IMPORTANT: You must read the following before continuing. The following applies to this prospectus (this "**Prospectus**") following this page, and you are therefore advised to read this carefully before reading, accessing or making any other use of this Prospectus. In accessing this Prospectus, you agree to be bound by the following terms and conditions, including any modifications to them any time you receive any information from the National Company "KazMunayGas" JSC ("**KMG**" or the "**Company**") as a result of such access. You acknowledge that this electronic transmission and the delivery of this Prospectus is confidential and intended only for you.

THIS PROSPECTUS MAY NOT BE FORWARDED OR DISTRIBUTED OTHER THAN AS PROVIDED BELOW AND MAY NOT BE REPRODUCED IN ANY MANNER WHATSOEVER. YOU AGREE YOU WILL NOT FORWARD, REPRODUCE, COPY, DOWNLOAD OR PUBLISH THIS ELECTRONIC TRANSMISSION OR THIS PROSPECTUS (ELECTRONICALLY OR OTHERWISE) TO ANY OTHER PERSON.

THIS PROSPECTUS MAY ONLY BE DISTRIBUTED IN THE REPUBLIC OF KAZAKHSTAN ("**KAZAKHSTAN**") IN CONNECTION WITH THE OFFERING OF THE COMPANY'S SECURITIES THROUGH THE FACILITIES OF THE AIX LIMITED, THE STOCK EXCHANGE OF THE ASTANA INTERNATIONAL FINANCIAL CENTRE (THE "**AIX**") AND THE KAZAKHSTAN STOCK EXCHANGE JSC (THE "**KASE**") (THE "**OFFERING**").

IN THE UNITED KINGDOM ("**UK**") THIS PROSPECTUS IS BEING DISTRIBUTED AND MAY ONLY DISTRIBUTED TO "QUALIFIED INVESTORS" WITHIN THE MEANING OF ARTICLE 2(E) OF THE PROSPECTUS REGULATION (REGULATION (EU) 2017/1129) (THE "**EU PROSPECTUS REGULATION**") AS IT FORMS PART OF UK LAW BY VIRTUE OF THE EUROPEAN UNION (WITHDRAWAL) ACT 2018 (THE "**UK PROSPECTUS REGULATION**") WHO ALSO: (I) HAVE PROFESSIONAL EXPERIENCE IN MATTERS RELATING TO INVESTMENTS AND WHO FALL WITHIN THE DEFINITION OF "INVESTMENT PROFESSIONALS" IN ARTICLE 19(5) OF THE FINANCIAL SERVICES AND MARKETS ACT 2000 (FINANCIAL PROMOTION) ORDER 2005 (THE "**ORDER**"); (II) ARE HIGH NET WORTH ENTITIES FALLING WITHIN ARTICLE 49(2)(A) TO (D) OF THE ORDER; OR (III) PERSONS TO WHOM IT MAY OTHERWISE LAWFULLY BE COMMUNICATED (ALL SUCH PERSONS TOGETHER BEING REFERRED TO AS THE "**RELEVANT PERSONS**"). THIS PROSPECTUS MUST NOT BE ACTED ON OR RELIED ON BY PERSONS WHO ARE NOT THE RELEVANT PERSONS. ANY INVESTMENT OR INVESTMENT ACTIVITY TO WHICH THIS PROSPECTUS RELATES IS AVAILABLE ONLY TO RELEVANT PERSONS AND WILL BE ENGAGED IN ONLY WITH RELEVANT PERSONS. PERSONS DISTRIBUTING THIS PROSPECTUS MUST SATISFY THEMSELVES THAT IT IS LAWFUL TO DO SO. THE SECURITIES WILL BE AVAILABLE ONLY TO, AND ANY INVITATION, OFFER OR AGREEMENT TO SUBSCRIBE, PURCHASE OR OTHERWISE ACQUIRE SUCH SECURITIES WILL BE ONLY WITH, RELEVANT PERSONS.

WITH RESPECT TO MEMBER STATES OF THE EUROPEAN UNION, THIS PROSPECTUS IS DIRECTED ONLY AT, AND THE SECURITIES REFERRED TO HEREIN WILL BE OFFERED ONLY TO, QUALIFIED INVESTORS WITHIN THE MEANING OF ARTICLE 2(E) OF THE EU PROSPECTUS REGULATION, SUCH PERSONS BEING REFERRED TO AS "**QUALIFIED INVESTORS**" AND/OR IN OTHER CIRCUMSTANCES FALLING WITHIN ARTICLE 1 SECTION 4 OF THE EU PROSPECTUS REGULATION. ANY SUCH QUALIFIED INVESTOR WILL ALSO BE DEEMED TO HAVE REPRESENTED AND AGREED THAT ANY SUCH SECURITIES ACQUIRED BY SUCH QUALIFIED INVESTOR IN THE OFFERING HAVE NOT BEEN ACQUIRED ON BEHALF OF PERSONS OTHER THAN SUCH QUALIFIED INVESTORS. IF YOU HAVE RECEIVED THIS PROSPECTUS AND YOU ARE (I) IN THE UK AND NOT A RELEVANT PERSON, OR (II) IN THE EUROPEAN UNION AND NOT A QUALIFIED INVESTOR, YOU MUST RETURN THIS DOCUMENT IMMEDIATELY TO THE COMPANY.

THIS PROSPECTUS MAY ONLY BE DISTRIBUTED IN "OFFSHORE TRANSACTIONS" AS PERMITTED BY REGULATION S UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE "**SECURITIES ACT**"), OR ANOTHER EXEMPTION FROM, OR TRANSACTION NOT SUBJECT TO, REGISTRATION UNDER THE SECURITIES ACT. ANY FORWARDING, DISTRIBUTION OR REPRODUCTION OF THIS PROSPECTUS IN WHOLE OR IN PART IS

UNAUTHORISED. FAILURE TO COMPLY WITH THIS DIRECTIVE MAY RESULT IN A VIOLATION OF THE SECURITIES ACT OR THE APPLICABLE LAWS OF OTHER JURISDICTIONS.

NOTHING IN THIS ELECTRONIC TRANSMISSION CONSTITUTES AN OFFER OF SECURITIES FOR SALE IN ANY JURISDICTION WHERE IT IS UNLAWFUL TO DO SO. THE SECURITIES HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE SECURITIES ACT OR WITH ANY SECURITIES REGULATORY AUTHORITY OF ANY STATE OR OTHER JURISDICTION OF THE UNITED STATES OF AMERICA (THE "**UNITED STATES**" OR "**U.S.**") AND MAY NOT BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED EXCEPT IN AN OFFSHORE TRANSACTION IN ACCORDANCE WITH RULE 903 OR RULE 904 OF REGULATION S UNDER THE SECURITIES ACT, IN EACH CASE IN ACCORDANCE WITH ANY APPLICABLE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES, OR PURSUANT TO AN EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT AND APPLICABLE STATE OR LOCAL SECURITIES LAWS.

CONFIRMATION OF YOUR REPRESENTATION: In order to be eligible to view this Prospectus or make an investment decision with respect to the securities, you must be: (i) a person that is outside the United States for the purposes of Regulation S under the Securities Act; (ii) (A) if in a member states of the European Economic Area (the "**Relevant States**") you are a Qualified Investor; (B) if in the UK you are a Relevant Person; and (C) irrespective of where you are resident or incorporated, you are an institution that is permitted within your home jurisdiction and in the jurisdiction; or which you are accessing this Prospectus, under applicable law and regulation, to access this Prospectus; or (iii) a citizen or a resident of Kazakhstan. By accepting this electronic transmission and accessing this Prospectus, you shall be deemed to have represented to "Halyk Finance" JSC, "Freedom Finance" JSC, "SkyBridge Invest" JSC and "BCC Invest" JSC (together, the "**Local Bookrunners**"), WOOD & Company Financial Services, a.s., Renaissance Securities (Cyprus) Limited (the "**International Bookrunners**") (together, the "**Bookrunners**"), the Company and "National Welfare Fund "Samruk-Kazyna" JSC ("**Samruk-Kazyna**") (the "**Selling Shareholder**") that you are outside the United States for the purposes of Regulation S under the Securities Act or that you are either a citizen of or resident in Kazakhstan, and that you consent to delivery of this Prospectus by electronic transmission. You are reminded that this Prospectus has been delivered to you on the basis that you are a person into whose possession this Prospectus may be lawfully delivered in accordance with the laws of Kazakhstan and you may not, nor are you authorised to, deliver this Prospectus to any other person.

The materials relating to the Offering do not constitute, and may not be used in connection with, an offer or solicitation in any place where offers or solicitations are not permitted by law.

Under no circumstances shall this Prospectus constitute an offer to sell or the solicitation of an offer to buy nor shall there be any sale of the shares in any jurisdiction in which such offer, solicitation or sale would be unlawful.

Information contained herein is not an offer, or an invitation to make offers, to sell, purchase, exchange or otherwise transfer securities in Kazakhstan to or for the benefit of any Kazakhstani person or entity, except for those persons or entities that are capable to do so under the legislation of Kazakhstan and any other laws applicable to such capacity of such persons or entities. This document shall not be construed as an advertisement (i.e., information intended for an unlimited group of persons which is distributed and placed in any form and aimed to create or maintain interest in the Company and its merchandise, trademarks, works, services and/or its securities and promote their sales) in, and for the purpose of Kazakhstan law, unless such advertisement is in full compliance with Kazakhstan law.

This Prospectus has been sent to the AIX and the KASE in an electronic form. You are reminded that documents transmitted via this medium may be altered or changed during the process of electronic transmission and consequently none of the Company, the Selling Shareholder, the Bookrunners, any person who controls any of them, nor any director, officer, employee or agent of any Bookrunner, nor any affiliate of any such person, accepts any liability or responsibility whatsoever in respect of any difference between this Prospectus distributed to you in electronic format and the hard copy version available to you on request from any Bookrunner.

None of the Bookrunners, or any of their respective affiliates, accepts any responsibility whatsoever for the contents of this Prospectus or for any statement made or purported to be made by it, or on its behalf, in connection with the Company, the Selling Shareholder or the Offering. The Bookrunners and any of their respective affiliates accordingly disclaim all and any liability whether arising in tort, contract, or otherwise which they might otherwise have in respect of this Prospectus or any such statement. No representation or warranty, express or implied, is made by any of the Bookrunners or any of their respective affiliates as to the accuracy, completeness, reasonableness, verification or sufficiency of the information set out in this Prospectus.

National Company “KazMunayGas” JSC

(A joint stock company organised under the laws of Kazakhstan)

Offering of up to 30,505,974 Ordinary Shares

Offer Price: KZT 8,406 per Share

This is an offering (the “**Offering**”) by joint stock company “Sovereign Wealth Fund “Samruk-Kazyna”, a joint stock company organised under the laws of Kazakhstan as a shareholder of National Company “KazMunayGas” JSC, a company established as a closed joint stock company under the laws of Kazakhstan on 27 February 2002 and re-registered as a joint stock company under the laws of Kazakhstan, of, in aggregate, up to 30,505,974 ordinary shares (the “**Shares**”) of the Company.

This Prospectus has been approved by the Astana International Exchange (the “**AIX**”) as a prospectus relating to the Company prepared in accordance with only the AIFC Market Rules (AIFC Rules No.FR0003 dated 17 October 2017) (as amended) (the “**Market Rules**”) of the AIFC and applicable Kazakhstan law. This Prospectus will be made available to the public in accordance with Market Rules on the Company’s website: https://www.kmg.kz.

The Shares have not been or will not be registered under Securities Act, and may not be offered or sold in the United States absent registration or an exemption from registration under the Securities Act.

The Offering does not constitute an offer to sell, or solicitation of an offer to buy, securities in any jurisdiction in which such offer or solicitation would be unlawful. The Shares are subject to selling restrictions in certain jurisdictions. Prospective purchasers should read the restrictions described under “*Selling Restrictions*” and “*Plan of Distribution*”.

The Selling Shareholder is offering Shares through the facilities of the AIX pursuant to the Market Rules and the AIX Business Rules (the “**AIX Offering**”) and the KASE pursuant to the Law of Kazakhstan No. 461-II “On Securities Market” dated 2 July 2003 (as amended) (the “**Kazakhstan Securities Market Law**”) pursuant to its regulations and settlement procedures (the “**KASE Offering**”) and via direct subscription to Kazakhstani retail investors through the Tabys application or KazPost offices pursuant to the Market Rules (the “**Direct Subscription**”). See “*Plan of Distribution–Direct Subscription*”. The Shares are offered in the AIX Offering, the KASE Offering and the Direct Subscription at the same price of KZT 8,406 per Share.

Applications have been made to the AIX: (i) for a listing of the whole class of Shares to be admitted to the official list of the AIX (the “**Official List**”); and **(**ii**)** for such Shares to be admitted to trading under the symbol “KMG”. Unconditional trading in the Shares on the AIX is expected to commence on or about 8 December 2022. Admission to the Official List (the “**AIX Admission**”) on the AIX is expected to take place following the Allocation Date on or about 5 December 2022.

AIX and its related companies and their respective directors, officers and employees do not accept responsibility for the content of this Prospectus including the accuracy or completeness of any information or statements included in it. Liability for the Prospectus lies with the Issuer of this Prospectus and other persons whose opinions are included in this Prospectus with their consent. Nor has AIX, its directors, officers or employees assessed the suitability of the securities to which this Prospectus relates for any particular investor or type of investor. If you do not understand the contents of this Prospectus or are unsure whether the securities are suitable for your individual investment objectives and circumstances, you should consult an authorised financial advisor.

The Shares have been admitted to the Official List of the KASE since 3 August 2015. Secondary trading in the Shares on the KASE is expected to commence immediately after the Closing Date on or about 8 December 2022.

THE SHARES ARE OF A SPECIALIST NATURE AND SHOULD ONLY BE BOUGHT AND TRADED BY INVESTORS WHO ARE PARTICULARLY KNOWLEDGEABLE IN INVESTMENT MATTERS. INVESTMENT IN THE SHARES INVOLVES A HIGH DEGREE OF RISK. PROSPECTIVE INVESTORS SHOULD READ THE ENTIRE PROSPECTUS, PARTICULARLY, THE SECTION HEADED “RISK FACTORS”, WHEN CONSIDERING AN INVESTMENT IN THE COMPANY.

The Offering does not constitute an offer to sell, or solicitation of an offer to buy, securities in any jurisdiction in which such offer or solicitation would be unlawful. For a discussion of these and certain further restrictions on transfers of the Shares, see “*Plan of Distribution*”, “*Selling Restrictions*” and “*Settlement and Transfer*”.

Joint Coordinators and Local Bookrunners

JSC “BCC Invest” **JSC “Freedom Finance”** **JSC “Halyk Finance”** **JSC “Skybridge Invest”**

International Bookrunners

Wood & Company Financial Services a.s. **Renaissance Securities (Cyprus) Limited**

The date of this Prospectus is 7 November 2022.

IMPORTANT INFORMATION ABOUT THIS PROSPECTUS

By accepting delivery of this Prospectus, you agree to the following. This Prospectus is being furnished by the Company and the Selling Shareholder solely for the purpose of enabling you to consider the purchase of the Shares. Any reproduction or distribution of this Prospectus, in whole or in part, any disclosure of its contents or use of any information herein for any purpose other than considering an investment in the Shares is prohibited, except to the extent that such information is otherwise publicly available.

None of the Company, the Selling Shareholder, the Bookrunners, nor any of their respective directors, officers, employees, agents, affiliates or advisers makes any representation, express or implied, or accepts any responsibility, with respect to the accuracy, verification or completeness of any of the information in this Prospectus, and accordingly disclaims to the fullest extent permitted by applicable law, any and all liability whether arising in tort, contract or otherwise which they might otherwise be found to have in respect of this Prospectus or any such statement. Nothing contained in this Prospectus is, or shall be relied upon, as a promise or representation in this respect, whether as to the past or the future. This Prospectus is not intended to provide the basis of any credit or other evaluation and should not be considered as a recommendation by any of the Company, the Selling Shareholder or the Bookrunners that any recipient of this Prospectus should subscribe for or purchase the Shares. Each potential subscriber or purchaser of the Shares should determine for itself/themselves the relevance of the information contained in this Prospectus, and its subscription or purchase of the Shares should be based upon such investigation as it/they deems necessary.

Unless indicated herein, this Prospectus has not been independently verified. This Prospectus is personal to each offeree and does not constitute an offer to any other person or the public generally to purchase or otherwise acquire the Shares. In making an investment decision, you should rely on your own investigation, examination, enquiry and analysis of the Company, the terms of the Offering, including the merits and risks involved, your own determination of the suitability of any such investment, with particular reference to your own investment objectives and experience and any other factors that may be relevant to you in connection with an investment in the Shares. Any decision to buy the Shares should be based solely on the information contained in this Prospectus. No person has been authorised to provide any information or to make any representations in connection with the Offering other than those contained in this Prospectus. If any such information is given or any such representations are made, such information or representations must not be relied upon as having been authorised by the Company, the Selling Shareholder, the Bookrunners, any of their respective affiliates, advisers or any other person. Prospective investors should assume that the information appearing in this Prospectus is accurate only as of its date, unless otherwise stated to the contrary herein. At any time following the date of this Prospectus, neither the delivery of this Prospectus nor any sale made hereunder shall under any circumstances imply that the information contained in this Prospectus is correct as of any date subsequent to the date hereof or that there has been no change in the Group's business, financial condition or results of operations.

You should not consider any information in this Prospectus to be investment, legal, tax, business or financial advice. You should consult your own investment, legal, tax, business, financial and other advisers for each of their respective advice regarding purchasing the Shares. None of the Company, the Selling Shareholder, or the Bookrunners makes any representation to any offeree or purchaser of the Shares regarding the legality of an investment in the Shares by such offeree or purchaser under appropriate investment or similar laws.

The price of securities and any income therefrom can decrease as well as increase.

The language of this Prospectus is English. Certain legislative references and technical terms have been cited in their original language so that the correct technical meaning may be ascribed to them under applicable law. For the purposes of the KASE Offering, the Company will furnish the KASE with a Russian and Kazakh translation of this Prospectus (each a "**Translation**"). The Translation has been prepared by the Company solely for the purpose of the KASE Offering described in this Prospectus. The Translation will also be available for the AIX Offering purposes. None of the Bookrunners nor any of their affiliates has verified, makes any representation or warranty, or takes any responsibility for the accuracy or completeness of the Translation. The English-language version of this Prospectus should be used in connection with any investment decision. In the event of any conflict or discrepancy between the English-language version of this Prospectus and the Translation, or any dispute regarding the interpretation of any statement in the English-language version or the Translation, the English-language version shall prevail.

Prospective investors acknowledge that: (i) they have not relied on the Bookrunners or any person affiliated with the Bookrunners in connection with any investigation of the accuracy of any information contained in this Prospectus or their investment decision; (ii) they have relied only on the information contained in this Prospectus; and (iii) no person has been authorised to provide any information or to make any representation concerning the Company, its subsidiaries or the Shares (other than as contained in this Prospectus) and, if given or made, any such other information or representation should not be relied upon as having been authorised by the Company, the Selling Shareholder or the Bookrunners.

In connection with the Offering, the Bookrunners and any of their respective affiliates acting as an investor for its or their own account(s) may subscribe for or purchase, as the case may be, a portion of the Shares in the Offering as a principal position and, in that capacity, may retain, purchase, sell, offer to sell or otherwise deal for its or their own account(s) in such securities, any other securities of the Company or other related investments in connection with the Offering or otherwise. Accordingly, references in this Prospectus to the Shares being issued, offered, subscribed, placed or otherwise dealt with should be understood as including any issue, offer, subscription, placement or dealing to any of the Bookrunners and any of their respective affiliates acting in such capacity. In addition, certain of the Bookrunners or their affiliates may enter into financing arrangements (including swaps with investors in connection with which such Bookrunners (or their affiliates) may from time to time acquire, hold or dispose of Shares). The Bookrunners do not intend to disclose the extent of any such investment or transactions otherwise than in accordance with any legal or regulatory obligation to do so.

The Company and the Selling Shareholder may withdraw the Offering at any time, and the Company, the Selling Shareholder and the Bookrunners reserve the right to reject any offer to purchase the Shares, in whole or in part, and to sell to any prospective investor less than the full amount of the Shares sought by such investor. The distribution of this Prospectus and the offer and sale of the Shares may be restricted by law in certain jurisdictions. You must inform yourself about and observe any such restrictions (see "*Selling Restrictions*" and "*Plan of Distribution*"). The Shares are offered in Kazakhstan only. You must comply with all applicable laws and regulations in force in any jurisdiction in which you purchase, offer or sell the Shares or possess or distribute this Prospectus and must obtain any consent, approval or permission required for your purchase, offer or sale of the Shares under the laws and regulations in force in any jurisdiction to which you are subject or in which you make such purchases, offers or sales. Any failure to comply with these restrictions may constitute a violation of the securities laws of any such jurisdiction. None of the Company, the Selling Shareholder or the Bookrunners is making an offer to sell the Shares or a solicitation of an offer to buy any of the Shares to any person in any jurisdiction except where such an offer or solicitation is permitted.

The contents of the websites of the Company or the Selling Shareholder do not form part of this Prospectus.

In making an investment decision, prospective investors must rely on their own examination of the Group and the terms of this Prospectus, including the risks involved.

A copy of this Prospectus can be obtained for a limited time at the registered office of the Company. See "*General Information*". The information set forth in this Prospectus is only accurate as at the date on the front cover of this Prospectus. The Group's business and financial condition may have changed since that date.

RESPONSIBILITY STATEMENTS

This Prospectus complies with the requirements in Section 69 of the AIFC Financial Services Framework Regulations (AIFC Regulations No. 18 of 2017) and Part 1 of Market Rules. Except as provided otherwise herein, the Company accepts responsibility for the information given in this Prospectus and, having taken reasonable care and having made reasonable inquiry to ensure that such is the case, the information contained in this Prospectus is, to the best of the Company's knowledge, in accordance with the facts and contains no material omission likely to affect its import.

At the Company's request DeGolyer & MacNaughton, registered at 5001 Spring Valley Road, Suite 800 East, Dallas, Texas, USA,75244 ("**D&M"**) prepared a "Report as of December 31, 2021 on Reserves and Revenue and Contingent Resources of Certain Fields with interests attributable to or controlled by JSC NC KazMunayGas – PRMS CASE" dated 9 February 2022 (the "**D&M Report**"). An executive summary from the D&M Report is attached in Annex A to this Prospectus. Having taken all reasonable care to ensure that such is the case, D&M declares that the information contained in the D&M Report is, to the best of the knowledge of D&M, in accordance with the facts and contains no omission likely to affect its import. D&M has given and has not withdrawn its written consent to the inclusion of the executive summary from the D&M Report in this Prospectus and references to the D&M Report and D&M in the form and context in which they are included in this Prospectus. Information derived from the D&M Report has been incorporated into the Prospectus and has not been modified.

The Company's auditor is Ernst & Young LLP ("**EY**"), registered at Esentai Tower, 77/7, Al-Farabi Avenue, 050060, Almaty, Kazakhstan, which is an associate member of the Chamber of Auditors of Kazakhstan. EY has audited, and rendered an unqualified audit report on, the accounts of the Company for the years ended 31 December 2021, 2020 and 2019. EY has also reviewed the Interim Financial Statements. See "*PRESENTATION OF FINANCIAL AND OTHER INFORMATION*".

NOTICE TO INVESTORS IN KAZAKHSTAN

This Prospectus does not constitute an offer, or an invitation to make offers, to sell, purchase, exchange or otherwise transfer securities in Kazakhstan to or for the benefit of any Kazakhstani person or entity, except for those persons or entities that are capable to do so under the legislation of Kazakhstan and any other laws applicable to such capacity of such persons or entities. This Prospectus shall not be construed as an advertisement (i.e., information intended for an unlimited group of persons which is distributed and placed in any form and aimed to create or maintain interest in the Company and its merchandise, trademarks, works, services and/or its securities and promote their sales) in, and for the purpose of the laws of Kazakhstan, unless such advertisement is in full compliance with Kazakhstan law.

NOTICE TO OTHER OVERSEAS INVESTORS

No actions have been taken to allow a public offering of the Shares under the applicable securities laws of any jurisdiction, including the United States, Australia, Canada or Japan. The Shares have not been and will not be registered or qualified under the applicable securities laws of United States, Australia, Canada or Japan or any other jurisdictions. Subject to certain exceptions, the Shares may not be offered or sold in any jurisdiction, or to or for the account or benefit of any national, resident or citizen of any jurisdiction, including the United States, Australia, Canada or Japan. This Prospectus does not constitute an offer of, or the solicitation of an offer to subscribe for or purchase, any Shares to any person in any jurisdiction to whom it is unlawful to make such offer or solicitation in such jurisdiction.

The distribution of this Prospectus and the offer and sale of the Shares in certain jurisdictions may be restricted by law. No action has been or will be taken by the Company, the Selling Shareholder and/or the Bookrunners to permit a public offering of the Shares under the applicable securities laws of any jurisdiction, except Kazakhstan. Other than as specified in this Prospectus, no action has been taken nor will be taken to permit the possession or distribution of this Prospectus (or any other offering or publicity materials relating to the Shares) in any jurisdiction where action for that purpose may be required, or where doing so is restricted by law. Accordingly, neither this Prospectus, nor any advertisement, nor any other offering material may be distributed or published in any jurisdiction except under circumstances that will result in compliance with any applicable laws and regulations. Persons into whose possession this document comes are required to inform themselves about and observe any such restrictions. Any failure to comply with such restrictions may constitute a violation of the securities laws of any such jurisdiction.

NOTICE IN CONNECTION WITH RELEVANT STATES AND THE UK

This Prospectus has been prepared on the basis that all offers of Shares will be made pursuant to an exemption under the UK Prospectus Regulation and the EU Prospectus Regulation from the requirement to produce a prospectus for offers to the public of transferable securities. Accordingly, any person making or intending to make any offer within the UK or a Relevant State of the Shares should only do so in circumstances in which no obligation arises for the Company or any of the Bookrunners to produce a prospectus for such offer. Neither the Company nor the Bookrunners nor any of them have authorised, nor do they authorise, the making of any offer of the Shares through any financial intermediary, other than offers made by the Bookrunners which constitute the final placement of the Shares contemplated in this Prospectus.

INFORMATION TO DISTRIBUTORS

Solely for the purposes of the product governance requirements contained within: (a) EU Directive 2014/65/EU on markets in financial instruments, as amended ("**MiFID II**"); (b) articles 9 and 10 of Commission Delegated Directive (EU) 2017/593 supplementing MiFID II; and (c) local implementing measures (the "**EEA Product Governance Requirements**") and disclaiming all and any liability, whether arising in tort, contract or otherwise, which any "manufacturer" (for the purposes of the EEA Product Governance Requirements) may otherwise have with respect thereto, the Shares have been subject to a product approval process, which has determined that such Shares are: (i) compatible with an end target market of retail clients and investors who meet the criteria of professional clients and eligible counterparties, each as defined in MiFID II; and (ii) eligible for distribution through all permitted distribution channels (the "**Target Market Assessment**"). Notwithstanding the Target Market Assessment, distributors (for the purposes of the EEA Product Governance Requirements) should note that: the price of the Shares may decline and investors could lose all or part of their investment; the Shares offer no guaranteed income and no capital protection; and an investment in the Shares is compatible only with investors who do not need a guaranteed income or capital protection, who (either alone or in conjunction with an appropriate financial or other adviser) are capable of evaluating the merits and risks of such an investment and who have sufficient resources to be able to bear any losses that may result therefrom. The Target Market Assessment is without prejudice to any contractual, legal or regulatory selling restrictions in relation to the Offering.

For the avoidance of doubt, the Target Market Assessment does not constitute: (a) an assessment of suitability or appropriateness for the purposes of MiFID II; or (b) a recommendation to any investor or group of investors to invest in, or purchase, or take any other action whatsoever with respect to the Shares.

Each distributor is responsible for undertaking its own target market assessment in respect of the Shares and determining appropriate distribution channels.

SERVICE OF PROCESS AND ENFORCEMENT OF CIVIL LIABILITIES

The Company and the Selling Shareholder are incorporated under the laws of Kazakhstan and most of their respective operations are located in Kazakhstan. A majority of the directors and executive officers of each of the Company and the Selling Shareholder reside in Kazakhstan. The majority of the assets of each of the Company and the Selling Shareholder and substantially all of the assets of the directors and executive officers of the Company and the Selling Shareholder are located in Kazakhstan. As a result, it may not be possible to (i) effect service of process upon the Company, the Selling Shareholder or any of their respective directors and executive officers outside of Kazakhstan, or (ii) enforce against any of them judgments obtained in the courts outside of Kazakhstan. Kazakhstan's courts will not enforce any judgment obtained in a court established in a country other than Kazakhstan unless (i) there is in effect a treaty between such country and Kazakhstan providing for reciprocal enforcement of judgments and then only in accordance with the terms of such treaty or (ii) there is an actual reciprocity (i.e., the particular judge is satisfied that there is an evidence that judgments obtained in Kazakhstan are enforceable (or were actually enforced) in such other country). Kazakhstan has a limited number of such treaties with certain countries; and existence of an actual reciprocity in absence of a treaty could be difficult or even impossible to prove. However, Kazakhstan is a party to the 1958 New York Convention on the Recognition and Enforcement of Foreign Arbitral Awards (the "**New York Convention**") and, accordingly, an arbitral award rendered in a country which is also a party to the New York Convention should be recognised and enforceable in Kazakhstan provided the conditions to recognition and enforcement set out in the New York Convention and the laws of Kazakhstan are met. See also "*Regulation in Kazakhstan—Arbitration Law*".

CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

This Prospectus may contain certain "forward-looking statements" which relate to, without limitation, the financial condition, results of operations and business of the Company and certain of the plans, intentions, expectations, assumptions, goals and beliefs of the Company regarding such items. These statements include all matters that are not historical fact and generally, but not always, may be identified by the use of words such as "believes," "expects," "are expected to," "anticipates," "intends," "estimates," "should," "will," "shall," "may," "is likely to," "plans" or similar expressions, including variations and the negatives thereof or comparable terminology.

Prospective investors should be aware that forward looking statements are not guarantees of future performance and that the Company's actual results of operations and financial condition and the development of the industry in which it operates may differ significantly from those made in or suggested by the forward-looking statements contained in this Prospectus. In addition, even if the Company's results of operations, financial condition and business and the development of the industry in which it operates are consistent with the forward-looking statements contained in this Prospectus, those results or developments may not be indicative of results or developments in subsequent periods.

Factors that could cause actual results to differ materially from the Company's expectations are contained in cautionary statements in this Prospectus and include, amongst other things, the following:

- price fluctuations in crude oil, gas and refined products markets and related fluctuations in demand for such products;
- overall international and domestic economic and business conditions, including commodity prices;
- the Company's ability to develop, replace and grow its current oil and gas reserves;
- economic and political conditions in Kazakhstan and international markets, including governmental changes;
- delays and cost over-runs in development projects and operations of the Company's joint ventures and subsidiaries;
- the availability or cost of transportation routes, especially the export transportation routes such as the CPC pipeline, and fees charged for arranging transportation;
- incidents or conditions affecting the export of crude oil and gas and export routes, such as the CPC pipeline;
- risks of the Group's non-compliance with applicable environmental and sustainability standards;
- changes in government regulations, including regulatory changes affecting the availability of permits, and governmental actions that may affect the Company's operations or planned expansion;
- asset disposals by the Company, including, inter alia, those in line with the Government's privatisation plan;
- changes in the corporate organisation of the Company, its subsidiaries, joint ventures or associates;
- operational limitations, including equipment failures, labour disputes and processing limitations;
- spread of contagious illnesses such as COVID-19 and others;
- the Company's ability to increase market share for its products and control expenses;
- fluctuations in the KZT/U.S.$ and other exchange rates;
- unplanned events or accidents affecting the Company's operations or facilities;
- changes in tax requirements, including tax rate changes, new tax laws and revised tax law interpretations;
- the effects of instability and unrest in countries in the same region as Kazakhstan, including but not limited to the Russia-Ukraine military conflict;

- reservoir performance, drilling results and the implementation of the Company's oil and gas expansion plans;
- an inability to implement any potential acquisition or an inability to acquire such interests on terms proposed by the Company; and
- the timing, impact and other uncertainties of future actions.

Additional factors that could cause actual results, performance or achievements to differ materially include, but are not limited to, those discussed under "*Risk Factors*" and "*Operating and Financial Review*". Forward-looking statements speak only as of the date of this Prospectus and the Company expressly disclaims any obligation or undertaking to publicly update or revise any forward-looking statements in this Prospectus to reflect any change in the Company's expectations or any change in events, conditions or circumstances on which these forward-looking statements are based. Given the uncertainties of forward-looking statements, the Company cannot assure you that projected results or events will be achieved and the Company cautions you not to place undue reliance on these statements.

PRESENTATION OF FINANCIAL AND OTHER INFORMATION

Presentation of Financial Information

The audited financial information set out in this Prospectus with respect to the Company has, except where expressly stated otherwise, and subject to rounding, been derived from the Company's financial statements, which were prepared in accordance with IFRS as issued by the International Accounting Standards Board ("**IFRS**").

The consolidated financial information of the Company set out in this Prospectus as at and for the year ended 31 December 2019 has been derived from the audited consolidated financial statements of the Group as at and for the year ended 31 December 2020 (the "**2020 Financial Statements**"). The consolidated financial information of the Company set out in this Prospectus as at and for the years ended 31 December 2020 and 2021 has been derived from the audited consolidated financial statements of the Group as at and for the year ended 31 December 2021 (the "**2021 Financial Statements**"). The consolidated financial information of the Company set out in this Prospectus as at and for the six months ended 30 June 2022 and 2021 has been derived from the unaudited interim condensed consolidated financial statements of the Group as at and for the six months ended 30 June 2022, reviewed by EY (the "**Interim Financial Statements**") and, together with the 2020 Financial Statements and the 2021 Financial Statements, the "**Financial Statements**"). The Financial Statements, together with the related independent auditor's reports related to the audited consolidated financial statements, are set forth on pages F-2 to F-29 in this Prospectus. The Financial Statements have been published at the Company's website.

Independent Auditors

As at the date of this Prospectus, the auditor of the Company EY. EY has audited, and rendered an unqualified audit report on, the accounts of the Company for the years ended 31 December 2021, 2020 and 2019. EY does not have any interest in the Company.

Restatements

On 9 November 2021, the Company transferred to Samruk-Kazyna its 100 per cent. stake in QazaqGaz National Company JSC ("**QazaqGaz**") (formerly KazTransGaz JSC and owned by the Company). Starting from 9 November 2021, QazaqGaz was classified as a discontinued operation. The business of QazaqGaz represented the entirety of the Group's gas trading and transportation segment until 8 November 2021. Further, the consolidated statement of comprehensive income and the consolidated statement of cash flows for the year ended 31 December 2020 were restated retrospectively. See Note 5 to the 2021 Financial Statements for further information on the results of QazaqGaz for the period ended 8 November 2021 and the year ended 31 December 2020.

Currency

Throughout this Prospectus, unless stated otherwise, the following definitions are used:

- "**€**", "**EUR**" or "**euro**" means the lawful currency for the time being of the member states of the European Union that adopted the single currency in accordance with the Treaty of Rome establishing the European Economic Community, as amended;
- "**U.S.$**", "**U.S. Dollar**" or "**dollar**" means the lawful currency for the time being of the United States, its territories and possessions;
- "**RUB**" means the lawful currency of the Russian Federation; and
- "**KZT**" or "**Tenge**" means the lawful currency of Kazakhstan.

Presentation of Certain Information Relating to Subsidiaries, Joint Ventures and Associates

Subsidiaries are entities over which the Company directly or indirectly has the power to govern the financial and operating policies generally accompanying a shareholding of more than 50 per cent. of the voting rights.

Subsidiaries are fully consolidated from the date on which control is transferred to the Company or one of its subsidiaries. Unless otherwise indicated, in this Prospectus, information presented for the Company's direct and indirect subsidiaries relating to production and reserves and other similar information reflect the subsidiaries' total interest therein, irrespective of the Company's percentage ownership thereof.

A joint arrangement is an arrangement of which two or more parties have joint control. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities requires the unanimous consent of the parties sharing control. Joint arrangements of the Company exist in two forms: joint ventures and joint operations. A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets and obligations for the liabilities relating to the arrangement.

Under IAS 28, which applies specifically to interests in joint ventures, joint ventures that meet the definition of a joint venture under IAS 28 must be accounted for using the "equity method". The interests of the Company and its subsidiaries in joint ventures are accounted for in the Financial Statements using the equity method of accounting. Under the equity method, the Company's consolidated statement of comprehensive income simply reflects the share of the Company in the joint venture as a single line item.

Upon the acquisition of joint operations, the Company recognises in relation to its interest in such joint operations, including its share of any assets held jointly and assets and liabilities, its share of any liabilities incurred jointly. The Company also recognises its revenue from the sale of its share of the output arising from the joint operations; its share of the revenue from the sale of the output by the joint operations; and expenses arising from the joint operations, including its share of any expenses incurred jointly.

Associates are entities over which the Company directly or indirectly has significant influence, but not control, generally accompanying a shareholding of between 20 and 50 per cent. of the voting rights. Investments in associates are accounted for using the equity method of accounting. The Company's and its subsidiaries' interests in associates are limited to their share of the net profit or loss of such associates and are reflected as a single line item in the Company's consolidated statement of comprehensive income of the Financial Statements.

Unless otherwise indicated, information presented in this Prospectus with respect to production and reserves and other similar information of joint ventures of the Company or its subsidiaries reflects the Company's and/or the relevant subsidiaries' proportionate interests in the joint ventures. Similarly, information presented in this Prospectus relating to production and reserves and other similar information of associates reflects the Company's and its subsidiaries' proportionate interest in the associates. In certain sections of this Prospectus, the Company has provided information on production and reserves and other similar information of the Company and its subsidiaries and joint operations separately from the production and reserves and other similar information of joint ventures accounted for under the equity method in order to permit some correlation to the financial accounting for the respective entities.

See Notes 7 and 19 to the 2021 Financial Statements and Notes 7 and 17 to the Interim Financial Statements for additional information regarding how the Company accounts for its subsidiaries, joint ventures and associates.

Certain Reserves Information

The Company calculates its reserves using both PRMS and Kazakhstan methodology (both described below). The reserves data contained in this Prospectus are, unless otherwise stated, taken from the DeGolyer and MacNaughton report prepared in accordance with PRMS ("**D&M**"), who estimated reserves and resources through the economic life of the respective fields. The Company obtained the consent of the D&M to disclose the reserves data in this Prospectus.

- **Kazakhstan Methodology**: The Company calculates its reserves using Kazakhstan methodology as a matter of compliance with Kazakhstan subsoil use law, which is based on a system employed in the former Soviet Union, which differs significantly from both (i) the internationally accepted reserve estimation standards under PRMS and (ii) the reserves classifications permitted by the SEC (the "**SEC Standards**"), in particular with respect to the manner in which and the extent to which commercial factors are taken into account in calculating reserves. Whilst Kazakhstan methodology permits the inclusion of highly speculative reserve quantities attributable to highly speculative acreage, for the reserves figures calculated using Kazakhstan methodology included in this Prospectus, the Company has elected to include only A+B+C1 reserves.

- **PRMS**: The Company also calculates its reserves in accordance with the internationally accepted reserve estimation standards under the Petroleum Resources Management System sponsored by the Society for Petroleum Engineers, the American Association of Petroleum Geologists, World Petroleum Council and the Society for Petroleum Evaluation Engineers (the "**PRMS**"). The Company first publicly reported reserves under PRMS in its 2021 annual report for the year ended 31 December 2020, and certain reserves information in accordance with PRMS is included in this Prospectus (see "*Business—Reserves*").

Estimates derived according to Kazakhstan methodology may be substantially higher than those derived in accordance with PRMS and the SEC Standards because Kazakhstan methodology differs in significant ways from those standards. Effective from 1 January 2010, the SEC Standards were revised to be more consistent with PRMS, including allowing for the voluntary disclosure of probable and possible reserves in addition to proven reserves. However, differences between the PRMS classification methodology and the Kazakhstan methodology persist: Kazakhstan methodology focuses on the actual physical presence of hydrocarbons in geological formations, and reserves are estimated based on the likelihood of such physical presence, whilst, by comparison, the PRMS classification system also focuses on the physical presence of hydrocarbons in geological formations, but also takes into consideration the economic efficiency of the extraction of these reserves (including factors such as exploration and drilling costs, operating costs, transportation costs, taxes, prevailing product prices and other factors affecting the economic viability of a given deposit). Further, under Kazakhstan methodology the reserves are approved by the state commission for reserves established under the Ministry of Energy.

Reserves are measured only on an annual basis and, accordingly, as at the date of this Prospectus, no reserve information is available as at any date subsequent to 31 December 2021.

The depreciation, depletion and amortisation data in the Financial Statements are prepared in accordance with IFRS, based on reserves estimates in accordance with PRMS, and were taken from published audited financial statements of certain of the Company's and its subsidiaries' joint ventures.

Hydrocarbon Data

References in this Prospectus to "tonnes" are to metric tonnes. One metric tonne equals 1,000 kilograms.

For informational purposes only, certain estimates in this Prospectus are presented as follows:

- oil and condensate in barrels and barrels per year. Barrel figures are converted from the Company's internal records presented in tonnes at a rate of 7.6 barrels per tonne. Barrel per day figures have been obtained by dividing annual figures by 365; and

- plant products, which include butane, propane, liquefied petroleum gas ("**LPG**") and liquid hydrocarbons, in barrels. Barrel figures are converted from the Company's internal records presented in tonnes at a rate of 7.6 barrels per tonne. Barrel per day figures have been obtained by dividing annual figures by 365.

For internal record keeping purposes, the Company's information relating to production, transportation and sales of crude oil and gas condensate is recorded in tonnes, a unit of measure that reflects the mass of the relevant hydrocarbon. For convenience, such information is presented in this Prospectus as both tonnes and in standard 42 U.S. gallon barrels (equal to approximately 159 metric litres) ("**barrels**" or "**bbl**"), converted from tonnes as described above. The actual number of barrels of crude oil produced, shipped or sold may vary from the barrel equivalents of crude oil presented herein, as a tonne of heavier crude oil will yield fewer barrels than a tonne of lighter crude oil. The conversion rates for other companies for converting tonnes into barrels and for converting cubic feet into cubic metres may be at different rates.

Rounding

Some numerical figures included in this Prospectus have been subject to rounding adjustments. Accordingly, numerical figures shown as totals in certain tables may not be an arithmetic aggregation of the figures that preceded them. Unless otherwise specified, all percentages have been rounded to the nearest one-tenth of one per cent.

Information Derived from Third Parties

The Company has derived certain information and statistics in this Prospectus from third parties, including from the U.S. Energy Information Administration (the "**EIA**"), Organisation of Petroleum Exporting Countries ("**OPEC**"), S&P, the National Bureau for Statistics of the Agency for Strategic Planning and Reforms of Kazakhstan (the "**Bureau of Statistics**"), the Ministry of Finance of Kazakhstan (the "**Ministry of Finance**"), the Ministry of Energy of Kazakhstan (the "**Ministry of Energy**"), the National Bank of Kazakhstan ("**NBK**") and other public sources in Kazakhstan, including the NBK's Annual Report, the World Bank and International Monetary Fund, as well as from Kazakhstan press reports and publications, decrees and resolutions of the government of Kazakhstan (the "**Government**"). Such information is contained in this Prospectus under the headings "*Presentation of Financial and Other Information*", "*Prospectus Summary*", "*Risk Factors*", "*Business*", *"Industry and Market Overview"* and "*Operating and Financial Review*". Where third-party information, data or statistics are set out, their source has been identified, they have been accurately reproduced, and, as far as the Company is aware and is able to ascertain from relevant available information published by the aforementioned sources, no facts have been omitted which would render the reproduced information, data and statistics inaccurate or misleading.

Investors should keep in mind that none of the Company, the Selling Shareholder nor the Bookrunners have independently verified information obtained from third-party sources or the Government. Furthermore, measures of the financial or operating performance of the Company's competitors used in evaluating the Company's comparative position may have been calculated in a different manner to the corresponding measures employed by the Company. Official statistics and other data published by Government authorities may not be as complete or reliable as those of more developed countries and may also be produced on different bases from those used in more developed countries. Specifically, investors should be aware that certain statistical information and other data contained in this Prospectus has been extracted from official Government sources and was not prepared in connection with the preparation of this Prospectus.

In addition, certain information contained in this Prospectus is based on the knowledge and research of the Company's management using information obtained from non-official sources. The Company has accurately reproduced such information and, so far as the Company is aware and is able to ascertain from information published by such third parties, no facts have been omitted that would render the reproduced information inaccurate or misleading. Nevertheless, prospective investors are advised to consider this data with caution. This information has not been independently verified and, therefore, is subject to uncertainties due to questions regarding the completeness or reliability of such information, which was not prepared in connection with the preparation of this Prospectus.

Presentation of Alternative Performance Measures

In this Prospectus, the Company uses the following metrics in the analysis of its business and financial position, which the Company considers to constitute non-IFRS alternative performance measures (the "**APMs**"). Set out below is a summary of the APM metrics used and the definition and the rationale for the inclusion of such metrics.

Metric	Definition	Rationale
EBITDA	Calculated as revenue *plus* dividends received from JVs and associated companies, *minus* the cost of purchased oil, gas, petroleum products and other materials, *minus* production expenses, *minus* general and administrative expenses, *minus* transportation and sales expenses, *minus* taxes other than income tax.	Performance measure.
Adjusted EBITDA	Calculated as revenue *plus* dividends received from joint ventures and associates, *minus* cost of purchased oil, gas, petroleum products and other materials, *minus* production expenses, *minus* general and administrative expenses, *minus* transportation and selling expenses, *minus* taxes other than income tax.	Performance measure.
Interim LTM EBITDA	Calculated as EBITDA for the year ended 31 December 2021 minus EBITDA for the six months ended 30 June 2021 plus EBITDA for the six months ended 30 June 2022.	Performance measure.
Cash and deposits (including long-term)	Calculated as the sum of cash and cash equivalents, short-term bank deposits and long-term bank deposits.	Liquidity measure.
Debt (including current portion)	Calculated as the current portion of borrowings plus the non-current portion of borrowings.	Liquidity measure.
Free Cash Flow	Calculated as consolidated cash flow from operating activities (including dividends received from joint ventures and associated companies, but not including changes in working capital in terms of advances received for the supply of oil) *minus* acquisition of fixed assets (so-called advances for fixed	Liquidity measure.

Metric	Definition	Rationale
	assets) *minus* acquisition of intangible assets *minus* acquisition of development assets deposits *minus* acquisition of appraisal and exploration assets less acquisition of interest in a subsidiary/joint venture *plus* funds received from the sale of participation interests in a subsidiary/joint/associated venture (with the exception of funds received from the transfer of the Company's assets to the competitive environment in accordance with the lists approved by the Kazakhstan Government Resolutions No. 1141 of 30 December 2015 and No. 908 of 29 December 2020 (as amended) based on the results of operations for the reporting period.	
Total Debt	notes (bonds) plus borrowings (short-and long-term)	Liquidity measure.
Net Debt	Calculated as Total Debt *minus* cash and cash equivalents *minus* bank deposits (short-long-term).	Liquidity measure.
Net Debt/ EBITDA	Calculated as the ratio of consolidated Net Debt divided by EBITDA.	Performance measure.
Net Debt/ Adjusted EBITDA	Calculated as the ratio of consolidated Net Debt divided by Adjusted EBITDA.	Performance measure.

The above APMs have been included in this Prospectus to facilitate a better understanding of the Group's historic trends of operation and financial condition. The Group uses APMs as supplementary information to its IFRS operating results or financial position. The APMs are not defined by, or presented in accordance with, IFRS. The APMs are not measurements of the Group's operating performance and/or liquidity under IFRS and should not be used instead of, or considered as alternatives to, any measures of performance and/or liquidity under IFRS. The APMs relate to the reporting periods described in this Prospectus and are not intended to be predictive of future results. In addition, other companies, including those in the Group's industry, may calculate similarly titled APMs differently from the Group. Because companies do not calculate these APMs in the same manner, the Group's presentation of such APMs may not be comparable to other similarly titled APMs used by other companies.

For a reconciliation of the APMs used in this Prospectus to the Financial Statements, see "*Selected Consolidated Financial and Other Information — Alternative Performance Measures.*"

TABLE OF CONTENTS

PROSPECTUS SUMMARY

Section 1 – The Introduction

Introduction

This Prospectus relates to the offering of Shares, which are sought to be admitted to the AIX Official List on or about 5 December 2022 and to trading on the AIX on or about 8 December 2022.

The security identification number of the Shares (ISIN) is KZ1C00001122. The AIX trading symbol will be KMG and the KASE trading symbol is KMGZ.

The legal and commercial name of the Issuer of the Shares is JSC National Company "KazMunayGas", which has the legal entity identifier 2138001H1M69RFJCSH88 and the business identification number 020240000555. The Company's registered address is 8 Kunayev Street, Astana, 010000, Kazakhstan and its telephone number is +7 (7172) 786 343. The email contact of the Company in respect of connection with investors: ir@kmg.kz

This Prospectus was approved by Management Board of KMG on 27 October 2022 and by the AIX on 7 November 2022.

The identity and contact details of the Person asking for admission to trading on an Authorised Investment Exchange: KMG, registered at: 8 Kunayev Street 8, Astana, 010000, Kazakhstan; tel. + (717) 278 63 43; ir@kmg.kz; www.kmg.kz

<u>The AIX address and contact details:</u>

Mangilik El Ave. 55/19 Block C 3.4, Astana, Kazakhstan; tel. +7(717) 223 53 20; markets@aix.kz; www.aix.kz

The KASE address and contact details:

8th floor, Northern tower of Multifunctional Complex Almaty Towers, 280 Baizakov Str., Almaty, Kazakhstan; tel.: +7(727) 237 53 00, 237 53 11; world@kase.kz; www.kase.kz

Warnings

The Prospectus Summary should be read as an introduction to the Prospectus.

Any decision to invest in the Shares should be based on a consideration of the Prospectus as a whole by the investor. Any decision to invest in the Shares may result in an investor losing all or a part of its invested capital.

Civil liability attaches only to those Persons who have tabled the summary, including any translation thereof, but only where the summary is misleading, inaccurate or inconsistent when read together with the other parts of the Prospectus, or where it does not provide, when read together with the other parts of the Prospectus, key information in order to aid investors when considering whether to invest in the Shares.

Investors agree and acknowledge that upon submission of request for application for the subscription (purchase) of Shares as part of the KASE Offering and/or the AIX Offering (the "**Applications**"), including Applications submitted as part of the Direct Subscription (the "**Bids**") by investors, the investors' personal data and other investors' information, including investors' Application value, may be disclosed to the Selling Shareholder and/or the Company by broker companies admitted as trading members in AIX or KASE, which shall ensure that they received investors' consents necessary to disclose such information to the Selling Shareholder and/or the Company.

Section 2 – Key Information about the Issuer

The legal and commercial name of the Issuer of the Shares is JSC National Company "KazMunayGas", which has the legal entity identifier 2138001H1M69RFJCSH88.

The Company is a joint stock company incorporated on 27 February 2002 under the laws of Kazakhstan with business identification number (BIN) 020240000555. The principal legislation under which the Company operates is the Law of Kazakhstan No.415-II "On Joint Stock Company" dated 13 May 2003 (as amended) (the "**JSC Law**"), the Law of Kazakhstan No. 413-IV "On State Property" dated 1 March 2011 (as amended) and the Law of Kazakhstan No. 550-IV "On Sovereign Wealth Fund" dated 1 February 2012 (as amended).

Principal activities

The Issuer's principal activities include: (1) Exploration and production of oil and gas; (2) Oil transportation; (3) Participating in the development and implementation of government policies related to the oil and gas industries; and (4) Refining and trading of crude oil, and refined products (diesel, gasoline, bitumen and other products).
The principal markets for the Company's products are the following:

Product	Market
Oil	Europe (99 per cent.)
Oil products	Kazakhstan (80per cent.), Other – Europe, China, Russia (20 per cent.)

Major shareholders

The Company's authorised share capital is KZT 916,540.5 million consisting of issued and placed 610,119,493 ordinary shares with a differing range of par value. The Company only has ordinary shares all of which are voting shares for the purposes of the Kazakhstan legislation.

As of the date of this Prospectus, approximately 90.42 per cent. of all the Shares of the Company are owned by Samruk-Kazyna and the remaining approximately 9.58 per cent. are owned by the NBK.

Who is the Issuer of the securities?

In 2015, the NBK entered into a trust management agreement with Samruk-Kazyna in respect of Shares in the Company owned by the NBK. Pursuant to the Trust Management Agreement, Samruk-Kazyna shall exercise any shareholder rights in respect of the Company's Shares held by the NBK in the interest of the NBK. Immediately following the Offering, it is expected that the Samruk-Kazyna will own not less than approximately 85.42[1] per cent. and the NBK will own approximately 9.58 per cent. of all the Company's Shares. See "*PRINCIPAL AND SELLING SHAREHOLDER AND RELATED PARTY TRANSACTIONS–National Bank of the Republic of Kazakhstan*."

Board of Directors

Name	**Position/Title**
Christopher John Walton	Chairman of the Board of Directors of the Company, Independent Director
Magzum Maratovich Mirzagaliyev	Chairman of the Management Board of the Company, Member of the Board of Directors of the Company
Uzakbay Suleymenovich Karabalin	Representative of Samruk-Kazyna, Member of the Board of Directors of the Company
Philip Malcolm Holland	Member of the Board of Directors of the Company, Independent Director
Timothy Glen Miller	Member of the Board of Directors of the Company, Independent Director
Yernar Beisenuly Zhanadil	Representative of Samruk-Kazyna, Member of the Board of Directors of the Company
Gibrat Kairatovich Auganov	Representative of Samruk-Kazyna, Member of the Board of Directors of the Company
Assel Anuarovna Khairova	Member of the Board of Directors of the Company, Independent Director

The most significant recent trends affecting the Company and industries in which it operates are the following:

- Changes in the global demand for hydrocarbons and fluctuations of the crude oil price;
- Intergovernmental and governmental regulations and policies, including agreement of oil producing countries to curtail production and/or regulate prices for crude oil and hydrocarbon products;
- The ongoing military conflict between Russia and Ukraine and anti-Russian sanctions already imposed or porposed to be imposed by the US, EU, UK and other countries; and
- Increasing pressure on the oil and gas industry to increase carbon neutrality and promote implementation of ESG standards.

[1] Assuming all of the 30,505,974 Shares offered in the Offering are sold.

Description of the Group and the Company's position within the Group

The Company is the parent company of the Group, which includes various subsidiaries, joint ventures and associates, in which the Company holds various interest stakes directly or through its other subsidiaries. As the date of this Prospectus, the Group comprises of 168 entities in total, including the Company.

Independent auditors

The Company's independent auditors are Ernst & Young LLP registered at Esentai Tower, 77/7 Al Farabi Ave., Almaty 050060, Kazakhstan.

Credit ratings

The Company's current credit ratings has been reviewed and assessed by S&P as "BB+" (outlook negative), Moody's as "Baa2" (outlook stable and Fitch as "BBB-" (outlook stable).

What is the key financial information regarding the Issuer?

Consolidated Statement of Profit or Loss

	Year ended 31 December			Six months ended 30 June	
	2019	**2020 (restated)**	**2021**	**2021 (restated)**	**2022**
			(*KZT million*)		
Total revenue and other income ...	7,970,132	4,012,786	6,742,739	3,047,893	4,909,638
Total costs and expenses................	(6,585,501)	(4,016,941)	(5,676,484)	(2,552,120)	(4,098,078)
Net profit for the period................	1,158,457	171,897	1,197,340	644,433	676,960

Consolidated Statement of Financial Position

	Year ended 31 December			Six months ended 30 June	
	2019	**2020**	**2021**	**2021 (unaudited)**	**2022 (unaudited)**
		(*KZT million*)			
Total assets............................	14,081,915	14,653,287	13,652,261	15,461,593	15,210,388
Total liabilities	5,855,259	6,016,608	5,493,580	6,161,566	6,284,129
Total equity...........................	8,196,656	8,636,679	8,158,681	9,300,027	8,926,259

Consolidated Statement of Cash Flow

	Year ended 31 December			Six months ended 30 June	
	2019	**2020 (restated)**	**2021**	**2021 (restated)**	**2022**
			(*KZT million*)		
Net cash inflow from operating activities..	123,801	446,533	1,078,497	443,744	354,155
Net cash outflow from investing activities..	(319,562)	(205,611)	(988,694)	(59,661)	(235,499)
Net cash outflow from financing activities..	(270,371)	(245,227)	(282,533)	(97,718)	(176,503)

There are no qualifications in the reports on the Financial Statements.

The Company's EBITDA for the year ended 31 December 2021 were equal to KZT 1,609 billion split mainly between (i) KZT 1,042 billion generated by the exploration and production segment (upstream), (ii) KZT 211 billion generated by the transportation of crude oil segment (midstream) of and (iii) KZT 289 billion generated by the refining, marketing and trading segment (downstream) and (iv) KZT 67 billion generated by Corporate and other business activities of the Company, including eliminations and adjustments. The Company's total revenue increased by 61.1 per cent. to KZT 5,838.8 billion for the year ended 31 December 2021 from KZT 3,625.0 billion for the year ended 31 December 2020, which represented a decrease of 47.1 per cent. compared to KZT 6,858.9 billion for the year ended 31 December 2019. For the first six months of 2022, the Company's total revenue amounted to KZT 4,203.2 million, as compared to KZT 2,672 million for the first six months of 2021.

The Company's net profit increased by 596.5 per cent. to KZT 1,197.3 billion for the year ended 31 December 2021 from KZT 171.9 billion for the year ended 31 December 2020, which represented a decrease of 85.2 per cent. compared to KZT 1,158.5 billion for the year ended 31 December 2019. For the first six months of 2022, the Company's net profit amounted to KZT 676.9 million, as compared to KZT 644.4 million for the first six months of 2021.

What are the key risks that are specific to the Issuer?

The Company is exposed to the following key risks:

(1) The Company's revenue and net profits fluctuate significantly with changes in crude oil prices, which are historically volatile and are affected by a variety of factors beyond the Company's control;
(2) The Company may be exposed to delays and cost over-runs in development projects and operations.
(3) Oil and gas is a capital intensive industry, and the Company's business may require substantial ongoing capital expenditures;
(4) Government policies and regulations on the oil and gas sector, including in respect to pricing and domestic supply requirements, may affect the Group's business;
(5) The Group faces competition from other suppliers of oil and gas;
(6) A number of the Company's production fields are mature, and the Company may be unable to successfully develop, replace and grow its current oil and gas reserves
(7) The reported quantities or classifications of the Company's crude oil and gas reserves depend on significant interpretations, assumptions and judgments;
(8) Certain of the Company's customers and business associates are subject to U.S. and EU sanctions, the Company may in future be subject to sanctions, and the ongoing or future impact of such sanctions may have an adverse effect on the Company.
(9) The Group has a complex ownership and corporate structure, is largely dependent on dividends from its subsidiaries, joint ventures, joint operations and associates and does not in all instances control decision-making at the subsidiary level;
(10) The Company has interests in joint ventures in which it has a non-controlling interest;
(11) Labour disputes may materially adversely affect the Group's business.
(12) The Company exports a substantial portion of its crude oil and gas to customers in certain regions, and adverse economic, political or legal developments in these regions could impact the Company's results of operations;
(13) The Company relies heavily on oil and gas transportation systems, including pipelines through Russian territory, to transport its products and its customers' products to markets outside Kazakhstan and any disruption or unavailability of such transportation systems would adversely affect the Company's ability to deliver its products;
(14) The Group is largely dependent on the political, economic and geopolitical conditions prevailing in Kazakhstan; and
(15) Climate change and sustainability concerns and impacts could require the Company to incur costs or invest additional capital, could reduce global demand for oil and could affect investor demand for oil.

Section 3 – Key Information on the Securities

What are the main features of the Shares?

This Prospectus relates to the offering of Shares, which are sought to be admitted to the Official List of the AIX and to trading on the AIX.

The security identification numbers of the Shares (ISIN) is KZ1C00001122. The AIX trading symbol of the Shares is KMG and the KASE trading symbol of the Shares is KMGZ. The currency of the Shares is KZT.

As part of the Offering the Selling Shareholder will sell up to 30,505,974 Shares.

Information about the Shares

The currency of the Shares is KZT. As at the date of this Prospectus, the Company's authorised share capital consists of 849,559,596 Shares, of which 610,119,493 Shares have been issued and placed. As at the date of this Prospectus, there are no treasury Shares. As at the date of this Prospectus the Company's share capital was KZT 916,540.5 million. The Shares have a differing par value. All the Shares are in the book-entry form. See "*DESCRIPTION OF SHARE CAPITAL AND APPLICABLE KAZAKHSTAN REGULATION–Share capital*".

Rights attaching to the Shares

A holder of Shares has the right to, *inter alia*:

(1) participate in Company's management in accordance with the procedure established by the legislation and/or the charter of the Company approved on 22 April 2016 (as amended) (the "**Charter**");
(2) when owning, independently or in aggregate with other shareholders, five or more percent of Company's voting shares, to propose to the board of directors of the Company (the "**Board of Directors**") to include additional items on the agenda of the general meeting of shareholders of the Company (the "**General Meeting of Shareholders**") in accordance with the JSC Law;
(3) collect dividends;
(4) receive information about Company's activities, as well as the data on affiliated companies, including confidential information, not later than ten days after Company receives the inquiry, unless otherwise specified in the inquiry, and to familiarise themselves with Company's financial statements, in accordance with the procedure established by the legislation or the Charter;
(5) receive extracts from Company's registrar or nominal holder certifying their property right to Company's securities;
(6) propose candidates for the General Meeting of Shareholders to be elected to Board of Directors;
(7) contest in court resolutions adopted by Company's bodies;
(8) address written inquiries to Company on its activities and receive reasoned answers within the established term;
(9) receive a part of the property in case of Company's liquidation;
(10) enjoy their pre-emption right with regard to Company's shares or other securities convertible into its shares, in accordance with the procedure established by the JSC Law, except for the cases specified by the legislation;
(11) demand, in accordance with the Law, to convene an extraordinary General Meeting of Shareholders or apply to the court with a claim for convocation in the event the Board of Directors refuses to convene a General Meeting of Shareholders;
(12) demand in accordance with the JSC Law that a meeting of the Board of Directors be convened;
(13) demand in accordance with the JSC Law that Company be audited by an audit firm at Company's own costs;
(14) initiate decision-making on issues within the competence of the General Meeting of Shareholders; and
(15) participate in decision-making on adjustment of the quantity or type of Company's shares in the manner prescribed by the legislation at the General Meeting of Shareholders.

Restrictions on the free transferability of the Shares

The Shares sold by the Selling Shareholder in the Offering are freely transferable, subject to selling and transfer restrictions under the relevant laws in certain jurisdictions applicable to the transferor or transferee, including Kazakhstan and other jurisdictions, and contractual lock up arrangements applicable to the Company and the Selling Shareholder. The Shares have not been and will not be registered under the Securities Act or under the applicable securities laws of any state of the United States or another jurisdiction and may not be offered, sold or transferred, directly or indirectly, within the United States, except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act or in any other jurisdiction.

Dividend Policy

The Dividend Policy of the Company was approved by the General Meeting of shareholders on 27 October 2022.

Decisions on distribution of dividends are made in compliance with major principles described in the Dividend Policy of the Company and are subject to the Board of Directors' recommendations and to approval of the General Meeting of Shareholders taken considering applicable law requirements, market conditions, oil prices, the Company's debt profile, investment program and capital expenditures, positive profitability and free cash flow profile, and other material circumstances, which may arise and impact the Company's ability to pay dividends in the aforementioned amount.

In 2019, 2020, 2021 and first six months of 2022, the Company's total dividend payments made to Samruk-Kazyna and the NBK amounted to KZT 36,998 million (KZT 60.64 per share), KZT 81,738 million (KZT 133.97 per share), KZT 49,999 million (KZT 81.95 per share), KZT 199,997 million (KZT 327.80 per share), respectively.

	Conditional on average yearly oil prices being not less than U.S.$70 per barrel the Company intends to pay annual dividends in the amount of not less than KZT 200-250 billion (in total to all its shareholders) in respect of each of the Company's 2022, 2023 and 2024 financial years to be paid in 2023, 2024 and 2025, respectively.
Where will the Securities be traded?	The Shares are being offered by the Selling Shareholder to resident and non-resident institutional and/or retail investors and are sought to be admitted to trading on the AIX. The Shares are already included into the official list of the KASE and will continue to be trading on the KASE following the Offering. Trading on the KASE was suspended on 7 November 2022 and will remain suspended until and including the Closing Date.
What are the key risks that are specific to the Securities?	The Shares have the following key risks: (1) An active trading market for the Shares may not develop; (2) Sales of additional Shares following the Offering may result in a decline in the price of the Shares; (3) The Company may elect not to pay dividends in the future; and (4) Holders of Shares in certain jurisdictions may not be able to exercise their pre-emptive rights.

Section 4 – Key Information on the admission to trading

Under which conditions and timetable can I invest in this Security?

Terms and conditions and timetable of the Offer

The Offer Price is KZT 8,406 per Share. The Offer Price was approved by the Board of Directors of the Selling Shareholder on 7 November 2022. The Selling Shareholder is offering Shares through the facilities of the AIX pursuant to the Market Rules and the AIX Business Rules and the KASE pursuant to the Kazakhstan Securities Market Law pursuant to its regulations and settlement procedures and via direct subscription to Kazakhstani retail investors through the App or KazPost offices pursuant to the Market Rules. Admission of the Shares to the Official List of Securities of the AIX is expected to take place on or about 5 December 2022 under the ticker KMG.

The Shares are being offered pursuant to the AIX Offering, the KASE Offering and the Direct Subscription, in each case at the same price of KZT 8,406 per Share.

Pursuant to the Resolution of the Government No. 877 dated 5 November 2022, Samruk-Kazyna is authorised to sell up to 94,109,125 Shares, representing in aggregate approximately 15.42 per cent. of the total number of existing Company's Shares (the "**Authorised Limit**"), of which Samruk-Kazyna is intended to offer up to 30,575,974 Shares representing in aggregate approximately 5 per cent. of the total number of existing Company's Shares. The final number of Shares to be sold in the Offering (together with the price and structure of the Offering) are expected to be approved by the Board of Directors on or about the Allocation Date with its subsequent approval by the Resolution of the Kazakhstan Government (as the sole shareholder of the Selling Shareholder) in accordance with Kazakhstan laws.

In order to take delivery of the Shares, investors must pay for them in same-day funds on or before the Allocation Date and must have an appropriate securities account.

The Offer period is expected to commence on 9 November 2022 (the "**Opening Date**") at 12:00 (Astana time) and the Applications may be submitted by: (a) 30 November 2022, 18:00 (Astana time) for institutional investors and (b) 2 December 2022, 15:00 (Astana time) for retail investors (the "**Offer Period**").

Plan of distribution

The Selling Shareholder is offering, in aggregate, up to 30,505,974 Shares at an Offer Price of KZT 8,406 per Share. The Selling Shareholder is offering Shares to (i) Kazakhstan and foreign retail and institutional investors through the book-building facilities of the AIX and the KASE; and (ii) Kazakhstani retail investors via Direct Subscription through the App or KazPost offices.

Priority of satisfaction of investor applications

Satisfaction of Applications (full or partial) is made at the sole discretion of the Selling Shareholder (and, as applicable, the Company) generally based on the following principles:

(1) Priority of satisfaction of Applications of citizens of Kazakhstan. According to this principle:
   (a) Applications of citizens of Kazakhstan are satisfied on a first-priority basis (ahead of all Applications of investors of other categories) in the maximum number possible from the total number of offered Shares;

(b) Applications of other investors (including institutional investors-residents of Kazakhstan and non-resident investors) are satisfied on a second-priority basis in the maximum number possible from the total number of offered Shares, minus the number of Shares necessary to fully satisfy all Applications of citizens of Kazakhstan.

(2) The unconditional right of the Selling Shareholder (and, as applicable, the Company) to refuse, in its sole discretion, to satisfy any Application (in whole or in part) in the event that, in the opinion (regardless of how accurate and/or justified it is), the Selling Shareholder (and, as applicable, the Company) such satisfaction results or may result in: (1) a high concentration of Shares held by one person or a group of related persons; and/or (2) violation of requirements of applicable law and/or applicable compliance procedures.

Amount and percentage of immediate dilution resulting from the Offer

The table below sets forth certain information regarding the ownership of the Company's share capital prior to the Offering, as adjusted to give effect to the sale of the Shares by the Selling Shareholder in the Offering (assuming all Shares are sold in the Offering, respectively).

	Shares owned before the Offering		**Shares owned after the Offering**		**Notifiable shareholdings(2)**
Shareholder	**Number**	**Percentage(1)**	**Number**	**Percentage(1)**	**Yes/No**
Samruk-Kazyna	551,698,745	90.42	457,589,620	85.42	Yes
NBK(3)	58,420,748	9.58	58,420,748	9.58	Yes

Note:

(1) Approximate percentage shareholding of ordinary shares.

(2) Based on the JSC Law, the Charter of the Company and AIX Business Rules.

(3) NBK has entered into a trust management agreement with Samruk-Kazyna in respect of its shares in the Company. See "—*National Bank of the Republic of Kazakhstan*" below.

Total expenses of the issue

The total commissions, fees and expenses payable in connection with the Offering will be approximately KZT 2.28 billion. These amounts include, among others, fees for auditors, tax advisers, financial advisers and legal counsel, listing and admission to trading fees, as well as selling commissions. The fees and commissions payable to the Bookrunners in connection with the Offering will be paid by the Company and the Selling Shareholder. The Company and the Selling Shareholder will each bear all their own costs and expenses incurred in connection with the Offering.

Estimated expenses charged to the investor by the Company / Selling Shareholder

No commissions, fees or expenses in connection with the Offering will be charged to investors by the Company, the Selling Shareholder or the Bookrunners, except the brokerage and other applicable fees/commissions payable when the Bookrunners or other banks provide brokerage services to investors.

Why is this Prospectus being produced?

The Selling Shareholder will receive all of the net proceeds of the Offering, which, if all the Shares will be sold as part of the Offering, will be approximately KZT 256 billion.

The Offering is conditional on Admission becoming effective and on the underwriting agreement entered into between the Companyand the Local Bookrunners dated 29 July 2022 (the "**LB Underwriting Agreement**") to which the Selling Shareholder intends to accede on or about the Opening Date and the agreement to be entered into between Company, the Selling Shareholder and the International Bookrunners before the Allocation Date (the "**IB Underwriting Agreement**") (together, the "**Underwriting Agrrements**") becoming unconditional and not having been terminated in accordance with its terms.

There are no material conflicts of interest pertaining to the Offering or the Admission.The Offering is being conducted in order to implement the Comprehensive plan of privatisation for 2021–2025 approved by Resolution of the Government of the Republic of Kazakhstan No. 908 "On certain matters of privatisation for 2021–2025" dated 29 December 2020 (as amended).

RISK FACTORS

*Prospective investors should consider carefully the risks set forth below and the other information contained in this Prospectus prior to making any investment decision with respect to the Shares. The risks highlighted below could have a material adverse effect on the business, financial condition, results of operations or prospects of the Company and its consolidated subsidiaries and joint ventures, taken as a whole (the "**Group**"), which, in turn, could have a material adverse effect on the value of the Shares. Prospective investors should note that the risks described below are not the only risks the Group faces. The Group has only described the risks it believes to be material. There may be additional risks that the Group currently considers immaterial or of which it is currently unaware, and any of these risks could have the effects set forth above.*

The risks below have been classified into the following categories: risks relating to the Company's industry, risks relating to the Company's business, risks relating to the region in which the Company operates, risks relating to taxation, and risks relating to the Shares and the trading market. This categorisation is provided for convenience only, and any particular category should not be assumed to contain all the risks related to that category.

Risks relating to the Company's industry

The Company's revenue and net profits fluctuate significantly with changes in crude oil prices, which are historically volatile and are affected by a variety of factors beyond the Company's control.

Crude oil sales are the Company's largest source of revenue, and the price of crude oil and the revenue realised by the Company from the sales of crude oil are affected by a variety of factors beyond the Company's control, including:

- global and regional supply and demand, and expectations regarding future supply and demand, for crude oil and petroleum products;
- the impact of economic conditions on the Company's customers, including any reductions in demand for crude oil and petroleum products;
- global and regional socioeconomic and political conditions and military developments, government policies and influence, particularly in countries in the same region as Kazakhstan (including, but not limited to, Russia) and in the Middle East and other oil-producing regions;
- weather conditions, natural disasters and public health threats and global pandemics, such as the COVID-19 pandemic or others;
- access to pipelines, especially export pipelines such as the CPC pipeline, railways and other means of transporting crude oil and petroleum products;
- prices and availability of alternative fuels;
- the ability of the members of the OPEC, of which Kazakhstan is not a member, and a so-called extended OPEC ("**OPEC+**"), over which Kazakhstan has limited influence, and other crude oil producing nations to set and maintain specified levels of production and prices;
- Kazakhstan and foreign governmental regulations and actions, including export restrictions, standards on content of oil and gas, and taxes, including carbon tax initiatives; and
- market uncertainty and speculative activities.

Historically, world crude oil prices have been highly volatile and are generally characterised by significant fluctuations that are determined by the global balance of supply and demand, which is entirely outside of the Company's control. Further, certain geopolitical activities including regional conflicts and tensions, like those in the Middle East and the recent Russia-Ukraine conflict, have and are affecting oil prices. According to statistics published by the EIA, the average annual spot price of Brent crude oil was U.S.$106.92 per barrel in the first six months of 2022 and U.S.$70.86 per barrel in 2021, as compared to the average prices of U.S.$41.96 per barrel in 2020 and U.S.$64.30 per barrel in 2019. While the Russia-Ukraine conflict has caused a surge in oil and gas prices globally, in March 2022 the CPC blend (that includes the crude oil of certain members of the Group: Tengizchevroil LLP ("**TCO**"), North Caspian Operating Company B.V. ("**NCOC**"), Karachaganak Petroleum Operating B.V. ("**KPO**") and Russian producers using the oil pipeline operated by Caspian Pipeline Consortium JSC (the "**CPC pipeline**") in particular was trading at a discount of up to U.S.$10 per barrel relative to the prevailing Brent crude oil market prices.

Kazakhstan joined the agreement on oil production curtailment entered into in April 2020 by the OPEC+ member-countries (the "**OPEC+ Oil Agreement**") providing for oil production curtailment due to a decline in oil price following the COVID-19 pandemic outbreak. Starting from May 2021, OPEC+ member-countries has been gradually increasing oil production until October 2022. On 5 October 2022, OPEC+ member-countries agreed to curtail oil production by 2 million barrels per day from the August 2022 levels starting from November 2022 and agreed to extend the OPEC+ Oil Agreement until 31 December 2023. Kazakhstan's production commitments for November 2022 will be 1,628 million barrels per day. To implement these commitments the Government usually adopts a resolution establishing temporary limitations on use of the subsoil for hydrocarbon exploration and development, which is not publicly available. The Company is yet to assess the impact of these production curtailment commitments on its operations. As at the date of this Prospectus, the Company has not received any instructions from the competent authorities (the Ministry of Energy) with respect to these new production curtailment commitments accepted by Kazakhstan.

Fluctuations in the price at which the Company is able to sell crude oil would cause the Company's results of operations and cash flow to vary significantly. Historically, high oil prices have had a considerable positive impact on the Company's business, while lower crude oil prices have reduced, and may continue to reduce, the amount of crude oil that the Company is able to produce economically, including, in particular, by negatively affecting the economic viability of the production levels of specific wells or of projects planned or in development where production costs would exceed anticipated income from such production. A decline in the price per barrel for crude oil currently received by the Company or any resulting curtailment in the Company's overall production volumes may result in a reduction in revenue and net profits, impair the Company's ability to make planned capital expenditures or to incur costs necessary for the development of the Company's fields and may materially adversely affect the Company's business, prospects, financial condition, cash flows or results of operations. In particular, if the price per barrel falls below certain budgeted amounts for a sustained period, the Company may need to revise its capital allocation and may not meet its production plans or continue with certain exploration projects.

The Company may be exposed to delays and cost over-runs in development projects and operations.

Similar to other oil and gas companies, the Company's operations involve the development and operation of complex projects, which are subject to a number of risks. The Company's projects have in the past and may in the future face equipment failures, development curtailments, shutdowns, delays and cost over-runs. For example, the Company's joint venture TCO (with joint venture partners Chevron Overseas, ExxonMobil Kazakhstan Ventures Inc. and Lukoil International GmbH.) has faced cost over-runs and delays in the implementation of two expansion projects: the Future Growth Project ("**FGP**") and the Wellhead Pressure Management Project ("**WPMP**") at the Tengiz Field in western Kazakhstan. Although originally TCO publicly stated that the projects would cost up to U.S.$36.8 billion, in 2019 it subsequently announced that it expects the FGP and WPMP will cost up to U.S.$46.5 billion (including a U.S.$1.3 billion contingency reserve). TCO expects that the WPMP component will launch in end-2023, and the FGP component is expected to be commissioned by mid-2024. This is primarily caused by delays attributable to the outbreak of COVID-19 in Tengiz and related measures taken by TCO to minimise its impact. While TCO has publicly advised it expects deliver the projects within the new budget and timing and anticipates any cost overruns could be funded out of its own cash flows and, to the extent necessary, through non-recourse external financing, further overruns or delays may impact or delay payment of dividends by TCO to its shareholders, including the Company. See "*Business — Megafields — TCO —Tengiz Expansion Projects*". In addition, at the Kashagan Field there were a number of delays to the start of commercial production from 2008 to 2013, which led to significantly increased capital expenditures. Further, sour gas leaks were detected in a section of the pipeline in September and October 2013, leading to a temporary halt of production at the Kashagan Field. On 3 August 2022, due to detection of a gas release in the perimeter of the Bolashak Onshore Processing Facility site, NCOC safely suspended operations of the facility and started repair works and integrity verification on the unit. A few days later partial production operations have been safely restarted. Upon completion of repairs and integrity verification, full production at the facility will be restored.

Other equipment failures, development curtailments, shutdowns, delays or cost over-runs that materially affect the operations of the Group or its joint venture partners could affect production or amounts of oil and gas the Company is able to transport or refine, and could require the Company to provide additional capital or affect the Company's ability to accurately budget, which could, in turn, have a material adverse effect on the Company's business, financial position and results of operations.

Oil and gas is a capital-intensive industry, and the Company's business may require substantial ongoing capital expenditures.

The oil and gas industry is capital intensive and requires capital expenditures related to maintenance, exploration and development, production, transportation, refining and trading and compliance with environmental laws and regulations. Although capital expenditures for the projects of the Company's joint ventures are financed at the level of the relevant joint venture, historically, the Company has had significant levels of capital spending and investment, primarily in connection with its refinery modernisation programme which was completed in 2019 and cost approximately KZT 1.5 trillion (or U.S.$3.9 billion). See "*Operating and Financial Review—Total Capital Expenditures*". The Company may also engage in further capital-intensive projects in future.

The Company is also seeking to attract foreign investment including through finding strategic partners to fund exploration and development of certain fields. In recent years, the Company has advanced and reached certain agreements on cooperation with Lukoil PJSC ("**Lukoil**") and Eni S.p.A. ("**Eni**") regarding the development of a several offshore oil fields in the Caspian Sea and is engaged in discussions with Tatneft PJSC ("**Tatneft**"), a Russian petroleum company, regarding cooperation on implementation of new technologies with respect to field development and on a butadiene rubber and isobutane production plant project. In addition, as part of its efforts to diversify, the Company continues to rapidly grow its petrochemical business, which may require further significant investments. However, there can be no guarantee that the Company will be successful in finding strategic partners to provide funding for capital expenditures. See "*Business—Exploration and Production-Megafields – Operating Assets" and "Business–Petrochemical".*

The Company currently expects that the majority of its capital expenditure commitments in the short-to-medium term will be in respect of projects aimed at maintaining the current level of production at existing fields. Although, in recent years, internally generated cash flows have generally been sufficient to maintain the Company's operations and fund its growth, there can be no assurance that the Company will continue to generate sufficient cash for these projects. The Company's ability to fund future operations and its planned and committed capital expenditures will depend upon the Company's future operating performance and, more broadly, on the availability of external financing and the Company's ability access to debt and equity markets. The availability of financing will be affected by the Company's credit rating and leverage, as well as prevailing economic conditions, market conditions in the oil and gas industry and financial, business and other factors, many of which beyond the Company's control. If the Company is unable to generate sufficient cash flows or to obtain necessary financing on acceptable terms or at all, it may be unable to continue growing its business or to sustain or improve its profits. Moreover, if the Company cannot generate sufficient cash flows or otherwise secure sufficient liquidity to support its capital requirements, the Company may not be able to meet its debt payment obligations, which could have a material adverse effect on the Company's results of operations or liquidity.

