170	2,910,137
Income/(loss) from discontinuing operations for the period	**–**	**–**	–	–
Other comprehensive loss	**(2,016,651)**	**(3,954,218)**	–	–
Total comprehensive (loss)/income	**(548,915)**	**(1,076,304)**	1,484,170	2,910,137
Dividends	**–**	**–**	–	–
Additional information				
Depreciation and amortization	**(695,398)**	**(1,363,525)**	(735,874)	(1,442,890)
Interest income	**435,881**	**854,669**	410,103	804,124
Interest expense	**–**	**–**	–	–
Income tax expense	**(370,548)**	**(726,565)**	(372,455)	(730,304)

	MunaiTas			
	For the three months ended 30 September (unaudited)			
	2018		2017	
In thousands of Tenge	51%	100%	51%	100%
Information on profit or loss and other comprehensive income of joint ventures for the period				
Revenue	**1,046,415**	**2,051,794**	931,223	1,825,928
Income from continuing operations for the period	**382,917**	**750,818**	336,037	658,896
Income/(loss) from discontinuing operations for the period	**–**	**–**	–	–
Other comprehensive income/(loss)	**–**	**–**	–	–
Total comprehensive income	**382,917**	**750,818**	336,037	658,896
Dividends	**–**	**–**	–	–
Additional information				
Depreciation and amortization	**(228,662)**	**(448,356)**	(230,858)	(452,663)
Interest income	**154,721**	**303,375**	140,931	276,336
Interest expense	**–**	**–**	–	–
Income tax expense	**(99,034)**	**(194,185)**	(83,922)	(164,553)

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

6. ADVANCES TO SUPPLIERS FOR PROPERTY, PLANT AND EQUIPMENT

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

In thousands of Tenge	**30 September 2018 (unaudited)**	31 December 2017 (audited)
Advances to third parties for property, plant and equipment and construction services	**1,212,590**	910,669
Advances to related parties for property, plant and equipment and construction services *(Note 32)*	**–**	46,927
	1,212,590	957,596
Less: allowance for doubtful debts	**(706,784)**	(661,754)
Total	**505,806**	295,842

7. INVENTORIES

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

In thousands of Tenge	**30 September 2018 (unaudited)**	31 December 2017 (audited)
Spare parts	**2,625,141**	1,978,556
Fuel	**1,316,136**	905,183
Construction materials	**697,250**	541,497
Chemical reagents	**619,365**	90,817
Overalls	**562,542**	173,167
Goods	**50,761**	81,554
Other	**497,922**	297,944
Total	**6,369,117**	4,068,718

8. TRADE AND OTHER ACCOUNTS RECEIVABLE

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

In thousands of Tenge	**30 September 2018 (unaudited)**	31 December 2017 (audited)
Trade accounts receivable from third parties	**6,780,069**	6,243,094
Trade accounts receivable from related parties *(Note 32)*	**2,981,236**	3,551,029
Other accounts receivable from related parties *(Note 32)*	**5,545,332**	509
Other accounts receivable from third parties	**778,160**	716,947
	16,084,797	10,511,579
Less: allowance for expected credit losses	**(4,280,227)**	(3,444,446)
Total	**11,804,570**	7,067,133

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

8. TRADE AND OTHER ACCOUNTS RECEIVABLE (continued)

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

In thousands of Tenge	For the three months ended 30 September (unaudited) 2018	2017	For the nine months ended 30 September (unaudited) 2018	2017
At the beginning of the period	**4,060,968**	2,336,800	**3,444,446**	2,378,382
Changes in accounting policy *(Note 2)*	**–**	–	**27,623**	–
Charge/(reversal) for the period, net *(Note 25)*	**56,220**	(11,202)	**541,247**	(41,766)
Foreign currency translation	**163,039**	93,147	**266,911**	82,129
At the end of the period (unaudited)	**4,280,227**	2,418,745	**4,280,227**	2,418,745

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

In thousands of Tenge	**30 September 2018 (unaudited)**	31 December 2017 (audited)
Tenge	**11,250,928**	6,196,038
US Dollars	**529,222**	413,088
Russian Rubles	**1,909**	1,717
Other currency	**22,511**	456,290
Total	**11,804,570**	7,067,133

9. ADVANCES TO SUPPLIERS

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

In thousands of Tenge	**30 September 2018 (unaudited)**	31 December 2017 (audited)
Advances to third parties	**575,757**	301,599
Advances to related parties *(Note 32)*	**492,299**	204,462
	1,068,056	506,061
Less: allowance for doubtful debts	**(647)**	(1,265)
Total	**1,067,409**	504,796

10. VAT RECOVERABLE AND OTHER PREPAID TAXES

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

In thousands of Tenge	**30 September 2018 (unaudited)**	31 December 2017 (audited)
VAT recoverable	**8,636,143**	8,157,636
Property tax	**142,202**	244,839
Withholding tax at the source of payment	**30,035**	18,451
Other taxes prepaid	**69,552**	122,072
Total	**8,877,932**	8,542,998

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

11. OTHER CURRENT ASSETS

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

In thousands of Tenge	**30 September 2018 (unaudited)**	31 December 2017 (audited)
Due for oil transportation coordination services	**3,661,928**	5,678,717
Prepaid insurance	**377,049**	65,716
Due from employees	**80,435**	45,518
Deferred expenses from third parties	**38,489**	39,547
Deferred expenses from related parties *(Note 32)*	**5**	5
Other	**27,669**	26,919
Total	**4,185,575**	5,856,422

