

KazTransOil JSC

Interim condensed consolidated financial statements

For the nine months ended 30 September 2019





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Report on Review of Interim Financial Information

To the Shareholders of KazTransOil JSC

Introduction

We have reviewed the accompanying interim condensed consolidated financial statements of KazTransOil JSC and its subsidiaries, which comprise the interim consolidated statement of financial position as at 30 September 2019 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.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed consolidated 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

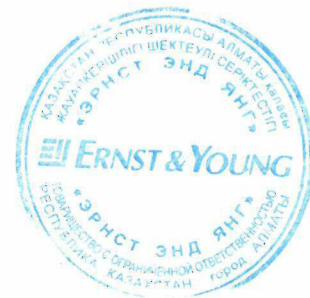


Gulmira Turmagambetova
Auditor / General Director
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050060, Republic of Kazakhstan, Almaty
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29 November 2019



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

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INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION

<i>In thousands of Tenge</i>	Notes	As at 30 September 2019 (unaudited)	As at 31 December 2018 (audited)
Assets			
Non-current assets			
Property, plant and equipment	3	707,052,795	671,773,612
Right-of-use assets	4	4,261,888	-
Intangible assets		7,475,571	6,891,299
Investments in joint ventures	5	46,052,421	30,001,323
Advances to suppliers for property, plant and equipment		77,682	110,135
Long-term accounts receivable	6	1,489,056	82,987
Bank deposits	11	2,309,217	2,778,076
Investments in bonds		912,129	828,437
Other non-current assets		12,056	12,585
		769,642,815	712,478,454
Current assets			
Inventories		7,520,051	5,130,498
Trade and other accounts receivable	7	5,422,785	5,627,598
Advances to suppliers	8	1,233,598	744,873
Prepayment for income tax		912,893	961,849
VAT recoverable and other prepaid taxes	9	8,105,412	9,504,898
Other current assets	10	6,132,452	7,883,154
Bank deposits	11	34,077,978	25,424,203
Cash and cash equivalents	12	38,204,196	33,278,843
		101,609,365	88,555,916
Non-current assets held for sale	13	133,316	2,406,231
		101,742,681	90,962,147
Total assets		871,385,496	803,440,601

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 FINANCIAL POSITION (continued)

<i>In thousands of Tenge</i>	Notes	As at 30 September 2019 (unaudited)	As at 31 December 2018 (audited)
Equity and liabilities			
Equity			
Share capital		61,937,567	61,937,567
Treasury shares repurchased from shareholders		(9,549)	(9,549)
Asset revaluation reserve	14	292,875,898	243,588,977
Foreign currency translation reserve		37,595,828	39,572,764
Other capital reserves		288,668	(72,146)
Retained earnings		290,346,281	280,398,586
Total equity		683,034,693	625,416,199
Non-current liabilities			
Employee benefit obligations		13,212,000	12,940,911
Lease liabilities	16	3,039,321	-
Deferred tax liabilities	24	78,594,475	67,394,342
Provision for asset retirement and land recultivation obligation	17	26,233,935	21,109,397
Deferred income		8,319,346	8,423,897
		129,399,077	109,868,547
Current liabilities			
Employee benefit obligations		650,154	663,463
Income tax payable		1,171,730	1,348,926
Trade and other accounts payable	15	10,078,167	12,957,514
Advances received		20,436,152	20,660,210
Lease liabilities	16	1,862,179	-
Other taxes payable		6,536,764	6,056,874
Provisions	17	416,382	1,635,604
Other current liabilities	18	17,800,198	24,833,264
		58,951,726	68,155,855
Total liabilities		188,350,803	178,024,402
Total equity and liabilities		871,385,496	803,440,601
Book value per ordinary share (in Tenge)	14	1,756	1,608

Signed and approved for issue on 29 November 2019.

Acting General Director (Chairman of the Management Board)



N. K. Zh. T.

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

<i>In thousands of Tenge</i>	Notes	For the three months ended 30 September (unaudited)		For the nine months ended 30 September (unaudited)	
		2019	2018	2019	2018
Revenue	19	60,450,328	57,551,070	179,745,448	167,063,101
Cost of sales	20	(40,659,530)	(36,530,106)	(111,500,328)	(104,943,829)
Gross profit		19,790,798	21,020,964	68,245,120	62,119,272
General and administrative expenses	21	(3,175,746)	(3,714,495)	(11,506,080)	(10,191,121)
Other operating income	22	302,799	621,940	1,194,545	1,006,516
Other operating expenses	22	(1,615,444)	44,171	(3,963,553)	(1,276,025)
Impairment of property, plant and equipment and intangible assets	3	(10,788,290)	(74,791)	(14,246,872)	(2,306,442)
Operating profit		4,514,117	17,897,789	39,723,160	49,352,200
Net foreign exchange gain		913,714	481,887	712,176	1,228,137
Finance income	23	535,537	519,169	1,880,150	2,298,797
Finance expenses	23	(911,593)	(648,729)	(2,778,583)	(1,874,845)
Share in income/(loss) of joint ventures	5	1,799,161	(2,204,643)	9,692,986	76,365
Profit before income tax		6,850,936	16,045,473	49,229,889	51,080,654
Income tax expense	24	(3,019,091)	(8,409,913)	(11,580,447)	(15,806,627)
Net profit for the period		3,831,845	7,635,560	37,649,442	35,274,027
Earnings per share (in Tenge)	14	10	20	98	92
Other comprehensive income/(loss)					
Other comprehensive income/(loss) to be reclassified to profit or loss in subsequent periods					
Exchange difference from translation of foreign operations of the Group		82,818	1,972,504	(1,976,936)	4,383,957
Total other comprehensive income/(loss) to be reclassified to profit or loss in subsequent periods, net		82,818	1,972,504	(1,976,936)	4,383,957

*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)

<i>In thousands of Tenge</i>	Notes	For the three months ended 30 September (unaudited)		For the nine months ended 30 September (unaudited)	
		2019	2018	2019	2018
Other comprehensive income not to be reclassified to profit or loss in subsequent periods					
Revaluation of property, plant and equipment of the Group, net	3	81,161,712	15,115,657	70,598,774	57,874,336
Income tax effect	24	(15,953,957)	(3,034,996)	(14,121,968)	(11,974,910)
		65,207,755	12,080,661	56,476,806	45,899,426
Charge of provision for asset retirement and land reclamation obligation of the Group					
	17	(497,116)	(377,796)	(1,030,482)	(1,208,382)
Income tax effect	24	99,422	75,558	206,096	241,676
		(397,694)	(302,238)	(824,386)	(966,706)
Actuarial gain from employee benefit obligations of the Group					
		451,018	-	451,018	-
Income tax effect	24	(90,204)	-	(90,204)	-
		360,814	-	360,814	-
Revaluation/(impairment) of property, plant and equipment of the joint venture					
		9,108,635	-	9,108,635	(2,520,814)
Income tax effect		(1,821,727)	-	(1,821,727)	504,163
	5	7,286,908	-	7,286,908	(2,016,651)
Charge of provision on asset retirement and land reclamation obligation of the joint ventures					
		(336,519)	46,678	(662,878)	(300,639)
Income tax effect		67,304	(9,336)	132,576	60,127
	5	(269,215)	37,342	(530,302)	(240,512)
Total other comprehensive income not to be reclassified to profit or loss in subsequent periods, net					
		72,188,568	11,815,765	62,769,840	42,675,557
Total other comprehensive income for the period, net of tax					
		72,271,386	13,788,269	60,792,904	47,059,514
Total comprehensive income for the period, net of tax					
		76,103,231	21,423,829	98,442,346	82,333,541

Signed and approved for issue on 29 November 2019.

Acting General Director (Chairman of the Management Board)



Zukhin Zh.T.

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

<i>In thousands of Tenge</i>	Notes	For the nine months ended 30 September (unaudited)	
		2019	2018
Cash flows from operating activities			
Profit before income tax		49,229,889	51,080,654
Non-cash adjustment to reconcile profit before income tax to net cash flows			
Depreciation and amortization	20,21	40,704,577	39,176,835
Impairment of the property, plant and equipment and intangible assets		14,246,872	2,306,442
Share in income of joint ventures	5	(9,692,986)	(76,365)
Charge of allowance for expected credit losses on trade receivables, net	21	78,010	541,247
Finance income	23	(1,880,150)	(2,298,797)
Finance expenses	23	2,778,583	1,874,845
Impairment of non-current assets held for sale	22	960,745	-
Employee benefits, current service costs	20,21	282,931	438,587
Loss on disposal of property, plant and equipment and intangible assets, net	22	68,272	1,001,149
Gain on sale of the non-current assets held for sale		(19,637)	(374,647)
Revision of estimates on provision on asset retirement and land reclamation obligation	22	2,701,509	148,386
Actuarial loss		19,327	-
Unrealized foreign exchange gain		(633,724)	(1,228,137)
Expenses on liquidation of idle production facilities		106,341	-
Others		40,776	(31,968)
Operating cash flows before working capital changes		98,991,335	92,558,231
(Increase)/decrease in operating assets			
Inventories		(2,838,009)	(2,576,997)
Trade and other accounts receivable		(6,257)	(5,146,858)
Advances to suppliers		(486,434)	(553,555)
VAT recoverable and other prepaid taxes		1,066,469	(662,871)
Other current assets		1,759,514	1,688,556
Increase/(decrease) in operating liabilities			
Trade and other accounts payable		(782,970)	1,858,663
Advances received		(225,735)	1,627,740
Other taxes payable		188,892	599,264
Other current and non-current liabilities and employee benefit obligations		(9,078,963)	(2,687,652)
Cash generated from operating activities		88,587,842	86,704,521
Income taxes paid		(14,049,431)	(10,244,477)
Interest received		1,731,219	2,417,805
Net cash flows from operating activities		76,269,630	78,877,849