Government policies and regulations on the oil and gas sector, including in respect to pricing and domestic supply requirements, may affect the Group's business.

The Government requires all oil producers in Kazakhstan, including the Company, to supply some of their crude oil production to domestic refineries to meet domestic energy requirements, primarily in the agriculture sector. The Government determines the volume of crude oil that needs to be supplied to the domestic market on a monthly basis. As domestic consumption of oil and refined oil products rises, the Company may be compelled by the Government to sell a larger portion of its production in furtherance of socially-mandated policies. If the Government does increase the Group's domestic supply quota over and above the quantities currently supplied by the Group, such supplies will take precedence over market sales and will generate substantially less upstream revenue than crude oil sold on the export market, which may materially and the Company's business, prospects, financial condition, cash flows or results of operations may be materially adversely affected.

In addition, the Group is required to supply natural gas to the domestic market at prices which are regulated by the Government, are lower than export prices and have in the past been lower than the cost of production of such natural gas. As a result, while the Government and utilities are moving toward a market-based user-pay system, the Company currently incurs losses on its domestic supply of gas at current prices and domestic supply takes precedence over gas available to the Company to put back into production or for export opportunities. In January 2022, following protests against a surge in prices of LPG, exchange trading of LPG was suspended on electronic trading platforms, state regulation of the retail prices of oil products and LPG was introduced for 6 months and the Government increased pressure on the Group to fulfil plans, approved by the Ministry of Energy, to increase the domestic supply of LPG. In March 2022, LPG trading through electronic trading platforms was cancelled and will be replaced with trading at commodity exchanges starting from January 2023.

The Government has previously implemented a number of temporary bans on the export of gasoline and diesel fuel from Kazakhstan in order to stabilise the prices of oil products in the domestic market with the last ban introduced in June 2022 for 6 months (effectively extending a prior ban introduced in November 2021). There can be no assurance that additional bans will not be imposed in the future.

When the Company supplies crude oil and gas and produces oil and gas products pursuant to socially-mandated policies or a request by the Government or is subject to an export ban, its sales of the relevant products usually generate substantially less revenue than sales of such products in the export market at international market prices and the Company's business, prospects, financial condition, cash flows or results of operations may be materially adversely affected.

The Group faces competition from other suppliers of oil and gas.

The sale of crude oil and gas internationally is very competitive. The Company's primary competitors for the sale of crude oil include international oil companies, many of which have substantial crude oil reserves and financial resources. The primary factors driving competition are global crude oil supply and demand and the quality of the crude oil produced, which impacts the relative value of the crude oil to be used in the production of diesel, gasoline and other refined products. Other factors that could affect competition in the crude oil marketplace include additional discoveries of crude oil reserves by the Company's competitors, new technologies that increase the viability of reserves or reduce production costs, political and economic factors and other factors outside of the Company's control. Increased competitive pressure could have a material adverse impact on prices at which the Company can sell crude oil and its regional and global market share and could also impact the Company's bargaining power when negotiating with counterparties. Further, many of the Group's products compete in commodity-type markets where product differentiation poses a significant challenge. Where competitiveness is principally driven by price, the importance of cost efficiency is critical to maintaining and growing the Company's market share. If the Company fails to adapt its strategy and improve its cost-control measures, it may be unable to compete effectively in certain markets.

In addition, the Company's refineries in its downstream segment are subject to competition in the geographies to which they sell refined products or petrochemicals. Competition is primarily from other refineries located in, or in close proximity to, the relevant market, and in the case of refineries that are net importers, from other international producers. Operating efficiencies and production costs are the key factors affecting competition in the refined products and chemicals markets. Accordingly, if the operating efficiencies and production costs of the Company's refineries in its downstream segment are not sufficiently competitive in the geographical markets they serve, the Company's business, financial position and results of operations could be materially and adversely impacted.

The Group's operations are subject to environmental risk, and the Group is required to comply with environmental laws and regulations, which may continue to develop and change.

The Group's operations are subject to the environmental risks inherent in virtually all aspects of its business, including oil and gas exploration, production, transportation and refining. There are environmental issues with current and past sites of operations that have been caused by the Company's subsidiaries, joint ventures and associates and their predecessors. The Group's primary environmental liabilities include land contamination, gas flaring, wastewater disposal and oil spills.

On 1 July 2021, a new environmental code (the "**Environmental Code**") entered into force in Kazakhstan. See "*Regulation in Kazakhstan — Health, Safety and Environmental Regulation.*" The Environmental Code reinforced prior regulatory principles and introduced new ones, such as the "polluter pays" principle. The adoption of the "polluter pays" principle has led to the introduction of several measures, including the obligation to eliminate environmental damage in kind (as opposed to having to provide monetary compensation for ecological damage under the prior environmental legislation) and a significant increase in the rates of fines for environmental offenses.

The Environmental Code targets entities that contribute most heavily to pollution, including those in the oil and gas sector. The Environmental Code makes the operators of certain facilities (including oil and gas production and processing plants) ("**category I facilities**") directly responsible for the emissions of operator-engaged contractors involved in the construction, operation and servicing of the facilities, and mandates the implementation of the automated air monitoring systems starting from 2023 and gradual implementation of the best available techniques (the "**BAT**") from 2025 onwards. To promote the implementation of BAT, fees payable by category I facilities' operators for causing negative environmental impact will gradually increase two, four and eight-fold every three years. For operators included in the Government-approved list of Kazakhstan's top-50 polluters, this fees' increase will commence in 2025, and for all other operators – from 2031. The following six entities of the Group (including joint ventures) were listed among the top-50 polluters: Atyrau Oil Refinery (ANPZ LLP) ("**Atyrau Refinery**"), Pavlodar Refinery LLP ("**Pavlodar Refinery**"), KazakhOil Aktobe LLP ("**Kazakhoil Aktobe**"), PetroKazakhstan Oil Products ("**PKOP**"), TCO, KPO and NCOC. TCO, KPO and NCOC are the operators of Tengiz, Karachaganak and Kashagan fields (jointly the "**megafields**"), respectively. Facilities that have implemented the BAT will be exempt from the obligation to pay the negative environmental impact fees. See "*Regulation in Kazakhstan — Health, Safety and Environmental Regulation.*"

Further, the Environmental Code significantly extended the applicable statute of limitations period for claims relating to environmental damage to 30 years from the date that any such damage was inflicted. If the Group is audited and found to have breached the Environmental Code, it could lead to the imposition of high fines. Any such fine could in turn have a material adverse effect on the Company's business, prospects, financial condition, cash flows or results of operations. As a newly developed piece of legislation, the Environmental Code and relevant subordinate acts may be subject to different interpretations by the governmental agencies and/or courts, and may undergo further amendments, the extent of which remains uncertain.

The Group's cost of environmental compliance in 2021 amounted to KZT 33.4 billion, which represents an increase of KZT 10 billion from 2020. The environmental costs primarily represent expenses for processing of oil waste, introduction of cleaner technologies and modernization of the existing treatment facilities. In addition, the Company has increased its budget for recovery of historical oil wastes and oil-contaminated soil treatment. The costs of environmental compliance in the future, and potential liabilities due to any environmental damage that may be or may have been caused by the Company, could be material. For instance, the Kazakhstani environmental authorities fined Embamunaigas JSC ("**EMG**") in 2020 for excessive gas flaring for approximately KZT 1.2 billion (or U.S.$29 million). Moreover, the Company could be adversely affected by future orders and/or fines imposed by environmental authorities on subsidiaries, joint ventures or associates of the Company. Such orders could include the suspension or termination of one or more of the Company's subsoil contracts and environmental permits, or the temporary or permanent shutdown of operations.

Although the Company is obliged to comply with all applicable environmental laws and regulations, it cannot, given the changing nature of environmental regulations, guarantee that it will be compliant at all times. In addition, the Company does not in all instances have operational control over its subsidiaries, joint ventures, joint operations and associates. See "*Risks relating to the Company's business — The Group has a complex ownership and corporate structure, is largely dependent on dividends from its subsidiaries, joint ventures, joint operations and associates and does not in all instances control decision makings*". Any failure to comply with applicable environmental requirements could subject the Company to, among other things, civil liabilities and fines, and the temporary or permanent shutdown of affected operations. Any imposition of environmental fines, increase in the costs associated with compliance, suspension or revocation of licences, or termination of contracts could have a material adverse effect on the Group's business, prospects, financial condition, cash flows or results of operations.

Climate change and sustainability concerns and impacts could require the Company to incur costs or invest additional capital, could reduce global demand for oil and gas and could negatively affect the Company's ability to obtain financing.

Climate change and sustainability concerns manifested in public sentiment, investor sentiment, government policies, laws and regulations, international agreements and treaties and other actions may reduce global demand for crude oil and propel a shift to lower carbon intensity fossil fuels or alternative energy sources. The Company may be required to incur costs, invest additional capital or make changes to the way it does business to address the impacts of climate change.

In particular, increasing pressure on governments to reduce greenhouse gas emissions ("**GHGs**") has led to a variety of actions that aim to reduce the use of fossil fuels, including, among others, carbon emission cap and trade regimes, carbon taxes, increased energy efficiency standards and incentives and mandates for renewable energy and other alternative energy sources. In November 2021, Kazakhstan and other countries entered into the Glasgow Climate Pact, which includes a range of measures and commitments designed to further minimise the use of coal, carbon emissions and to transition to renewable sources of energy. The Glasgow Climate Pact also called for phasing down inefficient fossil fuel subsidies. Although these international commitments are not directly binding on companies, additional regulatory requirements may be issued in an effort to help meet the relevant commitments and targets. Compliance with any such additional requirements may be costly for the Company. See also "*—The Group's operations are subject to the environmental risk, and the Group is required to comply with environmental laws and regulations which may continue to develop and change*". Existing and future climate change concerns and impacts, and related laws, regulations, treaties, protocols, policies and other actions could shift demand to other fuels, reduce demand for the Group's products and have a material adverse effect on the Company's business, financial position and results of operations.

There are also increasing financial risks for oil and gas companies, as stockholders and bondholders currently invested in oil and gas companies concerned about the potential effects of climate change may elect in the future to shift some or all of their investments into non-fossil fuel energy-related investments. Institutional investors who provide capital to oil and gas companies also have become more attentive to sustainability issues, and the lending and investment practices of institutional lenders have been the subject to intensive lobbying efforts in recent years, oftentimes public in nature, by environmental activities, proponents of the international climate agreements, and foreign citizenry concerned about climate change not to provide funding for fossil fuel producers. Limitation on investments in and financings for fossil fuel energy could restrict the availability of capital, resulting in the restrictions, delay or cancellation of development and production activities of the Company.

Finally, it should be noted that increasing concentration of GHGs in the Earth's atmosphere may produce climate changes that have significant physical effects, such as increased frequency and severity of storms, floods and other climatic events. Such events, if severe, may damage or negatively impact the Company's infrastructure or disrupt operations. If any such effects were to occur, they could have an adverse effect on the Company's operations.

Risks relating to the Company's business

A number of the Company's production fields are mature, and the Company may be unable to successfully develop, replace and grow its current oil and gas reserves.

As at 30 June 2022, more than half of reserves of operating subsidiaries of KMG, in particular fields operated by Ozenmunaigas JSC ("**OMG**") and Mangistaumunaigas JSC ("**MMG**") and EMG and Karazhanbasmunai JSC ("**KBM**") and PKKR and etc., were mature and production from those reserves is declining. The Company has undertaken projects to maintain production levels, including various field development and rehabilitation projects, including the drilling of new wells, the completion of well workovers and the introduction of secondary enhanced oil recovery and well stimulation techniques. Such activities typically involve significant levels of capital expenditures in new technologies and alternative methods of extracting reserves from such fields. For certain fields (or parts of certain fields), the Government provides a tax incentive for undertaking such projects to make those fields more profitable. In 2019, such a tax incentive was granted at OMG, lowering the mineral extraction tax rate for certain parts of its fields to 2.6 per cent. from 13 per cent. This tax incentive was granted from 2019 until 2021. In 2022, it was extended until the end of the subsoil use contract in 2036.

The Company also intends to increase overall production levels by replacing reserves through new discoveries over the long-term and making new acquisitions of producing oil and gas fields. The Company's crude oil and gas exploration programme may result in unproductive wells or wells that are not economically feasible to produce. The Company may be required to curtail, delay or cancel any of its drilling operations because of a variety of factors, including unexpected drilling conditions, pressure or irregularities in geological formations, equipment failures or accidents, premature declines in reservoirs, blowouts, uncontrollable flows of crude oil, natural gas or well fluids, pollution and other environmental risks, adverse weather conditions, compliance with governmental requirements and shortages or delays in the availability of drilling rigs and the delivery of equipment. The economic viability of such activities also depends upon the minimum price per barrel of crude oil being sufficient to allow the Company to continue to conduct its operations and capital expenditure and exploration projects, in accordance with its budget. See "*—The Company's revenue and net profits fluctuate significantly with changes in crude oil prices, which are historically volatile and are affected by a variety of factors beyond the Company's control.*"

No assurance can be given that such activities will achieve the desired results, particularly in geographically and technically challenging areas. Any failure of the Company to implement these activities in part or at all or in a cost-efficient manner could result in decreases in production or the profitability of such production, which could, in turn have a material adverse effect on the Company's business, prospects, financial condition, cash flows or results of operations.

The reported quantities or classifications of the Company's crude oil and gas reserves depend on significant interpretations, assumptions and judgments.

The reserves data contained in this Prospectus was derived from the D&M's Report (unless indicated otherwise) and reproduced herein without modification. There are numerous uncertainties inherent in estimating the quantity of reserves and in projecting future rates of production, including many factors beyond the Company's control. Estimating the quantity of reserves is a subjective process, and estimates made by different experts may vary significantly. In addition, the results of drilling, testing and production subsequent to the date of an estimate may result in revisions to that estimate. Accordingly, reserves estimates may be different from the quantity of crude oil and natural gas that is ultimately recovered, and, consequently, the revenue therefrom could be less than that currently expected. The significance of such estimates is highly dependent upon the accuracy of the assumptions on which they are based, the quality of the information available and the ability to verify such information against industry standards.

All reserves data comprises estimates only and should not be construed as representing exact quantities. These estimates are based on production data, prices, costs, ownership, geological and engineering data and other information assembled by the Company's subsidiaries, joint ventures and associates, and assume, among other things, that the future development of the Company's oil and gas fields and the future marketability of the Company's oil and gas products will be similar to past development and marketability. There can be no assurance that the interpretations, assumptions and judgments utilised by the Company to estimate proved reserves will prove to be accurate. Any significant deviation from these interpretations, assumptions or judgments could materially affect the estimated quantity or value of the Company's proved reserves. In addition, these estimates could change due to new information from production or drilling activities, changes in economic factors, including changes in the price of crude oil and gas, changes to laws, regulations or other events. For example, declining prices may cause certain proved reserves to no longer be considered commercially viable, which could result in downward adjustments to the Company's estimates of the Company's proved reserves, impairment of the Company's assets or changes to the Company's capital expenditures and production plans. Moreover, proved reserves estimates are subject to change due to changes in published rules or changes in guidelines. Any material reduction in the quantity or value of the Company's proved reserves could negatively affect the Company's business.

The Company relies heavily on oil and gas transportation systems, including pipelines through Russian territory, to transport its products and its customers' products to markets outside Kazakhstan and any disruption or unavailability of such transportation systems would adversely affect the Company's ability to deliver its products.

The Company's crude oil for export is transported primarily through international pipelines and, to a lesser extent, by rail and sea routes through other countries. The Company currently exports its crude oil to Europe by pipelines through Russian territory to Black Sea and Baltic Sea ports and through Azerbaijan by rail to the Batumi oil terminal in Georgia on the Black Sea. The Company also exports crude oil to China through the direct Kazakhstan-China pipeline. The Company is largely dependent upon intergovernmental agreements between Kazakhstan and other countries to transport its oil to markets outside Kazakhstan and upon such governments' adherence to such agreements, both of which are outside of the Company's control and cannot be guaranteed.

Crude oil from Tengiz, Kashagan and Karachaganak, the Company's megafields, as well as EMG and Kazakhoil Aktobe, is transported mainly through the CPC pipeline. In 2021, approximately 79 per cent. of Kazakhstan's total oil export was transported through the CPC pipeline. The Kazakhstani portion of the pipeline is operated by Caspian Pipeline Consortium-K JSC ("**CPC-K**") and the Russian portion of the pipeline is operated by Caspian Pipeline Consortium-R ("**CPC-R**"). Both CPC-K and CPC-R have the same shareholders that comprise Russia (31 per cent. held through the Federal Agency for State Property Management and CPC Company), Kazakhstan (20.75 per cent. held through the Company and Kazakhstan Pipeline Ventures LLC ("**KPV**")), Lukoil (12.5 per cent.), Chevron (15 per cent.), Rosneft-Shell Caspian Ventures Ltd. (7.5 per cent.), Exxon Mobil (7.5 per cent.) and BG Overseas Holding Limited, Eni International N.A. N.V., and Oryx Caspian Pipeline LLC, each holding not more than 2 per cent. See "*Business — Transportation of Crude Oil — CPC pipeline System.*" Following the start of the Russia-Ukraine military conflict in February 2022, the U.S. has imposed a ban on the import of all Russian crude oil and in June 2022 the EU has imposed a partial ban on importing hydrocarbons from Russia, coming into full effect towards the end of the 2022. Crude oil transported through the CPC pipeline, known as the CPC blend, comprises a mixture of crude oil of both Kazakhstani and Russian shippers. Although the U.S. and the subsequent EU ban does not apply to the portion of the CPC blend certified as Kazakh origin, in March 2022 the CPC blend was trading at a discount of up to U.S.$10 per barrel relative to the prevailing Brent crude oil market prices. If restrictions are placed on the transportation of crude oil from or via Russia, the Group's business will be negatively affected. Although the current sanctions on Russian export pipelines do not apply to the CPC pipeline, CPC has experienced difficulties in sourcing the necessary replacement parts for the current repairs, and may face similar challenges and overall reluctance of international suppliers to deliver necessary equipment to support any future emergency repair work should the equipment be damaged again. See "— *Risks relating to the region in which the Company operates — The Group's business and results of operations may be adversely affected by the ongoing military conflict between Russia and Ukraine*".

In addition, any reduction or cessation in the availability of the Company's export routes, whether due to maintenance breakdowns, contamination, security issues, political developments, natural disasters, public health threats and global pandemics or disagreements with the Company's partners, among other things, would materially adversely affect exports, which, in turn, would have a material adverse impact on the Company's business, prospects, financial condition, cash flows or results of operations. Significant transportation disruptions could also result in reductions in, or interruptions of, production, which, together with the costs of resuming production and restoring production to pre-reduction or interruption levels, could have a material adverse impact on the Company's business, prospects, financial condition, cash flows or results of operations. Over the course of 2022, there have been a few events that have caused or threatened temporary shutdown of CPC operations, including a storm in the Black Sea, a search for hazardous subsea objects at the seabed near the CPC terminal area mandated by Russian state authorities, administrative proceedings initiated by Russia's Federal Service for Supervision of Transport, a state authority for control of sea and river transportation ("**Rostransnadzor**") and suspension of operations of SPMs due to equipment defects as further described below. In March 2022 due to a heavy storm, CPC-R had to suspend operations at all three single point moorings (SPMs) continuing intake of oil at minimum productivity, along with loading of tankers at only one SPM. Following the decommissioning of the two SPMs and until the end of April 2022, TCO had to limit oil production at Tengiz. In mid-April 2022 CPC-R completed repairs and recommissioned one of the SPMs, which allowed the normal loading speed to be restored. Furthermore, in June 2022 CPC-R announced a scheduled shutdown of two SPMs for 10 days for conducting a search for potentially hazardous subsea objects necessary in accordance with applicable regulations prior to commencing repair works. On 28 April 2022, Rostransnadzor appointed an unscheduled audit of the CPC-R facilities for compliance with environmental regulations following an earlier Russian court decision as part of a dispute with the Russian authorities over an oil spill that took place in 2021. The audit identified certain documentary violations of the oil spill response plan. On 6 June 2022, Rostransnadzor issued a citation to CPC-R requesting elimination of the violations before 30 November 2022. Rostransnadzor also initiated administrative proceedings against CPC-R for the offense with the local court requesting suspension of CPC operations for 90 days. On 5 July 2022, the court found CPC-R liable for the offense and appointed an administrative penalty in the form of suspension of the CPC pipeline for 30 calendar days. On 11 July 2022, following CPC-R's appeal the appellate court granted CPC's appeal and replaced the suspension with a RUB 200,000 (approximately U.S.$3,500) fine. Terminal operations during this period were ongoing as usual and there was no disruption to transportation schedule. Further, in early August 2022, CPC-R suspended operations at two out of three SPMs due to repair works on the buoyancy tanks that were found to have been damaged and as at the date of this Prospectus repair works are ongoing. Although the Group has alternative transportation routes such routes will not be sufficient to replace the existing arrangements, to transport its products and its customers' products to markets outside Kazakhstan. Given recent developments, the Company and its JV partners and associates are considering routes alternative to the CPC, including a Trans-Caspian Transportation Route and the Baku–Tbilisi–Ceyhan pipeline, however, there can be no guarantee that such alternative routes will be implemented within a short period of time or that they will be reliable and efficient.

Certain of the Company's customers and business associates are subject to U.S. and EU sanctions, the Company may in future be subject to sanctions, and the ongoing or future impact of such sanctions may have an adverse effect on the Company.

The U.S. government imposes economic sanctions and trade embargoes with respect to certain countries in support of its foreign policy and national security goals. These laws and regulations are administered by the U.S. Treasury Department's Office of Foreign Assets Control ("**OFAC**") and, in certain instances, by the U.S. State Department. U.S. economic sanctions impose restrictions on U.S. persons and, in certain circumstances, non-U.S. persons with respect to activities or transactions with certain countries, governments, entities or individuals that are the target of the relevant U.S. economic sanctions. Under applicable U.S. economic sanctions, U.S. persons also are prohibited from facilitating such activities or transactions, and non-U.S. persons are prohibited from causing other persons to violate applicable prohibitions. The UK, the EU and various other countries (such as, Australia, Canada, Japan and Switzerland), as well as the United Nations, have also implemented measures aimed at prohibiting or restricting engagements in financial and other dealings with sanctioned countries, entities and individuals.

In 2014, the U.S. and the EU (and other nations, such as Canada, Switzerland, Australia and Japan) imposed sanctions on certain Russian persons and entities, including certain sanctions restrictions, but not a complete ban on doing business, on Gazprom (a Russian state-owned oil and gas company restricted under U.S. sanctions from transfers of products and technologies relating to certain types of oil exploration and production projects), Transneft PJSC ("**Transneft**") (a Russian state-owned pipeline company restricted under U.S. and E.U. sanctions from transactions involving its new debt and/or equity) and Lukoil (a publicly-traded Russian energy company restricted under U.S. sanctions from transfers of products and technologies relating to certain types of oil exploration and production projects). The scope of these sanctions restrictions could potentially change in the future. The Group has business relationships with each of Transneft, Lukoil and Gazprom. Whilst the Company does not believe the Company itself or the joint ventures are subject to sanctions as of the date of this Prospectus, there is a risk this could change in the future should the sanctions regime change.

Whilst the Company has not been targeted by any relevant sanctions authority, there can be no assurance that the Company will not be sanctioned in the future. For example, the Company is currently a party to certain joint ventures with Gazprom, including a joint venture for deepwater exploration in Russian sector of the Caspian sea. Under Section 225 of the Countering America's Enemies Through Sanctions Act (CAATSA), certain significant investments in certain types of crude oil extraction projects (i.e., deepwater, arctic offshore, or shale deposits) in Russia can trigger sanctions even in the absence of any involvement by U.S. persons. If the Company were to be sanctioned in the future, it could significantly impair the trading and liquidity of the Shares as certain parties may be required, or may decide for reputation reasons or otherwise, to cease their business relationships with the Company, some of the Company's investors, in the U.S., in the EU and in other jurisdictions where sanctions similar to the U.S. economic sanctions apply, may be required (by operation of law or regulations or under internal investment policies, or both) to divest their interests in the Shares, and some potential investors may forgo the purchase of Shares due to various reasons, including a decrease in liquidity. Moreover, under such circumstances, other counterparties to the Company, both U.S. and non-U.S. and including various sources of funding for the Company, may be required, or may decide for reputational reasons or otherwise, to cease their business relationships with, or divest their investments in, the Company. Any of these factors could have a material adverse effect on the Company's business, prospects, financial condition, cash flows or results of operations.

Furthermore, the EU and U.S. have imposed sectoral sanctions on entities operating in certain sectors of the Russian economy, in particular in the financial, oil and gas, defence and related materials sectors. With respect to the financial sector, under these sectoral sanctions the EU and U.S. imposed prohibitions on transactions by EU and U.S. persons or within the EU or U.S. with respect to transacting in, providing financing for, or otherwise dealing in debt with a prescribed maturity or equity, if that debt or equity is issued on or after prescribed dates by, or on behalf of, or for the benefit of named persons, their property, or their interests in property. The Company and its affiliates have in the past borrowed under a number of loan agreements with Russian banks, certain of which, including VTB Bank PJSC ("**VTB Bank**"), are included on the list of sanctioned entities. Whilst borrowing from these banks is not currently prohibited, as a result of the imposition of sanctions on certain Russian financial institutions, the Company's continued and future access to funding from Russian banks may be limited (should the Company decide to borrow from such banks) as such banks may be unable to offer funds, particularly in U.S. Dollars, to companies at an acceptable cost, if at all. Accordingly, the Company's available funding sources may become more limited and there can be no assurance that the Company will be able to find alternative available funding on the same or better terms, if at all. It should be noted, however, that loans from Russian financial institutions are not a material proportion of the Company's current total debt and the Company is not dependent on Russian debt capital markets.

In addition, a number of large corporations, including major international oil and gas companies, have divested interests or otherwise curtailed business dealings with certain Russian businesses or announced plans to do so. See "*— Risks relating to the region in which the Company operates — The Group's business and results of operations may be adversely affected by the ongoing armed conflict commenced by Russia against Ukraine*".

The current sanctions against Russia and persons connected with Russia and potential further sanctions in response to continued Russian military activity may have a negative impact on the Group's operations. If there is a prolonged economic recession, similar to the one in 2014, or other adverse economic developments in Russia or elsewhere, it may have a negative impact on the oil and gas markets. Poor economic conditions may lead to a decrease in construction and manufacturing activities and, as a result, there may be reduced demand for the Group's oil and gas products. Any reduction or cessation in the availability of rail infrastructure or other means of transporting the Group's oil and gas products in Russia, loss of customers as a result of the sanctions against Russia and persons connected with Russia or its officials, or a decrease in demand for the Group's oil and gas products as a result of an economic downturn in Russia could have a material adverse effect on the Group's business, prospects, financial condition, cash flows and results of operations.

The Group has a complex ownership and corporate structure and is largely dependent on dividends from its subsidiaries, joint ventures and joint operations.

As at the date of this Prospectus the Group has a complex corporate structure, consisting of 168 legal entities (including the Company) represented by numerous subsidiaries, joint ventures, joint operations and associates, many of which are may be material to the Group's operations. The Group has recently simplified its structure to integrate and reduce the layers of management. Namely, in November 2021, the Company transferred the entire of its 100 per cent. interest in QazaqGaz, formerly KazTransGaz JSC, a national gas operator, and its subsidiaries to Samruk-Kazyna, in accordance with Samruk-Kazyna's June 2020 instruction. This spin-off of the gas production and gas transportation business resulted in, *inter alia*, a simpler corporate structure and governance, and allowed the Company to continue focusing on its core business activities. The efforts to simplify the Group's corporate structure and divest certain business assets are mandated by the shareholders of the Company (Samruk-Kazyna and, ultimately, the Kazakhstan Government). In December 2020, the Government adopted Resolution No. 908 dated 29 December 2020 "On certain matters of privatization for years 2021-2025", which envisages that certain assets of Samruk-Kazyna, including members of the Group, be disposed of through direct sales, IPO or other means.

While most of the Group's assets are located in and operations are conducted in Kazakhstan, the Company holds interests in certain assets located outside Kazakhstan, including: (1) the downstream assets represented by the Petromidia Refinery and Vega Refinery in Romania and gas filling stations in Central and Eastern Europe (through KMG International), (2) midstream assets in Georgia represented by the Batumi Sea Port (through KTO) and (3) the midstream assets in Russia represented by CCPC-R, which operates the Russian portion of the CPC pipeline, and a few others (including holding companies incorporated under the laws of foreign jurisdictions). Location of assets outside the country of main operations of the Company exposes such assets to additional risks associated with compliance with local laws and regulations, relationship with the governmental authorities in those jurisdictions, geopolitical and other factors and may have an adverse impact on financial condition or results of operations of the Company.

Also, the Company has limited direct access to cash flows and is largely dependent on dividends from its subsidiaries, joint ventures, joint operations or associates. The Company's subsidiaries are separate legal entities, and although they are directly or indirectly wholly owned and controlled by the Company, the ability of the subsidiaries to distribute cash to the Company will be subject to, among other things, financial covenants accepted by such subsidiaries, availability of sufficient funds in such subsidiaries and applicable laws and regulatory restrictions. The ability of the Company to receive dividend payments from its joint venture investments could be adversely affected by the lack of sole decision-making authority, particularly where the Company has a minority interest (as in TCO and KPO), the Company's reliance on the financial condition of its joint venture partners and potential disputes between the Company and its joint venture partners. See "*—The Company has interests in joint ventures in which it has a non-controlling interest.*" If the Company does not receive dividends in line with its expectations, it could in turn have an adverse impact on the Company's business, prospects, financial condition, cash flows or results of operations as well as its ability to pay dividends to its shareholders.

The Company has interests in joint ventures in which it has a non-controlling interest.

The Company directly, or through its subsidiaries, is party to several joint ventures, some of which are a significant part of the Company's current and prospective net profit. The Company may, in the future, enter into additional joint ventures as a means of conducting its business. Many of the joint venture projects are long-term arrangements and the interests of the different consortium members may diverge over the life of project resulting in competing business strategies and priorities. The Company cannot fully control the operations or the assets of these entities, nor can it unilaterally make major decisions with respect to such entities. This lack of full control constrains the Company's ability to cause such entities to take action that would or might be in the best interests of the Company or, in limited cases, to refrain from taking action that would or might be materially adverse to the interests of the Company. However, for most major joint ventures and major affiliated companies, the Company has various arrangements put in place, which allow the Company to have a certain degree of control over the decision-making at either the shareholders' or board or both levels – such arrangements include, for example, a requirement for a unanimous vote, veto rights or reserved matters that specifically require the Company's vote. Such major joint ventures and major affiliated companies include but are not limited to *(in alphabetical order)* CITIC Canada Energy Limited ("**CCEL**") and its subsidiaries (such as Caspi Bitum JV LLP ("**CaspiBitum**") and KBM), CPC-K and CPC-R, Kazakhoil Aktobe, Kazakhstan Petrochemical Industries Inc., KazRosGas LLP ("**KazRosGas**"), a JV with Gazprom PJSC ("**Gazprom**"), Petrosun LLP, MMG (via Mangistau Investment B.V. ("**MIBV**")), PetroKazakhstan Inc. ("**PKI**") and its subsidiaries, and TCO.

Even though the vast majority of the Company's joint venture partners are global majors or national champions, the Company is also exposed to the credit risk of its joint venture partners. Many of the projects undertaken by the joint ventures are capital intensive and require significant investments from the partners to fund initial project costs and any cost overruns. If one of the partners is unable or refuses to fund its proportion of such investments, the joint venture may be unable to complete the project on time and on budget, if at all. In addition, if one of the Company's partners in a joint venture were to suffer an insolvency event, it could lead to the liquidation of that partner's investment in the project, which could, in turn, adversely affect the joint venture operations. Further, the Company is not generally able to exercise control over the standards, operations and compliance of its joint venture partners. The Company may be affected by any material damage to the business reputation of a joint venture partner, which could, in turn, adversely affect the Company's own reputation and/or lead to legal proceedings and/or regulatory risks.

Although relations between the Company and its joint venture partners are generally positive and the Company's management does not foresee any deterioration in its relationship with its joint venture partners, the Company cannot be sure that relations will remain so in the future. Any deterioration in the Company's relationship with its joint venture partners or a deterioration in the Government's relationship with the governments of such joint venture partners, such as the Chinese or Russian governments, could have a material adverse impact on these various joint ventures and, accordingly, the Company's business. See "*Business — Overview*".

The operations of the Company's subsidiaries, joint ventures and associates are regulated by and must be conducted in compliance with governmental regulations as well as the obligations under their respective licences, contracts and field development plans.

The Company is subject to legal, regulatory and contractual obligations in the normal course of its business. For example, the Company's operations must be carried out in accordance with the terms of its subsoil use contracts and annual working programmes and budgets as set forth in the subsoil use contracts. Such subsoil use contracts are in turn regulated by certain Kazakhstan laws and regulations.

Since the mid-2000s, legislation applicable to oil and gas exploration and production in Kazakhstan has been amended several times. On 29 June 2018, a new subsoil regulation (the "**Subsoil Code**") entered into force and replaced the Law "On Subsoil and Subsoil Use" (No. 291-IV, dated 24 June 2010) as amended, (the "**Subsoil Law**"). The Subsoil Code regulates the natural resources industry, including oil and gas production. In particular, the Subsoil Code sets out certain circumstances in which subsoil use contracts may be suspended or terminated prematurely or fines may be imposed against subsoil users, such as the Company. The Subsoil Code also gives the Government the right to unilaterally review the terms of subsoil use contracts, including production sharing agreements ("**PSAs**"), in the event of a threat to national security due to the change in the economic interests of Kazakhstan with respect to deposits of strategic importance. However, certain PSAs, to which the Company is a party (including with respect to Kashagan and Karachaganak fields), provide that in such cases contractor-parties to the PSA, including the Company, shall be paid immediate, adequate and efficient compensation. See "*Regulation in Kazakhstan—Regulation of Mineral Rights in Kazakhstan—Subsoil Law—The State's Priority Right*".

Government agencies can, and do from time-to-time, inspect the Company's compliance with its subsoil use contracts and applicable laws and regulations. There can be no assurance that the views of the Government agencies regarding the development of the Company's fields or compliance with the terms of its subsoil use contracts will coincide with the Company's views, which might lead to disagreements that cannot be resolved. The suspension, revocation or termination of any of the Company's subsoil use contracts, or suspension of Company's operations or separate facilities, as well as any delays in the continuous development of or production at the Company's fields caused by these disagreements, could have a material adverse effect on the Company's business, prospects, financial condition, cash flows or results of operations.

Laws applicable to the Company's operations are subject to change, and the Company must achieve and maintain compliance with new regulations, which could involve significant management time and expense and could adversely impact its business. The oil and gas industry can be expected to be the focus of continuing attention from a regulatory perspective. In other developing countries, petroleum companies have faced the risks of expropriation, breach or abrogation of project agreements, application of laws and regulations from which such companies were intended to be exempt, denials of required permits and approvals, increases in royalty rates and taxes that were intended to be stable, application of exchange or capital controls and other risks and any such actions or events in Kazakhstan could have a material adverse effect on the Company's business, prospects, financial condition, cash flows or results of operations.

Labour disputes may materially adversely affect the Group's business.

The Group's industry is labour intensive, and the Group depends on more than approximately 47 thousand employees to carry out its operations. The Company's management is focused on social responsibility and its efforts to improve employee relationships, but work slowdowns, work stoppages, strikes or other labour disputes have occurred in the past and there can be no assurance that they will not occur in the future. For example, on 15 February 2022, the employees of OMG stopped work and went on a strike demanding salary increase of 40 per cent. OMG agreed to raise 2021 salaries by 30 per cent. and works were resumed without significant interruption to operations. TCO, NCOC and KPO have also taken a decision to increase contractor personnel wages. See "—*The Company relies on the services of third parties, and the Company's reliance on these parties exposes it to risks including disruptions in operations and quality issues of third parties.*" Overall, in 2022 many of the companies within the Group took decisions to increase salaries 10 to 30 per cent. on average. In the event of a potential strike there may not be sufficient alternative staff and employees to run production activities which may result in ongoing reductions in production or a need to devote financial resources to restore production. As of 30 June 2022, approximately 73 per cent. of the Group's employees are represented by trade unions. The Group may become subject to material cost increases or additional work rules imposed by agreements with such labour unions. This could increase costs in absolute terms and/or as a percentage of revenue. Labour disputes materially affecting any of the Group's operations or the operations of any third party which the Group utilises for its business, may adversely affect the Group's business, prospects, financial condition, cash flows or results of operations.

Contagious illnesses such as COVID-19 could have a material adverse effect on the Group's business and results of operations.

The COVID-19 pandemic and the rapidly evolving reaction of governments, private sector participants and the public in an effort to contain the spread of COVID-19 and/or address its impacts had a significant impact on the world economy and negatively affected the price of oil globally. The COVID-19 pandemic resulted in an economic downturn, significantly disrupting the demand for oil throughout the world and created significant volatility, uncertainty and turmoil in the oil and gas industry. This subsequently led to a global oversupply of oil and a subsequent decrease in oil prices. While economic and industry conditions have generally improved as of the date of this Prospectus, further outbreaks of COVID-19 variants, or other contagious diseases, and governmental response measures across the world and Kazakhstan could impact the Company's financial condition and results of operations.

The COVID-19 pandemic also resulted in travel restrictions and extended shutdowns of and disruptions to certain businesses in Asia and globally and negatively affected global markets. In addition, the World Health Organisation, the Government of Kazakhstan, the People's Republic of China or the governments of other countries may recommend or impose other measures that could adversely affect Kazakhstan's economy or demand for the Company's products locally and abroad, and in turn could cause significant interruption to the Group's business operations.

In 2020, there was a COVID-19 outbreak at the Tengiz Field resulting in the suspension of construction work on the FGP and WPMP expansion projects to protect employees from the disease, and TCO demobilized over 27,000 contractor employees. Whilst the production at Tengiz Field was not materially affected and the situation at Tengiz Field has stabilised as of the date of this Prospectus, any further or worsening outbreaks may result in project schedule overruns, which could in turn have a material adverse effect on the Group's business, results of operations or financial condition.

These or any further public health concerns (including further epidemics or pandemics of other contagious illnesses) and governmental restrictions in Kazakhstan or other countries in which the Company operates or relies on for export and transportation could result in lower oil prices, lower global economic growth or other social, economic and labour instability, any of which could have a material adverse effect on the Group's business, results of operations or financial condition.

The Group engages in business activities in furtherance of social objectives, some of which are as required by the Government through laws, regulations or other mandates, and the costs of these business activities may increase.

As one of the largest companies in Kazakhstan, the Group fulfils certain social roles through investing in and implementing social projects and initiatives to support the communities and the environment in which it operates and leverages its know-how, operational capabilities and financial resources in furtherance of these projects. For example, in 2021, the Group allocated KZT 5 billion under the Zhanaozen Comprehensive Development Plan. As part of the plan, OMG financed several social projects in Zhanaozen (including the upgrade of Zhanaozen regional utility company's infrastructure, construction of sports facilities and the acquisition of housing in Aktau for vulnerable groups relocating from Zhanaozen) at a cost of KZT 3 billion. Additionally, OMG allocated KZT 900 million to finance the development of social infrastructure in Zhanaozen and the Karakiya District. EMG, MMG, KMB and Kazgermunai JV LLP ("**Kazgermunai**") have invested approximately KZT 410 million, 350 million, 225 million and 145 million, respectively, to fund the construction of social economic infrastructure facilities and promote social projects in the regions where they operate.

In addition to projects undertaken on its own initiative, the Government has directed, and may in the future direct, the Company to undertake projects or provide assistance for initiatives. The Government, for example, may require the Group to manage and operate businesses outside of its core business competencies, make certain social investments and accept below market prices. For example, in the year ended 31 December 2019, the Company allocated KZT 22.8 billion to develop infrastructure at Turkistan for the construction of a 7,000-seat stadium, a congress hall and a 1,000-seat amphitheatre. In 2020, the Company invested a total of KZT 6.2 billion to counter the COVID-19 pandemic. These funds were allocated for the purchase of medical equipment, mobile ICUs, oxygen concentrators, and lung ventilators, all of which were urgently required. KMG's subsidiaries also provided vehicles and personal protective equipment to local executive authorities (*akimats*) and healthcare facilities, as well as food baskets to low income families. The Government may also impose other social duties, such as construction of social and recreational infrastructure, charitable activities and implementation of community development programmes on the Company, which will increase the Company's capital expenditures and could, in turn, have a material adverse effect on the Group's business, prospects, financial condition, cash flows or results of operations.

In September 2022, in order to satisfy domestic market needs with diesel fuel and to maintain social stability by alleviating diesel fuel shortage of Kazakhstan Temir Zholy JSC, Kazakhstan's national railway operator ("**KTZ**"), the Company entered into agreement to purchase up to 100,000 tonnes of diesel fuel from Tatneft. The purchase price will be determined by a formula based on price for diesel fuel on DAP Kazakhstan-Russia border and the sale is carried out at domestic market prices. To avoid the Company's costs related to price difference, the Company will supply Tatneft the same amount of diesel fuel and on the comparable commercial terms not later than 31 March 2023. KTZ reimburses the Company for transportation, storage, banking and tax costs related to purchase of diesel fuel. The execution of the transaction is associated with transfer pricing and currency risks (due potential fluctuations of the RUB / KZT exchange rate). Further, while Tatneft is not subject to any US, EU or UK sanctions as at the date of this Prospectus, the agreement has a sanction clause allowing the Company to withdraw from the contract should Tatneft become subject to any sanctions.

The Company's subsidiaries, joint ventures and associates are in many regions of Kazakhstan the largest employers in cities in which they operate. While the Company does not have any specific legal obligation or responsibilities with respect to these regions, its ability to reduce the number of its employees may nevertheless be subject to political and social considerations. Any inability to reduce the number of employees or make other changes to the Group's operations in such regions could have an adverse effect on the Group's business, prospects, financial condition or results of operations.

After the Offering, the Company's controlling shareholder Samruk-Kazyna will continue to be able to exercise significant influence over the Company, its management and its affairs.

Immediately following the AIX Offering and the KASE Offering, Samruk-Kazyna and the NBK, will continue to beneficially own, in aggregate, approximately 85.42 per cent., of the all the Company's Shares. As a result, Samruk-Kazyna will possess sufficient voting power to have control over all matters requiring shareholder approval, including the ability to appoint and remove, or influence the appointment and removal of, the members of the Boards of Directors and management of the Company and approval of major transactions (per applicable legislation), including major related party transactions with counterparties outside the Samruk-Kazyna group. See "— *Risks relating to the region in which the Company operates —The Group is largely dependent on the political, economic and geopolitical conditions prevailing in Kazakhstan Risks relating to the region in which the Company operates*." The interests of Samruk-Kazyna may not always be aligned with those of other shareholders and therefore the decisions taken by Samruk-Kazyna with respect to the Company may not reflect the interests of all shareholders and may impact Group's business, prospects, financial condition or results of operations.

The Group faces risks associated with regulated oil transportation tariffs, some of which have been and may be set by the Government at below cost.

The domestic and transit transportation tariffs for oil are subject to regulation and approval. Such tariffs may be set at rates unfavourable to the Company, and it may be difficult for the Company to make a profit on oil transportation services if such tariffs are set below cost.

Domestic transportation tariffs for oil currently require the approval of the Committee on Regulation of Natural Monopolies of the Ministry of National Economy of Kazakhstan (the "**Natural Monopolies Committee**"). The Natural Monopolies Committee has set capped tariffs for such domestic transportation of oil. The Company's oil transportation subsidiaries KTO and KTO's oil transportation joint ventures KCP and MunaiTas LLP ("**MunaiTas**") charge the Company's subsidiaries, joint ventures and associates and other shippers fixed tariffs for domestic shipments of oil through their pipeline systems. In the past, the tariffs set by the competent authority that preceded the Natural Monopolies Committee for the domestic transportation of oil have been set at a rate below the Group's cost. To the extent that the Natural Monopolies Committee caps domestic oil transportation tariffs, or any other regulated tariffs, below cost, this would have a material adverse effect on the Group's business, prospects, financial condition, cash flows or results of operations.

The Company's transportation subsidiaries KTO and KCP also charge fixed tariffs for the transit of Russian crude oil through their pipeline systems to China. While tariffs for the export of crude oil were deregulated in 2015, tariffs for the transit of crude oil by a trunk pipeline are subject to approval by the Ministry of Energy. The Ministry of Energy has set capped tariffs for such transit oil transportation. Each of KTO and KCP have received approval from the Ministry of Energy for their current crude oil transit tariff levels until 2023. To the extent that the Ministry of Energy were in the future to cap tariffs at rates unfavourable to the Company, this would have a material adverse effect on the Group's business, prospects, financial condition, cash flows or results of operations.

The Group's domestic and transit transportation tariffs may be affected by social and political considerations and have historically been subject to both upward and downward revisions. No assurance can be given that any actions of the Natural Monopolies Committee or the Ministry of Energy, such as setting domestic and transit oil transportation tariffs at lower than cost, will not have a material adverse effect on the Group's business, prospects, financial condition, cash flows or results of operations.

The Group is subject to legal proceedings and other disputes from time-to-time.

In common with many large companies, the Group is subject to legal proceedings, regulatory investigations and examinations and other forms of litigation brought by third parties relating to, amongst other things, civil, administrative, environmental, labour and tax claims. These claims could involve a wide range of issues and in certain instances substantial amounts have been or could be claimed. See "*Business—Litigation".* Due to the nature of these proceedings, the Company is not able to forecast or determine the final results of such proceedings. Resolution of these types of matters against the Group may result in it having to pay significant fines, judgements or settlements, which, if uninsured, or if the fines, judgments and settlements exceed insured levels, could have a material adverse effect on the Group's business, prospects, financial condition, cash flows or results of operations.

The Government, Samruk-Kazyna and the NBK, the indirect and direct shareholders of the Company, are also subject to legal proceedings from time to time, which may, in turn, negatively impact the Company's business. For example, since 2010 Kazakhstan has been and is involved in a dispute with Anatolie Stati, Gabriel Stati, Ascom Group S.A. and Terra Raf Trans Trading Ltd (the "**Stati parties**") related to termination of a subsoil use contract by the Ministry of Oil and Gas of Kazakhstan with the company the Stati parties controlled (the "**Stati case**"). As part of the enforcement actions in September

2017, of an arbitral award issued by the Stockholm Chamber of Commerce, a Dutch court issued an attachment order with respect to the 50 per cent. stake in KMG Kashagan B.V. ("**KMG Kashagan**"), owned by Samruk-Kazyna, which was under the Company's trust management. This attachment has since been subject to subsequent appeals in the Dutch courts. On 14 June 2022, the Court of Justice of The Hague issued a ruling removing the attachment of all shares held by Samruk-Kazyna in KMG Kashagan based on sovereign immunity. On 15 September 2022, the wholly owned subsidiary of the Company, Coöperatieve KazMunaiGas U.A., exercised the Kashagan Call Option and acquired the shares in KMG Kashagan from Samruk-Kazyna, thereby becoming the sole shareholder in KMG Kashagan. See "*Business—Exploration and Production—Megafields—NCPC—Transfer of Interest to Samruk-Kazyna and Kashagan Call Option*". While the Company was not a party to the Stati case, any litigation or dispute involving Samruk-Kazyna and the NBK could potentially have an adverse effect on the Company's business, financial condition and results of operations.

The Company and its partners under the PSAs are facing challenges to recover certain costs incurred under the PSAs, following a cost recoverability audit conducted by the relevant authorised governmental agencies. As at 31 December 2021, the Group's share in such costs amounted to approximately U.S.$1,177 million (or KZT 508 billion). As at 31 December 2021, the Group had not made any provisions related to this matter.

Further, all three major oil refineries in the Group, Atyrau Refinery, Pavlodar Refinery and Shymkent Refinery were subject to a comprehensive tax audit covering periods of a few years (up to 2020) in 2020, 2022 and 2021, respectively. As a result of the audits, the tax authorities have assessed additional tax liabilities and penalties for a total amount of KZT 38.1 billion and reduced tax carry-forward losses for KZT 44.6 billion. Atyrau Refinery, Pavlodar Refinery and Shymkent Refinery did not agree with the assessment and appealed it to the Ministry of Finance. Though the Group believes that additional tax assessment is not probable, the consideration of the appeals remains suspended by the Ministry of Finance until the circumstances are clarified. As at 30 June 2022, the Group had not made any provisions related to this matter.

During February-July 2022 the Prosecutor's Office of the Pavlodar region together with the Agency for Protection and Development of Competition (the "**Antitrust Agency**") conducted an inspection of Pavlodar Refinery operations for compliance with Kazakhstan oil and petroleum products turnover, labor, tax and antimonopoly laws in 2020-2021. In March 2022 the Antitrust Agency issued a conclusion that Pavlodar Refinery allegedly set monopolistically high prices for oil refining services in 2021. Based on this assessment a criminal case was initiated, which was later closed due to absence of a criminal offense. In July 2022, the Antiturst Agency initiated administrative proceedings alleging Pavlodar Refinery setting monopolistically high prices and requested the courts to confiscate its revenue for 2021 of KZT 22 billion and impose a fine of KZT 6.23 billion. In August-September 2022, Pavlodar Refinery made several attempts to appeal the rulings on the administrative case, however, those appeals were rejected. Pavlodar Refinery intends to continue appealing the rulings with the higher courts. In September 2022, after rejection of initial appeals, the Group recognized provisions of KZT 28.19 billion.

During February-September 2022 the Prosecutor's Office of the Atyrau region together with the Antitrust Agency conducted an inspection of Atyrau Refinery operations. On 22 September 2022 the Prosecutor's Office of the Atyrau region issued a conclusion alleging Atyrau Refinery having set a monopolistically high tariff for oil refining services in 2020-2021. Atyrau Refinery provided a justification for the said tariffs in 2020-2021. The Group believes that the risk of assessment of liability against Atyrau Refinery is not probable, as such, the Group did not recognize any provisions as of 30 September 2022.

During February-August 2022 the Prosecutor's Office of the Shymkent city with the involvement of the Antitrust Agency conducted an inspection of the Shymkent Refinery operations. On 6 August 2022, the Prosecutor's Office of the Shymkent city issued a conclusion stating there were no indications Shymkent Refinery having set a monopolistically high tariff for oil refining services in 2020-2021.

The Company's subsidiary KazMunayGas International N.V. ("**KMG International**" or "**KMGI**") is involved in continuing litigation with Faber Invest & Trade Inc. ("**Faber**"), the former non-controlling shareholder of Rompetrol Rafinare, a KMGI refining subsidiary operating mainly in Romania. Faber resumed several previously initiated civil filings in 2020 seeking to overturn resolutions adopted at the Rompetrol Rafinare shareholders' meetings in 2001-2005. In February 2022, following two previous unsuccessful attempts Faber filed another similar claim against KMGI and Rompetrol Rafinare seeking damages for losses allegedly incurred as a result of the disputed shareholder resolutions for approximately U.S.$118 million. On 23 June 2022 one of Faber's appeals was rejected by the court thereby upholding a previous decision favourable to Rompetrol Rafinare. Faber continues to appeal court decisions (including a previous decision lifting a seizure of certain Rompetrol Rafinare assets) with a few court hearings scheduled to take place in the 4th quarter of 2022. For the time being three files are final and irrevocably closed and on 14 October 2022 the court also lifted the remaining seizure imposed as part of the criminal proceedings. Although the Group believes that its position with regard to Faber's claims will be sustained, there can be no assurance as to the final outcome of the matter as some of Faber's filings and/or appeals are yet to be heard in court. As at 31 December 2021, the Group had not made any provisions related to this matter.

Since the beginning of 2021, Rompetrol Moldova ("**RPM**") (a subsidiary of KMG International operating in Moldova) is involved in an investigation and related court proceedings initiated by the Competition Council of Moldova (the "**CCM**") alleging RPM agreed with other industry players on retail prices for petroleum products. RPM is challenging the competition report prepared by the CCM investigation division that forms the basis for the allegations in accordance with applicable regulations. A few attempts to dismiss the said report were unsuccessful with the latest ruling rejecting RPM's request to dismiss the report was issued by the local court on 26 May 2022. As at the date of this Prospectus, RPM is waiting for the grounds for rejecting RPM's request and will use other remedies available at law to continue contesting the CCM's allegations.

There is also an arbitration dispute between KazRosGas and one of its counterparties under a gas sales agreement over the price determination mechanism. The Company guarantees obligations of KazRosGas under the gas sales agreement in the amount of its interest in KazRosGas. Currently, KazRosGas is working on resolving the dispute through negotiations. Company is assessing the impact of this claim on Company's guarantee obligations.

The Group is leveraged and is required to comply with certain financial and other restrictive covenants.

As a result of the Company's acquisition-driven growth strategy and large capital expenditures programme over the last several years, the Company is leveraged, with total borrowings of KZT 3,934.7 billion as at 30 June 2022. In addition, certain of the Company's subsidiaries are subject to financial and other restrictive covenants under the terms of their indebtedness. Such covenants may in turn impose obligations on the Company as a parent guarantor under such indebtedness. In the past, the Company has assisted its subsidiaries in achieving compliance with their financial and other restrictive covenants as needed, particularly in times of negative market conditions. Compliance with these covenants may affect the flexibility of the Group to operate and the flexibility of the Company to pay dividends. While the Company's subsidiaries are currently in compliance with all financial covenants applicable to them, the Company's management cannot give any assurance that the Company's subsidiaries will be able to meet the tests imposed by the financial and other restrictive covenants under the terms of its respective indebtedness or that they will be able to obtain consents to amend or waivers in respect of such covenants in the future. If the Company's subsidiaries are unable to comply with the restrictions and covenants in its existing or future debt and other agreements, a default under the terms of those agreements may result, which could have a material adverse effect on the Company's business, prospects, financial condition, cash flows or results of operations.

Following the Offering, the Company may face higher costs of borrowing should the Company's debt securities be removed from the J.P. Morgan Emerging Markets Bond Index ("**EMBI**"). Once the Company is no longer fully state-owned, it will no longer be eligible for inclusion in the EMBI. Exclusion from the EMBI can potentially lead to higher borrowing costs for KMG, as certain market participants have capital specifically mandated to invest in securities included in the EMBI. It is however likely that the effect of such an exclusion from the EMBI would be mitigated by inclusion in other indices, but no assurance can be provided that the Company will be included on such other indices.

The Company's insurance coverage may not cover all potential losses arising from operational hazards and unforeseen interruptions.

The Company has a unified insurance programme for substantially all of its subsidiaries and affiliates. This insurance programme covers property damage and natural catastrophes, well control, third-party liability coverage, including sudden and accidental pollution, and directors' and officers' liability insurance. The extent of such insurance coverage may, however, be limited and may not include for example machinery business interruption cover, which has been maintained in respect of only certain of the Company's processing assets. There are a number of mandatory statutory insurance covers maintained for employer's liability insurance, environmental liability and hazardous object owner's liability insurance. Overall, the insurance programme does not mandate and the Company does not carry dedicated insurance against environmental damage caused by its own operations, cyber-attacks, war, sabotage or terrorist attacks. See "*Business—Insurance*". The Company can give no assurance that the proceeds of insurance are adequate to fully cover increased costs and expenses relating to potential losses or liabilities. Accordingly, the Company may suffer losses from uninsurable or uninsured risks or insufficient insurance coverage, particularly if they arise at a time when the Company is facing material cost increases as a result of a significant operational event which could put pressure on the Company's liquidity and cash flow.

The Company is exposed to risks related to concentration of its cash accounts and deposits.

As at 30 June 2022, the majority of the Company's deposits were kept in foreign banks (55 per cent. of the total amount or KZT 885 billion) and the rest are kept in Kazakhstan in local banks and banks with foreign participation (45 per cent. of the total amount or KZT 732 billion). 84 per cent. or KZT 616 billion of cash held in Kazakhstan is placed within three banks in Kazakhstan whose S&P credit rating is at least BB. Whilst the Company regularly analyses banks on their credit risks and the need to change the allocation of cash accounts and deposits in banks, in the event that the Kazakhstan banking sector and specifically any of the banks at which the Company maintains deposits encounters difficulties, it could result in the freezing of all or a portion of the Company's cash, adversely affecting the Company's liquidity and ability to pay its obligations, which could have a material adverse effect on the Company's business, prospects, financial condition, cash flows or results of operations.

The Company may be subject to exchange and interest rate risk.

The Company's principal exchange rate risk involves changes in the value of the U.S. Dollar relative to Tenge and, to a lesser extent, relative to other currencies. The Company's trade receivables as at 31 December 2021 KZT 418.3 billion, of which, KZT 245.1 billion are denominated in U.S. Dollars. On the revenue side, all of the Company's export revenue, including the exports of crude oil and refined oil products, are denominated in U.S. Dollars or are correlated with U.S. Dollar-denominated prices for crude oil and refined oil products. Because most of the Group's revenue is denominated in U.S. Dollars, while a significant share of its costs is Tenge-denominated, the Group generally benefits from an appreciation of the U.S. Dollar against Tenge, which consequently has a positive effect on the Group's results of operations.

As at 30 June 2022, KZT 3,284 billion of the Company's indebtedness was denominated in U.S. Dollars (representing 83.5 per cent. of the Company's total indebtedness of KZT 3,934.7 billion as at that date). Decreases in the value of the U.S. Dollar relative to Tenge have reduced, and will continue to reduce, the value of the Company's U.S. Dollar-denominated liabilities when measured in Tenge, whereas increases in the value of the U.S. Dollar relative to Tenge have increased, and will increase, the value of the Company's U.S. Dollar denominated liabilities when measured in Tenge. Because the Company's reporting currency is Tenge, the Company has suffered, and will continue to suffer, foreign currency translation losses when the U.S. Dollar increases in value against Tenge, including in the first quarter of 2022 when both the Russian Rouble and Tenge depreciated relative to the U.S. Dollar in connection with the Russia-Ukraine conflict and related sanctions imposed against Russia and certain Russian companies and individuals. See "*— Risks relating to the region in which the Company operates — The Group's business and results of operations may be adversely affected by the ongoing military conflict between Russia and Ukraine*." Within the Group, the Company uses "natural" hedging of foreign exchange rate risks and does not use hedging instruments to minimise interest rate risks and KMG International uses hedging instruments to mitigate foreign exchange rate and interest rate risks.

The Company is also exposed to interest rate risk on its indebtedness. The Company's policy is to manage its interest rate cost using a mix of fixed and variable rate borrowings. As at 30 June 2022, the Company had loans and borrowings outstanding in an aggregate amount of KZT 3,934.7 billion, of which KZT 3,249.9 billion bears interest at fixed rates and KZT 684.8 billion bears interest at floating rates. In November 2021 the Company's subsidiary, Atyrau Refinery, received a loan from VTB Bank for 38,169 million Russian Roubles with an interest rate of the key rate of the Central Bank of Russia ("**CBR**") plus 2.25 per cent. The CBR's key rate has had significant fluctuations in the first half of 2022 changing from 8 per cent. to 20 per cent. The Company incurs debt for general corporate purposes including financing capital expenditures, financing acquisitions and working capital needs. Upward fluctuations in interest rates increase the cost of new debt and the interest cost of any outstanding variable rate borrowings which could have a material adverse effect on the Group's business, financial condition or results of operations or prospects.

There can be no assurance that the framework around being a national company or national operator will not change or that the benefits of being a national company or national operator will not change.

Under current legislation, a Kazakhstan company is designated a national company where it is at least 50 per cent. owned by the Government or by a national holding company. In accordance with the Decree of the President of the Republic of Kazakhstan No. 811 dated 20 February 2002, the Company was established as a national company, with the purpose of increasing the level and protection of the Government's interests in the oil and gas sector of Kazakhstan's economy. Furthermore, the Company was included as a national company in the list of national companies under the Decree of the Government of the Republic of Kazakhstan No. 376 dated 6 April 2011, which confirmed its legal status in compliance with law. The Subsoil Code provides that the Ministry of Energy may exercise the state priority right through a national company or national management holdings. As such, the Company is able to exercise a priority right in the oil and gas sector, as the national company for oil and gas. There can be no assurance, however, what terms and conditions may be imposed on the Company in its capacity as a national company. In particular, there can be no assurance that the Subsoil Code or other relevant implementing legislation will not be amended to alter the rights to which a national company is entitled. For example, previously, the legal framework provided that the national oil and gas company had a priority right with regard to all oil and gas deposits in Kazakhstan, but this was amended in 2014 so the national oil and gas companies retained a priority right only with regard to strategic oil and gas deposits in Kazakhstan. See "*Regulation in Kazakhstan—State's Priority Right in respect of Strategic Deposits*". Additionally, in November 2021, the Government adopted a Resolution No. 854 "On allocation of activities of national companies", which established that QazaqGaz was responsible for exploration and production of gas and gas condensate at gas fields, while the Company was responsible for exploration and production of oil, oil and gas and oil and gas condensate fields. The Resolution mandated that the Company and QazaqGaz enter into a separate agreement to further delineate competences of a national company in the field of hydrocarbon exploration and production pursuant to the Subsoil Code. In January 2022, the Company and QazaqGaz signed the agreement pursuant to which, inter alia, the Company retained the right to exercise the state's priority right, perform trust management and acquire subsoil use rights through direct negotiations with the state, with regard to oil, oil and gas, and oil and gas condensate fields, while QazaqGaz obtained the right to the same with regard to gas and gas condensate fields only.

The Law on Gas and Gas Supply. 532-IV, dated 9 January 2012 (the "**Gas Law**") introduced the concept of a "national operator" with wide powers and functions representing state interests in the sphere of gas and gas supply in Kazakhstan. Under the Gas Law, a national operator is entitled, *inter alia*, to exercise the priority right of the State on purchase of raw and commercial gas, acquire units of unified commercial gas supply system and carry out the wholesale trade of commercial gas. Hence, in accordance with the Decree of the Government of the Republic of Kazakhstan No. 914 dated 5 July 2012, QazaqGaz (previously named JSC KazTransGaz), was appointed as the national operator. As a result, QazaqGaz has been given a priority right to purchase all associated gas produced in Kazakhstan, including by the members of the Group at a regulated price.

The Group operates in a number of remote areas that are difficult to access.

Because of the remote location of many of the Group's operations, the Group generally does not have immediate access to equipment or facilities to address problems such as equipment breakdowns and failures and delays may occur in accessing required materials or supplies in order to carry out necessary repairs or maintenance. Similarly, operating in remote areas exposes the Group's operations to risks caused by poor infrastructure, such as power outages, which can reduce oil production. Further, Kazakhstan's climate is characterised by harsh winters and hot summers. A large number of the Group's facilities and large segments of its networks are located in areas that experience severe weather conditions, particularly in winter, and extreme variability in winter and summer weather, which can accelerate wear and tear on pipelines and related equipment. For example, in the part of Kazakhstan where the Kashagan Field is located, winter temperatures can drop to -40°C, while summer temperatures can reach +40°C. Extremely harsh weather conditions paired with the remoteness of certain of the Group's facilities may make it difficult to gain access to conduct repair or maintenance quickly or to reach drilling sites and other facilities. The remote location of many of the Group's operations also makes its assets and infrastructure susceptible to targeted attacks, as the infrastructure is less easily monitored or protected. As a result, the Group may not be able to immediately respond to or repair damage resulting from such acts, which could have a material adverse effect on the Group's business, prospects, financial condition, cash flows or results of operations.

The Group relies on the services of third parties, and the Group's reliance on these parties exposes it to risks including disruptions in operations and quality issues of third parties.

The Group relies to a large extent on external contractors and sub-contractors to carry out maintenance of the Group's assets and infrastructure who are responsible for the adequacy of the resources and capabilities they bring to a project. For example, although the Group is actively seeking to perform certain of these services internally, a significant majority of the maintenance work relating to upstream and midstream operations performed by the Group is carried out by external contractors and sub-contractors and, in line with the Company's strategy and its goal of headcount optimisation in the Group's upstream activities, work related to non-core assets is expected to continue to be outsourced. The Group relies on external contractors and sub-contractors in all regions of Kazakhstan to perform major works, such as wells workovers and maintenance, repairs and maintenance of equipment, drilling systems, pumping units, pipe isolation systems and electrochemical protection systems, maintenance and replacement of pipes and maintenance of other general buildings and structures. As a result, the Group is largely dependent on the satisfactory performance by its external contractors and sub-contractors and the fulfilment of their obligations, and any non-performance may result in operational, financial and safety risks as well as legal liability and reputational damage. If an external contractor or sub-contractor fails to fulfil its obligations satisfactorily, this may lead to delays or curtailment of the production, transportation, refining or delivery of oil and gas and related products, which could have an adverse effect on the Group's results of operations. Further, if any safety incidents occur, such contractors and sub-contractors may be unwilling or unable to fully compensate the Group against costs incurred on their behalf.

The Group's operations are dependent on the reliability and security of its IT systems.

The oil and gas industry is subject to fast evolving risks from cyber threat actors, including nation states, criminals, terrorists, activists and insiders. The Group relies on the security of critical information and operational technology systems for, among other things, the exploration, development, production, storage and distribution of its products; the processing, use and security of financial records, proprietary information, intellectual property, personal information and operating data; and communications with management, personnel and business partners. Despite precautions taken by the Company, a breach or failure of the Company's IT systems due to intentional actions such as attacks on its cyber security, power outages, disruptions or other factors, could seriously disrupt the Company's operations and could result in the loss or misuse of data or sensitive information, injury to people, disruption to the business, harm to the environment or the Company's assets, legal or regulatory breaches and potentially legal liability. Breaches of other Group companies or joint ventures could also result in significant costs or reputational consequences. For example, in 2017, NCOC was one of the organisations affected by the "WannaCry" ransomware attack (in which the devices of many well-known organisations were infected with ransomware, which encrypted these organisations' files and threatened to delete them unless the hackers were paid a bounty). Although oil production was not affected, there were no safety issues and data was recovered and the systems were back to normal in a short time. Also, in March 2021, Rompetrol Rafinare (the operator of the Petromidia Refinery) was subject to an attempt to gain unauthorised access to its computer systems, which did not lead to major disruptions and did not have a material adverse effect on its operations and in March 2022, Rompetrol Rafinare faced a complex cyber-attack, as a result of which the operation of the website and certain applications were suspended. However, the operations of the Petromidia Refinery and gas stations were not adversely affected. Any future disruptions, breaches or failures could result in significant costs or reputational consequences and could adversely affect the Group's business, prospects, financial condition, cash flows and results of operations.

The Group's operations depend on electrical power, internet and telecommunication infrastructure, and if any of these systems are compromised or unavailable, the Group's business could be adversely affected.

The Group is heavily dependent on electrical power, internet and telecommunications infrastructure that are managed by third parties. The Group's business, like other companies in the oil and gas industry, has become increasingly dependent on information systems and computer-based programs, including for well operation information, seismic data, and electronic data processing and accounting data. If any of such infrastructure, systems or programs were to fail or become unavailable or compromised, or create erroneous information in the Group's hardware or software network infrastructure, the Group's ability to safely and effectively operate its business will be limited and any such consequence could have a material adverse effect on its business.

Global supply chain disruptions and inflation may adversely affect the Group's operations.

Supply and demand imbalances arising from the COVID-19 pandemic and military conflict between Russia and Ukraine have resulted in shortages, backlogs and delayed deliveries of a wide array of products and services, including equipment critical to the Company's operations. A disruption in the deliveries from third-party suppliers, manufacturers or service providers, capacity constraints, production disruptions, price increases, including those related to information and supply chain disruption related to contagious disease pandemics or geopolitical circumstances could cause unscheduled operational downtime and result in deferral or reduction of revenues and increased costs, any of which could materially adversely affect the Company's profitability.

If the Company fails to successfully implement its key strategies, the financial performance and growth of the Company could be materially and adversely affected.

The Company's financial performance and success are dependent in large part on its ability to implement the business strategy successfully. The Company's business strategy includes several initiatives, including reserves growth, stabilize production at the existing operating assets, start production at new fields, successful implementation of projects of expansion and oil production plateau extension at major oil and gas projects, increasing the refining depth at oil refineries, synergy of maritime transportation, operating costs optimization, creating the petrochemical complex, ensure sustainability of all business areas, energy transition and cutting carbon footprint and other. If the Company is unable to implement its business strategy successfully or achieve the anticipated benefits, its long-term growth, profitability and ability to meet its contractual commitments and services its debt will be adversely affected. Even if the Company is able to implement some or all the initiatives of its business strategy successfully, the Company's operating results may not improve to the extent it anticipates, or at all. Implementation of the business strategy could also be affected by several factors beyond the Company's control, such as changes in government regulation, increased competition, legal developments, general economic conditions or increased operating costs or expenses. In addition, to the extent the Company has misjudged the nature and extent of sector trends, or the competition, the Company may have difficulty in achieving its strategic objectives.

The Company is dependent on senior management and key personnel.

While Company currently has a strong senior management team, such senior management and key personnel may voluntarily terminate their employment with the Company or leave their positions due to reasons beyond the Company's control. The Company's success depends upon its ability to identify, hire, develop, motivate and retain highly-qualified senior management and key personnel. If the Company experiences a large number of retirements or departures of its oil and gas experts in a relatively short period of time, attracting and retaining a sufficient number of replacement personnel may be challenging. If the Company is unable to hire and retain senior management and key personnel with requisite skills and expertise, it could have a material adverse effect on the Company's business, prospects, financial condition of results of operations.

Risks relating to the region in which the Company operates

The Company exports a substantial portion of its crude oil and gas to customers in certain regions, and adverse economic, political or legal developments in these regions could impact the Company's results of operations.

The Group's results of operations are subject to economic, political and legal developments in the regions in which its customers are located, including the Commonwealth of Independent States[2], Romania and other European countries, and China. For the six months ended 30 June 2022, of the Group's sales (by value) have been made to customers based in China (2 per cent.), the Commonwealth of Independent States (0.2 per cent.) and Romania (17 per cent.), and the Group expects that a significant portion of the Group's sales will continue to be attributable to customers based in these regions. Accordingly, the economic, political and social conditions, as well as government policies, of these countries may affect the Group's business in many respects, including among others: (i) degree of government involvement; (ii) growth rate; (iii) control of foreign exchange and investment and (iv) allocation of resources.

Changes in political, economic and social conditions, laws, regulations and policies, or the Group's inability to sell its products into these regions on commercially viable terms or at all, could result in, for example, the Group incurring additional transport costs to ship its products to customers further afield or the Group otherwise needing to sell its products via brokers to new markets, each of which could result in lower margins for the Group. This could turn could have a material adverse effect on the Group's business, prospects, financial condition, cash flows, results of operations and/or the price of the shares.

The Group is largely dependent on the political, economic and geopolitical conditions prevailing in Kazakhstan.

A majority of the Group's assets and operations are located in Kazakhstan. As a result of this geographic

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2 The Commonwealth of Independent States is comprised of Russia, Azerbaijan, Armenia, Belarus, Kazakhstan, Kyrgyzstan, Moldova, Tajikistan and Uzbekistan.

concentration, the Group is particularly sensitive to any change in the political environment in Kazakhstan as well as any weakness in the economy, including specifically the local oil and gas markets.

Since 1992, Kazakhstan has actively pursued a programme of economic reform designed to establish a free market economy through privatisation of Government-owned enterprises and deregulation and it is more advanced in this respect than some other countries of the former Soviet Union. However, as with any transition economy, there can be no assurance that such reforms will continue or that such reforms will achieve all or any of their intended aims.

On 1 January 2022, a new LPG trading platform started operating that aimed at transitioning from state regulation of LPG pricing to pricing on market terms. As a result of this, LPG prices rose 50-60 per cent. Following the surge in LPG prices, certain mass demonstrations and gatherings commenced in Western Kazakhstan, gradually becoming more political in nature and extending to other cities. The Kazakhstan Government deployed the police and military forces to address the disorder. Amid and following the protests, employees of certain members of the Group, including OMG, TCO, NCOC and their contractors suspended work for a limited period of time and went on a strike demanding pay increases. See "*—Labour disputes may materially adversely affect the Group's business.*" The Company's operations remained stable during this state of emergency: oil and gas production, oil transportation, oil refining, gas processing and servicing continued production processes and operations as normal. While there were shutdowns of some individual drilling wells at certain production facilities, this had only a minor impact on oil production and is not expected to affect the Company's financial results significantly.

In response to these events, exchange trading of LPG was suspended on electronic trading platforms, state regulation of the retail prices of oil products and LPG was introduced for six months and the Government increased pressure on the Group to fulfil plans, approved by the Ministry of Energy, to increase the domestic supply of LPG. Subsequently, LPG trading through electronic trading platforms was cancelled and will be replaced with trading at commodity exchanges starting from January 2023. In addition, following the January protests, the Antitrust Agency initiated investigations into 6 major wholesalers of LPG in Kazakhstan, including the Company, Kazakhoil Aktobe, Kazgermunai and the Kazakh Gas Refinery LLP ("**KazGPZ**"), suspecting excessively high monopolistic prices for LPG. In March 2022, the materials of the investigations against the Company were transferred by the Antitrust Agency to the Financial Monitoring Agency. As of the date of this Prospectus, there have been no requests therefrom. While the events of January 2022 have not had a major adverse impact on the Group's operations, any future changes in policy which may impact the political and economic situation in Kazakhstan, and its geopolitical relations more broadly might impact the investment climate in the country and the Group's business, financial condition, results of operations or prospects.

In January 2022, Samruk-Kazyna developed a roadmap on internal reforms to be implemented by it, including, inter alia, privatization of assets, improving corporate governance, cost optimization and revision of the fund's dividend policy. Samruk-Kazyna announced potential increase of the minimal guaranteed annual dividends payable to the Government from KZT 25 billion to up to KZT 400 billion and mandating that up to 100 per cent. of the free cash flow generated by the portfolio companies be paid to Samruk-Kazyna as dividends. See "*— After the Offering, the Company's controlling shareholder Samruk-Kazyna will continue to be able to exercise significant influence over the Company, its management and its affairs.*"

Further, on 5 June 2022 a referendum on the amendments to the Constitution of Kazakhstan envisaging, *inter alia*, limitation on the powers of the president-elect, reforming the Consitutional Council and strengthening the role of the local representative authorities (*maslikhats*) was held and the suggested amendments were adopted. Further, in September 2022 President Kassym-Zhomart Tokayev suggested holding extraordinary presidential elections, which will be held on 20 November 2022.

Kazakhstan depends on neighbouring states to access world markets for a number of its major exports, including oil and natural gas. Thus, Kazakhstan is dependent upon good relations with its neighbours to ensure its ability to export. Should access to these export routes be materially impaired, this could adversely impact the economy of Kazakhstan. Moreover, adverse economic factors in regional markets may adversely impact Kazakhstan's economy, which could, in turn, have a material adverse effect on the Group's business, financial condition, results of operations or prospects.

The Government may also be subject to litigation from time to time, including, for example, the Stati case, which could impact its reputation or have an impact on Kazakhstan's economy and political conditions. See also "— *Risks relating to the Company's business — The Group is subject to legal proceedings from time to time*".

Additionally, any disruption of oil and gas production, transportation or refining in Kazakhstan for any reason, including as a result of terrorism, natural disaster, industrial accident, public health threats and global pandemics or change in national government policy, could have a material adverse effect on the Company's business, financial condition or results of operations.

On 2 December 2021, the Government adopted its budget for 2022 through 2024, which allocates funds for the implementation of key Government projects and economic reform programmes. Kazakhstan's economy and finances have and continue to experience slower levels of growth since the global financial crisis which began in 2008. According to Government statistics, real GDP growth was 4.5 per cent. in 2019, (2.6) per cent. in 2020, 4.0 per cent. in 2021 and 3.3 per cent. in seven months of 2022. The International Monetary Fund forecasts real GDP growth to be 2.9 per cent. in 2022.

In April 2022, S&P affirmed Kazakhstan's sovereign credit rating at "BBB-" (outlook stable), and in September 2022 downgraded the outlook from "stable" to "negative" due to risks related to ability of Kazakhstan to use the CPC pipeline for exporting its crude oil and rising debt financing costs. Additionally, in October 2022 S&P downgraded TCO's credit rating from "BBB-" to "BB+" (outlook negative) due to the risks related to the CPC pipeline. In June 2022 Fitch Ratings agency affirmed Kazakhstan's sovereign credit rating at the level of "BBB" (outlook stable) and in April 2022 Moody's affirmed Kazakhstan's sovereign credit rating to "Baa2" (outlook stable).

Any future negative changes to the outlook or rating downgrade is likely to result in a rating downgrade of the Company's ratings. Additionally, any future downgrade of Kazakhstan's sovereign credit rating and liquidity problems in Kazakhstan's economy could adversely affect its economic development, which could, in turn, materially and adversely affect the Company's prospects, business, financial condition and results of operations.

The Group's business and results of operations may be adversely affected by the ongoing military conflict between Russia and Ukraine

On 24 February 2022, Russia declared the commencement of a special military operation on the territory of Ukraine and Russian military forces advanced into Ukraine. The situation in Eastern Europe, and sanctions imposed by governments in response, has led to significant volatility and disruption in the global credit and commodity markets and in the global economy. Namely, on 8 March 2022, the U.S. banned the import of Russian oil, liquefied natural gas, and coal. In September 2022 the UK announced a ban on provision of maritime services related to transportation of the Russian oil. In November 2022, the G7 member-countries announced they agreed on a price cap for Russian oil. See "*—Risks relating to the Company's business —Certain of the Company's customers and business associates are subject to U.S. and EU sanctions, the Company may in future be subject to sanctions, and the ongoing or future impact of such sanctions may have an adverse effect on the Company*."

The military conflict has caused a surge in oil and gas prices, and at the same time it also resulted in a drop of the price of the Urals crude oil and negatively affected the price of CPC blend crude oil (that includes the crude oil of certain projects of the Group: TCO, NCOC, KPO and Russian producers using the CPC pipeline in particular). Further, in February 2022, Tenge depreciated significantly against major foreign currencies amid the external geopolitical situation driven by escalating tensions in the region. While Tenge has since strengthened, the devaluation has had a certain negative impact on the Group, which is required to repay borrowings in foreign currencies (as at 30 June 2022, the Group had borrowings in the aggregate amount of KZT 3,304 billion denominated in currencies other than Tenge and Russian rouble), as well as increases in payments for services and goods expressed in foreign currencies. See "*risk — Risks relating to the Company's business —The Company may be subject to exchange and interest rate*". Overall, however, negative consequences of Tenge devaluation are mainly offset by an increase in foreign currency earnings.

Further, the Group is directly exposed to Russia and Russian entities in the following ways:

- *The Group exports oil through the CPC pipeline.* CPC (CPC-R and CPC-K) is a joint venture between Russia, Kazakhstan and other Russian and foreign partners, and it owns, operates and maintains the CPC pipeline that transports oil from Kazakhstan to a terminal near the Russian port of Novorossiysk. In 2021, CPC transported approximately 79 per cent. of the total export volume from Kazakhstan to international markets. See "*Business— Transportation of Crude Oil— CPC pipeline System.*" If restrictions are placed on the transportation of crude oil from or via Russia, the Group's business will be negatively affected. Although the Group has alternative transportation routes such routes will not be sufficient to replace the existing arrangements, to transport its products and its customers' products to markets outside Kazakhstan. Given recent developments, the Company and its JV partners and associates are considering routes alternative to the CPC, including a Trans-Caspian Transportation Route, however, there can be no guarantee that such alternative routes will be implemented within a short period of time or that they will be reliable and efficient. See "*— Risks relating to the Company's business —The Company relies heavily on oil and gas transportation systems, including pipelines through Russian territory, to transport its products and its customers' products to markets outside Kazakhstan and any disruption or unavailability of such transportation systems would adversely affect the Company's ability to deliver its products*".

- *The Group is involved in other projects with Russian entities.* The Company is also involved in several joint ventures (including on behalf of the Government) with Russian companies, such as Tatneft, Lukoil, Gazprom and Rosneft NK PJSC ("**Rosneft**"), and is also engaged in discussions with other Russian companies, such as SIBUR Holding PJSC ("**SIBUR**"), regarding potential joint venture projects and other transactions. Some of these companies are subject to limited sectoral financing-related sanctions and sanctions on some of their senior management and some shareholders as imposed by the United States, European Union and the UK. Accordingly, the funding sources for these and other Russian companies will be limited should they require external financing to meet their future commitments under the existing or future joint venture projects with the Company, which could negatively impact these projects. For all projects involving Russian entities, an analysis of sanctions risks is carried out and the Company is working on inclusion of the Company's right to withdraw from the projects, should any of the Russian partners become subject to any sanctions.

- *The Group has historically maintained certain relationships with Russian banks*: The Group has, historically, entered into lending and general banking arrangements with certain Russian state-owned banks, including Sberbank of Russia, VTB Bank and Alfa Bank, which are currently subject to EU, UK and U.S. sanctions. As a result of the imposition of sanctions on these banks and on the Russian financial sector in general, the ability of the Company and its affiliates to make and receive payments in Russian Rubles may be impacted. As at 30 June 2022, the Group had cash and cash equivalents in various currencies with total amount of equivalent to KZT 164.4 million and borrowings of KZT 349,123 million at Russian banks and their subsidiaries.