12. BANK DEPOSITS

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

In thousands of Tenge	**30 September 2018 (unaudited)**	31 December 2017 (audited)
Short-term bank deposits – US Dollar	**15,612,010**	18,005,639
Short-term bank deposits – Tenge	**–**	10,000,000
Long-term bank deposits – Tenge	**2,986,679**	3,948,692
Accrued interest on deposits – Tenge	**28,268**	309,811
Accrued interest on deposits – US Dollar	**9,344**	41,070
Less: allowance for expected credit losses	**(49,249)**	–
Total	**18,587,052**	32,305,212

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

	For the three months ended 30 September (unaudited)		**For the nine months ended 30 September (unaudited)**	
In thousands of Tenge	**2018**	2017	**2018**	2017
At the beginning of the period	**900**	–	**–**	–
Changes in accounting policy *(Note 2)*	**–**	–	**264**	–
Charge for the period, net *(Note 29)*	**22,227**	–	**22,863**	–
At the end of the period (unaudited)	**23,127**	–	**23,127**	–

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

	For the three months ended 30 September (unaudited)		**For the nine months ended 30 September (unaudited)**	
In thousands of Tenge	**2018**	2017	**2018**	2017
At the beginning of the period	**28,013**	–	**–**	–
Changes in accounting policy *(Note 2)*	**–**	–	**31,251**	–
Reversal for the period *(Note 29)*	**(1,891)**	–	**(5,129)**	–
At the end of the period (unaudited)	**26,122**	–	**26,122**	–

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

- US Dollar denominated deposits with maturity from 3 to 12 months, with interest from 0.5% to 0.7% per annum (as at 31 December 2017: from 0.5% to 1% per annum), maturing from January to June 2019 (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 CONSOLIDATED FINANCIAL STATEMENTS (continued)

13. CASH AND CASH EQUIVALENTS

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

In thousands of Tenge	**30 September 2018 (unaudited)**	31 December 2017 (audited)
Time deposits with banks – Tenge	**21,744,774**	35,566,876
Current accounts with banks – US Dollar	**5,203,379**	4,635,546
Current accounts with banks – Tenge	**3,871,604**	420,100
Current accounts with banks – Lari	**882,622**	165,168
Current accounts with banks – Russian Ruble	**24,651**	16,926
Current accounts with banks – Euro	**11,981**	57,825
Other current accounts with banks	**23,490**	13,093
Cash on hand	**472**	777
Less: allowance for expected credit losses	**(22,796)**	(5,784)
Total	**31,740,177**	40,870,527

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

	For the three months ended 30 September (unaudited)		**For the nine months ended 30 September (unaudited)**	
In thousands of Tenge	**2018**	2017	**2018**	2017
At the beginning of the period	**6,274**	5,453	**5,784**	5,443
Changes in accounting policy *(Note 2)*	**–**	–	**1,334**	–
Charge for the period, net *(Note 29)*	**16,311**	–	**15,800**	–
Foreign currency translation	**211**	462	**(122)**	472
At the end of the period (unaudited)	**22,796**	5,915	**22,796**	5,915

As at 30 September 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 accounts placed in US Dollars ranged from 0.25% to 4% per annum (as at 31 December 2017: from 0.25% to 4% per annum).

14. 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 32,968 thousand bonds at a price of 1 Tenge per 1 bond. The Group also revised the fair value of bonds based on the discount rate of 10.2%. As a result, the book value of the investments in bonds as at 30 September 2018 was 891,412 thousand Tenge (as at 31 December 2017: 748,962 thousand Tenge).

15. EQUITY

Share capital

As at 30 September 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 September 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.

15. EQUITY (continued)

Asset revaluation reserve

Revaluation reserve was formed based on a revaluation and devaluation of property, plant and equipment of the Group and share in the asset revaluation reserve of the joint ventures.

In thousands of Tenge	**30 September 2018 (unaudited)**	31 December 2017 (audited)
Revaluation reserve for property, plant and equipment of the Group	**223,317,670**	196,489,838
Share in the asset revaluation reserve of the joint ventures	**26,448,139**	29,905,757
Total	**249,765,809**	226,395,595

The change in Group's revaluation reserve for property, plant and equipment for the nine months ended 30 September 2018 is mainly due to a revaluation of the technological oil *(Note 3)* and amortization of this reserve.

Foreign currency translation reserve

As at 30 September 2018 foreign currency translation reserve was equal to 37,452,187 thousand Tenge (as at 31 December 2017: 33,068,230 thousand Tenge). Change in foreign currency translation reserve is due to the translation of the operations of the foreign subsidiaries as a result of changes in exchange rates.

Other capital reserves

As at 30 September 2018 and 31 December 2017 other capital reserves amounted to 623,415 thousand Tenge. Other capital reserves are presented as long-term employee benefit obligations.

Dividends

During 9 months of 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 net income 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).