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)

<i>In thousands of Tenge</i>	Notes	For the nine months ended 30 September (unaudited)	
		2019	2018
Cash flows from investing activities			
Withdrawal of bank deposits		39,610,656	32,853,307
Proceeds from sale of non-current assets held for sale		318,009	-
Proceeds from bonds redemption		53,947	32,968
Proceeds from disposal of property, plant and equipment		96,906	9,080
Placement of bank deposits		(47,595,660)	(18,583,700)
Purchase of property, plant and equipment		(22,469,912)	(41,961,484)
Purchase of intangible assets		(8,266)	(23,625)
Net cash flow used in investing activities		(29,994,320)	(27,673,454)
Cash flows from financing activities			
Payment of lease liabilities	16	(1,597,350)	-
Dividends paid	14	(40,001,322)	(61,540,496)
Net cash flows used in financing activities		(41,598,672)	(61,540,496)
Net change in cash and cash equivalents		4,676,638	(10,336,101)
Effects of changes in exchange rates on cash and cash equivalents		250,264	1,205,751
Change in allowance for expected credit losses		(1,549)	-
Cash and cash equivalents at the beginning of the period		33,278,843	40,870,527
Cash and cash equivalents at the end of the period		38,204,196	31,740,177

Signed and approved for issue on 29 November 2019.

Acting General Director (Chairman of the Management Board)



Machin Zh. T.

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 CHANGES IN EQUITY

<i>In thousands of Tenge</i>	Share capital	Treasury shares repurchased from shareholders	Asset revaluation reserve	Foreign currency translation reserve	Other capital reserves	Retained earnings	Total
As at 31 December 2018 (audited)	61,937,567	(9,549)	243,588,977	39,572,764	(72,146)	280,398,586	625,416,199
Changes in accounting policy (Note 2)	-	-	-	-	-	(822,530)	(822,530)
As at 1 January 2019 (restated)	61,937,567	(9,549)	243,588,977	39,572,764	(72,146)	279,576,056	624,593,669
Net profit for the period	-	-	-	-	-	37,649,442	37,649,442
Other comprehensive income	-	-	62,409,026	(1,976,936)	360,814	-	60,792,904
Total comprehensive income for the period	-	-	62,409,026	(1,976,936)	360,814	37,649,442	98,442,346
Amortization of revaluation reserve for revalued property, plant and equipment	-	-	(13,122,105)	-	-	13,122,105	-
Dividends (Note 14)	-	-	-	-	-	(40,001,322)	(40,001,322)
As at 30 September 2019 (unaudited)	61,937,567	(9,549)	292,875,898	37,595,828	288,668	290,346,281	683,034,693
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	-	-	-	-	-	(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 14)	-	-	-	-	-	(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

Signed and approved for issue on 29 November 2019.

Acting General Director (Chairman of the Management Board)

Chief Accountant



Makhsim B.T.
Sarmagamberova 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**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.

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

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

As at 30 September 2019 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 2019 and 31 December 2018 the Company had interest ownership in the following companies:

	Place of incorporation	Principal activities	Ownership	
			30 September 2019	31 December 2018
“MunaiTas” LLP (hereinafter – “MunaiTas”)	Kazakhstan	Oil transportation	51%	51%
“Kazakhstan-China Pipeline” LLP (hereinafter – “KCP”)	Kazakhstan	Oil transportation	50%	50%
“Batumi Oil Terminal” (hereinafter “BOT”)*	Georgia	Forwarding, transshipment and storage of oil and oil products and operating of Batumi Sea Port	100%	100%
“Petrotrans Limited” (hereinafter – “PTL”)	United Arab Emirates	Forwarding of oil and oil products	100%	100%
“Main Waterline “ LLP	Kazakhstan	Water transportation	100%	100%

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

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

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

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

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

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

In accordance with the order of CRNM the maximum tariff for pumping oil on the domestic market for 2019 is 4,721.72 tenge per ton for 1,000 kilometers without VAT. Starting from 1 September 2019, CRNM set a temporary compensating tariff for the period up to 31 August 2020 in the amount of 4,716.6 tenge per ton for 1,000 kilometers without VAT.

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

1. GENERAL INFORMATION (continued)

Starting from 1 April 2018 tariffs for pumping oil on the export from the Republic of Kazakhstan equals to 6,398.92 tenge per ton for 1,000 kilometers without VAT.

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

Starting from 1 January 2019 the tariff for transportation of Russian oil through the territory of Kazakhstan to the People’s Republic of China on the route border of Russian Federation-border of Republic of Kazakhstan (Priirtyshsk) – Atasu (Republic of Kazakhstan) – Alashankou (People’s Republic of China) is 4.23 US Dollars per ton (in Priirtyshsk – Atasu sector) (in 2018: 3.11 US Dollars per ton).

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

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

These interim condensed consolidated financial statements for the nine months ended 30 September 2019 were approved by internal audit committee of the Company’s Board of Directors and signed by the Acting General Director (Chairman of the Management Board) and the Chief Accountant on 29 November 2019.

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 2019 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 2018.

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.

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 2018, except for the adoption of new standards and interpretations effective as of 1 January 2019. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

Some amendments are applied for the first time in 2019. The nature and the impact of each new standard and amendment are described below:

**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 16 Leases*

IFRS 16 replaces IAS 17 *Leases*, IFRIC 4 *Determining whether an Arrangement Contains a Lease*, SIC-15 *Operating Leases – Incentives* and SIC-27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model.

Lessor accounting under IFRS 16 is substantially unchanged under IAS 17. Lessors will continue to classify leases as either operating or finance leases using similar principles as in IAS 17. Therefore, IFRS 16 did not have an impact for leases where the Group is the lessor.

The Group adopted IFRS 16 using the modified retrospective method of adoption with the date of initial application of 1 January 2019. Under this method, the standard is applied retrospectively with the cumulative effect of initially applying the standard recognised at the date of initial application. The Group elected to use the transition practical expedient allowing the standard to be applied only to contracts that were previously identified as leases applying IAS 17 and IFRIC 4 at the date of initial application. The Group also elected to use the recognition exemptions for lease contracts that, at the commencement date, have a lease term of 12 months or less and do not contain a purchase option ('short-term leases'), and lease contracts for which the underlying asset is of low value ('low-value assets').

(a) Nature of the effect of adoption of IFRS 16

The Group has lease contracts for vehicles, buildings, machinery, and land under production facilities. Before the adoption of IFRS 16, the Group classified each of its leases (as lessee) at the inception date as an operating lease. Any prepaid rent and accrued rent were recognised under Advances to suppliers and Trade and other payables, respectively.

Upon adoption of IFRS 16, the Group applied a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The standard provides specific transition requirements and practical expedients, which has been applied by the Group.

Leases previously accounted for as operating leases

The Group recognised right-of-use assets and lease liabilities for those leases previously classified as operating leases, except for short-term leases and leases of low-value assets. The right-of-use assets were recognised based on the amount equal to the lease liabilities, adjusted for any related prepaid and accrued lease payments previously recognised. Lease liabilities were recognized based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at the date of initial application.

The Group also applied the available practical expedients where in it:

- Used a single discount rate to a portfolio of leases with reasonably similar characteristics;
- Relied on its assessment of whether leases are onerous immediately before the date of initial application;
- Applied the short-term leases exemptions to contracts with lease term that ends within 12 months at the date of initial application;
- Excluded the initial direct costs from the measurement of the right-of-use asset at the date of initial application;
- Used hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

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 16 Leases (continued)

The effect of adoption IFRS 16 as at 1 January 2019 (increase/(decrease)) is as follows:

<i>In thousands of tenge</i>	1 January 2019
Assets	
Right-of-use assets (Note 4)	4,983,284
Investments in joint ventures (Note 5)	(398,494)
Total assets (unaudited)	4,584,790
Liabilities	
Lease liabilities (Note 16)	5,513,329
Deferred tax liabilities (Note 24)	(106,009)
Total liabilities (unaudited)	5,407,320
Share capital	
Retained earnings	(822,530)
Total share capital (unaudited)	(822,530)

(a) Nature of the effect of adoption of IFRS 16 (continued)

Leases previously accounted for as operating leases (continued)

In addition to the adjustments described above, upon application of IFRS 16 had the following impact to the financial statements of a joint venture (KCP): as at 1 January 2019, the entity recognized assets in the form of right-of-use in the amount of 1,503,395 thousand tenge and financial lease liabilities in the amount of 2,300,383 thousand tenge, as well as a decrease in retained earnings of 796,988 thousand tenge. The corresponding decrease in investments in a joint venture amounted to 398,494 thousand tenge (Note 5).