- In November 2021, the Company's subsidiary, Atyrau Refinery received a loan from VTB Bank for RUB 38,169 million (or KZT 229,015 million) until 2027. The interest rate is set at the key rate of the CBR plus 2.25 per cent. per annum. The CBR key rate has increased significantly from 7.5 per cent. in November 2021 to 20.0 per cent. in March-April 2022, and it currently stands at 7.5 per cent. per annum. Such increases in the CBR key rate will increase the Company's borrowing costs and negatively affect its financial position. KMG is in process of evaluating the expediency and option of early repayment of this loan.

- KTO has a contract with Rosneft for transit transportation of up to 10 million tonnes of Russian oil through its Atasu-Alashankou pipeline to China.

Currently, due to ongoing geopolitical uncertainty around Russia and Ukraine, in particular regarding how long the ongoing conflict will last or the future actions that may be taken by various governments going forward, the Group is unable to fully quantify the expected direct and indirect impact of the ongoing conflict on the Group's business, prospects, financial condition, cash flows or results of operations. In the event that the armed conflict is prolonged, or there is a significant negative impact on oil and gas prices, currency devaluation, direct indirect impact of sanctions on partners or other factors that prevent the Group from conducting its normal business operations related to the ongoing conflict, there could be a material adverse impact on the Group's business, prospects, financial condition, cash flows or results of operations.

The Company may not undertake strategic acquisitions or may fail to successfully integrate future acquisitions.

The Company has expanded its operations through acquisitions and may continue to do so in the future. Any such acquisition entails various risks, including that the Company may not be able to complete a strategic acquisition, accurately assess the value, strengths and weaknesses of the target business, effectively integrate the business, achieve the expected synergies or recover the purchase costs of the acquisition. The integration of acquired businesses requires significant time and effort on the part of the Company's senior management and may require additional capital expenditures. Integration of new businesses can be difficult because the Company's operational and business culture may differ from the cultures of the businesses it acquires, cost cutting measures may be required (which can result in initial cash expenditures) and internal controls may be more difficult to maintain, including control over cash flows and expenditures. Moreover, even if the Company is successful in integrating newly-acquired businesses, asset appraisals, expected synergies and cost savings may not materialise, resulting in lower than expected profit margins. The Company may also incur unanticipated costs or assume unexpected liabilities and losses in connection with any acquisition, including in relation to the retention of key employees, legal contingencies and risks relating to the acquired business. Any failure to undertake or complete strategic acquisitions, successfully integrate past or future acquisitions, to recruit and retain qualified staff to oversee such acquisitions or to realise synergies or control costs could adversely affect the Company's business, prospects, financial condition, cash flows or results of operations.

Currency control laws affect the Company's foreign currency dealings.

The Law of Kazakhstan "On Currency Regulation and Currency Control" dated 2 July 2018, as amended, empowers the Government, by special action and under circumstances when the economic stability of Kazakhstan is threatened, to introduce a special currency regime that would (i) require the compulsory sale of foreign currency received by Kazakhstan residents; (ii) require the placement of a certain portion of funds resulting from currency transactions into a non-interest bearing deposit in an authorised bank or the NBK; (iii) restrict the use of accounts in foreign banks; (iv) limit the term, volumes, amounts and currency of settlements under currency transactions; and (v) require a special permit from the NBK to conduct currency transactions. Moreover, the Government may impose other requirements and restrictions on currency transactions when the economic stability of Kazakhstan is threatened.

In order for Kazakhstan to remain in compliance with its membership obligations under the charter of the International Monetary Fund, the currency regime cannot restrict residents from repaying foreign currency-denominated obligations. As at the date of this Prospectus, the Government has not invoked the aforesaid statutory provisions. Accordingly, it is unclear how any implementation of the new currency regime would ultimately impact the Company. However, any imposition of significant restrictions on the Company's foreign currency dealings could have a material adverse effect on the

Company’s business, prospects, financial condition or results of operations.

The Company cannot ensure the accuracy of official statistics and other data in this Prospectus published by Government authorities.

Official statistics and other data published by Government authorities may not be as complete or reliable as those of more developed countries. Official statistics and other data may also be produced on different bases from those used in more developed countries. The Company has not independently verified such official statistics and other data and any discussion of matters relating to Kazakhstan in this Prospectus is, therefore, subject to uncertainty due to questions regarding the completeness or reliability of such information. Specifically, investors should be aware that certain statistical information and other data contained in this Prospectus has been extracted from official Government sources and were not prepared in connection with the preparation of this Prospectus.

In addition, certain information contained in this Prospectus is based on the knowledge and research of the Company’s management using information obtained from non-official sources. The Company has accurately reproduced such information and, so far as the Company is aware and is able to ascertain from information published by such third parties, no facts have been omitted that would render the reproduced information inaccurate or misleading. Nevertheless, prospective investors are advised to consider this data with caution. This information has not been independently verified and, therefore, is subject to uncertainties due to questions regarding the completeness or reliability of such information, which was not prepared in connection with the preparation of this Prospectus.

Risks relating to Taxation

Kazakhstan taxation system is subject to frequent change

Kazakhstan taxation system is continually evolving and is subject to frequent and, at times, ambiguous changes, which could have an adverse effect on the Group. Additionally, the Code of the Republic of Kazakhstan “On taxes and other obligatory payments to the budget (Tax Code)” (25 December, 2017 № 120-VI) (“**Tax Code**”) has been in force for a short period relative to the tax laws and regulations in more developed market economies and, therefore, risks of tax assessments within its jurisdiction are more probable than in nations with more developed tax systems. The Group’s operations are principally conducted and most of the Group’s assets are located in Kazakhstan and, therefore, shortcomings of the Kazakhstan tax system could adversely affect the Group.

Historically, the system of tax collection in Kazakhstan has been difficult and unpredictable resulting in continual changes to the tax legislation, which sometimes have occurred on a short notice and have included changes to the provisions that establish the rules of tax administration, but also to other provisions such as tax base determination and tax rate. Furthermore, the Kazakhstan tax legislation is subject to amendments on a regular basis. These changes produce tax uncertainties which, may result in adverse tax implications for the Group.

Interpretations of tax authorities cannot be deemed as legally binding and there is no responsibility of tax authorities for misinterpretations of Tax Code. Such differing interpretations increase the level of uncertainty and, therefore, tax risks, and could potentially lead to the inconsistent enforcement of these laws and regulations. Official explanations and court decisions are often unclear and contradictory, while tax disputes could result in significant litigation costs for the Group. For example, clarifications of the tax authorities on particular Tax Code clauses are not legally binding on either taxpayers or the tax authorities themselves, and may not be taken into account during settlement of tax disputes. In addition, the responsibility of the tax authorities for providing misinterpretation of articles of the Tax Code is not established by law. Thus, the tax authorities are allowed to change their position regarding the application of a particular article. Additionally, judges considering court cases related to resolution of tax disputes sometimes issue decisions that can be considered as arguable. Designation of the Supreme Court and Astana city court as the courts of first instance for investment-related disputes in 2016, including tax disputes of investors, did not lead to a significant improvement in the quality of tax litigation and substantial positive changes in resolution of tax disputes.

As a consequence of the complexity of the precise legal description of the taxation mechanism, the shortcomings of legal techniques, as well as gaps and contradictions that exist in the tax legislation, there are frequently different interpretations of the tax legislation by taxpayers and the tax authorities. Therefore, taxation in Kazakhstan is often unclear or inconsistent, and may result in unexpected tax assessments and liabilities that could lead to a material adverse effect on, *inter alia*, the Group's business, financial condition, results of operations or prospects.

The Kazakhstan Law on Transfer Pricing may have a negative effect on the Group's operational flexibility and tax assessments.

The Group's transactions for cross-border sale of crude oil and gas are subject to transfer pricing scrutiny, which could have an adverse effect on the Group's tax implications. Under Law No. 67-IV of the Republic of Kazakhstan "On Transfer Pricing" dated 5 July 2008 (the "**Kazakhstan Law on Transfer Pricing**"), if the price of export is not at arm's length, additional taxable income recognition on controlled transactions, including cross border transactions of goods as well as transactions of Kazakhstan residents committed outside of Kazakhstan, should be accrued. The Kazakhstan Law on Transfer Pricing applies regardless of whether transaction parties are related or not. Further, the Kazakhstan Law on Transfer Pricing can potentially result in a higher tax on long-term commodity contracts that are not based on market prices, or "spot pricing." This law disincentivises the Group from entering into long-term contracts with base escalation pricing or fixed pricing.

The Kazakhstan Law on Transfer Pricing came into effect in Kazakhstan from 1 January 2009. The Kazakhstan Law on Transfer Pricing is not explicit and there is little precedence with some of its provisions. Moreover, the Kazakhstan Law on Transfer Pricing is not supported by detailed guidance, which is still under development. As a result, application of transfer pricing control to various types of transactions is not clearly regulated. As at the date of this Prospectus, management believes that its interpretation of the Kazakhstan Law on Transfer Pricing is appropriate and that it is probable that the Group's positions with regard to transfer pricing will be sustained, but the Group can make no assurance that this is the case. Because of the uncertainties associated with the Kazakhstan Law on Transfer Pricing, there is a risk that the tax authorities may take a position that differs from the Group's position, which could result in additional taxes, fines and interest at and for the historical period under review and could in turn have a material adverse effect on the Group's business, financial condition, results of operations or prospects.

Dividends on Share included into the official lists of the KASE and the AIX may be subject to income tax if the active trading criteria are not met.

On 11 July 2022 a law introducing amendments to the Tax Code with respect to treatment of dividends on shares included into the official lists of exchanges operating in Kazakhstan (the KASE and the AIX) was passed. Starting from 1 January 2023 (when the amendments enter into force), a mere inclusion of shares in the official list of a stock exchange will not be sufficient (as is the case as at the date of this Prospectus) for exemption of dividends on such shares from taxes. The dividend tax exemption will apply only if there have been trades with such shares. The criteria of sufficiency of the trades will be set out by the Kazakhstan Government. Pursuant to a draft Government Decree, the active trading criteria are (1) the amount of deals with the securities being not less than KZT 25 million a month, and (2) the number of deals with the securities being not less than 50 a month, with the criteria being satisfied only based on executed deals. The KASE and the AIX will be required to publish on their web-sites information on securities satisfying these criteria quarterly. There can be no guarantee that these active trading criteria will be met for the Company's Shares and that no income tax will apply to dividends that may be paid on the Company's Shares.

Risks relating to the Shares and the Trading Market

An active trading market for Shares may not develop.

Shares are expected to be listed only on local exchanges such as the KASE (already listed) and the AIX. There is no guarantee that an active trading market for the Shares will develop and continue at the AIX and the KASE following the Offering. Trading on the KASE was suspended on 7 November 2022 and will remain suspended until and including the Closing Date. If an active trading market for the Shares does not develop, it could have a material adverse effect on the liquidity and the market price of the Shares and investors may not be able to sell the Shares they purchased in the Offering at the Offer Price, or at all. As a result, investors who purchase the Shares in the Offering could lose all or part of their investment in the Shares. The Offer Price may not be indicative of the market price of the Shares after the Offering.

In addition, the trading price of the Shares may also be subject to significant volatility in response to, among other things, the following factors: (i) changes in analysis and recommendations of securities analysts; (ii) announcements made by the Company or its competitors; (iii) changes in investors' perceptions of the Company; (iv) the macro investment environment; (v) changes in the liquidity of the markets for the Shares; and (vi) general economic factors.

The Astana International Exchange, or AIX, was launched in July 2018 and, therefore, has very short history of operations. Since the start of its operation, the AIX's technology and infrastructure has proved to be sufficient and reliable to continually facilitate trading and post-trade operations, including during the high volatility and market turmoil caused by the COVID-19 outbreak and recent geopolitical events in Kazakhstan and worldwide. Generally, domestic capital markets in Kazakhstan face the problem of insufficient liquidity, which is a common aspect of frontier markets. Liquidity risk may significantly affect price formation of the Shares.

The Kazakhstan Stock Exchange, or KASE, was launched in November 1993. There may be no assurance that the KASE will attract a sufficient number of market participants and issuers to ensure acceptable trading volumes in the foreseeable future or at all. Accordingly, market participants, issuers and other involved parties may experience technical difficulties with various aspects of KASE's operations, such as quotation and trading information and settlement. Any of these events could adversely affect the price of the Shares.

Issuances or sales of additional Shares following the Offering may result in a decline in the price of the Shares.

Each of the Company, the Selling Shareholder and the NBK has agreed that, until the expiry of a period of 180 days after the Closing Date, they will, subject to certain exceptions, without the prior written consent of the Bookrunners issue, offer, place, alienate, encumber (including pledge) or otherwise dispose of any Shares (the "**Lock-up Period**"). Upon the expiry of the Lock-up Period, the issuance or sale of a substantial number of the Shares, the Shares or any other securities representing the Shares, or the perception that such issuances or sales could occur, could materially and adversely affect the market price of the Shares and could also impede the Company's ability to raise capital through the issue of equity securities in the future.

Moreover, the Company may, in the future, issue new Shares or any other securities convertible or exchangeable into Shares. Any such issue could result in an effective dilution for investors purchasing the securities. Any of these events could adversely affect the price of the securities. As a result, investors who purchase the securities could lose all or part of their investment in such securities.

The Company may elect not to pay dividends in the future.

To the extent that the Company declares and pays dividends on the Shares, owners of the Shares on the relevant record date will be entitled to receive dividends payable in respect of the Shares. Generally, decisions to declare and pay dividends are subject to applicable law and commercial considerations (including without limitation, applicable regulations, restrictions, the Group's results of operations, financial condition, cash requirements, contractual restrictions, the Group's future projects and plans and capital adequacy requirements and limitations).

Conditional on average yearly oil prices being not less than U.S.$70 per barrel the Company intends to pay annual dividends in the amount of not less than KZT 200-250 billion (in total to all its shareholders) in respect of each of the Company's 2022, 2023 and 2024 financial years to be paid in 2023, 2024 and 2025, respectively. As noted above, decisions on distribution of dividends are subject to the Board of Directors' recommendations and to approval of the General Meeting of Shareholders taken considering applicable law requirements, market conditions, oil prices, the Company's debt profile, positive profitability and free cash flow, investment program and capital expenditures, and other material circumstances, which may arise and impact the Company's ability to pay dividends in the aforementioned amount.

The Company can give no assurance that it will pay these or any subsequent dividends in the future. As a result, shareholders may not receive any return on their investment in the Shares unless they sell their Shares for a price greater than that which they paid for them.

It may be difficult to effect service of legal process and enforce judgments obtained outside of Kazakhstan against the Company and its management, and judgments in Kazakhstan are difficult to predict.

The Company is a company incorporated under the laws of Kazakhstan and a substantial part of its businesses, assets and operations are located in Kazakhstan. As a result, it may not be possible to effect service of process outside Kazakhstan upon the Company. Kazakhstan does not have treaties providing for the reciprocal recognition and enforcement of judgments of courts with the United States, the UK and many other countries. While Kazakhstan law provides for enforcement of foreign court awards on the basis of reciprocity, there is no guidance or practice on this matter and currently it is uncertain whether or not Kazakhstan courts will enforce decisions from foreign courts on such a basis. The procedures applied by the relevant Kazakhstan officials may not be entirely consistent with the legislation relating to procedure or with court rules. This could delay enforcement procedures in the Republic of Kazakhstan. As a result, recognition and enforcement in Kazakhstan of judgments of a foreign court in relation to any matter may be difficult.

The independence of the Kazakhstan judicial system is not immune from social, economic and political influences. The judicial system is often inefficient and time intensive, and some judges are inexperienced in business and corporate law matters. Certain court decisions may not be consistent with each other. Furthermore, claims arising from the use of the infrastructure of the AIX by virtue of the Shares being listed and traded on the AIX will be subject to consideration by the recently created court of the AIFC, which operates on the principles of English law. However, due to its very limited history of operation, the outcome of any such proceedings are difficult to predict. These uncertainties make judicial decisions in Kazakhstan difficult to predict and effective redress uncertain, and could have a material adverse effect on the price of the Shares.

If securities or industry analysts do not publish or cease to publish research or reports about the Company, its business or its markets, or if they change their recommendations regarding the Shares adversely, the price and trading volume of the Shares could decline.

The trading market for the Shares may be influenced by the research and reports that industry or securities analysts may publish about the Company, its business, its markets or its competitors. If any of the analysts who may cover the Company change their recommendations regarding the Shares adversely, or provide more favourable relative recommendations about the Company's competitors, the price of the Shares would likely decline. If any analyst who may cover the Company were to cease coverage of the Company or fail to regularly publish reports on the Company, the Company could lose visibility in the financial markets, which, in turn, could cause the price or trading volume of the Shares to decline.

The trading price of the Shares may fluctuate in response to various factors, many of which are outside the Company's control.

There is no assurance that the Offering Price will be indicative of the future price of the Shares. Following the Offering, the price of the Shares may not always accurately reflect the underlying value of the business. The price and value of the Shares may decrease as well as increase, and investors may realise less than the original sum invested. The value of the Shares may, in addition to being affected by actual or forecasted operating results, fluctuate significantly as a result of a large number of factors, some specific to the Company and its operations and some which may affect the oil and gas sector generally, which are outside of the Company's control, including, among others: changes in the Company's financial performance, or of the Company's peers or the industry; changes in law, rules and regulations applicable to the Company and its operations in Kazakhstan and other regions where the Group operates; the general economic, social and political environment in Kazakhstan and other regions where the Group operates; and fluctuations in the capital markets.

THE OFFERING

The Company	The Company's legal and commercial name is National Company "KazMunayGas" JSC (or joint stock company "National company "KazMunayGas"). The Company was organised as a closed joint stock company under the laws of Kazakhstan on 27 February 2002. The Company was re-registered as a joint stock company pursuant to the JSC Law under re-registration certificate No. 11425 1901 AO issued by the Justice Department of the City of Astana on 16 March 2004. The principal legislation under which the Company operates, in addition to the JSC Law, is the Law of Kazakhstan No. 413-IV "On State Property" dated 1 March 2011 (as amended) and the Law of Kazakhstan No. 550-IV "On Sovereign Wealth Fund" dated 1 February 2012 (as amended). The Company's legal entity identification number (LEI) is: 2138001H1M69RFJCSH88 and its business identification number is 020240000555. The business address of the Company is 8 Kunayev Street, Astana, 010000, Kazakhstan and its telephone number is +7 (7172) 786 101.
The Selling Shareholder ...	Joint stock company "Sovereign Wealth Fund "Samruk-Kazyna", a joint stock company organised under the laws of Kazakhstan. Samruk-Kazyna currently owns 90.42 per cent. of the Company's issued share capital. Following the Offering, Samruk-Kazyna will own not less than approximately 85.42[3] per cent. of the Company's issued share capital. See "*Principal and Selling Shareholder and Related Party Transactions*".
The Offering	The Selling Shareholder is offering in aggregate up to 30,505,974 Shares, representing in aggregate approximately 5.0 per cent. of the total number of existing Shares, in the Offering. Pursuant to the Resolution of the Government No. 877 dated 5 November 2022, Samruk-Kazyna is authorised to sell up to 94,109,125 Shares, representing in aggregate approximately 15.42 per cent. of the total number of existing Company's Shares. The Selling Shareholder is offering Shares to resident and non-resident institutional and retail investors through the facilities of the AIX, the KASE and via Direct Subscription. The Shares are offered in the AIX Offering, the KASE Offering and Direct Subscription at the same price of KZT 8,406 per share. The Local Bookrunners are acting as joint coordinators and both Local Bookrunners and International Bookrunners will be acting as bookrunners of the Offering. The Company and Local Bookrunners have entered into the LB Underwriting Agreement, to which the Selling Shareholder intends to accede on or about the Opening Date, and the Company, the Selling Shareholder intend to enter into the IB Underwriting Agreement before the Allocation Date. In particular, the Bookrunners provide the Company with consulting and

[3] Assuming all of the 30,505,974 Shares offered in the Offering are sold.

underwriting services in relation to the proposed listing and public offering of the Company's Shares on the AIX and the KASE.

Also, the Company, the Selling Shareholder and the International Bookrunners intend to enter into the IB Underwriting Agreement before the Allocation Date.

The timetable herein may be subject to change. Certain events provided herein are beyond the control of the Company, the Selling Shareholder or the Local Bookrunners. The Selling Shareholder, in agreement with the Bookrunners reserves the right to change the timetable for the Offering. Information about any changes to the proposed timetable of the Offering will be notified to investors and, if necessary, supplements to the Prospectus will be made in accordance with applicable regulations.

Book-building Process on the AIX

Book-building process for Shares will commence at 12:00 on 9 November 2022 and will be carried out on a dedicated segment of the AIX trading platform, to which only members who have a valid and active trading membership agreement with AIX ("**AIX Trading Member**") can be granted access. Potential purchasers of the Shares in the AIX Offering need to have an account opened with the AIX Trading Member. Book-building on the AIX will be carried out by the Local Bookruners and the International Bookrunners.

At the start of the book-building process the AIX will issue a Market Notice setting out, among others, the main terms and conditions of the book-building and settlement procedures in connection with the AIX Offering and related responsibilities of the AIX Trading Members (including the obligation to disclose the ultimate beneficial owners submitting bids), timeframe and static data of Shares.

At the start of the Book-building process Shares will be set up in the AIX trading platform.

The AIX and the Bookrunner have entered into a Book-Building Service Agreement dated on or about the date of this Prospectus which sets out the terms and conditions that will govern using the AIX trading platform to perform book-building process with respect to the AIX Offering.

The potential purchasers of the Shares will be required to specify the number of the Shares they would like to acquire. Such number of Shares will be recorded in the AIX trading system and provided to the Bookrunner and the Selling Shareholder.

Allocation of the Shares will be confirmed and expected to be publicly announced on or about the Allocation Date.

By participating in the book-building process, the AIX Trading Members accept that the Selling Shareholder (through the Bookrunner) may, at its sole discretion, refuse to allocate Shares to any Application for any reason. The timetable above may be subject to change. Certain events provided therein are beyond the control of the Selling Shareholder or the Bookrunner.

Book-building process at the AIX shall be closed at: (1) for institutional investors – 18:00 (Astana time) on 30 November 2022; (2) for retail investors – 15:00 (Astana time) on 2 December 2022.

Concurrently, the Selling Shareholder is offering Shares through the facilities of the KASE pursuant to its regulations and settlement procedures.

Book-building Process at the KASE

Commencing at 12:00 (Astana time), on 9 November 2022, a book-building process via subscription for the Shares will be carried out on the KASE trading platform, to which only members who have a valid and active trading membership status at the KASE (the "**KASE Trading Member**") can be granted access. Book-building on the KASE will be carried out by the Local Bookrunners only.

Potential purchasers of the Shares in the KASE Offering need to have a brokerage account opened with the KASE Trading Member. At the start of the book-building process the KASE will issue notification setting out, among others, the main terms and conditions of the book-building and settlement procedures in connection with the KASE Offering, and related responsibilities of the KASE Trading Members (including the obligation to disclose the ultimate beneficial owners submitting Applications).

The potential purchasers of the Shares will be required to submit client orders to the KASE Trading Members, specifying, among others, the number of the Shares which they would be prepared to acquire at the Offer Price. Such number of Shares will be recorded in the KASE trading platform and provided to the Local Bookrunner and the Selling Shareholder. On 2 December 2022 availability of required funds from potential purchasers at their accounts with the KASE Trading Members will be checked against submitted client order. Client orders that do not have confirmed funds shall be nullified in the KASE trading platform.

By participating in the book-building process, the KASE Trading Members accept that the Selling Shareholder (through the Local Bookrunner) may, at its sole discretion, refuse to allocate Shares to any Application for any reason.

Book-building process at the KASE shall be closed at: (1) for institutional investors – 18:00 (Astana time) on 30 November 2022; (2) for retail investors – 15:00 (Astana time) on 2 December 2022. Applications from any investors that will open brokerage accounts with KASE Trading Members on 2 December 2022 shall not be accepted.

Direct Subscription

Concurrently with the AIX Offering and KASE Offering, the Selling Shareholder is offering Shares via Direct Subscription to Kazakhstani retail investors through the Tabys App or KazPost offices. AIX Central Securities Depository Ltd. (the "**AIX CSD**") and the Bookrunner, acting as an agent on behalf and for the benefit of the Company and the Selling Shareholder, have entered into a Service

Provider Agreement dated on or about the date of this Prospectus, which sets out the terms and conditions that will govern using the App to collect Bids from potential purchasers with respect to the Direct Subscription. The main terms and conditions of the Direct Subscription procedures are defined in the App documentation, which could be accessed by potential purchasers in the App or via a link www.tabysapp.kz. The App could be downloaded at the App Store or Google Play, see www.tabysapp.kz.

Bid Collection via the App or KazPost offices will be conducted simultaneously with the AIX book-building process and commence on 9 November 2022. Potential purchasers of the Shares in the Direct Subscription need to have a custodian account at AIX CSD, opening of which will be initiated upon registration of the potential purchaser in the App or at the KazPost office. The potential purchasers of the Shares will be required to specify in the Bid the number of the Shares they would like to acquire. All Bids must be prefunded. Prepaid Bids will be recorded in the App and provided to the Bookrunner and the Selling Shareholder. Allocation of the Shares in the Direct Subscription will take place simultaneously with allocation of Shares in the Offering on or about the Allocation Date. By participating in the Direct Subscription, the potential purchasers accept that the Selling Shareholder (through the Bookrunner) may, at its sole discretion, refuse to allocate Shares to any bid for any reason.

Minimum Amount .... No minimum amount determined.

Offer Price and currency of the Securities .... KZT 8,406 per Share.

Shares................................. The authorised share capital of the Company is KZT 916,540.5 million divided into 610,119,493 Shares with a differing par value. The Company's shares have the rights described under "*Description of Share Capital and Applicable Kazakhstan Regulation*". As at the date of this Prospectus, the total number of authorised ordinary shares was 849 559 596 and issued and outstanding ordinary shares was 610,119,493. As at the date of this Prospectus, all issued and outstanding ordinary shares were fully paid.

Opening Date..................... Expected to be on or about 9 November 2022, at 12:00 (Astana time).

Allocation Date.................. Expected to be on or about 5 December 2022.

Closing Date Expected to be on or about 7 December 2022.

Lock-up.............................. Each of the Company, the Selling Shareholder, the NBK has undertaken to each of the Bookrunners that from the date of the Underwriting Agreements (or from the date of the unilateral Lock-Up Undertaking for NBK) until 180 days from the Closing Date, they will not, subject to certain exceptions, without the prior written consent of the Bookrunners, (i) issue, offer, place, alienate, encumber (including pledge) or otherwise dispose, directly or indirectly, of any Shares or other shares of the Company, or any securities convertible into or exercisable or exchangeable for Shares or other shares of the Company; or (ii) issue, offer, place, alienate, grant any options or derivative securities or instruments the underlying assets of which is, directly or indirectly any Shares or other shares of the Company, or any securities convertible into or exercisable or exchangeable for Shares or other shares of the Company; or (iii) file any registration application in respect of any Shares or other shares of the Company, or any securities convertible into or exercisable or exchangeable for Shares or other shares of the Company and/or any rights therein with any securities regulator or securities registry, stock exchange or listing authority or other similar body or authority in any country or jurisdiction in under the laws of any country or jurisdiction; or (iv) enter into any swap or any other agreement or any transaction (including unilateral) that transfers, in whole or in part, directly or indirectly, any rights in any Shares or other shares of the Company, or any securities convertible into or exercisable or exchangeable for Shares or other shares of the Company; or (v) direct or allow any third party to perform (or announce publicly an intention to do) any of the above.

Use of Proceeds.................	The Company is not selling any Shares in the Offering and will not receive any of the proceeds from the sale of Shares by the Selling Shareholder. The Selling Shareholder will receive all the proceeds from the sale of the Shares.
Voting Rights.....................	See "*Description of Share Capital and Applicable Kazakhstan Regulation — Summary of the Charter — Voting Rights".*
Taxation.............................	For a discussion of certain Kazakhstan tax consequences of purchasing and holding the Shares, see "*Taxation*". If prospective investors are in any doubt as to their tax position, they should consult their tax advisers.
Selling Restrictions	No action has been or will be taken in any jurisdiction outside AIFC that would permit a public offering of the Shares, or possession or distribution of this Prospectus or any other offering material in any country or jurisdiction where action for that purpose is required. Accordingly, the Shares may not be offered or sold, directly or indirectly, and neither this Prospectus nor any other offering material or advertisement in connection with the Shares may be distributed or published in or from any country or jurisdiction outside Kazakhstan (including AIFC) except under circumstances that will result in compliance with any and all applicable rules and regulations of any such country or jurisdiction. Persons into whose possession this Prospectus comes should inform themselves about and observe any restrictions on the distribution of this Prospectus and the offer and sale of the Shares offered in the Offering, including those in the paragraphs below. Any failure to comply with these restrictions may constitute a violation of the securities laws of any such jurisdiction. This Prospectus does not constitute an offer to subscribe for or buy any of the Shares offered in the Offering to any person in any jurisdiction to whom it is unlawful to make such offer or solicitation in such jurisdiction. The Shares referred to in this document may only be offered or and sold in the Republic of Kazakhstan, including in or from the AIFC, in compliance with the applicable laws of the Republic of Kazakhstan and the AIFC rules and regulations. This Prospectus does not constitute an offer, or an invitation to make offers, to sell, purchase, exchange or otherwise transfer securities in Kazakhstan to or for the

benefit of any Kazakhstan person or entity, except for those persons or entities that are capable to do so under the legislation of the Republic of Kazakhstan and any other laws applicable to such capacity of such persons or entities. This Prospectus shall not be construed as an advertisement (i.e., information intended for an unlimited group of persons which is distributed and placed in any form and aimed to create or maintain interest in the Company and its merchandise, trademarks, works, services and/or its securities and promote their sales) in Kazakhstan, and for the purpose of Kazakhstan law, unless such advertisement is in full compliance with Kazakhstan law. The Shares have not been and will not be registered under the Securities Act or under the applicable securities laws of any state of the United States and may not be offered, sold or transferred, directly or indirectly, within the United States, except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. See "*Selling Restrictions*", "*Plan of Distribution*" and "*Settlement and Transfer*".

Listing and Trading.......... Application has been made to the AIX for such Shares to be admitted to listing and trading under the symbol "KMG".

Admission to the AIX Official List on the AIX is expected to take place on or about 5 December 2022. Unconditional trading in the Shares on the AIX is expected to commence on or about 8 December 2022. The Shares have been admitted to the Official List of the KASE under the symbol KMGZ.

Payment and Settlement... The Offering will be made through (i) the book-building platform of the trading system of the AIX and the KASE in accordance with the AIX Business Rules and relevant AIX Market Notices and KASE rules and regulations, respectively; and (ii) the Direct Subscription via the App and KazPost offices. The payment and settlement of the AIX Offering and the Direct Subscription will be made through the settlement system of the AIX CSD in accordance with the AIX CSD Rules and Procedures; and the payment and settlement of the KASE Offering will be made through the Central Securities Depository JSC (the "**KCD**") in accordance with the KCD Rules. In particular, delivery of the Shares through the system of the AIX CSD and KCD and payment for the Shares through the AIX CSD Settlement Banks and the KCD will be made on or about 7 December (the "**Closing Date**"). KCD is acting as the share registry for the Company and the depository links between KCD and AIX CSD have been established and are active.

In order to participate in the offering of Shares, take delivery of Shares and trade Shares on the AIX and/or the KASE, investors are required to have an account opened with a broker company admitted as an AIX Trading Member on AIX and/or KASE Trading Member on KASE. Shares will be held on behalf of investors in the relevant AIX Trading Member's or KASE Trading Member's custodial account at AIX CSD or the KCD.

In order to participate in the Direct Subscription for Shares and take delivery of Shares, Kazakhstani retail investors are required to have a personal custody account opened with AIX CSD. In order to trade Shares on the AIX and/or the KASE, investors are required to have

	an account opened with a broker company admitted as an AIX Trading Member on AIX and/or KASE Trading Member on KASE.
Type, class, and security identification numbers for the Shares	Ordinary Shares ISIN: KZ1C00001122
Indication of the form of the Securities	The Company shares are in the book-entry form. Ownership of the Company's Shares is evidenced by an extract from the shareholders register of the Company. KCD as defined and described in the Section entitled "Description of Share Capital and Applicable Kazakhstan Regulation–Transfer of Shares"), is the only entity authorised to maintain shareholder registers of private companies incorporated in Kazakhstan and is majority-owned by the NBK. The address of Central Securities Depository JSC is 050051, Republic of Kazakhstan, Almaty, 28 Samal-1 Residential Unit.
Restrictions relating to transferability of the Securities, the arrangements for settlement of transfers and any limitations of those rights and procedures for the exercise of such rights	The Shares sold by the Selling Shareholder in the Offering are freely transferable, subject to selling and transfer restrictions under the relevant laws in certain jurisdictions applicable to the transferor or transferee, including Kazakhstan and other jurisdictions, and contractual lock up arrangements applicable to the Company and the Selling Shareholder. See "*Selling Restrictions*", "*Plan of Distribution*" and "*Settlement and Transfer*".
Details of the procedure and means under which the money obtained from applicants will be returned in the event of the Offering not proceeding	In the event of the Offering not proceeding, the money obtained from applicants shall be upon written instructions from the applicant returned by its broker or, in case of the Direct Subscription, by the Selling Shareholder (acting through AIX CSD or KazPost offices) to such applicant in the amount of cash received from the applicant upon submission of application to purchase Shares less any banking, brokerage and other third party fees, if applicable.
Right of an investor to withdraw the application	Institutional Investors are allowed to withdraw their Applications till 18:00 (Astana time) on 30 November 2022 and retail investors are allowed to withdraw their Applications till 15:00 (Astana time) on 2 December 2022.
Legislation under which the Securities have been created	The Shares created under the Kazakhstan laws.
Description of the Issuer's policy on dividend distributions and any restrictions thereon	The Dividend Policy of the Company was approved by the General Meeting of Shareholders on 27 October 2022. The decision on the payment of dividends on Shares of the Company is made by the General Meeting of Shareholders. Accrual and payment of dividends on Shares of the Company is not allowed: • if the amount of the Company's equity is negative or if the amount of the Company's equity becomes negative as a result of accrual of dividends on its Shares;

- if the Company has the features of insolvency in accordance with the legislation on rehabilitation and bankruptcy, or these features will appear in the Company as a result of accrual of dividends on its Shares; and
- in other cases provided for by the legislation.

The Board of Directors submits to the General Meeting of Shareholders a proposal on the distribution of the Company's consolidated net income calculated on the basis of the consolidated free cash flow for the past financial year and the amount of dividends per common share of the Company.

The General Meeting of Shareholders has the right to make a decision on non-payment of dividends on Shares of the Company with the mandatory publication by the Company of this decision in the mass media determined by the Charter, on the Company's corporate website, as well as by other means established by the requirements of the stock exchange, on which the Company's securities are traded within 10 days from the date of making such a decision.

Amount of the dividend per Security for each financial year for the period covered by the historical financial information	In 2019, 2020, 2021 and first six months of 2022, the Company’s total dividend payments made to Samruk-Kazyna the NBK amounted to KZT 36,998 million (KZT 60.64 per share), KZT 81,738 million (KZT 133.97 per share), KZT 49,999 million (KZT 81.95 per share), KZT 199,997 million (KZT 327.80 per share), respectively.
Fixed date(s) on which the dividend entitlement arises.	Dividends are paid within the period established by the General Meeting when deciding on the payment of dividends.
Pre-emption Rights	Please see *“Description Of Share Capital And Applicable Kazakhstan Regulation – Pre-emptive Rights”*
Any dividend restrictions	Please see *“The Offering – Description of the Issuer’s policy on dividend distributions and any restrictions thereon”*.
Rate of dividend or method of its calculation, periodicity and cumulative or non-cumulative nature of payments.	The Board of Directors submits to the General Meeting of Shareholders a proposal on the distribution of the Company's consolidated net income calculated on the basis of the consolidated free cash flow for the past financial year and the amount of dividends per common share of the Company.

The Company will make best efforts to ensure the payment of the following amount of dividends:

- at least 50 per cent. of the Free Cash Flow if the Net debt to EBITDA ratio is less than 1.0;
- at least 40 per cent. of the Free Cash Flow if the Net Debt to EBITDA ratio is greater than 1.0, but is equal to or less than 1.5;
- at least 30 per cent. of the Free Cash Flow if the Net Debt to EBITDA ratio is greater than 1.5, but is equal to or less than 2.0; and

- percentage of payment will be determined by the decision of the General Meeting of Shareholders of the Company if the Net Debt to EBITDA ratio is greater than 2.0.

There are no fixed periodicity in connection with the dividend payments.

The payment of dividends should be made no later than 90 days from the date of the decision to pay dividends on Shares, provided that there is information about the current details of the shareholder.

In the absence of information about the current details of the shareholder, the payment of dividends on Shares should be made within 90 days from the moment the shareholder applies to the Company.

Shareholders have the right to demand payment of unreceived dividends, regardless of the period of formation of the Company's debt, except for cases when the dividend is not accrued on the grounds specified in the Charter.

Risk factors........................ Prospective investors should consider carefully certain risks relating to investing in the Shares. See "*Risk Factors*".

USE OF PROCEEDS

The Selling Shareholder will receive all of the net proceeds of the Offering, which will be approximately KZT 256 billion. The Company will not receive any of the net proceeds of the Offering.

The total commissions, fees and expenses payable in connection with the Offering will be approximately KZT 2.28 billion. These amounts include, among others, fees for auditors, tax advisers, financial advisers and legal counsel, listing and admission to trading fees, as well as selling commissions.

The fees and commissions payable to the Bookrunners in connection with the Offering will be paid by the Company and the Selling Shareholder. The Company and the Selling Shareholder will each bear all their own costs and expenses incurred in connection with the Offering.

Reasons for the Offering

The Offering is being conducted in order to implement the Comprehensive plan of privatisation for 2021–2025 approved by Resolution of the Government of the Republic of Kazakhstan No. 908 “On certain matters of privatisation for 2021–2025” dated 29 December 2020 (as amended).

DIVIDEND POLICY

Dividend Policy

The Dividend Policy of the Company was approved by the General Meeting of Shareholders on 27 October 2022.

The purpose of the dividend policy is to ensure transparency of the process of making recommendations to the General Meeting of Shareholders regarding the amount of the Company's dividends. The objectives of the dividend policy are the optimal combination of the interests of shareholders, creditors and the Company with mutual respect for the rights of all interested parties, as well as the need to increase the capitalization and investment attractiveness of the Company.

The main principles of this dividend policy are:

- increasing the investment attractiveness of the Company;
- ensuring financing of the Company's operational activities and investment projects; and
- maintaining the financial stability of the Company and investment-grade credit ratings;

The decision on the payment of dividends on Shares of the Company is made by the General Meeting of Shareholders.

The main conditions for the payment of dividends are:

- Company has consolidated net income for the reporting period or retained earnings at the end of the reporting period;
- no restrictions on the accrual and payment of dividends provided for by the provisions of this dividend policy and the legislation;
- conducting an audit of the Company's financial statements for the relevant period; and
- decision of the General Meeting of Shareholders.

Accrual and payment of dividends on Shares of the Company is not allowed:

- if the amount of the Company's equity is negative or if the amount of the Company's equity becomes negative as a result of accrual of dividends on its Shares;
- if the Company has the features of insolvency in accordance with the legislation on rehabilitation and bankruptcy, or these features will appear in the Company as a result of accrual of dividends on its Shares; and
- in other cases provided for by the legislation.

The Board of Directors submits to the General Meeting of Shareholders a proposal on the distribution of the Company's consolidated net income calculated on the basis of the consolidated free cash flow for the past financial year and the amount of dividends per common share of the Company.

For the purposes of the dividend policy, the capitalised words have the following meaning:

"**Free Cash Flow**" means the Company's consolidated cash flow from operating activities (including dividends received from joint ventures and associated companies, but not including changes in working capital in terms of advances received for the supply of oil) minus acquisition of fixed assets (so-called advances for fixed assets) minus acquisition of intangible assets minus acquisition of development assets deposits minus acquisition of appraisal and exploration assets less acquisition of interest in a subsidiary/joint venture plus funds received from the sale of participation interests in a subsidiary/joint/associated venture (with the exception of funds received from the transfer of the Company's assets to the competitive environment in accordance with the lists approved by the Kazakhstan Government Resolutions No. 1141 of 30 December 2015 and No. 908 of 29 December 2020 (as amended) based on the results of operations for the reporting period.

"**Total Debt**" means notes (bonds) plus borrowings (short- and long-term).

"**Net Debt**" means Total Debt minus cash and cash equivalents minus bank deposits (short- long-term).

"**EBITDA**" means revenue plus dividends received from joint ventures and associated companies minus the cost of purchased oil, gas, petroleum products and other materials minus production costs minus general and administrative expenses minus transportation and sales expenses minus taxes other than income tax.

The Company will make best efforts to ensure the payment of the following amount of dividends:

- at least 50 per cent. of the Free Cash Flow if the Net debt to EBITDA ratio is less than 1.0;
- at least 40 per cent. of the Free Cash Flow if the Net Debt to EBITDA ratio is greater than 1.0, but is equal to or less than 1.5;
- at least 30 per cent. of the Free Cash Flow if the Net Debt to EBITDA ratio is greater than 1.5, but is equal to or less than 2.0; and
- percentage of payment will be determined by the decision of the General Meeting of Shareholders of the Company if the Net Debt to EBITDA ratio is greater than 2.0.

When making recommendations on the amount of dividends, the Board of Directors will take into account the need to fund future capital expenditures and investment projects, to service debt, to maintain adequate cash flow levels to maintain financial sustainability and investment-grade credit ratings and other circumstances.

The General Meeting of Shareholders has the right to make a decision on non-payment of dividends on Shares of the Company with the mandatory publication by the Company of this decision in the mass media determined by the Charter, on the Company's corporate website, as well as by other means established by the requirements of the stock exchange, on which the Company's securities are traded within 10 days from the date of making such a decision.

In 2019, 2020, 2021 and first six months of 2022, the Company's total dividend payments made to Samruk-Kazyna and the NBK amounted to KZT 36,998 million (KZT 60.64 per share), KZT 81,738 million (KZT 133.97 per share), KZT 49,999 million (KZT 81.95 per share), KZT 199,997 million (KZT 327.80 per share), respectively.

Conditional on average yearly oil prices being not less than U.S.$70 per barrel the Company intends to pay annual dividends in the amount of not less than KZT 200-250 billion (in total to all its shareholders) in respect of each of the Company's 2022, 2023 and 2024 financial years to be paid in 2023, 2024 and 2025, respectively. As noted above, decisions on distribution of dividends are subject to the Board of Directors' recommendations and to approval of the General Meeting of Shareholders taken considering applicable law requirements, market conditions, oil prices, the Company's debt profile, positive profitability and free cash flow, investment program and capital expenditures, and other material circumstances, which may arise and impact the Company's ability to pay dividends in the aforementioned amount.

CAPITALISATION

The following tables set forth the Group's capitalisation as at 30 June 2022, derived from the Financial Statements included elsewhere in this Prospectus. This information should be read in conjunction with "*Selected Consolidated Financial and Operating Information*", "*Operating and Financial Review*" and the Financial Statements included elsewhere in this Prospectus.

	As at 30 June 2022
	(*KZT millions*)
Non-current borrowings	3,578,712
Non-current lease liabilities	40,801
Current borrowings	355,985
Current lease liabilities	9,931
Total borrowings and lease liabilities	**3,985,429**
Share capital	916,541
Additional paid-in capital	1,142
Other capital reserves	(27,007)
Currency translation reserve	2,690,703
Retained earnings	5,414,887
Non-controlling interest	(70,007)
Total equity	**8,926,259**
Total capitalisation(1)	**12,911,688**

(1) Total capitalisation is the sum of borrowings and lease liabilities and total equity.

Except as described below, there have been no material changes in the consolidated capitalisation of the Group since 30 June 2022, the end of the last financial period for which financial information has been published.

On 15 September 2022, the wholly owned subsidiary of the Company, Coöperatieve KazMunaiGas U.A., exercised the Kashagan Call Option and acquired the shares in KMG Kashagan from Samruk-Kazyna, thereby becoming the sole shareholder in KMG Kashagan. The purchase price is U.S.$3.8 billion to be paid in several tranches until 30 June 2023. The Company intends to cover 42 per cent. of the purchase price from the net proceeds from the 3 per cent. coupon 751.6 KZT billion (U.S.$1.6 billion) bonds due 2035 issued by the Company on KASE and held by Samruk-Kazyna, with the rest of the purchase price to be paid by the funds of Kashagan from operating activity and through an offset against Samruk-Kazyna's obligations to the Company. The acquisition of interest in KMG Kashagan will also increase the Company's debt by U.S.$2.3 billion (as of 30 September 2022), including U.S.$1.6 billion of above-mentioned bonds and U.S.$0.7 billion in the form of a guarantee to Samruk-Kazyna on the rest of the purchase price to be paid by the funds of KMG Kashagan from its operating activities (until 30 June 2023).

As parties to this transaction are controlled by Samruk-Kazyna, the Company applied the pooling of interests method with respect to this acquisition and will present its consolidated financial statements for the nine months period ended 30 September 2022 as if the transfer of the controlling interest in KMG Kashagan had occurred from the beginning of the earliest period presented. i.e. 31 December 2021, regardless of the actual date of the combination (14 September 2022) and will result in restatement of financial information presented as of 31 December 2021 and for nine months ended 30 September 2022.

The assets and liabilities of KMG Kashagan transferred under common control are recorded at the carrying amounts of the predecessor, Samruk-Kazyna. No new goodwill is recognized as a result of the combination. Difference between the carrying value of net assets acquired and consideration paid was recognized within equity. The components of equity of KMG Kashagan are added to retained earnings of the Company as business combination under common control.

THE OIL AND GAS INDUSTRY IN KAZAKHSTAN

Brief overview of oil and gas industry, general trends and its impact on Kazakhstan

Production and reserves

Oil and gas industry has been crucial to Kazakhstan since its independence providing economic activity, employment, taxes, investments and quality of life for its people. Kazakhstan's oil production more than tripled from 26.6 million tonnes in 1991 to 85.9 million tonnes in 2021 showing country's capacity to satisfy world's growing demand for energy. Natural gas production increased almost 7 times from 7.9 billion cubic meters in 1991 to 54.2 billion cubic meters in 2021. The growth was achieved due to the collaboration of government and foreign and domestic investors. Oil production growth was driven mainly by three megafields: Tengiz, Karachaganak and Kashagan.

Kazakhstan accounts for 3.3 per cent. of the world's proven hydrocarbon reserves. Kazakhstan's proven recoverable oil reserves amount to 3.9 billion tonnes (12^{th} place in the world), natural gas reserves, including Caspian offshore, exceed 2.7 trillion cubic meters (14^{th} place in the world). Substantial proven reserves and transparent and predictable institutional sphere make Kazakhstan attractable for investors. Since its independence in 1991 Kazakhstan has attracted U.S.$200 billion of foreign direct investments into oil and gas industry establishing itself as an economic leader in Central Asia. Oil and gas condensate account for about 60 per cent. of Kazakhstan's exports, whereas oil and gas industry's average share in GDP during 2010-2020 was about 21 per cent. depending on the world oil prices. Simultaneously, taxes and all types of government proceeds from oil and gas industry make up from 33 to 50 per cent. of the state budget.

While oil reserves and production at old oilfields is decreasing, exploration and development of new oilfields becomes more crucial. Government is planning to expand oil production both at megaprojects and at new prospective exploration blocks by increasing efficiency of auction procedures for selling oil extraction contract rights.

Transportation

There are three major export pipelines in Kazakhstan: the CPC pipeline, the Uzen-Atyrau-Samara pipeline (the "**UAS pipeline**") and Kazakhstan-China Pipeline (the "**KCP pipeline**"). The CPC pipeline has a capacity of 67 million tonnes of oil per year. In 2019, CPC started expansion program aimed to increase capacity to 81.5 million tonnes of oil per year by the end of 2023. This project is related to the expansion of Tengiz and Kashagan oilfields. The UAS pipeline has a capacity of 17.5 million tonnes per year, the KCP pipeline – 20 million tonnes. Additionally, Aktau port at Caspian Sea has a capacity of 5.2 million tonnes per year.

Kazakhstan exports about 68 million tonnes of oil and processes about 17 million tonnes of oil annually. The main export pipelines are the CPC pipeline and the UAS pipeline, both pipelines are going through Russian territory to the Russian sea ports. Taking into consideration the tensions between Russia and western countries that has increased recently, Kazakhstan's oil export routes are exposed to some risks. The KCP pipeline transits oil from Russia to China and exports oil from Kazakhstan to China.

Since the beginning of the Russia-Ukraine military conflict in February 2022, there have been a few events causing or threatening temporary suspension of the CPC marine terminal at Novorossiysk. In response to these events, Kazakhstan started working on diversifying its export channels by negotiating expansion of existing export capacities to China or to the Mediterranean Sea and Black Sea through Azerbaijan, Georgia and Turkey. There is also an opportunity to make swap oil sales to Iran, transporting Kazakhstan oil across the Caspian Sea to the Northern Iran and receiving Iranian oil at Persian Gulf. Nevertheless, the CPC pipeline remains the most profitable export route for Kazakhstan's oil.

Oil refinery

Main oil refinery factories are located in Atyrau, Pavlodar, Shymkent and Aktau with total capacity about 18.5 million tonnes. Additionally, there are several mini-factories although their production is insignificant. Pavlodar Refinery processes Russian oil due to technological issues, the other refineries in Kazakhstan process domestic oil. Kazakhstan has undertaken and finished several investment projects aimed to create modern ecology-friendly petrochemical industry around oil refinery factories.

Oil refineries of Kazakhstan

Location	Atyrau	Pavlodar	Shymkent	Aktau
Year of construction	1945	1978	1985	2013
Capacity, million tonnes	5.5	6	6	1
Refined in 2021, million tonnes	5.5	5.4	5.1	0.92
Utilization in 2021	100 per cent.	90 per cent.	85 per cent.	92 per cent.
Nelson Index	13.9	10.5	8.2	-
Share of light oil products	63	69	80	-

Source: KMG Annual Report 2021.

Oilfield services

Kazakhstan systematically supports national entrepreneurs, especially in oilfield services. At the dawn of independence, government developed legislative measures in order to support and protect interests of domestic suppliers of goods, works and services. Nevertheless, due to the lack of experience and qualification of local small and medium businesses, the oilfield services market of Kazakhstan was dominated by foreign companies. The situation improved only by the late 2000-s when local content in oil companies' purchases became strategic issue for Kazakhstan. Ongoing expansion and development projects at three megafields (Tengiz, Kashagan and Karachaganak) allowed local businesses to receive construction contracts as well as catering, accommodation, waste management and other contracts. By that time the level of local businesses substantially increased. Coupled with government control of compliance with contractual obligations it allowed local businesses to form joint ventures with international corporations. Apparently, the state policy will continue to support domestic businesses engaged in oilfield services due to its social and economic importance.

Procurement of oilfield services of Kazakhstani origin

Segment	**Payments by years, billion Tenge**					**Kazakhstani origin share**
	2016	2017	2018	2019	2020	
Construction & installation work	888	1032	1519	1875	1125	34 per cent.
Drilling	349	418	372	403	361	69 per cent.
Design & Engineering	334	493	517	389	251	12 per cent.
Maintenance & Repair	218	252	252	470	247	65 per cent.
Geology & Geophysics	253	135	186	259	193	29 per cent.
Total	2042	2330	2847	3397	2176	40 per cent.

Source: KazEnergy Association.

Personnel

Amidst the Government of Kazakhstan concluding subsoil use contracts with international industry majors, the oil and gas industry needed new highly qualified, motivated personnel to implement them and ensure further growth of the oil sector. The Kazakhstan Government started reforms of education system, modernization of universities and university programs to comply with the international education standards. Additionally, along with other contractual obligations, the Kazakhstan Government introduced requirements for oil and gas companies to hire local employees as part of local content obligations and to spend a portion of their revenues on development of local personnel. In order to comply with the requirements, international corporations opened training centres in Kazakhstan, often in cooperation with local universities. In the framework of the international oil projects there is a constant process of transfer of high quality, rare expertise and knowledge from international oil firms to the national employees. Human capital showed significant progress since Kazakhstan's independence and it is expected to grow in the future with upcoming investment projects.

Crude oil price

Oil prices in the period of 2011-2021 averaged U.S.$75 per barrel fluctuating from U.S.$42 per barrel in 2020 to U.S.$112 per barrel in 2021.

In 2021, the demand for liquid fuels outstripped the supply in the production and consumption balance, which was due to a relative recovery in tourist flows and air transportation coupled with the global economy being unshackled from the major restrictions of the prior year. For more than a year, oil consumption was ahead of production due to cuts under the OPEC+ Oil Agreement entered into by the member-states of the OPEC+, restricted investment on the part of U.S. oil producers, and other supply disruptions, which also led to constant release of oil stockpiles around the world and a spike in oil prices.

It was U.S.$50 per barrel at the start of 2021 and peaked at U.S.$86 per barrel at the end of October 2021, reflecting the December 2020 decision by OPEC+ to limit production growth in 2021 in order to support higher prices. By the end of 2021, there was a price increase precipitated in part by fears around the Omicron variant causing oil consumption drop-off, followed by a decrease when the variant turned out to be less dangerous, but more contagious. Brent crude oil traded at an average of U.S.$70.86 per barrel in 2021, up 70 per cent. year-over-year amid the easing of pandemic-related restrictions. The West Texas Intermediate (WTI) crude price mirrored Brent, trending U.S.$3.0 per barrel lower on average.

In 2022, as the military conflict in Ukraine unfolded and Western countries had imposed sanctions on Russia, crude prices went up as high as U.S.$128 per barrel. The Brent crude oil price has increased from an average of U.S.$87 per barrel in January 2022 to U.S.$123 per barrel in June 2022, and average price for 6 months of 2022 set at U.S.$106 per barrel. As mentioned above, crude oil prices increased in the first half of 2022 following the commencement of the Russia-Ukraine military conflict in February 2022. As a result of the invasion, several countries-imposed sanctions on imports of crude oil and petroleum products from Russia. In addition, many international oil companies and other firms ended operations in Russia and limited or stopped trading Russia's crude oil and petroleum products. These actions have reduced Russia's oil production and caused crude oil prices to rise. Several OPEC+ members have produced below their targets, which has also put additional upward pressure on oil prices. These factors, along with already low global inventories, have intensified both upward oil price pressures and oil price volatility.

According to the U.S. Energy Information Administration (EIA) the Brent crude oil price will average U.S.$101 per barrel in the second half of 2022 and then fall to U.S.$94 per barrel in 2023. The forecast price declines are the result of expected increases in global oil inventories in late 2022. Most of the price declines in EIA forecast occur in the second half of 2022, with prices falling from U.S.$123 per barrel on average in June to U.S.$97 per barrel in the 4th quarter of 2022. Despite the EIA expectation of inventory growth, they are currently lower than in 2019, which may limit some of the downward price pressures associated with rising inventories and raises the potential for continuing volatility. In addition, EIA expects more balanced markets in 2023. As a result of this balance, crude oil prices in EIA forecast decline slowly through 2023, falling from U.S.$97 per barrel in the 4th quarter to U.S.$93 per barrel in the 4th quarter of 2023. Actual prices will be based on the degree to which existing sanctions imposed on Russia, any potential future sanctions, and independent corporate actions affect Russia's oil production and the sale of Russia's oil in the global market. Global economic developments will also be critical for oil prices.

In the second half of 2022 the price of Brent oil will stay at U.S.$135 per barrel, and on average for the year it will be U.S.$122 per barrel. The decline in oil production in Russia due to sanctions, low probability of reaching an agreement on the Iranian nuclear deal, which will not allow Iranian oil to be brought to the market, as well as the reduction in free production capacity in OPEC+ countries remain the main factors influencing the global oil production.

Global oil demand and supply

Oil is the world's dominant fuel at 31 per cent. of global primary energy consumption (BP Statistical Review of World Energy 2022). Population and income growth are the two most powerful driving forces and therefore GDP, that shape the demand for oil. According to OPEC, global consumption of petroleum and liquid fuels averaged 96.9 million barrels per day in 2021, up by 5.7 million barrels per day from 2020, when consumption fell significantly because of the pandemic.

Global consumption of hydrocarbons, over the last decade grew roughly 1 per cent. per year on average. Demand for oil came mostly from Asia – China's consumption shot up from 9.4 million barrels per day in 2011 to 14.9 million barrels per day in 2021. As a result, China's consumption was the main driver behind world oil demand in this period reaching 68 per cent. of incremental growth. India – another important consumer of oil responsible for 15 per cent. of increment, altogether these two countries provided more than 83 per cent. of incremental global demand.

At the same time, as emerging countries saw the most pronounced growth in hydrocarbon demand, developed countries demonstrated weak consumption pattern. Thus, demand for oil from the Organization for Economic Co-operation and Development (the "**OECD**") Europe countries in the past decade shrank by almost 9 per cent., while region of OECD America generated a mild growth of just 1 per cent. The U.S. economy fared better producing growth of 4 per cent., as it had advantage of lower oil prices due to massive shale oil output.

The OPEC expects global oil demand will expand by 2.7 million barrels per day next year and growth to exceed the increase in supplies by 1 million barrels per day. To fill this wide gap, OPEC members would need to significantly hike production, however OPEC producers are already falling behind the volumes needed due to various obstacles like underinvestment and political instability. Because of this emerged supply shortfall, fuel inventories on a global scale are shrinking fast, while USA, for example, resorted to its strategic petroleum reserves to mitigate the problem. According to the EIA, global oil demand growth has been marginally reduced to 1.7 million barrels per day in 2022, reaching 99.2 million barrels per day. A further 2.1 million barrels per day gain is expected in 2023, led by a strong growth trajectory in non-OECD countries.

At the beginning of October meeting OPEC+ member-countries took a decision to lower the overall production target by 2 million barrels per day from November 2022 – the biggest cut since the group reduced quotas by 9.7 million barrels per day at the start of the Covid-19 pandemic outbreak in 2020. This cut in targets were approved until the end of 2023. According to OPEC+ the decision to cut oil production was taken in light of the uncertainty that surrounds the global economic and oil market outlooks, and the need to enhance the long-term guidance for the oil market. On the one hand, several oil-consuming economies face a potential recession on the back of rising inflation, fueled by energy price hikes since the start of the Russia-Ukraine military conflict. On the other hand, supply constraints are large, with limited spare crude production capacity within OPEC+ and elsewhere exacerbated by uncertainty over the impact of the EU's upcoming embargo on Russian seaborne imports and price caps on Russian oil.

World Oil Outlook[4] published by OPEC outlined global primary energy demand that is expected to increase by 28 per cent. in the period between 2020 and 2045. This forecast was based on the evolution

[4] OPEC World Oil Outlook, September 2021.

of global economy, oil demand, supply forces, oil trade, as well as other drivers, such as policies, technological changes and sustainable development goals.

The global economy is predicted to double in size between now and 2045, while the world's population will increase by about 1.7 billion people. All energy products, with the exception of coal, will continue growing. Gas and renewables have the biggest increase, but oil is still anticipated to maintain its top spot in the energy mix.

Huge investments are needed to supply this demand. Underinvestment is still one of the biggest problems facing the oil sector, and the COVID-19 outbreak made matters worse. The volume of investments decreased by almost 30 per cent. in 2020. It would not be in the interests of, either producers, or consumers to have additional instability and a future energy shortage without the necessary investments.

Crude oil demand is estimated to grow further, with global GDP growth serving as a major driver. From 2011 to 2021, the real global GDP increased by 3.2 per cent. per year on average. The average yearly rate of global GDP growth between 2020 and 2045 is projected to be 3.1 per cent. Non-OECD nations will be a major driver of global growth through 2045. These countries are expected to experience economic expansion by 3.9 per cent. per year on average favouring form such factors as: improving labour productivity and a growing population of working age, even as the pace of GDP growth begins to slow eventually in the long-term.

Constrained demand and the massive fiscal stimulus to offset the effects of the pandemic are expected to cause growth in OECD economies to emerge more at the start of the medium-term period. The forecast for medium-term growth in developing nations is expected to be rather diverse, with India and China likely to see the fastest growth rates. The size of the world economy in 2045 will more than double that of 2020. In 2045, it is anticipated that China and India together will represent 37 per cent. of the world GDP. The OECD countries is set to account for slightly less, at 34 per cent.

The global population is expected to reach 9.5 billion people by 2045. Future demographic trends included the aging population, an increase in the number of people who are of working age, as well as increasing rates of urbanization and migration. During the projection period, an increase of almost 900 million people in the working-age population (15-64 age group) worldwide is anticipated, mainly by non-OECD countries.

Oil demand growth from non-OECD, Asia Pacific and other developing nations is expected to partially offset any decline in OECD country demand for crude oil caused by the increasing availability of alternative energy sources, improved energy efficiency and the introduction of new innovations in the energy consumer markets, such as electric vehicles.

Long-term forecasts show that primary oil demand would increase from 82.5 million barrels of oil equivalent per day in 2020 to 99 million barrels of oil equivalent per day in 2045. Despite slowing oil demand growth in the second part of the forecast period and significant growth in other energy sources, such as other renewables, gas and nuclear, oil is expected to maintain the highest share in the global energy mix during the entire time span. In 2020, oil accounted for 30 per cent. of global energy demand structure. The share of oil is predicted to steadily increase to a level of more than 31 percent by 2025, before it starts to fall and reach 28 percent by 2045, along with the post-pandemic oil demand recovery.

The estimated rise in global oil demand over the medium term (2020–2026) is 13.8 million barrels per day. However, within the first three years (2021–2023), almost 80 per cent. of this new demand will materialize, particularly as part of the COVID-19 crisis recovery period. In the period leading up to 2026, the OECD expects its oil demand to rise by almost 4 million barrels per day. However, even with all of this growth, demand won't reach where it was prior to COVID-19. Over the medium term, it is expected that non-OECD demand will increase by about 10 million barrels per day, with over half of this growth being required to offset a decline in demand in 2020.

Between 2020 and 2045, the global oil demand is expected to increase by 17.6 million barrels per day from 90.6 million barrels per day in 2020 to 108.2 million barrels per day in 2045. Long-term estimates show a different consumption pattern, with demand continuing to expand in non-OECD countries while contacting in the OECD. This trend is expected to start in the medium term and then pick up strength throughout the long run. The OECD oil demand is anticipated to reach its peak in 2023 at a rate of around 46.6 million barrels per day before starting a longer-term drop that would bring it to a level of 34 million barrels per day by 2045. In contrast, oil demand is set to continue growing in the non-OECD region. Oil demand in this group of nations is anticipated to rise by 25.5 million barrels per day between 2020 and 2045, reaching a level of 74.1 million barrels per day in 2045, driven by an expanding middle class, rapid population growth, and stronger economic growth potential.

Oil demand in the Reference Case, 2021–2045 (million barrels per day)

	2021	2025	2030	2035	2040	2045
OECD	44.8	46.3	44.0	40.8	37.3	34.2
Non-OECD	52.2	57.3	62.6	67.1	70.8	74.1
World	96.9	103.6	106.6	107.9	108.1	108.2

Source: OPEC

Estimations highlight the pattern with the greater proportion at the beginning of the period for future demand growth. During the first five years of the estimated period, the annual rate of growth in oil demand is 2.6 million barrels per day on average. After that, it is predicted that average yearly growth will seriously decelerate, reaching 0.6 million barrels per day during the second five-year period and then 0.3 million barrels per day between 2030 and 2035. Following that, estimates show that the global demand for oil will reach its climax.

The transportation sector is anticipated to be the main constituent to future gradual demand, contributing 13 million barrels per day between 2020 and 2045. The road transportation and aviation sectors are expected to add about 6 million barrels per day each to this growth or more than 90 per cent. of it, though a significant share of these increases is due to the sharp demand decline in these two sectors experienced during pandemic in 2020. However, adjusting long-term projections for the demand contraction in 2020, the petrochemical sector retains the position of largest source of additional demand to 2045.

Oil demand growth by sector, 2020–2045 (million barrels per day)

Demand in 2020		90.6
Growth in transportation	Other	0.9
	Aviation	5.8
	Road	6.3
Growth in industry	Other	0.6
	Petrochemicals	4.3
Growth in other sectors		0.7
Demand in 2045		108.2

Source: OPEC

The non-OPEC liquids supply is anticipated to continue to improve into 2022 and return to its pre-pandemic levels. With the world economy increasing rapidly, a rebound in oil demand, and the efforts of OPEC and other participating nations to stabilize the market, the fundamentals appear to be stable and supportive of a return to upstream activity and investments. Thus, it is expected that the total liquids supply from non-OPEC will increase from 62.9 million barrels per day in 2020 to 70.4 million barrels per day in 2026. The key contributors to growth are the US, Brazil, Russia, Guyana, Canada, Kazakhstan, Norway and Qatar.

Strong market fundamentals should encourage the U.S. tight oil industry to resume growth starting in 2022. U.S. tight oil output is anticipated to increase from 11.5 million barrels per day in 2020 to 14.8 million barrels per day in 2026. In the late 2020s, tight oil production is anticipated to reach a peak of

15.2 million barrels per day, and the U.S. total liquids will peak at about 20.5 million barrels per day at around the same time.

In the long-term, after the U.S. liquids supply peaks, total non-OPEC liquids output is set to decline from a peak of 71 million barrels per day around 2030 to 65.5 million barrels per day in 2045, basically level with the pre-pandemic 2019. As a result, OPEC liquids, which are expected to recover to pre-pandemic levels around the mid-2020s, rise further, increasing from 35.7 million barrels per day in 2030 to 42.7 million barrels per day in 2045. OPEC's global market share rises from 33 per cent. in 2020 to 39 per cent. in 2045.

The total amount of investment required in the oil sector from 2021 to 2045 is U.S.$11.8 trillion. 80 percent of this or U.S.$9.2 trillion is allocated to the upstream sector, the majority of which is located in North America as medium-term non-OPEC supply growth is mostly driven by the U.S. tight oil. An additional U.S.$1.5 trillion and U.S.$1.1 trillion in downstream and midstream investments are required, respectively, to expand and maintain the refinery, storage, and pipeline facilities linked to the delivery of oil to market.

Recent developments have demonstrated that there are several uncertainties regarding the main factors that affect future oil demand. Given the global economy, the medium-term risk for oil consumption is skewed to the downside and primarily related with a potentially prolonged pandemic crisis. Long-term risk is fairly symmetrical, with each option deviating from the reference case at the end of the forecast period by more than 6 million barrels per day.

Crude oil export and infrastructure for its transportation in Kazakhstan

Kazakhstan has advanced and diversified oil and gas transportation, refining and processing infrastructure, which facilitates the country's access to global sales markets.

In 2021, the demand for liquid fuels outstripped the supply in the production and consumption balance, which was due to a relative recovery in tourist flows and air transportation coupled with the global economy being unshackled from the major restrictions of the prior year.

According to the EIA, the average liquids consumption in 2021 amounted to 96.9 million barrels per day, up 5.0 million barrels compared to 2020 with its significantly lower consumption due to COVID-19.

In 2021, OPEC+ member-countries, including Kazakhstan, continued to impose restrictive measures on oil production due to decrease in global demand for energy resources. Thus, in 2021, oil production in Kazakhstan remained almost at the level of 2020 and amounted to 85.9 million tonnes, while the volume of export of Kazakhstan oil decreased by 1.3 per cent. that is 67.6 million tonnes (see charts below)[5]. In the first seven months of 2022 oil production in Kazakhstan amounted to 49.9 million tonnes of oil (including gas condensate) remaining almost flat compared to the same period of 2021, while the volume of export of Kazakhan oil in the first five months of 2022 amounted to 24.4 million tonnes.

	Oil and gas condensate production in Kazakhstan	**Kazakhstan oil export**
	million tonnes	
2021	85.9	67.6
2020	85.7	68.5
2019	90.5	72.2

[5] Source: KTO's 2021 annual report.

Most of oil exports continue to transit through Russia, mainly via the premium CPC pipeline and the UAS pipeline. Oil is also piped directly to China via the KCP pipeline and tankered across the Caspian Sea for onward westward export.

The CPC pipeline is the key export route for Kazakhstan liquids. It was commissioned in 2001 and a U.S.$5.1 billion expansion project was completed in 2018. The CPC pipeline runs across west Kazakhstan and Russia to a dedicated marine terminal at Yuzhnaya Ozereyevka, near Novorossiysk on the Black Sea.

Kazakhstan oil and gas condensate export in 2021, million tonnes

CPC oil pipeline	53.2
Atyrau-Samara oil pipeline	11.2
Atasu-Alashankou oil pipeline	0.9
Aktau Port	2.1
Railways	0.2

The UAS pipeline transports oil from fields in the Atyrau and Mangistau regions to Russia. The pipeline system runs for approximately 1,237 kilometres from Uzen in southwest Kazakhstan via Atyrau before crossing into Russia and linking with Russia's Transneft system at Samara. The Atyrau-Samara section of the UAS pipeline has capacity of 17,5 million tonnes per year. In June 2002, Kazakhstan signed a 25-year oil transit agreement with Russia. Under such agreement, Kazakhstan will export at least 15 million tonnes of crude oil per year using the Russian pipeline system. Before completion of the CPC pipeline, Kazakhstan exported almost all of its oil through the UAS pipeline.

The KCP pipeline comprises two existing Soviet era pipeline sections and three major new pipeline sections with a total length of over 2,800 kilometres from Atyrau in western Kazakhstan to Alashankou on the Kazakhstan-China border. It is among the world's longest oil pipeline systems. At the Chinese border the pipeline links into the infrastructure in the Xinjiang province in northwest China. The pipeline has been built in several stages, each with different ownership structures. The three new-build segments are operated by joint ventures between the Company and CNPC.

In 2021, over 98 per cent. of Kazakhstan oil export transited through Russia via the CPC UAS pipeline and the port of Aktau. Due to completion of the CPC pipeline expansion project in 2017 and higher economic attractiveness, almost all oil produced at the Tengiz, Kashagan and Karachaganak fields was transported via the CPC pipeline. While, in 2019 CPC shareholders decided to implement the CPC pipeline Debottlenecking Project to increase its capacity to 81.5 million tonnes per year, including Kazakhstan section up to 72.5 million tonnes per year. The project is scheduled to be completed in 2023. It is anticipated that the forthcoming increase of crude oil output at Tengiz and Kashagan fields will be exported via the CPC pipeline.

In 2021, Kazakhstan oil export by the CPC route reached 53.1 million tonnes making 78 per cent. of the total Kazakhstan oil export for the reporting year.

The UAS pipeline is the second by Kazakhstan oil export to the global market. Oil is supplied via the Atyrau-Samara oil pipeline and further via the Transneft system up to Ust-Luga Baltic terminal and Novorossiysk Black Sea port. In 2021, 11.2 million tonnes of Kazakhstan oil were transported via the UAS pipeline. The decrease of oil supply via this pipeline by 17 per cent. compared to 2020 is related to the general decrease in delivery of product to the main oil pipeline system and redistribution of supplies to other directions.

The volume of Kazakhstan oil transportation via the Atasu-Alashankou oil pipeline increased by 50 per cent. in 2021 and amounted to 0.9 million tonnes excluding transit of Russian crude oil, which amounted to 10 million tonnes.

Oil refining in Kazakhstan

According to the EIA, Kazakhstan is an oil producer since 1911 and has the second largest oil production after Russia among the CIS countries.

The oil and gas industry is a key sector of Kazakhstan's economy due to its significant hydrocarbon reserves. This industry, together with related sectors (such as transportation, construction of production facilities and geology), accounts for approximately 17 per cent. of the total gross domestic product (GDP) of Kazakhstan, according to estimates by the Kazakhstan Association of Oil, Gas and Energy Sector Organisations "KAZENERGY" in the fifth National Energy Report published in October 2021. The crude oil and natural gas production sector accounted for 28 per cent. of gross foreign direct investment inflows in 2021. In 2021, exports of crude oil, natural gas and oil products accounted for 57 per cent. of Kazakhstan's total exports.

As production expanded over the past decades, Kazakhstan has significantly strengthened its position in the global hydrocarbon market. According to BP's Statistical Review of World Energy (July 2021), Kazakhstan ranks 12th globally by the volume of its proved reserves. According to the data and analysis provided by the Information and Analytical Centre of Oil and Gas of the Ministry of Energy, Kazakhstan produced 85.9 million tonnes of crude oil and gas condensate in 2021 (83.3 million tonnes and 2.5 million tonnes, respectively), up 0.3 per cent. year-over-year. At the end of December 2021, the Ministry of Energy estimated the country's oil output in 2022 at 87.5 million tonnes. In 2022, TCO is expected to produce 28.73 million tonnes, KPO – 10.49 million tonnes and NCOC – 15.23 million tonnes. Oil exports in 2022 are estimated at 67.5 million tonnes.

According to the Information and Analytical Centre of Oil and Gas of the Ministry of Energy, the throughput at Kazakhstan refineries in 2021 was 17.03 million tonnes, up 7.7 per cent. year-over-year. The production of all grades of petrol was at 4.81 million tonnes (up 7.3 per cent. year-over-year), jet fuel was at 0.587 million tonnes (up 34 per cent. year-over-year), and diesel fuel was at 4.87 million tonnes (up 7 per cent. year-over-year).

Oil refining in Kazakhstan represents a highly regulated industry.

Kazakhstan has three major oil refineries supplying the northern region (Pavlodar Refinery), the western region (Atyrau Refinery) and the southern region (Shymkent Refinery). Crude oil is also processed at small private refineries. In 2021, all three refineries together, and CaspiBitum, produced a combined 12.7 million tonnes of crude oil products (net to KMG) – 4,867 thousand tonnes attributable to Atyrau Refinery, 4,935 thousand tonnes attributable to Pavlodar Refinery, 2,352 thousand tonnes attributable to Shymkent Refinery, and 460 thousand tonnes attributable to CaspiBitum.

Oil product output, thousands of tonnes (net to KMG)	**2021**	**2020**	**2019**
Atyrau Refinery	4,867	4,525	4,892
Pavlodar Refinery	4,935	4,609	4,794
Shymkent Refinery	2,352	2,145	2,477
CaspiBitum	460	428	439

Source: Annual reports of KMG for 2019, 2020 and 2021

Information about the main competitors of the Issuer, indicating their names and locations, the scale of competition.

Exploration and Production

Kazakhstan's oil and gas sector has been an attractive investment opportunity for leading western, Asian and Russian oil and gas companies. Since Kazakhstan's independence in 1991, several major western and other oil companies have invested in the oil and gas sector of Kazakhstan. In recent years, principal competition in the exploration and production sector has been from China, which has enhanced its presence in Kazakhstan's oil and gas industry by acquiring several oil-producing companies, as well as by entering into several significant joint ventures with the Company. These joint ventures include, amongst others:

(1) PKI, an oil producer, in which the majority stake is owned by China National Petroleum Corporation (CNPC);

(2) CCEL, a joint venture with CITIC Resources Holding Limited;

(3) KCP, a joint venture of KTO with China National Oil and Gas Exploration and Development Corporation, which operates Kenkiyak-Kumkol and Atasu-Alashankou pipelines – parts of a pipeline network connecting western Kazakhstan with the Chinese border;

(4) MMG, an oil producer owned by MIBV, a 50-50 joint venture with CNCP E&D; and

(5) MunaiTas, which operates the Kenkiyak-Atyrau pipeline and in which CNPC Exploration and Development Company Ltd owns a 49.0 percent interest.

According to the 2021 National Report prepared by KazEnergy Association, in 2020, approximately 16.1 per cent. of the crude oil produced in Kazakhstan is produced by companies with Chinese companies' shareholding (including not only CNPC but also other Chinese companies). Kazakhstan upstream sector also has a significant number of smaller ("independent") companies such as Zhaikmunai LLP, Emir Oil LLP, Jupiter Energy Limited, Kom-Munai LLP and others. In 2020, a total of 82 smaller companies accounted for 14.5 per cent. of the total crude oil production in Kazakhstan.

The Company does not foresee competition for reserves from regional and international oil and gas companies, since the Company is the beneficiary of the state's priority right to acquire interests in subsoil use contracts and a right to participate in exploration and development of offshore fields.

Transportation

Kazakhstan occupies a favourable geographical position as a transit country between major gas producers in Turkmenistan, Uzbekistan and Russia and large gas consumption centres in eastern and Western Europe. KTO is the monopoly operator of the main oil transportation systems in Kazakhstan and, accordingly, does not face competition for this international transit business or for domestic oil transportation.

Refining, Marketing and Trading

Following its purchase in August 2009 of MMG's controlling interest in Pavlodar Refinery, which is the largest and most technologically-advanced refinery in Kazakhstan and services north Kazakhstan and the adjacent regions in Russia, the Company now has a significant or controlling interest in all three of Kazakhstan's principal oil refineries: Pavlodar Refinery, Atyrau Refinery and Shymkent Refinery.

Because of the location of these three refineries, the Company can supply the domestic market and, if sufficient quantities of refined products are available, export to Europe. In addition, through its ownership of KMGI (formerly, the Rompetrol Group), the Company indirectly owns 54.6 percent of each the Petromidia Refinery and the Vega Refinery in Romania (as of December 31, 2021).

KMG has implemented a major investment program to modernize three major oil refineries in Kazakhstan, which contributed to an increase in refining capacity and improved quality of petroleum products, and full provision of the domestic market with petroleum products to meet its needs, as well as expansion of exports of petroleum products to regional markets.

Oil export

The Company's oil-producing subsidiaries OMG, EMG, and Kazakhturkmunai LLP ("**KTM**") sell oil for export exclusively to the Company's system trader, KMG Trading AG, which is a 100 percent subsidiary of the Company. The Company's joint ventures MMG, KBM, Kazgermunai, PKI, and Kazakhoil Aktobe export oil to various participants in the international oil market (in Europe and China), including large international traders as well as KMG Trading AG.

Domestic market

The Company's oil-producing subsidiaries OMG, EMG, and KTM sell oil to the domestic market exclusively in favour of the Company within the framework of the relevant oil processing scheme. The Company refines oil purchased from its 100 per cent. oil-producing subsidiaries at a price equal to the sum of the cost of oil and its transportation to the Atyrau Refinery, Pavlodar Refinery or Shymkent Refinery. Petroleum products obtained as a result of oil-producing organizations oil are sold on the domestic market to wholesale buyers, mainly being:

- KazMunayGas-Aero LLP, 100 percent a subsidiary of the Company (which is, according to the Republic of Kazakhstan Resolution No. 1304 dated 12 December 2014, a single operator for the supply of petroleum products to the Armed Forces of the Republic of Kazakhstan, the Border Service of the National Security Committee of the Republic of Kazakhstan, the National Guard of the Republic of Kazakhstan, an authorized body in the field of civil protection, an authorized body in the field of state material reserves: motor gasoline, diesel fuel, fuel oil, aviation fuel); and
- Since April 2019, PetroRetail LLP, which owns Qazaq Oil, one of the largest gasoline filling networks in the Republic of Kazakhstan with more than 370 filling stations and carries out retail sales of gasoline and diesel fuel throughout the Republic of Kazakhstan. The Company used to own the Qazaq Oil (then-KMG) gasoline filling stations through KMG-Retail LLP and in 2019 sold 100 per cent. in KMG-Retail LLP to PetroRetail LLP.

The Group also supplies products to Helios LLP, operator of another leading gasoline filling network in Kazakhstan with more than 270 filling stations in every region of Kazakhstan, Sinoil LLP, operator of a gasoline filling network present in most regions of Kazakhstan, and to regional partners of Gasprom Neft LLC, who operate a few gasoline filling stations across Kazakhstan under the Gasprom Neft brand.

The Company's joint ventures MMG, KBM, Kazgermunai, PKI, and Kazakhoil Aktobe do not sell oil within the framework of the oil processing scheme when selling oil to the domestic market of Kazakhstan. They sell oil to various participants in the domestic oil market of the Republic of Kazakhstan on market terms for further processing at the oil refineries of the Republic of Kazakhstan. The list of such oil buyers includes various traders, including Petrosun LLP.

In July 2022, the Company acquired 49 per cent. stake in Petrosun LLP, one of the major wholesale buyers of oil from subsoil users and oil products from domestic refineries. The remaining 51 per cent. stake in the company is owned by CNPC International.

The ease or difficulty of entering the industry, the likelihood of new competitors entering the industry.

Given the high capital intensity of the oil and gas industry, as well as the presence of large players in the market, entering the industry is quite difficult for new companies due to the need for significant investments in the organization and further maintenance of the infrastructure. In addition to the necessary availability of the exploration and production rights, production and transport infrastructure, and highly qualified personnel, new players need continuous investment in high-tech equipment, exploration of new oil fields, oil and gas technology research, marketing, and more.

The trend towards carbon neutrality in the oil and gas sector.