Earnings per share

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

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

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

	For the three months ended 30 September (unaudited)		**For the nine months ended 30 September (unaudited)**	
In thousands Tenge	**2018**	2017	**2018**	2017
Net profit attributable to ordinary equity holders of the Parent of the Group	**7,635,560**	15,343,486	**35,274,027**	48,077,584
Weighted average number of ordinary shares for basic earnings per share	**384,628,099**	384,628,099	**384,628,099**	384,628,099
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)	**20**	40	**92**	125

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

15. EQUITY (continued)

Book value per ordinary share

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

In thousands of Tenge	**30 September 2018 (unaudited)**	31 December 2017 (audited)
Total assets	**793,577,170**	764,227,005
Less: intangible assets *(Note 4)*	**(6,670,667)**	(6,545,801)
Less: total liabilities	**(173,157,620)**	(164,535,958)
Net assets for calculation of book value per ordinary share	**613,748,883**	593,145,246
Number of ordinary shares	**384,628,099**	384,628,099
Book value per ordinary share *(in Tenge)*	**1,596**	1,542

16. EMPLOYEE BENEFIT OBLIGATIONS

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

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

In thousands of Tenge	**30 September 2018 (unaudited)**	31 December 2017 (audited)
Current portion of employee benefit obligations	**607,000**	600,175
Non-current portion of employee benefit obligations	**13,484,653**	12,740,751
Total	**14,091,653**	13,340,926

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

	For the three months ended 30 September (unaudited)		**For the nine months ended 30 September (unaudited)**	
In thousands of Tenge	**2018**	2017	**2018**	2017
At the beginning of the period	**13,844,271**	13,316,517	**13,340,926**	12,538,017
Current services cost *(Notes 24, 25)*	**157,448**	277,781	**438,587**	837,053
Interest cost *(Note 29)*	**263,746**	275,917	**819,297**	831,433
Benefits paid	**(173,812)**	(176,179)	**(507,157)**	(512,467)
At the end of the period (unaudited)	**14,091,653**	13,694,036	**14,091,653**	13,694,036

17. DEFERRED INCOME

As at 30 September 2018 deferred income mainly represents a guarantee of the Group in the amount of 8,016,151 thousand Tenge (as at 31 December 2017: 7,498,361 thousand Tenge), ensuring the provision of individual BSP assets for long-term lease to a counterparty ("Batumi International Container Terminal" LLC).

The increase in the amount of these liabilities as at 30 September 2018 is due to increase in the exchange rates at the reporting date as well as amortization of liabilities for the period.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

18. TRADE AND OTHER ACCOUNTS PAYABLE

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

In thousands of Tenge	**30 September 2018 (unaudited)**	31 December 2017 (audited)
Accounts payable to third parties for goods and services	**8,875,107**	16,443,979
Accounts payable to related parties for goods and services *(Note 32)*	**2,853,601**	820,196
Other accounts payable to third parties	**611,301**	345,994
Other accounts payable to related parties *(Note 32)*	**2,743**	2,190
Total	**12,342,752**	17,612,359

As at 30 September 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 4,621,815 thousand Tenge (as at 31 December 2017: 12,190,230 thousand Tenge).

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

In thousands of Tenge	**30 September 2018 (unaudited)**	31 December 2017 (audited)
Tenge	**11,747,039**	16,658,063
US Dollars	**228,813**	358,700
Russian Rubles	**11,455**	14,574
Euro	**10,892**	24,370
Other currency	**344,553**	556,652
Total	**12,342,752**	17,612,359

19. ADVANCES RECEIVED

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

In thousands of Tenge	**30 September 2018 (unaudited)**	31 December 2017 (audited)
Advances received from related parties *(Note 32)*	**12,613,717**	10,919,781
Advances received from third parties	**7,233,666**	7,277,866
Total	**19,847,383**	18,197,647

20. OTHER TAXES PAYABLE

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

In thousands of Tenge	**30 September 2018 (unaudited)**	31 December 2017 (audited)
Personal income tax	**3,287,544**	3,304,942
VAT payable	**1,988,756**	8,075
Withholding tax at the source of payment to non-residents	**1,103,733**	1,063,456
Social tax	**303,841**	684,221
Property tax	**115,090**	217,714
Other taxes	**453,449**	287,025
Total	**7,252,413**	5,565,433

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

21. PROVISIONS

Short-term provisions as at 30 September 2018 included tax provisions in the amount of 198,962 thousand Tenge and other provisions in the amount of 53,106 thousand Tenge (as at 31 December 2017: 182,117 thousand Tenge and 41,125 thousand Tenge, respectively).

Long-term provisions

Asset retirement and land recultivation obligation

The Group revised the long-term provisions as at 30 September 2018 considering current best estimate, which was based on the discount rate of 8.53% (as at 31 December 2017: 9.05%). As at 30 September 2018 the inflation rate was 5.56% (as at 31 December 2017: 5.55%).