Below is a reconciliation of liabilities as at 1 January 2019 with contractual commitments for operating leases as at 31 December 2018:

<i>In thousands of tenge</i>	
Operating lease contractual commitments as at 31 December 2018 (unaudited)	7,361,333
The weighted average rate of raising additional borrowings as at 1 January 2019	13.46%
Discounted operating lease liabilities as at 1 January 2019 (unaudited) (Note 16)	5,513,329
Less	
Contractual commitments related to short term lease liabilities	-
Contractual commitments related to low value assets	-
Add	
Contractual commitments related to lease previously classified as a financial lease	-
Payments in the periods specified in the renewal option, not recognized as at 31 December 2018	-
Lease liabilities as at 1 January 2019 (unaudited)	5,513,329

**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 16 Leases (continued)**(b) Summary of new accounting policies*

Set out below are the new accounting policies of the Group upon adoption of IFRS 16, which have been applied from the date of initial application:

Right-of-use assets

The Group recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term. Right-of-use assets are subject to impairment review.

Lease liabilities

At the commencement date of the lease, the Group recognizes lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognised as expense in the period on which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to its short-term leases. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

Significant judgement in determining the lease term of contracts with renewal options

The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

The Group applies judgement in evaluating whether it is reasonably certain to exercise the option to renew. That is, it considers all relevant factors that create an economic incentive for it to exercise the renewal.

After the commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise (or not to exercise) the option to renew (e.g., a change in business strategy).

The Group included the renewal period as part of the lease term for leases of plant and machinery due to the significance of these assets to its operations. These leases have a short non-cancellable period and there will be a significant negative effect on production if a replacement is not readily available.

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 16 Leases (continued)

(b) Summary of new accounting policies (continued)

Lease liabilities (continued)

The following interpretations and amendments are applied for the first time in 2019 and did not affect the interim condensed consolidated financial statements of the Group:

- IFRIC Interpretation 23 *Uncertainty over Income Tax Treatment*;
- Amendments to IFRS 9 *Prepayment Features with Negative Compensation*;
- Amendments to IAS 19 *Plan Amendment, Curtailment or Settlement*;
- Amendments to IAS 28 *Long-term Interests in Associates and Joint Ventures*;
- Annual improvements 2015-2017 cycle:
 - IFRS 3 *Business Combinations*;
 - IFRS 11 *Joint Arrangements*;
 - IAS 12 *Income Taxes*;
 - IAS 23 *Borrowing Costs*.

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 2019 and 2018 are as follows:

<i>tenge</i>	For the nine months ended 30 September	
	2019	2018
US Dollars	381.52	336.51
Russian Rubles	5.87	5.48
Euro	428.67	401.61
Georgian Lari	138.38	136.10

As at 30 September 2019 and 31 December 2018 the currency exchange rates of KASE are:

<i>tenge</i>	30 September	31 December
	2019	2018
US Dollars	387.99	384.20
Russian Rubles	5.98	5.52
Euro	423.72	439.37
Georgian Lari	130.86	144.44

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

Property, plant and equipment as at 30 September 2019 and 31 December 2018 are as follows:

<i>In thousands of tenge</i>	Land	Pipelines	Transportation assets	Buildings and constructions	Machinery and equipment	Technological oil	Other	Construction in progress	Total
At revalued amount as at 31 December 2018 (audited)	21,750,408	234,950,826	23,621,024	111,687,588	182,703,715	160,974,494	20,900,293	36,402,095	792,990,443
Foreign currency translation	212,579	-	(216,047)	(986,915)	(779,660)	-	(13,230)	(23,099)	(1,806,372)
Additions	-	60,349	1,527,554	14,397	969,133	-	331,316	18,541,431	21,444,180
Disposals	(78,593)	(576,693)	(147,007)	(89,418)	(2,078,556)	(7,311)	(510,368)	(82,009)	(3,569,955)
Revaluation /(impairment) (through revaluation reserve)	3,748,431	40,968,253	1,107,459	4,994,654	31,416,404	(14,925,741)	2,087,002	1,209,721	70,606,183
(Impairment)/revaluation (through profit and loss)	(26,738)	663,696	(1,280,903)	(5,959,362)	(5,812,314)	-	(170,854)	(3,082,288)	(15,668,763)
Substraction of accumulated depreciation and impairment on revaluation	-	(44,007,192)	(6,704,443)	(21,300,124)	(62,923,808)	-	(12,987,385)	(321,557)	(148,244,509)
Transfers from construction in progress	-	153,327	558,233	423,145	4,676,647	-	141,881	(5,953,233)	-
Transfers to non-current assets held for sale (Note 13)	-	-	(339,156)	-	-	-	-	-	(339,156)
Transfers to intangible assets	-	-	-	-	-	-	-	(76,144)	(76,144)
Transfers and reclassifications	-	26,486	(258,282)	17,727	181,667	-	(2,227)	34,629	-
At revalued amount as at 30 September 2019 (unaudited)	25,606,087	232,239,052	17,868,432	88,801,692	148,353,228	146,041,442	9,776,428	46,649,546	715,335,907
Accumulated depreciation and impairment as at 31 December 2018 (audited)	-	(35,420,503)	(5,469,079)	(17,643,196)	(51,697,315)	-	(10,682,006)	(304,732)	(121,216,831)
Foreign currency translation	-	-	72,016	94,512	304,149	-	5,079	-	475,756
Depreciation charge	-	(11,548,138)	(2,060,822)	(4,849,606)	(17,283,756)	-	(3,434,620)	-	(39,176,942)
Disposals	-	474,682	134,531	67,887	2,047,374	-	502,032	21,411	3,247,917
Impairment (through profit and loss)	-	(268)	-	(1,588)	-	-	-	(38,236)	(40,092)
Impairment (through revaluation reserve)	-	(1,084)	-	(6,325)	-	-	-	-	(7,409)
Substraction of accumulated depreciation and impairment on revaluation	-	44,007,192	6,704,443	21,300,124	62,923,808	-	12,987,385	321,557	148,244,509
Transfers to non-current assets held for sale (Note 13)	-	-	189,980	-	-	-	-	-	189,980
Transfers and reclassifications	-	529	-	7,856	(8,386)	-	1	-	-
Accumulated depreciation and impairment as at 30 September 2019 (unaudited)	-	(2,487,590)	(428,931)	(1,030,336)	(3,714,126)	-	(622,129)	-	(8,283,112)

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

<i>In thousands of tenge</i>	Land	Pipelines	Transportation assets	Buildings and constructions	Machinery and equipment	Technological oil	Other	Construction in progress	Total
As at 30 September 2019 (unaudited)									
At revalued amount	25,606,087	232,239,052	17,868,432	88,801,692	148,353,228	146,041,442	9,776,428	46,649,546	715,335,907
Accumulated depreciation and impairment	-	(2,487,590)	(428,931)	(1,030,336)	(3,714,126)	-	(622,129)	-	(8,283,112)
Net book value	25,606,087	229,751,462	17,439,501	87,771,356	144,639,102	146,041,442	9,154,299	46,649,546	707,052,795
As at 31 December 2018 (audited)									
At revalued amount	21,750,408	234,950,826	23,621,024	111,687,588	182,703,715	160,974,494	20,900,293	36,402,095	792,990,443
Accumulated depreciation and impairment	-	(35,420,503)	(5,469,079)	(17,643,196)	(51,697,315)	-	(10,682,006)	(304,732)	(121,216,831)
Net book value	21,750,408	199,530,323	18,151,945	94,044,392	131,006,400	160,974,494	10,218,287	36,097,363	671,773,612

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

3. PROPERTY, PLANT AND EQUIPMENT (continued)

The depreciation for the nine months ended 30 September 2019 included in the cost of construction in progress amounted to 20,195 thousand tenge (for the nine months ended 30 September 2018: 24,314 thousand tenge).

Revaluation of fixed assets

The Group performed valuation of property, plant and equipment (excluding technological oil) as at 31 July 2019 and revaluation of technological oil as at 30 September 2019. The Group engaged independent professional appraisers to provide valuation of its property, plant and equipment.

As a result of revaluation, the total value of property, plant and equipment of the Group (excluding technological oil) increased by 68,774,061 thousand tenge. At the same time, the carrying value of property, plant and equipment of the Group located in Georgia decreased by 9,930,992 thousand tenge. As at 31 July 2019 in connection with the change in estimates related to the volume of oil transshipment in the post-forecast period, BOT management decided to determine the recoverable amount of BOT's property, plant and equipment as fair value less costs to sell, calculated as the market value of land and the liquidation value of the remaining assets less costs to sell. No changes in estimates were made with respect to the determination of the recoverable amount of BSP cash-generating unit.

The main increase of total value of property, plant and equipment of the Group is due to increase of exchange rates of main foreign currencies in relation to the functional currency of the Group, resulting in increased cost of the replacement of existing property, plant and equipment with foreign origin.

Due to the high volatility of the oil market price, the Group revalues technological oil of the Company at the end of each reporting period. Thus, the carrying value of the technological oil compared to 31 December 2018 decreased by 14,933,052 thousand tenge, wherein the oil price at 30 September 2019 is 57,172 tenge per ton (as at 31 December 2018: 63,015 tenge per ton).