Carbon neutrality

At the beginning of the 21st century, the threat of global climate change caused by anthropogenic greenhouse gas (GHG) emissions became apparent. As concern about this problem grows, there is increasing pressure from the public and investors on companies and governments to ensure immediate action adequate to the magnitude of the threat.

At the international level, the Paris Agreement was adopted back in 2015 with the goal of "keeping the increase in global average temperature markedly below 2 degrees Celsius above pre-industrial levels while making efforts to limit temperature rise to 1.5 degrees Celsius, teach humanity to better adapt to the effects of climate change and move toward low-carbon development. At the same time, the UN declared the Sustainable Development Goals, in particular urgent action on climate change and its impacts (Goal 13) and universal access to affordable, reliable, sustainable and modern energy for all (Goal 7).

In November 2016, Kazakhstan ratified the Paris Agreement under the United Nations Framework Convention on Climate Change (the "**Paris Agreement**"), which is believed to have effectively replaced the Kyoto Protocol and outlines the international and legal principles for global efforts to reduce greenhouse gas emissions, increase energy efficiency, transition to renewable energy sources and gradually move away from fossil fuel flaring. Kazakhstan's nationally determined planned contribution under the Paris Agreement is to reduce the country's greenhouse gas emissions by at least 15 per cent. from 1990 levels, or by 25 per cent. (subject to certain conditions) by 2030.

At the end of 2019, the EU presented to the public a comprehensive legislative initiative, the EU Green Deal, which is based on achieving 100 per cent. climate neutrality (zero net emissions of all GHGs, i.e., GHG emissions equal to GHG capture and sequestration) by the EU states by 2050, both across the EU and at national level.

China in September 2020 announced a desire for carbon neutrality by 2060 and its commitment to "green" development. In October 2020, similar statements on the desired achievement of carbon neutrality in 2050 were made by Japan and South Korea. Canada in January 2021 also announced the goal of achieving carbon neutrality in 2050.

Given that the reduction of greenhouse gas emissions has become an inevitable global trend in 2021 Kazakhstan has set a course for carbon neutrality.

Developing a decarbonisation strategy is a complex, multi-step process, unique to each company in its own way, depending on its asset structure, production technology, investment portfolios and current national regulation.

Transition to low-carbon sources of energy supply of enterprises in the industry

A growing number of oil and gas companies are focusing on the use of renewable energy sources (RES) and electricity storage (for energy supply), biofuels (as a replacement for traditional hydrocarbons in oil refining), and low-carbon fuels (in particular for marine transportation of their products) in their production processes.

Corporate decarbonisation methods:

- Asset portfolio optimization – divestments (abandonment of unattractive carbon-intensive assets); mergers and acquisitions to improve asset quality and diversify into new, less carbon-intensive businesses (primarily by building up the gas business); restructuring; development of the oil and gas chemical business and creation of corporate venture funds focused on innovation (e.g., in methane leakage reduction, operational efficiency, hydrogen technologies, etc.)
  Important aspects of corporate decarbonisation strategies also include industrial cooperation in research and development (R&D), venture investments and deep decarbonisation pilot projects, which can significantly increase the speed of development and implementation of these technologies.

- The growing interest of oil and gas companies to the petrochemical and chemical industry can be particularly noted, as they see an opportunity to increase efficiency in joint activities. This means integration with their refineries, monetization of available hydrocarbon raw materials, increasing product margins and solving problems of decarbonisation.

- The use of carbon credits – this method is used with great care and with an individual approach to review and verification. The basic approach: first reduce all emissions, whichever is possible, and only compensate the remaining emissions with these tools.
- Reducing GHG emissions by investing in land use based on regenerative technologies - oil and gas companies are increasingly considering projects related to natural carbon sinks, although they have some concerns at the stage of selecting projects and partners, since it is difficult to calculate the actual anthropogenic impact.

Many oil and gas companies have plans for deep decarbonisation, which include the introduction of carbon capture, utilization and storage (burial) technologies and the use of hydrogen as a fuel.

Reporting standards

PWC analysts analysed sustainability reports of the world's largest oil and gas industry leaders, as well as an analysis of topics in the ESG ratings to identify the most significant topics. According to the 2020 reports, Global Reporting Initiative (GRI), Task Force on Climate-Related Financial Disclosures (TCFD) and Sustainability Accounting Standards Board (SASB) continue to be leaders among sustainability reporting standards. IPIECA, WEF, UNGC standards are more often used for reporting in the oil and gas industry.

The decarbonisation trend is increasingly affecting oil and gas companies. The Paris Climate Agreement, the UN Sustainable Development Goals, and the recommendations of the Task Force on Climate-Related Financial Disclosures (TCFD) have created significant incentives for industry companies to start formulating their decarbonisation strategies and disclosing their efforts in this area. This trend is steadily accelerating, with more companies from around the world joining in - while in 2016 only 5 oil and gas companies publicly articulated commitments to reduce GHG emissions, by 2019 that number had risen to 15. Even China's PetroChina Corporation, which has never previously disclosed its emissions reports, announced in August 2020 that it intends to reduce GHG emissions to zero net by 2050 and to invest in geothermal, wind and solar power, as well as in pilot hydrogen projects.

According to the PWC report "Significant ESG Topics" 90-100 per cent. of global leaders in the industries studied believe that "GHG emissions" is a significant topic. In Kazakhstan, this topic is significant for 100 per cent. of companies analysed by PWC analysts in the oil and gas sector. Given that Kazakhstan has embarked on a course towards carbon neutrality this topic is essential for Kazakhstan oil and gas companies. In order to achieve a zero balance of emissions, Kazakhstan will have to make significant changes in terms of expanding the use of renewable energy sources, improving energy efficiency and switching to biofuels and hydrogen.

Regulators, investors, and consumers are putting increasing pressure on oil and gas companies to reduce the carbon footprint of their products. According to the World Energy Outlook 2020 report, the oil and gas industry's Scopes 1 and 2 emissions accounted for 12 per cent. of total global anthropogenic GHG emissions in 2017. Scope 3, meanwhile, is the largest GHG emitter of the entire oil and gas sector (about 33 per cent. of global GHG emissions), and for vertically integrated oil companies, Scope 3 emissions are, on average, seven times greater than Scopes 1 and 2. And it is these emissions that cause the greatest concern and pressure on oil and gas companies under the global decarbonisation paradigm.

BUSINESS

Overview

The Company is the national oil and gas company of Kazakhstan with vertically-integrated upstream, midstream and downstream operations. The Company is one of the largest crude oil and condensate producers in Kazakhstan in terms of production volume as at 31 December 2021. As at 31 December 2021, the Company also operates the largest crude oil pipeline networks in Kazakhstan in terms of length and throughput capacity. In addition, the Company operates four refineries in Kazakhstan and two in Romania; the facilities have been comprehensively modernized.

The Company's goal and principal activities in which the Company engage to achieve its goal are set out in clause 5 of the Company's Charter. The Company's goal is receiving net profit in the course of carrying out its independent economic activity. The Company's principal activities include:

- Exploration and production of oil and gas;
- Oil transportation;
- Participating in the development and implementation of government policies related to the oil and gas industries; and
- Refining and trading of crude oil, and refined products (diesel, gasoline, bitumen and other products).

The Company's EBITDA for the year ended 31 December 2021 were equal to KZT 1,609 billion split mainly between (i) KZT 1,042 billion generated by the exploration and production segment ("**upstream**"), (ii) KZT 211 billion generated by the transportation of crude oil segment ("**midstream**") of and (iii) KZT 289 billion generated by the refining, marketing and trading segment ("**downstream**") and (iv) KZT 67 billion generated by Corporate and other business activities of the Company, including eliminations and adjustments.

The Company's total revenue increased by 61.1 per cent. to KZT 5,838.8 billion for the year ended 31 December 2021 from KZT 3,625.0 billion for the year ended 31 December 2020, which represented a decrease of 47.1 per cent. compared to KZT 6,858.9 billion for the year ended 31 December 2019. For the first six months of 2022, the Company's total revenue amounted to KZT 4,203.2 million, as compared to KZT 2,672 million for the first six months of 2021.

The Company's net profit increased by 596.5 per cent. to KZT 1,197.3 billion for the year ended 31 December 2021 from KZT 171.9 billion for the year ended 31 December 2020, which represented a decrease of 85.2 per cent. compared to KZT 1,158.5 billion for the year ended 31 December 2019. For the first six months of 2022, the Company's net profit amounted to KZT 676.9 million, as compared to KZT 644.4 million for the first six months of 2021.

The main markets for the Company's products are the following:

Product	**Market**
Oil	Europe (99 per cent.)
Oil products	Kazakhstan (80 per cent.), Other – Europe, China, Russia (20 per cent.)

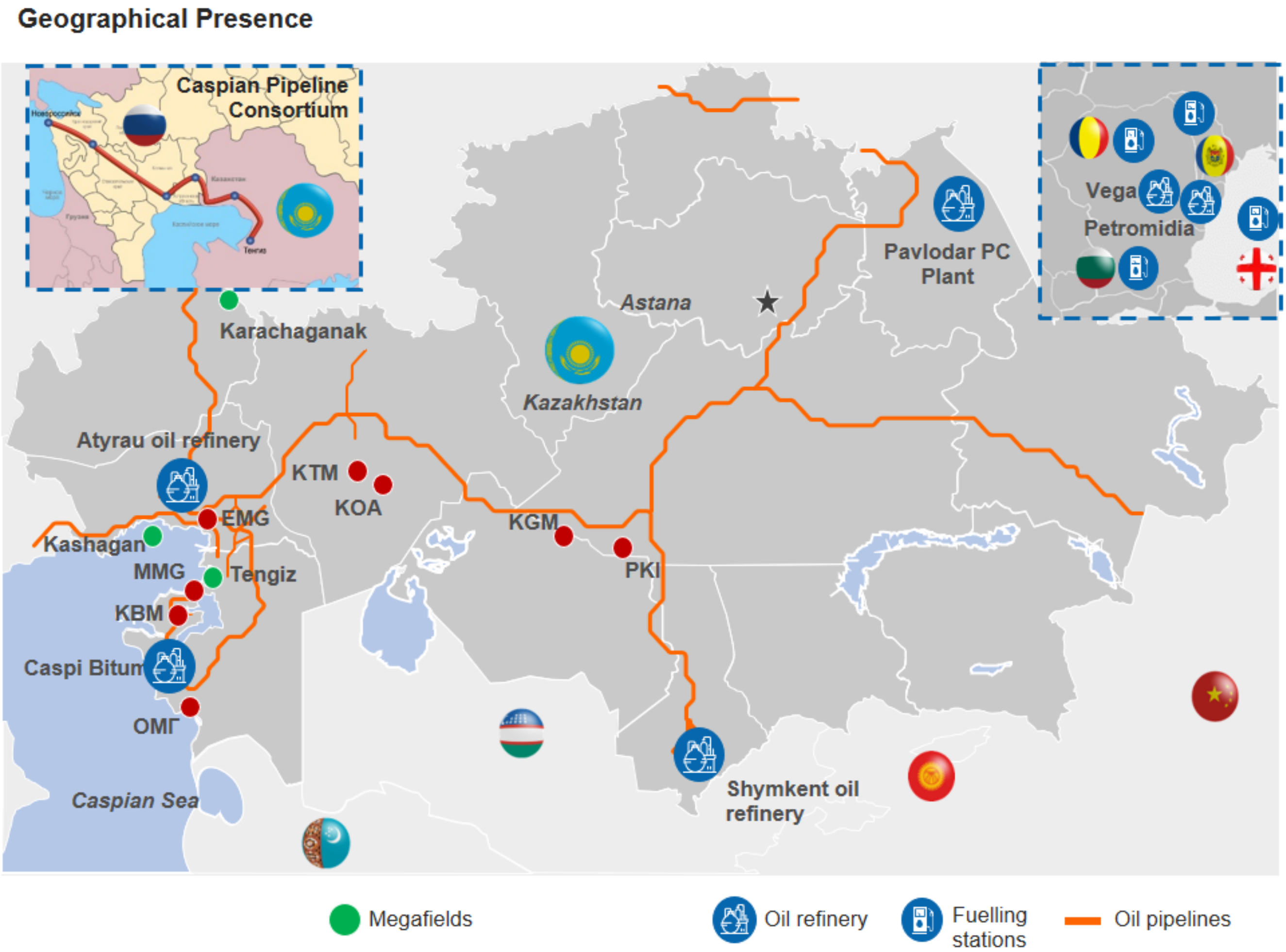
The Company's revenue allocation by geographic market for the years ended 31 December 2021, 2020 and 2019 is following:

	For the year ended 31 December		
	2021	**2020 (restated)**	**2019**
		(millions of KZT)	
Kazakhstan	978,343	770,102	1,212,267
Other countries	4,860,450	2,854,862	5,646,589
Total	**5,838,793**	**3,624,964**	**6,858,856**

As at 30 June 2022, the Company had total assets of KZT 15,210.4 billion, as compared to total assets KZT 13,652.3 billion as at 31 December 2021, total assets of KZT 14,653.3 billion as at 31 December 2020 and total assets of KZT 14,081.9 billion as at 31 December 2019.

The Company's current credit ratings have been reviewed and assessed by S&P as "BB+" (outlook negative), Moody's as "Baa2" (outlook stable) and Fitch as "BBB-" (outlook stable). Kazakhstan's investment-grade sovereign credit ratings supports the Company's credit ratings, contributing towards its strategic initiatives in maintaining access to international capital markets. Maintaining sufficient financial flexibility is considered strategically important to mitigate industry cyclicality while also enabling the pursuit of organic and inorganic investment opportunities.

The following map sets forth the Group's principal exploration and production, transportation of crude oil and refining and trading assets as at 31 December 2021:



Corporate Information

The Company's legal and commercial name is National Company "KazMunayGas" JSC (or Joint Stock Company "National Company "KazMunayGas"). The Company was organised as a closed joint stock company under the laws of Kazakhstan on 27 February 2002 and is the successor of CJSC "National Oil and Gas Company Kazakhoil" ("**Kazakhoil**") and CJSC "National Company Oil and Gas Transport". The Company was re-registered as a joint stock company pursuant to the JSC Law under re-registration certificate No. 11425 1901 AO issued by the Justice Department of the City of Astana on 16 March 2004. The Company's business identification number (BIN) is 020240000555. Its registered address is 8 Kunayev Street, Astana, 010000, Kazakhstan and its telephone number is +7 (7172) 786 101. The Company's website address is https://www.kmg.kz. Any information contained on the Company's website does not form part of this Prospectus, unless explicitly incorporated into this Prospectus.

Corporate Structure

As at the date of this Prospectus, the Group was comprised of 168 entities in total, including the Company. The organisational structure of the key members of the Group is set out below:

Upstream	Midstream	Downstream

Megafields:
• Tengizchevroil LLP (Kazakhstan) – 20%
• Karachaganak Petroleum Operating B.V. (Netherlands) – 10%
• North Caspian Operating Company N.V. (Netherlands) – 16.88%[(1)]
 	
Operated fields:
• JSC Ozenmunaigas (Kazakhstan) – 100%
• JSC Mangistaumunaigas (Kazakhstan) – 50%
• JSC Embamunaigas (Kazakhstan) – 100%
• JV Kazgermunai LLP (Kazakhstan) – 50%
• PetroKazakhstan Inc. (Canada) – 33.0%
• JSC Karazhanbasmunai (Kazakhstan) – 50%
• Kazakhoil Aktobe LLP (Kazakhstan) – 50%
• Kazakhturkmunay LLP (Kazakhstan) – 100%
• KazMunayTeniz OOC LLP (Kazakhstan) – 100%
• Urikhtau Operating LLP (Kazakhstan) – 100%
	• JSC KazTransOil (Kazakhstan) – 90%
	  ○ Kazakhstan-China Pipeline LLP (Kazakhstan) – 50%
	  ○ MunaiTas North-West Pipeline Company LLP (Kazakhstan) – 51%
	  ○ OJSC Batumi Oil Terminal (Georgia)– 100%
	
	• JSC Caspian Pipeline Consortium-K (Kazakhstan) and JSC Caspian Pipeline Consortium-R (Russia) – 20.75%[(2)] in both
	
	• NMSC Kazmortransflot LLP (Kazakhstan) – 100%
	• KazRosGas LLP (Kazakhstan) – 50%[(3)]
		• Pavlodar Refinery LLP (Kazakhstan) – 100%
		• Atyrau Refinery LLP (Kazakhstan) – 99.53%
		• PetroKazakhstan Oil Products LLP (Shymkent Refinery) (Kazakhstan) – 49.72%
		• KMG International (Netherlands) – 100%
		  ○ Petromidia Refinery– 54.63%
		  ○ Vega Refinery– 54.63%
		• KPI LLP (Kazakhstan) – 49.5%
		• Petrosun LLP (Kazakhstan) – 49%

Notes:

(1) The 16.88 per cent. stake in NCOC (which owns Kashagan Field) is held via KMG Kashagan. On 15 September 2022, by virtue of the amended Kashagan Call Option, Samruk-Kazyna transferred its 50 per cent. stake in KMG Kashagan to Coöperatieve KazMunaiGas U.A, with Coöperatieve KazMunaiGas U.A thereby becoming the sole shareholder in KMG Kashagan.

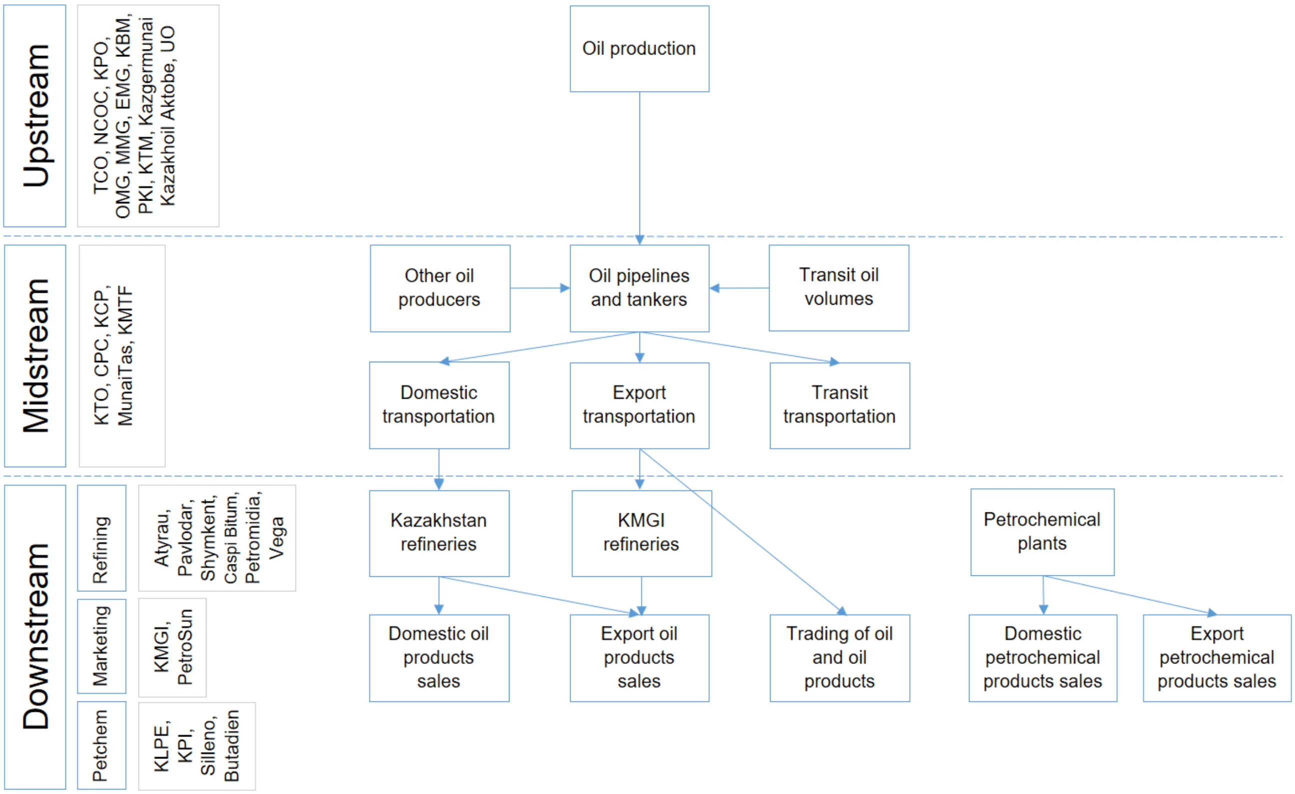
(2) 19 per cent. through the Company itself and 1.75 per cent. through KPV.

(3) The Company's interest is managed by QazaqGaz based on the Trust Management Agreement entered into in June 2015.

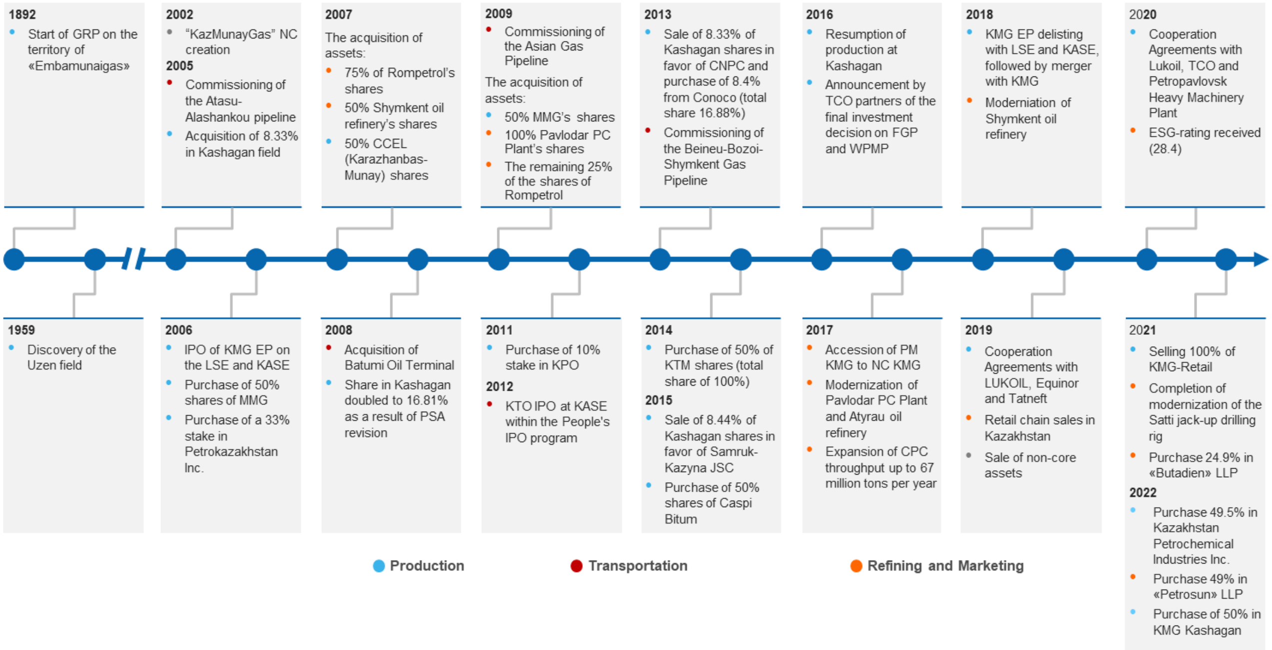
Business Model

The Group's production of crude oil led to the export of 63 per cent. of its own crude oil in the year ended 31 December 2021, while 7,916 thousand tonnes of the Group's domestic crude oil sales in the year ended 31 December 2021 was domestic oil supply sent to the Group's refineries in the year ended 31 December 2021. Some of the refined oil is sold through the Group's marketing of petroleum products (including 56 per cent. of the Group's refined products).

KMG VALUE CHAIN



History



Key Strengths

The Company benefits from the following key strengths:

Unique opportunity to invest in Kazakhstan's oil and gas sector

Kazakhstan is one of the most prolific hydrocarbon regions outside OPEC. As of 2021, it was among the top five non-OPEC countries in terms of proved oil reserves (30 billion barrels of oil equivalent, BP Statistical Review of World Energy 2021). Hydrocarbon production in Kazakhstan reached 85.9 million tonnes in 2021 (Forecast of socio-economic development of the Republic of Kazakhstan), and is expected to grow further at a CAGR of 2.8 per cent. (Forecast of socio-economic development of the Republic of Kazakhstan) reaching 98.8 million tonnes in 2026. The country benefits from vast untapped exploration potential, estimated at 57 billion barrels of oil equivalent, predominantly concentrated in the Precaspian region.

Producers operating in Kazakhstan benefit from an attractive fiscal regime with the key upstream taxes such as export duties, export rent tax, and mineral extraction tax being directly linked to oil prices, with the respective tax take decreasing as the oil price decreases. This, when coupled with a floating KZT exchange rate helps to mitigate potential drops in oil prices. Total government take for crude oil exports at U.S.$60 per barrel is estimated at 40 per cent., which compares favourably to other regional hydrocarbon producers, such as Russia (65 per cent. government take).

The attractiveness of Kazakhstan as one of the major hydrocarbon regions globally is demonstrated by broad historical presence of some of the largest international integrated oil and gas producers such as Chevron, ExxonMobil, ENI, Shell, Total, and others. For example, in the case of Chevron, Kazakhstan projects account for 13 per cent. of total hydrocarbon production, the third largest country share within the broader portfolio. Investments of international oil and gas producers contributed a major share of over U.S.$300 billion of FDI into Kazakhstan since 1993.

Kazakhstan has maintained a multi-decade track record of reliability as a global energy supplier. Its strategic geographic location ideally positions the country to supply both Europe and the fast growing Chinese and other Asian markets, with total exports reaching 67.6 million tonnes in 2021 (Data from the Ministry of Energy of the Republic of Kazakhstan for 2021). Located on the overland part of the

‘One Belt, One Road’ route next to China, Kazakhstan has the potential to be turned into a major Eurasian transport and logistics hub.

Kazakhstan is a high-growth emerging economy. The country’s favourable macroeconomic conditions are supported by key growth drivers, including strong real GDP growth, estimated at 4.0 per cent. in 2021, and expected to remain above 3.8 per cent. in 2022 and 2023, according to the Government of Kazakhstan. Kazakhstan’s attractive investment climate is underscored by its sovereign investment-grade credit rating of BBB- (outlook negative) /Baa2 (outlook stable) /BBB from S&P/Moody’s/Fitch (outlook stable), respectively with S&P changing its outlook from “stable” to “negative” in September 2022 due to the risks related to ability of Kazakhstan to export its crude oil through the CPC pipeline.

Through the years, Kazakhstan has established an attractive investment climate, being the 25th country globally by Ease of Doing Business in 2020 and the 7th country globally by Protecting Minority Investors rankings by the World Bank, as of 2020. The World Bank discontinued publishing Doing Business rankings in 2021.

National oil champion with full integration across the value chain

KMG is Kazakhstan’s leading vertically integrated oil and gas company operating assets across the entire production cycle from exploration and production of hydrocarbons to transportation, refining and provision of services. Full integration across the value chain represents a solid foundation for the Company’s sustainable development in the long term.

In the upstream segment, the Company has a broad and diversified exposure to all major brownfield and greenfield projects in the country, both onshore and offshore. Its market share in Kazakhstan was 25 per cent. and 15 per cent. of oil and gas condensate and gas production volumes, respectively, in the year ended 31 December 2021. The Company had 3,918,771 thousand barrels of proved-plus-probable net oil and condensate reserves. The Company also had 145,737 million cubic metres of proved-plus-probable sales gas reserves. The Company estimated these reserves to be equal to 4.983 billion barrels of oil equivalent. For the year ended 31 December 2021 the Company produced 8.1 billion cubic metres of gas and had a total hydrocarbon production of 444,000 barrels of oil equivalent per day.

In the midstream segment, the Company has highly diversified oil transportation system with strong transit and export potential. In the year ended 31 December 2021, the Company’s midstream segment included 9,090 kilometres of oil pipeline network, five oil tankers (with two being Aframax-type oil tankers). Having transported 64.7 million tonnes oil the Company accounted for 56 per cent. of liquids transportation in the year ended 31 December 2021.

The Company is also the dominant player in the downstream sector in Kazakhstan, with a market share of 82 per cent. of oil refining volumes in the country in the year ended 31 December 2021. Here it operates 4 refineries, which have gone through a major modernization programme, and are focused on supplying high quality fuels to the local market. In the CEE, the Company operates 2 refineries in Romania, including Petromidia, the largest refinery in the country, and a network of 680 fuelling stations across Romania, Bulgaria, Georgia and Moldova.

The Company believes its value chain benefits from full vertical integration and control over captive midstream and downstream infrastructure, which supports earnings and financial performance throughout the oil price cycle, and allows to maximise the incremental margin captured by the Company. The Company believes this is reflected in its solid financial performance and sustainable growth in the recent years despite the oil price volatility. Although the Company’s EBITDA decreased from U.S.$5,126 million in 2019 to U.S.$1,960 million in 2020, it rebounded to U.S.$3,777 in 2021. During the same period, the Brent oil price remained volatile, seeing average annual price of U.S.$64.2 per barrel of oil in 2019, U.S.$41.8 in 2020 and U.S.$70.86 in 2021.

The vertically integrated nature of the business contributes to higher diversification of profits, and allows the Company to benefit, inter alia, from the infrastructure-like cash flows of the midstream business, generated by the Company's own as well as third party and transit volumes. Such business structure also de-risks the operations of the Company, allowing for more efficient planning and coordination among segments.

Differentiated upstream portfolio of scale with attractive growth outlook and exposure to world's largest megafields

The Company's upstream portfolio is comprised of a balanced mix of high-impact growth projects and efficiently maintained brownfields. The Company's management believes that such combination of mature well-invested fields operated by KMG with stable production (including, OMG, MMG and EMG, and other brownfields, jointly defined as "**KMG-operated fields**") and the three megafields in development (namely, TCO (Tengiz Field, including Korolevskoye Field), KPO (Karachaganak Field), and NCOC (Kashagan Field), will continue to provide a complementary production outlook for the Group.

For the year ended 31 December 2021, KMG's share in production of the three megafields stood at 168 thousand barrels of oil equivalent per day, accounting for 36 per cent. of total production. Over the same period, KMG-operated assets, in total produced 277 barrels of oil equivalent per day, or 64 per cent. of total output. At the end of December 2021, Kazakhstan's Ministry of Energy estimated the country's oil output in 2022 at 87.5 million tonnes, the megafields are expected to produce 54.5 million tonnes.

Within the Company's 3,918,771 thousand barrels of proved-plus-probable net oil and condensate reserves as of 31 December 2021, the mega-fields account for 57.4 per cent., and KMG-operated assets for 33.6 per cent. of the KMG proved-plus-probable net oil and condensate reserves as of 31 December 2021. The Company's total proved net oil and condensate reserves life index equates to approximately 16.5 years, which positions it favourably against international integrated companies with an average of 11 years.

Megafields

The megafields within the Company's portfolio are world-class projects which have been developed within joint ventures with some of the leading global industry players such as Chevron, CNPC, ENI, Exxon Mobil, Lukoil, Shell, and Total.

<u>Tengiz and Korolevskoye Fields</u>

Tengiz Field, one of the largest fields globally and the premier asset of Kazakhstan's oil and gas industry, was discovered in 1979. TCO was formed in 1993 and operates Tengiz and Korolevskoye fields. Current partners are: Chevron Overseas Company, ExxonMobil, LIG (Lukoil International Gmbh) and the Company. The Tengiz Field ranks as the world's deepest producing supergiant oil field.

The Korolevskoye Field is located 20 kilometres northeast of the Tengiz Field. Prospecting and exploration drilling started in 1982, which became the year of the field's discovery.

Tengiz and Korolevskoye Fields' proved-plus-probable gross reserves as of 31 December 2021 amount to 673,270 thousand metric tonnes of oil and condensate, 87,059 thousand metric tonnes of NGL, and 261,665 million cubic metres of sales gas. The total oil and condensate production of the above fields was 580 thousand barrels of oil per day, in 2021. In 2021, TCO also produced a total of 14.8 billion cubic metres of associated gas.

The Company owns a 20 per cent. stake in TCO and to-date production of the Tengiz Field has been a large contributor to the Company's free cash flow, generating over U.S.$8 billion of dividends net to KMG over the period from 2009 to 2021. The FGP and WPMP are expected to be completed at the Tengiz Field by mid-2024, which will increase the field's production capacity by approximately 12 million tonnes per year.

Kashagan Field

Kashagan Field, re-launched in 2016, is one of the largest and most complex offshore fields in the world, and the youngest one in the megafields portfolio, which has however seen no capital contribution from KMG Kashagan's shareholders since 2017. Kashagan enjoys a superior 2P reserve life of over 120 years. It is also the first major offshore upstream project in Kazakhstan, built on 5 artificial islands.

Kashagan Field's proved-plus- probable gross reserves as of 31 December 2021 amounted to 1,902,617 thousand metric tonnes of oil and condensate and 158,796 million cubic metres of sales gas. The total oil and condensate production was 353 thousand barrels of oil per day in 2021. NCOC also produced a total of 9.9 billion cubic metres of gas in 2021.

The partners, including KMG Kashagan (16.88 per cent.), Eni S.p.A. (16.81 per cent.), ExxonMobil Kazakhstan Inc. (16.81 per cent.), Shell Kazakhstan Development B.V. (16.81 per cent.), Total Energies EP Kazakhstan (16.81 per cent.), CNPC Kazakhstan B.V. (8.33 per cent.) and INPEX North Caspian Sea Ltd. (7.56 per cent.), are exploring potential future stage two of the development which would further increase the output. KMG has a 16.88 per cent. ownership stake in NCOC via its subsidiary KMG Kashagan.

Karachaganak Field

Karachaganak Field, launched in 1984, is one of the largest gas condensate fields in the world, with approximately 12 per cent. of Kazakhstan's liquids production.

Karachaganak Field's proved-plus-probable gross reserves as of 31 December 2021 amounted to 253,495 thousand metric tonnes of oil and condensate and 354,421 million cubic metres of sales gas. Total liquid hydrocarbon production was 250 thousand barrels of oil per day in 2021. KPO also produced a total of 18.9 billion cubic metres of gas in the year ended 31 December 2021.

The project has historically provided a steady stream of dividends to the Company net to its 10.00 per cent. ownership stake, which has amounted to U.S.$979 million from 2013 through 2018. As part of the second phase of development, KPO is implementing several production plateau extension projects, including the KPC Gas Debottlenecking project, 4ICP project and 6TL project which would further bolster production. The KPC Gas Debottlenecking project was completed and commissioned in 2021, increased Karachaganak Gas handling capacity by 12 MM GPD and resulting in incremental production of 9.1 million tonnes of liquid hydrocarbons over the remaining term of the PSA. In the meantime, additional 4th injection compressor project commissioned in 2022, and utilized the additional gas of KGDBN project for reinjection.

KMG-operated fields

The Company has successfully delivered steady production over the past 15 years across its major brownfields. The Company currently operates 9 main production subsidiaries, which accounted for 40 per cent. of KMG proved-plus-probable net oil and condensate reserves and 64 per cent. of total production in 2021. OMG, MMG, and EMG are the most significant contributors to the Company's operated proved-plus-probable net oil and condensate reserves and accounted for 32.7 per cent. of Company's proved-plus-probable net reserves and 49.9 per cent. of total production from the operated production subsidiaries.

OMG, on stream since 1965, is the largest Company operated production subsidiary with production of 106 thousand barrels of oil equivalent per day in 2021 and 697,644 thousand barrels of proved-plus-probable net oil and condensate reserves as of 31 December 2021 net to the Company in 2021.

MMG, on stream since 1967, produced 58 thousand barrels of oil equivalent per day in 2021 and has 306,613 thousand barrels of proved-plus-probable net oil and condensate reserves as of 31 December 2021 net to the Company in 2021.

EMG, on stream since 1911, is the oldest Company operated production subsidiary with production of 50 thousand barrels of oil equivalent per day in 2021 and of 279,817 thousand barrels of proved-plus-probable net oil and condensate reserves as of 31 December 2021 net to the Company in 2021.

In 2004, EMG and OMG were combined into KazMunaiGas Exploration Production ("**KMG EP**") and subsequently listed at KASE and LSE via GDRs in 2006.

In 2018, KMG EP was delisted from KASE and LSE. The current strategy for the operated subsidiaries is to focus on extending current production to compensate the natural decline in production. In 2021, the total well stock in operation was 15,081 wells, of which 11,206 wells were classified as the current declining well stock. As part of its 2022 through 2031 strategy, the company is taking a number of initiatives to improve production efficiency and technological discipline for the operated assets, which would allow to maintain production at the KMG-operated subsidiaries almost flat over 5-7 years, except Kazgermunai and PKI.

Reserve replacement underpinned by broad resource potential and active exploration programme

The Company believes it benefits from multiple sources of potential future production growth in the upstream. According to the Company's estimates, it has strategic plans of increasing for more than 1.8 billion barrels of oil equivalent additional reserves until 2031 across its exploration projects which are expected to support longer term reserves replacement. The Company's exploration activity is focused on the prolific Precaspian region, where most of Kazakhstan's current producing fields (including megafields) are located and which has a potential for future discoveries.

The Company expects that 26 exploration wells and 30 appraisal wells will be drilled between 2022 and 2026, and in the same period expects to undertake 2,000 square kilometres of 3D seismic exploration, using advanced exploration technologies. Since 2017, high-resolution 3D seismic technology has been successfully implemented at the large Kalamkas, Uzen, Zhetybay fields, as well as at the Asar, Burmasha, South Zhetybay, East Zhetybay and other fields. The results of these works, together with seismic inversion, made it possible to identify new objects that were previously considered unpromising, and successfully drill appraisal wells in the marginal parts of the fields. It is planned to involve the latest world geophysical technologies in the field of processing 2D and 3D seismic data (3D Multiple, SWIM – Subsea Wellhead Integrity Monitoring, FWI – Full-Waveform Inversion and others) to solve geological problems for existing assets. Also, at the implementation stage are technologies for the interpretation of seismic data (ResOP – Renewable Energy Standard Offer Programme, forecast using neural networks, inversion analysis of seismic data). For four sedimentary basins (Caspian, Ustyurt-Buzachinskiy, Mangyshlakskiy, Yuzhno-Turgayskiy), basin models were built considering integration of all geological and geophysical data. As a result of modelling, a pool of promising areas for exploration is identified, areas of work for additional exploration of existing fields, refinement of geological models of fields, and geological risks are assessed. In addition to the main basins, the possibility of carrying out large-scale work to search for and study the oil and gas prospects of little-studied basins is being considered. The Company targets a normalized reserves replacement ratio above 100 per cent. and expects that its new exploration projects will mainly be funded through a carry-financing arrangement with its international industry partners thus mitigating the financial risks to KMG. For example, this approach to funding has been agreed with Lukoil in relation to project Al-Farabi. In the period from 2019 to 2021, KMG has executed a number of notable exploration agreements with international partners including BP, ENI, Equinor, and Lukoil.

In addition under Kazakhstan law, the state has a priority right of acquisition with respect to all new licenses and assets sold in Kazakhstan in respect of hydrocarbon deposits of strategic importance. The State has designated the Company to be the beneficiary of such priority rights, which proved the Company unique access to such assets on a priority basis. Further, The Subsoil Code provides that the Company must be given at least a fifty per cent. interest in offshore subsoil use contracts. The Company, for example, used this priority right and the right to acquire interest in offshore projects in MMG, PKI, Kazgermunai, CCEL, Kashagan, Isatay and Zhenis. The Company's management believes that this priority right will continue to enable the Company to further expand its interests in the Kazakhstan oil and gas production and exploration industry over time. However, following the designation of QazaqGaz as a national company in the field of gas, in November 2021 the Government adopted a Resolution that conferred upon QazaqGaz certain rights of the national company under the Subsoil Code related to exercise of the priority right, conclusion of the subsoil use contract based on direct negotiations and performing trust management. As required by the Resolution, the Company entered into an agreement with QazaqGaz that further clarifies the criteria for allocation of duties of the national company in the subsoil use field, including, inter alia, an agreement that QazaqGaz will be exercising the priority right and performing trust management with regard to gas and gas condensate fields, while the Company retains the same with regard to oil, oil and gas, and oil and gas condensate fields.

Control over Kazakhstan's midstream sector generating cash flows with significant upside potential

Unlike most of its international peers, the Company benefits from captive oil pipeline infrastructure, effectively controlling transportation of crude oil across most export, domestic and transit routes. Due to Kazakhstan's strategic location between Europe and Asia, the Company provides critical infrastructure for transit flows in Central Asian region.

The Company believes that its midstream operations, provide the Company with stable infrastructure-like cash flows and support the overall profitability of the Group. Cash flow resilience is supported by sustainable transportation volumes growth, tariffs typically set for a period of several years, and well-invested infrastructure, already largely aligned with growing production targets in Kazakhstan and transit flows.

Predominant share of oil transported by the Company accounts for transportation of Kazakhstan oil for export and to domestic refineries. In 2021, the Company transported 16.9 million tonnes of oil to the domestic market, transited Russian oil to China in the amount of 10.2 million tonnes. At the end of 2021, oil transportation companies CPC and KTO exported oil in the following directions: CPC – 53.1 million tonnes, Atyrau-Samara – 11.2 million tonnes, Atasu-Alashankou – 1.0 million tonnes and sea Aktau port – 2.1 million tonnes.

Tariffs for domestic oil transportation are regulated by the Natural Monopolies Committee. Historically, the Committee has set fixed tariffs for a 5-year period. Tariffs for transit of Russian oil through Kazakhstan to China are regulated by the Ministry of Energy, which are currently set up to 2023. Export tariffs were deregulated in May 2015 and are set independently by oil transportation companies based on agreements reached with the oil suppliers.

Oil transportation capacity has been historically aligned with oil production volumes in Kazakhstan, targeting further extension to meet future production growth. From 2011 to 2018, a major expansion programme was executed at the CPC pipeline, increasing its throughput capacity from 28.2 to 67.0 million tonnes per year, with total investments of U.S.$5.1 billion, to meet growing oil production at the Tengiz and Kashagan Fields for export to Europe. Following completion of the expansion programme, the CPC has repaid most of its debt and enhancing capacity to pay dividends starting from 2020. On 30 September 2020, CPC repaid in full its debt to CPC shareholders. On 10 June 2021, for the first time in history, CPC paid dividends for 2020 in the amount of U.S.$665 million (The Company's share is U.S.$137.9 million). Moreover, in 2021, CPC paid dividends:

- according to the results of the 1st quarter of 2021 in the amount of U.S.$165 million (The Company's share is U.S.$34.2 million);
- according to the results of the 1st half of 2021 in the amount of U.S.$287.5 million (The Company's share is U.S.$59.6 million);
- based on the results of 9 months of 2021 in the amount of U.S.$97 million (The Company's share is U.S.$20.1 million);
- at the end of 2021 in the amount of U.S.$752 million (The Company's share is U.S.$156.1 million).

To meet further production growth at the Tengiz and Kashagan Fields, the CPC has launched a debottlenecking project with a total budget of U.S.$600 million, which is expected to increase the pipeline's throughput capacity to 72.5 million tonnes per year by 2023.

Fully modernized downstream platform holding dominant position in core markets

Kazakhstan's downstream refining sector consists of modernised domestic refineries and the Company currently has a controlling or significant interest in four refineries in Kazakhstan. Specifically, the Company controls the Atyrau Refinery in western Kazakhstan and the Pavlodar Refinery in north-eastern Kazakhstan, and, as at 31 December 2021, it held a 49.72 per cent. stake in the Shymkent Refinery in southern Kazakhstan and a 50 per cent. stake in CaspiBitum (via CCEL). These refineries produce complex petroleum products, allowing the Company to fully cover domestic demand for petroleum products with the opportunity to export excess volumes (majority of mazut) to premium European and adjacent Central Asian markets.

The three refineries are now well positioned on a global basis based on metrics such as the Nelson Complexity Index (the "**NCI**"). The refineries respectively have an NCI of 13.9, 10.5, 8.2, for Atyrau, Pavlodar and Shymkent refineries, which puts them into the first quartile on a global basis (in comparison the top five most complex refineries in South East Europe having an NCI index ranging from 11.9 to 10.4). Additionally, the company was able to significantly increase the competitive position of its refineries following modernization programmes, which were completed in 2017 and 2018, with more than U.S.$6.0 billion invested across the three refineries. The modernization programme was predominantly financed through debt, the repayment of which is being accelerated by the three refineries' outperformance.

The Company has completed a number of major modernisation projects across its oil refineries in Kazakhstan and Romania, successfully achieving higher refining depths. As a result, refineries are now able to deliver lighter products, providing 64 per cent. of weighted average light product output in overall output across three refineries. Furthermore, the refineries are operating with high efficiency and utilisation of over 90 per cent. on average across the three refineries.

The modernization strategy was not only established to cope with steady increase of oil products demand in Kazakhstan but also in neighbouring countries. With GDP growth of 2.3 per cent., 2 per cent. and 5.4 per cent. for Azerbaijan, Russia and Uzbekistan respectively, KMG is well positioned to serve growth in these markets.

The downstream margins are stable considering the tolling structure mechanism which ensures a minimum return achieved by the refineries. The tolling mechanism provides additional benefits such as no ownership of crude oil and no risk in marketing the products.

In addition, the Company has an integrated European downstream platform comprising refining, marketing and trading business through its 54.63 per cent. interest in Rompetrol Rafinare (owned through KMG International). Rompetrol Rafinare owns and operates Petromidia and Vega refineries in Romania and it also has a retail network of 680 petrol stations across Romania, Georgia, Moldova and Bulgaria. This platform allows the Group to refine and market Kazakh crude oil in premium European markets with direct access to end customers via a broad retail network.

Petromidia Refinery is one of the most complex refineries in Eastern Europe with an NCI of 10.5. The Vega Refinery has evolved from a traditional oil refining facility to a producer and supplier of special products (normal hexane, organic solvents, refined white spirit, and other oil products) obtained exclusively from semi-finished products supplied by Petromidia Refinery. Such unique positioning makes the refineries competitive at a European scale. Furthermore, the refineries are located in a region with positive macroeconomics with rapid GDP growth of 3 per cent., 3 per cent., 5 per cent. and 4 per cent. for Romania, Bulgaria, Georgia and Moldova respectively.

These markets are experiencing rapid growth, positive mid-term outlook for road fuels demand on the back of increasing modernisation rate and low electrification rates. In addition, the Company is positioned to capture growth from these countries by expanding its retail presence with the opening of 44 currently approved new package fuel stations in Romania and increasing the number of fuel stations it owns in Georgia and Moldova.

In accordance with the Government Resolution No. 908 dated 29 December 2020 "On certain matters of privatization for years 2021-2025", KMG International was included in the list of legal entities, proposed for transfer to the competitive environment as a priority.

Potential for robust shareholder returns supported by free cash flow generation from a well-invested asset base and commitment to financial discipline

The Company's well-invested asset base, with limited capital expenditure requirements in the near term and strong operational and financial performance across its subsidiaries, joint ventures and associates, coupled with a robust balance sheet, creates a platform for superior free cash flow growth generation in the coming years.

KMG has recently completed major capital expenditure programs related to certain key assets and projects, including U.S.$6 billion modernization of domestic refineries fully completed in 2018, which, together with strong top line performance and profitability, resulted in robust free cash flow generation. The Company's total capital expenditures declined from U.S.$5,396 million spent on average from 2016 to 2018 to U.S.$ 3,390 million spent from 2019 to 2021.

KMG's net debt to EBITDA ratio of was 1.2 in 2019, 3.2 in 2020 and 1.4 in 2021. Over the course of 2019 through 2021, KMG has enhanced the structure of its debt portfolio. For example, the weighted average duration of the debt portfolio increased from 11.7 to 12.0 over this three-year period, with the average interest rate slightly increasing from 5.53 per cent. in 2019 to 5.73 per cent. in 2021 following the conversion of Atyrau Refinery loans from U.S. dollar loans to soft currency. The QazaqGaz spinoff resulted (as of 9 November 2021) in the deconsolidation of KZT 490.8 billion of debt, a KZT 380.4 billion cash balance and EBITDA of KZT 478.6 billion.

KMG free cash flow growth in the mid-term has a diversified set of drivers across each of its operating segments. Main contributors to such growth are expected to include:

In the upstream

- TCO, the operator of the Tengiz Field, targets to expand production by approximately 12 million tonnes per year to about 39-40 million tonnes per year. TCO remains a core dividend payer to the Company. From 2009 to 2021, it paid over U.S.$8 billion in net dividends to the Company.

- NCOC, the operator of the Kashagan Field, successfully completed the second turnaround in July 2022. Expected oil production 415 thousand barrels per day. Further production growth at the Kashagan Field is supported by multiple bolt-on projects in Execution, Front-End Engineering Design (FEED) and pre-FEED stages. While there have been no capital contributions from KMG Kashagan's shareholders since 2017 as the field turned cash flow generative in line with production ramp up. In 2021, KMG Kashagan generated Free Cash Flow of U.S.$498 million.

In the midstream

- The CPC targets 35 per cent. self-funded capacity increase by 2023 to meet growth at the Tengiz and Kashagan Fields. Debt raised by the CPC from its shareholders for the initial construction and expansion program was fully repaid in 2020, unleashing robust dividend distribution capacity. In 2021 CPC paid dividends in the amount of U.S.$220 million.

In the downstream

- The Atyrau Refinery is the largest contributor considering its refinery size and has the ability to produce lighter product, which is the segment with the highest growth potential in Kazakhstan and in neighbouring countries. This was supported by an investment of KZT 781.6 billion over the period 2007-2019.

Experienced management team operating under transparent corporate governance structure

KMG has curated a highly skilled and experienced management team with proven industry expertise and an extensive track record of delivering sustainable growth despite challenging conditions and oil price volatility. The Company's team of managers consists of executives with an average of over 20 years of relevant experience. KMG has implemented robust corporate governance policies, highlighted by the composition of its Board. The Board has an independent Chairman, three independent directors and four Board committees (Audit, Nomination & Remuneration, Strategy & Portfolio Management and HSE & Sustainable Development). All Board committees are chaired by the independent directors, who also form a majority of all such Board committees. The members of the Board have a broad international and relevant Oil & Gas experience. Furthermore, the Company has a strong track record of equity and debt capital markets transactions including U.S.$750 million, U.S.$3.25 billion and U.S.$2.75 billion Eurobond issuances in 2020, 2018 and 2017 respectively, People's IPO of KTO in 2012.

Focus on ensuring sustainable development

In December 2018, KMG established a new Committee under the Board of Directors – HSE & Sustainable Development Committee, which helps oversee the implementation of sustainable development initiatives.

KMG's key initiatives and memberships include The World Bank Initiative "Zero Routine Flaring by 2030", WWF Environmental Responsibility Rating for Oil and Gas Companies in Kazakhstan, International Association of Oil & Gas Producers (IOGP), CDP Climate and Water Programmes and Global Methane Initiatives. The Company has been preparing reports on its activities in the field of sustainable development on an annual basis since 2008, and since 2012 has been publishing reports in accordance with GRI. Guided by the international initiatives in the field of sustainable development, KMG adheres to the principles of the UN Global Compact and integrates the Sustainable Development Goals in its activities.

The Company is working on development of the concept of internal carbon pricing and a methodology for the evaluation of investment projects, with consideration of carbon regulation. In addition, the Company plans to introduce climate change related financial disclosure reporting in accordance with the principles of TCFD.

The Company has developed a Low-Carbon Development Program for 2022–2031 (the "**LCD Programme**"), which defines the Company's climate ambitions, key approaches and measures to reduce its carbon footprint. The LCD Programme comprises five key sections (carbon policies and key trends; KMG's GHG emission inventory; scenario modelling; strategic areas of the LCD Programme; implementation mechanism) with 2019 set as the baseline year. In addition to the core activities included into the LCD Programme, KMG developed further decarbonisation measures that may play a major role in the Company's long-term strategy for low-carbon development, including carbon capture, utilisation and storage (CCUS) projects; hydrogen energy and forest-climate projects.

In accordance with the new Environmental Code, the Company's Environmental Policy was updated in 2021 to ensure the collection, accumulation, storage, analysis, and dissemination of environmental information. In addition, the Company enhanced its commitment to the sustainable use of natural resources and compliance with biodiversity conservation measures.

In June 2022, the KMG Sustainable Development Policy was validated, according to which KMG expresses its commitment to the principles of sustainable development and aims to ensure sustainable economic, environmental and social responsibility with commitments at all levels of management.

In September 2022, Sustainalytics rated KMG's ESG risk rating at 28.5 (medium risk category). In the comparative rating, KMG ranked 18th among 250 global oil and gas companies assessed by the Sustainalytics agency.

KMG has maintained a stable rating level. The Company was commended for the quality of local community development, transparency of government payments, as well as for the development and conservation of biodiversity. In addition, the Sustainalytics report commended the corporate governance of the KMG and operated subsidiaries and noted its adherence to high standards of business ethics.

KMG places a strong emphasis on health and safety of its employees and local communities across its footprint. According to the Company's employees, the Company creates safe working conditions and complies with the highest standards to ensure health and safety at the workplace. In 2021, the number of work-related accidents decreased by 7 per cent. year-on-year (from 30 accidents in 2020 to 28 in 2021), with the number of injuries at last year's level. Since 2021, the Company has been gradually implementing the Process Safety Management System (PSM) at KMG's production facilities to prevent major catastrophic accidents from happening (emergencies, incidents, fires, and accidents). The Company manages occupational health and hygiene matters in accordance with the requirements of Kazakh laws and international occupational health standards. KMG is strongly focused on employee health protection and improvement, irrespective of the specific production process involved.

The Company is also focused on social responsibility and during the year ended 31 December 2021 invested KZT 5 billion in social infrastructure, including utilities, sports and healthcare facilities, and more. In order to commit to improve measures for preventing and mitigating the negative impact of Company's activities on human rights and to ensure that stakeholders agree to provide the guarantees that are specified by KMG to their employees, the Company's Human Rights and Public Relations Policy was validated in June 2022.

Strategy

The Company's vision is to be a national vertically integrated oil and gas company that meets high safety standards and principles of sustainable development, aimed at the maximisation of financial results. The Company aims to develop natural resources in an effective and rational manner to ensure energy safety, development and prosperity of Kazakhstan, with care for future generations and set the following strategic business directions and goals:

- Value creation. Goals:
    - Sufficient resource base to ensure the Company's growth.
    - Improving the Company's value chain efficiency.
    - Business diversification and product portfolio expansion.
- Sustainable Development and Energy transition. Goals:
    - Sustainable development and gradual reduction in the carbon intensity of operations.

Value creation

The Company retains the traditional hydrocarbons production business given the analytic research findings of the global oil market that, by the year 2045, oil will remain the dominant fuel with the global demand of 27.5 per cent.[6]

Upstream. The Company plans to ensure the growth of reserves through organic and inorganic growth through the strategic initiative of "Placing reserves of exploration and additional exploration projects both onshore and offshore on the State balance sheet", as a result of which the Company plans to increase oil reserves by 299 million tonnes and accelerate reserves to production turnover.

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[6] *Sources: OPEC's World Oil Outlook 2045, 2020, S&P Global.*

To mitigate the natural decline in production at operating assets, the Company will continue to implement activities to increase effectiveness of operations to maximize well efficiency, such as launching new fields of Rozhkovskoye, Urikhtau and Kalamkas-offshore Khazar. As a result of the implementation of initiatives to ensure effective oil production at operating assets, the Company plans to reach 240 million tonnes of oil production from 2022 through 2031 (24 million tonnes a year on average).

The Company, holding shares in major oil and gas assets, has successfully managed to defend national interests in major projects. The main strategic initiatives in regard to KMG's major oil and gas assets TCO, KMG Karachaganak LLP ("**KMG Karachaganak**") and KMG Kashagan are:

- the successful implementation of projects of expansion and oil production plateau extension and maintenance at major oil and gas projects;
- reinforcing KMG's position in major oil and gas projects; and
- commercialising gas.

The Company will concentrate its efforts on efficient management of its oilfield service assets to stabilise oil production.

Midstream. The Company focuses on retaining the steady transit of Russian oil to China of at least 10 million tonnes a year after 2023, supplying PKOP and POCR with West Kazakhstan oil, as well as increasing oil exports to China, subject to sufficient resource base and economic profitability. Regarding maritime transportation, the Company focuses on maintaining its position in the quality and efficiency of transport services among shipping companies, both in the Caspian region and outside the Caspian waters. The Company aims to obtain synergy from all areas of activity and assets of the Group and will develop promising business areas in maritime transportation should there be sufficient demand and proven profitability.

Downstream. Efficient technological unit management, reduction of downtime of technological equipment, implementation of production control will increase the depth of refining at the refinery and maximize the production of an improved basket of oil products. By 2031, the Company plans to increase the refining depth at oil refineries to at least 89 per cent.

The Company also carries out balanced work on the production of highly marginal light oil products, including petrochemical products at the Atyrau Refinery, and seeks to prevent a shortage of certain light oil products in the domestic market of the country.

Marketing and logistics. Ensuring the domestic market, as well as increasing the efficiency of marketing and logistics are the main tasks for the Company. To complete these tasks, the Company sets the following strategic initiatives:

- establishing continuous value chain management; and
- parity of economics of oil supplies for export and domestic market.

In order to increase export revenues from the sale of Kazakhstani oil under current conditions, considering geopolitical risks, the Company is working on the following key issues:

- ensuring the readiness of alternative routes (Trans-Caspian through Baku and Iran, possible expansion of the Kazakhstan-China oil pipeline and Aktau sea port, additional tanker fleet);
- conclusion of long-term contracts with end customers; and

In June 2022, a new oil brand – KEBCO (Kazakhstan export blend crude oil) was introduced to distinguish Kazakhstan original oil on the international market.

Petrochemistry. The Company will take an active role in developing the domestic petrochemical sector, considering the Government's support of petrochemical industry development, which should become another powerful stimulus for national economy growth, since petrochemistry has a multiplier effect for the entire country. The Company is developing petrochemical projects to produce polypropylene and polyethylene and is planning to implement a butadiene project. The main project resource base will be gas and its derivatives from Tengiz Field (propane, ethane, butane, etc.).

Sustainable Development, Energy Transition

The Company is embedding sustainability principles in all business processes and decision-making in order to ensure coordination between economic, environmental and social priorities and corporate governance objectives, and compliance with the national and international ESG standards. The Company ensures sustainability in all business areas, is developing a personnel health management program and develops the energy transition and is cutting its carbon footprint.

Amid the growing importance of the climate agenda and tightening carbon impact regulations, KMG approved the LCD Programme. This LCD Programme advances a single low-carbon development agenda as an essential part of the corporate governance framework and seeks to streamline the Company's efforts in the realm of carbon footprint reduction. The document primarily aims to formulate the climate ambitions of KMG, structure key carbon footprint reduction approaches and initiatives through the analysis of the existing potential, define main avenues for development and increase the Company's preparedness.

The key directions in achieving the targets set in the LCD Programme are:

- increasing the energy efficiency of enterprises
- implementation of renewable energy projects.

By 2031 the Company plans to reach the following results:

- Direct and indirect carbon dioxide emissions cut by 15 per cent. (1.6 million tonnes of carbon dioxide-equivalent) against 2019 levels through resource saving, higher energy efficiency and RES projects. This is a key performance indicator for the LCD Programme, supported by energy and carbon intensity reduction targets for KMG's production sectors such as upstream, large refineries, bitumen production, gas processing, and midstream;
- Reduction in carbon intensity and energy intensity of production at least by 10 per cent.
- Increase the share of renewables in total energy consumption to 15 per cent.
- ESG risk-rating identified as medium;
- Zero routine flaring;
- Implementation of the Methane Leakage Reduction Measurement, Control and Development program;
- Implementation of natural-based offset solutions;
- Implementation of energy management services at all subsidiaries and affiliates; and
- Improvement of the climate ranking under the international Carbon Disclosure Project initiative.

The Company is also working on the implementation of additional decarbonisation measures. In particular, in 2021 a centre of competence in hydrogen energy, signed a number of memorandums with leading companies in the production of "low-carbon" hydrogen was created on the basis of KMG Engineering LLP to increase the Company's competence in this area.

At the moment the Company is working on the launch of pilot projects on carbon capture, storage and utilization technologies (CCUS), as well as the implementation of nature-based offset solutions.

Principal investments

Most recent and current principal investments

As at the date of of this Prospectus, the Company's investment portfolio includes projects across all areas of operations aimed at increasing the resource base and boosting the efficiency across the value chain. In 2021, the investment portfolio totalled KZT 58,890.5 billion, including KZT 14,872.7 billion attributable to the Company. As part of portfolio management, the Company continues efforts to prioritise its projects, with decisions on any new investments taking into account their viability, strategic priority level, risks, and capital intensity.

The Company's investment portfolio includes a number of projects in conventional areas such as exploration, transportation and refining of oil, and in new realms, i.e. petrochemicals and sustainability. Green projects are expected to be added to the portfolio very soon.

Type of project	**2021 investment portfolio and spending attributable to the**	
	KZT (billion)	**%**
Upstream	13,918.2	93.6
Infrastructure projects	618	4.11
Midstream	143.5	1
Downstream	95.2	0.64
Petrochemicals	94.2	0.63
Other	3.6	0.02
Total	14,872.7	100

Along with principal improvements in investment climate, the Company is also working to deliver against the targets currently at hand. In 2021, the Company successfully completed five investment projects in various areas:

- KPO's gas debottlenecking (KGDBN) and installation of the 4th injection compressor;
- construction and upgrade of the Satti jack-up floating drilling rig;
- retail network development in the Black Sea region. Phase 1: construction of 25 filling stations in Romania in 2018–2020 (KMG International);
- construction of an air and nitrogen compressor for KPI.

Upstream

A considerable portion of the Company's investment portfolio relates to onshore and offshore oil and gas exploration and production projects. In 2021, upstream projects attributed to the Company totalled KZT 13,929 billion (93.6 per cent.).

To successfully run its offshore projects in the Caspian sea (including those developed in partnership with Lukoil), the Company develops respective service infrastructure. In 2021, the Company completed an upgrade of Kazakhstan's first jack-up floating drilling rig Satti. This was a joint project with Caspian Drilling Company Ltd and British Petroleum

Work continues to add new reserves through further exploration at existing onshore fields. As an example, the Company's goes on with the efforts in exploration at the S. Nurzhanov and West Karasor fields of EMG to increase hydrocarbon reserves. At East Urikhtau and the Rozhkovskoye field development project, pilot production is ongoing, with start of commercial production expected in 2023–2024.

At Tengiz, the Company is implementing the future growth project / wellhead pressure maintenance project. Projects to maintain production plateau at the Karachaganak field are progressing as planned. In 2021, we successfully completed the KPC gas debottlenecking (KGDBN) project. The installation of the 4th injection compressor (4ICP) project was completed in 2022.

Midstream

During the year, the objective of phase 2 of the second stage of the KCP pipeline construction was achieved, with throughput capacity increase to 20 million tonnes per annum. As part of the project, we launched the first stage of flow reversal at the Kenkiyak–Atyrau oil pipeline section with a throughput of up to 6 million tonnes per annum.

Our key initiative here is the project to remove bottlenecks in the CPC pipeline, which will help increase the CPC pipeline's throughput capacity to 72.5 million tonnes per annum.

In 2021, the Company's projects in oil transportation totalled KZT 95.2 billion (1 per cent.).

Downstream

In 2021, the Company completed an ambitious investment programme to upgrade three core refineries in Kazakhstan. As a result of this programme, the Company ramped up the refining capacity and improved product quality, fully met the domestic demand for oil products and expanded their exports to regional market.

KMG International is completing the construction of 25 filling stations (Phase 1) in Romania to build a retail network for the sale of oil products.

The Company also launched projects at Pavlodar Refinery to remove sulphur compounds from LPG and make winter diesel fuel. These projects are designed to reduce the emissions of hazardous substances into the environment, increase the output of light products, and improve the product slate of Pavlodar Refinery. The units are scheduled for launch in 2023 and 2024, respectively.

In 2021, the Company's projects in refining and marketing of oil products totalled KZT 95.2 billion (0.64 per cent.).

Petrochemicals

The Company is involved in implementation of a few petrochemical projects mostly in the Atyrau Region of Kazakhstan.

In 2021, the Company completed an infrastructure project to build an air and nitrogen compressor for KPI at the polypropylene construction plan project.

In 2021, the Company's petrochemicals projects totalled KZT 94.2 billion (0.63 per cent.).

Infrastructure projects

The Company runs certain infrastructure projects to help the communities in the regions of Kazakhstan in which the Group operates:

- upgrade of the Astrakhan– Mangyshlak water pipeline (owned and operated by KTO's subsidiary);
- construction of a desalination plant in Kenderly with a daily capacity of 50,000 cubic metres;
- construction of a new gas processing plant in Zhanaozen; and
- TAZALYQ project at Atyrau Refinery.

In 2021, the Company's investments into infrastructure projects totalled KZT 618 billion (4.11 per cent.).

Current status

For the year ending 31 December 2022, budgeted capital expenditures are KZT 644.6 billion of which KZT 163.6 billion had been expended as at 30 June 2022. The Company's most significant capital expenditures budgeted for 2022 include exploration projects ("Kalamkas Sea", "Zhenis", "Isatay", "Abay", "Kurmangazy", "East Bekturly", "Turgai Paleozoic"), as well as some projects on behalf of Samruk-Kazyna ("Construction of a gas processing plant in Zhanaozen", "Construction of a seawater desalination plant in Kenderli with a capacity of 50,000 cubic metres per day", "Construction of QazaGaz Gas Processing Plant").

For capital expenditures for the six months ended 30 June 2022, 31 December 2021, 31 December 2020 and 31 December 2019 across business segments see "*OPERATING AND FINAINCIAL REVIEW – Total Capital Expenditures*".

Capital expenditures for the projects of the Company's joint ventures are financed at the level of the relevant joint venture. Capital expenditures for these projects are expected to be funded without recourse to the Company.

Future Investments

As at the date of this Prospectus, the Company estimates its capital expenditures to be in the range of KZT 720-850 billion annually in the next three years, of which 40 per cent. would be allocated to investment projects and 60 per cent. on maintaining current operations. The Company intends to fund these capital expenditures through a combination of its own funds and borrowed funds.

Reserves

According to D&M's Report, as of 31 December 2021, the Company had:

- *Total Proved net reserves* of 2,736,828 thousand barrels (359,107 thousand tonnes) of oil and condensate and 4,692,296 million cubic feet (132,872 million cubic metres) of sales gas.
- *Probable net reserves* of 1,181,942 thousand barrels (155,452 thousand tonnes) of oil and condensate and 454,507 million cubic feet (12,865 million cubic metres) of sales gas.
- *Possible net reserves* of 693,529 thousand barrels (92,823 thousand tonnes) of oil and condensate and 998,699 million cubic feet (28,280 million cubic metres) of sales gas.

Also according to D&M's Report, as of 31 December 2021, the Company had 1,594,339 thousand barrels of 3C net oil and condensate contingent resources.

The Company does not expect any significant deviations in the reserve estimations as at 31 December 2022 except as a result of the Company's acquisition of 50 per cent. stake in KMG Kashagan on 15 September 2022 and ordinary re-estimation of reserves by the Company's subsidiaries, joint ventures and associates.

The Company engages an external competent person to prepare the reserves report using the PRMS methodology on an annual basis at the end of each year.

The 2,250,474 thousand barrels of the Company's proved-plus-probable net oil and condensate reserves and 3,371,683 million cubic feet (95,476 million cubic metres) of the Company's proved-plus-probable net sales gas reserves are attributed to its mega-fields Tengiz and Korolevskoye, Kashagan and Karachaganak, each of which was developed in partnership with leading global partners.

The following table sets forth the proved-plus-probable net reserves that are attributable to the Company as of 31 December 2021 (estimated through the economic life of the respective fields):

Company	ownership structure	% ownership interest (1)	Oil and Condensate		NGL		Sales Gas				Total		% of Total	
			(barrels in thousand)	*(tonnes in thousand)*	*(barrels in thousand)*	*(tonnes in thousand)*	*(cubic feet in million)*	*(boe in million)* (3)	*(cubic metres in million)*	*(toe in million)* (4)	*(boe in million)* (3)	*(toe in million)* (4)	*boe*(3)	*toe*(4)
TCO	JV	20.00	**1,056,045**	**134,655**	**206,053**	**17,413**	**1,848,120**	**308.1**	**52,333**	**40.4**	**1,570.2**	**192.5**	**31.5%**	**29.9%**
NCOC	JV	8.44 (2)	**1,011,450**	**128,325**	**-**	**-**	**392,720**	**65.5**	**11,121**	**8.6**	**1,076.9**	**136.9**	**21.6%**	**21.2%**
KPO	JV	10.00	**182,978**	**22,749**	**-**	**-**	**1,130,843**	**188.5**	**32,022**	**24.7**	**371.5**	**47.5**	**7.5%**	**7.4%**
MMG	JV	50.00	**306,613**	**43,186**	**-**	**-**	**126,494**	**21.1**	**3,579**	**2.8**	**327.7**	**46.0**	**6.6%**	**7.1%**
OMG	subs	100.00	**697,644**	**95,085**	**-**	**-**	**-**	**-**	**-**	**-**	**697.6**	**95.1**	**14.0%**	**14.8%**
EMG	subs	100.00	**279,817**	**38,742**	**-**	**-**	**42,134**	**7.0**	**1,192**	**0.9**	**286.8**	**39.7**	**5.8%**	**6.2%**
Kazgermunai............	JV	50.00	**55,554**	**7,222**	**-**	**-**	**48,908**	**8.2**	**1,386**	**1.1**	**63.7**	**8.3**	**1.3%**	**1.3%**
CCEL..........	JV	50.00	**128,283**	**19,141**	**-**	**-**	**-**	**-**	**-**	**-**	**128.3**	**19.1**	**2.6%**	**3.0%**
PKI.............	associate	33.00	**3,410**	**424**	**-**	**-**	**-**	**-**	**-**	**-**	**3.4**	**0.4**	**0.1%**	**0.1%**
Kazakhoil Aktobe....	JV	50.00	**47,528**	**6,284**	**-**	**-**	**103,256**	**17.2**	**2,924**	**2.3**	**64.7**	**8.5**	**1.3%**	**1.3%**
UO..............	subs	100.00	**25,110**	**3,159**	**-**	**-**	**527,238**	**87.9**	**14,928**	**11.5**	**113.0**	**14.7**	**2.3%**	**2.3%**
Total for other companies ...	**n.a.**	**n.a.**	**124,338**	**15,587**	**-**	**-**	**927,090**	**154.5**	**26,252**	**20.3**	**278.9**	**35.9**	**5.6%**	**5.6%**
Total............	**n.a.**	**n.a.**	**3,918,771**	**514,559**	**206,053**	**17,413**	**5,146,803**	**858.0**	**145,737**	**112.6**	**4,982.8**	**644.6**	**100%**	**100%**

Notes:

(1) As at 31 December 2021.

(2) Represents the 8.44 per cent. interest in NCOC held by the Company and excludes the 8.44 per cent. interest acquired by the Company from Samruk-Kazyna on 15 September 2022.

(3) Sales Gas is converted from billion cubic feet to barrels of oil equivalent by using Company conversion metrics – 0,1667.

(4) Sales Gas is converted from billion cubic metres to tonnes of oil equivalent by using Company conversion metrics – 0,7728.

See "*Risk Factors—Risks Relating to the Company's Business—The reported quantities or classifications of the Company's crude oil and gas reserves depend on significant interpretations, assumptions and judgements*", and "*Presentation of Financial and Other Information —Presentation of Certain Information Relating to Subsidiaries, Joint Ventures and Associates*".

Exploration and Production

Overview

The Company is a major oil and gas producer in Kazakhstan. In the year ended 31 December 2021, the Company produced 444,000 barrels of oil per day (21,651 thousand tonnes), which represented 25 per cent. of the total crude oil and condensate production in Kazakhstan in 2021 based on information obtained from the Bureau of Statistics. The Company's major oil and condensate producing subsidiaries and interests are TCO, NCOC and KPO, representing 24.5 per cent., 6.2 per cent. and 4.8 per cent. of the Company's total production of crude oil and condensate in the year ended 31 December 2021, respectively.

In addition, in the year ended 31 December 2021, the Company produced 8 billion cubic metres of gas (including the proportionate interest of joint ventures and associates), which represented 15 per cent. of the total gas production in Kazakhstan in 2021 based on information obtained from the Bureau of Statistics. The Company's major gas producing subsidiaries and interests are TCO and KPO, representing 36.6 per cent. (or 2,953 billion cubic metres) and 23.5 per cent. (or 1,898 billion cubic metres) of the Company's production of gas in 2021, respectively.

Certain of the Company's upstream operations are classified as "production and development assets" whilst others are "exploration projects". Production and development assets are subsidiaries and joint ventures with fields that are either currently producing or are at the development stage, as approved by the Ministry of Energy. Exploration projects are subsidiaries and joint ventures that are not currently approved by the Ministry of Energy as producing fields and are still at the exploration stage. Generally, on completion of an initial exploration programme and if the Ministry of Energy approves the project, a project will enter the development phase and join the production and development assets category. As of the date of this Prospectus, the Company is involved in 9 main explorations projects.

Production and Development Assets

The following table sets forth the production attributable to the Company from its consolidated subsidiaries and non-consolidated joint ventures and associates for the periods indicated:

		For the year ended 31 December											
		2021				2020				2019			
Company and Field	**% Ownership Interest[(1)]**	**Oil & Gas Condensate**		**Associated Gas**		**Oil & Gas Condensate**		**Associated Gas**		**Oil & Gas Condensate**		**Associated Gas**	
		(thousand tonnes)	*(million barrels)*	*(million cubic metres)*	*(billion cubic feet)*	*(thousand tonnes)*	*(million barrels)*	*(million cubic metres)*	*(billion cubic feet)*	*(thousand tonnes)*	*(million barrels)*	*(million cubic metres)*	*(billion cubic feet)*
TCO...............	20.00	**5,311**	**42**	**2,953**	**104**	**5,292**	**42**	**2,950**	**104**	**5,958**	**48**	**3,258**	**115**
NCOC............	16.88[(3)]	**1,344**	**11**	**818**	**29**	**1,253**	**10**	**758**	**27**	**1,169**	**9**	**700**	**25**
KPO[(2)]............	10.00	**1,034**	**8**	**1,898**	**67**	**1,094**	**9**	**2,021**	**71**	**1,015**	**8**	**1,861**	**66**
MMG.............	50.00	**2,944**	**21**	**376**	**13**	**2,977**	**22**	**334**	**12**	**3,204**	**23**	**394**	**14**
EMG..............	100.00	**2,522**	**18**	**202**	**7**	**2,601**	**19**	**217**	**8**	**2,900**	**21**	**260**	**9**
OMG..............	100.00	**5,332**	**39**	**665**	**23**	**5,347**	**39**	**726**	**26**	**5,586**	**40**	**709**	**25**
Kazgermunai..	50.00	**727**	**5**	**185**	**7**	**778**	**6**	**188**	**7**	**1,114**	**8**	**224**	**8**
KBM..............	50.00	**1,048**	**7**	**31**	**1**	**1,001**	**7**	**27**	**1**	**1,082**	**7**	**27**	**1**
PKI................	33.00	**600**	**5**	**125**	**4**	**661**	**5**	**142**	**5**	**844**	**7**	**181**	**6**
Kazakhoil Aktobe........	50.00	**298**	**2**	**412**	**15**	**295**	**2**	**361**	**13**	**320**	**2**	**348**	**12**
Other	100.00	**492**	**4**	**415**	**15**	**454**	**3**	**468**	**17**	**426**	**3**	**493**	**17**
Total	—	**21,651**	**162**	**8,081**	**285**	**21,752**	**163**	**8,191**	**289**	**23,618**	**177**	**8,455**	**299**

Notes:

(1) As at 31 December 2021.

(2) Recognising that KPO is a consortium operating under a joint operating agreement, the Company also accounts for its interests in KPO under the proportionate consolidation method.

(3) 8.44 per cent. was acquired by Company from Samruk-Kazyna in September 2022, in addition to other 8.44 per cent. already held by the Company prior to the acquisition.

The following table sets forth certain information relating to the production and development activities of the Company and its subsidiaries, joint ventures and associates at their respective significant fields as at 31 December 2021:

Company and Field	**% Ownership Interest**	**Ownership type**	**Year Commenced**	**Expiration of Agreement**	**Production wells**	**Injection wells**
TCO:...	20.00	JV	—	—	—	—
Tengiz and Korolevskoye Field	—	—	1993	2033	201	8
NCOC:..	16.88 [(2)]	JV	—	—	—	—
Kashagan Field........................	—	—	2001	2041	33	6
KPO:[(1)]..	10.00	JV				
Karachaganak Field.................	—	—			150	17
MMG Fields:..............................	50.00	JV	1967-1992	2028	3,135	1,086
EMG Fields................................	100.00	subsidiary	between 1931-2020	between 2022-2048	2,045	351
Uzen Field..................................	100.00	subsidiary	1965	2036	3,803	1,086
Kazgermunai Fields:..................	50.00	JV	1994	Application for contract extension until 2034 for consideration in the Ministry of Energy. Current until 2024	194	57
CCEL Fields:	50.00	JV	—	—	—	—
Karazhanbas Field..................	—	—	1997	2035	2,965	783
PKI Fields:................................	33.00	associate	—	—	—	—

PKKR.....................................	—	—	between 1990-2018	between 2024-2043	415	219
Kazakhoil Aktobe Fields:...........	50.00	JV	1999	Application for contract extension until 2037 for consideration in the Ministry of Energy. Current until 2023	101	33
Other Fields	—	n.a.	between 1994-2008	between 2035-2047	36	7
Total...	—	—	—	—	12,982	3,622

Notes:

(1) Because KPO is a consortium operating under a joint operating agreement, the Company also accounts for its interests in KPO under the proportionate consolidation method.

(2) 8.44 per cent. was acquired by Company from Samruk-Kazyna in September 2022, in addition to other 8.44 per cent. already held by the Company prior to the acquisition.

The following table sets forth certain information relating to new wells drilled by the Company and its subsidiaries, joint ventures and associates at their respective significant fields as at the dates and for the periods indicated:

	New wells drilled							
	Production Wells	**Other Wells**	**Production wells**	**Other wells**	**Production wells**	**Other wells**	**Producti on wells**	**Other wells**
	As of 30 June 2022		**For the year ended 31 December**					
	2022	**2022**	**2021**	**2021**	**2020**	**2020**	**2019**	**2019**
TCO	5	3	7	9	15	3	34	5
NCOC	0	0	0	0	0	0	0	0
KPO	159[3]	20[2]	158*	20[2]	158[2]	19[2]	156[3]	18[2]
MMG	78	7	141	29	169	14	66	10
EMG	11	0	21	0	34	0	45	0
OMG	67	18	141	50	125	60	106	46
Kazgermunai	0	0	6	4	8	15	16	0
CCEL (KBM)	72	9	100	10	76	6	91	17
PKKR Fields:	3	0	6	8	20	6	19	0
Kazakhoil Aktobe	1	0	2	0	0	0	0	0
Other Fields	0	1	2	0	0	0	9	5
Total	232	35	418	102	434	101	**443**	**112**

Note:

(1) As KPO is a consortium operating under a joint operating agreement, the Company also accounts for its interests in KPO under the proportionate consolidation method.

(2) Injection wells.

(3) Total production wells (operating and non-operating).

Megafields

TCO

TCO is a limited liability partnership organized under the laws of the Republic of Kazakhstan with it registered address at: 060011, Kazakhstan, Atyrau, 3 Satpayev Street. TCO owns the single largest production field in Kazakhstan, is the Company's most significant joint venture in terms of production of oil and was a key driver of the Company's growth in total production in 2021, 2020 and 2019. TCO operates the Tengiz Field in western Kazakhstan, which is among the largest fields under development in the world based on estimated reserves. TCO also operates the nearby Korolevskoye Field. The Government granted TCO exclusive rights to develop an area adjacent to the Caspian Sea (covering both the Tengiz and Korolevskoye Fields) under bespoke agreements (rather than a subsoil use contract) that may be extended by TCO beyond 2033.

Tengiz and Korolevskoye Fields

As of 31 December 2021, the Tengiz and Korolevskoye Fields had estimated proved-plus-probable net reserves of oil and condensate of 134,655 thousand tonnes and proved-plus-probable net reserves of sales gas of 52,333 million cubic metres attributable to the Company, representing 26.1 per cent. and 35.9 per cent. of the Company's net reserves of oil and condensate, and sales gas, respectively.

The Tengiz Field, located in the Atyrau Oblast on the south side of the 500,000 square kilometres Pre-Caspian Basin on the north-eastern edge of the Caspian Sea, was discovered in 1979 and started producing in 1991. The Tengiz reservoir is more than 110 square kilometres in area at its top and 400 square kilometres at its base with a maximum thickness from the top of the reservoir to the bottom of the reservoir of about 1.5 kilometres. The top of the reservoir is 3,850 metres below sea level. The lowest known oil is 5,429 metres below sea level. The Tengiz reservoir is part of a large ring like complex 50 kilometres in diameter, which includes the Korolevskoye, Karaton, Tazhigali and Pustyn carbonate structures.