Movement in the long-term provisions for the three and nine months ended 30 September 2018 and 2017 is as follows:

	For the three months ended 30 September (unaudited)		**For the nine months ended 30 September (unaudited)**	
In thousands of Tenge	**2018**	2017	**2018**	2017
At the beginning of the period	**16,924,163**	16,039,444	**15,347,322**	15,022,086
Charge for the period through asset *(Note 3)*	**97,284**	–	**97,284**	–
Revision of estimates and write-off of provision through profit and loss, net *(Notes 26 and 27)*	**75,809**	(1,051,398)	**148,386**	(1,311,571)
Revision of estimates through other comprehensive income	**377,796**	(1,398,881)	**1,208,382**	(755,552)
Unwinding of discount on asset retirement and land recultivation obligation *(Note 29)*	**348,336**	323,746	**1,022,014**	957,948
At the end of the period (unaudited)	**17,823,388**	13,912,911	**17,823,388**	13,912,911

22. OTHER CURRENT LIABILITIES

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

In thousands of Tenge	**30 September 2018 (unaudited)**	31 December 2017 (audited)
Liability for oil transportation coordination services to related parties *(Note 32)*	**6,214,494**	6,589,984
Liability for oil transportation coordination services to third parties	**4,398,724**	4,118,923
Salaries and other compensations	**3,977,248**	10,053,682
Current portion of deferred income from third parties	**547,274**	540,164
Payable to pension fund	**372,844**	741,564
Other accruals	**214,875**	463,809
Total	**15,725,459**	22,508,126

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

23. REVENUE

Revenue for the three and nine months ended 30 September 2018 is as follows:

	For the three months ended 30 September 2018 (unaudited)					For the nine months ended 30 September 2018 (unaudited)				
In thousands of Tenge	**Oil trans-portation and related services**	**Oil trans-shipment**	**Water trans-portation**	**Others**	**Total**	**Oil trans-portation and related services**	**Oil trans-shipment**	**Water trans-portation**	**Others**	**Total**
Crude oil transportation	47,925,569	–	–	–	47,925,569	141,059,008	–	–	–	141,059,008
Pipeline operation services	3,845,018	–	–	–	3,845,018	9,239,158	–	–	–	9,239,158
Water transportation	–	–	2,046,297	–	2,046,297	–	–	5,661,582	–	5,661,582
Seaport services	–	–	–	1,292,051	1,292,051	–	–	–	3,995,720	3,995,720
Fees for undelivered oil volumes	1,091,282	–	–	–	1,091,282	3,394,043	–	–	–	3,394,043
Oil transshipment and railway shipment	–	729,497	–	–	729,497	–	2,379,126	–	–	2,379,126
Oil transportation coordination services	168,741	–	–	–	168,741	528,066	–	–	–	528,066
Oil storage services	22,671	–	–	–	22,671	62,657	–	–	–	62,657
Other	20,160	–	147	409,637	429,944	77,305	–	147	666,289	743,741
Total	**53,073,441**	**729,497**	**2,046,444**	**1,701,688**	**57,551,070**	**154,360,237**	**2,379,126**	**5,661,729**	**4,662,009**	**167,063,101**
Geographic regions										
Kazakhstan	53,073,441	–	2,046,444	–	55,119,885	154,360,237	–	5,661,729	–	160,021,966
Georgia	–	729,497	–	1,701,688	2,431,185	–	2,379,126	–	4,662,009	7,041,135
Total revenue under contracts with customers	53,073,441	729,497	2,046,444	1,701,688	57,551,070	154,360,237	2,379,126	5,661,729	4,662,009	167,063,101

23 REVENUE (continued)

Revenue for the three and nine months ended 30 September 2017 are as follows:

In thousands of Tenge	For the three months ended 30 September 2017 (unaudited)	For the nine months ended 30 September 2017 (unaudited)
Crude oil transportation	47,845,477	137,728,577
Pipeline operation services	2,461,891	7,389,018
Oil transshipment and railway shipment	1,835,328	6,100,994
Water transportation	1,761,493	5,320,361
Fees for undelivered oil volumes	1,454,194	3,449,440
Seaport services	1,138,161	3,316,088
Oil transportation coordination services	173,413	503,709
Oil storage services	27,027	88,526
Other	283,722	721,549
Total	56,980,706	164,618,262

For the nine months ended 30 September 2018 revenue from three major customers amounted to 37,551,202 thousand Tenge, 22,298,400 thousand Tenge and 10,165,870 thousand Tenge (for the nine months ended 30 September 2017: 37,507,918 thousand Tenge, 19,644,460 thousand Tenge and 11,313,800 thousand Tenge, respectively).

24. COST OF SALES

Cost of sales for the three and nine months ended 30 September 2018 and 2017 is as follows:

	For the three months ended 30 September (unaudited)		**For the nine months ended 30 September (unaudited)**	
In thousands of Tenge	**2018**	2017	**2018**	2017
Depreciation and amortization	**12,666,800**	11,931,717	**37,858,541**	35,801,651
Personnel costs	**10,794,710**	10,332,349	**31,920,634**	32,742,884
Taxes other than income tax	**2,172,719**	1,865,264	**6,409,907**	5,688,825
Electric energy	**1,861,518**	1,839,850	**5,569,861**	5,464,298
Materials and fuel	**2,573,912**	2,617,252	**4,896,605**	5,067,823
Repair and maintenance	**1,913,552**	1,729,700	**4,663,297**	3,968,701
Security services	**1,244,788**	1,069,219	**3,700,869**	3,198,720
Gas expenses	**359,751**	457,681	**2,259,846**	2,584,406
Food and accomodation	**460,473**	128,759	**1,281,126**	183,684
Transportation services	**399,120**	116,455	**1,148,084**	169,285
Air services	**198,500**	274,514	**858,282**	945,557
Business trip expenses	**282,403**	248,020	**691,964**	661,295
Post-employment benefits *(Note 16)*	**143,284**	261,808	**413,694**	788,896
Environmental protection	**254,969**	47,492	**389,873**	144,963
Obligatory social medical insurance	**105,869**	61,748	**289,325**	61,748
Outstaffing services	**99,471**	68,940	**270,020**	230,574
Insurance	**76,019**	162,610	**226,905**	480,115
Operational rent expenses	**94,413**	46,928	**221,414**	130,954
Communication services	**68,397**	66,117	**197,222**	191,210
Railway services	**27,807**	583,383	**166,909**	1,912,320
Diagnostics of pipelines	**75,087**	137,887	**79,064**	159,920
Other	**656,544**	605,304	**1,430,387**	1,699,030
Total	**36,530,106**	34,652,997	**104,943,829**	102,276,859