4. RIGHT-OF-USE ASSETS

Right-of-use assets as at 30 September 2019 are as follows:

In thousands of tenge	Right-of-use assets				Total
	Land	Transportation assets	Buildings and constructions	Machinery, equipment and transfer devices	
Net book value as at					
1 January 2019 (audited)	-	-	-	-	-
Changes in accounting policy (Note 2)	97,419	4,512,445	373,420	-	4,983,284
Additions (Note 16)	-	-	-	341,652	341,652
Amortization charge (Note 16)	(8,313)	(941,106)	(59,478)	(54,151)	(1,063,048)
Net book value as at					
30 September 2019 (unaudited)	89,106	3,571,339	313,942	287,501	4,261,888
As at 30 September 2019 (unaudited)					
At cost	131,814	6,106,397	399,633	341,652	6,979,496
Accumulated amortization	(42,708)	(2,535,058)	(85,691)	(54,151)	(2,717,608)
Net book value	89,106	3,571,339	313,942	287,501	4,261,888

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

5. INVESTMENTS IN JOINT VENTURES

Investments in joint ventures September 2019 and 31 December 2018 are as follows:

<i>In thousands of tenge</i>	30 September 2019 (unaudited)	31 December 2018 (audited)
Investments in KCP	25,631,330	10,513,603
Investments in MunaiTas	20,421,091	19,487,720
Total	46,052,421	30,001,323

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

<i>In thousands of tenge</i>	Total
As at 31 December 2018 (audited)	30,001,323
Changes in accounting policy (Note 2)	(398,494)
Share in income of joint ventures	9,692,986
Share in other comprehensive income of joint ventures	6,756,606
As at 30 September 2019 (unaudited)	46,052,421

The Company's share in comprehensive income/loss of joint ventures for the three and nine months periods ended 30 September 2019 and 2018 is as follows:

<i>In thousands of tenge</i>	For the three months ended 30 September (unaudited)		For the nine months ended 30 September (unaudited)	
	2019	2018	2019	2018
Share in income/(loss) of joint ventures				
KCP	1,641,243	(2,587,560)	8,759,615	(1,391,371)
MunaiTas	157,918	382,917	933,371	1,467,736
Total share in income/(loss) of joint ventures	1,799,161	(2,204,643)	9,692,986	76,365
Share in other comprehensive income/(loss) of joint ventures				
KCP	7,017,693	37,342	6,756,606	(240,512)
MunaiTas	-	-	-	(2,016,651)
Total share in other comprehensive income/ (loss) of joint ventures	7,017,693	37,342	6,756,606	(2,257,163)
Total share in comprehensive income/(loss) of joint ventures	8,816,854	(2,167,301)	16,449,592	2,180,798

6. LONG-TERM ACCOUNTS RECEIVABLE

As at 30 September 2019 long-term receivables amounts to 1,489,056 thousand tenge (as at 31 December 2018: 82,987 thousand tenge). The receivables at the end of the reporting period includes the discounted value of forthcoming cash inflows related to the sale of property of the administrative-residential building in Pavlodar. The Group received the first tranche in the amount of 282,157 thousand tenge in April 2019.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

7. TRADE AND OTHER ACCOUNTS RECEIVABLE

Trade and other accounts receivable as at 30 September 2019 and 31 December 2018 are as follows:

<i>In thousands of tenge</i>	30 September 2019 (unaudited)	31 December 2018 (audited)
Trade accounts receivable from third parties	6,997,288	7,163,458
Trade accounts receivable from related parties (Note 26)	2,414,205	2,420,294
Other accounts receivable from third parties	761,254	725,594
Other accounts receivable from related parties (Note 26)	675	19,761
	10,173,422	10,329,107
Less: allowance for expected credit losses	(4,750,637)	(4,701,509)
Total	5,422,785	5,627,598

Trade and other accounts receivable of the Group as at 30 September 2019 and 31 December 2018 are denominated in the following currencies:

<i>In thousands of tenge</i>	30 September 2019 (unaudited)	31 December 2018 (audited)
tenge	4,651,936	4,935,286
US Dollars	758,132	673,886
Russian Rubles	2,241	1,905
Other currency	10,476	16,521
Total	5,422,785	5,627,598

8. ADVANCES TO SUPPLIERS

Advances to suppliers as at 30 September 2019 and 31 December 2018 are as follows:

<i>In thousands of tenge</i>	30 September 2019 (unaudited)	31 December 2018 (audited)
Advances to third parties	1,060,266	519,721
Advances to related parties (Note 26)	174,541	225,799
	1,234,807	745,520
Less: impairment	(1,209)	(647)
Total	1,233,598	744,873

9. VAT RECOVERABLE AND OTHER PREPAID TAXES

VAT recoverable and other prepaid taxes as at 30 September 2019 and 31 December 2018 are as follows:

<i>In thousands of tenge</i>	30 September 2019 (unaudited)	31 December 2018 (audited)
VAT recoverable	7,923,463	9,021,244
Other taxes prepaid	181,949	483,654
Total	8,105,412	9,504,898

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

10. OTHER CURRENT ASSETS

Other current assets as at 30 September 2019 and 31 December 2018 are as follows:

<i>In thousands of tenge</i>	30 September 2019 (unaudited)	31 December 2018 (audited)
Due for oil transportation coordination services	5,694,540	7,653,717
Prepaid insurance	313,259	128,906
Due from employees	66,399	13,986
Deferred expenses	42,346	47,357
Other	15,908	39,188
Total	6,132,452	7,883,154

11. BANK DEPOSITS

Bank deposits as at 30 September 2019 and 31 December 2018 are as follows:

<i>In thousands of tenge</i>	30 September 2019 (unaudited)	31 December 2018 (audited)
Short-term bank deposits – US Dollar	31,039,200	25,357,200
Short-term bank deposits – tenge	3,000,000	–
Long-term bank deposits – tenge	2,329,111	2,802,206
Accrued interest on deposits – US Dollar	43,972	41,315
Accrued interest on deposits – tenge	37,661	53,150
Less: allowance for expected credit losses	(62,749)	(51,592)
Total	36,387,195	28,202,279

In accordance with the maturity, bank deposits as at 30 September 2019 and 31 December 2018 are as follows:

<i>In thousands of tenge</i>	30 September 2019 (unaudited)	31 December 2018 (audited)
Short-term bank deposits with maturity under 1 year	34,077,978	25,424,203
Long-term bank deposits with maturity over 1 year	2,309,217	2,778,076
	36,387,195	28,202,279

As at 30 September 2019 bank deposits comprised of the following:

- US Dollars denominated short-term deposits with maturity from 3 to 12 months, with interest of 0.6% per annum (as at 31 December 2018: from 0.5% to 0.7% per annum), maturing in November 2019 (as at 31 December 2018: maturing from January to June 2019);
- Restricted long-term bank deposits with interest from 2% to 3.5% per annum maturing in 2028 and 2024, respectively (as at 31 December 2018: from 2% to 3.5% per annum maturing in 2029 and 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)

12. CASH AND CASH EQUIVALENTS

Cash and cash equivalents as at 30 September 2019 and 31 December 2018 are as follows:

<i>In thousands of tenge</i>	30 September 2019 (unaudited)	31 December 2018 (audited)
Time deposits with banks – tenge	26,041,786	27,107,538
Current accounts with banks – US Dollar	8,114,167	2,468,302
Current accounts with banks – tenge	2,851,012	3,202,253
Current accounts with banks – Lari	1,114,308	461,040
Current accounts with banks – Russian Ruble	59,978	31,447
Current accounts with banks – Euro	25,995	8,452
Other current accounts with banks	21,354	21,567
Cash on hand	47	1,146
Less: allowance for expected credit losses	(24,451)	(22,902)
Total	38,204,196	33,278,843

As at 30 September 2019:

- Current accounts and time deposits with maturity less than 3 months in tenge placed with Kazakhstani banks carried interest ranging from 3.4% to 8.25% per annum (as at 31 December 2018: from 6.55% to 7.50% per annum);
- Interest for current accounts and time deposits with maturity less than 3 months placed in US Dollars ranged from 0.25% to 4% per annum (as at 31 December 2018: from 0.25% to 4% per annum).

13. NON-CURRENT ASSETS HELD FOR SALE

Changes in non-current assets held for sale for the nine-month period ended 30 September 2019 are as follows:

In thousands of tenge

As at 31 December 2018 (audited)	2,406,231
Transfers from property, plant and equipment (<i>Note 3</i>)	149,176
Impairment (<i>Note 22</i>)	(960,745)
Sold	(1,461,346)
As at 30 September 2019 (unaudited)	133,316

As at 30 September 2019 the Group classified certain vehicles 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 were recognized at the lower of their carrying amount and fair value less costs to sell and are available for immediate sale in their present condition.

Based on the offer on purchase the property of an administrative-residential building in Pavlodar, which was in non-current assets held for sale as at 31 December 2018, the Group recognized the impairment of the carrying value of this asset to fair value less costs to sell in the amount of 945,900 thousand tenge in the reporting period. In addition, due to the presence of indications of impairment for some vehicles, which were in non-current assets held for sale as at 31 December 2018, the Group estimated the fair value of these assets in the current reporting period, and as a result, recognized the impairment in the amount of 14,845 thousand tenge. Thus, the total amount of recognized impairment for the period amounted to 960,745 thousand tenge (*Note 22*).

During the reporting period, the Company sold the property of the administrative-residential building in Pavlodar on terms of instalment payments over a ten-year period, as well as certain vehicles. The net amount of income from the sales of the above-mentioned assets amounted to 19,637 thousand tenge (*Note 22*).