The Korolevskoye Field is located 20 kilometres northeast of the Tengiz Field. Prospecting and exploration drilling started in 1982, which became the year of the field's discovery.

The Tengiz Field's wellstock consisted of 201 production wells and 8 injection wells as at 31 December 2021, including 16 new wells drilled in 2021. The Tengiz Field produced 5.3 million tonnes of crude oil attributable to the Company in 2021, 5.3 million tonnes of crude oil in 2020 and 5.9 million tonnes of crude oil in 2019, representing 24.5 per cent., 24.3 per cent. and 25.2 per cent., respectively, of the Company's production of crude oil for those years. In 2021, production wells at the Tengiz Field produced an average of 14,550 tonnes of crude oil per day attributable to the Company.

The Tengiz Field produced 2,953 million cubic metres of associated gas attributable to the Company in 2021, 2,950 million cubic metres of associated gas attributable to the Company in 2020 and 3,258 million cubic metres of associated gas in 2019, representing 36.5 per cent., 36.0 per cent. and 38.5 per cent., respectively, of the Company's production of gas for such years.

Since the oil from Tengiz Field has a high sulphur content, it also sells sulphur to the markets. TCO sold 2.6 million tonnes of sulphur in 2021, 2.5 million tonnes of sulphur in 2020 and 2.5 million tonnes of sulphur in 2019.

Operating Agreements

TCO is a joint venture between the Company (20 per cent.), Chevron Overseas Company (50 per cent.), ExxonMobil Kazakhstan Ventures Inc. (25 per cent.) and Lukoil International GmbH (5 per cent.). TCO was incorporated under Kazakhstan law on 6 April 1993 for a 40-year term, which may be extended by mutual agreement of all parties. TCO's activities are governed by a number of agreements, including a formation agreement and a project agreement, to which the Company is a party. See "*General Information—Material Contracts—Relationships between the Company and TCO*" for a discussion of the agreements relating to the operation and internal governance of TCO.

Expansion Projects

TCO is continuing its future growth expansion project (or FGP) in the Tengiz Field to further increase TCO's oil field production and plant processing capacity using the technologies from the existing second-generation plant and sour gas injection project completed in 2008. In addition to the FGP, TCO is implementing a wellhead pressure management project (or WPMP). The FGP and WPMP are being executed as an integrated project in order to realise synergies in design and execution. The two projects have a shared scope in respect of utilities, power generation and distribution, infrastructure and the gathering system.

In November 2013, the Government and TCO entered into a memorandum of understanding with the aim of promoting investment, education, training and employment in Kazakhstan through the implementation of the FGP and WPMP projects. Both projects have created approximately 48,000 jobs in Kazakhstan during the construction phase, and once the project is commissioned, and approximately 1,000 permanent jobs are expected to be created.

In November 2020, TCO also announced that it had successfully completed transporting all the modules required for constructing FGP-WPMP ahead of schedule. FGP-WPMP scope includes crude processing plant, gas injection facilities, pressure boost facilities, as well as the implementation of a well drilling programme that has been completed. As at 1 July 2022, the FGP and WPMP construction progress was 92 per cent. FGP will expand production of crude oil by approximately 12 million tonnes per year to about 39-40 million tonnes per year. In 2022 TCO announced that the WPMP component is expected to launch in end-2023, while the FGP component is expected to be online by mid-2024. The WPMP is an integral part of the FGP, as it is expected to significantly lower the flowing wellhead pressure through the installation of a pressure boost facility and the debottlenecking of the gathering system.

Although originally the FGP and WPMP projects were estimated to cost up to U.S.$36.8 billion, TCO has faced cost overruns and announced in 2019 that it will cost up to U.S.$46.5 billion (including a U.S.$1.3 billion contingency reserve). TCO expects to pay the total cost of the project out of its own cash flows and, to the extent necessary, through non-recourse external financings. In February 2020, the joint venture partners of TCO (including the Company) approved a revised U.S.$45.2 billion budget for FGP and WPMP. This revised budget does not include the U.S.$1.3 billion contingency reserve.

NCOC

NCOC is a limited liability company organized under the laws of the Netherlands, acting through a branch in the Republic of Kazakhstan with it registered address at: 060011, Kazakhstan, Atyrau, 8, Smagulov Street. The Company has a direct 16.88 per cent. interest in NCOC through KMG Kashagan. KMG Kashagan is a private limited liability company organized under the laws of the Netherlands, acting through a branch in the Republic of Kazakhstan with registered address at: 010000, Kazakhstan, Astana, 8 Kunayev Street.

Kashagan Field

As at 31 December 2021, the Kashagan Field had proved-plus-probable net reserves of oil and condensate of 128,325 thousand tonnes and proved-plus-probable net reserves of sales gas of 11,121 million cubic metres attributable to the Company, representing 24.9 per cent. and 7.6 per cent. of the Company's net reserves of oil and condensate, and sales gas, respectively.

In 2001, a commercial discovery was made in the Kashagan Field in the North Caspian Sea, 80 kilometres southeast of Atyrau. The Kashagan Field extends over a surface of 820 square kilometres. The Ural grade of crude oil produced at the Kashagan Field typically has a maximum density of 798 kg per cubic metre, a sulphur content ranging from 0.68 per cent. to 0.90 per cent. and an average watercut of less than one per cent. Developing the Kashagan Field combines technical complexity and environmental challenges. The climate in this part of Kazakhstan is extreme with cold winters, hot summers, and drastic variations of temperature. Winters are harsh and temperatures can drop to -40°C, while summer temperatures can reach +40°C. See "*Risk Factors—Risks Relating to the Company—The Company's production and other activities could be reduced by adverse weather events*". The sea water over the Kashagan Field is only 3-4 metres deep and is frozen for four to five months per year, from November to March, with an average ice thickness of 0.6-0.7 metres. The combination of ice, shallow waters and sea level fluctuations has represented a significant logistical challenge. The complicated natural and geological conditions at the Kashagan Field, as well as additional design enhancements to the offshore element of the project also added to the complexity of the project.

The Kashagan Field produced 1,344 thousand tonnes of oil condensate attributable to the Company share in 2021, as compared to 1,253 and 1,169 thousand tonnes of oil condensate in 2020 and 2019, respectively, representing 6.2 per cent., 5.8 per cent. and 5.0 per cent., respectively, of the Company's production of crude oil for those years. The Kashagan Field produced 818 million cubic metres of gas attributable to the Company in 2021 and 758 and 700 million cubic metres of gas attributable to the Company in 2020 and 2019, respectively, representing 10.1 per cent., 9.2 per cent. and 8.3 per cent., respectively, of the Company's gas production for those years.

Operating Agreements

On 18 November 1997, licence No.1016 (oil) (as amended) was issued to Agip Caspian Sea B.V., BG Exploration and Production Limited, BP Kazakhstan Limited, Den Norske Stats Oljeselskap AS, Mobile Oil Kazakhstan Inc, Shell Kazakhstan Development B.V., Total Exploration Production Kazakhstan, INPEX North Caspian Sea Ltd and Phillips Petroleum Kazakhstan Ltd for the right to use subsoil for the exploration and production of hydrocarbons and associated hydrocarbon products within Kazakhstan sector of the Caspian Sea. Total size of the geological allotment territory is 5,642 square kilometres. Subsoil licence production expiration date is twenty (20) years from the moment of the relevant commercial discovery with the right of double extension of ten (10) years.

As at 31 December 2021, the participants in NCOC are KMG Kashagan (16.88 per cent. held by the Company via its subsidiary Coöperatieve KazMunaiGas U.A.), ENI S.p.A. (Agip Caspian Sea B.V.) (16.81 per cent.), Exxon Mobil Kazakhstan Inc. (16.81 per cent.) and Shell Kazakhstan Development B.V. (16.81 per cent.), Total Energies E&P Kazakhstan (16.81 per cent.), CNPC Kazakhstan B.V. (8.33 per cent.) and Inpex North Caspian Sea, Ltd (7.56 per cent.). NCOC operates the Kashagan Field based on the PSA, as amended, and the amended and restated joint operating agreement and shareholders agreement dated 21 December 2020. In December 1993, the Kazakhstan sector of the Caspian Sea was opened for international oil exploration. Seven international oil companies and the state-owned company KazakhstanCaspiShelf were selected by the Government to form NCOC, the purpose of which is to develop the major offshore oil and gas fields, including the Kashagan Field, in the north part of the Kazakhstan sector of the Caspian Sea. On 18 November 1997, the NCOC participants at the time (a consortium of contracting companies consisting of AGIP Caspian Sea B.V., BG Exploration and Production Limited, BP Kazakhstan Limited, Den Norske Stats Oljeselskap A.S., Mobil Oil Kazakhstan Inc., Shell Kazakhstan Development B.V. and Total Exploration Production Kazakhstan and JSC KazakhstanCaspiShelf) signed the North Caspian Production Sharing Agreement dated 18 November 1997 (the "**NC PSA**"). With respect to each commercial discovery the development and production period commences from the date of the commercial discovery. The NCOC participants signed joint operating agreement on 6 July 1998. Since then, the NC PSA has been amended on several occasions including for changes in share ownership of the NCOC participants. The Company became a participant of NCOC in May 2005, having acquired an 8.33 per cent. interest from the existing participants, which was subsequently transferred to its wholly-owned subsidiary KMG Kashagan B.V.

The experimental phase of the project involved the construction of five artificial islands in the Caspian Sea and 40 wells, including 33 production wells, 1 monitoring well and 6 injection wells. The parties to the NC PSA estimate that the Kashagan Field has approximately 9-13 billion barrels of recoverable crude oil. The results of the well tests and the findings of subsoil studies support estimates for a full field production of up to 1.1 million barrels per day. A second phase is currently being considered by the parties to the NC PSA as separate projects Phase 2A, 2B, 2C. Start-up of the projects expects in period of 2026-2036.

Transfer of Interest to Samruk-Kazyna and Kashagan Call Option

On 16 October 2015, Coöperatieve KazMunaiGaz U.A., which had been the sole shareholder of KMG Kashagan B.V., sold 50 per cent. of its shares to Samruk-Kazyna for U.S.$4.7 billion, with a call option to buy back all or part of the shares at any time between 1 January 2018 to 31 December 2020. In

January 2018, the exercise period for the call option was extended to between 1 January 2020 and 31 December 2022. On 16 October 2015, Samruk-Kazyna transferred the shares it purchased to be held in trust for it to Coöperatieve KazMunaiGaz U.A., a subsidiary of the Company, and the Group continues to control the operations of KMG Kashagan B.V. As a result of the sale, the Company deconsolidated approximately U.S.$2.2 billion of indebtedness relating to the North Caspian Project, which, in turn, improved the Group's overall financial profile, reduced the Group's current debt service and, thereby, improved its overall liquidity position, and allowed the Group to continue to fund its on-going capital expenditure programme. On 14 September 2022, the Kashagan Call Option was amended by virtue of the exercise notice agreement, pursuant to which Coöperatieve KazMunaiGas U.A. exercised the Kashagan Call Option. On 15 September 2022, Company used the right under the share option agreement concluded in 2015 and acquired from Samruk-Kazyna a 50 per cent. of shares in KMG Kashagan B.V. for U.S.$3.8 billion, thereby becoming the sole shareholder in KMG Kashagan.

On 14 September 2017, the Amsterdam District Court issued a judgment to secure the arbitration award issued by the Stockholm Chamber of Commerce Stockholm granted to the Stati Parties against the Republic of Kazakhstan by the attachment of 50 per cent. shares in KMG Kashagan B.V. held by Samruk-Kazyna. As of the date of this Prospectus, the attachment had been lifted based on the judgement of the Court of Justice of The Hague dated 14 June 2022. See "*Risk Factors—Risks Relating to the Company—The Company is subject to legal proceedings from time-to-time*".

Development Projects

The phased development plan of the Kashagan Field provides for the drilling of new wells and the construction of artificial islands in the Caspian Sea and production plants. There were a number of delays to the start of commercial production from 2008 to 2013, which led to significantly increased capital expenditures. Further, sour gas leaks were detected in a section of the pipeline in September 2013, leading to a halt in production while diagnostics programmes were conducted on the gas and oil pipelines and further diagnostics assessments and tests were also conducted. See "*Risk Factors — Risks Relating to the Company's Industry — The Company may be exposed to delays and cost over-runs in development projects and operations*". In 2015, replacement works were carried out on the oil and gas pipeline, while maintenance, preservation and modernisation works were carried out on the production facilities. Commercial production at the Kashagan Field was re-commenced in November 2016.

Once sustainable production rates are achieved, two projects (Bundle 1 project of upgrading existing injection compressors and expanding their capacity, 1BCMA project to supply sour gas to a third party) were approved for execution to ramp up to plateau production with the potential to grow crude oil and condensate production to ~450 thousand barrels of oil per day (57 thousand tonnes per day) in the medium term. The Bundle 1 project would enable crude oil production to increase by 15–20 thousand barrels of oil per day (1.9–2.5 thousand tonnes per day). The cost of the project is around U.S.$207 million. The Bundle 1 was successfully completed in Q3 2022.

In December 2020, NCOC and QazaqGaz signed the Evacuation Service Agreement, which envisages supply of 1 BCMA sour gas to the QazaqGaz gas plant and increasing oil production for additional 20 thousand barrels of oil per day in 2024. Currently 1BCMA project is at the execution stage.

Two separate projects, Phase 2A and Phase 2B, are being considered as part of Phase 2 to increase crude oil and condensate production to 710 thousand barrels of oil per day (89 thousand tonnes per day) over the next 10 years.

In December 2021, NCOC and QazaqGaz announced the signing of a cooperation agreement on FEED stage for Phase 2A project of Kashagan field from 2022 through 2023, which envisages an increase in sour gas supply by 2 billion cubic meters per annum at the QazaqGaz plant and reaching 500 thousand barrels of oil per day oil production level in 2026-2027 to the Kashagan Field. The project is currently at the front end engineering and design stage (FEED). A Final Investment Decision is expected to be taken in the end of 2023.

Along with the Phase 2A project, NCOC is simultaneously considering the next expansion project of the Kashagan Field – Phase 2B, which is currently at the pre-FEED stage. The implementation of the Phase 2B project (envisaged in 2031) will provide for an increase in oil production by approximately 26.5 thousand tonnes per day (210 thousand barrels per day) as a result of construction multiphase pipeline and new onshore processing plant with the supply of sour gas in the amount of approximately 6 billion cubic metres per year to the 3rd Party. A Final Investment Decision is expected to be taken in the end of 2024.

KPO

KPO is a limited liability company organized under the laws of the Netherlands, acting through a branch in the Republic of Kazakhstan with its registered address at: 090300, Kazakhstan, West-Kazakhstan region, Burlin district, Aksay, 81N, Industrial Zone Street. KPO is a consortium operating under a joint operating agreement among Royal Dutch Shell (following its acquisition of the BG Group in February 2016) (29.25 per cent.), Agip (29.25 per cent.), Chevron (18.0 per cent.), Lukoil (13.5 per cent.) and the Company (10.0 per cent.). The Company holds its interest in KPO through its wholly-owned subsidiary, KMG Karachaganak. KMG Karachaganak is a limited liability company organized under the laws of the Republic of Kazakhstan with its registered address at: 01000, Kazakhstan, Astana, 8 Kunayev Street. KPO operates the Karachaganak Field, which is one of the world's largest gas and condensate fields and the largest gas producing field in Kazakhstan.

Karachaganak Field

As at 31 December 2021, the Karachaganak Field had estimated proved-plus-probable net reserves of oil and condensate of 22,749 thousand tonnes and proved-plus-probable net reserves of sales gas of 32,022 million cubic metres attributable to the Company, representing 4.4 per cent. and 22.0 per cent. of the Company's net reserves of oil and condensate, and sales gas, respectively.

The Karachaganak Field is a large gas-oil-condensate field located in north-western Kazakhstan, with an area of approximately 280 square kilometres. The field was discovered in 1979. The Ural grade of crude oil produced at the Karachaganak Field usually has a maximum density of 888 kg per cubic metre, a sulphur content ranging from 0 to 2.0 per cent. and an average watercut of up to 1.0 per cent.

The Karachaganak Field's wellstock consisted of 118 production wells and 20 injection wells as at 31 December 2021, including 1 new well drilled in 2021. The Company's share of production from the Karachaganak Field was 1.0 million tonnes of crude oil in 2021, 1.1 million tonnes of crude oil in 2020 and 1.0 million tonnes of crude oil in 2019, representing 4.8 per cent., 5.0 per cent. and 4.3 per cent. of the Company's production of crude oil for those years.

In 2021, production wells at the Karachaganak Field produced an average of 2,832 tonnes of crude oil per day attributable to the Company. The Karachaganak Field produced 1,898 million cubic metres of gas attributable to the Company in 2021, 2,021 million cubic metres of gas attributable to the Company in 2020 and 1,861 million cubic metres of gas attributable to the Company in 2019, representing 23.3 per cent., 24.7 per cent. and 22.0 per cent., respectively, of the Company's gas production for those years.

Operating Agreements

On 18 November 1997, licence No.98-D (oil) (as amended) was issued to Agip Kazakhstan B.V., British Gas Exploration and Production Limited, Texaco International Petroleum Company and Lukoil for the right to use subsoil for the production of hydrocarbons and associated hydrocarbon products within the mining allotment licence blocks located in Borili District, West Kazakhstan Oblast: XIII-14-D (partially), E (partially), F (partially), XIII-15-D (partially), XIV-14-A (partially), B (partially) and C (partially). Total area of the mining allotment is 32.3 thousand hectares. The term of this licence is the same as the term of the final production sharing agreement and, as is stated in the next paragraph, is 40 years from the effective date of such agreement.

On 18 November 1997, members of the then-international consortium developing the Karachaganak Field (BG Group, Agip, Chevron and Lukoil) entered into a Final Production Sharing Agreement (FPSA) with the Government that provided for investments of U.S.$16 billion to be made to develop the field for a period of 40 years. It is anticipated that the Government will be paid 80 per cent. of the shared income from the Karachaganak Field over the life of the PSA. Under the terms of the PSA, British Gas and Agip are the operators of the project.

In 2011, the Government and the international consortium agreed to transfer a 10.0 per cent. interest in the project to the Company. Pursuant to this agreement, the Company purchased 5.0 per cent. of KPO for cash and the remaining 5.0 per cent. was contributed to the Company by Samruk-Kazyna, following Samruk-Kazyna's acquisition of the interest by way of settlement of the Government's arbitration proceedings against the consortium participants, effective in June 2012. See "*Management's Discussion and Analysis of Results of Operations and Financial Performance — Main Factors Affecting Results of Operations and Liquidity — Acquisitions, Discontinued Operations and Loss of Control*".

Crude oil produced at the Karachaganak Field is allocated among the members of the consortium (including the Company) and is sold through traders affiliated with the consortium members.

KPO is in the process of implementing the second phase of industrial development at the Karachaganak Field. As part of the second phase, KPO is continuing to implement several production plateau extension projects, including the KPC Gas Debottlenecking project, 4ICP project and 6TL project. The KPC Gas Debottlenecking project was completed and commissioned in 2021, allowing additional gas reinjection of up to 4 billion cubic metres, and resulting in 9.1 million tonnes of liquid hydrocarbons in incremental production over the remaining term of the PSA. The 4ICP project, which is scheduled to be commissioned in March 2022, would entail the installation of injection compressors and a network of process pipelines to maintain reservoir pressure and the liquid hydrocarbon production plateau by increasing annual gas injection volumes from 10 billion cubic metres to 13 billion cubic meters, resulting in the incremental production of 6.8 million tonnes of liquid hydrocarbons over the remaining term of the PSA. The 6TL project will add 2.2 million tonnes of liquid hydrocarbons in incremental production, and is scheduled to be commissioned in March 2024.

After the completion of the second phase of development, KPO plans to initiate the Karachaganak Expansion Project (the "**KEP**"), which seeks to maintain the liquid hydrocarbon production shelf. The KEP is expected to be implemented in several stages starting in 2025-2026. The KEP, which would further improve gas treatment and reinjection capacities through the phased commissioning of the 5th and 6th injection compressors to sustain oil production at 10 million to 11 million tonnes per year. The project cost is estimated to be U.S.$ 1.8 billion. In December 2020, a Final Investment Decision was taken for the 5th Injection Compressor Project (5ICP), and a Final Investment Decision for the 6th Injection Compressor Project (6ICP) is expected to be taken in the third quarter of 2022, at the end of September 2022. The launch of the 5ICP is scheduled for 2025. The launch of the 6ICP is tentatively planned for 2027.

The Company is required to pay 10 per cent. of the costs of this development (in line with its 10 per cent. ownership interest), which amounted to KZT 19 billion in 2021 and is expected to amount to KZT 35 billion in 2022, KZT 33 billion in 2023 and KZT 28 billion in 2024. In total, the Company's contribution to the development is expected to be KZT 150.3 billion, although such contributions are expected to be covered by the project company's internal cashflows. In 2021, the Company had no capital expenditures for KMG Karachaganak.

Operating Assets

OMG Fields

OMG is a joint-stock company organized under the laws of the Republic of Kazakhstan with its registered address at: 130200, Kazakhstan, Zhanaozen, 3 Satpayev Street. OMG is a wholly-owned subsidiary of KMG EP. The liquidation of KMG EP is currently expected to complete in 2023. It is envisaged that all assets held by KMG EP, including KMG EP's 100 per cent. interest in OMG, will be transferred to the Company upon the liquidation.

As of 31 December 2021, OMG had estimated proved-plus-probable net reserves of oil and condensate of 95,085 thousand tonnes, representing 18.5 per cent. of the Company's net reserves of oil and condensate, respectively.

The Uzen Field located in the Mangistau Oblast, the main field of OMG, was discovered in 1961 and started producing in 1965. Oil production at the Uzen Field is from 13 horizons in the Jurassic formation, located at depths shallower than 1,800 metres. The Ural and Brent grades of crude oil produced at the Uzen Field usually have a maximum density of 0.839 g per cubic centimetre, a sulphur content ranging from 0.16 per cent. to 0.24 per cent., a significant paraffinic content and an average watercut of 81.5 per cent.

The Uzen Field's wellstock consisted of 3,789 production wells and 1,086 injection wells as at 31 December 2021, including 190 new wells drilled in 2021. The Uzen Field produced 5.3 million tonnes of crude oil in 2021, 5.3 million tonnes of crude oil in 2020 and 5.6 million tonnes of crude oil in 2019, representing 24.6 per cent., 24.6 per cent. and 23.6 per cent., respectively, of the Company's production of crude oil for the respective years. In 2021, production wells at the Uzen Field produced an average of 4 tonnes of crude oil per well per day.

In 2021, the Uzen Field produced 665 million cubic metres of gas, representing 8.1 per cent. of the Company's production of gas. The Uzen Field produced 726 million cubic metres of gas in 2020 and 709 million cubic metres of gas in 2019, representing 8.7 per cent. and 8.4 per cent., respectively of the Company's production of gas for those years.

EMG Fields

EMG is a joint-stock company organized under the laws of the Republic of Kazakhstan with its registered address at: 060002, Kazakhstan, Atyrau, 1 Valikhanov Street. EMG is a wholly owned subsidiary of KMG EP. The liquidation of KMG EP is currently expected to complete in 2023. It is envisaged that all assets held by KMG EP, including KMG EP's 100 per cent. interest in EMG, will be transferred to the Company upon the liquidation.

As of 31 December 2021, the EMG fields had estimated proved-plus-probable net reserves of oil and condensate of 38,742 thousand tonnes, and proved-plus-probable net reserves of sales gas of 1,192 million cubic metres, representing 7.5 per cent., and 0.8 per cent. of the Company's net reserves of oil and condensate, and sales gas, respectively.

The EMG fields comprise a total of 39 oil fields located around the northern and eastern shores of the Caspian Sea in the Atyrau Oblast. Of the producing EMG fields, the following eight fields are the largest in terms of reserves, as well as production volume: (i) Kenbai (East Moldabek/North Kotyrtas) Field; (ii) Nurzhanov Field; (iii) Kamyshitovoye Southwest Field; (iv) Botakhan Field; (v) Makat East Field; (vi) Zaburunye Field; (vii) Zhanatalap Field; and (viii) Kamyshitovoye Southeast Field.

The Ural grade of crude oil produced at the EMG fields typically has a maximum density of 895 kg per cubic metre, a sulphur content ranging from 0.1 per cent. to 1.5 per cent. and an average watercut of 75 per cent.

The EMG fields' wellstock consisted of 2,049 production wells and 369 injection wells as at 31 December 2021, including 21 new wells drilled in 2021.

The EMG fields produced 2.5 million tonnes, 2.6 million tonnes, and 2.9 million tonnes of crude oil in each of 2021, 2020 and 2019, representing 12 per cent., 12 per cent. and 12 per cent., respectively, of the Company's production of crude oil for those years. In 2021, production wells at the EMG fields produced an average of 3.4 tonnes of crude oil per well per day. In 2021, the EMG fields produced 202 million cubic metres of gas, as compared to 217 million cubic metres of gas in 2020 and 260 million cubic metres of gas in 2019, representing 2.48 per cent., 2.65 per cent. and 3.08 per cent., respectively, of the Company's production of gas for those years.

KTM Fields

KTM is a limited liability company organized under the laws of the Republic of Kazakhstan with its registered address at: 030000, Kazakhstan, Aktobe, 173/1 Sankibay batyr Avenue. KTM is a wholly-owned subsidiary of the Company. KTM includes a total of 6 fields located in Aktobe and Mangistau regions.

As of 31 December 2021, KTM had estimated proved-plus-probable net reserves of oil and condensate of 3,003 thousand tonnes, representing 0.6 per cent. of the Company's net reserves of oil and condensate.

KTM's wellstock consisted of 32 production wells and 7 injection wells as at 31 December 2021. KTM produced 0.4 million tonnes of crude oil attributable to the Company in 2021, 2020 and 2019, representing 2.0 per cent. of the Company's production of crude oil in each of those years. In 2021, KTM's production wells produced an average of 32.7 tonnes of crude oil per day attributable to the Company. KTM produced 167 million cubic metres of gas attributable to the Company in 2021, 140 million cubic metres of gas in 2020 and 143 million cubic metres of gas in 2019, representing 2.0 per cent., 1.7 per cent. and 1.7 per cent., respectively, of the Company's production of gas for those years.

Urikhtau Operating Fields

Urikhtau Operating LLP ("**UO**") was established in 2009 and carries out exploration and production of hydrocarbons at the Central and Eastern Urikhtau fields in the Aktobe region of the Republic of Kazakhstan. UO is a limited liability company organized under the laws of the Republic of Kazakhstan with its registered address at: 030000, Kazakhstan, Aktobe, 10 Abilkaiyr Khan Street. UO engages in exploration activities at the Urikhtau Field under an operating agreement between the Company and the then existing Ministry of Energy and Mineral Resources of Kazakhstan dated 5 December 2008. The Company is currently discussing and negotiating joint exploration and development opportunities in the Urikhtau Fields with potential joint venture partners.

As of 31 December 2021, the Urikhtau Field had estimated proved-plus-probable net reserves of oil and condensate of 3,159 thousand tonnes, and proved-plus-probable net reserves of sales gas of 14,928 million cubic metres, representing 0.6 per cent., and 10.2 per cent. of the Company's net reserves of oil and condensate, and sales gas, respectively.

The Urikhtau Field is scheduled to commence commercial operation in mid-2023, with expected production of up to 1.5 billion cubic metres of gas and 500 thousand tonnes of oil per year.

UO's wellstock consisted of 2 production wells and no injection wells as at 31 December 2021.

UO produced 47 thousand tonnes and 6 thousand tonnes of crude oil in each of 2021 and 2020, representing 1.4 per cent. of the Company's production of crude oil for each year. In 2021, production wells at the Karazhanbas Field produced an average of 64 tonnes of crude oil per day.

MMG Fields

MMG is a joint-stock company organized under the laws of the Republic of Kazakhstan with its registered address at: 010000, Kazakhstan, 8 Kunayev Street. MMG is an upstream oil and gas company owned by MIBV, a 50/50 joint venture between the Company and CNPC Exploration and Development Company Ltd. The Company acquired its indirect interest in MMG (through MIBV) on 25 November 2009. MMG is one of the largest oil producers in Kazakhstan and operates the Kalamkas Field, one of the largest fields in Kazakhstan, pursuant to a subsoil use contract that expires in 2027, the Zhetybai Field and a few other smaller fields

As of 31 December 2021, MMG had estimated proved-plus-probable net reserves of oil and condensate of 43,186 thousand tonnes, and proved-plus-probable net reserves of sales gas of 3,579 million cubic metres, representing 8.4 per cent., and 2.5 per cent. of the Company's net reserves of oil and condensate, and sales gas, respectively.

Both Kalamkas and Zhetybai Fields are located in the Mangystau Oblast of Kazakhstan.

The Kalamkas Field, which is located in the northern part of the Buzachi Peninsula in the Tupkaragansky region of the Mangistau Oblast, within the limits of the Caspian Depression adjacent to the Caspian Sea, was discovered in 1976 and started producing in 1979.

The Kalamkas Field's wellstock consisted of 2,033 production wells and 681 injection wells as at 31 December 2021, including 89 new wells drilled in 2021.

The Kalamkas Field produced 1.8 million tonnes of crude oil attributable to the Company in 2021, as compared to 1.8 and 1.9 million tonnes of crude oil in 2020 and 2019, respectively, representing 9 per cent., 9 per cent. and 9 per cent., respectively, of the Company's production of crude oil for those years. In 2021, production wells at the Kalamkas Field produced an average of 4.8 tonnes of crude oil per day attributable to the Company.

The Kalamkas Field produced 53 million cubic metres of associated gas in 2021, 53 million cubic metres of gas in 2020 and 60 million cubic metres of gas in 2019, representing 0.7 per cent., 0.7 per cent. and 0.8 per cent., respectively, of the Company's production of gas for those years.

The Zhetybai Field is MMG's second most significant field.

The Zhetybai Field, which is located in the Karakiyansky region of the Mangistau Oblast, adjacent to the Caspian Sea, was discovered in 1961 and started producing oil in 1967. The Zhetybai Field's wellstock consisted of 978 production wells and 390 injection wells as at 31 December 2021, including 81 new wells drilled in 2021.

The Zhetybai Field produced 1.1 million tonnes of crude oil in 2021, 1.1 million tonnes of crude oil in 2020 and 1.2 million tonnes of crude oil in 2019, representing 5.6 per cent., 5.6 per cent. and 5.6 per cent., respectively, of the Company's production of crude oil for those years. In 2021, production wells at the Zhetybai Field produced an average of 6.4 tonnes of crude oil per day attributable to the Company. The Zhetybai Field produced 267 million cubic metres of associated gas in 2021, 256 million cubic metres of gas in 2020 and 266 million cubic metres of gas in 2019, representing 1.7 per cent., 1.6 per cent. and 1.7 per cent. of the Company's production of gas for each of those years, respectively.

Kazgermunai Fields

Kazgermunai is a limited liability partnership organized under the laws of the Republic of Kazakhstan with its registered address at: 120018, Kazakhstan, Kyzylorda region, Kyzylorda, Tasboget village, 100 Amangeldy Street. Kazgermunai is a joint venture between the Company and PKI, with each having a 50 per cent. interest as at 31 December 2021. In 2019, the Company acquired a 50 per cent. interest in Kazgermunai from KMG EP, although full payment was deferred until 2026. Through its 33 per cent. interest in PKI (as at 31 December 2021), KMG EP also realises economic benefits from PKI's 50 per cent. interest in Kazgermunai, which are, in turn, largely passed on to the Company through its interest in KMG EP. The liquidation of KMG EP is currently expected to complete in 2023. It is envisaged that all assets held by KMG EP, including KMG EP's 33 per cent. interest in PKI, will be transferred to the Company upon the liquidation.

As of 31 December 2021, the Kazgermunai Fields had estimated proved-plus-probable net reserves of oil and condensate of 7,222 thousand tonnes, and proved-plus-probable net reserves of sales gas of 1,386 million cubic metres attributable to the Company through KMG EP, representing 1.4 per cent., and 1.0 per cent. of the Company's net reserves of oil and condensate, and sales gas, respectively.

The Kazgermunai Fields' wellstock consisted of 203 production wells and 55 injection wells as at 31 December 2021, including 10 new wells drilled in the year ended 31 December 2021.

The Kazgermunai Fields produced 0.7 million tonnes, 0.8 million tonnes and 1.1 million tonnes of crude oil in each of 2021, 2020 and 2019, in each case attributable to the Company through KMG EP, representing 3.4 per cent., 3.6 per cent. and 4.7 per cent., respectively, of the Company's production of crude oil for those years. In 2021, production wells at the Kazgermunai Fields produced an average of 19.6 tonnes of crude oil per day attributable to the Company through KMG EP.

The Kazgermunai Fields produced 185 million cubic metres of gas in 2021, 188 million cubic metres of gas in 2020 and 224 million cubic metres of gas in 2019, which was attributable to the Company, representing 2.3 per cent., 2.3 per cent. and 2.2 per cent., respectively, of the Company's production of gas for those years.

KBM Fields

CCEL is a joint venture between KMG EP and CITIC Resources Holding Limited, with each having a 50 per cent. interest as at 31 December 2021. KMG EP acquired its 50 per cent. interest in CCEL on 12 December 2007. The liquidation of KMG EP is currently expected to be completed in 2023. It is envisaged that all assets held by KMG EP, including KMG EP's 50 per cent. interest in CCEL, will be transferred to the Company upon the liquidation.

CCEL has a 100.0 per cent. interest in KBM a subsoil user developing the Karazhanbas Field in western Kazakhstan. KBM is a limited liability company organized under the laws of the Republic of Kazakhstan with its registered address at: 130000, Kazakhstan, Aktau, 12 micro district, 74/1 building.

As of 31 December 2021, KBM had estimated proved-plus-probable net reserves of oil and condensate of 19,141 thousand tonnes attributable to the Company, representing 3.7 per cent. of the Company's net reserves of oil and condensate.

The Karazhanbas Field, located in the Mangistau Oblast, was discovered in 1974 and started producing in 1980.

The Karazhanbas Field's wellstock consisted of 2,965 production wells and 783 injection wells as at 31 December 2021, including 85 new wells drilled in the year ended 31 December 2021.

The Karazhanbas Field produced 1.0 million tonnes, 1.0 million tonnes and 1.1 million tonnes of crude oil in each of 2021, 2020 and 2019, representing 4.8 per cent, 4.6 per cent. and 4.6 per cent. of the Company's production of crude oil for each year. In 2021, production wells at the Karazhanbas Field produced an average of 1.9 tonnes of crude oil per day.

The Karazhanbas Field produced 31 million cubic metres of associated gas in 2021, 27 million cubic metres of associated gas in 2020 and 27 million cubic metres of associated gas in 2019, representing 0.3 per cent., 0.3 per cent. and 0.3 per cent. of the Company's production of gas in each such year, respectively.

PKKR Fields

On 5 July 2006, the Company acquired a 33 per cent. interest in PKI from CNPC Exploration and Development Company Ltd for KZT 169.4 billion. In December 2009, the Company sold its interest in PKI to KMG EP (which it maintains). Accordingly, PKI is an associate of KMG EP, and, as such, the Company does not have a direct interest in PKI's reserves or production. The liquidation of KMG EP is currently expected to complete in 2023. It is envisaged that all assets held by KMG EP, including KMG EP's 33 per cent. interest in PKI, will be transferred to the Company upon the liquidation.

PKI is a company organized under the laws of Canada with its registered address at: Suite 1460-140 4 Ave SW Calgary, AB T2P 3N3 Canada.

The exploration and development activity of PKI is performed by Kazgermunai (in which PKI has a 50 per cent. interest) and PKKR, PKI's wholly-owned subsidiary. For details of Kazgermunai's operations, see "—*Kazgermunai*".

As of 31 December 2021, PKKR's fields had estimated proved-plus-probable net reserves of oil and condensate of 424 thousand tonnes, attributable to the Company through PKI, representing 0.08 per cent. of the Company's reserves of oil and condensate.

The PKKR fields' wellstock (including those of affiliated companies) consisted of 415 production wells and 219 injection wells as at 31 December 2021, including 24 new wells drilled in the year ended 31 December 2021.

The PKKR fields produced 307.93 thousand tonnes of crude oil in 2021, 345.67 thousand tonnes in 2020 and 408.76 thousand tonnes of crude oil in 2019, inlcluding production attributable to the Company through PKI and KMG EP, representing 2.8 per cent., 3.0 per cent. and 3.0 per cent., respectively, of the Company's production of crude oil for those years. In 2021, production wells at the PKKR fields produced an average of 844 tonnes of crude oil per day attributable to the Company through PKI and KMG EP.

The PKKR fields produced 125 million cubic metres of gas in 2021, 142 million cubic metres of gas in 2020 and 181 million cubic metres of gas in 2019, which were attributable to the Company through PKI and KMG EP, representing 1.6 per cent., 1.7 per cent. and 2.1 per cent., respectively, of the Company's production of gas for those years.

Kazakhoil Aktobe Fields

Kazakhoil Aktobe is a limited liability partnership organized under the laws of the Republic of Kazakhstan with its registered address at: 030000, Kazakhstan, Aktobe, 46, A. Moldagulova Avenue. Kazakhoil Aktobe is a 50/50 joint venture between the Company and Caspian Investments Resources Ltd. Caspian Investments Resources Ltd. is, in turn, controlled by Sinopec International Petroleum E&P Hongkong Overseas Limited.

As of 31 December 2021, the Kazakhoil Aktobe Fields had estimated proved-plus-probable net reserves of crude oil of 6,284 thousand tonnes and proved-plus-probable net reserves of sales gas of 2,924 million cubic metres attributable to the Company, representing 1.2 per cent. and 2.01 per cent. of the Company's net reserves of crude oil and sales gas, respectively.

Kazkhoil Aktobe is developing two fields: the Alibekmola and Kozhasai Fields.

The Kazakhoil Aktobe Fields produced 412 million cubic metres of gas attributable to the Company in 2021, 361 million cubic metres of gas in 2020 and 348 million cubic metres of gas in 2019, representing 5.1 per cent., 4.4 per cent. and 4.1 per cent., respectively, of the Company's production of gas for those years.

Exploration Projects

Due to the mature nature of many of its fields, the Company has identified exploration as a key aspect of its long-term strategy to keep production stable. The Company must actively pursue exploration opportunities in order to maintain its current reserves base and to support its long-term production growth strategy. The Company believes it will generate sufficient exploration prospects by exercising its rights as beneficiary of the State's priority right to acquire interests in subsoil use contracts and entities that are party to subsoil use contracts offered for sale. See "*Regulation in Kazakhstan—Regulation of Subsoil Use Rights in Kazakhstan—The State's Priority Right*". Both the development of the Company's national upstream offerings in Kazakhstan and the strengthening of the Company's position as a key stakeholder in the Kazakhstan oil and gas sector are key strategic aims for the Company. See "— *Strategy*".

The following table sets forth the significant exploration activities of the Company and its subsidiaries and its and their joint ventures as at 31 December 2021:

	As at 31 December 2021					
					% interest in licence or contract	
Exploration area	Owning entity[(1)]	Aggregate project area (in square kilometres)	Expiration[(2)]	Number of exploratory wells	Sole operations	Joint operations
Offshore						
Al-Farabi	KMG	6,047	2055	0	—	50.01
Zhenis	KMG	4,772	2053	0	—	50.00
Abay	KMG	1,234	2050	0	—	50.00
Tsentralnaya	NGKC	1,234	2043	0	—	50.00
Khvalynskoye	COGC	3,199	2022	0	—	50.00
Isatay	KMG	1,348	2023	0	—	50.00
Mertvyi Kultuk (Ustyurt)	KMG-U	6,451	2021	0	—	50.00
Kurmangazy	KMT	5,959	2050	2	—	50.00
Onshore						
East Bekturly	KMG	286	2025	2	—	50.00
Turgai	KMG	5,680	2030	0	100	—

Notes:

(1) Includes direct and indirect ownership.

(2) There is one licence/contract for each exploration area.

In 2020, the Pearls Contract Area (Khazar and Auezov Fields) was relinquished by Pearls PSA Contracting Companies (Oman Pearls Company Limited, KazMunaiTeniz LLP, Shell EP Offshore Ventures Limited).

In February 2021, the Agreement on early termination of Pearls PSA was signed between the Ministry of Energy and the contracting companies.

In November 2020, the Kalamkas-Sea Field was relinquished by North Caspian PSA contracting companies. Also in 2020 the Pearls contract area (Khazar and Auezov fields) was relinquished by Pearls PSA contracting companies. On 16 November 2021, the Company signed an agreement on principles for joint development of Kalamkas-Sea and Khazar fields with Lukoil. Further, on 17 June 2022, an additional agreement on the Kalamkas-Sea/Khazar project was signed between the Company and Lukoil and the discussions are ongoing with respect to commercial, geological and technical matters of the project.

Project Al-Farabi

The area of the Al–Farabi site exceeds 6,047 square kilometres.

On 7 October 2020, Company and Lukoil signed an agreement of participants on Project Al-Farabi in Kazakhstan's sector of the Caspian Sea, defining the rights and obligations of Company and Lukoil regarding the operations of the future subsoil user under the project. On 19 May 2021, a hydrocarbon exploration and production contract No. 4914-UVS ME was signed for the Al-Farabi site. On 26 July 2021, the Ministry of Energy, the Company and Al-Farabi Operating LLP signed Addendum No. 1 to the Contract for the transfer of subsoil use rights from the Company to Al-Farabi Operating LLP.

On 24 September 2021, a sale and purchase agreement between Lukoil and the Company for the acquisition by Lukoil of a 49.99 per cent. interest in the charter capital of Al-Farabi Operating LLP entered into force. Under the financing agreement dated 11 November 2021 entered into by Al-Farabi Operating LLP and Lukoil, Lukoil will provide 100 per cent. of the project's financing during the exploration period through carry-financing.

Project Zhenis

The area of the Zhenis site is 4,772 square kilometres.

Project Zhenis is being implemented in accordance with contract No. 4707, date 1 April 2019, for the exploration and production of hydrocarbons at the Zhenis site located in the Kazakhstan sector of the

Caspian Sea. The Company and Lukoil (represented by Lukoil Kazakhstan Upstream LLP) each have a 50 per cent. share of the subsoil use right under the subsoil use contract. The exploration period runs from 2019 through 2028 and the development period runs from 2029 through 2053. The operator is Zhenis Operating LLP.

Under the financing agreement dated 30 November 2018 entered into by the Company and Lukoil, Lukoil will provide 100 per cent. of the project's financing during the exploration period through carry-financing.

The contract strategy of the project is currently being approved and preparatory work is underway for drilling the first exploratory well. The construction of the exploration well is scheduled for 2022.

Project Abay

The area of the contract area is 1,234 square kilometres. The main promising geological structures are Abay, Aliya, Anfisa and Lira.

Project Abay is being implemented in accordance with subsoil use contract No. 4752 dated 26 July 2019 for the exploration and production of hydrocarbons at the Abay site. In 2012, Ministry of Energy and the Company signed a protocol of direct negotiations to grant the Company the right to subsoil use for exploration and production. In 2015, the Government adopted a resolution "On concluding a contract for combined exploration and production" for the Abay site. In 2017, the Ministry of Energy notified the Company of permission to extend the term for concluding a contract for combined exploration and production at the Abay site until 31 December 2018.

From May 2017 to March 2019, the Company searched for a strategic partner for the joint implementation of Project Abay and, based on the results of this, ENI Isatay B.V was approved as a strategic partner of the project. In 2018, the Ministry of Energy agreed on the qualification requirements for legal entities for the joint implementation of Project Abay and a protocol of basic commercial terms was signed by the Company and ENI Isatay B.V. On 11 March 2019, the Company and ENI Isatay B.V. signed joint activities and financing agreements, and Isatay Operating Company LLP was appointed as the operator of the project.

The duration of the subsoil use contract is 31 years, comprising an exploration period of 6 years (which can potentially be extended for nine years for evaluation purposes) and a production period of 25 years (including a preparatory period of up to three years).

At the Abay site, background environmental studies, engineering and geological surveys were carried out at the location of an exploratory well.

Under the financing agreement, strategic partner Eni Isatay B.V. will provide financing for Project Abay's exploration period through carry financing.

Project Tsentralnoye

The Tsentralnoye Field is located in the Russian sector of the Caspian Sea. The area of the Tsentralnoye Field is 1,234 square kilometres.

Project Tsentralnoye is being implemented on the basis of the Agreement between Kazakhstan and Russia on the delimitation of the seabed of the northern part of the Caspian Sea for the purpose of exercising sovereign rights to subsoil use dated 7 July 1998 and the Protocol dated 13 May 2002. TsentrKaspneftegaz LLC ("**TKN**") (a 50:50 joint venture between Gazprom and Lukoil) was appointed as the authorised organization on behalf of Russia, and the Company on behalf of the Republic of Kazakhstan. TKN is providing 100 per cent. of the exploration period project costs.

In 2013, a joint venture was established under Russian law (Central Oil and Gas Company LLC ("**Central OGC**")), in which each the Company and TKN hold 50 per cent. of the participatory interest.

On 5 September 2016, Central OGC received a licence for the use of subsoil block for the purpose of geological study, exploration and production of hydrocarbons at the Tsentralnoye field.

Prospecting and evaluation works, had been prepared and approved by the project participants.

The results of the feasibility study demonstrated potential economic inefficiencies and Central OGC's activities in 2022 were therefore limited. Central OGC is currently pursuing routes to optimise the project.

Project Khvalynskoye

The area of the Khvalynskoye Field is 3,199 square kilometres.

The Khvalynskoye Field is located in the Russian sector of the Caspian Sea. Project Khvalynskoye is being implemented on the basis of the Agreement between Kazakhstan and Russia on the delimitation of the seabed of the northern part of the Caspian Sea in order to exercise sovereign rights to subsoil use dated 6 July 1998 and the Protocol dated 13 May 2002. Lukoil and the Company have been appointed as the authorised organisations on behalf of Russia and the Republic of Kazakhstan respectively.

In 2005, a joint venture was established under Russian law (Caspian Oil and Gas Company LLC ("**Caspian OGC**")), in which the Company and Lukoil each hold a 50 per cent. participatory interest. The project participants are financing Caspian OGC with interest-bearing loans on a parity basis. These will be repaid by the revenues generated by Project Khvalynskoye.

Currently, the main goal of Caspian OGC is to obtain the right to subsoil use under the terms of the Project Khvalynskoye Production Sharing Agreement. In 2021, the Reserves Calculation and the Addendum to the Technological Scheme for the Development of the Khvalynskoye Field were approved by the state bodies of Russia. Studies to identify hazardous areas to place offshore facilities and communications and geomechanical modelling with core studies for the Khvalynskoye oil and gas condensate field are scheduled for 2022.

Project Khvalynskoye's commercial viability is dependent on gas prices and the gas export monopoly assigned to Gazprom under Russian legislation. Negotiations are underway with Gazprom to agree a gas price that will achieve the necessary rate of return for the project. Since the beginning of 2021, negotiations have also been underway with Gazprom to develop the conditions for its participation in Project Khvalynskoye with a 25 per cent. interest (12.5 per cent. of which is to be granted by each of the Company and Lukoil).

Project Isatay

The area of the contract area is 1,343 square kilometres. The basic perspective geological structures covered are Isatay, Tolkyn and Sunkar.

The Isatay project is being implemented in accordance with the subsoil use contract No. 4160 dated 26 June 2015 for the combined exploration and production of hydrocarbons at the Isatay site located in the Kazakhstan part of the Caspian Sea, as amended.

In May 2014, the Company and ENI entered into an agreement regarding the Isatay project and in June 2015, the Company and ENI signed an agreement to assign a 50 per cent. interest in the Isatay subsoil use contract to ENI. In June 2017, the Company transferred this 50 per cent. interest in the Isatay subsoil use contract to ENI Isatay B.V., and, in November 2017, the Isatay subsoil use contract was amended to reflect this transfer and include the work programme for the project. On 21 December 2017, the Company and ENI Isatay B.V. signed joint operator and financing agreements, and Isatay Operating Company LLP was appointed as the operator of the Isatay project. Under this financing agreement, ENI Isatay B.V. will provide financing for the exploration period of Project Isatay through carry-financing.

The exploration period for Project Isatay is from 2015 to 25 June 2023. Environmental studies kilometres, seismic surveys and data interpretation works have been carried out at the Isatay Field.

Project Mertvyi Kultuk (Ustyurt)

The area of the contract area is 6,451.31 square kilometres. The basic perspective geological structures are Sarytau, Salkyn and East Burynshyk.

Project Mertvyi Kultuk (Ustyurt) is being implemented in accordance with the subsoil use contract No. 4159 dated 26 June 2015 for the combined exploration and production of hydrocarbons at the Mertvyi Kultuk (Ustyurt) site located in the Mangistau region. The subsoil user under the subsoil use contract is KMG-Ustyurt LLP. On 31 January 2018, UnionField Group Ltd. ("**UFG**") became the owner of a 50 per cent.of KMG-Ustyurt LLP. UFG was appointed as a strategic partner of the Company in Project Mertvyi Kultuk (Ustyurt).

Under a financing agreement between UFG and KMG-Ustyurt LLP signed on 27 October 2017, UFG is required to finance 100 per cent. of KMG-Ustyurt LLP's costs during the exploration and appraisal period. On 26 June 2021, the exploration period under the subsoil use contract ended.

Earlier, on 30 April 2021, KMG-Ustyurt LLP received a certificate of force majeure circumstances due to the COVID-19 pandemic for a total period of 397 days (from 13 March 2020 to 16 April 2021) from the External Trade Chamber of Kazakhstan. On 2 July 2021, following a meeting of the Working Group of the Ministry of Energy, contract No. 4159 was extended until 4 August 2022, subject to KMG-Ustyurt LLP providing payment orders repaying existing debts for the non-fulfilment of contractual obligations prior to signing the addendum on the extension. In November 2020, the Ministry of Energy brought a claim against KMG-Ustyurt LLP for the recovery of fines and debts under the subsoil use contract for 2015 through 2018 for KZT 71.9 million and U.S.$600,000.

On 15 December 2021 the court fully granted the claim of the Ministry of Energy against KMG-Ustyurt LLP. The Judicial Collegium for Administrative Cases of Astana City Court subsequently rejected KMG-Ustyurt LLP's appeal of this decision. Exploration work on the project has not been carried out, as UFG have not provided the requisite funding. The addendum on the extension has also not been signed due to the non-payment of debt accrued under contract No. 4159.

According to the Reconciliation Act and Ministry of Energy notifications, the total amount of outstanding claims for the period 2015 through 2020 is equal to KZT 180.6 million and U.S.$800,000.

Project East Bekturly

The contract area is 286 square kilometres. Within the contract area there are fields with proven commercial oil and gas potential at Shinzhir, Korganoy and East Bekturly.

Project East Bekturly is being implemented in accordance with subsoil use contract No. 4152 for the exploration and production of hydrocarbons at the East Bekturly site in the Mangistau region, dated 17 June 2015. The subsoil use contract was concluded for a period of 6 years. Negotiations are currently underway to extend the subsoil use contract for the exploration period for evaluation for 3 years.

The Company and Kokel Munai LLP each have a 50 per cent. participatory interest in Project East Bekturly. On 24 December 2015, the Company and Kokel Munai LLP signed a financing and joint operatorship agreements, under which Becturly Energy Operating LLP was appointed the project's operator.

Exploration works for hydrocarbons at the East Bekturly site were approved by the competent authority in 2018. To date certain seismic works have been completed and two exploratory wells have been drilled.

Kokel Munai LLP is providing carry-financing during the exploration period.

Project Turgai

In 2021, the Company were assigned the new Turgai Palaeozoic greenfield site Project Turgai is being implemented in accordance with the subsoil use contract No. 4958-UVS ME dated 24 August 2021 for exploration and production of hydrocarbons at the Turgai Paleozoic site located in the Syrdarya district of the Kyzylorda region. Project Turgai is being implemented by the Company at its own expense. The exploration period of Project Turgai is from 2021 to 2030.

The project of exploration works, the technical design for the construction of a well, the land management project, and the project for the elimination of the consequences of subsoil use were developed and approved in 2021-2022 Preparatory work is underway for drilling an exploration well.

Project Kurmangazy

The Kurmangazy project is being implemented under the Agreement between Kazakhstan and the Russian Federation on the delimitation of the bottom of the northern part of the Caspian Sea to exercise sovereign subsoil use rights dated 6 July 1998 and the Protocol to it dated 13 May 2002 (as amended on 25 January 2006 and 9 November 2017) (the "**Interstate Agreement**"). Production sharing agreement No. 1787 for Project Kurmangazy was concluded on 6 July 2005 (the "**Kurmangazy PSA**").

KazMunayTeniz Offshore Oil Company LLP ("**KMT**"), an affiliated structure of the Company and RN-Exploration LLC, an affiliated structure of Rosneft each hold a 50 per cent. interest in Project Kurmangazy. The project operator is Kurmangazy Petroleum LLP, a wholly-owned subsidiary of the Company.

The area of the contract territory is 5,959 square kilometres. The main promising geological structures are Rigid, Kalniyaz, Madina and Tattimbet.

The project participants finance Project Kurmangazy at their own expense on a parity basis.

Certain seismic works have been conducted and two exploratory wells have been drilled. The exploration period ended under the Kurmangazy PSA ended on 31 July 2011, although the Kurmangazy PSA was not terminated.

On 17 November 2017 the presidents of Kazakhstan and Russia signed an Additional Protocol to the Interstate Agreement, which provides for the expansion of the area of the Kurmangazy site and a new exploration period of six years, with the possibility of an extension of up to four years.

At present, the draft Addendums to the Kurmangazy PSA are being coordinated with the state authorities, including the transfer of subsoil use rights under the Kurmangazy PSA from KMT to the Company, as well as obtaining an additional exploration period and expanding the contract area of the Kurmangazy block.

Oil Field Development and Rehabilitation

The overall level of crude oil production from the fields described herein has been, and will continue to be, affected by several key factors, including the relative age of the fields and, to a lesser degree, the characteristics of the oil and the complex geological formations of the reservoirs. For example, the Uzen Field and several of the EMG fields with the largest reserves and production volumes contain highly paraffinic oil within shallow, low permeability formations. Additionally, oil from the EMG fields also tends to have a high water content, or watercut. Taken together, these factors make oil from the EMG fields difficult to extract and in some cases transport. However, the Company's long production history has provided it with a comprehensive understanding of the geology of its fields. The relatively shallow depth and predominantly onshore location of its reservoirs have generally enabled the Company to produce oil in a more cost efficient manner than if the reservoirs were deeper or were offshore.

The Company, its subsidiaries and its joint ventures apply a wide variety of field development and rehabilitation techniques, such as drilling new wells, drilling injection wells and utilising secondary, enhanced recovery and well stimulation techniques, including fracking and various chemical and thermal methods. The Company does this to meet its strategic objective of sustaining its current production levels.

Competition

The Company does not foresee competition for reserves from regional and international oil and gas companies, since the Company is the beneficiary of the State's priority right to acquire interests in subsoil use contracts with respect to strategic subsoil deposits. See "*The Oil and Gas Industry in Kazakhstan– Information about the main competitors of the Issuer, indicating their names and locations, the scale of competition –Exploration and Production*" for more details.

Transportation of Crude Oil

Overview

The Group partially owns and solely operates the largest crude oil pipeline network in Kazakhstan in terms of length and throughput capacity. As at each of 31 December 2021, 2020 and 2019, the total length of the Company's oil pipeline system was 9,090 kilometres, 9,090 kilometres and 9,096 kilometres, respectively.

The Company (including through its joint ventures) transported 74 million tonnes, 73.2 million tonnes and 78.07 million tonnes of crude oil through its pipeline network (including Batumi Oil Terminal) in 2021, 2020 and 2019, respectively.

The following table sets forth certain information with respect to the pipeline segments owned and operated by the Company as at 31 December 2021:

	As at 31 December 2021				
		Diameter of pipelines			
Pipeline	**Kilometres of pipelines**	**Under 0.5 m**	**0.5 m to 1.4 m**	**Throughput capacity(1)**	**Primary source of crude oil**
KTO System:	5,373			differing	All Kazakhstan
Kazakhstan-China System:					
Atyrau-Kenkiyak Pipeline	455.10	—	455.10	6.0	Western Kazakhstan
Atasu-Alashankou Pipeline	965.1	—	965.1	10.0	Western Kazakhstan, Kumkol and Turgai fields
Kenkiyak-Kumkol Pipeline	794.26	—	794.26	10.0	Western Kazakhstan
CPC pipeline System:					
CPC pipeline(2)	452.0	—	452.0	67.0	Western Kazakhstan, Tengiz Field
Total	**8,039.46**	—	—	—	

Notes:

(1) millions of tonnes per year for crude oil (annualised).

(2) The Company holds a 20.75 per cent. interest in CPC (as at 31 December 2021) and does not operate the CPC pipeline.

KTO Pipeline System

Kazakhstan's pipeline infrastructure, except for the CPC pipeline, is owned by KTO – the national oil pipeline operator, its two joint ventures (KCP and MunaiTas). The existing pipeline infrastructure in Kazakhstan has adequate potential to support increased oil transportation volumes from promising projects.

KTO

KTO is a joint-stock company organized under the laws of the Republic of Kazakhstan with its registered address at: 010000, Kazakhstan, Astana, 20 Turan Avenue. KTO is the national oil pipeline operator of Kazakhstan. KTO owns an extensive network of trunk oil pipelines with a total length of 5,373 kilometres, to which virtually all oil fields in Kazakhstan are connected. The Company transports oil to Kazakhstan's four major refineries, pumps oil for export via the Atyrau–Samara pipeline, transships oil to the CPC and Atasu–Alashankou export pipelines, and transships oil to tankers in the port of Aktau and onto rail tank cars. Oil transportation via trunk oil pipelines is supported by 36 oil pumping stations, 67 heaters, and a tank farm for oil storage with a total capacity of 1.4 million cubic metres. KTO also provides operation and maintenance services for the trunk oil pipelines of KCP, MunaiTas, KPO, CPC-K, and Turgai Petroleum, as well as for the trunk water line of Main Waterline LLP.

KCP is a limited liability partnership organized under the laws of the Republic of Kazakhstan with its registered address at: 050008, Kazakhstan, Almaty, 109 V Abay Avenue. KCP operates the KCP pipeline, a pipeline network that connects western Kazakhstan with the Chinese border, which is comprised of the following sections: (i) the Atasu-Alashankou pipeline; and (ii) the Kenkiyak-Kumkol pipeline.

The following tables set forth certain information with respect to volumes of oil transported for the periods indicated:

Volume of Oil Transportation (*thousand tonnes*)

Company	**2019**	**2020**	**2021**
KazTransOil (100%)	**44,463**	**42,298**	**41,224**
export	17,591	16,699	14,296
transit	9,989	9,989	9,989
domestic market	16,883	15,610	16,939
Kazakhstan-China Pipeline (100%)	**16,200**	**15,883**	**17,411**
export	859	561	967
transit	9,979	9,989	9,979
MunaiTas (100%)	**3,232**	**3,321**	**4,273**
export	1,998	1,595	1,572
Caspian Pipeline Consortium (100%), export	**63,256**	**59,027**	**60,728**

Structure of Oil Transportation by destination in 2021, %

Company	**Export**	**Transit**	**Domestic market**
KazTransOil	35	24	41
Kazakhstan-China Pipeline	6	57	37
MunaiTas	37	n/a	63
Caspian Pipeline Consortium	100	n/a	n/a

The decline in total crude oil transported between 2019 and 2021, was primarily due to lower volumes of oil transportation from shippers due to COVID-19 and OPEC+ arrangements.

KTO invested KZT 38.7 billion to upgrade its pipeline system in 2021, KZT 46.9 billion in 2020 and KZT 41.2 billion in 2019. In 2022, KTO expects to invest KZT 64.3 billion. These improvements and capacity increases were primarily aimed at supporting existing levels of oil transportation through KTO's pipeline system.

Tariffs for Oil Transportation to the Domestic Market, KZT per tonne per 1,000 km

Company	2019	2020	2021
KazTransOil	4,772 (4,717 from 01.09.2019)	4,110	4,356 (4,328 from 01.12.2021)
Kazakhstan-China Pipeline	7,158	6,456 (7,158 from 01.02.2020)	4,323.7
MunaiTas	5,724 (5,912 from 01.07.2019)	5,457.3 (5,912 from 25.12.2020)	5,912

Tariffs for Oil Transportation for Export

Company	2019	2020	2021
KazTransOil, KZT per tonne per 1,000 km	6,399	6,399 (7,359 from 01.03.2020)	7,359
Kazakhstan-China Pipeline, KZT per tonne per 1,000 km	6,799	6,799	6,799
MunaiTas, KZT per tonne per 1,000 kilometres	5,912	5,912	5,912
Caspian Pipeline Consortium, USD per tonne	38	38	38

In 2021, 41.2 million tonnes of crude oil and condensate, or 36 per cent. of the total crude oil and condensate produced in Kazakhstan, was transported by KTO.

The income generated from the tariff for the transportation of this crude oil and condensate totalled KZT 238.2 billion.

Uzen-Atyrau-Samara pipeline

KTO operates the UAS pipeline, which consists of two pipeline sections: Uzen-Atyrau and Atyrau-Samara. As at 31 December 2021, the length of the UAS pipeline was 1232 kilometres (Kazakhstan section) and it had a throughput capacity of 17.5 million tonnes of crude oil per.

The Atyrau-Samara oil pipeline is the second by Kazakhstan oil export to the global market. Oil is supplied via the Atyrau-Samara oil pipeline and further via the Transneft system up to Ust-Luga Baltic terminal and Novorossiysk Black Sea port. In 2021, 11.2 million tonnes of Kazakhstan oil were transported via the Atyrau – Samara oil pipeline. Decreased oil supply via this pipeline by 17 per cent. compared to 2020 is related to the general decrease in delivery of product to the main oil pipeline system and redistribution of supplies to other directions.

Kazakhstan-China Pipeline System

In 2004, KTO and China National Oil and Gas Exploration and Development Corporation created KCP, in which each hold a 50 per cent. interest (as at 31 December 2021). KCP is the owner of the Atasu–Alashankou (965 km) and Kenkiyak–Kumkol (794 km) oil pipelines. The company transports Kazakhstan's oil and transit Russian oil to China and to the domestic market.

Oil transportation via KCP LLP main oil pipelines in 2021 was 17.4 million tonnes compared to 15.9 million tonnes in 2020, which represents an increase of 9.2 per cent. due to an increase in oil supplies from the west region due to the commissioning of the Kenkiyak-Atyrau oil pipeline reverse project in mid-2021.

<u>Kenkiyak-Kumkol Pipeline</u>

KCP owns the Kenkiyak-Kumkol pipeline, which is operated by KTO. In October 2009, the Kenkiyak-Kumkol oil pipeline became operational. As at 31 December 2021, the length of the pipeline was 794.26 kilometres and it had a throughput capacity of 9.2 million tonnes of crude oil per year. In 2021, 6.7 million tonnes of crude oil were transported through the Kenkiyak-Kumkol pipeline.

<u>Atasu-Alashankou Pipeline</u>

KCP owns the Atasu-Alashankou pipeline, which is operated by KTO. In July 2006, the Atasu-Alashankou pipeline became operational. As at 31 December 2021, the length of the pipeline was 965.1 kilometres it had a throughput capacity of 20 million tonnes of crude oil per year.

MunaiTas

MunaiTas is a limited liability partnership organized under the laws of the Republic of Kazakhstan with its registered address at: A15E0G0, Kazakhstan, Almaty, 26/29 Timiryazev Street. On 3 December 2001, KTO and CNPC Exploration and Development Company Ltd established MunaiTas, in which KTO holds a 51 per cent. interest (as at 31 December 2021) and CNPC Exploration and Development Company Ltd holds a 49 per cent. interest. MunaiTas is the owner of the 455.1 kilometres long Kenkiyak–Atyrau oil trunk pipeline. KTO operates the Kenkiyak-Atyrau pipeline.

In 2018, MunaiTas started implementing the Kenkiyak–Atyrau pipeline reverse project to support supplies of West Kazakhstan's oil totalling up to 6 million tonnes per annum to domestic refineries and to compensate production declines in the Aktobe and Kyzylorda Regions, as well as to support exports to China. The project cost is KZT 30.9 billion. Starting 1 July 2021, reverse transportation of up to 6 million tonnes of oil per annum was enabled.

<u>Kenkiyak-Atyrau Pipeline</u>

MunaiTas owns the Kenkiyak-Atyrau pipeline. See "—*MunaiTas*" above.

In March 2003, the Kenkiyak-Atyrau pipeline became operational. As at 31 December 2021, the Kenkiyak-Atyrau pipeline had a length of 455.1 kilometres of pipe, and has the tank farm facilities of 40 000 cubic metres and a throughput capacity of 6 million tonnes of crude oil per year.

Oil transportation via the Kenkiyak-Atyrau pipeline in 2021 was 4.3 million tonnes compared to 3.3 million tonnes in 2020, which represents an increase 28.7 per cent. due to changes in oil handover volumes by shippers.

CPC pipeline System

CPC-R and CPC-K are a joint venture that owns, operates and maintains the CPC pipeline. CPC-K is a joint-stock company organized under the laws of the Republic of Kazakhstan with its registered address at: Republic of Kazakhstan, 060700, Atyrau region, Makhambetsky district, Almaly Rural District, Bereke Settlement, d.o. Ums-99, block 2 Atyrau PS. CPC-R is a joint-stock company organized under the laws of the Russian Federation with its registered address at: Krasnodar Krai, Novorossiysk, Primorsky Okrug, Marine Terminal.

The Kazakhstani portion of the CPC pipeline is operated by CPC-K, in which, as at 31 December 2021, the Republic of Kazakhstan had a 19 per cent. ownership interest (which the Company manages on behalf of the Government), and KPV (a subsidiary of the Company since 2009) had a 1.75 per cent. ownership interest. The other participants in CPC are Transneft (24 per cent.), CPC Company (7 per cent.) Chevron Caspian Pipeline Consortium Co. (15 per cent.), Lukoil International GmbH. (12.5 per cent.), Mobil Caspian Pipeline Co. (7.5 per cent.), Rosneft–Shell Caspian Ventures Ltd. (7.5 per cent.), Agip International (N.A.) N.V. (2 per cent.), Oryx Caspian Pipeline LLC (1.75 per cent.) and BG Overseas Holdings Ltd. (2 per cent.). As at 31 December 2021, the CPC pipeline was 1,510 kilometres long. In 2021, 60.7 million tonnes of oil and condensate were transported by CPC through the CPC pipeline, including 53.2 million tonnes of oil produced in Kazakhstan.

Only CPC shareholders have rights to capacity in the CPC pipeline, which consist of preferential capacity rights to specified amounts of capacity and excess capacity rights to use pipeline capacity not being used by other shareholders. The preferential capacity rights and excess capacity rights in respect of the CPC pipeline are allocated by the agreement of the CPC shareholders and not necessarily by reference to the proportional ownership interests in the joint venture.

The expected increase in production from fields being developed by NCOC, including the Kashagan Field, which commenced commercial production in November 2016, are expected to require increased capacity of the transportation infrastructure in Kazakhstan, including the CPC pipeline.

In December 2010, the CPC shareholders took a decision to proceed with the expansion of the CPC pipeline. The CPC expansion project targeted the increase of the design capacity of the CPC pipeline from 28.2 million tonnes per year to 67.0 million tonnes per year, of which up to 53.7 million tonnes per year of oil and condensate is expected to come from Kazakhstan. Construction works on the Kazakhstan section of the expansion project began in July 2011, and the third and final phase of these construction works was completed in October 2017. The expansion project in Kazakhstan included the replacement of an 88 kilometres long section of pipeline, the reconstruction of the Atyrau and Tengiz pump stations, the construction of two new pump stations and the installation of external power supply facilities. The total cost of the CPC expansion project was U.S.$5.1 billion, of which the Company made no contribution. As a result of the CPC pipeline expansion, the Company's preferential capacity rights have increased to 14.3 million tonnes of crude oil per year from 5.8 million tonnes.

CPC charges shippers a transportation tariff based on the quantity of CPC blend delivered to the shipper. In October 2007, the tariff for transportation of and delivery to the CPC marine terminal on the Black Sea, inclusive of all charges for terminal facilities, was increased to U.S.$38 per tonne and has remained unchanged.

Over the course of 2022, there have been a few events that have caused or threatened temporary shutdown of CPC operations, including a storm in the Black Sea, a search for hazardous subsea objects at the seabed near CPC terminal area mandated by Russian state authorities, administrative proceedings initiated by Rostransnadzor and suspension of operations at two of three SPMs due to equipment defects. See "*Risk Factors—Risks relating to the Company's business—The Company relies heavily on oil and gas transportation systems, including pipelines through Russian territory, to transport its products and its customers' products to markets outside Kazakhstan and any disruption or unavailability of such transportation systems would adversely affect the Company's ability to deliver its products*".

Batumi Oil Terminal

In 2007, KTO acquired a 50 per cent. ownership interest in Batumi Capital Partners Limited, and, in February 2008, KTO completed the acquisition of a 100 per cent. ownership interest in Batumi Industrial Holdings Limited. In December 2021, as a result of the reorganisation of Batumi Industrial Holdings Limited, Batumi Capital Partners Limited and Batumi Services Limited, KTO became the owner of 100 per cent. of shares of Batumi Terminals Limited (Cyprus), via which the assets in Georgia were managed (Batumi Oil Terminal LLC that held an exclusive right to manage Batumi Sea Port LLC.

The Company uses the Batumi port and oil terminal facilities to store and reload crude oil and petroleum products from Kazakhstan, including oil produced by the Company, as well as crude oil and petroleum products produced in Turkmenistan and Azerbaijan, for export. The Company delivers crude oil and petroleum products to the Batumi port and oil terminal facilities by rail.

Currently in Batumi port there are 5 terminals and 11 berths + CBM (point without berthing loading). The total throughput of the Batumi port is 18 million tonnes per year. The number of ships of the port fleet totals 13 units. The Batumi port has implemented and maintains a quality management and environmental protection system certified by the independent Bureau Veritas Certification for compliance with international standards.

In the year ended 31 December 2021, KTO transported 1.3 million tonnes of crude oil through the Batumi port and oil terminal facilities, as compared to 1.1 million tonnes of crude oil and 0.9 million tonnes of crude oil in 2020 and 2019, respectively. The 0.3 million, or 26 per cent., increase in the volume of crude oil transported by the Batumi oil terminal in 2021, as compared to 2020, was primarily due to increase in transshipment of oil and oil products.

Aktau Seaport Terminal

Aktau seaport was constructed in 1963 and is the only seaport in Kazakhstan with a capacity for the storage and reloading of crude oil and hydrocarbon products. The Aktau seaport comprises 12 operating berths including five crude oil berths of which only two are currently in operation. Crude oil terminals are equipped with oil spillage prevention facilities.

The Company uses these terminals to store and reload crude oil and petroleum products from Kazakhstan, including oil produced by the Company, for export. The tank farms and pipelines to the berths for loading oil into tankers are owned by KTO as well as some other private companies. The Aktau seaport is not administered by the Company. As at 31 December 2021, 2.1 million tonnes of oil were transited through the Aktau seaport compared to 2.09 million tonnes in 2020.

Marine Transport

Kazmortransflot National Marine Shipping Company LLP ("**KMTF**") is the national sea carrier, as designated under a Resolution of the Kazakhstan Government. KMTF is a limited liability partnership organized under the laws of the Republic of Kazakhstan with its registered address at: 130000, Kazakhstan, Aktau, 14 microdistrict, 70 building. KMTF owns the largest trade and service fleet in Kazakhstan, including tankers, tugboats and transportation vessels. KMTF operates them and provides cargo transportation services primarily in the Caspian Sea. Its assets include merchant fleet of three oil tankers with a deadweight of 12,000 tonnes, and two Aframax oil tankers each with a deadweight of 115,000 tonnes, 3 container vessels with a capacity of 350 twenty-foot equivalent unit each, marine support fleet of 4 barge platforms with a capacity of 3,600 tonnes each.

As at 31 December 2021, KMTF transported 9.9 million tonnes of crude oil by sea, of which 0.5 million tonnes of crude oil was transported across the Caspian Sea and 9.3 million tonnes of crude oil was transported across the Black Sea and the Mediterranean Sea. In 2021, there was a 957,000 tonne increase in crude oil transported across the Black Sea and the Mediterranean Sea and a 92,000 tonne decrease in crude oil transported across the Caspian Sea.

Tariffs and Minimum Volumes

KTO, which is classified as a natural monopoly in Kazakhstan, charges the Company and other shippers a tariff for domestic shipments. The amount of the tariff is set by the Natural Monopolies Committee based primarily on KTO's costs for maintaining and operating the pipelines for a period of five years, after which KTO may apply to the Natural Monopolies Committee for an increase in the tariff.

A contract between KTO and its customers governs general access and terms of payment, and customers, including the subsidiaries, joint ventures and associates of the Company and third-party crude oil shippers. Monthly volumes transported through the pipeline system to refineries and for export are regulated by the Ministry of Energy.

KTO has approved the following tariffs for exports of crude oil: (i) 7,358.76 per tonne per 1,000 kilometres (excluding VAT) (rising to KZT 8,830.51 per tonne per 1,000 kilometres (excluding VAT) from 1 June 2022); and (ii) KZT 4,292.4 per tonne per 1,000 kilometres (excluding VAT) for crude oil exported by Tuimazy-Omak-Novosibirsk-2.

The Natural Monopolies Committee approved the following maximum tariffs for domestic transportation of crude oil by KTO: KZT 4,356 per tonne per 1,000 kilometres (excluding VAT) from January 2022.

The Minister of Energy, in its capacity of the Competent Authority, and, in accordance with the agreement between Kazakhstan and China, approved the tariff for the transportation of Russian crude oil to China for 2019 through 2023 of U.S.$15.00 per metric tonne (exclusive of VAT). This comprises U.S.$4.23 from the border of the Russian Federation between Priirtyshsk and Atasu and U.S.$10.77 from Atasu to Alashankou.

Competition

Kazakhstan occupies a favourable geographical position as a transit country between major oil and gas producers in Turkmenistan, Uzbekistan and Russia and large oil and gas consumption centres in eastern and Western Europe. The Company's management believes that the likelihood of KTO becoming subject to significant competition with respect to supply of oil to refineries and transit remains remote, in the near-to medium-term. See "*The Oil and Gas Industry in Kazakhstan– Information about the main competitors of the Issuer, indicating their names and locations, the scale of competition — Transportation*" for more details.

Refining, Marketing and Trading

Refining Facilities in Kazakhstan

As at 31 December 2021, the Company held a 99.53 per cent. ownership interest in the Atyrau Refinery; a 100.0 per cent. interest in the Pavlodar Refinery; a 50.0 per cent. interest in the CaspiBitum Refinery through CITIC Canada Petroleum Limited; and, through Valsera Holdings B.V., indirectly holds a 49.72 per cent. interest in PKOP, which, in turn, owns the Shymkent Refinery. As at 31 December 2021, the total actual refining capacity of these refineries was 18.5 million tonnes of crude oil per year.

In recent years, the Company has invested significant capital expenditures to conduct a number of modernisation and upgrade projects at its three refineries in Kazakhstan. The total cost of the modernisation of the Atyrau Refinery, which was completed in December 2017, was KZT 781.6 billion. The total cost of the modernisation and reconstruction of the Pavlodar Refinery, which was also completed in December 2017, was KZT 189.5 billion. In addition, the total cost of the improvement works at Company's joint venture at the Shymkent Refinery, which were completed in September 2018, was KZT 537.1 billion.

The ongoing and recently-completed modernisation and upgrade projects are aimed at improving utilisation rates, profitability and the quality of the refined oil products at the refineries, as well as to enable the refineries to produce fuels that meet ecological standards K4 and K5 (equivalent to Euro-4 and Euro-5), and have the strategic aim of reducing the heavy products currently produced at the refineries and increasing the production of lighter products. See *"Management's Discussion and Analysis of Results of Operations and Financial Performance — Capital Expenditures*", "*— Pavlodar Refinery*", "*— Atyrau Refinery*" and "*— Shymkent Refinery*".

Following the completion of the recent and ongoing modernisation projects, the Company expects capital expenditures at the three refineries to be lower in the future than in recent years, with the majority of such capital expenditures to relate to maintenance rather than modernisation or expansion works.

Pavlodar Refinery

Pavlodar Refinery is a limited liability partnership organized under the laws of the Republic of Kazakhstan with its registered address at: 140000, Kazakhstan, Pavlodar, 1 Khimkombinatovskaya Street. In August 2009, KMG RM acquired a 100.0 per cent. interest in Refinery Company RT, LLP ("**Refinery Company RT**"), which at that time owned all of the assets of the Pavlodar Refinery, together with a 25.1 per cent. interest in Pavlodar Oil Chemistry Refinery JSC, the entity owning the licences to operate the Pavlodar Refinery (with the remaining 74.9 per cent. interest in Pavlodar Oil Chemistry Refinery LLP then being held directly by KMG RM). Refinery Company RT leased the assets comprising the Pavlodar Refinery to Pavlodar Oil Chemistry Refinery LLP, which then operated the Pavlodar Refinery. In April 2013, Refinery Company RT and Pavlodar Oil Chemistry Refinery JSC were merged, with Pavlodar Oil Chemistry Refinery LLP emerging as the surviving entity. Following the merger of KMG RM with the Company, as at 31 December 2021, the Company owns 100 per cent. of the Pavlodar Oil Chemistry Refinery LLP.

The Pavlodar Refinery, which was built in 1978, is located in the city of Pavlodar in north-east Kazakhstan, Pavlodar Oblast, 100 kilometres from the border with Russia and is linked to the Omsk-Pavlodar-Shymkent Pipeline. The Pavlodar Refinery has a catalyst cracker and sulphur granulation unit. All oil supplied to the refinery originates in the western Siberian oil fields and is transported into the refinery through the Transneft and KTO pipeline systems and stored in the associated tank farms located immediately adjacent to the refinery. In addition to western Siberian crude, recent modernisation has allowed for processing of up to 0.5 per cent. of the Pavlodar Refinery's total capacity of crude oil from other origins. The share of non-Siberian oil is limited by its high sulphur content, which reduces the quality of the refined products.

The Pavlodar Refinery is the largest and most technically advanced of the three principal oil refineries in Kazakhstan and has a designed refining capacity of 18,000 tonnes of crude oil per day and an project capacity of 6.0 million tonnes of crude oil per year. It refined 5.4 million tonnes of refined oil in 2021, representing 31.9 per cent. of the total oil refined in Kazakhstan in 2021. In addition, the Pavlodar Refinery produced 32 per cent. of the gasoline, 35.6 per cent. of the diesel and 23.6 per cent. of the fuel oil produced in Kazakhstan in 2021.

The Pavlodar Refinery tolls oil for a processing fee approved by the Ministry of Energy of the Republic of Kazakhstan. The Ministry of Energy of the Republic of Kazakhstan approved the Pavlodar Refinery to increase processing fees in 2020 to KZT 20,904 per tonne from KZT 19,805 per tonne in 2019, and, in 2021, further increase processing fees to KZT 23,240 per tonne, which has had, and continues to have, a positive impact on refining revenue.

In June 2017, the Pavlodar Refinery entered into a Hydrogen and Steam Supply and Offtake Agreement for a period for fifteen years with Air Liquide Munay Tech Gases LLP ("**ALMTG**"), a joint venture of KMG RM (now the Company) and Air Liquide Eastern Europe *société anonyme*. Pursuant to this agreement, produced and extracted hydrogen consists of fixed (monthly) and variable payments, where the base monthly payment is KZT 171 million which is adjusted monthly according to published macroeconomic indicators. The cost of the variable payment includes the costs of the resources used (water, electricity).

Similar agreements have been signed between:

- ALMTG and Pavlodar Refinery regarding a nitrogen production unit;
- ALMTG and Atyrau Refinery regarding hydrogen and nitrogen production units; and
- ALMTG and KPI regarding a nitrogen production unit.

In 2009, the Company entered into a memorandum of cooperation with Eni S.p.A. to conduct a feasibility study in relation to a reconstruction and modernisation project for the Pavlodar Refinery. Since 2009, the Company has conducted a feasibility project with the principal aim of modernising the Pavlodar Refinery, to produce transport fuels that meet ecological standard K5 (equivalent to Euro-5) through the construction of new units, as well as the refurbishment of existing units. The modernisation project was successfully completed in December 2017 and included the development of: (i) an isomerisation unit, which permits production of high-octane components of commercial gasoline from low-octane fractions of crude oil; (ii) a naphtha splitter, which separates light and heavy fractions of naphtha for further isomerisation and reforming; (iii) a sulphur recovery unit and tail gas treatment, for the treatment of sour gas; (iv) a sour water stripper for the treatment of incoming effluents from refinery units; and (v) an amine regeneration unit, for the regeneration of amine from process units. The project has permitted the Pavlodar Refinery to increase its supply of high-quality oil products to the market and to compete with oil companies in CIS and other countries. Following completion of the modernisation project, jet fuel recommenced production at the Pavlodar Refinery in 2018 for the first time since 2015, following receipt of the appropriate licences. The total cost of the modernisation project was U.S.$895.5 million (KZT 252.1 billion). See "*Management's Discussion and Analysis— Debt Obligations—Principal Debt Obligations of the Company and its Subsidiaries*" for details relating to the financing of the modernisation project.