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

The increase in the Company's expenses for food and accommodation for production personnel working at remote areas, as well as transportation costs is associated with the outsourcing of these services.

The reduction in the cost of railway services is mainly due to decrease in the volume of oil and oil products transportation from 658 thousand tons to 22 thousand tons.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

25. GENERAL AND ADMINISTRATIVE EXPENSES

General and administrative expenses for the three and nine months ended 30 September 2018 and 2017 are as follows:

In thousands of Tenge	For the three months ended 30 September (unaudited) 2018	2017	For the nine months ended 30 September (unaudited) 2018	2017
Personnel costs	**1,948,016**	1,700,112	**5,252,607**	5,448,921
Depreciation and amortization	**337,610**	309,908	**1,318,294**	919,389
Charge/(reversal) of allowance for expected credit losses, net *(Note 8)*	**56,220**	(11,202)	**541,247**	(41,766)
Office maintenance	**310,410**	131,292	**443,165**	375,221
Repair and maintenance	**114,361**	76,730	**329,289**	211,000
Taxes other than income tax	**72,750**	79,635	**265,664**	286,753
Business trip expenses	**102,034**	69,453	**239,028**	215,123
Social sphere expenses	**156,439**	173,984	**221,392**	219,405
Consulting services	**64,828**	163,170	**213,925**	277,542
Write-off of VAT recoverable	**87,088**	23,200	**154,260**	67,902
Outstaffing services	**52,227**	77,893	**136,643**	281,782
Transportation services	**41,103**	36,199	**120,312**	88,295
Information expenses	**44,004**	30,080	**97,763**	80,625
Communication services	**33,575**	23,154	**84,486**	70,682
Advertising expenses	**36,801**	10,876	**65,223**	42,670
Materials and fuel	**24,605**	84,206	**60,084**	107,262
Bank costs	**19,855**	26,533	**57,069**	85,765
Training	**16,571**	20,825	**56,034**	94,011
Insurance and security	**9,258**	32,125	**53,101**	98,281
Operational rent expenses	**20,519**	2,073	**40,704**	21,298
Post-employment benefits *(Note 16)*	**14,164**	15,973	**24,893**	48,157
Other	**152,057**	162,818	**415,938**	422,875
Total	**3,714,495**	3,239,037	**10,191,121**	9,421,193

26. OTHER OPERATING INCOME

Other operating income for the three and nine months ended 30 September 2018 and 2017 is as follows:

In thousands of Tenge	For the three months ended 30 September (unaudited) 2018	2017	For the nine months ended 30 September (unaudited) 2018	2017
Income from sale of non-current assets held for sale, net	**372,975**	–	**374,647**	–
Income from disposal of inventories, net	**111,776**	15,626	**221,363**	37,653
Income from fines and penalties	**105,145**	410,425	**213,522**	637,580
Revision of estimates and write-off on provision for asset retirement and land recultivation obligation *(Note 21)*	–	1,051,398	–	1,311,571
Other income	**32,044**	84,275	**196,984**	335,045
Total	**621,940**	1,561,724	**1,006,516**	2,321,849

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

27. OTHER OPERATING EXPENSES

Other operating expenses for the three and nine months ended 30 September 2018 and 2017 are as follows:

In thousands of Tenge	For the three months ended 30 September (unaudited) 2018	2017	For the nine months ended 30 September (unaudited) 2018	2017
Net loss on disposal of property, plant and equipment and intangible assets, net	**21,763**	18,943	**1,001,149**	453,654
Revision of estimates and write-off on provision for asset retirement and land recultivation obligation *(Note 21)*	**75,809**	–	**148,386**	–
Other expenses	**(141,743)**	119,408	**126,490**	168,698
Total	**(44,171)**	138,351	**1,276,025**	622,352

28. FINANCE INCOME

Finance income for the three and nine months ended 30 September 2018 and 2017 is as follows:

In thousands of Tenge	For the three months ended 30 September (unaudited) 2018	2017	For the nine months ended 30 September (unaudited) 2018	2017
Interest income on bank deposits and current accounts	**404,197**	799,296	**2,111,621**	3,729,019
Income from revision of bond's fair value	**111,159**	–	**175,418**	–
Unwinding of discount on loans to employees	**470**	964	**1,590**	4,444
Other finance income from third parties	**3,343**	4,763	**10,168**	11,136
Total	**519,169**	805,023	**2,298,797**	3,744,599

29. FINANCE COSTS

Finance costs for the three and nine months ended 30 September 2018 and 2017 are as follows:

In thousands of Tenge	For the three months ended 30 September (unaudited) 2018	2017	For the nine months ended 30 September (unaudited) 2018	2017
Unwinding of discount on asset retirement and land recultivation obligation *(Note 21)*	**348,336**	323,746	**1,022,014**	957,948
Interest cost on employee benefit obligations *(Note 16)*	**263,746**	275,917	**819,297**	831,433
Charge of allowance for expected credit losses of cash and cash equivalents and bank deposits, net *(Notes 12 and 13)*	**36,647**	–	**33,534**	–
Total	**648,729**	599,663	**1,874,845**	1,789,381

30. INCOME TAX EXPENSE

Income tax expense for the three and nine months ended 30 September 2018 and 2017 is as follows:

In thousands of Tenge	For the three months ended 30 September (unaudited) 2018	2017	For the nine months ended 30 September (unaudited) 2018	2017
Current income tax expense	**9,741,370**	4,378,734	**18,455,516**	12,452,463
Adjustments of the past periods	–	–	**97,965**	–
Deferred income tax (benefit)/expense	**(1,331,457)**	(393,938)	**(2,746,854)**	232,109
Income tax expense	**8,409,913**	3,984,796	**15,806,627**	12,684,572

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

30. INCOME TAX EXPENSE (continued)

The increase in income tax expense in the current reporting period is mainly due to tax effect arising from sale of the property of the "Astrakhan-Mangyshlak" main water pipeline by the Company to its subsidiary "Main Waterline" LLP.

Movement in deferred tax liabilities for the three and nine months ended 30 September 2018 and 2017 is as follows:

	For the three months ended 30 September (unaudited)		For the nine months ended 30 September (unaudited)	
In thousands of Tenge	**2018**	2017	**2018**	2017
At the beginning of the period	**70,481,654**	61,503,877	**63,123,255**	60,856,513
Charged to profit and loss	**(1,331,457)**	(393,938)	**(2,746,854)**	232,109
Charged to other comprehensive loss	**2,959,438**	257,815	**11,733,234**	279,132
At the end of the period (unaudited)	**72,109,635**	61,367,754	**72,109,635**	61,367,754

31. SEGMENT INFORMATION

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

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

In relation to the formation at the end of 2017 of the subsidiary of "Main Waterline" LLP, the Group as at 30 September 2018 and for the three months then ended, has allocated a separate segment "Water transportation". Earlier this segment was aggregated in the segment "Oil transportation and related services".

Segments that are identified, but do not separately exceed quantitative limits (amount of separate segment revenue comprises less than 10% of combined revenue) are combined in "Other segments". Such services include transshipment of dry cargo (sugar-airbrick, ammonium nitrate, cement, grain, sunflower and oil cake) in BSP with operation of dry-cargo, ferry and container 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: 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 BSP with operation of BOT are included in "Oil transshipment" segment. Revenue from oil terminal is generated through storage, transshipment of oil and oil-products and expedition. Expedition services rendered by PTL, represent transshipment of oil and oil-products services through railway from Azerbaijanian-Georgian border to oil terminal in Batumi. This type of activity is directly related to oil transshipment, and therefore is not shown as a separate segment.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

31. SEGMENT INFORMATION (continued)

Management analyses its operating segments by segment profit. The following tables present information on revenue, profit, assets and liabilities of the Group's segments for the three months ended 30 September 2018 and 2017, respectively:

	For the three months ended 30 September 2018 (unaudited)					For the three months ended 30 September 2017 (unaudited)				
In thousands of Tenge	**Oil transportation and related services (Kazakhstan)**	**Oil transshipment (Georgia)**	**Water transportation (Kazakhstan)**	**Other**	**Total segments**	Oil transportation and related services (Kazakhstan)	Oil transshipment (Georgia)	Water transportation (Kazakhstan	Other	Total segments
Revenue										
External customers	**53,073,441**	**729,497**	**2,046,444**	**1,701,688**	**57,551,070**	51,992,008	1,835,328	1,761,493	1,391,877	56,980,706
Total revenue	**53,073,441**	**729,497**	**2,046,444**	**1,701,688**	**57,551,070**	51,992,008	1,835,328	1,761,493	1,391,877	56,980,706
Financial results										
Impairment of property, plant and equipment intangible assets through profit and loss	**(6,619)**	**(64,780)**	**–**	**(3,392)**	**(74,791)**	(38,368)	–	–	–	(38,368)
Depreciation and amortization	**(11,272,473)**	**(373,551)**	**(991,292)**	**(367,094)**	**(13,004,410)**	(10,766,967)	(561,050)	(697,899)	(215,709)	(12,241,625)
Interest income	**361,414**	**1,426**	**18,212**	**23,145**	**404,197**	799,589	2,637	–	6,277	808,503
Share in loss of joint ventures	**(2,204,643)**	**–**	**–**	**–**	**(2,204,643)**	(2,125,491)	–	–	–	(2,125,491)
Income tax (expense)/benefit	**(8,418,528)**	**–**	**9,633**	**(1,018)**	**(8,409,913)**	(3,981,780)	5,722	638	(9,376)	(3,984,796)
Segment profit/(loss) for the period	**8,462,036**	**(871,345)**	**(704,658)**	**749,527**	**7,635,560**	16,266,427	(2,909,178)	2,691,960	(705,723)	15,343,486

31. SEGMENT INFORMATION (continued)

Information on revenue, profit, assets and liabilities of the Group's segments for the nine months ended September 2018 and 2017, respectively, is presented below:

	For the nine months ended 30 September 2018 (unaudited)					For the nine months ended 30 September 2017 (unaudited)				
In thousands of Tenge	**Oil transportation and related services (Kazakhstan)**	**Oil trans-shipment (Georgia)**	**Water trans-portation (Kazakhstan)**	**Other**	**Total segments**	Oil trans-portation and related services (Kazakhstan)	Oil trans-shipment (Georgia)	Water trans-portation (Kazakhstan	Other	Total segments
Revenue										
External customers	**154,360,237**	**2,379,126**	**5,661,729**	**4,662,009**	**167,063,101**	149,274,632	6,100,994	5,320,361	3,922,275	164,618,262
Total revenue	**154,360,237**	**2,379,126**	**5,661,729**	**4,662,009**	**167,063,101**	149,274,632	6,100,994	5,320,361	3,922,275	164,618,262
Financial results										
Impairment of property, plant and equipment and intangible assets through profit and loss	**(7,743)**	**(2,184,286)**	**–**	**(114,413)**	**(2,306,442)**	(38,801)	–	–	–	(38,801)
Depreciation and amortization	**(34,481,859)**	**(1,409,304)**	**(2,479,394)**	**(806,278)**	**(39,176,835)**	(32,386,910)	(1,620,056)	(2,113,706)	(600,368)	(36,721,040)
Interest income	**1,965,233**	**4,038**	**99,613**	**42,737**	**2,111,621**	3,722,938	6,143	–	15,518	3,744,599
Share in income of joint ventures	**76,365**	**–**	**–**	**–**	**76,365**	4,511,536	–	–	–	4,511,536
Income tax expense	**(15,772,303)**	**–**	**–**	**(34,324)**	**(15,806,627)**	(12,674,226)	(970)	–	(9,376)	(12,684,572)
Segment profit/(loss) for the period	**40,613,684**	**(4,629,705)**	**(2,035,801)**	**1,325,849**	**35,274,027**	49,907,111	(3,431,830)	(1,078,821)	2,681,124	48,077,584

	As at 30 September 2018 (unaudited)					As at 31 December 2017 (audited)				
In thousands of Tenge	**Oil transportation and related services (Kazakhstan)**	**Oil trans-shipment (Georgia)**	**Water trans-portation (Kazakhstan)**	**Other**	**Total segments**	Oil trans-portation and related services (Kazakhstan)	Oil trans-shipment (Georgia)	Water trans-portation (Kazakhstan	Other	Total segments
Total assets	**699,133,348**	**50,594,894**	**26,865,966**	**16,982,962**	**793,577,170**	669,637,249	52,756,058	24,285,345	17,548,353	764,227,005
Total liabilities	**154,183,172**	**7,660,414**	**553,365**	**10,760,669**	**173,157,620**	147,563,341	13,190,178	1,307,910	2,474,529	164,535,958

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

32. 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 three and nine months ended 30 September 2018 and 2017 and also the related balances as at 30 September 2018 and 31 December 2017:

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

In thousands of Tenge	Notes	30 September 2018 (unaudited)	31 December 2017 (audited)
Non-current advances given to related parties for property, plant and equipment			
Non-current advances to entities under common control of Samruk-Kazyna Group		–	46,927
Total non-current advances given to related parties for property, plant and equipment and construction services	6	–	46,927

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

In thousands of Tenge	Notes	30 September 2018 (unaudited)	31 December 2017 (audited)
Trade accounts receivable from related parties			
Trade accounts receivable from joint ventures		**1,609,641**	2,495,886
Trade accounts receivable from entities under common control of Samruk-Kazyna Group		**1,148,143**	3,442
Trade accounts receivable from entities under common control of KMG		**223,452**	1,051,701
Total trade accounts receivable from related parties	8	**2,981,236**	3,551,029
Other accounts receivable from related parties			
Other accounts receivables from KMG		**5,486,349**	–
Other accounts receivables from entities under common control of KMG and Samruk-Kazyna Group		**58,983**	509
Total other accounts receivable from related parties	8	**5,545,332**	509
Less: allowance for expected credit losses		**(18,956)**	–
Total		**8,507,612**	3,551,538

Advances provided to related parties are as follows:

In thousands of Tenge	Notes	30 September 2018 (unaudited)	31 December 2017 (audited)
Advances paid to related parties			
Advances paid to entities under common control of KMG		**302,812**	103,181
Advances paid to entities under common control of Samruk-Kazyna Group		**189,487**	101,281
Total advances paid to related parties	9	**492,299**	204,462

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

32. RELATED PARTY TRANSACTIONS (continued)

Deferred expenses from operations with related parties are as follows:

In thousands of Tenge	Notes	30 September 2018 (unaudited)	31 December 2017 (audited)
Deferred expenses from operations with related parties			
Deferred expenses from entities under common control of Samruk-Kazyna Group		**5**	5
Total deferred expenses from related parties	11	**5**	5