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

14. EQUITY

Asset revaluation reserve

Revaluation reserve was formed based on a revaluation of property, plant and equipment of the Group and share in the asset revaluation reserve of the joint ventures. The change in Group's revaluation reserve for property, plant and equipment for the nine months ended 30 September 2019 is mainly due to impairment of the technological oil of the Company and revaluation of property, plant and equipment of the Group at 31 July 2019 (*Note 3*), as well as amortization of this reserve. As a result, the book value of the asset revaluation reserve as at 30 September 2019 is 292,875,898 thousand tenge (as at 31 December 2018: 243,588,977 thousand tenge).

Dividends

As at 30 September 2019 the Company accrued and paid dividends according to the decision of the general meeting of shareholders dated 28 May 2019 in the amount of 40,001,322 thousand tenge based on the results of 2018 (calculated as 104 tenge per 1 share), with the use of net income received in 2018, in the amount of 38,484,983 thousand tenge and retained earnings of previous years in the amount of 1,516,339 thousand tenge, including 36,001,892 thousand tenge attributable to KMG (*Note 26*) and 3,999,430 thousand tenge attributable to minority shareholders.

As at 30 September 2018 the Company accrued and paid dividends according to the decision of the general meeting of shareholders dated 24 May 2018 in the amount of 61,540,496 thousand tenge based on the results of 2017 (calculated as 160 tenge per 1 share), with the use of net income received in 2017, in the amount of 50,117,856 thousand tenge and retained earnings of previous years in the amount of 11,422,640 thousand tenge, including 55,387,527 thousand tenge attributable to KMG (*Note 26*) and 6,152,969 thousand tenge attributable to minority shareholders.

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:

<i>In thousands tenge</i>	For the three months ended 30 September (unaudited)		For the nine months ended 30 September (unaudited)	
	2019	2018	2019	2018
Net profit attributable to ordinary equity holders of the Parent of the Group	3,831,845	7,635,560	37,649,442	35,274,027
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)	10	20	98	92

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

14. 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:

<i>In thousands of tenge</i>	30 September 2019 (unaudited)	31 December 2018 (audited)
Total assets	871,385,496	803,440,601
Less: intangible assets	(7,475,571)	(6,891,299)
Less: total liabilities	(188,350,803)	(178,024,402)
Net assets for calculation of book value per ordinary share	675,559,122	618,524,900
Number of ordinary shares	384,628,099	384,628,099
Book value per ordinary share (in tenge)	1,756	1,608

15. TRADE AND OTHER ACCOUNTS PAYABLE

Trade and other accounts payable as at 30 September 2019 and 31 December 2018 are as follows:

<i>In thousands of tenge</i>	30 September 2019 (unaudited)	31 December 2018 (audited)
Accounts payable to third parties for goods and services	6,932,551	10,209,574
Accounts payable to related parties for goods and services (Note 26)	1,800,288	2,062,160
Other accounts payable to third parties	1,344,074	682,590
Other accounts payable to related parties (Note 26)	1,254	3,190
Total	10,078,167	12,957,514

As at 30 September 2019 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 2,685,397 thousand tenge (as at 31 December 2018: 4,655,943 thousand tenge).

Trade and other accounts payable as at 30 September 2019 and 31 December 2018 are denominated in the following currencies:

<i>In thousands of tenge</i>	30 September 2019 (unaudited)	31 December 2018 (audited)
tenge	9,537,532	12,207,766
US Dollars	160,627	244,584
Russian Rubles	39,352	3,770
Euro	2,328	34,206
Other currency	338,328	467,188
Total	10,078,167	12,957,514

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

16. LEASE LIABILITIES

Lease liabilities as at 30 September 2019 and 31 December 2018 are as follows:

<i>In thousands of tenge</i>	30 September 2019 (unaudited)	31 December 2018 (audited)
Non-current portion of obligations	3,039,321	–
Current portion of obligations	1,862,179	–
Total	4,901,500	–

Changes in the present value of obligations for the nine months ended 30 September 2019 are as follows:

<i>In thousands of tenge</i>	
As at 31 December 2018 (audited)	–
Changes in accounting policy (Note 2)	5,513,329
Additions for the period (Note 4)	341,652
Unwinding of discount on obligations (Note 23)	482,342
Transfer from trade and other payables	161,527
Payments for the period	(1,597,350)
As at 30 September 2019 (unaudited)	4,901,500

The information below describes the cost of expenses reflected in the consolidated statement of comprehensive income:

<i>In thousands of tenge</i>	For the nine months ended 30 September 2019 (unaudited)
Right-of-use assets amortization (Note 4)	1,063,048
Unwinding of discount on obligations (Note 23)	482,342
Low value assets lease expenses (Notes 20 and 21)	24,465
Total	1,569,855

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

17. PROVISIONS

Short-term provisions

The movement in provisions for the nine months ended 30 September 2019 is as follows:

<i>In thousands of tenge</i>	Tax provisions (BOT)	Provision on compensating tariff (Company)	Sponsorship (Company)	Other provisions	Total
As at 31 December 2018 (audited)	192,484	1,046,994	-	396,126	1,635,604
Charge for the period	-	-	1,200,000	345,660	1,545,660
Used in the reporting period	-	(1,034,314)	(1,200,000)	(321,539)	(2,555,853)
Reversal	-	-	-	(193,431)	(193,431)
Foreign currency translation	(16,337)	-	-	739	(15,598)
As at 30 September 2019 (unaudited)	176,147	12,680	-	227,555	416,382

Pursuant to the instructions of the Head of State from 29 September 2018 and the decision of the Management Board of KMG from 11 February 2019, as well as the decision of the Board of Directors of the Company from 29 January 2019, the Company in the reporting period provided sponsorship for the construction of the facility in Turkestan in the amount of 2,200,000 thousand tenge (*Note 21*) of which 1,200,000 thousand tenge was paid from the reserve accrued in March 2019.

In addition, in accordance with the act of verification by CRNM and the subsequent decision of the judicial authorities the Company as at 30 September 2019 recognized other provisions on payment of administrative fines in the amount of 315,138 thousand tenge (*Note 21*), as well as reserve for expected penalties amounted to 76 thousand US Dollars (equivalent to 30,522 thousand tenge) for non-fulfilment of transshipment volumes in accordance with the BSP Management Right Agreement between BOT and the Georgia Government (*Note 27*).

Long-term provisions

Asset retirement and land recultivation obligation

The movement of provision for asset retirement and land recultivation obligation for the three and nine months ended 30 September 2019 and 2018 is as follows:

<i>In thousands of tenge</i>	For the three months ended 30 September (unaudited)		For the nine months ended 30 September (unaudited)	
	2019	2018	2019	2018
At the beginning of the period	23,731,471	16,924,163	21,109,397	15,347,322
Charge for the period through asset	-	97,284	-	97,284
Revision of estimates and write-off of provision through profit and loss, net (<i>Note 22</i>)	1,533,161	75,809	2,701,509	148,386
Revision of estimates through other comprehensive income	497,116	377,796	1,030,482	1,208,382
Unwinding of discount on asset retirement and land recultivation obligation (<i>Note 23</i>)	472,187	348,336	1,392,547	1,022,014
At the end of the period (unaudited)	26,233,935	17,823,388	26,233,935	17,823,388

As at 30 September 2019 the Group revised the long-term provisions considering current best estimate, which was based on the discount rate of 7.84% (as at 31 December 2018: 8.91%). As at 30 September 2019 the inflation rate was 5.49% (as at 31 December 2018: 5.47%).

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

18. OTHER CURRENT LIABILITIES

Other current liabilities as at 30 September 2019 and 31 December 2018 are as follows:

<i>In thousands of tenge</i>	30 September 2019 (unaudited)	31 December 2018 (audited)
Accounts payable for oil transportation coordination services to related parties (Note 26)	7,434,036	8,437,279
Accounts payable for oil transportation coordination services to third parties	5,513,648	4,319,474
Salaries and other compensations	3,625,626	10,279,349
Current portion of deferred income	584,944	579,231
Accounts payable to pension fund	385,083	817,336
Other accruals	256,861	400,595
Total	17,800,198	24,833,264

Salaries and other compensations include current salary payable and vacation payments payable. The decrease in this liabilities in the reporting period is due to the payment of remuneration on the results of 2018.