In 2009, the Company entered into a memorandum of understanding with Eni to conduct a feasibility study in relation to a reconstruction and modernisation project for the Pavlodar Refinery. Since 2009, the Company has conducted a number of feasibility and construction projects with the principal aim of modernising the Pavlodar Refinery, to produce transport fuels that meet Euro 5 standards through the construction of new units, as well as the refurbishment of existing units. The modernisation project was successfully completed in December 2017 and included the development of: (i) an isomerisation unit, which permits production of high-octane components of commercial gasoline from low-octane fractions of crude oil; (ii) a naphtha splitter, which separates light and heavy fractions of naphtha for further isomerisation and reforming; (iii) a sulphur recovery unit and tail gas treatment, for the treatment of sour gas; (iv) a sour water stripper for the treatment of incoming effluents from refinery units; and (v) an amine regeneration unit, for the regeneration of amine from process units. The project has permitted the Pavlodar Refinery to increase its supply of high-quality oil products to the market and to compete with oil companies in CIS and other countries. Following completion of the modernisation project, jet fuel recommenced production at the Pavlodar Refinery in 2018 for the first time since 2015, following receipt of the appropriate licences. The total cost of the modernisation project was U.S.$895.5 million (KZT 252.1 billion). See "*Management's Discussion and Analysis— Debt Obligations—Principal Debt Obligations of the Company and its Subsidiaries*" for details relating to the financing of the modernisation project.

In 2021, Pavlodar Refinery signed an engineering, procurement & construction contract for the construction of an LPG Treatment Facility with a capacity of 100 thousand tonnes per year, due to be completed in 2023. The refinery also plans to implement a project to reconstruct a diesel hydrotreating plant, including a dewaxing unit with a capacity of 160 thousand tonnes of winter diesel fuel per year, by 2024. Its basic design has been developed and a feasibility study has been conducted.

The following table sets forth the historical product mixture and volumes of refined oil products produced at the Pavlodar Refinery for the periods indicated:

	For the year ended 31 December		
	2021	**2020**	**2019**
		(thousand tonnes)	
Gasoline	1,526.5	1,430.7	1,366.1
Diesel fuel	1,718.7	1,604.8	1,759.3
Jet fuel	170.8	112.7	194.6
Fuel oil	557.3	537.9	591.8
Other products(1)	961.5	923.4	882.0
Total	**4,934.8**	**4,609.4**	**4,793.8**

Notes:

(1) Includes LPG, bitumen, petroleum coke, sulphur, carbon black feedstock and heating gas oil.

Atyrau Refinery

As at 31 December 2021, the Company held 99.53 per cent. of the share capital of the Atyrau Refinery.

Atyrau Refinery is a limited liability partnership organized under the laws of the Republic of Kazakhstan with its registered address at: 060000, Kazakhstan, Atyrau, 1 Zanella Kabdulova street. The Atyrau Refinery is located in the centre of the major hydrocarbon producing region of western Kazakhstan. Built in 1945, the Atyrau Refinery is the oldest refinery of the three operating refineries in Kazakhstan. Following a modernisation programme, the Atyrau Refinery has a designed and actual refining capacity of 5.5 million tonnes of crude oil per year.

The Atyrau Refinery refined 5.5 million tonnes of crude oil in 2021, representing 32.2 per cent. of the total oil refined in Kazakhstan in the year ended 31 December 2021. In addition, the Atyrau Refinery produced 28.4 per cent. of the gasoline, 32.3 per cent. of the diesel and 49.8 per cent. of the fuel oil produced in Kazakhstan in 2021. In 2021, the Atyrau Refinery produced a total of 4.9 million tonnes of refined oil products. The Atyrau Refinery charges processing fees, which are approved by the Ministry of Energy of the Republic of Kazakhstan. The Ministry of Energy of the Republic of Kazakhstan approved the Atyrau Refinery to increase its processing fee from KZT 37,436 per tonne to KZT 41,466 per tonne in 2020 and to KZT 42,515 per tonne from 1 February 2021, which has had, and is expected to continue to have, a positive impact on refining revenue.

In October 2009, the Atyrau Refinery entered into a contract with Sinopec Engineering for the construction of an aromatics production complex and deeper oil refining at the Atyrau Refinery and to include the construction of a catalytic reforming unit, benzene and paraxylene production units and off-site facilities. Further contracts were entered into for the turnkey construction of the deeper oil refining complex in December 2011. The modernisation project was completed in December 2017. The total cost of such works was KZT 781.6 billion. In addition to allowing for production of up to 132,000 tonnes of benzene per year and up to 497,000 tonnes of paraxylene per year, this project has also permitted the production of ecological standards K4 and K5 (equivalent to Euro-4 and Euro-5) petrol and diesel fuel at the Atyrau Refinery. The deeper oil refining complex has a capacity of up to 2.4 million tonnes, permits a more rational use of the residual heavy oil resource base and is expected to permit increased production of motor fuels, gasoline, diesel and jet fuel. The construction of the deeper oil refining complex has also increased oil refining depth in order to permit the production of gasoline and diesel fuel that complies with Euro 5 standards. It is also expected that the modern machinery and automated processes put in to place at the Atyrau Refinery as part of the modernisation process will reduce emissions and human error going forward.

See "*Management's Discussion and Analysis of Results of Operations and Financial Performance — Debt Obligations — Principal Debt Obligations of the Company and its Subsidiaries*" for details relating to the financing of the modernisation project.

The following table sets forth the historical product mixture and volumes of refined oil products produced at the Atyrau Refinery for the periods indicated:

	For the year ended 31 December		
	2021	**2020**	**2019**
		(thousand tonnes)	
Gasoline	1,362.0	1,054.0	1,230.7
Diesel fuel	1,560.3	1,472.2	1,536.4
Jet fuel	120.0	84.1	103.1
Fuel oil	1,173.0	1,063.7	1,240.0
Other products(1)	652.1	851.4	781.2
Total	**4,867.3**	**4,525.3**	**4,891.5**

Note:

(1) Includes LPG, bitumen, petroleum coke, sulphur, carbon black feedstock and heating gas oil.

Shymkent Refinery

Shymkent Refinery is a limited liability partnership organized under the laws of the Republic of Kazakhstan with its registered address at: 160011, Kazakhstan, Shymkent, Kapal Batyr Street, 5th km. The Shymkent Refinery is located in southern Kazakhstan and was commissioned in 1985. Most product and crude deliveries to the Shymkent Refinery are made by rail in railcars provided by the state-owned railway or third parties. Crude oil production from Kumkol producing fields and from western Siberia are the primary source of crude oil for the Shymkent Refinery.

In July 2007, KMG RM acquired an indirect 49.72 per cent. interest in PKOP (which is held by the Company), which in turn owns the Shymkent Refinery through Valsera Holdings B.V. The remaining interest in PKOP is held by CNPC. The Shymkent Refinery had a designed refining capacity of 6.0 million tonnes of crude oil per year and an actual refining capacity of 5.2 million tonnes of crude oil per year.

The Shymkent Refinery refined a total of 5.2 million tonnes of crude oil in 2021 (excluding the Company's share), representing 30.4 per cent. of the total oil refined in Kazakhstan in 2021. Crude oil refined at the Shymkent Refinery is supplied by the Company's joint venture partners. Accordingly, while the Company is entitled to profits from the operation of the Shymkent Refinery, none of the crude oil refined at the Shymkent Refinery is attributable to the Company.

In addition, the Shymkent Refinery produced 39.7 per cent. of the gasoline, 32.1 per cent. of the diesel and 26.6 per cent. of the fuel oil produced in Kazakhstan in the year ended 31 December 2021.

The Shymkent Refinery works on tolling oil for others for a processing fee approved by the Ministry of Energy of the Republic of Kazakhstan. The Ministry of Energy of the Republic of Kazakhstan approved the Shymkent Refinery to increase its processing fees from July 2020 to KZT 33,671 per tonne from KZT 28,059 per tonne, to increase in February 2021 its processing fees further to KZT 35,336 per tonne.

In October 2010, Shymkent Refinery entered into a contract with Technip S.p.A. (Italy) to prepare a feasibility study in relation to the reconstruction and modernisation works for the Shymkent Refinery. The modernisation project at the Shymkent Refinery had two principal aims: (i) to increase the actual refining capacity to 6.0 million tonnes of crude oil per year; and (ii) to increase processing depth and to meet Euro 4 and Euro 5 standards. In June 2017, a light naphtha isomerisation unit, with a preliminary hydro-treating unit for raw materials, was put into operation at the Shymkent Refinery, and the first certified batch of Euro 4 and Euro 5 gasoline was received. This marked the completion of the first phase of the Shymkent Refinery modernisation project. The second phase of the project (to increase the actual refining capacity of the refinery to 6.0 million tonnes) was completed in September 2018.

The total cost of the modernisation project at the Shymkent Refinery was KZT 537.1 billion.

See "Management's Discussion and analysis of Results of Operating and Financial performance — Debt Obligations— Principal Debt Obligations of the Company and its Subsidiaries" for details relating to the financing of the modernisation project.

The following table sets forth the historical product mixture and volumes of refined oil products produced at the Shymkent Refinery for the periods indicated:

	For the year ended 31 December		
	2021	**2020**	**2019**
		(thousand tonnes)	
Gasoline	1,900.1	1,958.3	1,908.3
Diesel fuel	1,551.2	1,411.0	1,517.8
Jet fuel	296.3	244.1	335,1
Fuel oil	626.9	343.2	658,7
Other products(1)	329.3	333.0	534,6
Total	**4,703.8**	**4,289.7**	**4,594,5**

Note:

(1) Includes LPG, sulphur, and, for 2019 only, vacuum gas oil.

CaspiBitum Refinery

The CaspiBitum refinery is located in Mangistau region and was commissioned in 2013. The sole participant of the CaspiBitum is CITIC Canada Petroleum Limited.

This refinery is the largest producer of road bitumen in Kazakhstan. In 2019, the volume of oil refining reached 885,969 tonnes and the volume of production of road bitumen amounted to 369,073 tonnes, which is 42 per cent. of the total produced bitumen in Kazakhstan.

The Company purchased a 50 per cent. stake in CaspiBitum in 2015 and disposed of this stake in August 2021. However, the Company indirectly retains the control over CaspiBitum Refinery through the 50 per cent. stake in CCEL.

Kazakh Gas Refinery

The Kazakh Gas refinery is located in Mangistau region and is operated by KazGPZ. The sole participant of KazGPZ is the Company. The Kazakh Gas refinery produces the following products: natural combustible gas, ethane fraction, propane fraction, normal butane fraction, isobutene fraction, hydrocarbon gases, pentane-hexane fraction, domestic stove fuel, technical oxygen (see a table below).

Name	Unit	2019 actual	2020 actual	2021 actual	1H 2022 actual
dry stripped gas (methane-ethane fraction)	thousand cubic metres	761 910	751 000	710 588	337 070
liquefied gas (propane, butane fraction)	tonnes	186 245	172 791	177 020	88 136
pentane-hexane fraction	tonnes	67 698	60 073	48 847	27 710
hydrocarbon solvent	tonnes	2 132	116	2 398	1 110
domestic stove fuel	tonnes	2 302	1 676	1 423	758
technical oxygen	cylinder	36 056	31 574	34 292	12 238

Currently, in accordance with the instruction of the President of Kazakhstan dated 17 June 2021, KazGPZ is working on the implementation of a project on construction of a new gas processing plant with production capacity of 900 million cubic metres per annum. The purpose of the new plant is to increase sour gas production and processing to satisfy the internal needs of Mangistau region in LPG and sales gas. The project implementation is scheduled to take place from 2023 through 2025 with an estimated budget of KZT 167 billion.

Refined Oil Products Sales and Distribution

The following tables set forth the product mixture and corresponding domestic market share of the Company for the periods indicated:

	For the year ended 31 December 2021		
Product	**Production**	**KMG**	**Market Share**
	(thousand tonnes)		%
Gasoline	4,788.6	1,194.9	25.0
Jet fuel	587.1	119.8	20.4
Diesel	4,830.1	1,291.3	26.7
Fuel	2,357.2	214.9	9.1
Total	**12,563.0**	**2,820.9**	**22.5**

	For the year ended 31 December 2020		
Product	**Production**	**KMG**	**Market Share**
	(thousand tonnes)		%
Gasoline	4,443.0	646.8	14.6
Jet fuel	440.8	65.3	14.8
Diesel	4,487.9	929.8	20.7
Fuel	1,944.8	210.9	10.8
Total	**11,316.5**	**1,852.8**	**16.4**

Product	Production	KMG RM	Market Share[(1)]
	For the year ended 31 December 2019		
	(thousand tonnes)		%
Gasoline	4,505.1	534.9	18.1
Jet fuel	632.8	55.0	18.1
Diesel	4,813.6	658.8	16.6
Fuel	2,490.5	155.0	5.0
Total	**12,442.0**	**1,403.7**	**13.6**

KMG International

KMG International is a company organized under the laws of the Netherlands with its registered address at: World Trade Center Building, 807 Strawinskylaan, Tower A, 8th floor, 1077XX, Amsterdam, the Netherlands. In March 2014, the Board of Directors of The Rompetrol Group N.V. changed its corporate name to KMG International in accordance with the Company's strategy to promote a single brand across the Group. KMG International owns and operates, among other entities, a network of retail stations, the Vega Refinery, and the Petromidia Refinery.

In December 2007, the Company acquired 75 per cent. of the shares in the Rompetrol Group. The remaining 25 per cent. of shares were acquired by the Company in 2009.

In December 2017, KMG RM was merged with the Company and, accordingly, as at 31 December 2017, the Company was the 100 per cent. direct owner of KMG International.

In February 2013, KMG International signed a memorandum of understanding with the Romanian State to settle Rompetrol Rafinare's historical debts, which was extended until 2024. The main provision of the memorandum was the establishment of a Kazakh-Romanian investment fund, through which KMG International will make an equity contribution of U.S.$150 million. The total investment in the fund will be provided over a seven-year period with total investments by KMG International in energy projects of up to U.S.$1 billion. The fund may also seek debt financing in an aggregate amount up to four times its equity. Following its establishment in 2018, the fund is 80 per cent. owned by KMG International and 20 per cent. owned by the Romanian Government. In the event of a proposed disposal, KMG International has a pre-emption right over the Romanian Government's interest in this investment fund.

In accordance with the Government Resolution No. 908 dated 29 December 2020 "On certain matters of privatization for years 2021-2025", KMG International was included in the list of legal entities, proposed for transfer to the competitive environment as a priority.

Refining

Petromidia Refinery

The Petromidia Refinery is owned by Rompetrol Rafinare SA, in which KMGI has a 54.63 per cent. interest (of the remainder, 44.7 per cent. and 0.7 per cent. are owned by the Romanian Government and public shareholders respectively). Rompetrol Rafinare SA is a company organized under the laws of Romania with its registered address at: Navodari Blvd, no. 215, Administrative Building, Navodari, Romania. The Petromidia Refinery was constructed between 1974 and 1979. The Petromidia Refinery has a designed refining capacity of 3.8 million tonnes of crude oil per year, which was increased to a crude processing capacity of 5.1 million tonnes after upgrades completed in 2012. Subsequently however, the production throughput has been increased through several optimisations to a current 5.6 million tonnes. In 2021, KMG International produced 4.4 million tonnes of refined oil products at the Petromidia Refinery, achieving 82 per cent. utilisation of designed refining capacity.

The Petromidia Refinery processes a variety of crude oils with high sulphur content and API. Crude oil processed at the Petromidia Refinery is received at Midia port, which is owned by KMG International and can accommodate ships of up to 24,000 tonnes of deadweight, or through the larger Constanta port, which is connected to the Petromidia Refinery by a 40 kilometres pipeline. The Petromidia Refinery has its own marshalling yard, with 40 loading and unloading points and vehicle loading ramps. The

Petromidia Refinery produces different types of vehicle fuels (gasoline, diesel and LPG) and Jet A-1 Fuel, propylene and other products. Petromidia Refinery products meet applicable European quality standards and environmental protection regulations for such products.

In Romania, Petromidia oil products are sold through the KMG International downstream distribution network and third-party retail and wholesale distribution networks. The Petromidia Refinery exports oil products to Ukraine, Moldova, Bulgaria, Turkey, Georgia, Hungary, Croatia, Bosnia, Serbia and Western Europe.

The cost of processing at the Petromidia Refinery has increased to U.S.$27.8 per tonne in 2021 from U.S.$20.8 per tonne in 2020 and U.S.$18.7 per tonne in 2019, primarily as a result of lower utilization rate caused by the COVID-19 pandemic and higher utilities tariffs.

The following table sets forth the historical product mixture and volumes of refined oil products produced at the Petromidia Refinery for the periods indicated:

	For the year ended 31 December		
	2021	**2020**	**2019**
		(thousand tonnes)	
Gasoline	1,102.2	1,128	1,610
Diesel fuel	2,332.2	2,520	2,926
Jet fuel	156.0	139	406
Fuel oil	145.9	156	190
Other products	733.8	806	1,040
Total	**4,470.1**	**4,749**	**6,172**

Vega Refinery

The Vega Refinery, which is owned by KMG International, is located in Ploiesti, a small town near Bucharest, Romania. It was constructed in 1905 and modernised between 1970 and 1980. The Vega Refinery has a designed and actual refining capacity of 0.3 million tonnes per year. For 2021, 2020 and 2019, the Vega Refinery produced a total of 0.3 million tonnes of refined oil products, 0.4 million tonnes of refined oil products and 0.4 million tonnes of refined oil products, respectively.

The Vega Refinery uses by-products of the Petromidia Refinery as raw material and specialises in processing alternative raw materials (naphtha, refined RC, C5 C6 fraction, other oil fractions and fuel oil) and in producing polymerisation solvent-normal hexane, ecological petroleum solvents, other oil products, such as gasoline, naphtha, white spirit and petroleum products (heating oil), light liquid fuel and bitumen.

The following table sets forth the historical product mixture and volumes of refined oil products produced at the Vega Refinery for the periods indicated:

	For the year ended 31 December		
	2021	**2020**	**2019**
		(thousand tonnes)	
Naphtha	0.08	0.09	0.14
Bitumen	0.09	0.12	0.11
Hexane	0.07	0.07	0.1
Fuel oil	0.02	0.02	0.03
Solvents	0.03	0.04	0.04
Other products	0.03	0.02	0.01
Total	**0.32**	**0.36**	**0.43**

Retail Network

KMG International sells a full range of petroleum products, including gasoline, diesel fuel, LPG and heating oil both domestically in Romania and in Eastern Europe. As at 31 December 2021, KMG International, owned and operated 1,475 distribution points, including 1,207 points of sale in Romania, 109 in Georgia, 60 in Bulgaria and 99 in Moldova, and was the largest petroleum product supplier in Moldova, with an estimated 37 per cent. market share. As at 31 December 2021, KMG International had market shares of approximately 24 per cent. and 11 per cent. in Georgia and Bulgaria respectively.

The Bulgarian, Moldovan and Georgian branches of KMG International sold over 3.6 million tonnes of fuels from 2018 to 2021, with sales by these branches increasing by 3 per cent. in 2021, as compared to 2020 sales levels.

The trading and marketing of refined oil products in the Romanian market is performed by various KMG International controlled entities, Rompetrol Downstream, and Rompetrol Gas SRL (wholesale and retail sale of liquefied gas) in Romania, and by KMG Trading in Eastern Europe. The fuels obtained from the Petromidia Refinery are mainly traded in Romania by Rompetrol Downstream, which sold 2141 tonnes of petroleum products in 2021, an increase of 7 per cent., as compared to 2020. As at 31 December 2021, KMGI had a distribution network of 680 fuel stations in Romania, Bulgaria, Georgia and Moldova.

The following tables set forth KMG International's product mixture and percentages sold domestically in Romania and internationally for the periods indicated:

	For the year ended 31 December 2021		
		% volume sold	
	Volume	Domestically	Internationally
		(tonnes)	
Gasoline	1,070,412	328,996	741,416
Diesel fuel	2,501,250	1,944,688	556,562
Jet fuel	143,444	114,251	29,193
LPG	254,470	217,629	36,841
Other products	744,678	426,297	318,381
Total sold(1)	**4,714,254**	**3,031,860**	**1,682,393**

	For the year ended 31 December 2020		
		% volume sold	
	Volume	Domestically	Internationally
		(tonnes)	
Gasoline	996,119	325,626	670,494
Diesel fuel	2,615,803	2,012,210	603,593
Jet fuel	129,749	111,278	18,471
LPG	253,703	200,491	53,212
Other products	876,073	452,882	423,190
Total sold(1)	**4,871,448**	**3,102,487**	**1,768,961**

	For the year ended 31 December 2019		
		% volume sold	
	Volume	Domestically	Internationally
		(tonnes)	
Gasoline	1,389,076	357,266	1,031,810
Diesel fuel	3,057,539	1,996,455	1,061,084
Jet fuel	395,194	316,368	78,826
LPG	285,371	178,649	106,721
Other products	1,436,640	490,850	945,791
Total sold(1)	**6,563,820**	**1,280,887**	**5,282,933**

Note:

(1) The figures in these tables include the total sales of KMG International's subsidiaries, as well as the volumes sold by the Petromidia Refinery directly to third parties.

Petrochemical

Integrated petrochemical complex in Western Kazakhstan

In 2007, Kazakhstan initiated the creation of a petrochemical cluster in the Atyrau Oblast and construction of an integrated petrochemical complex. The Company is involved in the implementation of various projects as part of this petrochemical complex, which comprises several plants, including a polypropylene plant (first phase) operated by Kazakhstan Petrochemical Industries Inc. LLP ("**KPI**") and a polyethylene plant project (second phase) managed by KLPE LLP ("**KLPE**") and Silleno LLP ("**Silleno**").

KPI is a limited liability partnership organized under the laws of the Republic of Kazakhstan with its registered address at: Atyrau region, 060000, Atyrau city, 26V L.Vladimirskiy Street.

KLPE is a limited liability partnership organized under the laws of the Republic of Kazakhstan with its registered address at: Republic of Kazakhstan, Atyrau region, 060000, Atyrau city along the Atyrau-Dossor highway, Karabatan District, the territory of the special economic zone "National Industrial Petrochemical Technology Park".

The Government has indirect stakes in KPI, KLPE and Silleno through Samruk-Kazyna Ondeu LLP ("**SKO**") (formerly known as United Chemical Corporation LLP) (a 100 per cent. subsidiary of Samruk-Kazyna) which, in turn holds 49.5 per cent. (99 per cent. until March 2022), 99.9 per cent. and 49.9 per cent. participating interests in the charter capital of those entities respectively. Under the trust management agreements (the provisions of which are substantially similar for KPI and KLPE), the Company implements the projects and oversees construction of the plants.

Polymer Production

In 2015, a polypropylene products plant with a production capacity of 20 million propylene bags per year, and of up to 9,600 tonnes of BOPP film per year, was commissioned. The plant is operated by Polymer Production LLP ("**Polymer Production**").

Currently, Samruk-Kazyna and the Company are discussing a trust management agreement for a transfer of SKO's interest in Polymer Production to the Company.

KPI

KPI operates a polypropylene plant with a project capacity of 500,000 tonnes per year located in Atyrau Oblast in Western Kazakhstan. The plant is expected to be commissioned in Q4 2022. In June 2018, SKO transferred its entire (99 per cent.) participating interest in the charter capital of KPI to the Company's trust management for 5 years. Samruk-Kazyna and the Company are discussing the potential sale of a 40 per cent. stake in KPI held by SKO to SIBUR, a Russian petrochemical company. In June 2022, SKO sold 49.5 per cent. of its 99 per cent. stake in KPI to KMG. SKO's current stake is 49.5 per cent. in KPI.

KLPE and Silleno

KLPE manages the construction of a polyethylene plant with a project capacity of 1,250,000 tonnes per year in Atyrau Oblast in Western Kazakhstan. The project is currently at the design stage and is expected to be completed in 2027. In October 2021, the Company, KLPE and Samruk-Kazyna reached an agreement with SIBUR on the main terms of cooperation on the construction of the polyethylene plant, envisaging, inter alia, the KLPE selling a 40 per cent. interest in Silleno to SIBUR. KLPE transferred 49.9 per cent. interest in Silleno to the Company on 14 September 2022. KLPE's current stake in Silleno is 50.1 per cent.

In relation to the proposed acquisitions of 40 per cent. stakes in KPI and in Silleno by SIBUR, as part of the proposed transaction, the Company and SIBUR envisage entering into call, put, default call and default put option agreements, which could be exercised by the Company and SIBUR as applicable in case of certain triggers becoming effective. Under the option agreements the Company would be purchasing back the entire 40 per cent. stake which would be owned by SIBUR in KPI and (or) Silleno, as applicable – pricing mechanisms for the exercise of options would differ depending on the trigger.

Karabatan Utility Solutions (KUS)

To provide the plants and other strategic projects in Atyrau Oblast with electricity and high-pressure steam, a 310 MW gas turbine power plant was commissioned in 2019. Additionally, water treatment and wastewater treatment plants are being constructed and are expected to be commissioned in 2022. This project is operated by Karabatan Utility Solutions LLP ("**KUS**"). Currently, Samruk-Kazyna and the Company are discussing a trust management agreement for a transfer of SKO's interest in KUS to the Company.

Butadiene LLP

On 30 November 2021, the Company and Tatneft signed an agreement to set up a butadiene rubber joint venture – Butadiene LLP. The Company owns 25 per cent. in the joint venture, with Tatneft owning the remaining 75 per cent. The facility is expected to have production capacity of 83 thousand tonnes per year, of which: up to 45 thousand tonnes of DSSR (divinyl styrene synthetic rubber) per year, up to 38 thousand tonnes of SBS (styrene-butadiene-styrene rubber) per year as well as an additional products comprising up to 66 thousand tonnes of butadiene per year, up to 40 thousand tonnes of MTBE (methyl-tert-butyl ether) per year up to 130 thousand tonnes of IIF (isobutane-isobutylene fraction) per year. The project is currently at the design stage and is expected to be completed in 2025.

Competition

The Company has a significant or controlling interest in all three of Kazakhstan's principal oil refineries: the Atyrau Refinery, the Pavlodar Refinery and the Shymkent Refinery. Because of the location of these three refineries, the Company is able to supply the domestic market and, if sufficient quantities of refined products are available, to export to Europe. In addition, through its ownership of KMGI the Company indirectly owns 54.6 per cent. of the Petromidia Refinery in Romania (as at 31 December 2021). See "*The Oil and Gas Industry in Kazakhstan– Information about the main competitors of the Issuer, indicating their names and locations, the scale of competition – Refining, Marketing and Trading* for more details.

Employees

The following table sets forth the actual number of employees of the Company, by type of business (companies included in the consolidation), as at the dates indicated:

	As at 30 June	**As at 31 December**		
	2022	**2021**	**2020**	**2019**
Exploration and production	14,686	14,643	14,878	15,034
Oil transportation	7,237	7,193	7,180	7,287
Gas transportation, storage, processing, marketing and sales	-	-	11,027	10,699
Refining and marketing	3,043	3,122	3,195	3,312
International assets	6,587	6,561	6,835	6,805
Other	15,263	15,354	16,503	17,587
KMG (as a holding company)	579	564	555	863
Total	**47,395**	**47,437**	**60,173**	**61,587**

The Company interacts with trade unions within the framework of a social partnership established by labour legislation at industrial and regional levels. At the sectoral level, the main parameters of interaction (social guarantees, labour organization, remuneration principles, employment, gender and youth policy, safety and labour protection, prevention and resolution of labour conflicts and so forth) are defined in the Industry Agreement in the oil and gas, oil refining and petrochemical industries of the Republic of Kazakhstan for 2020 through 2022. The Company' representatives and its enterprises actively participated in the development of this document.

The Company has 29 trade union committees, including local trade unions, which represent the interests of approximately 35,000 employees.

On 14 and 15 February 2022, some OMG employees in Zhanaozen went on strike. The main requirement of the employees was a wage increase of at least 40 per cent. To resolve the situation, negotiations were held with the leaders of the OMG trade union committees. Subsequently, to stabilise the situation, ensure the smooth operation of enterprises and prevent further escalation of the labor conflict, OMG agreed to raise salaries by 30 per cent. above 2021 levels.

Litigation

Other than as set out below, there are no governmental, legal or arbitration proceedings, including any such proceedings pending or threatened of which the Company is aware, during the last 12 months preceding the date of this Prospectus, which may have, or have had in the recent past, significant effects on the financial position or profitability of the Company or the Company and its consolidated subsidiaries, joint ventures and associates, taken as a whole.

Antimonopoly authorities investigations

- **Kazakhoil Aktobe.** On 10 February 2022, the Department of the Antitrust Agency of Aktobe region initiated administrative proceedings against Kazakhoil Aktobe for having allegedly set monopolistically high prices for the sales of LPG in 2021. By the decision of the Specialized Interdistrict Court for administrative offenses of Aktobe city dated 11 March 2022, Kazakhoil Aktobe was found guilty of the offense and was mandated to pay a KZT 15 million fine. In addition, the court ordered the confiscation of Kazakhoil Aktobe's income received as a result of the monopolistic activities in the amount of KZT 178 million to the state. By the decision of the Aktobe Regional Court dated 14 April 2022 the decision of the court of Aktobe city was upheld. On 29 April 2022, Kazakhoil Aktobe sent a petition to the Prosecutor-General's Office to appeal this to the Kazakhstan Supreme Court. On 17 May 2022 the Prosecutor-General's Office received a response that there were no grounds for filing a protest and the possibility of independently filing a petition to the Chairman of the Supreme Court of the Republic of Kazakhstan requesting a revision of the court decision. On 19 May 2022 a petition was sent to the Chairman of the Kazakhstan Supreme requesting a revision of the court decision in a cassation procedure. On 30 June 2022, the Supreme Court of the Republic refused to consider the petition of Kazakhoil Aktobe.

- **Kazgermunai.** Kazgermunai has also been prosecuted by the Department of the Antitrust Agency of the Kyzylorda region for an alleged abuse of a dominant position in terms of setting monopolistically high prices for the sales of LPG in 2021. On 15 April 2022, the Kyzylorda Specialised Administrative Court fined Kazgermunai KZT 126,659,787, confiscating monopoly income of KZT 1,152,226,751. On 18 May 2022, the Kyzylorda Regional Court cancelled the decision of the court of first instance and referred the case to the prosecutor's office to assess if instead criminal proceedings should be initiated. The administrative proceedings were terminated. On 7 July 2022, as no criminal proceedings had been initiated against Kazgermunai, the Department of the Antitrust Agency of the Kyzylorda region re-initiated administrative proceedings against Kazgermunai in Kyzylorda Specialized Court for Administrative Offenses. On 15 July 2022 Kazgermunai filed a complaint with the court to have the administrative case dismissed due to existence of an earlier judicial act on termination of the administrative case. Kazgermunai's complaint was granted by the court on 18 July 2022 and the administrative case was dismissed. The court's resolution dismissing the case is final and may not be appealed.

- **Pavlodar Refinery**. During February-July 2022 the Prosecutor's Office of the Pavlodar region together with the Antimonopoly agency conducted an inspection of Pavlodar Refinery operations for compliance with Kazakhstan oil and petroleum products turnover, labor, tax and antimonopoly laws in 2020-2021. In March 2022 the Antimonopoly Agency issued a conclusion that Pavlodar Refinery allegedly set monopolistically high prices for oil refining services in 2021. Based on this assessment a criminal case was initiated, which was later closed due to absence of a criminal offense. In July 2022, the Antimonopoly Agency initiated administrative proceedings alleging Pavlodar Refinery setting monopolistically high prices and requested the courts to confiscate its revenue for 2021 of KZT 22 billion and impose a fine of KZT 6.23 billion. In August-September 2022, Pavlodar Refinery made several attempts to appeal the rulings on the administrative case, however, those appeals were rejected. Pavlodar Refinery intends to continue appealing the rulings with the higher courts. In September 2022, after rejection of initial appeals, the Group recognized provisions of KZT 28.19 billion.

- **Atyrau Refinery**. During February-September 2022 the Prosecutor's Office of the Atyrau region together with the Antitrust Agency conducted an inspection of Atyrau Refinery operations. On 22 September 2022 the Prosecutor's Office of the Atyrau region issued a conclusion alleging Atyrau Refinery having set a monopolistically high tariff for oil refining services in 2020-2021. Atyrau Refinery provided a justification for the said tariffs in 2020-2021. The Group believes that the risk of assessment of liability against Atyrau Refinery is not probable, as such, the Group did not recognize any provisions as of 30 September 2022.

- **Shymkent Refinery**. During February-August 2022 the Prosecutor's Office of the Shymkent city with the involvement of the Antitrust Agency conducted an inspection of the Shymkent Refinery operations. On 6 August 2022, the Prosecutor's Office of the Shymkent city issued a conclusion stating there were no indications Shymkent Refinery having set a monopolistically high tariff for oil refining services in 2020-2021

- **Rompetrol Moldova**. Since the beginning of 2021, RPM (a subsidiary of KMG International operating in Moldova) is involved in an investigation and related court proceedings initiated by the CCM alleging RPM agreed with other industry players on retail prices for petroleum products. RPM is challenging the competition report prepared by the CCM investigation division that forms the basis for the allegations in accordance with applicable regulations. A few attempts to dismiss the said report were unsuccessful with the latest ruling rejecting RPM's request to dismiss the report was issued by the local court on 26 May 2022. As at the date of this Prospectus, RPM is waiting for the grounds for rejecting RPM's request and will use other remedies available at law to continue contesting the CCM's allegations.

Tax audits

- **Atyrau Refinery tax audit**. On 15 December 2020, based on a comprehensive tax audit of 2015 through 2017, the Atyrau Refinery received an additional VAT assessment for KZT 9,257 million, including penalties, and also tax carry-forward losses have been reduced by KZT 29,026 million. The Atyrau Refinery appealed the assessment to the Ministry of Finance. Though the Group believes that the risk of additional tax assessment is remote, as of 31 June 2022, the consideration of the appeal remains suspended by the Ministry of Finance until the nature of the underlying circumstances is clarified.

- **Pavlodar Refinery tax audit**. On 1 March 2022, based on a comprehensive tax audit of 2016 through 2020, Pavlodar Refinery received an additional tax assessment for KZT 19,607 million, including penalties, and also tax carry-forward losses have been reduced by KZT 15,579 million. Pavlodar Refinery appealed the assessment to the Ministry of Finance. Though the Group believes that additional tax assessment is not probable, the consideration of the appeal remains suspended by the Ministry of Finance until the circumstances are clarified.

- **Shymkent Refinery tax audit**. In 2021 based on comprehensive tax audit of 2016 through 2020, Shymkent Refinery received tax assessment for VAT for KZT 4,586 million, for income tax KZT 3,304 million for additional taxes for KZT 208 million and a penalty fee for KZT 1,153 million. Shymkent Refinery appealed the assessment to the Ministry of Finance. Appeal consideration was suspended by the RK Ministry of Finance until clarification of the circumstances. Though the Group believes that additional tax assessment is not probable, the consideration of the appeal remains suspended by the Ministry of Finance until the circumstances are clarified. As at 30 June 2022, the Group had not made any provisions related to this matter.

Other disputes

- **Oilfield Exploration Business S.A.** Arbitration proceedings are ongoing between Oilfield Exploration Business Solutions, a subsidiary of KMG International, and the Romanian National Agency for Mineral Resources (the "**RAMR**") in connection with non-fulfilment of exploration obligations in Focsani, Romania. The claim is for approximately U.S.$20 million. The arbitration proceedings were finalized on 29 July 2022 with the arbitration court ruling that Oilfield Exploration Business S.A. was found liable to pay to RAMR only the amount of U.S.$10,105,000 plus interest for non-fulfilment its obligations according to the concession agreement for the Focsani block.

- **Faber.** The Company's subsidiary KMGI is involved in continuing litigation with Faber, the former non-controlling shareholder of Rompetrol Rafinare SA, a KMGI refining subsidiary operating mainly in Romania. Faber resumed several previously filed civil filings in 2020 against Rompetrol Rafinare, requesting the court overturn decisions taken in Rompetrol Rafinare's shareholder meetings between 2001 and 2005. Some decisions were already addressed by the courts dismissing Faber's claims, although Faber has subsequently appealed those decisions. In addition, in February 2022, following two unsuccessful previous attempts, Faber filed another similar claim both against KMGI and Rompetrol Rafinare, seeking damages for the losses allegedly incurred due general meeting decisions that were allegedly not legally binding (including challenges to increases in Rompetrol Rafinare's share capital in 2003 through 2005), and seeking to receive circa U.S.$118 million in damages. On 23 June 2022 one of Faber's appeals was rejected by the court thereby upholding a previous decision favourable to Rompetrol Rafinare. Faber continues to appeal court decisions (including a previous decision lifting a seizure of certain Rompetrol Rafinare assets) with a few court hearings scheduled to take place in the 4th quarter of 2022. For the time being three files are final and irrevocably closed and on 14 October 2022 the court also lifted the remaining seizure imposed as part of the criminal proceedings. Although the Group believes that its position with regard to Faber's claims will be sustained, there can be no assurance as to the final outcome of the matter as some of Faber's filings and/or appeals are yet to be heard in court.

- Although the Group believes that its position with regard to Faber's claims will be sustained, there can be no assurance as to the final outcome of the matter as some of Faber's filings and/or appeals are yet to be heard in court.

- **PSA cost recovery audit.** The Company and its partners under the PSAs are facing challenges to recover certain costs incurred under the PSAs, following a cost recoverability audit conducted by the relevant authorised governmental agencies. As at 31 December 2021, the Group's share in such costs amounted to approximately U.S.$1,177 million (or KZT 508 billion). The Company and its joint-venture partners and associates under the PSAs are involved in negotiations with the Government over these costs.

- **KazRosGas**. In August 2022, KazRosGas received a notice on initiation of arbitration proceedings from one of its counterparties under a gas purchase agreement related to a price determination provisions. According to the agreement on mutual guarantees, the Company guarantees obligations of KazRosGas under the gas purchase agreement in the amount of its interest in KazRosGas. Currently, KazRosGas is working on resolving the dispute through negotiations. The Company is assessing the impact of this claim on its guarantee obligations.

Insurance Programme

The Company implemented in 2002, since foundation of the Company, and modified in 2005, with foundation of the Captive reinsurance company, a unified corporate insurance programme (the "**Insurance Programme**") for substantially all of its subsidiaries and affiliates. The terms of the Insurance Programme are similar to those that are generally accepted in the oil and gas industry and are tailored to address the specific activities of the Company. The Insurance Programme is included in the corporate insurance programme of Samruk-Kazyna and regulated by the Samruk-Kazyna corporate policy (since 2012) applying to subsidiaries within the Samruk-Kazyna group.

The Insurance Programme covers property damage and catastrophic insurance, control of well and third-party liability coverage, marine and cargo insurance, construction-all-risk cover and directors' and officers' liability insurance. As it is not a common insurance product in Kazakhstan, insurance for production interruption risks is maintained in respect of only certain of the Company's subsidiaries. The Insurance Programme does not mandate and the Company does not commonly carry (with some exclusions) insurance against environmental damage caused by its own operations, sabotage or terrorist attacks and cyber insurance.

The Company's captive insurance company, Kazakhstan Energy Reinsurance Company Ltd, is responsible for the implementation of the Insurance Programme, as well as addressing other insurance needs of the Company. The reinsurance of the Insurance Program is conducted to most extent at rated international reinsurance markets ("A-" S&P and above or equivalent) with involvement of rated local Kazakh insurance markets.

As at 31 December 2021, EMG, OMG, KazGPZ, KTO, Atyrau Refinery and Pavlodar Refinery, participated in the Insurance Programme. In addition to the Insurance Programme, the Company purchases insurance coverage on a voluntary basis, including: (i) property insurance relating to its head office (ii) director and officer liability insurance, (iii) participate in reinsurance of the share in the joint ventures and consortiums within the ownership stake.

The Company maintains compulsory insurance for its employees against accidents arising out of their employment obligations. The Company also maintains the following compulsory insurances: (i) compulsory environmental insurance, (ii) compulsory vehicle insurance and (iii) compulsory liability insurance for owners of hazardous facilities.

See "*Risk Factors — Risk Factors Relating to the Company's Business — The Company's insurance coverage may not be adequate to cover losses arising from potential operational hazards and unforeseen interruptions*".

Information Technology

The Information Technology ("**IT**") management of the Company is undertaken by the IT department, which performs the following functions: development and implementation of the IT programme, development of technical requirements for IT projects, control of implementation and use of information systems and maintenance of uninterrupted performance of the information and telecommunication infrastructure of the Company. As part of the Company's corporate reorganisation, the Company is in the process of integrating the IT systems and operational data of all of the Company's subsidiaries into one centralised IT framework.

The Company does not currently have a separate disaster recovery centre or an off-site server located outside of the Company's main administrative premises. As part of the Company's ongoing transformation projects, the Company leases computer infrastructure, including a virtual data service to permit the storage of data off site.

The Company's information security management systems have been certified to ISO 27001 standards. In line with the Company's transformation projects, efforts have been made to increase IT and information management security and to encourage centralisation. In this respect, a cyber-security department has been established at the Company tasked with implementing efforts to prevent cyber-crime.

The Company's associates and joint ventures have been subject to a few cyber-attacks in the past. Namely, in 2017, NCOC was one of the organisations affected by the "WannaCry" ransomware attack (in which the devices of many well-known organisations were infected with ransomware, which encrypted these organisations' files and threatened to delete them unless the hackers were paid a bounty). Although oil production was not affected, there were no safety issues and data was recovered and the systems were back to normal in a short time. Also, in 2021 Rompetrol Rafinare (the operator of the Petromidia Refinery) was subject to an attempt to gain unauthorised access to its computer systems, which did not lead to major disruptions and did not have a material adverse effect on its operations and in March 2022, Rompetrol Rafinare faced a complex cyber-attack, as a result of which the operation of the website and certain applications were suspended. However, the operations of the Petromidia

Refinery and gas stations were not adversely affected. See "*Risk Factors–Risks relating to the Company's business– The Group's operations are dependent on the reliability and security of its IT systems*".

SELECTED CONSOLIDATED FINANCIAL AND OPERATING INFORMATION

The audited financial information set out in this Prospectus with respect to the Company has, except where expressly stated otherwise, and subject to rounding, been derived from the Company's financial statements, which were prepared in accordance with IFRS.

The consolidated financial information of the Company set out in this Prospectus as at and for the year ended 31 December 2019 has been derived from the audited consolidated financial statements of the Group as at and for the year ended 31 December 2020.

The consolidated financial information of the Company set out in this Prospectus as at and for the years ended 31 December 2020 and 2021 has been derived from the audited consolidated financial statements of the Group as at and for the year ended 31 December 2021.

The consolidated financial information of the Company set out in this Prospectus as at and for the six months ended 30 June 2022 and 2021 has been derived from the unaudited consolidated financial statements of the Group as at and for the six months ended 30 June 2022), which have been reviewed by EY.

The Company's independent auditors are EY registered at Esentai Tower, 77/7, Al Farabi Ave., Almaty 050060, Kazakhstan.

There are no qualifications in the reports on the Financial Statements.

The financial information of the Group set forth below as at and for the years ended 31 December 2021, 2020 and 2019 and as at and for the six months ended 30 June 2022 and 2021 has (as the case may be) been extracted from, should be read in conjunction with, and is qualified in its entirety by, the Financial Statements, including the notes thereto, contained elsewhere in this Prospectus.

Prospective investors should read the selected consolidated financial information in conjunction with the information contained in the "Risk Factors", "Operating and Financial Review", "Business", and the Financial Statements, including the notes thereto, and other financial data appearing elsewhere in this Prospectus.

Consolidated Statement of Financial Position

	As at 30 June	As at 31 December		
	2022	2021	2020	2019
	(*unaudited*)	(*audited*)		
	(*in KZT millions*)			
Assets				
Non-current assets				
Property, plant and equipment	3,496,920	3,405,980	4,369,745	4,484,271
Right-of-use assets	48,370	40,551	53,661	38,379
Exploration and evaluation assets	46,356	43,541	158,385	179,897
Investment property	17,995	19,711	22,826	9,541
Intangible assets	186,219	182,222	168,481	171,172
Long-term bank deposits	60,433	56,058	56,528	52,526
Investments in joint ventures and associates	7,564,841	6,550,384	6,471,021	5,590,384
Deferred income tax assets	61,037	34,035	58,590	73,714
VAT receivable	12,087	11,972	94,481	133,557
Advances for non-current assets	48,553	40,845	23,343	73,367
Loans and receivables due from related parties	145,698	142,394	684,610	615,546
Other non-current financial assets	11,633	13,248	11,651	2,488
Other non-current non-financial assets	4,762	4,784	3,542	17,162
	11,704,904	**10,545,725**	**12,176,864**	**11,442,004**
Current assets				
Inventories	348,317	259,497	228,065	281,215
VAT receivable	21,413	24,845	106,695	74,049
Income tax prepaid	18,731	24,900	70,301	54,517
Trade accounts receivable	833,841	418,255	422,821	397,757
Short-term bank deposits	609,447	510,513	282,472	359,504
Loans and receivables due from related parties	449,353	485,765	27,795	138,719

	As at 30 June	As at 31 December		
	2022	2021	2020	2019
	(*unaudited*)		(*audited*)	
		(*in KZT millions*)		
Other current financial assets	159,391	329,503	57,071	63,555
Other current non-financial assets	91,347	76,614	88,821	198,539
Cash and cash equivalents	973,258	975,849	1,145,864	1,064,452
	3,505,098	**3,105,741**	**2,429,905**	**2,632,307**
Assets classified as held for sale	386	795	46,518	7,604
	3,505,484	3,106,536	2,476,423	2,639,911
Total assets	**15,210,388**	**13,652,261**	**14,653,287**	**14,081,915**
Equity and liabilities				
Equity				
Share capital	916,541	916,541	916,541	916,541
Additional paid-in capital	1,142	1,142	8,981	40,794
Other capital reserves	(27,007)	10,113	58	83
Currency translation reserve	2,690,703	2,260,533	2,146,035	1,731,747
Retained earnings	5,414,887	5,059,634	5,636,705	5,469,236
Attributable to equity holders of the Parent Company	**8,996,266**	**8,247,963**	**8,708,320**	**8,158,401**
Non-controlling interest	(70,007)	(89,282)	(71,641)	38,255
Total equity	**8,926,259**	**8,158,681**	**8,636,679**	**8,196,656**
Non-current liabilities				
Borrowings	3,578,712	3,261,347	3,716,892	3,584,076
Provisions	226,274	222,936	303,154	273,589
Deferred income tax liabilities	660,036	545,763	555,894	509,462
Lease liabilities	40,801	36,106	45,499	35,996
Other non-current financial liabilities	15,666	15,915	32,963	16,365
Other non-current non-financial liabilities	37,560	39,229	28,831	27,329
	4,559,049	**4,121,296**	**4,683,233**	**4,446,817**
Current liabilities				
Borrowings	355,985	484,980	361,556	253,428
Provisions	19,377	22,309	63,235	103,538
Income tax payable	27,332	6,882	8,967	13,011
Trade accounts payable	870,116	519,201	536,922	667,861
Other taxes payable	186,443	126,424	130,263	86,666
Lease liabilities	9,931	8,988	16,971	10,922
Other current financial liabilities	112,762	69,231	86,440	93,139
Other current non-financial liabilities	143,134	134,269	129,021	209,877
	1,725,080	**1,372,284**	**1,333,375**	**1,438,442**
Total liabilities	**6,284,129**	**5,493,580**	**6,016,608**	**5,885,259**
Total equity and liabilities	**15,210,388**	**13,652,261**	**14,653,287**	**14,081,915**
Book value per ordinary share – Tenge thousands	**14.325**	**13.074**	**13.880**	**13.154**

Consolidated Statement of Comprehensive Income

	For six months ended 30 June		For the year ended 31 December		
	2022	2021 (restated)	2021	2020 (restated)	2019
	(*unaudited*)			(*audited*)	
			(*in KZT millions*)		
Revenue and other income					
Revenue from contracts with customers	4,203,150	2,672,028	5,838,793	3,624,964	6,858,856
Share in profit of joint ventures and associates, net	643,548	324,165	768,733	280,815	827,979
Finance income	52,902	34,645	84,599	87,987	240,880

	For six months ended 30 June		For the year ended 31 December		
	2022	2021 (restated)	2021	2020 (restated)	2019
	(unaudited)			*(audited)*	
			(in KZT millions)		
Gain on sale of subsidiaries and joint ventures	–	2,674	19,835	—	17,481
Other operating income	10,038	14,381	30,779	19,020	24,936
Total revenue and other income	**4,909,638**	**3,047,893**	**6,742,739**	**4,012,786**	**7,970,132**
Costs and expenses					
Cost of purchased oil, gas, petroleum products and other materials	(2,817,958)	(1,621,125)	(3,596,491)	(1,901,236)	(3,913,744)
Production expenses	(482,206)	(312,816)	(693,031)	(656,178)	(721,693)
Taxes other than income tax	(291,171)	(189,918)	(428,639)	(254,322)	(454,295)
Depreciation, depletion and amortization	(163,416)	(160,082)	(322,068)	(317,427)	(337,424)
Transportation and selling expenses	(69,811)	(65,552)	(131,912)	(137,144)	(420,402)
General and administrative expenses	(66,793)	(57,079)	(148,478)	(146,625)	(213,967)
Reversal of impairment/(impairment) of property, plant and equipment, intangible assets, exploration and evaluation assets and assets classified as held for sale	630	(3,758)	(20,724)	(243,893)	(150,751)
Exploration expenses	–	(19,800)	(79,083)	(19,807)	(57,068)
Impairment of investments in joint ventures and associates	-	-	(64)	(30,654)	–
Finance costs	(153,361)	(115,824)	(249,265)	(265,372)	(317,433)
Foreign exchange gain/(loss), net	(39,920)	3,780	17,781	(16,189)	8,479
Loss on disposal of subsidiaries	–	(1,351)	–	–	–
Other expenses	(14,072)	(8,595)	(24,510)	(28,094)	(7,203)
Total costs and expenses.............................	**(4,098,078)**	**(2,552,120)**	**(5,676,484)**	**(4,016,941)**	**(6,585,501)**
Profit(/Loss) before income tax	**811,560**	**495,773**	**1,066,255**	**(4,155)**	**1,384,631**
Income tax expenses	(134,600)	(106,085)	(221,393)	(85,276)	(226,180)
Profit/(Loss) for the period from continuing operations	**676,960**	**389,688**	**844,862**	**(89,431)**	**1,158,451**
Discontinued operations					
Profit after income tax for the period from discontinued operations	—	254,745	352,478	261,328	6
Net profit for the period.............................	676,960	644,433	**1,197,340**	**171,897**	**1,158,457**
Net profit/(loss) for the period attributable to:					
Equity holders of the Parent Company	656,162	643,859	1,215,561	273,237	1,197,157
Non-controlling interest................................	20,798	574	(18,221)	(101,340)	(38,700)
	676,960	**644,433**	**1,197,340**	**171,897**	**1,158,457**
Other comprehensive income/(loss)					
Other comprehensive income/(loss) to be reclassified to profit or loss in subsequent periods					
Hedging effect	(37,120)	(583)	10,055	(25)	-
Exchange differences on translation of foreign operations	474,367	80,777	126,673	450,936	(32,072)
Tax effect	(43,693)	(7,221)	(11,818)	(36,481)	(1,240)
Net other comprehensive income to be reclassified to profit or loss in the subsequent periods, net of tax..................	**393,554**	**72,973**	**124,910**	**414,430**	**(33,312)**
Other comprehensive income not to be reclassified to profit or loss in subsequent periods					
Actuarial gain on defined benefit plans of the Group, net of tax..	1,642	—	5,959	(10,592)	(5,688)
Actuarial (loss)/gain on defined benefit plans of joint ventures, net of tax	116	137	(169)	(285)	199

	For six months ended 30 June		For the year ended 31 December		
	2022	2021 (restated)	2021	2020 (restated)	2019
	(*unaudited*)			(*audited*)	
			(*in KZT millions*)		
Tax effect	—	—	(48)	108	1,179
Net other comprehensive income not to be reclassified to profit or loss in the subsequent periods, net of tax	**1,758**	**137**	**5,742**	**(10,769)**	**(4,310)**
Net other comprehensive income for the period, net of tax	**395,312**	**73,110**	**130,652**	**403,661**	**(37,622)**
Total comprehensive income for the period, net of tax	**1,072,272**	**717,543**	**1,327,992**	**575,558**	**1,120,835**
Total comprehensive income/(loss) for the period attributable to:					
Equity holders of the Parent Company	1,051,070	716,797	1,344,408	677,742	1,159,447
Non-controlling interests	21,202	746	(16,416)	(102,184)	(38,612)
	1,072,272	**717,543**	**1,327,992**	**575,558**	**1,120,835**

Consolidated Statement of Cash Flows

	Six months ended 30 June		As at 31 December		
	2022	2021 (restated)	2021	2020 (restated)	2019
	(*unaudited*)			(*audited*)	
			(*in KZT millions*)		
Cash flows from operating activities					
Profit/(loss) before income tax from continuing operations	811,560	495,773	1,066,255	(4,155)	1,384,631
Profit before income tax from discontinued operations	–	277,857	407,993	282,355	6
Profit before income tax	**811,560**	**773,630**	**1,474,248**	**278,200**	1,384,637
Adjustments:					
Depreciation, depletion and amortization	163,416	160,082	322,068	317,427	337,424
Depreciation, depletion and amortization from discontinued operations	—	37,312	63,502	42,856	—
(Reversal of impairment)/Impairment of property, plant and equipment, exploration and evaluation assets, intangible assets and assets classified as held for sale	(630)	3,774	20,724	243,694	150,751
Exploration expenses	—	19,800	79,083	19,807	57,068
Impairment of investments in joint venture and associates	—	—	64	30,654	—
Unrealized losses/(gains) from derivatives on petroleum products	—	—	—	626	(465)
Realized losses/(gains) from derivatives on petroleum products	78,908	7,879	14,954	(22,946)	(8,410)
Finance income	(52,902)	(34,645)	(84,599)	(87,987)	(240,880)
Finance income from discontinued operations	—	(11,442)	(19,750)	(21,766)	—
Finance costs	153,361	115,824	249,265	265,372	317,433
Finance costs from discontinued operations	—	21,365	36,330	32,179	—
Loss on disposal of subsidiaries	—	1,351	—	—	–
Gain on sale of joint venture	—	(2,674)	(19,835)	–	—
Share in profit of joint ventures and associates, net	(643,548)	(324,165)	(768,733)	(280,815)	(827,979)
Share in profit of joint ventures and associates from discontinued operations, net	—	(157,059)	(275,100)	(230,380)	—
Movements in provisions	20,193	(6,270)	(140,318)	(43,174)	2,967
Net foreign exchange (gain)/loss	61,439	1,987	(6,565)	45,388	4,142
Write off inventories to net realizable value	8,976	3,377	4,091	357	(2,534)

	Six months ended 30 June		As at 31 December		
	2022	2021 (restated)	2021	2020 (restated)	2019
	(*unaudited*)		(*audited*)		
			(*in KZT millions*)		
Loss/(gain) on disposal of property, plant and equipment, intangible assets, investment property and assets held for sale, net	793	(5,222)	(2,259)	6,508	6,430
(Reversal) /accrual of impairment of VAT receivable	—	—	(5,144)	6,435	15,703
Change in financial guarantees	—	—	3,527	6,288	(6,956)
VAT that could not be offset	—	—	2,599	4,528	6,910
Allowance of expected credit loss for trade receivables and other financial assets, other current assets	—	—	3,453	4,225	14,096
Gain on sale of subsidiaries	—	—	—	—	(17,481)
Adjustment for repayment of advances received for the supply of oil	—	—	—	—	(864,450)
Other adjustments	2,844	6,039	427	(267)	55
Operating profit before working capital changes	**604,410**	**610,943**	**952,032**	**617,209**	**328,461**
Change in VAT receivable	3,302	60,957	73,253	(3,993)	(28,070)
Change in inventory	(127,205)	(29,602)	(90,603)	82,337	11,710
Change in trade accounts receivable and other current assets	(420,697)	(135,047)	(124,957)	121,837	11,466
Change in trade and other payables and contract liabilities	277,454	(29,396)	227,645	(305,380)	(23,578)
Change in other taxes payable	41,657	(5,080)	(52,580)	34,066	(19,916)
Cash generated from operating activities	**378,921**	**472,775**	**984,790**	**546,076**	**280,073**
Dividends received from joint ventures and associates	123,038	121,620	415,359	134,772	126,461
Net payment of derivative instruments	—	—	—	(142)	(7)
Income taxes paid	(55,362)	(31,202)	(111,373)	(87,984)	(161,979)
Interest received	17,168	18,837	39,496	90,798	118,207
Interest paid	(109,610)	(138,286)	(249,775)	(236,987)	(238,954)
Net cash flow from operating activities	**354,155**	**443,744**	**1,078,497**	**446,533**	**123,801**
Cash flows from investing activities					
Placement of bank deposits	(503,950)	(228,441)	(819,226)	(581,666)	(1,755,141)
Withdrawal of bank deposits	454,519	266,209	585,614	685,773	1,784,128
Purchase of property, plant and equipment, intangible assets and exploration and evaluation assets	(166,392)	(153,077)	(409,660)	(396,406)	(444,193)
Proceeds from sale of property, plant and equipment, exploration and evaluation assets and assets held for sale	1,382	68,759	71,084	50,738	42,776
Additional contributions to joint ventures without changes to ownership	(67)	(1,926)	(1,926)	(6,586)	(889)
Proceeds from disposal of subsidiaries, net of cash disposed	–	728	(375,910)	8,710	56,760
Proceeds from disposal of joint ventures	–	–	17,169	5,966	—
Loans given to related parties	(33,156)	(24,268)	(73,274)	(57,485)	(56,516)
Repayment of loans due from related parties	12,958	12,282	24,438	72,721	47,656
Acquisition of debt securities	—	—	(14,741)	(928)	454
Proceeds from sale of debt securities	—	—	10,528	636	—
Proceeds from Note receivable from a shareholder of a joint venture	—	—	—	11,512	5,403
Other	(793)	73	(2,790)	1,404	—
Net cash flows used in investing activities	**(235,499)**	**(59,661)**	**(988,694)**	**(205,611)**	**(319,562)**
Cash flows from financing activities					

	Six months ended 30 June		As at 31 December		
	2022	2021 (restated)	2021	2020 (restated)	2019
	(*unaudited*)			(*audited*)	
			(*in KZT millions*)		
Proceeds from borrowings	108,460	165,933	451,096	676,979	271,772
Repayment of borrowings	(75,088)	(167,820)	(339,552)	(807,355)	(444,656)
Dividends paid to Samruk-Kazyna and National Bank of RK	(199,997)	(45,212)	(49,999)	(81,738)	(36,998)
Dividends paid to non-controlling interests	(1,003)	(5,078)	(5,756)	(4,553)	(5,693)
Distributions to Samruk-Kazyna	(1,762)	(600)	(534)	(7,987)	(36,297)
Reservation of cash for payment of borrowings	—	(32,799)	(292,258)	—	—
Share buyback by subsidiary	—	—	—	(212)	(2,318)
Payment under financial guarantee	—	—	—	(1,383)	—
Repayment of principal of lease liabilities	(7,113)	(12,142)	(45,530)	(18,978)	(16,181)
Net cash flows used in financing activities	**(176,503)**	**(97,718)**	**(282,533)**	**(245,227)**	**(270,371)**
Effects of exchange rate changes on cash and cash equivalents	55,128	12,807	22,851	85,341	(14,985)
Change in allowance for expected credit losses	128	(92)	(136)	376	(279)
Net change in cash and cash equivalents	**(2,591)**	**299,080**	**(170,015)**	**81,412**	**(481,396)**
Cash and cash equivalents, at the beginning of the period	975,849	1,145,864	1,145,864	1,064,452	1,545,848
Cash and cash equivalents, at the end of the period	**973,258**	**1,444,944**	**975,849**	**1,145,864**	**1,064,452**

Alternative Performance Measures

The following table sets forth key alternative performance measures used by the Company's management in assessing the Company's performance, which reflect the Company's operations:

	As at and for the six (twelve for Interim LTM EBITDA) months ended 30 June	For the year ended 31 December		
	2022	2021(1)	2020(1)	2019(1)
	(KZT billions, except ratios) (unaudited)			
EBITDA(2)	1,118.7	1,609.0	810.4	1,962.7
Adjusted EBITDA(3)	598.2	1,255.6	664.2	1,261.2
Interim LTM EBITDA(4)	1,664.4	—	—	—
Debt (including current portion)(5)	3,934.7	3,746.3	4,078.4	3,837.5
Cash and deposits (including long-term)(6)	1,643.1	1,542.3	1,484.9	1,476.4
Net Debt(7)	2,291.6	2,204.0	2,593.5	2,361.1
Free Cash Flow(8)	187.7	668.8	50.1	544.0
Net Debt/ EBITDA(9)	2.0	1.4	3.2	1.2
Net Debt/ Adjusted EBITDA(10)	3.8	1.7	3.9	1.9

Notes:

(1) The financial figures and ratios as at and for the years ended 31 December 2021, 2020 and 2019 are calculated with relevant adjustments made for assets classified as held for sale. See Notes 3 and 15 to the Financial Statements.

(2) Calculated as revenue *plus* share in profit from JVs and associates, net, *minus* cost of purchased oil, gas, petroleum products and other materials, production expenses, general and administrative expenses, transportation and selling expenses, taxes other than income tax.

(3) Calculated as EBITDA *minus* share in profit from JVs and associates, net, *plus* dividends received from joint ventures and associates.

(4) Calculated as EBITDA for the year ended 31 December 2021 minus EBITDA for the six months ended 30 June 2021 plus EBITDA for the six months ended 30 June 2022.

(5) Calculated as the current portion of borrowings *plus* the non-current portion of borrowings.

(6) Calculated as the sum of cash and cash equivalents, short-term bank deposits and long-term bank deposits.

(7) Calculated as Debt *minus* cash and deposits.

(8) Calculated as net cash flow from operating activities *plus* adjustment for repayment of advances received for the supply of oil *minus* Purchase of property, plant and equipment, intangible assets, investment property and exploration and evaluation assets. Dividends received from JVs and associates are included in cash flow from operating activities.

(9) Calculated as the ratio of consolidated Net Debt divided by EBITDA.

(10) Calculated as the ratio of consolidated Net Debt divided by Adjusted EBITDA.

The following table sets forth a reconciliation of EBITDA, Adjusted EBITDA and Interim LTM EBITDA to revenue for the periods indicated:

	For the twelve months ended 30 June	For the year ended 31 December		
	2022	2021	2020	2019
	(KZT billions, except ratios) (unaudited)			
Revenue	4,203.1	5,838.8	3,625.0	6,858.8
Cost of purchased oil, gas, petroleum products and other materials	(2,817.9)	(3,596.5)	(1,901.2)	(3,913.7)
Production expenses	(482.2)	(693.0)	(656.2)	(721.7)
Taxes other than income tax	(291.2)	(428.6)	(254.3)	(454.3)
Transportation and selling expenses	(69.8)	(131.9)	(137.1)	(420.4)
General and administrative expenses	(66.8)	(148.5)	(146.6)	(214.0)
Share in profit of joint ventures and associates, net	643.5	768.7	280.8	828.0
EBITDA	**1,118.7**	**1,609.0**	**810.4**	**1,962.7**
Share in profit of joint ventures and associates, net	(643.5)	(768.7)	(280.8)	(828.0)
Dividends received from joint ventures and associates	123.0	415.3	134.8	126.5
Adjusted EBITDA	**598.2**	**1,255.6**	**664.4**	**1,261.2**
Interim LTM EBITDA	1,664.4	—	—	—

The following table sets forth a reconciliation of (i) debt (including current portion) to borrowings (current) and borrowings (non-current); (ii) cash and deposits (including long-term) to cash in bank, long-term deposits and short-term deposits; (iii) Net Debt to borrowings and cash and cash equivalents, as at the dates indicated:

	As at 30 June	As at 31 December		
	2022	2021	2020	2019
	(KZT billions) (unaudited)			
Borrowings (non-current)	3,578.7	3,261.3	3,716.9	3,584.1
Borrowings (current)	356.0	485.0	361.5	253.4
Debt (including current portion)	**3,934.7**	**3,746.3**	**4,078.4**	**3,837.5**
Cash and cash equivalents	973.3	975.8	1,145.9	1,064.4
Short-term bank deposits	609.4	510.5	282.5	359.5
Long-term bank deposits	60.4	56.0	56.5	52.5
Cash and deposits (including long-term)	**1,643.1**	**1,542.3**	**1,484.9**	**1,476.4**
Net Debt	**2,291.6**	**2,204.0**	**2,593.5**	**2,361.1**

The following table sets forth a reconciliation of Free Cash Flow to net cash flow from operating activities for the periods indicated:

	For the six months ended 30 June		For the year ended 31 December		
	2022	2021	2021	2020	2019
	(KZT billions) (unaudited)				
Net cash flow from operating activities	354.1	443.7	1,078.5	446.5	123.8
Prepayment for TCO's crude oil	—	—	——	——	864.4
Purchase of property, plant and equipment, intangible assets and exploration and evaluation assets	(166.4)	(153.1)	(409.7)	(396.4)	(444.2)
Free Cash Flow	**187.7**	**290.6**	**668.8**	**50.1**	**544.0**

OPERATING AND FINANCIAL REVIEW

The following operating and financial review of the Company's results of operations and financial performance should be read in conjunction with the Financial Statements, together with the related notes thereto, included elsewhere in this Prospectus. The Financial Statements have been prepared in accordance with IFRS. This operating and financial review contains forward-looking statements, which involve risks and uncertainties. See "Cautionary Note Regarding Forward-Looking Statements". The Company's future actual results could differ materially from those anticipated in the forward-looking statements contained herein for several reasons, including those set forth under "Risk Factors" and elsewhere in this Prospectus.

Overview

The Company is the national oil and gas company of Kazakhstan with vertically-integrated upstream, midstream and downstream operations. The Company is one of the largest crude oil and condensate producer in Kazakhstan in terms of production volume as at 31 December 2021. As at 31 December 2021, the Company also operates the largest crude oil pipeline networks in Kazakhstan in terms of length and throughput capacity. On 9 November 2021, the Company transferred to Samruk-Kazyna its 100 per cent. stake in QazaqGaz (formerly KazTransGaz), who is the operator of Kazakhstan's main gas pipeline networks.

In addition, the Company operates each of the three principal refineries in Kazakhstan, as well as a major refinery in Romania.

The Group's operations consist of four main segments: (i) exploration and production of oil and gas ("**upstream**"), (ii) oil transportation; (iii) gas trading and transportation (only with respect to the year ended 31 December 2019) (collectively, (ii) and (iii) comprise what the Group considers its "**midstream**" operations) and (iv) refining and trading of crude oil and refined products ("**downstream**"). See "—*Operating Segments*" below. The Company's revenue is reported under these operating segments, as well as an "other" segment that includes the Company's remaining operations, including heating and power, security and other oil and gas related services. For each of 2021, 2020 and 2019, the Company's revenue and EBITDA were largely driven by the Company's exploration and production activities and its refining and trading business, with sales of crude oil and gas representing 53 per cent. of revenues and 65 per cent. of EBITDA in year ended 31 December 2021 and refining and sales of refined products representing 39 per cent. of revenues and 18 per cent. of EBITDA in year ended 31 December 2021.

Basis of Consolidation

The table below sets forth the Group's significant subsidiaries that were included in the consolidated financial statements as at the dates indicated below:

			Percentage ownership			
		Country of	30 June	31 December		
	Main activity	incorporation	2022	2021	2020	2019
KMG EP[(1)]	Exploration and production	Kazakhstan	99.72%	99.72%	99.72%	99.7%
KMT	Exploration and production	Kazakhstan	100%	100%	100%	100%
KMG Karachaganak	Exploration and production	Kazakhstan	100%	100%	100%	100%
KTM	Exploration and production	Kazakhstan	100%	100%	100%	100%
KTO	Oil transportation	Kazakhstan	90%	90%	90%	90%
KMTF	Oil transportation and construction	Kazakhstan	100%	100%	100%	100%
QazaqGaz National Company JSC[(2)]	Gas transportation	Kazakhstan	—	—	100%	100%
Cooperative KazMunayGas PKI U.A.	Refinery and marketing of oil products	Netherlands	100%	100%	100%	100%
Atyrau Refinery	Refinery	Kazakhstan	99.53%	99.53%	99.53%	99.53%
Pavlodar Refinery	Refinery	Kazakhstan	100%	100%	100%	100%

			Percentage ownership			
		Country of	30 June	31 December		
	Main activity	**incorporation**	**2022**	**2021**	**2020**	**2019**
KMG International	Refinery and marketing of oil products	Romania	100%	100%	100%	100%
KMG DS	Drilling services	Kazakhstan	100%	100%	100%	100%

Notes:

(1) Historically, KMG EP was a major upstream subsidiary of the Company that held several operating fields, including OMG, EMG, Kazgermunai, CCEL and PKI. KMG EP's shares and GDRs were listed on KASE and its GDRs were listed on the standard segment of the official list of the Financial Conduct Authority of the UK ("**FCA**") and admitted to trading on the main market of the London Stock Exchange. In 2018, KMG EP successfully launched a tender offer for its GDRs and shares - this resulted in the delisting on 10 May 2018 of KMG EP's GDRs from the official list of the FCA and cancellation of the admission to trading on the main market of the LSE as well as the delisting of KMG EP's ordinary shares and GDRs from KASE. KMG EP's preferred shares were delisted from the KASE on 14 May 2019. The Group is in the process of liquidating KMG EP as part of an internal reorganisation, with the planned liquidation of KMG EP expected to complete in 2023.

(2) On 9 November 2021, the Company transferred to Samruk-Kazyna its 100 per cent. stake in QazaqGaz. See "*—Main Factors Affecting Results of Operations and Liquidity—Disposal of QazaqGaz.*"

The table below sets forth the Group's significant investments in joint ventures and associates as at the dates indicated below:

			Percentage ownership			
		Place of	**30 June**	**31 December**		
	Main activity	**business**	**2022**	**2021**	**2020**	**2019**
Joint ventures						
Tengizchevroil LLP	Oil and gas exploration and production	Kazakhstan	20%	20%	20%	20%
KMG Kashagan B.V. (1)	Oil and gas exploration and production	Kazakhstan	50%	50%	50%	50%
Mangistau Investments B.V.	Oil and gas development and production	Kazakhstan	50%	50%	50%	50%
KazRosGas LLP	Processing and sale of natural gas and refined gas products	Kazakhstan	50%	50%	50%	50%
Ural Group Limited	Oil and gas exploration and production	Kazakhstan	50%	50%	50%	50%
Kazakhstan-China Pipeline LLP	Oil transportation	Kazakhstan	50%	50%	50%	50%
Kazgermunai JV LLP	Oil and gas exploration and production	Kazakhstan	50%	50%	50%	50%
Kazakhoil-Aktobe LLP	Production of crude oil	Kazakhstan	50%	50%	50%	50%
Teniz Service LLP	Design, construction and operation of infrastructure facilities, offshore oil operations support	Kazakhstan	48.996%	48.996%	48.996%	48.996%
Valsera Holdings B.V.	Oil refining	Kazakhstan	50%	50%	50%	50%
Asian Gas Pipeline LLP(	Construction and operation of the gas pipeline	Kazakhstan	—	—	50%	50%
Beineu-Shymkent Gas Pipeline LLP	Construction and operation of the gas pipeline	Kazakhstan	—	—	50%	50%
Associates						
Caspian Pipeline Consortium	Transportation of liquid hydrocarbons	Kazakhstan/ Russia	20.75%	20.75%	20.75%	20.75%
PetroKazakhstan Inc.	Exploration, production and processing of oil and gas	Kazakhstan	33%	33%	33%	33%
Joint operations						
Karachaganak Petroleum Operating B.V.	Oil and gas exploration and production	Kazakhstan	~~10%~~	~~10%~~	10%	10%

Note:

(1) KMG Kashagan holds 16.88 per cent. in NCOC, which owns Kashagan Field. In October 2015, the Company sold 50 per cent. of its shares in KMG Kashagan (totalling 8.44 per cent. of Kashagan's total share capital) to Samruk-Kazyna with a call option to buy back all or part of such shares at any time between 2020 and 2022. On 14 September 2022, the Kashagan Call Option was amended by virtue of the exercise notice agreement, pursuant to which Coöperatieve KazMunaiGas U.A. exercised the Kashagan Call Option. The deal was completed and the shares in KMG Kashagan were passed from Samruk-Kazyna to Coöperatieve KazMunaiGas U.A. on 15 September 2022, with Coöperatieve KazMunaiGas U.A. thereby becoming the sole shareholder in KMG Kashagan.

The interests of the Company and its subsidiaries in joint ventures are accounted for using the equity method of accounting. Under the equity method, the Company's consolidated statement of comprehensive income simply reflects the share of the Company and its subsidiaries of the net profit or loss of the joint ventures as a single line item. Upon the acquisition of joint operations, the Company recognises in relation to its interest in such joint operations, including its share of any assets held jointly and assets and liabilities, its share of any liabilities incurred jointly. The Company also recognises its revenue from the sale of its share of the output arising from the joint operations; its share of the revenue from the sale of the output by the joint operations; and expenses arising from the joint operations, including its share of any expenses incurred jointly.

Associates are entities over which the Company directly or indirectly has significant influence, but not control, generally accompanying a shareholding of between 20 per cent. and 50 per cent. of the voting rights. Investments in associates, as is the case with investments in joint ventures, are accounted for using the equity method of accounting. The Company's and its subsidiaries' interests in associates are limited to their share of the net profit or loss of such associates and are reflected as a single line item in the Company's consolidated statement of comprehensive income in the Financial Statements. Recognising that KPO, which operates Karachaganak, is a consortium operating under a joint operating agreement, the Company also accounts for its interests in KPO under the method applicable to the joint operations.

For further information on the Company, its subsidiaries, joint ventures and associates, see "*Business — Corporate Structure*".

Main Factors Affecting Results of Operations and Liquidity

The results of the Company's operations and their period-to-period comparability are affected by various factors related to the Company's strategy and execution of its business plan and objectives, and by external factors that are outside the Company's control.

The main factors that have affected the Company's results of operations during the six months ended 30 June 2022 and 2021 and the years ended 31 December 2021, 2020 and 2019, and that can be expected to affect the Company's results of operations in the future, are:

- changes in crude oil and refined oil product prices, sales mix and pricing regulation;
- changes in the production of crude oil, gas and refined oil products;
- changes in global demand for fuel and natural gas;
- the economic environment in which the Company operates;
- impact of the ongoing armed conflict commenced by Russia against Ukraine;
- development and evolution of the legislative, tax and regulatory frameworks, including new environmental regulations, which may require changes to operations and increase costs of compliance;
- the impact of changes in exchange rates;
- dispositions, discontinued operations and loss of control of subsidiaries;
- changes in tariffs for oil and gas transportation services;
- the Company's capital expenditures;
- the share of income of joint ventures and associates recognised by the Company and its subsidiaries.

Changes in Crude Oil and Refined Oil Product Prices, Sales Mix and Pricing Regulation

The prices of crude oil and refined oil products internationally and in Kazakhstan have a significant impact on the Group's results of operations. World prices for crude oil are characterised by significant fluctuations that are determined by the global balance of supply and demand, which is entirely outside of the Group's control, and the Company's management cannot predict if or when the recent significant volatility in oil prices will be repeated.

Crude oil prices have been particularly volatile in recent years. In 2020, the oil and gas industry faced a steep oversupply as well as weak demand following the outbreak of COVID-19. According to statistics published by the EIA, the average annual spot price of Brent crude oil was U.S.$41.96 per barrel in 2020, a 34.74 per cent. decrease from the average annual spot price of Brent crude oil of U.S.$64.30 per barrel in 2019. In 2021, recovery in global oil demand and efforts by OPEC+ contributed to the increase in oil prices, and the average annual sport price of Brent crude oil increased by 68.9 per cent. to U.S.$70.86 per barrel. In the first half of 2022, crude oil prices went up as high as U.S.$128 per barrel. The average price for 6 months of 2022 of Brent crude oil per barrel was U.S.$106 per barrel, compared to the average price of U.S.$70.89 for 2021, which represents an increase of 67 per cent. Revenues from the sale of crude oil and gas for the first six months of 2022 amounted to KZT 2,386 billion, which represents an increase of 72.6 per cent. compared to those of for the first six months of 2021 due to the increase in the average crude oil price for the period.

The mix of export and domestic sales of crude oil has also affected, and is expected to continue to affect, the Company's results of operations. Historically, sales prices for exported crude oil have been significantly higher than domestic sales prices, primarily as a result of recommendations and mandates of the Government, being the Company's sole indirect shareholder, to sell domestic oil at below-market rates. From time to time the Government may issue such recommendations or mandates to prevent domestic price increases, particularly when there is not enough supply due to high demand, causing domestic prices to increase. The Company expects export sales prices to continue to remain at a higher level compared to domestic sales prices, and thus seeks to maximise the percentage of its total crude oil sales that are export sales, although it is not unilaterally able to do so. Should the percentage of export sales increase, this may have a positive effect on the results of operations of the Company, while, correspondingly, if the percentage of mandated domestic sales increases, the Company's results of operations could be adversely affected.

In 2021, in accordance with its obligations, the Group delivered 7,114 thousand tonnes of crude oil domestically, compared to 6,401 thousand tonnes in 2020 and 6,224 thousand tonnes in 2019, in each case including the Group's share in the joint ventures and associates. As at 30 June 2022, the Group delivered 4,030 thousand tonnes of crude oil domestically.

The dynamics of refined oil product prices in the international and Kazakhstan markets are determined by a number of factors, the most important being the price of crude oil internationally, supply and demand for refined oil products, competition, distances separating markets from the refineries where the crude oil is refined into useable end or intermediate products and seasonal deficits in the supply of refined oil products, particularly in urban areas, due to agricultural activities and the associated reallocation of refined oil products supplies from cities to agricultural areas. Additionally, a disparity between high crude oil costs and lower prices of refined oil products may have an adverse impact on the financial results of the Company's refining segment.

The following table sets forth the average global and domestic prices for oil products for the periods indicated:

	For the year ended 31 December			**For six months ended 30 June**	
	2021	**2020**	**2019**	**2022**	**2021**
Global prices (*USD/tonne*)[1]					
Fuel oil	450	273	389	631	415
Naphtha	634	355	503	872	568
Jet fuel	608	361	631	1 120	543
Wholesale domestic prices (*KZT/tonne*)[2]					
AI-95 gasoline	196,667	174,363	166,143	217,667	187,222
AI-92 gasoline	181,583	161,322	154,935	194,667	174,222
Diesel fuel	187,194	180,461	196,574	216,861	174,222
Jet fuel	206,125	173,497	220,324	258,000	184,000

Notes:

(1) Source: Thomson Reuters, S&P Global Platts.

(2) Source: Argus Caspian market of oil products produced at the Kazakhstani refineries.

The Company's income from refined oil products in Kazakhstan is affected by price regulation and the availability of domestic crude oil for refining. From time to time the Government may impose, and has in the past imposed, temporary bans on the export of light distillates and products, carbon oil, gas oils and other petroleum derivatives, including the ban on exporting export gasoline, diesel and certain other oil products by automobile transport in April 2021 that was extended for six more months in November 2021 and was extended for another six months in June 2022. Such temporary bans prevent the Company from taking advantage of higher prices for the exports of its refined products from Kazakhstan. Currently there can be no assurance as to whether further bans will be introduced or other measures will be taken that could restrict the Company's ability to take advantage of such transactions. The Company does, in any event, sell refined oil products in the European markets through KMG International, which owns the principal refining operations in Romania.

Changes in Production of Crude Oil, Gas and Refined Oil Products

The Group's ability to generate revenue depends primarily on its production of crude oil, gas, and refined oil products.

The Group produces crude oil, gas and refined oil products through its production subsidiaries, which it fully consolidates, as well as through its joint operations, joint ventures and associates. See "*—Basis of Consolidation*". In the context of the discussion of the Group's revenue and cost of sales, production data are provided only for the Company, its subsidiaries, its interests in joint operations and its interests in KPO, excluding the production of joint ventures and associates.