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

In thousands of Tenge	Notes	30 September 2018 (unaudited)	31 December 2017 (audited)
Trade accounts payable to related parties for goods and services			
Trade accounts payable to entities under common control of Samruk-Kazyna Group		**2,216,826**	232,361
Trade accounts payable to entities under common control of KMG		**634,340**	585,503
Trade accounts payable to joint ventures		**2,435**	2,332
Total trade accounts payable to related parties for goods and services	18	**2,853,601**	820,196
Other payables to entities under common control of Samruk-Kazyna Group		**2,743**	2,190
Total other accounts payable to related parties	18	**2,743**	2,190
Total trade and other accounts payable to related parties		**2,856,344**	822,386

Advances received from related parties are as follows:

In thousands of Tenge	Notes	30 September 2018 (unaudited)	31 December 2017 (audited)
Advances received from related parties			
Advances received from entities under common control of KMG		**12,288,923**	10,560,712
Advances received from entities under common control of Samruk-Kazyna Group		**324,793**	359,068
Advances received from joint ventures		**1**	1
Total advances received from related parties	19	**12,613,717**	10,919,781

Other current liabilities to related parties are as follows:

In thousands of Tenge	Notes	30 September 2018 (unaudited)	31 December 2017 (audited)
Accounts payable for oil transportation coordination to related parties			
Accounts payable for oil transportation coordination to entities under common control of KMG		**6,214,494**	6,589,984
Total accounts payable for oil transportation coordination to related parties	22	**6,214,494**	6,589,984
Employee benefits obligation of key management personnel			
Employee benefits obligation of key management personnel		**30,901**	44,502
Total employee benefits obligation of key management personnel		**30,901**	44,502
Total other current liabilities to related parties		**6,245,395**	6,634,486

32. RELATED PARTY TRANSACTIONS (continued)

The following tables provide the total amount of transactions, which have been entered into with related parties during the three and nine months ended 30 September 2018 and 2017:

In thousands of Tenge	For the three months ended 30 September (unaudited) 2018	2017	For the nine months ended 30 September (unaudited) 2018	2017
Sales to related parties				
Revenue from main activities with entities under common control of KMG	**29,717,084**	30,131,439	**88,871,988**	87,254,110
Revenue from main activities with joint ventures	**2,321,494**	2,091,926	**6,962,771**	6,281,716
Revenue from main activities with entities under common control of Samruk-Kazyna Group	**1,901,092**	825,282	**3,738,182**	2,795,271
Income from sale of non-current assets held for sale to KMG	**4,898,526**	–	**4,898,526**	–
Income from other activities with entities under common control of Samruk-Kazyna Group	**57,756**	1,092	**57,756**	1,371
Income from other activities with entities under common control of KMG	**2,101**	9,751	**18,094**	76,706
Total	**38,898,053**	33,059,490	**104,547,317**	96,409,174

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

In thousands of Tenge	For the three months ended 30 September (unaudited) 2018	2017	For the nine months ended 30 September (unaudited) 2018	2017
Purchases from related parties				
Purchases of property, plant and equipment and intangible assets from entities under common control of Samruk-Kazyna Group	**10,667,971**	(2,101)	**11,255,441**	729,952
Purchases of services from entities under common control of KMG	**1,281,123**	1,704,720	**4,324,157**	5,619,072
Purchases of services from entities under common control of Samruk-Kazyna Group	**716,265**	754,288	**2,111,299**	2,297,464
Purchases of inventory from entities under common control of KMG	**156,869**	151,174	**1,225,980**	916,225
Purchases of services from joint ventures	**7,108**	1,072	**20,040**	1,072
Purchases of property, plant and equipment from entities under common control of KMG	**3,608**	45,909	**3,608**	216,473
Purchases of inventory from entities under common control of Samruk-Kazyna Group	**–**	3,378	**–**	3,378
Total	**12,832,944**	2,658,440	**18,940,525**	9,783,636

Cash flows to related parties related to the payment of dividends are as follows:

In thousands of Tenge	For the three months ended 30 September (unaudited) 2018	2017	For the nine months ended 30 September (unaudited) 2018	2017
Cash flows to related parties				
Payment of KMG dividends	**19,000,000**	–	**55,387,527**	53,656,666
Total	**19,000,000**	–	**55,387,527**	53,656,666

Total accrued compensation to key management personnel for the nine months ended 30 September 2018 amounts to 283,192 thousand Tenge (for the nine months ended 30 September 2017: 214,277 thousand Tenge). Payments to key personnel consist primarily of payroll costs and remuneration established by contracts and internal provisions of the Company.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

33. CONTINGENT LIABILITIES AND COMMITMENTS

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

Contractual commitments

As at 30 September 2018 the Group had contractual obligations to acquire property, plant and equipment, and construction services for the amount of 44,711,800 thousand Tenge (31 December 2017: 18,507,367 thousand Tenge). Given contractual obligations are part of investment program *(Note 1)*.

Share of the Group as at 30 September 2018 in contractual obligations of joint ventures to acquire property, plant and equipment, and construction services amounted to 1,695,398 thousand Tenge (31 December 2017: 123,176 thousand Tenge).

Expropriation of the BSP assets

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

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

The actual transshipment through the BSP for the 9 months of 2018 amounted to 4.3 million tons (31 December 2017: 5.9 million tons). In accordance with the agreement, based on actual volumes for the 9 months of 2018, brought to an annual value, the Group accrued a reserve of 33 thousand US Dollars (equivalent to 11,105 thousand Tenge).

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.

34. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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

Fair value of financial instruments

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

35. SUBSEQUENT EVENTS

The Group had no significant events after the end of the reporting period.