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

Revenue for the three and nine months ended 30 September 2019 and 2018 are as follows:

<i>In thousands of tenge</i>	For the three months ended 30 September 2019 (unaudited)				For the nine months ended 30 September 2019 (unaudited)			
	Oil transportation and related services	Oil transshipment	Others	Total	Oil transportation and related services	Oil transshipment	Others	Total
Crude oil transportation	50,433,982	–	–	50,433,982	150,376,551	–	–	150,376,551
Pipeline operation services	4,089,399	–	–	4,089,399	11,982,038	–	–	11,982,038
Water transportation	2,018,654	–	–	2,018,654	5,777,658	–	–	5,777,658
Fees for undelivered oil volumes	1,374,725	–	–	1,374,725	3,760,769	–	–	3,760,769
Seaport services	–	–	1,225,339	1,225,339	–	–	3,543,939	3,543,939
Oil transshipment and railway shipment	–	909,360	–	909,360	–	3,214,305	–	3,214,305
Oil transportation coordination services	159,356	–	–	159,356	507,326	–	–	507,326
Oil storage services	9,189	–	–	9,189	45,957	–	–	45,957
Other	19,413	447	210,464	230,324	78,318	11,446	447,141	536,905
Total	58,104,718	909,807	1,435,803	60,450,328	172,528,617	3,225,751	3,991,080	179,745,448
Geographic regions								
Kazakhstan	51,985,409	492,700	–	52,478,109	154,517,676	1,492,888	–	156,010,564
Russia	6,119,309	–	–	6,119,309	18,010,941	–	–	18,010,941
Georgia	–	413,714	1,435,803	1,849,517	–	1,152,571	3,991,080	5,143,651
Others	–	3,393	–	3,393	–	580,292	–	580,292
Total revenue under contracts with customers	58,104,718	909,807	1,435,803	60,450,328	172,528,617	3,225,751	3,991,080	179,745,448
Timing of revenue recognition								
At a point in time	54,015,319	909,807	1,435,803	56,360,929	160,546,579	3,225,751	3,991,080	167,763,410
Over time	4,089,399	–	–	4,089,399	11,982,038	–	–	11,982,038
Total revenue under contracts with customers	58,104,718	909,807	1,435,803	60,450,328	172,528,617	3,225,751	3,991,080	179,745,448

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

<i>In thousands of tenge</i>	For the three months ended 30 September 2018 (unaudited)				For the nine months ended 30 September 2018 (unaudited)			
	Oil transportation and related services	Oil transshipment	Others	Total	Oil transportation and related services	Oil transshipment	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	–	–	1,397,195	1,397,195	–	–	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	20,307	–	304,493	324,800	77,452	–	666,289	743,741
Total	55,119,885	729,497	1,701,688	57,551,070	160,021,966	2,379,126	4,662,009	167,063,101
Geographic regions								
Kazakhstan	50,401,405	59,265	–	50,460,670	147,144,213	101,626	–	147,245,839
Russia	4,718,480	–	–	4,718,480	12,578,221	–	–	12,578,221
Georgia	–	442,501	1,701,688	2,144,189	–	1,223,887	4,662,009	5,885,896
Others	–	227,731	–	227,731	299,532	1,053,613	–	1,353,145
Total revenue under contracts with customers	55,119,885	729,497	1,701,688	57,551,070	160,021,966	2,379,126	4,662,009	167,063,101
Timing of revenue recognition								
At a point in time	51,274,867	729,497	1,701,688	53,706,052	150,782,808	2,379,126	4,662,009	157,823,943
Over time	3,845,018	–	–	3,845,018	9,239,158	–	–	9,239,158
Total revenue under contracts with customers	55,119,885	729,497	1,701,688	57,551,070	160,021,966	2,379,126	4,662,009	167,063,101

For the nine months ended 30 September 2019 revenue from three major customers amounted to 40,888,359 thousand tenge, 25,724,267 thousand tenge and 12,015,771 thousand tenge (for the nine months ended 30 September 2018: 37,551,202 thousand tenge, 22,298,400 thousand tenge and 10,165,870 thousand tenge, respectively).

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

20. COST OF SALES

Cost of sales for the three and nine months ended 30 September 2019 and 2018 is as follows:

<i>In thousands of tenge</i>	For the three months ended 30 September (unaudited)		For the nine months ended 30 September (unaudited)	
	2019	2018	2019	2018
Depreciation and amortization	13,097,318	12,666,800	39,710,897	37,858,541
Personnel costs	12,016,008	10,794,710	33,472,753	31,920,634
Taxes other than income tax	3,271,660	2,172,719	7,567,013	6,409,907
Repair and maintenance	2,506,801	1,913,552	5,566,217	4,663,297
Materials and fuel	2,867,448	2,573,912	5,427,470	4,896,605
Electric energy	1,714,864	1,861,518	5,252,940	5,569,861
Security services	1,287,163	1,244,788	3,890,565	3,700,869
Gas expenses	317,355	359,751	1,935,447	2,259,846
Food and accommodation	514,646	460,473	1,496,166	1,281,126
Railway services	365,052	27,807	1,133,114	166,909
Environmental protection	598,458	254,969	1,048,340	389,873
Business trip expenses	303,310	282,403	720,099	691,964
Insurance	171,306	76,019	495,236	226,905
Post-employment benefits	150,990	143,284	412,287	413,694
Obligatory social medical insurance	106,275	105,869	302,104	289,325
Communication services	89,318	68,397	293,222	197,222
Outstaffing services	101,414	99,471	276,906	270,020
Air services	6,829	198,500	239,144	858,282
Diagnostics of production facilities	138,146	75,087	161,027	79,064
Transportation services	14,673	399,120	105,399	1,148,084
Asset lease (Note 16)	3,679	94,413	6,534	221,414
Other	1,016,817	656,544	1,987,448	1,430,387
Total	40,659,530	36,530,106	111,500,328	104,943,829

The increase in depreciation and amortization expenses is primarily associated with a significant commissioning of objects of construction in progress at the end of 2018, also recognition of the right-of-use assets in the reporting period (Note 4).

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

21. GENERAL AND ADMINISTRATIVE EXPENSES

General and administrative expenses for the three and nine months ended 30 September 2019 and 2018 are as follows:

<i>In thousands of tenge</i>	For the three months ended 30 September (unaudited)		For the nine months ended 30 September (unaudited)	
	2019	2018	2019	2018
Personnel costs	1,790,154	1,948,016	5,293,022	5,252,607
Charity expenses	8,115	-	2,225,562	-
Depreciation and amortization	321,943	337,610	993,680	1,318,294
Office maintenance	128,190	310,410	383,900	443,165
Administrative fines (Note 17)	752	-	315,890	-
Business trip expenses	74,034	102,034	253,276	239,028
Repair and maintenance	69,098	114,361	216,790	329,289
Taxes other than income tax	59,628	72,750	193,721	265,664
Social sphere expenses	109,922	156,439	186,596	221,392
Consulting services	97,274	64,828	186,135	213,925
Outstaffing services	56,711	52,227	158,893	136,643
Communication services	41,353	33,575	118,660	84,486
Training	27,279	16,571	96,323	56,034
Information expenses	29,381	44,004	91,684	97,763
Advertising expenses	66,028	36,801	91,044	65,223
Charge of allowance for expected credit losses on trade receivables, net	165,494	56,220	78,010	541,247
Write-off of VAT recoverable	23,241	87,088	66,190	154,260
Bank costs	16,601	19,855	49,057	57,069
Insurance and security	12,447	9,258	44,835	53,101
Materials and fuel	9,004	24,605	42,755	60,084
Obligatory social medical insurance	8,255	-	26,879	-
Asset lease (Note 16)	6,173	20,519	17,931	40,704
Accrual of impairment for obsolete inventory	16,095	-	16,095	-
Transportation services	3,233	41,103	11,410	120,312
Post-employment benefits	(148,949)	14,164	(129,356)	24,893
Other	184,290	152,057	477,098	415,938
Total	3,175,746	3,714,495	11,506,080	10,191,121

The increase in charity expenses is associated with the sponsorship for the construction of a facility in the city of Turkestan in the amount of 2,200,000 thousand tenge (Note 17).

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

22. OTHER OPERATING INCOME/ EXPENSES

Other operating income/expenses for the three and nine months ended 30 June 2019 and 2018 are as follows:

Other operating income

<i>In thousands of tenge</i>	For the three months ended 30 September (unaudited)		For the nine months ended 30 September (unaudited)	
	2019	2018	2019	2018
Income from fines and penalties	123,368	105,145	795,007	213,522
Amortization of deferred revenue	62,203	-	184,457	-
Income from disposal of inventories, net	14,476	111,776	29,178	221,363
Income from sale of non-current assets held for sale, net (Note 13)	13,640	372,975	19,637	374,647
Other income	89,112	32,044	166,266	196,984
Total	302,799	621,940	1,194,545	1,006,516

Other operating expenses

Other operating expenses for the three and nine months ended 30 September 2019 and 2018 are as follows:

<i>In thousands of tenge</i>	For the three months ended 30 September (unaudited)		For the nine months ended 30 September (unaudited)	
	2019	2018	2019	2018
Revision of estimates and write-off on provision for asset retirement and land recultivation obligation (Note 17)	1,533,161	75,809	2,701,509	148,386
Impairment of non-current assets held for sale (Note 13)	-	-	960,745	-
Expenses on liquidation of idle production facilities	86,414	37,035	106,341	51,355
Loss on disposal of property, plant and equipment and intangible assets, net	(45,107)	21,763	68,272	1,001,149
Actuarial loss	19,327	-	19,327	-
Other expenses	21,649	(178,778)	107,359	75,135
Total	1,615,444	(44,171)	3,963,553	1,276,025

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

23. FINANCE INCOME/EXPENSES

Finance income/expenses for the three and nine months ended 30 September 2019 and 2018 is as follows:

Finance income

<i>In thousands of tenge</i>	For the three months ended 30 September (unaudited)		For the nine months ended 30 September (unaudited)	
	2019	2018	2019	2018
Interest income on bank deposits and current accounts	503,670	404,197	1,730,222	2,111,621
Income from revision of bond's fair value	47,760	111,159	137,639	175,418
Reversal of allowance for expected credit losses on cash and cash equivalents and bank deposits, net	(19,772)	-	-	-
Unwinding of discount on loans to employees	319	470	968	1,590
Other finance income	3,560	3,343	11,321	10,168
Total	535,537	519,169	1,880,150	2,298,797