Production of Crude Oil

The Group's oil and gas condensate output includes production from its operating assets and three mega projects (TCO (Tengiz), KPO (Karachaganak) and NCOC (Kashagan)), where the Company has non-operating interests (20 per cent., 10 per cent. and 16.88 per cent. (including a stake of 8.44 per cent. acquired by the Company from Samruk-Kazyna on 15 September 2022), respectively). In 2021, OMG and TCO were the largest oil and gas condensate producing assets in 2021.

In the six months ended 30 June 2022, the Group's consolidated production of crude oil and gas condensate slightly increased by 0.4 per cent. to 10.8 million tonnes from 10.7 million tonnes for the six months ended 30 June 2021. This increase was primarily due the increase in oil production at Tengiz and Karachaganak, which was offset by a decrease in production at the Group's operating assets due to the repeated emergency power outrages by utility company serving production facilities at OMG and a natural decline in production levels at mature fields.

In 2021, the Group's consolidated production of crude oil and gas condensate decreased by 0.5 per cent. to 21.7 million tonnes from 21.8 million tonnes for the year ended 31 December 2020. This decrease was primarily due to a 1.5 per cent. decrease in oil and gas condensate production at the Company's operating assets as a result of the Kazakhstan's commitment to cut oil supply under the OPEC+ agreement, as well as the shutdown of some wells for repair works and organic decrease in production levels at mature fields.

For the year ended 31 December 2020, the Group's consolidated production of crude oil and gas condensate decreased by 7.9 per cent. to 21.8 million tonnes from 23.6 million tonnes for the year ended 31 December 2019. This decrease was primarily attributable to the sharp decline in oil prices due to the COVID-19 pandemic and oil output cuts as part of Kazakhstan's commitment under the OPEC+ agreement.

See also "*Risk Factors — Risks relating to the Company's business —A number of the Company's production fields are mature, and the Company may be unable to successfully develop, replace and grow its current oil and gas reserves*".

Production of Gas

The Group's natural and associated gas production includes production from mega projects and operated assets.

For the six months ended 30 June 2022, the Group's gas production stayed flat at 4.1 billion cubic metres as compared to 3.9 billion cubic metres in the six months ended 30 June 2021. For the year ended 31 December 2021, the Group's production of natural and associated gas slightly decreased by 1.4 per cent. to 8.1 billion cubic metres from 8.2 billion cubic metres for the year ended 31 December 2020, which, in turn, represented a 3.1 per cent. decrease from 8.5 billion cubic metres for the year ended 31 December 2019. The decrease in natural and associate gas production is primarily due to the relevant decrease in oil production at certain fields to meet Kazakhstan's commitment to cut oil supply under the OPEC+ agreement. Megafields together produced 5.7 billion cubic metres (or 69.9 per cent. of the Company's gas production) in the year ended 31 December 2021, and operating assets produced 2.5 billion cubic metres (or 30.1 per cent. of the Company's gas production) in the year ended 31 December 2021.

Production of Refined Oil Products

The Group's consolidated production of refined oil products includes production at the Atyrau Refinery, the Pavlodar Refinery, Shymkent Refinery and the CaspiBitum Refinery in Kazakhstan, and the Petromidia Refinery and the Vega Refinery in Romania. The Company is the leading oil product producer in both Kazakhstan and Romania. See "*Business—Refining, Marketing and Trading*". For the six months ended 30 June 2022, the Group's production of refined oil products stayed flat at 9.7 million tonnes compared to 9.7 million tonnes for the six months ended 30 June 2022, primarily due to an increase in refining volumes at Kazakhstani refineries, which was offset by the decrease in refining volumes at the Company's refineries in Romania due to the shutdown of production for scheduled repairs and disruptions in crude oil supply due to adverse weather conditions in the Black Sea. For the year ended 31 December 2021, the Group's production of refined oil products increased by 4.2 per cent. to 18.8 million tonnes from 18.1 million tonnes for the year ended 31 December 2020, primarily due to the lifting in 2021 of the lockdown that had been implemented in Kazakhstan in 2020 to address the COVID-19 pandemic. For the year ended 31 December 2020, the Group's production of refined oil products decreased by 12.2 per cent. to 18.1 million tonnes from 20.6 million tonnes for the year ended 31 December 2019, primarily attributable to the lockdown implemented in 2020 in Kazakhstan to address the COVID-19 pandemic.

Changes in Global Demand for Fuel and Natural Gas

In 2021 the demand for liquid fuels outstripped the supply in the production and consumption balance, which was due to a relative recovery in tourist flows and air transportation coupled with the lifting of COVID-19 restrictions introduced in 2020. According to OPEC, global consumption of petroleum and liquid fuels averaged 96.9 million barrels per day in 2021, up by 5.7 million barrels per day from 2020, when consumption fell significantly because of the pandemic. For more than a year, oil consumption was ahead of production due to cuts under the OPEC+ Oil Agreement, restricted investment on the part of U.S. oil producers, and other supply disruptions, which also led to constant release of oil stockpiles around the world and a spike in oil prices. In addition, in 2021 global natural gas consumption increased by 4.6 per cent., which is more than double the decrease in 2020. The demand growth was driven by economic recovery and a number of extreme weather events.

The OPEC expects global oil demand will expand by 2.7 million barrels per day next year and growth to exceed the increase in supplies by 1 million barrels per day. To fill this wide gap, OPEC members would need to significantly hike production, however OPEC producers are already falling behind the volumes needed due to various obstacles like – underinvestment and political instability. Because of this emerged supply shortfall, fuel inventories on a global scale are shrinking fast, while USA, for example, resorted to its strategic petroleum reserves to mitigate the problem. According to the EIA, global oil demand growth has been marginally reduced to 1.7 million barrels per day in 2022, reaching 99.2 million barrels per day. A further 2.1 million barrels per day gain is expected in 2023, led by a strong growth trajectory in non-OECD countries. See "*The Oil and Gas Industry in Kazakhstan – Changes in Global demand for Fuel and Natural Gas*" for more details.

Current Economic Environment

Kazakhstan has experienced favourable economic conditions in recent years. With a GDP of U.S.$202.9 billion in 2021 according to the World Bank, Kazakhstan is the largest economy in Central Asia, accounting for approximately 60 per cent. of the region's GDP. However, 2020 was the most challenging year for Kazakhstan's economy in the last two decades. The COVID-19 pandemic depressed global demand and the price of oil, Kazakhstan's main export commodity. In addition the pandemic hit retail, hospitality, wholesale and transport sectors which account for around 30 per cent. of employment. After a decrease of -2.5 per cent. in 2020 and a 4.0 per cent. increase in 2021, the World Bank projected real GDP growth to slow to 1.5-2.0 per cent. in 2022. While the protests and demonstrations in Kazakhstan of January 2022 and ensuing economic and political events did not have material negative impact on the economy, the future stability of the Kazakhstan economy is largely dependent upon the continued implementation of economic reform programmes and the effectiveness of economic, financial and monetary measures undertaken by the Government, as well as developments in other economies in the region, particularly the Russian economy, as a result of the sanctions imposed in connection with the conflict in Ukraine, and the related effects on the value of the Russian Ruble. Notably, while the recent Russia-Ukraine military conflict caused a surge in oil and gas prices, it also resulted in a significant drop of the price of the Urals crude oil which negatively affected the price of CPC blend crude oil (that includes the crude oil of certain members of the Group: TCO and Russian producers using CPC in particular), increased costs of transportation due to the refusal of insurers to insure Russian cargo or cargo transported on Russian vessels amid increasing sanctions on Russia. As a result of the conflict Tenge devalued significantly relative to the Russian Ruble and U.S. Dollar.

The Kazakhstan economy is vulnerable to market downturns and economic slowdowns elsewhere in the world. Such factors could result in reduced access to capital, a higher cost of capital, increased inflation and uncertainty regarding economic growth, which have had, and are expected to continue to have, a material effect on the Company's financial position and results of operations. While the Company is unable to estimate reliably the effects on its consolidated financial position and its results of operations of any deterioration in the financial markets or of any continuing or increased volatility in the currency, commodities and equity markets for any periods subsequent to 30 June 2022, the Company's business activities may again be negatively impacted by the economic conditions resulting from global financial conditions, regional instability and any renewed declines in prices of and demand for crude oil and other commodities. Such market conditions could have an impact on, among other things, the Company's production and volumes of crude oil, natural gas and refined oil products, the Company's cash balances at Kazakhstan banks, the cost of the Company's funding and the KZT/U.S.$ exchange rate and, accordingly, may have a material adverse effect on the Company's business, prospects, financial condition, cash flows and results of operations.

In addition, through its ultimate control of the Company, the Government is in a position to influence the Company's activities, including the imposition of certain social and other obligations on the Company, which may have an adverse effect on the Company's financial position and results of operations. For example, the Company is required to supply natural gas to the domestic market at prices which are regulated by the Government, are lower than export prices and have in the past been lower than the cost of production of such natural gas. As a result, the Company currently incurs losses on its domestic supply of gas at current prices and domestic supply takes precedence over gas available to the Company to put back into production or for export opportunities. Following the January 2022 protests against the surge in LPG prices, the Government increased pressure on the Group to increase the volume of gas to be supplied to the domestic market at lower prices.

Impact of the Ongoing Military Conflict between Russia and Ukraine

On 24 February 2022, Russia declared the commencement of a special military operation on the territory of Ukraine and Russian military forces advanced into Ukraine. The situation in Eastern Europe, and sanctions imposed by governments in response, has led to significant volatility and disruption in the global credit markets and on the global economy. The degree to which the situation in Ukraine may affect the Group is uncertain. See "*Risk Factors— Risks relating to the region in which the Company operates — The Group's business and results of operations may be adversely affected by the ongoing military conflict between Russia and Ukraine.*"

Development and Evolution of the Legislative, Tax and Regulatory Frameworks, including New Environmental Regulations

The Environmental Code mandates that a linear emission reduction rate is used when the national carbon budget is developed. This stems from the need to comply with national contribution obligations of Kazakhstan under international treaties. Starting from 2022 the annual carbon budget is set to be 1.5 per cent. less than the previous year's carbon budget.

Therefore, Company's subsidiaries and affiliates shall reduce their greenhouse gas emissions by at least 1.5 per cent. annually. In this regard, on 4 November 2021, the Company's Board of Directors approved the LCD Programme, which aims to reduce the Company's carbon footprint by 15 per cent. by 2031 from the 2019 levels.

In 2022 the Company developed and approved the action plan for the implementation of the LCD Programme that envisages investment of U.S.$123 million over the next ten years to improve the operational efficiency of the Company. These measures will reduce the Company's carbon footprint by 1,226,371 tonnes of carbon dioxide by 2031. Additionally, the Company will invest U.S$668 million into construction of renewable energy sources. This will generate carbon offsets equivalent to 1,159,235 tonnes of carbon dioxide by 2031.

Based on the results of surveys conducted for assessing compliance with the requirements to for the implementation of automated online monitoring system (the "**AMS**"), a number of stationary sources at Atyrau Refinery, Pavlodar Refinery and Shymkent Refinery and 2 production assets (Kazakhoil Aktobe and MMG) fall under the obligation to implement the AMS. Other members of the Group are not subject to AMS implementation requirements due to not meeting the requisite emission rate criteria. The cost of implementing the AMS at these units was estimated to be about U.S.$13 million, however, given recent economic instability resulting from the Russia-Ukraine conflict, including volatility of the exchange rate, supply chain disruptions, the costs of AMS implementation may increase.

Changes in Exchange Rates

The following table sets forth the period average and period end KZT/U.S.$ exchange rates reported by the National Bank of Kazakhstan (after rounding adjustment) for the periods indicated:

Period ended	**Period Average**[(1)]	**Period-end**
	(KZT per U.S.$1.00)	
Year ended 31 December 2019	382.87	382.59
Year ended 31 December 2020	413.46	420.91
Year ended 31 December 2021	426.06	431.80
Six months ended 30 June 2021	424.22	427.89
Six months ended 30 June 2022	450.06	470.34

Note:
(1) The weighted average currency exchange rate reported by the Kazakhstan Stock Exchange JSC.
Source: Kazakhstan Stock Exchange JSC

The KZT/U.S.$ exchange rate affects the Company's results of operations, principally because (i) a majority of the Company's consolidated revenue from sales of crude oil and refined oil products are denominated in U.S. Dollars, while a substantial portion of the Company's expenses are denominated in Tenge, and (ii) a significant majority of the Company's borrowings and accounts payable are denominated in U.S. Dollars. Accordingly, fluctuations in the KZT/U.S.$ exchange rate have significantly affected, and are likely to continue to affect, the Company's consolidated results of operations.

On the one hand, the Company has significant U.S. Dollar-denominated liabilities, and, thus, a devaluation or depreciation of Tenge relative to the U.S. Dollar results in foreign currency translation losses that are recognised in the Company's consolidated statement of comprehensive income. Overall, however, any further devaluation or depreciation of Tenge would positively affect the Company's consolidated sales revenue since majority of the Company's revenue is denominated in U.S. Dollars.

As at 30 June 2022, certain of the Company's borrowings denominated in foreign currencies were designated as hedge instruments. These borrowings are used to hedge the Group's exposure to the U.S. dollar foreign exchange risk on the Group's investments in foreign operations. A loss of KZT 233,582 million on the translation of these borrowings was recognised in the six months ended 30 June 2022 (compared to a loss of KZT 43,956 million in the six months ended 30 June 2021) and was transferred to other comprehensive income, which partially offset translation gains and losses of net investments in subsidiaries (foreign operations).

See "— *Quantitative and Qualitative Disclosure about Market Risk — Foreign Currency Risk*" and "*Risk Factors — Risks relating to the Company's business — The Company may be subject to exchange and interest rate risk*".

Disposal of QazaqGaz

On 9 November 2021, the Company transferred to Samruk-Kazyna its 100 per cent. stake in QazaqGaz (formerly KazTransGaz). The transfer of QazaqGaz shares to Samruk-Kazyna took place in accordance with the Government's strategy to establish a national gas exploration, production and transportation operator.

The disposal of QazaqGaz also affected the comparability of the Group's results from period to period. Starting from 8 November 2021, QazaqGaz was classified as a discontinued operation. The business of QazaqGaz represented the entirety of the Group's gas trading and transportation segment until 8 November 2021. With QazaqGaz being disposed, the gas trading and transportation segment is no longer presented in the segment note. Further, the consolidated statement of comprehensive income and the consolidated statement of cash flows for the year ended 31 December 2020 were restated retrospectively. See Note 5 to the 2021 Financial Statements for further information on the results of QazaqGaz for the period ended 8 November 2021 and the year ended 31 December 2020.

Changes in Tariffs for Oil Transportation Services

The Company's oil transportation revenue is generated from tariffs charged to its customers. Tariffs for domestic and transit oil transportation are regulated by Natural Monopolies Committee and the Ministry of Energy, respectively, while transportation of oil for export was deregulated in May 2015. See "*Business—Transportation—Transportation of Crude Oil—Crude Oil Transportation Tariffs and Minimum Volumes*" and "*Risk Factors—Risks relating to the Company's business— The Group faces risks associated with regulated oil transportation tariffs, some of which have been and may be set by the Government at below cost".*

Oil Transportation

Oil transportation revenue is generated principally by KTO and KCP under long-term contracts for the transportation of crude oil to be exported through the pipeline systems they operate. In year ended 31 December 2021, 26 per cent. of oil transported by KTO, KCP and MunaiTas was for export, 41 per cent. was domestic transport, and 31 per cent. was for transit through Kazakhstan, with CPC transporting oil exclusively for export. As at 30 June 2022, 25 per cent. of oil transported by KTO, KCP and MunaiTas was for export, 46 per cent. was domestic transport, and 28 per cent. was for transit through Kazakhstan.

Export

There is no state regulation of tariffs for export and transit of crude oil by trunk pipeline by KTO, KCP or MunaiTas, though the tariff for CPC's export of crude oil is set out in accordance with the shareholders' agreement between the parties. The table below sets forth the tariffs for the export of crude oil applicable during the periods indicated:

	For the six months ended 30 June	For the year ended 31 December		
	2022	2021	2020	2019
KazTransOil (*KZT per tonne per 1,000 km)*	7,603	7,359	6,399 (7,359 from 1 March 2020)	7,359
Kazakhstan-China Pipeline (*KZT per tonne per 1,000 km)*	6,799	6,799	6,799	6,799
MunaiTas (*KZT per tonne per 1,000 km)*	5,912	5,912	5,912	5,912
Caspian Pipeline Consortium (*USD per tonne)*	36	38	38	38

Domestic

Domestic tariffs remain subject to approval by the Natural Monopolies Committee. The Natural Monopolies Committee approved the following maximum tariffs for domestic transportation of crude oil for the periods indicated:

	For the six months ended 30 June	For the year ended 31 December		
	2022	2021	2020	2019
KazTransOil (*KZT per tonne per 1,000 km)*	3,729	4,356 (4,328 from 1 December 2021)	4,110	4,772 (4,717 from 1 September 2019)
Kazakhstan-China Pipeline (*KZT per tonne per 1,000 km)*	4,359	4,323.7	6,456 (7,158 from 1 February 2020)	7,158
MunaiTas (*KZT per tonne per 1,000 km)*	5,912	5,912	5,457.3 (5,912 from 25 December 2020)	5,724 (5,912 from 1 July 2019)

Transit

KTO and KCP also charge fixed tariffs for the transit of Russian crude oil through their pipeline systems to China. Tariffs for the transit of crude oil by a trunk pipeline are subject to approval by the Ministry of Energy. The Ministry of Energy has set the following rates up to 2023: (i) U.S.$4.23 per tonne for KTO and (ii) U.S.$10.77 for KCP.

Any increases in the tariffs charged by the Group have had, and any future increases are expected to continue to have, a positive increase on the oil transportation fees received by the Company, as well as on its profitability. Conversely, however, such tariff increases have in the past, and are expected in the future to continue to have, a weaker negative impact on the Company's upstream businesses and associated entities, such as TCO, KPO, and NCOC.

Changes in the Company's Capital Expenditure Programme

Although capital expenditures for the projects of the Company's joint ventures are financed at the level of the relevant joint venture, historically, the Company has had significant levels of capital spending and investment, primarily in connection with its refinery modernisation programme which was completed in 2019 and cost approximately KZT 1.5 trillion (or U.S.$3.9 billion). See "*Operating and Financial Review—Total Capital Expenditures*". The Company may also engage in further capital-intensive projects in future.

As a result of these and other capital expenditure intensive projects undertaken by the Company, in 2021, the Company's total capital expenditures were KZT 414.2 billion, as compared to KZT 454.2 billion in 2020 and KZT 505.3 billion in 2019. The Company currently expects that the majority of its capital expenditure commitments in the short-to-medium term will be in respect of projects aimed at maintaining the current level of production at existing fields.

Changes in the Share in Profit from Joint Ventures and Associates

The Company, both directly and through its subsidiaries, is a party to a number of joint venture arrangements with third parties, including principally TCO, CPC, NCOC and MMG. For the six months ended 30 June 2022 and 2021 and for the years ended 31 December 2021, 2020 and 2019, the Company derived a significant portion of its consolidated profits from TCO, CPC, Kashagan, MMG and its other joint ventures and associates. For the six months ended 30 June 2022, a total comprehensive income attributable to the Company's 20 per cent. joint venture interest in TCO was KZT 401.1 billion and total comprehensive income attributable to all of the of the Company's joint venture interests and associates was KZT 643.5 billion. For the year ended 31 December 2021, a total comprehensive income attributable to the Company's 20 per cent. joint venture interest in TCO (as at 31 December 2021) was KZT 442 billion and total comprehensive income attributable to all of the Company's joint venture interests and associates was KZT 769 billion. Accordingly, the Company's profitability has been, and is expected to continue to be, materially affected by the results of operations of such joint ventures over which it does not exercise full control.

Results of Operations for the Six Months Ended 30 June 2022 Compared to the Six Months Ended 30 June 2021

	For the six months ended June 30	
	2022	2021 (restated)
	(KZT millions)	
Revenue and other income		
Revenue from contracts with customers	4,203,150	2,672,028
Share in profit of joint ventures and associates, net	643,548	324,165
Finance income	52,902	34,645
Gain on sale of joint ventures	—	2,674
Other operating income	10,038	14,381
Total revenue and other income	**4,909,638**	**3,047,893**
Costs and expenses		
Cost of purchased oil, gas, petroleum products and other materials	(2,817,958)	(1,621,125)
Production expenses	(482,206)	(312,816)
Taxes other than income tax	(291,171)	(189,918)
Depreciation, depletion and amortization	(163,416)	(160,082)
Transportation and selling expenses	(69,811)	(65,552)
General and administrative expenses	(66,793)	(57,079)
Reversal of impairment/(impairment) of property, plant and equipment, exploration and evaluation assets, intangible assets and assets classified as held for sale	630	(3,758)
Exploration expenses	—	(19,800)
Finance costs	(153,361)	(115,824)
Foreign exchange (loss)/gain, net	(39,920)	3,780
Loss on disposal of subsidiaries	—	(1,351)
Other expenses	(14,072)	(8,595)
Total costs and expenses	**(4,098,078)**	**(2,552,120)**
Profit before income tax	**811,560**	**495,773**
Income tax expenses	(134,600)	(106,085)
Profit for the period from continuing operations	**676,960**	**389,688**
Discontinued operations		
Profit after income tax for the year from discontinued operations	—	254,745
Net profit for the period	**676,960**	**644,433**
Net profit for the period attributable to:		
Equity holders of the Parent Company	656,162	643,859
Non-controlling interest	20,798	574
	676,960	**644,433**

Revenue from contracts with customers

For the six months ended 30 June 2022, total revenue was KZT 4,203.2 billion compared to KZT 2,672.0 billion for the six months ended 30 June 2021, reflecting an increase of KZT 1,531.2 billion, or 57.3 per cent. This increase was primarily due to an increase in the sales of crude oil and gas as a result of an increase in the Brent price.

The following table sets forth certain information regarding the Company's revenue for the periods indicated:

	For the six months ended June 30	
	2022	2021 (restated)
	(KZT millions)	
Sales of crude oil and gas	2,386,316	1,382,482
Sales of refined products	1,498,893	975,631
Refining of oil and oil products	107,389	102,459
Oil transportation services	84,454	84,276

	For the six months ended June 30	
	2022	2021 (restated)
	(KZT millions)	
Other revenue	126,098	127,180
Total	**4,203,150**	**2,672,028**

Sales *of Crude Oil and Gas*

Total revenue from the Company's sales of crude oil and gas increased by KZT 1,003.8 billion, or 72.6 per cent., to KZT 2,386.3 billion for the six months ended 30 June 2022, compared to KZT 1,382.5 billion for the six months ended 30 June 2021. This increase was primarily due to an increase in the weighted average world oil price, despite a slight decrease in the sales volumes of crude oil and gas.

Sales of Refined Products

Total revenue from the Company's sales of refined products increased by KZT 523.3 billion, or 53.6 per cent., to KZT 1,498.9 billion for the six months ended 30 June 2022, compared to KZT 975.6 billion for the six months ended 30 June 2021. This increase was primarily due to an increase in the average selling prices of refined products.

The following table sets forth certain information regarding the Company's refined products sales, where the Company is a principal, excluding tolling volumes and sales, for the periods indicated:

	For the six months ended 30 June	
	2022	2021
Refined oil products sales (*KZT billions*)	1,498.9	975.6
Refined oil products volumes sold (*thousands of tonnes*)	4,605	4,443
Average price per tonne of refined oil products (*KZT*)	325,493	219,588

Refining of oil and oil products

For the six months ended 30 June 2022, revenue from refining of oil and oil products was KZT 107.4 billion, as compared to KZT 102.5 billion for the six months ended 30 June 2021, reflecting an increase of KZT 4.9 billion, or 4.8 per cent. This increase reflects a slight increase in the processing volumes at the Company's refineries.

Oil transportation services

For the six months ended 30 June 2022, revenue from oil transportation services was KZT 84.5 billion as compared to KZT 84.3 billion for the six months ended 30 June 2021, reflecting a slight increase of KZT 178 million, or 0.2 per cent. This increase reflects a slight increase in the total volume of oil trunk pipelines transportation period-over-period as a result of the increased volumes of oil supplied by MunaiTas and KCP Pipeline.

Other revenue

For the six months ended 30 June 2022, other revenue was KZT 126.1 billion as compared to KZT 127.2 billion for the six months ended 30 June 2021, reflecting a slight decrease of KZT 1.1 billion, or 0.9 per cent. This decrease was primarily as a result of decrease in the volume of work provided by oilfield service companies due to a decrease in orders from oil producing companies.

Share in Profit of Joint Ventures and Associates, Net

For the six months ended 30 June 2022, the net share in profit of joint ventures and associates increased by KZT 319.3 billion, or 98.5 per cent., to KZT 643.5 billion from KZT 324.2 billion for the six months ended 30 June 2021. This increase was primarily due to increased profits from TCO by KZT 202.1 billion, Kashagan by KZT 66.5 billion, CPC by KZT 24 billion and MMG by KZT 14 billion, following the increase in the average annual spot price of Brent crude oil. The following table sets forth certain information regarding the income (loss) of the Company's joint ventures and associates for the periods indicated:

	For the six months ended 30 June		
	2022	2021 (restated)	Change
	(KZT millions)		(per cent.)
Joint ventures			
Tengizchevroil LLP	401,091	199,005	101.5
KMG Kashagan B.V.	97,303	30,798	215.9
Mangistau Investments B.V.	40,587	26,794	51.5
Kazgermunai JV LLP	10,758	4,099	162.5
Kazakhstan-China Pipeline LLP	8,977	6,881	30.5
KazRosGas LLP	8,512	9,165	(7.1)
Valsera Holdings B.V.	5,537	4,551	21.7
Kazakhoil Aktobe LLP	5,170	2,737	88.9
Teniz Service LLP	(2,015)	(3,096)	(34.9)
Ural Group Limited	(4,491)	(5,220)	(14.0)
Other	1,087	1,828	(40.5)
Associates			
Caspian Pipeline Consortium	63,709	39,321	62.0
PetroKazakhstan Inc.	2,745	5,832	(52.9)
Other	4,578	1,470	211.4
	643,548	**324,165**	**98.5**

Finance Income

For the six months ended 30 June 2022, finance income was KZT 52.9 billion compared to KZT 34.6 billion for the six months ended 30 June 2021, reflecting an increase of KZT 18.3 billion, or 52.9 per cent. This increase was primarily attributable to the increased interest income on bank deposits, financial assets, loans and bonds.

Other Operating Income

For the six months ended 30 June 2022, the Company recorded KZT 10.0 billion of other operating income compared to KZT 14.4 billion for the six months ended 30 June 2021, reflecting a decrease of KZT 4.4 billion, or 30.6 per cent. In the six months ended 30 June 2022, the decrease in this other operating income primarily related to fines and penalties on contracts, sale of inventories, rent.

Cost of Purchased Oil, Gas, Petroleum Products and Other Materials

For the six months ended 30 June 2022, cost of purchased oil, gas, petroleum products and other materials was KZT 2,818.0 billion compared to KZT 1,621.1 billion for the six months ended 30 June 2021, reflecting an increase of KZT 1,196.9 billion, or 73.8 per cent. This increase was primarily attributable to the increase in the average annual spot price of Brent crude oil from U.S.$106.92 in the six months ended 30 June 2022 to U.S.$64.8 in the same period of 2021, and Tenge's depreciation against the U.S. dollar from 424.22 in the six months ended 30 June 2021 to 450.06 KZT/U.S.$ in the six months ended 30 June 2022.

The following table sets forth certain information regarding the Company's cost of purchased oil, gas, petroleum products and other materials for the periods indicated:

	For the six months ended 30 June		
	2022	2021 (restated)	Change
	(KZT millions)		(per cent.)
Purchased oil for resale	2,149,835	1,216,468	76.7
Cost of oil for refining	413,961	251,415	64.7
Materials and supplies	175,046	112,835	55.1
Purchased gas for resale	42,870	23,573	81.9
Purchased petroleum products for resale	36,246	16,834	115.3
Total	**2,817,958**	**1,621,125**	**73.8**

The increase in purchased oil for resale expense by KZT 933.3 billion to KZT 2,149.8 billion for the six months ended 30 June 2022 compared to KZT 1,216.5 billion for the six months ended 30 June 2021 was primarily attributable to rising global oil prices, and Tenge's depreciation against the U.S. dollar.

The increase in cost of oil for refining by KZT 162.6 billion to KZT 414.0 billion for the six months ended 30 June 2022 compared to KZT 251.4 billion for the six months ended 30 June 2021 was primarily attributable to rising global oil prices, and Tenge's depreciation against the U.S. dollar.

The increase in the cost of materials and supplies by KZT 62.2 billion to KZT 175.0 billion for the six months ended 30 June 2022 compared to KZT 112.8 billion for the six months ended 30 June 2021 was primarily due to KMGI facing higher costs of raw materials and materials for processing, as well as the higher cost of goods at gas stations There was also an increase in refinery costs, following changes to the legislation governing the purchase of gas from suppliers.

The increase in the cost of purchased gas for resale by KZT 19.3 billion to KZT 42.9 billion for the six months ended 30 June 2022 compared to KZT 23.6 billion for the six months ended 30 June 2021 was primarily due to higher average gas prices and the depreciation of Tenge against the U.S. dollar, as well as an increased sales volume.

The increase in purchased petroleum products for resale by KZT 19.4 billion to KZT 36.2 billion for the six months ended 30 June 2022 compared to KZT 16.8 billion for the six months ended 30 June 2021 was primarily attributable to higher prices of purchased petroleum products for resale, following increased global oil prices and Tenge's depreciation against the U.S. dollar, as well as a decreased sales volume.

Production Expenses

For the six months ended 30 June 2022, production expenses were KZT 482.2 billion compared to KZT 312.8 billion for the six months ended 30 June 2021, reflecting an increase of KZT 169.4 billion. This increase was primarily attributable to increased payroll expenses, repair and maintenance expenses, energy expenses and transportation expenses.

The following table sets forth certain information regarding the Company's production expenses for the periods indicated:

	For the six months ended 30 June		
	2022	**2021 (restated)**	**Change**
	(KZT millions)		*(per cent.)*
Payroll	187,959	146,951	27.9
Realized losses from derivatives on petroleum products	78,908	7,879	901.5
Energy	63,497	43,577	45.7
Repair and maintenance	63,431	45,540	39.3
Short-term lease expenses	35,137	13,383	162.5
Transportation costs	30,448	21,179	43.8
Other	22,826	34,307	(33.5)
	482,206	**312,816**	**54.2**

The increase in payroll expenses by KZT 41.0 billion to KZT 188.0 billion for the six months ended 30 June 2022 compared to KZT 147.0 billion for the six months ended 30 June 2021 was primarily attributable to the indexation of production staff wages and the depreciation of Tenge against the U.S. dollar. This was partially offset by staff turnover and increased vacancies.

The increase in realized losses from derivatives on petroleum products by KZT 71.0 billion to KZT 78.9 billion for the six months ended 30 June 2022 compared to KZT 7.9 billion for the six months ended 30 June 2021 was primarily attributable to increased losses from oil derivatives of KMG International.

The increase in energy expenses by KZT 19.9 billion to KZT 63.5 billion for the six months ended 30 June 2022 compared to KZT 43.6 billion for the six months ended 30 June 2021 was primarily due to increased energy prices.

The increase in repair and maintenance expenses by KZT 17.9 billion to KZT 63.4 billion for the six months ended 30 June 2022 compared to KZT 45.5 billion for the six months ended 30 June 2021 was primarily attributable to the lower levels of repair and maintenance work undertaken in the six months ended 30 June 2021, as a result of higher volumes of oil refinery.

The increase in short-term lease expenses by KZT 21.7 billion to KZT 35.1 billion for the six months ended 30 June 2022 from KZT 13.4 billion for the six months ended 30 June 2021 was primarily due to greater volumes of oil transportation by KMTF using leased tankers.

The increase in transportation costs by KZT 9.2 billion to KZT 30.4 billion for the six months ended 30 June 2022 compared to KZT 21.2 billion for the six months ended 30 June 2021 was primarily due to the increase in transportation volumes and tariffs.

The decrease in other expenses by KZT 11.5 billion to KZT 22.8 billion for the six months ended 30 June 2022 from KZT 34.3 billion for the six months ended 30 June 2021 was primarily due to change in finished goods and work in progress of KMG International due to production process.

Taxes other than Income Tax

For the six months ended 30 June 2022, taxes other than income tax were KZT 291.2 billion compared to KZT 189.9 billion for the six months ended 30 June 2021, reflecting an increase of KZT 101.3 billion or 53.3 per cent. This increase was mainly as a result of higher expenses on rent tax, export customs duty and MET as a result of higher oil prices.

	For the six months ended 30 June		
	2022	**2021 (restated)**	**Change**
	(KZT millions)		*(per cent.)*
Rent tax on crude oil export	103,360	55,583	86.0
Export customs duty	60,132	49,231	22.1
Mineral extraction tax	58,532	41,763	40.2
Other taxes	69,147	43,341	59.5
	291,171	**189,918**	**53.3**

The increase in the rent tax on crude oil export by KZT 47.8 billion to KZT 103.4 billion for the six months ended 30 June 2022 from KZT 55.6 billion for the six months ended 30 June 2021 was primarily due to Tenge's depreciation against the U.S. dollar, and higher global oil prices.

The increase in export customs duty by KZT 10.9 billion to KZT 60.1 billion for the six months ended 30 June 2022 from KZT 49.2 billion for the six months ended 30 June 2021 was primarily due to increased global oil prices and export customs duty, following the depreciation of Tenge against the U.S. dollar.

The increase in the mineral extraction tax by KZT 16.7 billion to KZT 58.5 billion for the six months ended 30 June 2022 from KZT 41.8 billion for the six months ended 30 June 2021 was primarily due to Tenge's depreciation against the U.S. dollar, and higher global oil prices.

The increase in other taxes on crude oil export by KZT 25.8 billion to KZT 69.1 billion for the six months ended 30 June 2022 from KZT 43.3 billion for the six months ended 30 June 2021 was primarily due to higher excise tax expenses, following increased production and sales volumes of excisable petroleum products in the six months ended 30 June 2022, as well as changes in legislation regarding an increase in the existing rate.

Depreciation, Depletion and Amortisation

For the six months ended 30 June 2022, depreciation, depletion and amortisation was KZT 163.4 billion compared to KZT 160.1 billion for the six months ended 30 June 2021, reflecting an increase of KZT 3.3 billion or 2.1 per cent. This increase was primarily due to the development of capital investments, as well as a higher U.S. Dollar exchange rate.

Transportation and Selling Expenses

For the six months ended 30 June 2022, transportation and selling expenses were KZT 69.8 billion compared to KZT 65.6 billion for the six months ended 30 June 2021, reflecting an increase of KZT 4.2 billion, or 6.4 per cent. This increase was primarily attributable to higher U.S. Dollar exchange rate, as well as weakening of measures for the non-proliferation of COVID-19 in comparison with the reporting period of 2021, which was partially offset by exports volume decline.

The following table sets forth certain information regarding the Company’s transportation and selling expenses during the periods indicated:

	For the six months ended 30 June		
	2022	**2021 (restated)**	**Change**
	(KZT millions)		*(per cent.)*
Transportation	46,146	44,055	4.7
Payroll	7,156	6,017	18.9
Other	16,509	15,480	6.6
Total	**69,811**	**65,552**	**6.5**

The increase in transportation expenses to KZT 46.1 billion for the six months ended 30 June 2022 compared to KZT 44.1 billion for the six months ended 30 June 2021 was primarily attributable to depreciation of Tenge against the U.S. dollar and greater volume of oil transportation.

The increase in payroll expenses to KZT 7.2 billion for the six months ended 30 June 2022 compared to KZT 6.0 billion for the six months ended 30 June 2021 was primarily attributable to salaries indexation and depreciation of Tenge against the U.S. dollar.

The increase in other expenses to KZT 16.5 billion for the six months ended 30 June 2022 compared to KZT 15.5 billion for the six months ended 30 June 2021 was primarily attributable to the depreciation of Tenge against the U.S. dollar.

General and Administrative Expenses

For the six months ended 30 June 2022, general and administrative expenses were KZT 66.8 billion compared to KZT 57.1 billion for the six months ended 30 June 2021, reflecting an increase of KZT 9.7 billion.

The following table sets forth certain information regarding the Company’s general and administrative expenses for the periods indicated:

	For the six months ended 30 June		
	2022	**2021 (restated)**	**Change**
	(KZT millions)		*(per cent.)*
Payroll	31,696	27,341	15.9
Consulting services	6,718	6,554	2.5
Maintenance	2,828	2,167	30.5
Social payments	2,030	1,842	10.2
VAT that could not be offset	1,477	1,199	23.2
Accrual of expected credit losses for trade receivables and other current financial assets	928	3,105	(70.1)
Communication	758	770	(1.6)
Accrual/(reversal) of impairment of other current non-financial assets	262	75	249.3

	For the six months ended 30 June		
	2022	2021 (restated)	Change
	(KZT millions)		(per cent.)
Allowance for fines, penalties and tax provisions	237	1,513	(84.3)
Accrual/(reversal) of impairment of VAT receivable	55	(2,075)	—
Other(1)	19,804	14,588	35.8
Total..	**66,793**	**57,079**	**17.0**

Note:

(1) The other general and administrative expenses are composed of travel, communication, representative offices, rental, security, bank services expenses and fines.

The increase in payroll expenses to KZT 31.7 billion for the six months ended 30 June 2022 compared to KZT 27.3 billion for the six months ended 30 June 2021 was primarily attributable to the indexation of employees' salaries throughout the Group.

The increase in the cost of consulting services to KZT 6.7 billion for the six months ended 30 June 2022 compared to KZT 6.6 billion for the six months ended 30 June 2021 was primarily attributable to the fees paid for legal services in relation to ongoing arbitration proceedings.

The increase in maintenance expenses to KZT 2.8 billion for the six months ended 30 June 2022 from KZT 2.2 billion for the six months ended 30 June 2021 was primarily attributable to depreciation of Tenge against the U.S. dollar.

The increase in social payments to KZT 2.0 billion for the six months ended 30 June 2022 compared to KZT 1.8 billion for the six months ended 30 June 2021 was primarily attributable to salaries indexation

The increase in VAT that cannot be offset to KZT 1.5 billion for the six months ended 30 June 2022 compared to KZT 1.2 billion for the six months ended 30 June 2021 was primarily attributable to greater volume of services provided by non-residents of Kazakhstan, according to Tax Code VAT on these services is not recoverable (should be expensed).

The KZT 0.9 billion accrual of expected credit losses for trade receivables and other current assets for the six months ended 30 June 2022 compared to an accrual of expected credit losses for trade receivables and other current assets of KZT 3.1 billion for the six months ended 30 June 2021 was primarily attributable to the increase in quality of assets.

The decrease in the allowance for fines, penalties and tax provisions to KZT 0.2 billion for the six months ended 30 June 2022 compared to KZT 1.5 billion for the six months ended 30 June 2021 was primarily attributable to the fact that in six months ended 30 June 2021 EMG incurred non-regular penalties related to environmental obligations and gas flaring volumes.

The KZT 55 million accrual of impairment of VAT receivable for the six months ended 30 June 2022 compared to a reversal in respect of impairment of VAT receivable of KZT 2.1 billion for the six months ended 30 June 2021 was primarily attributable to the fact that in 2021 VAT receivable was reimbursed to EMG from tax authorities and reversal of impairment was made. The increase in other general and administrative expenses to KZT 19.8 billion for the six months ended 30 June 2022 compared to KZT 14.6 billion for the six months ended 30 June 2021 was primarily attributable to depreciation of Tenge against the U.S. dollar.

Reversal of Impairment / Impairment of Property, Plant and Equipment, Intangible Assets, Exploration and Evaluation Assets and Assets Held for Sale

For the six months ended 30 June 2022, the Company recorded KZT 0.6 billion in reversal of impairment of property, plant and equipment, intangible assets, exploration and evaluation assets and assets held for sale compared to KZT 3.8 billion impairment for the six months ended 30 June 2021. This change was due to impairment of fixed assets of Management of Technological Transport and Maintenance of Wells LLP (UTTiOS LLP) due to lower cost of disposal.

Other Expenses

For the six months ended 30 June 2022, the Company recorded KZT 14.1 billion of other expenses compared to KZT 8.6 billion for the six months ended 30 June 2021, reflecting an increase of KZT 5.5 billion, or 64.0 per cent. This increase was primarily attributable to losses on foreign currency transactions.

Finance Costs

For the six months ended 30 June 2022, the Company recorded finance costs of KZT 153.4 billion compared to KZT 115.8 billion for the six months ended 30 June 2021, reflecting an increase of KZT 37.6 billion, or 32.5 per cent. This increase was primarily attributable to the increase in interest expense on loans and bonds due to the weakening of the average Tenge exchange rate, as well as in connection with the write-off of previously recognized costs due to the early repayment of a loan from EXIM Bank of China.

Net Foreign Exchange Loss / Gain

For the six months ended 30 June 2022, the Company recorded a net foreign exchange loss of KZT 39.9 billion compared to a net foreign exchange gain of KZT 3.8 billion for the six months ended 30 June 2021. The net foreign exchange loss in the six months ended 30 June 2022 was primarily attributable to fluctuations of exchange rates.

Profit before Income Tax

As a result of the foregoing, the Company's profit before income tax for the six months ended 30 June 2022 was KZT 811.6 billion compared to KZT 495.8 billion for the six months ended 30 June 2021

Income Tax Expenses

For the six months ended 30 June 2022, the Company recorded income tax expenses of KZT 134.6 billion compared to KZT 106.1 billion for the six months ended 30 June 2021, reflecting an increase of KZT 28.5 billion, or 26.9 per cent. This increase was primarily due to higher corporate income tax, following an increase in taxable income reflecting higher global oil prices and Company oil sales, and Tenge's depreciation against the U.S. dollar.

Profit for the Period from Continuing Operations

As a result of the foregoing, the Company's profit for the period from continuing operations increased by KZT 287.3 billion to KZT 677.0 billion for the six months ended 30 June 2022 from KZT 389.7 billion for the six months ended 30 June 2021.

Net Profit for the Period

As a result of the foregoing, the Company's net profit for the six months ended 30 June 2022 was KZT 677.0 billion compared to KZT 644.4 billion for the six months ended 30 June 2021, reflecting an increase of KZT 32.6 billion, or 5.1 per cent. The Company's net profit for the six months ended 30 June 2022 and 2021 represented 16.1 per cent. and 24.1 per cent., respectively, of the Company's revenue for such periods.

Results of Operations for the Year Ended 31 December 2021 Compared to the Year Ended 31 December 2020

	For the years ended December 31	
	2021	**2020 (restated)**
	(KZT millions)	
Revenue and other income		
Revenue	5,838,793	3,624,964
Share in profit of joint ventures and associates, net	768,733	280,815

	For the years ended December 31	
	2021	2020 (restated)
	(KZT millions)	
Finance income	84,599	87,987
Gain on sale of joint ventures	19,835	-
Other operating income	30,779	19,020
Total revenue and other income	**6,742,739**	**4,012,786**
Costs and expenses		
Cost of purchased oil, gas, petroleum products and other materials	(3,596,491)	(1,901,236)
Production expenses	(693,031)	(656,178)
Taxes other than income tax	(428,639)	(254,322)
Depreciation, depletion and amortization	(322,068)	(317,427)
Transportation and selling expenses	(131,912)	(137,144)
General and administrative expenses	(148,478)	(146,625)
Impairment of property, plant and equipment, exploration and evaluation assets, intagible assets and assets classified as held for sale	(20,724)	(243,893)
Exploration expenses	(79,083)	(19,807)
Impairment of investments in joint venture and associate	(64)	(30,654)
Finance costs	(249,265)	(265,372)
Net foreign exchange gain/(loss)	17,781	(16,189)
Other expenses	(24,510)	(28,094)
Total costs and expenses	**(5,676,484)**	**(4,016,941)**
Profit(/Loss) before income tax	**1,066,255**	**(4,155)**
Income tax expenses	(221,393)	(85,276)
Profit(/Loss) for the year from continuing operations	**844,862**	**(89,431)**
Discontinued operations		
Profit/(loss) after income tax for the year from discontinued operations	352,478	261,328
Net profit for the year	**1,197,340**	**171,897**
Net profit/(loss) for the year attributable to:		
Equity holders of the Parent Company	1,215,561	273,237
Non-controlling interest	(18,221)	(101,340)
	1,197,340	**171,897**

Revenue

For the year ended 31 December 2021, total revenue was KZT 5,838.8 billion compared to KZT 3,625.0 billion for the year ended 31 December 2020, reflecting an increase of KZT 2,213.8 billion, or 61.1 per cent. The uptrend was mainly attributable to Brent crude's price increasing by 69.5 per cent. year-on-year, Tenge's depreciation against the U.S. dollar by 3.0 per cent. year-on-year, and higher volumes of oil trading and sales by KMG International. The revenue growth was curbed by production cuts at certain fields in accordance with the OPEC+ Agreement and a natural decline in production from mature fields.

The following table sets forth certain information regarding the Company's revenue for the periods indicated:

	For the year ended 31 December	
	2021	2020 (restated)
	(KZT millions)	
Sales of crude oil and gas	3,097,249	1,676,749
Sales of refined products	2,102,113	1,336,723
Refining of oil and oil products	203,425	193,659
Oil and gas transportation services	171,365	167,911
Other revenue	264,641	249,922
Total	**5,838,793**	**3,624,964**

Sales of Crude Oil and Gas

Total revenue from the Company's sales of crude oil and gas increased by KZT 1,420.5 billion, or 84.7 per cent., to KZT 3,097.2 billion for the year ended 31 December 2021 compared to KZT 1,676.7 billion for the year ended 31 December 2020. This increase was primarily a result of an increase in the weighted average world oil price, despite the fact that crude oil sales volumes remained largely flat year-on-year.

Sales of Refined Products

Total revenue from the Company's sales of refined products for the year ended 31 December 2021 increased by KZT 765.4 billion, or 57.3 per cent., to KZT 2,102.1 billion compared to KZT 1,336.7 billion for the year ended 31 December 2020. This increase was primarily a result of higher sales volumes and average selling prices of refined products.

The following table sets forth certain information regarding the Company's refined products sales, where the Company is a principal, excluding tolling volumes and sales, for the periods indicated:

	For the year ended 31 December	
	2021	**2020**
Refined oil products sales (*KZT billions*)	2,102	1,337
Refined oil products volumes sold (*thousands of tonnes*)	9,065	8,391
Average price per tonne of refined oil products (*KZT*)	231,202	158,481

Oil and Gas Transportation Services

In the year ended 31 December 2021, revenue from oil transportation services was KZT 171.4 billion, as compared to KZT 167.9 billion in the year ended 31 December 2020, reflecting a slight increase of KZT 3.5 billion or 2.1 per cent. This slight increase was primarily attributable to an increased volume of marine oil transportation, relative to the year ended 31 December 2020.

Refining of Oil and Oil Products

For the year ended 31 December 2021, revenue from refining of oil and oil products was KZT 203.4 billion compared to KZT 193.7 billion for the year ended 31 December 2020, reflecting an increase of KZT 9.8 billion, or 5.0 per cent. This increase was primarily attributable to low levels of oil being supplied to the refineries in 2020, caused by a lower quality of oil at CNPC-Aktobemunaigas, preventative maintenance works being carried out at the refineries, and the refineries operating at lower levels because of decreased demand in the Kazakh market. In 2021, refining tariffs were also increased.

Other Revenue

For the year ended 31 December 2021, other revenue was KZT 264.6 billion compared to KZT 249.9 billion for the year ended 31 December 2020, reflecting an increase of KZT 14.7 billion, or 5.9 per cent. This increase was primarily due to a foreign exchange gain on sales of other products at gas stations.

Share in Profit of Joint Ventures and Associates, Net

For the year ended 31 December 2021, the net share in profit of joint ventures and associates increased by KZT 487.9 billion, or 173.8 per cent., to KZT 768.7 billion from KZT 280.8 billion for the year ended 31 December 2020. This increase was primarily due to increased profits from TCO by KZT 268.2 billion, KMG Kashagan by KZT 95.4 billion, MMG by KZT 63.4 billion, and KazRosGas by KZT 20 billion, following the increase in the average annual spot price of Brent crude oil from U.S.$41.96 in 2020 to U.S.$70.86 in 2021. The following table sets forth certain information regarding the income (loss) of the Company's joint ventures and associates for the periods indicated:

	For the year ended 31 December		
	2021	2020 (restated)	Change
	(KZT millions)		(per cent.)
Tengizchevroil LLP	441,665	173,476	154.6
Caspian Pipeline Consortium	90,904	81,582	11.4
KMG Kashagan B.V.	88,423	(6,961)	-
Mangistau Investments B.V.	80,154	16,749	378.6
KazRosGas LLP	20,952	957	2,089.3
Kazakhstan-China Pipeline LLP	13,464	10,380	29.7
Kazakhoil Aktobe LLP	13,379	2,448	446.5
Valsera Holdings B.V.	11,868	(6,137)	-
PetroKazakhstan Inc.	8,042	(8,812)	-
Kazgermunai JV LLP	6,108	15,622	(60.9)
Teniz Service LLP	(3,089)	3,891	-
Ural Group Limited	(11,060)	(10,265)	(7.7)
Other joint ventures and associates	7,923	7,885	0.5
	768,733	**280,815**	**173.8**

Finance Income

For the year ended 31 December 2021, finance income was KZT 84.6 billion compared to KZT 88.0 billion for the year ended 31 December 2020, reflecting a slight decrease of KZT 3.4 billion, or 3.9 per cent. This slight decrease was primarily attributable to the revaluation of financial assets at fair value, which was offset by recognition of discount on a loan with non-market interest rate.

Gain on Sale of Joint Ventures

For the year ended 31 December 2021, the gain on sale of joint ventures was KZT 19.8 billion compared to nil for the year ended 31 December 2020, reflecting an increase of 19.8 KZT billion. This increase was attributable to the sale of Liquefied Petroleum Gas Storage Park LLP, an affiliate of Atyrau Refinery, for KZT 2.7 billion and the sale of the Company's interest in CaspiBitum for KZT 17.2 billion.

Other Operating Income

For the year ended 31 December 2021, the Company recorded KZT 30.8 billion of other operating income compared to KZT 19.0 billion for the year ended 31 December 2020, reflecting an increase of KZT 11.8 billion, or 61.9 per cent. In the year ended 31 December 2021, this other operating income primarily related to electricity supply services.

Cost of Purchased Oil, Gas, Petroleum Products and Other Materials

For the year ended 31 December 2021, cost of purchased oil, gas, petroleum products and other materials was KZT 3,596.5 billion compared to KZT 1,901.2 billion for the year ended 31 December 2020, reflecting an increase of KZT 1,695.3 billion, or 89.2 per cent. This increase was primarily attributable to the increase in the average annual spot price of Brent crude oil from U.S.$41.96 in 2020 to U.S.$70.86 in 2021, and Tenge's depreciation against the U.S. dollar from 413.46 in 2020 to 426.06 KZT/U.S.$ in 2021.

The following table sets forth certain information regarding the Company's cost of purchased oil, gas, petroleum products and other materials for the periods indicated:

	For the year ended 31 December		
	2021	2020 (restated)	Change
	(KZT millions)		(per cent.)
Purchased oil for resale	2,626,857	1,311,169	100.3
Cost of oil for refining	558,603	313,543	78.2
Materials and supplies	256,761	214,332	19.8
Purchased petroleum products for resale	97,964	45,870	113.6
Purchased gas for resale	56,306	16,322	245.0
Total	**3,596,491**	**1,901,236**	**89.2**

The increase in purchased oil for resale expense by KZT 1,315.7 billion to KZT 2,626.9 billion for the year ended 31 December 2021 compared to KZT 1,311.2 billion for the year ended 31 December 2020 was primarily attributable to rising global oil prices, and Tenge's depreciation against the U.S. dollar. This increase in costs was partially offset by a decreased volume of oil sales.

The increase in cost of oil for refining by KZT 245.1 billion to KZT 558.6 billion for the year ended 31 December 2021 compared to KZT 313.5 billion for the year ended 31 December 2020 was primarily attributable to rising global oil prices, and Tenge's depreciation against the U.S. dollar.

The increase in the cost of materials and supplies by KZT 42.4 billion to KZT 256.8 billion for the year ended 31 December 2021 compared to KZT 214.3 billion for the year ended 31 December 2020 was primarily due to KMGI facing higher costs of raw materials and materials for processing, as well as the higher cost of goods at gas stations. There was also an increase in refinery costs, following changes to the legislation governing the purchase of gas from suppliers.

The increase in purchased petroleum products for resale by KZT 52.1 billion to KZT 98.0 billion for the year ended 31 December 2021 compared to KZT 45.9 billion for the year ended 31 December 2020 was primarily attributable to higher prices of purchased petroleum products for resale, following increased global oil prices and Tenge's depreciation against the U.S. dollar, as well as an increased sales volume.

The increase in the cost of purchased gas for resale by KZT 40.0 billion to KZT 56.3 billion for the year ended 31 December 2021 compared to KZT 16.3 billion for the year ended 31 December 2020 was primarily due to higher average gas prices and the depreciation of Tenge against the U.S. dollar, as well as an increased sales volume.

Production Expenses

For the year ended 31 December 2021, production expenses were KZT 693.0 billion compared to KZT 656.2 billion for the year ended 31 December 2020, reflecting an increase of KZT 36.9 billion, or 5.6 per cent. This increase was primarily attributable to increased payroll expenses, repair and maintenance expenses, energy expenses and transportation expenses.

The following table sets forth certain information regarding the Company's production expenses for the periods indicated:

	For the year ended 31 December		
	2021	**2020 (restated)**	**Change**
	(KZT millions)		*(per cent.)*
Payroll	310,672	294,529	5.5
Repair and maintenance	116,151	103,124	12.6
Energy	98,258	81,910	20.0
Transportation costs	45,599	39,631	15.1
Short-term lease expenses	28,213	33,822	(16.6)
Other	94,138	103,162	(8.7)
	693,031	**656,178**	**5.6**

The increase in payroll expenses by KZT 16.1 billion to KZT 310.7 billion for the year ended 31 December 2021 compared to KZT 294.5 billion for the year ended 31 December 2020 was primarily attributable to the indexation of production staff wages and the depreciation of Tenge against the U.S. dollar. This was partially offset by staff turnover and increased vacancies.

The increase in repair and maintenance expenses by KZT 13.0 billion to KZT 116.2 billion for the year ended 31 December 2021 compared to KZT 103.1 billion for the year ended 31 December 2020 was primarily attributable to the lower levels of repair and maintenance work undertaken in 2020, as a result of measures taken to prevent the spread of COVID-19.

The increase in energy expenses by KZT 16.3 billion to KZT 98.3 billion for the year ended 31

December 2021 compared to KZT 81.9 billion for the year ended 31 December 2020 was primarily due to increased energy prices.

The increase in transportation costs by KZT 6.0 billion to KZT 45.6 billion for the year ended 31 December 2021 compared to KZT 39.6 billion for the year ended 31 December 2020 was primarily due to the increase in transportation volumes and tariffs.

The decrease in short-term lease expenses by KZT 5.6 billion to KZT 28.2 billion for the year ended 31 December 2021 from KZT 33.8 billion for the year ended 31 December 2020 was primarily due to decreased KMGI short-term lease expenses, following the buyout of leased vessels.

The decrease in other expenses by KZT 9.0 billion to KZT 94.1 billion for the year ended 31 December 2021 from KZT 103.2 billion for the year ended 31 December 2020 was primarily due to changes in the balance of finished products at oil producing companies.

Taxes other than Income Tax

For the year ended 31 December 2021, taxes other than income tax were KZT 428.6 billion compared to KZT 254.3 billion for the year ended 31 December 2020, reflecting an increase of KZT 174.3 billion or 68.5 per cent. This increase was mainly as a result of higher expenses on rent tax, export customs duty and MET as a result of higher oil prices.

	For the year ended 31 December		
	2021	**2020 (restated)**	**Change**
	(KZT millions)		*(per cent.)*
Rent tax on crude oil export	129,056	41,120	213.9
Export customs duty	107,074	71,746	49.2
Mineral extraction tax	91,751	59,323	54.7
Other taxes	100,758	82,133	22.7
	428,639	**254,322**	**68.5**

The increase in the rent tax on crude oil export by KZT 87.9 billion to KZT 129.1 billion for the year ended 31 December 2021 from KZT 41.1 billion for the year ended 31 December 2020 was primarily due to higher global oil prices and Tenge's depreciation against the U.S. dollar. These increases were partially offset by a decreased volume of oil sales for export.

The increase in export customs duty by KZT 35.3 billion to KZT 107.1 billion for the year ended 31 December 2021 from KZT 71.7 billion for the year ended 31 December 2020 was primarily due to increased global oil prices, following the depreciation of Tenge against the U.S. dollar. These increases were partially offset by a decrease in the volume of oil sales for export.

The increase in the mineral extraction tax by KZT 32.4 billion to KZT 91.8 billion for the year ended 31 December 2021 from KZT 59.3 billion for the year ended 31 December 2020 was primarily due to Tenge's depreciation against the U.S. dollar, and higher global oil prices.

The increase in other taxes on crude oil export by KZT 18.6 billion to KZT 100.8 billion for the year ended 31 December 2021 from KZT 82.1 billion for the year ended 31 December 2020 was primarily due to higher excise tax expenses, following increased production and sales volumes of excisable petroleum products in the 2021 reporting period.

Depreciation, Depletion and Amortisation

For the year ended 31 December 2021, depreciation, depletion and amortisation was KZT 322.1 billion compared to KZT 317.4 billion for the year ended 31 December 2020, reflecting an increase of KZT 4.6 billion or 1.5 per cent. This increase was primarily due to the development of capital investments.

Transportation and Selling Expenses

For the year ended 31 December 2021, transportation and selling expenses were KZT 131.9 billion compared to KZT 137.1 billion for the year ended 31 December 2020, reflecting a decrease of KZT 5.2 billion, or 3.8 per cent. This decrease was primarily attributable to a decrease in the volume of oil exports.

The following table sets forth certain information regarding the Company's transportation and selling expenses during the periods indicated:

	For the year ended 31 December		
	2021	**2020 (restated)**	**Change**
	(KZT millions)		*(per cent.)*
Transportation	87,282	94,800	(7.9)
Payroll	11,899	12,811	(7.1)
Other	32,731	29,533	10.8
Total	**131,912**	**137,144**	**(3.8)**

The decrease in transportation expenses to KZT 87.3 billion for the year ended 31 December 2021 compared to KZT 94.8 billion for the year ended 31 December 2020 was primarily attributable to a decrease in the volume of oil exports.

The decrease in payroll expenses to KZT 11.9 billion for the year ended 31 December 2021 compared to KZT 12.8 billion for the year ended 31 December 2020 was primarily attributable to reduced employee compensation costs due to the increased vacancies following high staff turnover in KMGI.

The increase in other expenses to KZT 32.7 billion for the year ended 31 December 2021 compared to KZT 29.5 billion for the year ended 31 December 2020 was primarily attributable to the depreciation of Tenge against the U.S. dollar.

General and Administrative Expenses

For the year ended 31 December 2021, general and administrative expenses were KZT 148.5 billion compared to KZT 146.6 billion for the year ended 31 December 2020, reflecting a slight increase of KZT 1.9 billion, or 1.3 per cent.

The following table sets forth certain information regarding the Company's general and administrative expenses for the periods indicated:

	For the year ended 31 December		
	2021	**2020 (restated)**	**Change**
	(KZT millions)		*(per cent.)*
Payroll	63,844	63,360	0.8
Management fees	21,428	-	-
Consulting services	15,912	21,893	(27.3)
Maintenance	5,620	6,163	(8.8)
Social payments	4,594	5,028	(8.6)
Communication	4,081	3,624	12.6
Accrual of expected credit losses for trade receivables and other current financial assets	3,268	3,460	(5.5)
VAT that could not be offset	2,599	3,166	(17.9)
Allowance for fines, penalties and tax provisions	2,114	12	17,516.7
Accrual/(reversal) of impairment of other current non-financial assets	101	(65)	-
(Reversal)/accrual of impairment of VAT receivable	(5,144)	6,432	-
Other(1)	30,061	33,552	(10.4)
Total	**148,478**	**146,625**	**1.3**

Note:

(1) The other general and administrative expenses are composed of travel, communication, representative offices, rental, security, bank services expenses and fines.

The increase in payroll expenses to KZT 63.8 billion for the year ended 31 December 2021 compared to KZT 63.4 billion for the year ended 31 December 2020 was primarily attributable to the indexation of employees' salaries throughout the Group and the depreciation of Tenge against the U.S. dollar. The increase was partially offset by changes in the organisational structure of KMGI and KMG's Head

Office in 2020 as a result of the optimisation process.

Management fees have been added to capture the payment of KazRosGas' management. In the year ended 31 December 2021, these expenses did arise because the fees were paid in favour of QazaqGaz, which was part of the Company's consolidation scope until 8 November 2021.

The decrease in the cost of consulting services to KZT 15.9 billion for the year ended 31 December 2021 compared to KZT 21.9 billion for the year ended 31 December 2020 was primarily attributable to the fees paid for legal services in relation to ongoing arbitration proceedings.

The decrease in maintenance expenses to KZT 5.6 billion for the year ended 31 December 2021 from KZT 6.2 billion for the year ended 31 December 2020 was primarily attributable to KMG-Onimderi. This decrease has been partially offset by Tenge's depreciation against the U.S. dollar.

The decrease in social payments to KZT 4.6 billion for the year ended 31 December 2021 compared to KZT 5.0 billion for the year ended 31 December 2020 was primarily attributable to the optimisation of the organisational structure in mid-2020. This decrease was partially offset by the growth of compensation payments, including those related to housing rental for foreign employees of KMG-Karachaganak, following the delay in the mobilisation process and registration processes in 2021.

The increase in communication expenses to KZT 4.1 billion for the year ended 31 December 2021 compared to KZT 3.6 billion for the year ended 31 December 2020 was primarily attributable to the depreciation of Tenge against the U.S. dollar and increased tariffs.

The KZT 3.3 billion accrual of expected credit losses for trade receivables and other current assets for the year ended 31 December 2021 compared to an accrual of expected credit losses for trade receivables and other current assets of KZT 3.5 billion for the year ended 31 December 2020 was primarily attributable to the increase in quality of assets.

The decrease in VAT that cannot be offset to KZT 2.6 billion for the year ended 31 December 2021 compared to KZT 3.2 billion for the year ended 31 December 2020 was primarily attributable to the reduction of expenses under the VAT item not taken off as a result of a decrease in the volume of sales exempt from tax.The increase in the allowance for fines, penalties and tax provisions to KZT 2.1 billion for the year ended 31 December 2021 compared to nil for the year ended 31 December 2020 was primarily attributable to environmental penalties incurred by EMG for excessive gas flaring and violations of environmental standards, and fines incurred by KTO following a shortage of material assets identified during an inventory inspection of Batumi Oil Terminal.

The KZT 5.1 billion reversal of impairment of VAT receivable for the year ended 31 December 2021 compared to an accrual in respect of impairment of VAT receivable of KZT 6.4 billion for the year ended 31 December 2020 was primarily attributable to a reduction in VAT depreciation expenses to be reimbursed, in particular in connection with EMG's expected VAT refund from the state budget in 2021 and the 2020 impairment accrued by the Company in relation to the Zhambyl project on exploration of hydrocarbons at Zhambyl field in the northern part of the Caspian sea, which was concluded as unprofitable and consequently, the field was relinquished to the state in 2022.

The decrease in other general and administrative expenses to KZT 30.1 billion for the year ended 31 December 2021 compared to KZT 33.6 billion for the year ended 31 December 2020 was primarily attributable to savings and cost optimisation.

Impairment of Property, Plant and Equipment, Intangible Assets, Exploration and Evaluation Assets and Assets Held for Sale

For the year ended 31 December 2021, the Company recorded KZT 20.7 billion in impairment of property, plant and equipment, intangible assets, exploration and evaluation assets and assets held for sale compared to KZT 243.9 billion for the year ended 31 December 2020, reflecting a decrease of KZT 223.2 billion, or 91.5 per cent. The amount of loss on impairment includes the impairment of KMG International's assets of KZT 8 billion, KZT 4.5 billion for Sunkar, Barys and Berkut self-propelled barges, and KZT 8 billion for other assets. The loss on impairment of assets was significantly lower in 2021, as no signs of impairment of property, plant and equipment, intangible assets, exploration and evaluation assets were identified at KMGI and EMG.

The following table sets forth the impairment charge and reversal recorded during for the periods indicated:

	For the year ended 31 December		
	2021	**2020 (restated)**	**Change**
	(KZT millions)		*(per cent.)*
Property, plant and equipment	17,013	221,112	(92.3)
Assets classified as held for sale	3,770	—	—
Exploration and evaluation assets	—	16,389	—
Investment property	—	142	—
Intangible assets	(59)	6,250	—
	20,724	**243,893**	**(91.5)**

Other Expenses

For the year ended 31 December 2021, the Company recorded KZT 24.5 billion of other expenses compared to KZT 28.1 billion for the year ended 31 December 2020, reflecting a decrease of KZT 3.6 billion, or 12.8 per cent. This decrease was primarily attributable to savings and cost optimisation.

Finance Cost

For the year ended 31 December 2021, the Company recorded finance costs of KZT 249.3 billion compared to KZT 265.4 billion for the year ended 31 December 2020, reflecting a decrease of KZT 16.1 billion, or 6.1 per cent. This decrease was primarily attributable to the Company's early full repayment of bonds due 2022 and 2023. The Company had total borrowings of KZT 3,746.3 billion as at 31 December 2021 compared to KZT 4,078.4 billion as at 31 December 2020.

Net Foreign Exchange Loss

For the year ended 31 December 2021, the Company recorded a net foreign exchange gain of KZT 17.8 billion compared to a net foreign exchange loss of KZT 16.2 billion for the year ended 31 December 2020. The net foreign exchange gain in 2021 was primarily attributable to fluctuations of exchange rates.

Profit (/Loss) before Income Tax

As a result of the foregoing, the Company's profit before income tax for the year ended 31 December 2021 was KZT 1,066.3 billion compared to a loss of KZT 4.2 billion for the year ended 31 December 2020. The profit before income tax in 2021 was primarily attributable to increases in global oil prices and the Company's share in profits of joint ventures and associates, and the absence of significant impairments of fixed assets. The loss in 2020 was primarily attributable to decreases in prices, revenues and the Company's share in the profit of joint ventures and associates, coupled with the significant impairment of assets. This loss was partially offset by lower costs of purchased oil, gas, petroleum products and other materials, and decreased taxes other than income tax.

Income Tax Expenses

For the year ended 31 December 2021, the Company recorded income tax expenses of KZT 221.4 billion compared to an income tax expense of KZT 85.3 billion for the year ended 31 December 2020, reflecting an increase of KZT 136.1 billion, or 159.6 per cent. This increase was primarily due to higher corporate income tax, following an increase in taxable income reflecting higher global oil prices and Company oil sales, and Tenge's depreciation against the U.S. dollar.

Profit (/Loss) for the Year from Continuing Operations

As a result of the foregoing, the Company's profit for the year from continuing operations increased by KZT 934.3 billion to KZT 844.9 billion for the year ended 31 December 2021 from a loss of KZT 89.4 billion for the year ended 31 December 2020.

Profit(/Loss) after Income Tax for the Year from Discontinued Operations

The Company's profit after income tax for the year ended 31 December 2021 from discontinued operations increased by KZT 91.2 billion, or 34.9 per cent., to KZT 352.5 billion compared to KZT 261.3 billion for the year ended 31 December 2020. This increase reflects the adjustment of the cost of purchased gas for resale by QazaqGaz.

Net Profit for the Year

As a result of the foregoing, the Company's net profit for the year ended 31 December 2021 was KZT 1,197.3 billion compared to KZT 171.9 billion for the year ended 31 December 2020, reflecting an increase of KZT 1,025.4 billion, or 596.5 per cent. The Company's net profit for 2021 and 2020 represented 20.5 per cent. and 4.7 per cent., respectively, of the Company's revenue for such years.

Results of Operations for the Year Ended 31 December 2020 Compared to the Year Ended 31 December 2019

	For the years ended December 31	
	2020 (restated)	**2019**
	(KZT millions)	
Revenue and other income		
Revenue	3,624,964	6,858,856
Share in profit of joint ventures and associates, net	280,815	827,979
Finance income	87,987	240,880
Gain on sale of subsidiaries	—	17,481
Other operating income	19,020	24,936
Total revenue and other income	**4,012,786**	**7,970,132**
Costs and expenses		
Cost of purchased oil, gas, petroleum products and other materials	(1,901,236)	(3,913,744)
Production expenses	(656,178)	(721,693)
Taxes other than income tax	(254,322)	(454,295)
Depreciation, depletion and amortization	(317,427)	(337,424)
Transportation and selling expenses	(137,144)	(420,402)
General and administrative expenses	(146,625)	(213,967)
Impairment of property, plant and equipment, intangible assets, exploration and evaluation assets	(243,893)	(150,751)
Exploration expenses	(19,807)	(57,068)
Impairment of investment in joint venture and associate	(30,654)	—
Finance costs	(265,372)	(317,433)
Other expenses	(28,094)	(7,203)
Net foreign exchange gain/(loss)	(16,189)	8,479
Total costs and expenses	**(4,016,941)**	**(6,585,501)**
Profit/(loss) before income tax	**(4,155)**	**1,384,631**
Income tax expenses	(85,276)	(226,180)
Profit/(loss) for the year from continuing operations	**(89,431)**	**1,158,451**
Discontinued operations		
Profit after income tax for the year from discontinued operations	261,328	6
Net profit for the year	**171,897**	**1,158,457**
Net profit/(loss) for the year attributable to:		
Equity holders of the Parent Company	273,237	1,197,157

	For the years ended December 31	
	2020 (restated)	2019
	(KZT millions)	
Non-controlling interest	(101,340)	(38,700)
	171,897	**1,158,457**

Revenue

For the year ended 31 December 2020, total revenue was KZT 3,625.0 billion compared to KZT 6,858.9 billion for the year ended 31 December 2019, reflecting a decrease of KZT 3,233.9 billion or 47.1 per cent. This decrease was primarily due to the restatement of the Company's 2020 financial results to reflect the exclusion of QazaqGaz from the Company's consolidation scope, a 34.8 per cent. year-on-year decrease in the average Brent oil price, lower oil sales due to production cuts at certain fields in accordance with the OPEC+ Oil Agreement, as well as lower volumes of oil trading and sales of oil products by KMGI.

The following table sets forth certain information regarding the Company's revenue for the periods indicated:

	For the year ended 31 December	
	2020 (restated)	**2019**
	(KZT millions)	
Sales of crude oil and gas	1,676,749	3,966,941
Sales of refined products	1,336,723	2,043,848
Oil and gas transportation services	167,911	389,496
Refining of oil and oil products	193,659	195,896
Other revenue	249,922	262,675
Total	**3,624,964**	**6,858,856**

Sales of Crude Oil and Gas

Total revenue from the Company's sales of crude oil and gas decreased by KZT 2,290.2 billion, or 57.7 per cent., to KZT 1,676.7 billion for the year ended 31 December 2020 compared to KZT 3,966.9 billion for the year ended 31 December 2019. This decrease was primarily a result of the reclassifying of the Company's 2020 financial results to reflect the exclusion of QazaqGaz from the Company's consolidation scope, lower global oil prices and reduced oil production to comply with the requirements of the OPEC+ agreement.

Sales of Refined Products

Total revenue from the Company's sales of refined oil products for the year ended 31 December 2020 decreased by KZT 707.1 billion, or 34.6 per cent., to KZT 1,336.7 billion compared to KZT 2,043.8 billion for the year ended 31 December 2019. This decrease was primarily a result of lower volumes of oil trading and petroleum product sales at KMGI during the COVID-19 pandemic.

Oil and Gas Transportation Services

In the year ended 31 December 2020, revenue from oil and gas transportation services was KZT 167.9 billion, as compared to KZT 389.5 billion in the year ended 31 December 2019, reflecting a decrease of KZT 221.6 billion or 56.8 per cent. This decrease was primarily attributable to the reclassifying of the Company's 2020 financial results to reflect the exclusion of QazaqGaz from the Company's consolidation scope, reduced tariffs for oil transportation over trunk pipelines to the domestic market from KZT 4,721.72 to KZT 4,109.50 per tonne per 1,000 kilometres (excluding VAT), as well as decreased oil cargo turnover due to decreased oil supplies.

Refining of Oil and Oil Products

For the year ended 31 December 2020, revenue from refining of oil and oil products was KZT 193.7 billion compared to KZT 195.9 billion for the year ended 31 December 2019, reflecting a decrease of KZT 2.2 billion, or 1.1 per cent. This increase was primarily attributable to a decline in the sales volumes from the Pavlodar Refinery following restrictions relating to the COVID-19 pandemic.

Other Revenue

For the year ended 31 December 2020, other revenue was KZT 249.9 billion compared to KZT 262.7 billion for the year ended 31 December 2019, reflecting a decrease of KZT 12.8 billion, or 4.9 per cent. This decrease was primarily due to the economic downturn caused by the COVID-19 pandemic.

Share in Profit of Joint Ventures and Associates, Net

For the year ended 31 December 2020, the net share in profit from joint ventures and associates decreased by KZT 547.2 billion, or 66.1 per cent., to KZT 280.8 billion from KZT 828 billion for the year ended 31 December 2019. This decrease was primarily due to the decreased profits from TCO, MMG and KMG Kashagan by KZT 326.8 billion. The share in profit from TCO and MMG decreased by 58.2 per cent. and 79.6 per cent. in the year ended 31 December 2020 due to lower average oil prices and production decline. The share in KMG Kashagan's loss in 2020 was KZT 7 billion as a result of lower oil prices.

The following table sets forth certain information regarding the income (loss) of the Company's joint ventures and associates for the periods indicated:

	For the year ended 31 December		
	2020 (restated)	**2019**	**Change**
	(KZT millions)		*(per cent.)*
Tengizchevroil LLP	173,476	414,940	(58.2)
Asian Gas Pipeline LLP	—	168,086	—
Beineu-Shymkent Pipeline	—	56,194	—
Caspian Pipeline Consortium	81,582	70,869	15.1
KMG Kashagan B.V.	(6,961)	13,114	(153.1)
Mangistau Investments B.V.	16,749	81,991	(79.6)
KazRosGas LLP	957	18,091	(94.7)
Kazakhstan-China Pipeline LLP	10,380	3,313	213.3
Kazakhoil Aktobe LLP	2,448	9,722	(74.8)
Valsera Holdings B.V.	(6,137)	(6,107)	0.5
PetroKazakhstan Inc.	(8,812)	(18,244)	(51.7)
KazGerMunay LLP	15,622	17,561	(11.0)
Teniz Service LLP	3,891	6,742	(42.3)
Ural Group Limited	(10,265)	(18,895)	(45.7)
Other joint ventures and associates	7,885	10,602	(25.6)
	280,815	**827,979**	**(66.1)**

Finance Income

For the year ended 31 December 2020, finance income was KZT 88.0 billion compared to KZT 240.9 billion for the year ended 31 December 2019, reflecting a decrease of KZT 152.9 billion, or 63.5 per cent. This decrease was primarily attributable to the reclassifying of the Company's 2020 financial results to reflect the exclusion of QazaqGaz from the Company's consolidation scope and derecognition of the loan from partners of the Pearls project for KZT 111 billion.

Gain on Sale of Subsidiaries

For the year ended 31 December 2020, gain on sale of subsidiaries was nil compared to KZT 17.5 billion for the year ended 31 December 2019, reflecting that no subsidiaries were sold by the Company in 2020.

Other Operating Income

For the year ended 31 December 2020, the Company recorded KZT 19.0 billion of other operating income compared to KZT 24.9 billion for the year ended 31 December 2019, reflecting a decrease of

KZT 5.9 billion, or 23.7 per cent. In the year ended 31 December 2020, other operating income primarily related to the economic downturn caused by the COVID-19 pandemic and restatement of other operating income of QazaqGaz in 2020.

Cost of Purchased Oil, Gas, Petroleum Products and Other Materials

For the year ended 31 December 2020, cost of purchased oil, gas, petroleum products and other materials was KZT 1,901.2 billion compared to KZT 3,913.7 billion for the year ended 31 December 2019, reflecting a decrease of KZT 2,012.5 billion, or 51.4 per cent. This decrease was primarily attributable to the COVID-19 pandemic, the lower cost of purchased crude oil and oil for refining, lower global oil prices, which was partially offset by Tenge's depreciation against the U.S. Dollar, as well as the restatement of QazaqGaz's costs as discontinued operations in 2020.

The following table sets forth certain information regarding the Company's cost of sales for the periods indicated:

	For the year ended 31 December		
	2020 (restated)	**2019**	**Change**
	(KZT millions)		*(per cent.)*
Purchased oil for resale	1,311,169	2,448,412	(46.4)
Cost of oil for refining	313,543	638,293	(50.9)
Materials and supplies	214,332	217,138	(1.3)
Purchased petroleum products for resale	45,870	116,621	(60.7)
Purchased gas for resale	16,322	493,280	(96.7)
Total	**1,901,236**	**3,913,744**	**(51.4)**

The decrease in purchased oil for resale expense by KZT 1,137.2 billion to KZT 1,311.2 billion for the year ended 31 December 2020 compared to KZT 2,448.4 billion for the year ended 31 December 2019 was primarily attributable to the COVID-19 pandemic and the average annual spot price of Brent crude oil decreasing from U.S.$64.30 in 2019 to U.S.$41.96 in 2020.

The decrease in cost of oil for refining by KZT 324.8 billion to KZT 313.5 billion for the year ended 31 December 2020 compared to KZT 638.3 billion for the year ended 31 December 2019 was primarily attributable to lower global oil prices in the reporting period and a decrease in the amount of oil purchased for refining following KMGI's quadrennial (happening once in every four years) shutdown for repairs.

The slight decrease in the cost of materials and supplies by KZT 2.8 billion to KZT 214.3 billion for the year ended 31 December 2020 compared to KZT 217.1 billion for the year ended 31 December 2019 was primarily due to the economic downturn caused by the COVID-19 pandemic.

The decrease in purchased petroleum products for resale by KZT 70.8 billion to KZT 45.9 billion for the year ended 31 December 2020 compared to KZT 116.6 billion for the year ended 31 December 2019 was primarily attributable to the economic downturn caused by the COVID-19 pandemic.

The decrease in the cost of purchased gas for resale by KZT 477.0 billion to KZT 16.3 billion for the year ended 31 December 2020 compared to KZT 493.3 billion for the year ended 31 December 2019 was primarily due to the reclassifying of the Company's 2020 financial results to reflect the exclusion of QazaqGaz from the Company's consolidation scope.

Production Expenses

For the year ended 31 December 2020, production expenses were KZT 656.2 billion compared to KZT 721.7 billion for the year ended 31 December 2019, reflecting a decrease of KZT 65.5 billion, or 9.1 per cent. This decrease was primarily attributable to decreased payroll expenses, repair and maintenance expenses and short-term lease expenses.

The following table sets forth certain information regarding the Company's production expenses for the periods indicated:

	For the year ended 31 December		
	2020 (restated)	2019	Change
	(KZT millions)		*(per cent.)*
Payroll	294,529	338,120	(12.9)
Repair and maintenance	103,124	129,450	(20.3)
Energy	81,910	88,910	(7.9)
Transportation costs	39,631	30,456	30.1
Short-term lease expenses	33,822	52,091	(35.1)
Others	103,162	82,666	24.8
	656,178	**721,693**	**(9.1)**

The decrease in payroll expenses by KZT 43.6 billion to KZT 294.5 billion for the year ended 31 December 2020 compared to KZT 338.1 billion for the year ended 31 December 2019 was primarily attributable to the reclassifying of the Company's 2020 financial results to reflect the exclusion of QazaqGaz from the Company's consolidation scope.

The decrease in repair and maintenance expenses by KZT 26.4 billion to KZT 103.1 billion for the year ended 31 December 2020 compared to KZT 129.5 billion for the year ended 31 December 2019 was primarily attributable to optimisation, saving and carryover of costs in connection with the COVID-19 pandemic.

The decrease in energy expenses by KZT 7.0 billion to KZT 81.9 billion for the year ended 31 December 2020 compared to KZT 88.9 billion for the year ended 31 December 2019 was primarily due to optimisation of costs, repair operations, and a decrease in production and processing.

The increase in transportation costs by KZT 9.1 billion to KZT 39.6 billion for the year ended 31 December 2020 compared to KZT 30.5 billion for the year ended 31 December 2019 was primarily due to an internal logistics expense at KMGI following the inclusion of these expenses into other net costs in 2019.

The decrease in lease expenses by KZT 18.3 billion to KZT 33.8 billion for the year ended 31 December 2020 from KZT 52.1 billion for the year ended 31 December 2019 was primarily due to reduced use of additional shipping resources for marine transportation and decreased chartering of tankers.