Finance expenses

<i>In thousands of tenge</i>	For the three months ended 30 September (unaudited)		For the nine months ended 30 September (unaudited)	
	2019	2018	2019	2018
Unwinding of discount on asset retirement and land recultivation obligation (Note 17)	472,187	348,336	1,392,547	1,022,014
Interest cost on employee benefit obligations	270,469	263,746	892,830	819,297
Unwinding of discount on lease liabilities (Note 16)	158,073	-	482,342	-
Charge of allowance for expected credit losses of cash and cash equivalents and bank deposits, net	10,864	36,647	10,864	33,534
Total	911,593	648,729	2,778,583	1,874,845

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

24. INCOME TAX EXPENSE

Income tax expense for the three and nine months ended 30 September 2019 and 2018 is as follows:

<i>In thousands of tenge</i>	For the three months ended 30 September (unaudited)		For the nine months ended 30 September (unaudited)	
	2019	2018	2019	2018
Current income tax expense	4,701,666	9,741,370	14,364,044	18,455,516
Adjustments of the past periods	-	-	(83,663)	97,965
Deferred income tax benefit	(1,682,575)	(1,331,457)	(2,699,934)	(2,746,854)
Income tax expense	3,019,091	8,409,913	11,580,447	15,806,627

Movement in deferred income tax liabilities for the three and nine months ended 30 September 2019 and 2018 is as follows:

<i>In thousands of tenge</i>	For the three months ended 30 September (unaudited)		For the nine months ended 30 September	
	2019	2018	2019	2018
At the beginning of the period	64,332,311	70,481,654	67,394,342	63,123,255
Charged to profit and loss	(1,682,575)	(1,331,457)	(2,699,934)	(2,746,854)
Charged to other comprehensive income	15,944,739	2,959,438	14,006,076	11,733,234
Changes in accounting policies (Note 2)	-	-	(106,009)	-
At the end of the period (unaudited)	78,594,475	72,109,635	78,594,475	72,109,635

25. 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;
- other segments.

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, water transportation 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 provided by PTL represent transshipment of oil and oil-products services through railway from Azerbaijanian-Georgian border to terminal in Batumi. This type of activity is directly related to oil transshipment, and therefore is not shown as a separate segment.

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.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)
25. 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 2019 and 2018, respectively:

	For the three months ended 30 September 2019 (unaudited)				For the three months ended 30 September 2018 (unaudited)			
	Oil transportation and related services (Kazakhstan)	Oil trans-shipment (Georgia)	Other	Total segments	Oil transportation and related services (Kazakhstan)	Oil trans-shipment (Georgia)	Other	Total segments
<i>In thousands of tenge</i>								
Revenue								
External customers	58,104,718	909,807	1,435,803	60,450,328	55,119,885	729,497	1,701,688	57,551,070
Total revenue	58,104,718	909,807	1,435,803	60,450,328	55,119,885	729,497	1,701,688	57,551,070
Financial results								
Impairment of property, plant and equipment intangible assets through profit and loss	(1,064,614)	(8,236,893)	(1,486,783)	(10,788,290)	(6,619)	(64,780)	(3,392)	(74,791)
Depreciation and amortization	(12,935,924)	(265,407)	(217,930)	(13,419,261)	(12,263,765)	(373,551)	(367,094)	(13,004,410)
Interest income	475,170	11,952	16,548	503,670	379,626	1,426	23,145	404,197
Share in income/(loss) of joint ventures	1,799,161	–	–	1,799,161	(2,204,643)	–	–	(2,204,643)
Income tax expense	(2,959,955)	(59,136)	–	(3,019,091)	(8,408,895)	–	(1,018)	(8,409,913)
Segment profit/(loss) for the period	13,696,629	(9,672,327)	(192,457)	3,831,845	7,757,378	(871,345)	749,527	7,635,560

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)**25. SEGMENT INFORMATION (continued)**

Information on revenue, profit, assets and liabilities of the Group's segments for the nine months ended September 2019 and 2018, respectively, is presented below:

<i>In thousands of tenge</i>	For the nine months ended 30 September 2019 (unaudited)				For the nine months ended 30 September 2018 (unaudited)			
	Oil transportation and related services (Kazakhstan)	Oil transportation (Georgia)	Other	Total segments	Oil transportation and related services (Kazakhstan)	Oil transportation (Georgia)	Other	Total segments
Revenue								
External customers	172,528,617	3,225,751	3,991,080	179,745,448	160,021,966	2,379,126	4,662,009	167,063,101
Total revenue	172,528,617	3,225,751	3,991,080	179,745,448	160,021,966	2,379,126	4,662,009	167,063,101
Financial results								
Impairment of property, plant and equipment and intangible assets through profit and loss	(1,105,035)	(11,655,054)	(1,486,783)	(14,246,872)	(7,743)	(2,184,286)	(114,413)	(2,306,442)
Depreciation and amortization	(38,737,079)	(1,281,145)	(686,353)	(40,704,577)	(36,961,253)	(1,409,304)	(806,278)	(39,176,835)
Interest income	1,656,207	33,192	40,823	1,730,222	2,064,846	4,038	42,737	2,111,621
Share in income of joint ventures	9,692,986	-	-	9,692,986	76,365	-	-	76,365
Income tax expense	(11,521,311)	(59,136)	-	(11,580,447)	(15,772,303)	-	(34,324)	(15,806,627)
Segment profit/(loss) for the period	51,590,365	(13,719,640)	(221,283)	37,649,442	38,577,883	(4,629,705)	1,325,849	35,274,027

<i>In thousands of tenge</i>	As at 30 September 2019 (unaudited)				As at 31 December 2018 (audited)			
	Oil transportation and related services (Kazakhstan)	Oil transportation (Georgia)	Other	Total segments	Oil transportation and related services (Kazakhstan)	Oil transportation (Georgia)	Other	Total segments
Total assets	818,345,708	37,427,070	15,612,718	871,385,496	735,182,860	51,206,176	17,051,565	803,440,601
Total liabilities	169,798,673	7,850,978	10,701,152	188,350,803	159,972,764	6,973,998	11,077,640	178,024,402

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

26. 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 2019 and 2018 and also the related balances as at 30 September 2019 and 31 December 2018:

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

<i>In thousands of tenge</i>	Notes	30 September 2019 (unaudited)	31 December 2018 (audited)
Non-current advances given to related parties for property, plant and equipment			
Non-current advances to entities under common control of KMG		-	16,118
Total non-current advances given to related parties for property, plant and equipment and		-	16,118

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

<i>In thousands of tenge</i>	Notes	30 September 2019 (unaudited)	31 December 2018 (audited)
Trade and other accounts receivable from related parties			
Trade accounts receivable from joint ventures		879,752	994,993
Trade accounts receivable from entities under common control of Samruk-Kazyna Group		878,504	817,719
Trade accounts receivable from entities under common control of KMG		655,949	607,582
Total trade accounts receivable from related parties	7	2,414,205	2,420,294
Other accounts receivable from entities under common control of KMG and Samruk-Kazyna Group		509	19,761
Other accounts receivable from entities under common control of KMG		166	
Total other accounts receivable from related parties	7	675	19,761
Less: allowance for expected credit losses		(3,098)	(7,295)
Total trade and other accounts receivable from related parties		2,411,782	2,432,760

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

26. RELATED PARTY TRANSACTIONS (continued)

Advances provided to related parties are as follows:

<i>In thousands of tenge</i>	Notes	30 September 2019 (unaudited)	31 December 2018 (audited)
Advances paid to related parties			
Advances paid to entities under common control of KMG		172,053	210,957
Advances paid to entities under common control of Samruk-Kazyna Group		2,488	14,842
Total advances paid to related parties	8	174,541	225,799

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

<i>In thousands of tenge</i>	Notes	30 September 2019 (unaudited)	31 December 2018 (audited)
Trade accounts payable to related parties for goods and services			
Trade accounts payable to entities under common control of Samruk-Kazyna Group		1,079,489	1,334,743
Trade accounts payable to entities under common control of KMG		710,342	720,259
Trade accounts payable to joint ventures		10,457	7,158
Total trade accounts payable to related parties for goods and services	15	1,800,288	2,062,160
Other payables to entities under common control of KMG		1,254	697
Other payables to entities under common control of Samruk-Kazyna Group		-	2,493
Total other accounts payable to related parties	15	1,254	3,190
Total trade and other accounts payable to related parties		1,801,542	2,065,350

Advances received from related parties are as follows:

<i>In thousands of tenge</i>	Notes	30 September 2019 (unaudited)	31 December 2018 (audited)
Advances received from related parties			
Advances received from entities under common control of KMG		12,272,238	12,869,915
Advances received from entities under common control of Samruk-Kazyna Group		293,307	328,173
Total advances received from related parties		12,565,545	13,198,088

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

26. RELATED PARTY TRANSACTIONS (continued)

Other current liabilities to related parties are as follows:

<i>In thousands of tenge</i>	Notes	30 September 2019 (unaudited)	31 December 2018 (audited)
Accounts payable for oil transportation coordination to related parties			
Accounts payable for oil transportation coordination services to entities under common control of KMG		7,434,036	8,437,279
Total accounts payable for oil transportation coordination services to related parties	18	7,434,036	8,437,279
Employee benefits obligation of key management personnel			
Employee benefits obligation of key management personnel		30,488	55,559
Total employee benefits obligation of key management personnel		30,488	55,559
Total other current liabilities to related parties		7,464,524	8,492,838

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 2019 and 2018:

<i>In thousands of tenge</i>	For the three months ended 30 September (unaudited)		For the nine months ended 30 September (unaudited)	
	2019	2018	2019	2018
Sales to related parties				
Revenue from main activities with entities under common control of KMG	32,358,903	29,717,084	95,859,173	88,871,988
Revenue from main activities with joint ventures	2,405,963	2,321,494	7,081,041	6,962,771
Revenue from main activities with entities under common control of Samruk-Kazyna Group	2,016,289	1,901,092	6,002,817	3,738,182
Revenue from other activities with entities under common control of KMG	1,112	2,101	522,431	18,094
Revenue from other activities with entities under common control of Samruk-Kazyna Group	7,559	57,756	12,760	57,756
Income from sale of non-current assets held for sale to KMG	-	4,898,526	-	4,898,526
Total	36,789,826	38,898,053	109,478,222	104,547,317

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

In thousands of tenge

Purchases from related parties

Purchases of property, plant and intangible assets from entities under common control of Samruk-Kazyna Group				
Purchases of services from entities under common control of KMG				
Purchases of services from entities under common control of Samruk-Kazyna Group				
Purchases of inventory from entities under common control of KMG				
Purchases of property, plant and equipment and intangible assets from entities under common control of KMG	-	3,608	166,370	3,608
Purchases of services from joint ventures	21,174	7,108	62,406	20,040
Purchases of inventory from entities under common control of Samruk-Kazyna Group	-	-	90	-
Total	3,581,525	12,832,944	20,377,497	18,940,525

In the reporting period, the Company acquired property, plant and equipment from a related party under common control of Samruk-Kazyna Group in the amount of 12,119,138 thousand tenge, as part of the projects under overhaul with replacement of the pipeline of the main oil pipeline Prorva-Kulsary and reconstruction of the “Astrakhan – Mangyshlak” water pipeline.

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

<i>In thousands of tenge</i>	For the nine months ended 30 September (unaudited)	
	2019	2018
Cash flows to related parties		
Dividends paid to the KMG (Note 14)	36,001,892	55,387,527
Total	36,001,892	55,387,527

Total accrued compensation to key management personnel for the nine months ended 30 September 2019 amounts to 263,524 thousand tenge (for the nine months ended 30 September 2018: 283,192 thousand tenge). Payments to key personnel consist primarily of payroll costs and remuneration established by contracts and Company’s internal provisions.

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

27. 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 2018. During the nine months ended 30 September 2019 there were no significant changes, except for the following:

Contractual commitments to acquire property, plant and equipment

As at 30 September 2019 the Group had contractual obligations to acquire property, plant and equipment, and construction services for the amount of 30,733,214 thousand tenge (31 December 2018: 38,927,686 thousand tenge).

Share of the Group as at 30 September 2019 in contractual obligations of joint ventures to acquire property, plant and equipment, and construction services amounted to 9,819,306 thousand tenge (31 December 2018: 3,707,759 thousand tenge).

Investment program commitments

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.

In accordance with the above-mentioned law CRNM is obliged to apply a compensating tariff for non-fulfillment of the approved investment program from the moment when decision on its application is made.

As at 30 September 2019 Company's commitments for the execution of the investment program is 45.3 billion tenge (31 December 2018: 51.8 billion tenge).

In relation to production needs, in order to maintain the current level of production, in the second half of 2018, the Company sent to the Ministry of Energy of the Republic of Kazakhstan and CRNM proposals for adjusting the above investment program for 2018-2019. In response to the Company's appeal, CRNM refused to adjust the investment program in connection with the existing remarks, which accordingly entails the risk of applying a temporary compensating tariff for non-performance of certain measures of the investment program related to the services for pumping oil to the domestic market and returning unreasonably received income related to the water transportation service to consumers.

A temporary compensating tariff can be applied to the Company's services for pumping oil to the domestic market for twelve months, starting from 1 July 2020. In relation to the water transportation service, the Company assesses the risk of returning unreasonably received income as remote, since starting from 2 July 2018, this activity has been transferred to the subsidiary "Main Waterline" LLP.

In turn, the Company disagreeing with remarks of CRNM will appeal its refusal to adjust the above-mentioned investment program in court.

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

28. CONTINGENT LIABILITIES AND COMMITMENTS (continued)**Tax commitments of Georgian entities**

In 2015 Georgian Tax Authorities ('GTA') additionally accrued taxes and fines in the amount of 2,466 thousand US Dollars (equivalent to 956,784 thousand tenge) as a result of tax inspections of BSP for the period of 2010-2014. BSP did not agree with the decision of GTA and filed an appeal.

As a result in 2017 by the decision of the audit department of the Georgian Revenue Service, the accrued taxes were reduced to 1,618 thousand US Dollars (equivalent to 627,768 thousand tenge), including penalties in the amount of 570 thousand US Dollars (equivalent to 221,154 thousand tenge). BSP filed another appeal to the Council of Dispute Resolution of the Georgia Revenue Service ('Council').

On 30 September 2019 the Council partly satisfied the BSP's complaint regarding fines. As at the reporting date fines have not been recounted, since in the Council's decision indicated that another appeal should be filed to the Tbilisi court, BSP plans to file an appeal.

Also, in 2018 the GTA carried out a tax audit of BOT for the period from 2015 to the first half of 2018, the results of which accrued taxes and fines in the amount of 1,681 thousand US Dollars (equivalent to 652,212 thousand tenge), including penalties in the amount of 632 thousand US Dollars (equivalent to 245,210 thousand tenge). Management of the BOT believes that additional charges of taxes and fines are disputable and sent a complaint to the Ministry of Finance of Georgia.

On 30 September 2019 the Council sent a decision to the BOT when the complaint of the BOT was partially satisfied. In accordance with the decision of the Council, the Ministry of Finance of Georgia should recount the amounts of disputable issues (it is estimated that the amount of tax disputes will decrease to 224 thousand US Dollars (equivalent to 86,910 thousand tenge). The BOT appealed the decision of the Council in Tbilisi City Court related to the remaining amounts of tax disputes in October 2019.

The management of the BOT, based on an analysis of local tax laws and current practice for similar tax proceedings, at the end of 2016 recognised the provision for the obligation to pay taxes in the amount of 778 thousand US Dollars (equivalent to 301,856 thousand tenge). The unrecognized remaining obligation for BSP for the period of inspection of 2010-2014 is 840 thousand US Dollars (equivalent to 325,912 thousand tenge). The amount of BOT's tax disputes (which will be known after the recalculation by Ministry of Finance of Georgia) is not recognised since management believes that the BSP's and BOT's complaints will be successful and assesses the likelihood of outflow of financial resources to be remote.

Legal proceedings of BOT against the Georgian Railway

In 2005, "Georgian Railway" JSC (hereinafter – GR) filed a claim to the Tbilisi City Court against BOT for the recovery of the 14 million Lari (equivalent to 1,937 million tenge) for using tank wagons and storing cargo related to idle tank wagons in dead ends of BOT, for the period from 1 January 2003 to 10 July 2003. The statement of claim and the appeal of the GR were not satisfied by the courts of first and appeal instances. However, in 2014, the Supreme Court of Georgia satisfied the cassation appeal of the GR and the case was returned to the lower courts for reconsideration. On 16 April 2019 the Tbilisi City Court partially satisfied the claim of the GR in the amount of 8.4 million lari (equivalent to 1,099 million tenge). The court decision has not entered into force, the Group did not recognize the provision. BOT does not agree with the decision of the court and on 28 May 2019 filed an appeal, the case is expected to be in the appeals instance.

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

27. CONTINGENT LIABILITIES AND COMMITMENTS (continued)**Termination of the BSP management agreement**

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

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

Management of the Group believes that, as at 30 September 2019, BSP was not subject to the risk of termination of this agreement by the Georgia Government, since the actual transshipment through the BSP for the nine months of 2019 amounted to 3,9 million tons (as at 31 December 2018: 5,6 million tons). In accordance with the above-mentioned agreement, based on actual volumes for the nine months of 2019, the Group accrued a reserve of 76 thousand US Dollars (equivalent to 30,522 thousand tenge) (*Note 17*).

Oil contamination in Druzhba pipeline

In connection with cases of oil contamination detected in April of this year in the Druzhba pipeline owned by "Transneft" PJSC, the Group determined that it would not incur any costs associated with cases of contamination of Kazakh oil in this pipeline, because under the agreement on provision of transportation services for Kazakh oil in transit through the territory of the Russian Federation for 2019 between the Company and "Transneft" PJSC, the last one should compensate all losses supported by evidence to the Kazakh oil companies.

28. 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.

29. SUBSEQUENT EVENTS

On 4 September 2019 an extraordinary General meeting of MunaiTas Participants decided to increase the share capital of the MunaiTas by making additional proportional cash contributions in the total amount of 10,000,000 thousand tenge as follows:

- The Company – in the amount of 5,100,000 thousand tenge (51% share of interest)
 - CNPC Exploration and Development Company Ltd- in the amount of 4,900,000 thousand tenge (49% share of interest).
- Due to the above, an additional contribution to the share capital of MunaiTas was made:
- on 23 October 2019 by CNPC Exploration and Development Company Ltd in the amount of 4,900,000 thousand tenge
 - on 13 November 2019 by the Company in the amount of 100,000 thousand tenge.

The remaining part of the Company's contribution of 5,000,000 thousand tenge will be provided before the end of 2019.