The increase in other expenses by KZT 20.5 billion to KZT 103.2 billion for the year ended 31 December 2020 from KZT 82.7 billion for the year ended 31 December 2019 was primarily due to changes in the balance of finished products at oil producing companies.

Taxes other than Income Tax

For the year ended 31 December 2020, taxes other than income tax were KZT 254.3 billion compared to KZT 454.3 billion for the year ended 31 December 2019, reflecting a decrease of KZT 200.0 billion or 44 per cent. This decrease was primarily due to the economic downturn caused by the COVID-19 pandemic and lower expenses on rent tax, export customs duty and MET as a result of lower oil prices.

	For the year ended 31 December		
	2020 (restated)	2019	Change
	(KZT millions)		*(per cent.)*
Rent tax on crude oil export	41,120	133,144	(69.1)
Export customs duty	71,746	131,326	(45.4)
Mineral extraction tax	59,323	100,300	(40.9)
Other taxes	82,133	89,525	(8.3)
	254,322	**454,295**	(44.0)

The decrease in the rent tax on crude oil export by KZT 92.0 billion to KZT 41.1 billion for the year ended 31 December 2020 from KZT 133.1 billion for the year ended 31 December 2019 was primarily due to lower global oil prices and oil exports.

The decrease in the export customs duty by KZT 59.6 billion to KZT 71.7 billion for the year ended 31 December 2020 from KZT 131.3 billion for the year ended 31 December 2019 was primarily due to lower global oil prices and oil exports.

The decrease in the mineral extraction tax by KZT 41.0 billion to KZT 59.3 billion for the year ended 31 December 2020 from KZT 100.3 billion for the year ended 31 December 2019 was primarily due to the application of a reduced rate applied to OMG and EMG raw hydrocarbons fields classified as low-profitable, high-viscosity and water-flooded, under Resolution No. 449 of the Republic of Kazakhstan Government dated 27 June 2019, and lower global oil prices.

The decrease in other taxes by KZT 7.4 billion to KZT 82.1 billion for the year ended 31 December 2020 from KZT 89.5 billion for the year ended 31 December 2019 was primarily due to the economic downturn caused by the COVID-19 pandemic.

Depreciation, Depletion and Amortisation

For the year ended 31 December 2020, depreciation, depletion and amortisation was KZT 317.4 billion compared to KZT 337.4 billion for the year ended 31 December 2019, reflecting a decrease of KZT 20.0 billion or 5.9 per cent. This decrease was primarily due to the economic downturn caused by the COVID-19 pandemic and the restatement of the Company's 2020 financial results to reflect the exclusion of QazaqGaz from the Company's consolidation scope.

Transportation and Selling Expenses

For the year ended 31 December 2020, transportation and selling expenses were KZT 137.1 billion compared to KZT 420.4 billion for the year ended 31 December 2019, reflecting a decrease of 283.3 billion, or 67.4 per cent. This decrease was primarily attributable to decreased transportation expenses following the reclassifying of the Company's 2020 financial results to reflect the exclusion of QazaqGaz from the Company's consolidation scope.

The following table sets forth certain information regarding the Company's transportation and selling expenses during the periods indicated:

	For the year ended 31 December		
	2020 (restated)	2019	Change
	(KZT millions)		*(per cent.)*
Transportation	94,800	374,686	(74.7)
Payroll	12,811	12,542	2.1
Other	29,533	33,174	(11.0)
Total	**137,144**	**420,402**	**(67.4)**

The decrease in expenses related to transportation to KZT 94.8 billion for the year ended 31 December 2020 compared to KZT 374.7 billion for the year ended 31 December 2019 was primarily attributable to the reclassifying of the Company's 2020 financial results to reflect the exclusion of QazaqGaz from the Company's consolidation scope.

General and Administrative Expenses

For the year ended 31 December 2020, general and administrative expenses were KZT 146.6 billion compared to KZT 214.0 billion for the year ended 31 December 2019, reflecting a decrease of KZT 67.4 billion, or 31.5 per cent. This decrease was primarily attributable to the economic downturn caused by the COVID-19 pandemic, the reclassifying of the Company's 2020 financial results to reflect the exclusion of QazaqGaz from the Company's consolidation scope, and settlement of KMG DS dispute with a provision of KZT 34.1 billion set aside in 2020.

The following table sets forth certain information regarding the Company's general and administrative expenses for the periods indicated:

	For the year ended 31 December		
	2020 (restated)	2019	Change
	(KZT millions)		(per cent.)
Payroll	63,360	78,055	(18.8)
Consulting services	21,893	25,448	(14.0)
Maintenance	6,163	8,711	(29.3)
Accrual of impairment of VAT receivable	6,432	15,703	(59.0)
Social payments	5,028	8,933	(43.7)
VAT that could not be offset	3,166	6,910	(54.2)
Communication	3,624	2,963	22.3
Accrual of expected credit losses for trade receivables and current financial assets	3,460	14,096	(75.5)
(Reversal)/accrual of impairment losses allowance for other non-financial current assets	(65)	42	—
Allowance for/(reversal of) fines, penalties and tax provisions	12	(19,755)	—
Provision under the KMG DS – Consortium case	-	34,132	—
Other[1]	33,552	38,729	(13.4)
Total	**146,625**	**213,967**	**(31.5)**

Note:

(1) The other general and administrative expenses are composed of travel, communication, representative offices, rental, security, bank services expenses and fines.

The decrease in payroll expenses to KZT 63.4 billion for the year ended 31 December 2020 compared to KZT 78.1 billion for the year ended 31 December 2019 was primarily attributable to the optimisation of the organisational structure of KMG's head office.

The decrease in the cost of consulting services to KZT 21.9 billion for the year ended 31 December 2020 compared to KZT 25.4 billion for the year ended 31 December 2019 was primarily attributable to the economic downturn caused by the COVID-19 pandemic.

The recognition of KZT 6.4 billion in respect of impairment of VAT receivable for the year ended 31 December 2020 compared to an expense in respect of impairment of VAT receivable of KZT 15.7 billion for the year ended 31 December 2019 was primarily attributable to lower VAT accrual in 2020.

The KZT 3.5 billion accrual of expected credit losses for other current assets for the year ended 31 December 2020 compared to the accrual of expected credit losses for other current assets of KZT 14.1 billion for the year ended 31 December 2019 was primarily attributable to the reclassifying of the Company's 2020 financial results to reflect the exclusion of QazaqGaz from the Company's consolidation scope.

The decrease in social payments out of payroll to KZT 5.0 billion for the year ended 31 December 2020 compared to KZT 8.9 billion for the year ended 31 December 2019 was primarily attributable to the exclusion of QazaqGaz from the Company's consolidation scope.

The decrease in non-offsetable VAT to KZT 3.2 billion for the year ended 31 December 2020 compared to KZT 6.9 billion for the year ended 31 December 2019 was primarily attributable to the reclassifying of the Company's 2020 financial results to reflect the exclusion of QazaqGaz from the Company's consolidation scope.

The KZT 19.7 billion reversal of fines, penalties and tax provisions for the year ended 31 December 2019 mainly attributable to the reversal of associated gas flaring previously accrued in 2018.

Impairment of Property, Plant and Equipment, Intangible Assets, Exploration and Evaluation Assets

For the year ended 31 December 2020, the Company recorded KZT 243.9 billion in impairment of property, plant and equipment, intangible assets, exploration and evaluation assets compared to KZT 150.8 billion for the year ended 31 December 2019, reflecting an increase of KZT 93.1 billion. This increase was primarily attributable to revisions in assumptions underlying impairment testing regarding oil prices, projected refinery margins, productions volumes, exchange rates and inflation, following significant changes in market prices amid concerns over the COVID-19 pandemic and its impact on the economy in the year ended 31 December 2020.

	For the year ended 31 December	
	2020 (restated)	**2019**
	(KZT millions)	
Property, plant and equipment	221,112	144,482
Exploration and evaluation assets	16,389	171
Investment property	142	(142)
Intangible assets	6,250	6,240
	243,893	**150,751**

Other Expenses

For the year ended 31 December 2020, the Company recorded KZT 28.1 billion of other expenses compared to KZT 7.2 billion for the year ended 31 December 2019, reflecting an increase of KZT 20.9 billion, or 290.3 per cent. This increase was primarily attributable to changes in the balance of finished products at oil producing companies, as a result of changing macroeconomic indicators, as well as due to the economic downturn caused by the COVID-19 pandemic.

Finance Cost

For the year ended 31 December 2020, the Company recorded finance costs of KZT 265.4 billion compared to KZT 317.4 billion for the year ended 31 December 2019, reflecting a decrease of KZT 52 billion, or 19.6 per cent. This decrease was primarily attributable to the early settlement of TCO prepayment facilities in the year ended 31 December 2019 and issue of financial guarantees, which was offset by the Company's early full repayment of bonds due in 2022 and 2023. The Company had total borrowings of KZT 4,078.4 billion as at 31 December 2020 compared to KZT 3,837.5 billion as at 31 December 2019.

Net Foreign Exchange Loss

For the year ended 31 December 2020, the Company recorded a net foreign exchange loss of KZT 16.2 billion compared to a net foreign exchange gain of KZT 8.5 billion for the year ended 31 December 2019. The net foreign exchange loss in 2020 was primarily attributable to fluctuations of exchange rates, the average exchange rate of the U.S. Dollar against KZT; 2020 – 413.46 KZT/U.S. Dollar, 2019 - 382.82 KZT/U.S. Dollar.

Profit (/Loss) before Income Tax

As a result of the foregoing, the Company’s made a loss before income tax for the year ended 31 December 2020 of KZT 4.2 billion compared to a profit of KZT 1,384.6 billion for the year ended 31 December 2019.

Income Tax Expenses

For the year ended 31 December 2020, the Company recorded income tax expenses of KZT 85.3 billion compared to KZT 226.2 billion for the year ended 31 December 2019, reflecting a decrease of KZT 140.9 billion, or 62.3 per cent. This decrease was primarily due to lower corporate income tax as a result of a decrease in taxable income.

Profit (/Loss) for the Year from Continuing Operations

As a result of the foregoing, the Company’s made a loss of KZT 89.4 billion for the year ended 2020, compared to a profit of KZT 1,158.5 billion for the year ended 31 December 2019, representing a decrease of KZT 1,069.1 billion.

Profit/(Loss) after Income Tax for the Year from Discontinued Operations

The Company's profit after income tax for the year from discontinued operations was KZT 261.3 billion for the year ended 31 December 2020 compared. The corresponding figure for the year ended 31 December 2019 was nil. This increase was primarily due to the reclassifying of the Company's 2020 financial results to reflect the exclusion of QazaqGaz from the Company's consolidation scope.

Net Profit for the Year

As a result of lower average oil prices, lower revenue and income attributable to the share in profit from joint ventures and associates, and recognition of impairment of assets, which was partially offset by lower costs and taxes other than income taxes, the Company's net profit for the year ended 31 December 2020 was KZT 171.9 billion compared to KZT 1,158.5 billion for the year ended 31 December 2019, reflecting a decrease of KZT 986.6 billion, or 85.2 per cent. The Company's net profit for 2020 and 2019 represented 4.7 per cent. and 16.9 per cent., respectively, of the Company's revenue for such years.

Operating Segments

Overview

For financial reporting purposes, the activities of the Group are divided into four main operating segments. The Group's principal operating segments are: exploration and production of oil and gas; oil transportation; gas trading and transportation (with respect to the year ended 31 December 2020 only); and refining and trading of crude oil and refined products. The Group presents the Company's activities separately under the segment "corporate", since it includes not only the functions of a parent company but also carries out operational activities. The remaining activities of the Company are aggregated and presented as the "other" operating segment, due to their relative insignificance. The operating segments of the Company comprise the following activities:

- ***Exploration and Production of Oil and Gas.*** The Group is engaged in oil and gas exploration and production activities at locations in Kazakhstan. The results of operations of these activities are recorded as part of the exploration and production of oil and gas operating segment.

- ***Oil Transportation.*** The Group partially owns and solely operates the largest crude oil pipeline network in Kazakhstan in terms of length and throughout capacity. The results of operations of these activities are recorded as part of the oil transportation segment.

- ***Gas Trading and Transportation.*** Prior to the disposal of QazaqGaz in November 2021, the Group owned and operated Kazakhstan's principal gas pipeline systems, including its two principal networks. The results of operations of these activities in the year ended 31 December 2019 recorded as part of the gas trading and transportation segment.

- ***Refining and Trading of Crude Oil and Refined Products.*** The Group is active in the trading of both the crude oil it produces, as well as refined products, including gasoline, jet fuel, diesel and fuel oil. The Group also owns and operates an expanding network of gasoline stations in Kazakhstan and Romania. The results of operations of these activities are recorded as part of the refining and trading of crude oil and refined products operating segment.

- ***Corporate.*** The Company carries on both operational activities and administrative functions of a parent company.

- ***Other.*** The "other" segment is composed of service subsidiaries of the Company, which provide heating and power, air travel, security and other oil-and gas-related services.

The following tables set forth certain information regarding the revenue, gross profit and net profit of the operating segments of the Company for the periods indicated:

	For the year ended 31 December								
	2021	2020	2019	2021	2020	2019	2021	2020	2019
	Total revenue			Net profit/(loss) for the year			EBITDA		
	(KZT millions)								
Exploration and production of oil and gas	1,231,513	877,712	1,310,336	593,531	171,149	842,496	1,041,811	390,221	962,778
Oil transportation	281,967	308,340	336,738	48,688	161,288	136,906	211,356	226,838	219,204
Gas Trading and Transportation	-	-	1,103,075	-	-	362,344	-	-	457,829
Refining and trading of crude oil and refined products	5,101,706	3,282,673	5,576,135	36,922	(227,818)	(36,553)	289,422	214,839	268,013
Corporate	607,117	371,037	430,177	300,334	(189,273)	(119,657)	71,449	(25,077)	42,345
Other	208,640	192,918	212,930	(33,052)	(18,589)	(68,083)	13,359	(5,346)	(32,309)
Elimination[(1)]	(1,592,150)	(1,407,716)	(2,110,535)	(101,561)	13,812	41,004	(18,422)	8,799	44,874
Total	**5,838,793**	**3,624,964**	**6,858,856**	**844,862**	**(89,431)**	**1,158,457**	**1,608,975**	**810,274**	**1,962,734**

	For the six months ended 30 June					
	2022	2021	2022	2021	2022	2021
	Total revenue		Net profit for the period		EBITDA	
	(KZT millions)					
Exploration and production of oil and gas	748,253	575,539	568,650	315,409	786,649	458,235
Oil transportation	171,307	137,537	22,018	10,965	121,867	107,975
Refining and trading of crude oil and refined products	3,761,808	2,338,376	(57,893)	39,372	192,417	159,566
Corporate	402,749	268,777	211,695	99,480	64,036	43,825
Other	103,286	97,074	(17,740)	(3,463)	(14,268)	4,884
Elimination[(1)]	(984,253)	(745,275)	(49,770)	(72,075)	(31,942)	(24,782)
Total	**4,203,150**	**2,672,028**	**676,960**	**389,688**	**1,118,759**	**749,703**

Note:

(1) Elimination represents the exclusion of intra-group transactions.

Exploration and Production of Oil and Gas

The Company's exploration and production of oil and gas segment is the second largest of the Company's segments in terms of revenue before elimination, the Company's most profitable segment in terms of profit on a net basis and the largest of the Company's segments in terms of EBITDA.

Revenue

For the six months ended 30 June 2022 and 2021, respectively, of the segment's total revenue, 0.2 per cent. and 0.6 per cent. derived from external customers and 99.8 per cent. and 99.4 per cent. from internal customers (i.e., the Company and its subsidiaries). Of the segment's total revenue, 0.7 per cent. and 1.0 per cent. of the segment's total revenue were derived from external customers and 99.3 per cent. and 99.0 per cent. from internal customers (i.e., the Company and its subsidiaries) for the years ended 31 December 2021 and 2020.

Revenue before elimination attributable to this segment increased by 30.0 per cent. to KZT 748.3 billion for the six months ended 30 June 2022 compared to KZT 575.5 billion for the six months ended 30 June 2021. This increase was primarily attributable to an increase in the average Brent oil price of 58 per cent. period-on-period and an average annual depreciation in Tenge against the U.S. dollar of 3.2 per cent. period-on-period.

Revenue before elimination attributable to this segment increased by 40.3 per cent. to KZT 1,231.5 billion for the year ended 31 December 2021 compared to KZT 877.7 billion for the year ended 31 December 2020. The increase in revenue before elimination for the year ended 31 December 2021 compared to the year ended 31 December 2020 was primarily attributable to an increase in the average Brent oil price of 69.5 per cent. year-on-year and an average annual depreciation in Tenge against the U.S. dollar of 3.0 per cent. year-on-year.

Revenue before elimination attributable to this segment decreased by 33.0 per cent. to KZT 877.7 billion for the year ended 31 December 2020 compared to KZT 1,310.3 billion for the year ended 31 December 2019. The decrease in revenue before elimination for the year ended 31 December 2020 compared to the year ended 31 December 2019 was primarily attributable to the year-on-year decrease in the average Brent oil price of 34.8 per cent. and lower oil sales volumes, reflecting production restrictions at certain fields under the OPEC+ Oil Agreement.

Net profit

Net profit attributable to this segment increased by 80.3 per cent. to KZT 568.7 billion for the six months ended 30 June 2022 compared to KZT 315.4 billion for the six months ended 30 June 2021. This increase was primarily attributable to an increase in the average Brent oil price of 66 per cent. period-on-period and an average annual depreciation in Tenge against the U.S. dollar of 6.1 per cent. period-on-period.

Net profit attributable to this segment increased by 246.9 per cent. to KZT 593.5 billion for the year ended 31 December 2021 compared to KZT 171.1 billion for the year ended 31 December 2020. The increase in net profit for the year ended 31 December 2021 compared to the year ended 31 December 2020 was primarily attributable to an increase in the average Brent oil price of 69.5 per cent. year-on-year and an average annual depreciation in Tenge against the U.S. dollar of 3.0 per cent. year-on-year.

Net profit attributable to this segment decreased by 79.7 per cent. to KZT 171.1 billion for the year ended 31 December 2020 compared to KZT 842.5 billion for the year ended 31 December 2019. The decrease in net profit for the year ended 31 December 2020 compared to the year ended 31 December 2019 was primarily attributable to the year-on-year decrease in the average Brent oil price of 34.8 per cent. and lower oil sales volumes, reflecting production restrictions at certain fields under the OPEC+ Oil Agreement.

EBITDA

EBITDA attributable to the exploration and production of oil and gas segment increased by 71.7 per cent. to KZT 786.6 billion for the six months ended 30 June 2022 compared to KZT 458.2 billion for the six months ended 30 June 2021, primarily as a result of an increase in the average Brent oil price of 66 per cent. period-on-period and an average annual depreciation in Tenge against the U.S. dollar of 6.1per cent. period-on-period.

EBITDA attributable to the exploration and production of oil and gas segment increased by 167.0 per cent. to KZT 1,041.8 billion for the year ended 31 December 2021 compared to KZT 390.2 billion for the year ended 31 December 2020, primarily as a result of an increase in the average Brent oil price of 69.5 per cent. year-on-year and an average annual depreciation in Tenge against the U.S. dollar of 3.0 per cent. year-on-year.

EBITDA attributable to the exploration and production of oil and gas segment decreased by 59.5 per cent. to KZT 390.2 billion for the year ended 31 December 2020 compared to KZT 962.8 billion for the year ended 31 December 2019, primarily as a result of the year-on-year decrease in the average Brent oil price of 34.8 per cent. and lower oil sales volumes, reflecting production restrictions at certain fields under the OPEC+ Oil Agreement.

Oil Transportation

The oil transportation segment is the fourth largest of the Company's segments in terms of revenue, the third largest of the Company's segments in terms of profit on a net basis and the third largest of the Company's segments in terms of EBITDA contribution. The Company generates oil transportation revenue from tariffs it charges to its customers under long-term contracts for the transportation of crude oil through the pipeline systems the Group operates.

Revenue

Of the segment's total revenue, 60.4 per cent. and 71.9 per cent. of the segment's total revenue were derived from external customers and 39.6 per cent. and 28.1 per cent. from internal customers (i.e., the Company and its subsidiaries) for the six months ended 30 June 2022 and 2021, respectively. Of the segment's total revenue, 72.1 per cent. and 70.3 per cent. of the segment's total revenue were derived from external customers and 27.9 per cent. and 29.7 per cent. from internal customers (i.e., the Company and its subsidiaries) for the years ended 31 December 2021 and 2020, respectively.

Revenue before elimination attributable to this segment increased by 24.6 per cent. to KZT 171.3 billion for the six months ended 30 June 2022 compared to KZT 137.5 billion for the six months ended 30 June 2021. This increase was primarily attributable to increase in KMTF due to increased demand (due to the Russia-Ukraine military conflict) for oil transportation services in 2022, leading to an increase in market-based tariff adjustments and due to an increase in the exchange rate.

Revenue before elimination attributable to this segment decreased by 8.5 per cent. to KZT 282.0 billion for the year ended 31 December 2021 compared to KZT 308.3 billion for the year ended 31 December 2020. This decrease was primarily attributable to lower oil cargo turnover due to decreased oil supplies.

Revenue before elimination attributable to this segment decreased by 8.4 per cent. to KZT 308.3 billion for the year ended 31 December 2020 compared to KZT 336.7 billion for the year ended 31 December 2019. This decrease was primarily attributable to reduced tariffs for oil transportation over trunk pipelines to the domestic market and lower oil cargo turnover over due to decreased oil supplies.

Net profit

Net profit attributable to the oil transportation segment increased by 100 per cent. to KZT 22.0 billion for the six months ended 30 June 2022 compared to KZT 11.0 billion for the six months ended 30 June 2021, primarily as a result of Increase in KMTF due to increased demand (due to the Russia-Ukraine military conflict) for oil transportation services in 2022, leading to an increase in market-based tariff adjustments and due to an increase in the exchange rate.

Net profit attributable to the oil transportation segment decreased by 69.8 per cent. to KZT 48.7 billion for the year ended 31 December 2021 compared to KZT 161.3 billion for the year ended 31 December 2020, primarily as a result of lower oil cargo turnover due to decreased oil supplies.

Net profit attributable to the oil transportation segment increased by 17.8 per cent. to KZT 161.3 billion for the year ended 31 December 2020 compared to KZT 136.9 billion for the year ended 31 December 2019, primarily as a result of reduced tariffs for oil transportation over trunk pipelines to the domestic market and lower oil cargo turnover over due to decreased oil supplies.

EBITDA

EBITDA attributable to the oil transportation segment increased by 12.9 per cent. to KZT 121.9 billion for the six months ended 30 June 2022 compared to KZT 108.0 billion for the six months ended 30 June 2021, primarily as a result of an increase in the CPC share income due to the recognition of unplanned foreign exchange gains.

EBITDA attributable to the oil transportation segment decreased by 6.8 per cent. to KZT 211.4 billion for the year ended 31 December 2021 compared to KZT 226.8 billion for the year ended 31 December 2020, primarily as a result of lower oil cargo turnover due to decreased oil supplies.

EBITDA attributable to the oil transportation segment increased by 3.5 per cent. to KZT 226.8 billion for the year ended 31 December 2020 compared to KZT 219.2 billion for the year ended 31 December 2019, primarily as a result of reduced tariffs for oil transportation over trunk pipelines to the domestic market and lower oil cargo turnover over due to decreased oil supplies.

Refining and Trading of Crude Oil and Refined Products

The refining and trading of crude oil and refined products segment is the largest of the Company's segments in terms of revenue before elimination. This segment is also the second largest of the Company's segments in terms of EBITDA contribution.

Revenue

Of this segment's total revenue, 97.9 per cent. and 96.8 per cent. were derived from external customers and 2.1 per cent. and 3.2 per cent. from internal customers for the six months ended 30 June 2022 and 2021, respectively. Of this segment's total revenue, 96.9 per cent. and 90.0 per cent. of the segment's total revenue were derived from external customers and 3.1 per cent. and 10.0 per cent. from internal customers for the years ended 31 December 2021 and 31 December 2020, respectively.

Revenue before elimination attributable to this segment increased by 60.9 per cent. to KZT 3,761.8 billion for the six months ended 30 June 2022 compared to KZT 2,338.4 billion for the six months ended 30 June 2021. This increase was primarily attributable to an increase in volumes and average selling price of petroleum products.

Revenue before elimination attributable to this segment increased by 55.4 per cent. to KZT 5,101.7 billion for the year ended 31 December 2021 compared to KZT 3,282.7 billion for the year ended 31 December 2020. This increase was primarily attributable to an increase in the average Brent oil price of 69.5 per cent. year-on-year and an average annual depreciation in Tenge against the U.S. dollar of 3.0 per cent. year-on-year.

Revenue before elimination attributable to this segment decreased by 41.1 per cent. to KZT 3,282.7 billion for the year ended 31 December 2020 compared to KZT 5,576.1 billion for the year ended 31 December 2019. This increase was primarily attributable to the year-on-year decrease in the average Brent oil price of 34.8 per cent. and lower oil sales volumes, reflecting production restrictions at certain fields under the OPEC+ agreement.

Net profit

Net loss attributable to the refining and trading of crude oil and refined oil products before elimination was KZT 57.9 billion for the six months ended 30 June 2022 compared to a net profit of KZT 39.4 billion for the six months ended 30 June 2021. This change was primarily due to increase in volumes and average selling price of petroleum products.

Net profit attributable to the refining and trading of crude oil and refined products before elimination increased to a net profit of KZT 36.9 billion for the year ended 31 December 2021 compared to a net loss of KZT 227.8 billion for the year ended 31 December 2020. This change was primarily due to an increase in the average Brent oil price of 69.5 per cent. Year-on-year and an average annual depreciation in Tenge against the U.S. dollar of 3.0 per cent. year-on-year.

Net loss attributable to the refining and trading of crude oil and refined oil products before elimination was KZT 227.8 billion for the year ended 31 December 2020 compared to a net loss of KZT 36.6 billion for the year ended 31 December 2019. This change was primarily due to the year-on-year decrease in the average Brent oil price of 34.8 per cent. and lower oil sales volumes, reflecting production restrictions at certain fields under the OPEC+ Oil Agreement.

EBITDA

EBITDA attributable to the refining and trading of crude oil and refined products before elimination increased by 20.6 per cent. to KZT 192.4 billion for the six months ended 30 June 2022 compared to

KZT 159.6 billion for the six months ended 30 June 2021. This increase was primarily attributable to an increase in the average Brent oil price of 66 per cent. period-on-period and an average annual depreciation in Tenge against the U.S. dollar of 6.1 per cent. period-on-period.

EBITDA attributable to the refining and trading of crude oil and refined products before elimination increased by 34.7 per cent. to KZT 289.4 billion for the year ended 31 December 2021 compared to KZT 214.8 billion for the year ended 31 December 2020. This increase was primarily attributable to an increase in the average Brent oil price of 69.5 per cent. year-on-year and an average annual depreciation in Tenge against the U.S. dollar of 3.0 per cent. year-on-year.

EBITDA attributable to the refining and trading of crude oil and refined products before elimination decreased by 19.9 per cent. to KZT 214.8 billion for the year ended 31 December 2020 compared to KZT 268.0 billion for the year ended 31 December 2019. This decrease was primarily due to the year-on-year decrease in the average Brent oil price of 34.8 per cent. and lower oil sales volumes, reflecting production restrictions at certain fields under the OPEC+ Oil Agreement and lower sales by KMG International.

Corporate

The "corporate" segment is composed of the Company, which engages in operations as well as parent company functional services.

Revenue

Revenue before elimination attributable to this segment increased by 49.8 per cent. to KZT 402.7 billion for the six months ended 30 June 2022 compared to KZT 268.8 billion for the six months ended 30 June 2021 due to the increase in volume on 8 per cent. compared to the previous period and the price of petroleum products on 27 per cent. compared to the previous period

Revenue before elimination attributable to this segment increased by 63.6 per cent. to KZT 607.1 billion for the year ended 31 December 2021 compared to KZT 371.0 billion for the year ended 31 December 2020 due to improved market conditions and price increases for the sale of petroleum products.

Revenue before elimination attributable to this segment decreased by 13.8 per cent. to KZT 371.0 billion for the year ended 31 December 2020 compared to KZT 430.2 billion for the year ended 31 December 2019 due to the economic downturn caused by the COVID-19 pandemic.

Net profit

Net profit attributable to this segment increased by 112.8 per cent. to KZT 211.7 billion for the six months ended 30 June 2022 compared to KZT 99.5 billion for the six months ended 30 June 2021 primarily due to price increases for the sale of petroleum products.

Net profit attributable to this segment increased to a profit of KZT 300.3 billion for the year ended 31 December 2021 compared to a net loss of KZT 189.3 billion for the year ended 31 December 2020 primarily due to improved market conditions and price increases for the sale of petroleum products.

Net loss increased by 58.1 per cent. to KZT 189.3 billion for the year ended 31 December 2020 compared to a net loss of KZT 119.7 billion for the year ended 31 December 2019 primarily due to the economic downturn caused by the COVID-19 pandemic.

EBITDA

EBITDA attributable to the "corporate" segment increased by 46.1 per cent. to KZT 64.0 billion for the six months ended 30 June 2022 compared to KZT 43.8 billion for the six months ended 30 June 2021, primarily as a result of price increases for the sale of petroleum products.

EBITDA attributable to the "corporate" segment increased to KZT 71.4 billion for the year ended 31 December 2021 compared to negative KZT 25.1 billion for the year ended 31 December 2020, primarily as a result of improved market conditions and price increases for the sale of petroleum products.

EBITDA attributable to this segment decreased to negative KZT 25.1 billion for the year ended 31 December 2020 compared to KZT 42.3 billion for the year ended 31 December 2019, primarily as a result of the economic downturn caused by the COVID-19 pandemic.

Other

The "other" segment is composed of service subsidiaries of the Company, which provide construction and installation works, construction of industrial facilities, power lines, roads; installation and dismantling of drilling equipment, technological transport in the fields, delivery of goods and transportation of workers, operation and maintenance of electrical equipment, telecommunications in the fields, and well repair.

Revenue

Of the segment's total revenue, 55.5 per cent. and 59.1 per cent. were derived from external customers and 44.5 per cent. and 40.9 per cent. from internal customers for the six months ended 30 June 2022 and 2021, respectively. Of the segment's total revenue, 58.5 per cent. and 56.8 per cent. were derived from external customers and 41.5 per cent. and 43.2 per cent. from internal customers for the years ended 31 December 2021 and 2020, respectively.

Net loss

Net loss attributable to the "other" segment increased by 405.7 per cent. to a net loss of KZT 17.7 billion for the six months ended 30 June 2022 compared to a net loss of KZT 3.5 billion for the six months ended 30 June 2021, primarily as a result of increase in expenses, in particular payroll, in February 2022, in order to stabilize the situation, as well as prevent further escalation of labour conflicts in the KMG group of companies, the decision of the KMG Board announced an increase in the salaries of employees in some subsidiaries of KMG up to 30 per cent. from 1 January 2022.

Net loss attributable to the "other" segment increased by 78 per cent. to a net loss of KZT 33.1 billion for the year ended 31 December 2021 compared to net loss of KZT 18.6 billion for the year ended 31 December 2020, primarily as a result of reclassification of KazRosGas from gas transportation segment to "other" segment in 2021 due to disposal of QazaqGaz.

Net loss attributable to the "other" segment decreased to KZT 18.6 billion for the year ended 31 December 2020 compared to net loss of KZT 68.1 billion for the year ended 31 December 2019, primarily as a result of accrual in 2019 of the provisions for litigation on the Satti jack-up drilling rig (the "**Satti rig**") and accrual of the provisions for impairment of the Satti rig, which were significantly reduced in 2020 due to the termination of arbitration proceedings related to the Satti rig.

EBITDA

EBITDA attributable to this segment decreased to negative KZT 14.3 billion for the six months ended 30 June 2022 compared to KZT 4.9 billion for the six months ended 30 June 2021 due to increase in expenses, in particular payroll, in February 2022, in order to stabilize the situation, as well as prevent further escalation of labor conflicts in the KMG group of companies, the decision of the KMG Board announced an increase in the salaries of employees in some subsidiaries of KMG by 30 per cent. from 1 January 2022.

EBITDA attributable to this segment increased to KZT 13.4 billion for the year ended 31 December 2021 compared to negative KZT 5.3 billion for the year ended 31 December 2020 due to resumption of drilling operations by KMG DS using the Satti rig and better economic conditions after ease of COVID restrictions.

EBITDA attributable to this segment was negative KZT 5.3 billion for the year ended 31 December 2020 compared to negative KZT 32.3 billion for the year ended 31 December 2019 due to accrual of provisions for litigation on the Satti rig and for impairment of the Satti rig.

Liquidity and Capital Resources

Cash Flows

The following tables set forth certain information regarding the principal items of the statement of cash flows for the periods indicated:

	For the year ended 31 December			Change	
	2021	2020 (restated)	2019	2021 and 2020 (restated)	2020 (restated) and 2019
		(KZT millions)		*(per cent.)*	
Net cash flows from operating activities	1,078,497	446,533	123,801	141.5	260.7
Net cash flows (used in)/from investing activities	(988,694)	(205,611)	(319,562)	380.9	(35.7)
Net cash flows (used in)/from financing activities	(282,533)	(245,227)	(270,371)	15.2	(9.3)

	For the six months ended 30 June		
	2022	2021	Change
	(KZT millions)		*(per cent.)*
Net cash flows from operating activities	354,155	443,744	(20.2)
Net cash flows used in investing activities	(235,499)	(59,661)	294.7
Net cash flows used in financing activities	(176,503)	(97,718)	80.6

Net Cash Flows from Operating Activities

For the six months ended 30 June 2022, net cash flows from operating activities were KZT 354.2 billion compared to KZT 443.7 billion for the six months ended 30 June 2021, reflecting a decrease of KZT 89.5 billion, or 20.2 per cent. This decrease is primarily due to changes in trade accounts receivable and other current assets.

For the year ended 31 December 2021, net cash flows from operating activities were KZT 1,078.5 billion compared to KZT 446.5 billion for the year ended 31 December 2020, reflecting an increase of KZT 632.0 billion, or 141.5 per cent. This increase reflects a higher profit before income tax.

For the year ended 31 December 2020, net cash flows from operating activities were KZT 446.5 billion compared to KZT 123.8 billion for the year ended 31 December 2019, reflecting an increase of KZT 322.7 billion, or 260.7 per cent. This increase was primarily attributable to a KZT 864.5 billion adjustment for repayment of advances received for the supply of oil for the year ended 31 December 2019.

Net Cash Flows Used in Investing Activities

Net cash flows from/(used in) investing activities principally reflect acquisitions and dispositions of subsidiaries, joint ventures and associates, purchases and sales of property, plant and equipment and intangible property, distributions received from joint ventures and associates and withdrawals and placements of bank deposits.

For the six months ended 30 June 2022, net cash flows used in investing activities increased were KZT 235.5 billion compared to KZT 59.7 billion for the six months ended 30 June 2021, reflecting an increase of KZT 175.8 billion or 294.5 per cent. This increase was primarily attributable to placement of bank deposits, which was slightly offset by increase in withdrawal of bank deposits.

For the year ended 31 December 2021, net cash flows used in investing activities were KZT 988.7 billion compared to net cash flows used in investing activities of KZT 205.6 billion for the year ended 31 December 2020. Net cash flows used in investing activities for the year ended 31 December 2021 were primarily related to placement of bank deposits and disposal of QazaqGaz.

For the year ended 31 December 2020, net cash flows used in investing activities were KZT 205.6 billion compared to net cash flows used in investing activities of KZT 319.6 billion for the year ended 31 December 2019. Net cash flows used in investing activities for the year ended 31 December 2020 were primarily related to the purchase of property, plant and equipment, which was offset by the withdrawal of bank deposits.

Net Cash Flows (Used in) / From Financing Activities

For the six months ended 30 June 2022, net cash flows used in financing activities were KZT 176.5 billion compared to KZT 97.7 billion for the six months ended 30 June 2021, reflecting an increase of KZT 78.8 billion or 80.7 per cent. This increase was primarily attributable to an increase in dividends paid to the Company's shareholders.

For the year ended 31 December 2021, net cash flows used in financing activities were KZT 282.5 billion compared to net cash flows used in financing activities of KZT 245.2 billion for the year ended 31 December 2020. The net cash flows used in financing activities in the year ended 31 December 2021 primarily reflected the repayment of borrowings and reservation of cash made for the purposes of repayment of borrowings, partially offset by receipt of loans.

For the year ended 31 December 2020, net cash flows used in financing activities were KZT 245.2 billion compared to net cash flows from financing activities of KZT 270.4 billion for the year ended 31 December 2019. The net cash flows used in financing activities in the year ended 31 December 2020 primarily reflected the repayment of loans and bonds, partially offset by receipt of loans and placement of bonds.

Significant Non-Cash Transactions

In the six months ended 30 June 2022 and the year ended 31 December 2021, the Company entered into a number of significant non-cash transactions and other transactions, which were excluded from the Company's consolidated statement of cash flows. In June and November 2021, the Group made reservation of cash in total amount of KZT 292.3 billion for repayment of the loan from the Export-Import Bank of China, including interest accrued. The loan was repaid in July 2021 for KZT 32,799 million and in January 2022 for KZT 259.5 billion. Repayment of the loan was treated as non-cash transaction.

Total Capital Expenditures

The following tables set forth certain information regarding the Company's total capital expenditures, by segment, including acquisitions through business combinations, for the periods indicated.

	For the year ended 31 December			Change	
	2021	**2020 (Restated)**	**2019**	**2021 and 2020 (restated)**	**2020 (restated) and 2019**
		(KZT millions)		*(per cent.)*	
Exploration and production of oil and gas	168,017	167,609	256,725	0.2	(34.7)
Transportation of oil	92,061	48,900	44,926	88.3	8.8
Gas trading and transportation	—	—	91,744	—	—
Corporate	6,013	11,811	14,323	(49.1)	(17.5)
Refining and trading of crude oil and refined oil products	83,020	84,649	79,492	(1.9)	6.5
Other	12,681	15,586	18,098	(18.6)	(13.9)
Eliminations and adjustments	52,398	125,608	—	(58.3)	—
Total capital expenditures	**414,190**	**454,163**	**505,308**	**(8.8)**	**(10.1)**

	For the six months ended 30 June		Change
	2022	**2021**	**2022 and 2021**
	(KZT millions)		*(per cent.)*
Exploration and production of oil and gas	86,110	72,537	18.7

	For the six months ended 30 June		Change
	2022	2021	2022 and 2021
	(KZT millions)		(per cent.)
Transportation of oil	33,925	40,676	(16.6)
Refining and trading of crude oil and refined oil products	33,028	11,607	184.6
Corporate	2,986	4,561	(34.5)
Other	7,571	7,352	3.0
Eliminations and adjustments	—	29,772	—
Total capital expenditures	**163,620**	**166,505**	**(1.7)**

The exploration and production of oil and gas segment represented 52.6 per cent. and 43.6 per cent. of the capital expenditures of the Company for the six months ended 30 June 2022 and 2021, respectively. Capital expenditures for exploration and production in the six months ended 30 June 2022 related mainly for OMG, KMG Karachaganak, EMG and KTM due to a larger amount of work as a result of their optimization in the same period of 2021.

The exploration and production of oil and gas segment represented 40.6 per cent., 36.9 per cent. and 50.8 per cent. of the capital expenditures of the Company for the years ended 31 December 2021, 2020 and 2019, respectively. The increased expenditure in 2021, mostly in OMG, was associated with the greater scope for drilling operations which was partially offset by reduced expenditure in KMG-Karachaganak associated with lower quantity of wells drilled in 2021. The decreased expenditure in 2020 was mostly due to a lower amount of appraisal, exploration and development drilling works by KTG and KMG Karachaganak as well as smaller purchases of property, plant and equipment by OMG due to the COVID-19 pandemic.

The oil transportation segment represented 20.7 per cent. and 24.4 per cent. of the capital expenditures of the Company for the six months ended 30 June 2022 and 2021, respectively. In the six months ended 30 June 2022, the largest projects of the oil transportation segment in terms of capital expenditures related to the acceptance of the Kulsary-Tengiz technical water pipeline, as well as KMTF in connection with the acquisition of dry cargo ships as part of the marine operations support fleet project, as well as the repair of the Turkestan dry cargo ship in the reporting period of 2021.

The oil transportation segment represented 22.2 per cent., 10.8 per cent. and 8.9 per cent. of the capital expenditures of the Company for the years ended 31 December 2021, 2020 and 2019, respectively. The higher expenditure in 2021 was mostly due to the recognition of Kulsary-Tengiz technical water pipeline and purchase of dry-cargo vessels by KMTF 2 of them have been returned back as well as due to the repair of Turkestan dry-cargo vessel, which was covered by the insurance company and most of the expenditures has been reimbursed. The increased expenditure in 2020 was due to a large amount of works related to maintaining serviceability of plant assets in 2020 as compared with 2019 conditioned by differences in the requirements and scope of works.

The refining and trading of crude oil and refined oil products segment represented 20.2 per cent. and 7.0 per cent. of the capital expenditures of the Company for the six months ended 30 June 2022 and 2021, respectively. In the six months ended 30 June 2022, the largest project of this segment related to increased costs due to repairs, including planned repairs to the Petromidia refinery, and an unscheduled shutdown of one of the units, as well as an increase in the exchange rate of the U.S. Dollar.

The refining and trading of crude oil and refined oil products segment represented 20.0 per cent., 18.6 per cent. and 15.7 per cent. of the capital expenditures of the Company for the years ended 31 December 2021, 2020 and 2019, respectively. In the years ended 31 December 2021, 2020 and 2019, the largest projects of the refining and trading of crude oil and refined oil products segment were: (1) TAZALYQ project aimed at modernization of waste water treatment facilities of Atyrau Refinery, (2) carrying out planned capital repairs at the Petromidia Refinery and (3) the completion of the construction of a deep oil refining complex at the Atyrau Refinery, respectively.

In 2020 and 2019 significant capital expenditures of the Company's joint ventures included Construction of the Beineu-Bozoy-Shymkent gas pipeline (KZT 24,187 billion and KZT 30,791 billion).

In 2021, 2020 and 2019 the most significant capital expenditures of the Company's joint ventures included the TCO's FGP/WPMP (KZT 325,72 billion, KZT 370,353 billion, KZT 644,818 billion respectively). The Company expects its levels of capital spending to decline in 2023-2026 mostly due to the expiration of the subsoil use contracts and completion of a number of capital intensive projects in preceding years.

For the year ending 31 December 2022, budgeted capital expenditures are KZT 644.6 billion of which KZT 163.6 billion had been expended as at 30 June 2022. The Company's most significant capital expenditures budgeted for 2022 include exploration projects ("Kalamkas Sea", "Zhenis", "Isatay", "Abay", "Kurmangazy", "East Bekturly", "Turgai Paleozoic"), as well as some projects on behalf of Samruk-Kazyna ("Construction of a gas processing plant in Zhanaozen", "Construction of a seawater desalination plant in Kenderli with a capacity of 50,000 cubic metres per day", "Construction of QazaGaz Gas Processing Plant").

Capital expenditures for the projects of the Company's joint ventures are financed at the level of the relevant joint venture. Capital expenditures for these projects are expected to be funded without recourse to the Company.

See "*Risk Factors — Risks relating to the Company's industry — Oil and gas is a capital intensive industry, and the Company's business may require substantial ongoing capital expenditures.*"

Commitments

See Note 32 to the 2021 Financial Statements and Note 24 to the Interim Financial Statements.

Commitments under subsoil use contracts

As at 30 June 2022, the Company had the following liabilities related to minimum work programmes in accordance with terms of licences, PSAs and subsoil use contracts, signed with the Government:

Year	Capital Expenditures	Operational Expenditures
	(KZT million)	
2022	179,505	14,477
2023	110,943	4,310
2024	32,408	4,324
2025	14,217	4,275
2026-2048	3,038	21,957
Total	**340,111**	**49,343**

Oil Supply Commitments

As at 30 June 2022, KMG Kashagan had commitments to deliver 7.3 million tonnes till 31 December 2025 (or 3.7 million tonnes as Company's share), compared to 8.6 million tonnes at 31 December 2021 (or 4.3 million tonnes as Company's share respectively).

Other Contractual Commitments

As at 30 June 2022, the Company (including joint ventures) had other capital commitments of approximately KZT 186.9 billion (KZT 148.6 billion as at 31 December 2021), related to acquisition and construction of property, plant and equipment.

As at 30 June 2022, the Company had commitments in the total amount of KZT 169.1 billion (KZT 184.5 billion as at 31 December 2021) under investment programmes approved by the joint order of Ministry of Energy and the Natural Monopolies Committee and aimed at capital construction/reconstruction/overhaul/diagnostic of production facilities.

Debt Obligations

The following tables set forth certain information regarding the total borrowings of the Company and its subsidiaries and certain rate and currency denomination information related thereto as at the dates indicated:

	As at June 30	As at 31 December		
	2022	2021	2020	2019
		(KZT million, excluding percentages)		
Fixed interest rate borrowings	3,249,935	3,041,001	3,394,958	3,146,477
Weighted average of fixed interest rates	5.69%	5.72%	5.50%	5.48%
Floating interest rate borrowings	684,762	705,326	683,490	691,027
Weighted average of floating interest rates	8.12%	5.78%	4.38%	5.73%
	3,934,697	**3,746,327**	**4,078,448**	**3,837,504**

	As at June 30	As at 31 December		
	2022	2021	2020	2019
			(KZT million)	
U.S. Dollar-denominated borrowings	3,284,212	3,213,820	3,669,668	3,555,347
Tenge-denominated borrowings	281,362	294,581	318,034	271,776
Russian Rouble-denominated borrowings	349,123	221,207	85,223	-
Euro-denominated borrowings	9,214	8,424	2,319	2,881
Other currencies-denominated borrowings	10,786	8,295	3,204	7,500
	3,934,697	**3,746,327**	**4,078,448**	**3,837,504**

	As at June 30	As at 31 December		
	2022	2021	2020	2019
			(KZT million)	
Current portion	355,985	484,980	361,556	253,428
Non-current portion	3,578,712	3,261,347	3,716,892	3,584,076
	3,934,697	**3,746,327**	**4,078,448**	**3,837,504**

The Company's total borrowings increased by 5.0 per cent. to KZT 3,935 billion as at 30 June 2022 from KZT 3,746 billion as at 31 December 2021. This increase was primarily due to the effect of the foreign currency exchange rates with respect to the borrowings denominated in foreign currencies. The Company's short-term borrowings (including the current portion of long-term debt) decreased to KZT 356.0 billion as at 30 June 2022 from KZT 485 billion as at 31 December 2021. This decrease was primarily due to decrease in the current portion of long-term debt.

The Company's total borrowings decreased by 8.1 per cent. to KZT 3,746 billion as at 31 December 2021 from KZT 4,078.4 billion as at 31 December 2020. This decrease was principally due to the deconsolidation of QazaqGaz and related borrowings. The Company's long-term borrowings (excluding the current portion of long-term debt) decreased to KZT 3,261 billion as at 31 December 2021 from KZT 3,717 billion as at 31 December 2020, primarily due to deconsolidation of QazaqGaz and repayment of loans. To reduce the impact of the foreign currency exchange risk on the Group's leverage, Atyrau Refinery refinanced its loans denominated in U.S. dollars. The Company's short-term borrowings (including the current portion of long-term debt) increased to KZT 485 billion as at 31 December 2021 from KZT 361.6 billion as at 31 December 2020. This increase was primarily due to receipt of a new loan extended by VTB Bank to Atyrau Refinery in the amount of 38 billion Roubles to refinance the loan from EXIM Bank of China in the amount of U.S.$ 604 million (repaid in January 2022), as well as due to the USD/ KZT exchange rate fluctuations.

The Company's total borrowings increased by 6.3 per cent. to KZT 4,078 billion as at 31 December 2020 from KZT 3,838 billion as at 31 December 2019. This increase was solely due to the exchange rate difference as a result of the weakening of Tenge against U.S. dollar (382.59 as of the end of 2019 versus 420.91 as of the end of 2020), taking into account the debt is reflected in Tenge. In fact, in 2020, KMG's consolidated debt was slightly reduced due to the refinancing of two Eurobond issues total $907 million due to the issuance and placement of Eurobonds in the amount of $750 million ($157 million was repaid from KMG's own funds). The Company's long-term borrowings (excluding the current portion of long-term debt) increased to KZT 3,717 billion as at 31 December 2020 from KZT 3,584 billion as at 31 December 2019, primarily due to the issuance of bonds due 2033.

The Company's short-term borrowings (including the current portion of long-term debt) increased to KZT 361.6 billion as at 31 December 2020 from KZT 253.4 billion as at 31 December 2019. This increase was primarily due to the weakening of Tenge against U.S. Dollar, as well as due to the increase in debt under KMG International's revolving credit lines.

There have been no material changes in the debt obligations of the Group since 30 June 2022, except as provided below.

On 15 September 2022, the wholly owned subsidiary of the Company, Coöperatieve KazMunaiGas U.A., exercised the Kashagan Call Option and acquired the shares in KMG Kashagan from Samruk-Kazyna, thereby becoming the sole shareholder in KMG Kashagan. The purchase price is U.S.$3.8 billion to be paid in several tranches until 30 June 2023. The Company intends to cover 42 per cent. of the purchase price from the net proceeds from the 3 per cent. coupon 751.6 KZT billion (U.S.$1.6 billion) bonds due 2035 issued by the Company on KASE and held by Samruk-Kazyna, with the rest of the purchase price to be paid by the funds of Kashagan from operating activity and through an offset against Samruk-Kazyna's obligations to the Company. The acquisition of interest in KMG Kashagan will also increase the Company's debt by U.S.$2.3 billion (as of 30 September 2022), including U.S.$1.6 billion of above-mentioned bonds and U.S.$0.7 billion in the form of a guarantee to Samruk-Kazyna on the rest of the purchase price to be paid by the funds of Kashagan from its operating activities (until 30 June 2023).

As parties to this transaction are controlled by Samruk-Kazyna, the Company applied the pooling of interests method with respect to this acquisition and will present its consolidated financial statements for the nine months period ended 30 September 2022 as if the transfer of the controlling interest in KMG Kashagan had occurred from the beginning of the earliest period presented, i.e. 31 December 2021, regardless of the actual date of the combination (14 September 2022) and will result in restatement of financial information presented as of 31 December 2021 and for nine months ended 30 September 2022.

The assets and liabilities of KMG Kashagan transferred under common control are recorded at the carrying amounts of the predecessor, Samruk-Kazyna. No new goodwill is recognized as a result of the combination. Difference between the carrying value of net assets acquired and consideration paid was recognized within equity. The components of equity of KMG Kashagan are added to retained earnings of the Company as business combination under common control.

Financial Policy

The objectives of the Company's financial policy are to:

- measure, limit and manage the financial risks of the Company;
- monitor the Company's leverage and take steps to decrease the overall level of the Company's debt, by repayment of such debt at maturity without refinancing;
- maintain an optimal working capital position at the level of the Company's subsidiaries; and
- maintain a high level of financial flexibility within the Group.

In line with this policy, the Company aims to finance projects without affecting its balance sheet by entering into non-recourse project financing, by and entering into acquisition financing with limited recourse to the acquired asset and applying its own cash realised from dividends received from its subsidiaries, joint ventures and associates. In financing projects undertaken by the Company or its subsidiaries, the Company generally arranges financing at the Company level and then allocates such liquidity to fund projects, as and when needed, by different entities within the Group. Separately, the Company encourages its joint ventures and associates to participate in financing directly.

Principal Debt Obligations of the Company and its Subsidiaries

The Company regularly accesses the bank and bond markets. The amount of bonds outstanding as of 30 June 2022 was KZT 2,949.1 billion. The amount outstanding in bank loans to the Company as of 30 June 2022 was KZT 986 billion.

Principal Debt Obligations of Non-Consolidated Joint Ventures

In addition, although these are not consolidated with the borrowings of the Company, certain joint ventures and associates of the Company and its subsidiaries have significant debt obligations.

KBM

On 29 April 2021, KBM entered into a deed of amendment and restatement to the facility agreement relating to a pre-export term facility of up to U.S.$250 million, originally dated 6 March 2017, made between KBM (as borrower), Bank of China Limited, London Branch (as facility agent) and Euro-Asian Oil PTE. LTD. (as security agent and offtaker), for the purposes of refinancing the loan agreements entered into by CaspiBitum in 2016.

TCO

For the purposes of funding FGP / WPMP TCO raised the secured debt in July 2016, whereby Tengizchevroil Finance Company International Ltd ("**TFCI**") acts as a borrower.

On July 27, 2016 TFCI issued U.S.$1,000 million of Series A Bonds to international institutional investors, also taking out pari passu senior secured loans of U.S.$2,000 million and U.S.$1,000 million from Chevron and ExxonMobil, respectively, mirroring the terms of Series A Bonds. These bonds and loans mature on August 15, 2026 and bear interest rate of 4 per cent. per annum.

On July 23, 2020 TFCI issued U.S.$500 million of Series B Bonds to international institutional investors, also taking out pari passu senior secured loans of U.S.$1,000 million and U.S.$500 million from Chevron and ExxonMobil, respectively, mirroring the terms of Series B Bonds. These bonds and loans mature on August 15, 2025 and bear interest rate of 2.625 per cent. per annum.

On July 23, 2020 TFCI issued U.S.$750 million of Series C Bonds to international institutional investors, also taking out pari passu senior secured loans of U.S.$1,500 million and U.S.$750 million from Chevron and ExxonMobil, respectively, mirroring the terms of Series B Bonds. These bonds and loans mature on August 15, 2030 and bear interest rate of 3.25 per cent. per annum.

See table below for details:

Total long-term debt composition	**December 31, 2021, U.S.$ million**
Series A Bonds	1,000
Series B Bonds	500
Series C Bonds	750
Chevron Loan (pari passu Series A, B, C Bonds)	4,500
Exxon Mobil Loan (pari passu with Series A, B, C Bonds)	2,250
Total Long-Term Debt	**9,000**

Certain Provisions and Terms of Debt Obligations

The debt arrangements of the Company and its subsidiaries contain standard market terms, including certain financial and other restrictive covenants. As at the date of this Prospectus, the Company is in compliance with these covenants.

The following table sets forth the estimated scheduled maturities of the Company's debt as at 30 June 2022 (nominal values):

Year Due	Amount Due
	(USD millions)
2H 2022	95[7]
2023	233[7]
2024	264[7]
2025	760[7]
2026	312[7]
2027	1,297[7]
2028	0.5
2029	-
2030	1,250
2031 and after	3,500

The weighted average interest rate on the Company's fixed interest rate borrowings decreased to 5.69 per cent. as at 30 June 2022 from 5.72 per cent. as at 31 December 2021, primarily due to full early repayment of a loan from EXIM Bank of China by Atyrau Refinery in the amount of U.S.$604 million (KZT 259 billion Tenge). The weighted average interest rate on the Company's fixed interest rate borrowings increased to 5.72 per cent. as at 31 December 2021 from 5.50 per cent. as at 31 December 2020, primarily due to the refinancing of the Atyrau Refinery loans in U.S. dollar from the Development Bank of Kazakhstan (the "**DBK**") and JBIC by attracting loans in Tenge with higher interest rates. The weighted average interest rate on the Company's variable interest rate borrowings increased to 5.78 per cent. as at 31 December 2021 from 4.38 per cent. as at 31 December 2020, primarily due to the refinancing of Atyrau Refinery loan from China EXIM Bank by attracting loan in soft currency at a higher interest rate.

Risks – Introduction

The Company is subject to risks relating to reserves and production, evaluation of oil and gas reserves, Kazakhstan environmental legislation, prices for crude oil, gas and refined oil products, foreign currency, liquidity, credit, interest rates, taxation and other risks. The Company does not use financial instruments, such as foreign exchange forward contracts, foreign currency options, interest rate swaps and commodity agreements, to manage these market risks.

See Note 31 to the 2021 Financial Statements.

Market Risk

The Group takes on exposure to market risks. Market risks arise from open positions in interest rate, currency, and securities, all of which are exposed to general and specific market movements. The Group manages market risk through periodic estimation of potential losses that could arise from adverse changes in market conditions and establishing appropriate margin and collateral requirements.

Foreign Currency Risk

The Company's principal exchange rate risk involves changes in the value of the U.S. Dollar relative to Tenge and, to a lesser extent, relative to other currencies. As a result of significant borrowings and accounts payable denominated in the U.S. Dollar, the Group's consolidated statement of financial position can be affected significantly by movement in the U.S. Dollar / Tenge exchange rates. The Group also has transactional currency exposure to the U.S. Dollar as it collects a significant portion of its revenues in U.S. Dollar. Most of the Company's cash inflows are denominated in Tenge. On the revenue side, all of the Company's export revenue, including the exports of crude oil and refined oil products, are denominated in U.S. Dollars or are correlated with U.S. Dollar-denominated prices for crude oil and refined oil products.

As at 30 June 2022, KZT 3,284.2 billion of the Company's indebtedness was denominated in U.S. Dollars (representing 83.5 per cent. of the Company's total indebtedness of KZT 3,935 billion as at that

[7] Does not include working capital flows on trading activities of KMG International group.

date). Decreases in the value of the U.S. Dollar relative to Tenge have reduced, and will continue to reduce, the value of the Company's U.S. Dollar-denominated liabilities when measured in Tenge, whereas increases in the value of the U.S. Dollar relative to Tenge have increased, and will increase, the value of the Company's U.S. Dollar denominated liabilities when measured in Tenge. Because the Company's reporting currency is Tenge, the Company has suffered, and will continue to suffer, foreign currency translation losses when the U.S. Dollar decreases in value against Tenge. See "*—Main Factors Affecting Results of Operations and Liquidity—Impact of Changes in Exchange Rates*".

The Company does not use foreign exchange or forward contracts to manage its exposure to changes in foreign exchange rates. The Company's management regularly monitors the Company's currency risk and keeps track of changes in foreign currency exchange rates and its effect on operations of the Company. The Company maintains a policy of managing its foreign currency risk in U.S. Dollars by matching U.S. Dollar-denominated financial assets with U.S. Dollar-denominated financial liabilities or by designating hedges between non-financial assets and financial liabilities.

Interest Rate Risk

Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates. The Company is exposed to interest rate risk on its indebtedness that bears interest at floating rates and, to a lesser extent, on its indebtedness that bears interest at fixed rates. The Company's policy is to manage its interest rate cost using a mix of fixed and variable rate borrowings. As at 30 June 2022, the Company had loans and borrowings outstanding in an aggregate amount of KZT 3,934.7 billion, of which KZT 3,250 billion bears interest at fixed rates (at a weighted average rate of 5.69 per cent.) and KZT 684.8 billion bears interest at floating rates (at a weighted average rate of 8.12 per cent.), largely determined by reference to LIBOR[8] (that had been replaced by Secured Overnight Financing Rate – SOFR) for U.S. Dollar deposits. See "*—Debt Obligations*".

The Company incurs debt for general corporate purposes including financing capital expenditures, financing acquisitions and working capital needs. Upward fluctuations in interest rates increase the cost of new debt and the interest cost of outstanding variable rate borrowings. Fluctuations in interest rates can also lead to significant fluctuations in the fair value of the Company's debt obligations. A homogeneous category is defined according to the currency in which financial liabilities are denominated and assumes the same interest rate movement within each homogeneous category (e.g., U.S. Dollars, Tenge). However, the Company's sensitivity to decreases in interest rates and corresponding increases in the fair value of the Company's debt portfolio would negatively affect results and cash flows only to the extent that the Company elected to repurchase or otherwise retire all or a portion of the Company's fixed rate debt portfolio at prices above carrying value.

Credit Risk

The Company trades only with recognised, creditworthy parties, and it has a credit verification policy in place with respect to customers who wish to trade on credit terms. The Company's financial instruments that are potentially exposed to concentrations of credit risk consist primarily of accounts receivable. While the Company may be subject to losses up to the contract value of the instruments in the event of non-performance by its counterparties, it does not expect such losses to occur. Although collection of these receivables could be influenced by economic factors affecting these entities, the Company believes there is not a significant risk of loss beyond allowances already recorded. The maximum exposure is the carrying amount as disclosed in Note 14 of the 2021 Financial Statements.

Concentrations of credit risk with respect to accounts receivable are limited due to the large number of customers included in the Company's customer base and the uses of letters of credit for most sales. Insurance for deposits of legal entities is not offered by financial institutions operating in Kazakhstan. The Company's management periodically reviews the creditworthiness of the financial institutions with

[8] The average interbank interest rate at which a selection of banks on the London money market are prepared to lend to one another.

which it deposits cash.

With respect to credit risks arising on other financial assets of the Company, which comprise cash and cash equivalents, bank deposits, trade accounts receivable, loans and notes receivable and other financial assets, the Company's exposure to credit risks arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments.

In addition, the Company is also exposed to credit and liquidity risk from its investing activities, principally in relation to its placing of deposits with Kazakhstan banks.

Liquidity Risk

Liquidity risk arises when the maturities of assets and liabilities do not match, causing the Company to encounter difficulty in raising funds to meet commitments associated with its financial liabilities. Liquidity risk may result from an inability to sell a financial asset quickly at close to its fair value. The Company's management monitors liquidity requirements on a regular basis and believes that the Company has sufficient funds available to meet its commitments as they arise.

***Hedging* Policy**

The Company does not generally utilise forward exchange contracts, currency swaps, put options or other hedging arrangements. Within the Group, only KMG International uses hedging arrangements.

As at 30 June 2022, certain borrowings denominated in foreign currency were designated as hedge instrument for the net investment in the foreign operations. These borrowings are being used to hedge the Group's exposure to the U.S. Dollar foreign exchange risk on these investments. For the six months ended 30 June 2022, loss of KZT 233.6 billion (compared to a loss of KZT 44.0 billion for the six months ended 30 June 2021) on the translation of these borrowings were transferred to other comprehensive income and offset against translation gains on the net investments in foreign operations.

In the year ended 31 December 2021, KMG International utilised hedging of net investments in certain subsidiaries classified as foreign operations against selected U.S. Dollar-denominated borrowings, the effect of which was equal to a loss of KZT 67.0 billion (compared to losses of KZT 205.7 billion in the year ended 31 December 2020 and income of KZT 10.3 billion in the year ended 31 December 2019). See Note 25 to the 2021 Financial Statements.

Off Balance Sheet Arrangements

As at 30 June 2022, the Company had no material off balance sheet items. The Company reports all recognised contingent liabilities and commitments as provisions, or otherwise discloses them in its consolidated financial statements. Credit risk for off balance sheet financial instruments is defined as the possibility of sustaining a loss as a result of another party to a financial instrument failing to perform in accordance with the terms of the contract. The Company's management does not believe that off balance sheet instruments are material to its consolidated operations or financial position.

Critical Accounting Policies and Estimates

The Financial Statements have been prepared in conformity with IFRS. The preparation of consolidated financial statements in conformity with IFRS requires the Company's management to select appropriate accounting policies and to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenue and expenses and the disclosure of contingent assets and liabilities. For a full description of the Company's significant accounting policies, see Note 3 of the 2021 Financial Statements. Management's selection of appropriate accounting policies and the making of such estimates and assumptions involve judgments and uncertainties to such an extent that there is a reasonable likelihood that materially different amounts would have been reported under different conditions, or if different assumptions had been used, and actual amounts may differ from these estimates. Set forth below are summaries of the most critical accounting estimates and judgments required of the Company's management.

See Note 3 of the 2021 Financial Statements and "*Presentation of Financial and Other Information*".

Oil and Gas Reserves

Oil and gas reserves are a material factor in the Company's computation of depreciation, depletion and amortisation. The Company estimates its reserves of oil and gas for this computation in accordance with the PRMS and Kazakhstan the methodology (including as a matter of compliance with Kazakhstan subsoil use law). In estimating its reserves under PRMS methodology, the Company uses long-term planning prices (macroeconomic forecasts of the Development Plan of Samruk-Kazyna JSC for a 5-year period). Using planning prices for estimating proved reserves removes the impact of the volatility inherent in using year-end spot prices. The Company's management believes that long-term planning price assumptions are more consistent with the long-term nature of the upstream business and provide the most appropriate basis for estimating oil and gas reserves.

All reserve estimates involve a degree of uncertainty. The extent of such uncertainty depends chiefly on the amount of reliable geological and engineering data available at the time of the estimate and the interpretation of this data.

The relative degree of uncertainty can be conveyed by placing reserves into one of two principal classifications, either proved or unproved. Proved reserves are more certain to be recovered (over 90 per cent.) than unproved reserves and may be further sub-classified as developed and undeveloped to denote progressively increasing uncertainty in their recoverability. See "*PRESENTATION OF FINANCIAL AND OTHER INFORMATION–Certain Reserves Information*" for details.

Hydrocarbon reserves are assessed annually. Estimates are reviewed and revised annually. Revisions occur due to the evaluation or re-evaluation of already available geological, reservoir or production data, availability of new data, or changes to underlying price assumptions. Reserve estimates may also be revised due to improved recovery projects, changes in production capacity or changes in development strategy. Proved developed reserves are used to calculate the unit of production rates for depreciation, depletion and amortisation in relation to oil and gas production assets. The Company has included in proved reserves only those quantities that are expected to be produced during the initial subsoil use contract period. This is due to the uncertainties related to the outcome of such renewal procedures, since the renewal is ultimately at the discretion of the Government. An increase in the Company's subsoil use contract periods and a corresponding increase in reported reserves would generally lead to lower depreciation, depletion and amortisation expense and could materially affect earnings. A reduction in proved developed reserves will increase depreciation, depletion and amortisation expense (assuming constant production), reduce income and could also result in an immediate write down of the property's book value. Given the relatively small number of producing fields, it is possible that any changes in reserve estimates year on year could significantly affect prospective charges for depreciation, depletion and amortisation.

Recoverability of Oil and Gas Assets, Downstream, Refining and Other Assets

The Company assesses assets or cash generating units ("**CGU**") for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Where an indicator of impairment exists, a formal estimate of the recoverable amount is made, which is considered to be the higher of the fair value less costs to sell and value in use. These assessments require the use of estimates and assumptions, such as long-term oil prices, discount rates, future capital requirements and operating performance (including production and sales volumes), which are subject to risk and uncertainty. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset or CGU is considered to be impaired and is written down to its recoverable amount. In assessing the recoverable amount, the estimated future cash flows are adjusted for the risks specific to the asset group and are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Fair value less costs to sell is identified as the price that would be received to sell the asset in an orderly transaction between market participants and does not reflect the effects of factors that may be specific to the entity and not applicable to entities in general.

The Company performed its annual impairment tests of downstream, refining and other assets in December 2021, 2020 and 2019. The Company considers the forecast refinery margins and production volumes, among other factors, when reviewing for indicators of impairment. Decline in market forecasts indicates a potential impairment of goodwill and/or assets of refining, downstream and other segments. For the years ended 31 December 2021, 2020 and 2019, as a result of the impairment analysis, impairment charges were recognised in the Financial Statements.

Pavlodar Refinery

As of 31 December 2021, 2020 and 2019, the Group had material goodwill related to the acquisition of Pavlodar Refinery.

As at 31 December 2021, 2020 and 2019, the recoverable amount of Pavlodar Refinery's CGU amounted to KZT 88.6 billion. The recoverable amount is calculated using a discounted cash flow model, the discount rate applied to the cash flow projections was 12.06 per cent. in 2021 (10.79 per cent. in 2020 and 9.7 per cent. in 2019).

Based on the results of impairment test, no impairment of Pavlodar Refinery goodwill was identified in 2021. See Note 17 of the 2021 Financial Statements.

Assets Retirement Obligations

Oil and Gas Production Facilities

Under the terms of certain subsoil use contracts and applicable legislation and regulations, the Company has legal obligations to dismantle and remove tangible assets and restore the land at each production site. Specifically, the Company's obligation relates to the ongoing closure of all non-productive wells and final closure activities, such as removal of pipes and buildings and the re-cultivation of the contract territories, and also obligations to dismantle and remove tangible assets and restore territory at each production site. Since the subsoil use contract terms cannot be extended at the discretion of the Company, the settlement date of the final closure obligations has been assumed to be the end of each subsoil use contract period. If the asset retirement obligations were to be settled at the end of the economic life of the oil and gas field, the recorded obligation would increase significantly due to the inclusion of all abandonment and closure costs. The extent of the Group's obligations to finance the abandonment of wells and final closure costs depends on the terms of the respective subsoil use contract and current legislation.

Where neither subsoil use contracts, legislation nor regulation include an unambiguous obligation to undertake or finance such final abandonment and closure costs at the end of the subsoil use contract term, no liability has been recognised. There is some uncertainty and significant judgment involved in making such a determination. The Company's management's assessment of the presence or absence of such obligations could change with shifts in the policies and practices of the Government or in the local industry practice.

The Company calculates asset retirement obligations separately for each contract. The amount of the obligation is the present value of the estimated expenditures expected to be required to settle the obligation adjusted for expected inflation and discounted using average long-term risk free interest rates for emerging market sovereign debt adjusted for risks specific to the Kazakhstan market.

At each reporting date, the Company reviews site restoration provisions, and adjusts them to reflect the current best estimate in accordance with IFRIC 1 "Changes in Existing Decommissioning, Restoration and Similar Liabilities".

Estimating future closure costs involves significant estimates and judgments by the Company's management. Most of these obligations are many years in the future and, in addition to ambiguities in the legal requirements, the Company's estimate can be affected by changes in asset removal technologies, costs and industry practice. Uncertainties related to the final closure costs are mitigated by the effects of discounting the expected cash flows. The Company estimates future well abandonment costs using current year prices and the average long-term inflation rate.

The long-term inflation and discount rates used to determine the obligation in the consolidated statement of financial position across the Group companies as at 31 December 2021 ranged from 2.23 per cent. to 8.10 per cent. and from 3.80 per cent. to 10.25 per cent., respectively (as compared to ranges of 2.00 per cent. to 7.3 per cent. and 3.68 per cent. to 11.00 per cent. as at 31 December 2020). As at 31 December 2021, the carrying amounts of the Group's asset retirement obligation relation to the decommissioning of oil and gas facilities was KZT 67.2 billion (as compared to KZT 66.2 billion as at 31 December 2020). See Note 26 of the 2021 Financial Statements for details of the movements in the provision for asset retirement obligations.

Environmental Remediation

The Company's management also makes judgments and estimates in establishing provisions for environmental remediation obligations. Environmental expenditures are capitalised or expensed depending upon their future economic benefit. Expenditures that relate to an existing condition caused by past operations and that do not have a future economic benefit are expensed.

Liabilities are determined based on current information about costs and expected plans for remediation and are recorded on an undiscounted basis if the timing of the procedures has not been agreed with the relevant authorities. The Company's environmental remediation provision represents management's best estimate, based on an independent assessment, of the anticipated expenditure necessary for the Company to remain in compliance with the current regulatory regime in Kazakhstan and Europe. The Company has classified this obligation as non-current except for the portion of costs, included in the annual budget for 2021. For environmental remediation provisions, actual costs can differ from estimates because of changes in laws and regulations, public expectations, discovery and analysis of site conditions and changes in clean-up technology. See also Note 26 of the 2021 Financial Statements for details of further uncertainties related to environmental remediation obligations.

Employee Benefits

The cost of defined long-term employee benefits before, on and after retirement and the present value of the obligation are determined using actuarial valuations. An actuarial valuation involves making various assumptions that may differ from actual developments in the future. These include the determination of the discount rate, future salary increases, mortality rates and future pension increases.

Due to the complexity of the valuation, the underlying assumptions and its long-term nature, a defined benefit obligation is highly sensitive to changes in these assumptions. All assumption are reviewed at each reporting date.

Taxation

In assessing tax risks, the Company's management considers to be probable obligations the known areas at tax positions that the Company would not appeal or does not believe it could successfully appeal if assessed by tax authorities. Such determinations inherently involve significant judgment and are subject to change as a result of changes in tax laws and regulations, amendments to the taxation terms of the Company's subsoil use contracts, the determination of expected outcomes from pending tax proceedings and the outcome of ongoing compliance audits by tax authorities. See Notes 29 and 32 of the 2021 Financial Statements.

Taxable income is computed in accordance with the Tax Code. Deferred tax is calculated with respect to both corporate income tax and excess profit tax. Deferred corporate income tax and excess profit tax are calculated based on temporary differences for assets and liabilities allocated to the subsoil use contract at the expected rates that were enacted by the tax authorities as at 31 December 2021.

Deferred tax assets are recognised for all allowances and unused tax losses to the extent that it is probable that taxable temporary differences and the business nature of such expenses will be proved. Significant management judgment is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies. The carrying value of recognised deferred tax as at 30 June 2022 was KZT 61.0 billion (KZT 34.0 billion as at 31 December 2021, KZT 58.6 billion as at 31 December 2020 and KZT 73.7 billion as at 31 December 2019).

Fair Values of Financial Instruments

Where the fair value of financial assets and financial liabilities recorded in the consolidated statement of financial position cannot be derived from active markets, they are determined using certain valuation techniques, including the discounted cash flows model. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgment is required in establishing fair values. The judgments include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions about these factors could affect the reported fair value of financial instruments. See Note 31 of the 2021 Financial Statements and Note 23 of the Interim Financial Statements.

Useful Lives of Property, Plant and Equipment

The Company assesses the remaining useful lives of items of property, plant and equipment at least at each financial year end and, if expectations differ from previous estimates, the changes are accounted for prospectively as a change in an accounting estimate in accordance with IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors.

DIRECTORS, MANAGEMENT AND CORPORATE GOVERNANCE

The Company's management structure consists of its Board of Directors and its Management Board. The Management Board, including the Chairman of the Management Board, are responsible for the day-to-day management of the Company.

The corporate governance regime requirements applicable to the Company are set out mainly in the JSC Law and the Company's Charter and the Company is complying with these requirements. Further, the Company adopted its corporate governance code on 27 May 2015 which is based on the corporate governance code of Samruk-Kazyna which applies to those organizations, in which Samruk-Kazyna directly or indirectly owns more than 50 per cent. of the voting shares. See "*– Corporate Governance Policies*". Such corporate governance regime is compatible with that under the MAR Rules.

Composition of the Board of Directors

The Company's Board of Directors consists of the following members:

Name	Date of birth	First Appointed	Term expires	Current Position
Christopher John Walton......	19 June 1957	2014	2023	Chairman of the Board of Directors of the Company, Independent Director
Magzum Maratovich Mirzagaliyev	7 November 1978	2022	2023	Chairman of the Management Board of the Company, Member of the Board of Directors of the Company
Uzakbay Suleymenovich Karabalin..............................	14 October 1947	2016	2023	Representative of Samruk-Kazyna, Member of the Board of Directors of the Company
Philip Malcolm Holland.......	25 Dec. 1954	2020	2023	Member of the Board of Directors of the Company, Independent Director
Timothy Glen Miller	13 Nov. 1959	2020	2023	Member of the Board of Directors of the Company, Independent Director
Yernar Beisenuly Zhanadil...	15 Dec. 1984	2022	2023	Representative of Samruk-Kazyna, Member of the Board of Directors of the Company
Gibrat Kairatovich Auganov	6 June 1988	2022	2023	Representative of Samruk-Kazyna, Member of the Board of Directors of the Company
Assel Anuarovna Khairova	4 February 1972	2022	2023	Member of the Board of Directors of the Company, Independent Director

Christopher Walton. Mr. Walton has been a member of the Board of Directors of the Company since 2014 and chairman of the Board of Directors since 2017. Mr. Walton is a fellow of the Institute of Directors and a fellow of the Royal Aeronautical Society. In addition to being the chairman of the Company, Mr. Walton is also the audit chair of the UK's Submarine Delivery Agency and a non-executive member of the Royal Navy's Naval Shipbuilding Strategy Board. He is a trustee of the Guild of Freemen of the City of London Charity. He was finance director and CFO of EasyJet Plc and held senior financial and commercial posts at Qantas, Air New Zealand, Australia Post and Australian Airlines. Mr. Walton also served in the Australian Army Reserve. He served as Chairman of Lothian Buses plc, Asia Resource Minerals Plc. and Goldenport Holdings. Mr. Walton was also chair of the audit committee of KTZ and a non-executive member of the audit and risk committee of the UK Department for Culture, Media and Sport. He graduated from the University of Western Australia with a bachelor of arts in political science and a master's in business Administration.

Magzum Maratovich Mirzagaliyev. Mr. Mirzagaliyev has been a member of the Board of Directors of the Company since 2022. He subsequently held various further positions in the oil and gas industry, in particular, drilling fluid engineer of MI Drilling Fluids International (Schlumberger) at the fields of Tengiz and Western Siberia; General Director of TenizService LLP; Managing Director of the Company; Deputy Chairman of the Management Board for innovation-based development and service projects of the Company; Vice Minister of Oil and Gas of the Republic of Kazakhstan; Vice Minister of Energy of the Republic of Kazakhstan; Minister of Environment, Geology and Natural Resources of the Republic of Kazakhstan; Vice Minister of Oil and Gas of the Republic of Kazakhstan; advisor to the President of the Republic of Kazakhstan. He graduated from three Kazakh universities (Turan University, Diplomatic Academy of the Ministry of Foreign Affairs, Caspian State University of Technology and Engineering named after S. Yessenov).

Uzakbay Karabalin. Mr. Karabalin has been a member of the Board of Directors of the Company since 2016 and is a representative of Samruk-Kazyna. Mr. Karabalin has over 20 years of experience in the oil and gas sector and also holds a number of academic positions. He was head of the laboratories of drilling technology and drilling liquids of the Kazakh Scientific Research and Exploration Oil Institute from 1974 until 1981, before becoming deputy director for science and research of the Kazakh Scientific Research and Exploration Oil Institute between 1981 and 1988, head of the Department for the Development of Technical Progress and Deep Drilling of the Main Territorial Administration of Prikaspiygeologiya between 1988 and 1990 and the chair of the Guryev Branch of Kazakh Polytechnical Institute between 1988 and 1990. Mr. Karabalin was the senior officer of the Industry Division of the Presidential Executive Office of the Republic of Kazakhstan and the Cabinet of Ministers of the Republic of Kazakhstan between 1991 and 1992. He then held the position of head of the Main Department of Oil and Gas of the Ministry of Energy and Fuel Resources of the Republic of Kazakhstan between 1992 and 1994 and Vice-Minister of Energy and Fuel Resources of the Republic of Kazakhstan and Vice-Minister of Oil and Gas Industry of the Republic of Kazakhstan between 1994 and 1995. Mr. Karabalin was vice-president for corporate development, director of perspective development, and the first vice-president of National Oil and Gas Company KazakhOil between 1997 and 2000. He served as acting president of the Company in 1999 and as president of QazaqGaz between 2000 and 2001, before acting as the Vice Minister of Energy and Mineral Resources of the Republic of Kazakhstan between 2001 and 2003. Mr. Karabalin, was President of the Company between 2003 and 2008. He also served as the chairman of the board of directors of KTO, JSC NC Transport of Oil and Gas, KMG and KMG EP between 2006 and 2008 and as a member of the Council of National Investors under the President of the Republic of Kazakhstan between 2007 and 2008. Mr. Karabalin was acting general director of MMG in 2008 and general director of JSC Kazakhstan Institute of Oil and Gas between 2010 and 2013. He served as the Minister of Oil and Gas of the Republic of Kazakhstan between 2013 and 2014. Mr. Karabalin was the First Deputy Minister of Energy of the Republic of Kazakhstan between 2014 and 2016 and currently serves as deputy chairman of KazEnergy, as chairman of the trust fund of the Atyrau University of Oil and Gas and as a member of the board of directors of JSC KIOG. Mr. Karabalin graduated from the Moscow Institute of Petrochemical and Gas Industry in 1970. He received a PhD degree from the Ufa Oil Institute in 1985.

Philip Malcolm Holland. Mr. Holland has been a member of the Board of Directors of the Company since 2020. Philip joined Bechtel Corporation in 1980 and managed major oil and gas projects in a wide range of international locations. In 2004, he joined Shell where, in 2009, he became executive vice-president downstream projects in Shell's newly formed projects and technology business. In 2010, he was appointed as project director for Shell's Kashagan phase 2 project in Kazakhstan, and subsequently the Shell/QP Al Karaana petrochemicals project. Since 2013, he has operated as an independent project management consultant.

Timothy Glen Miller. Mr. Miller has been a member of the Board of Directors of the Company since 2020. He is a seasoned executive in oil and gas management and operations with more than 39 years of experience across the globe. He also serves as an Executive Director for the Republic of Kazakhstan and Senior Advisor for Global Operations at Integrated Global Services (IGS). He previously worked at Chevron Corporation, serving as Eurasia business unit advisor to the operating company president from

October 2018 to February 2019, managing director of the Eurasia business unit from November 2015 to October 2018, senior vice president of East Kalimantan from August 2007 to October 2010, Brazil country manager from August 2005 to August 2007 and management sponsor from December 2003 to August 2005. He also previously served as general director at TCO from October 2010 to November 2015 and assistant to the president at Saudi Arabian Texaco, Inc., Texaco Exploration and Production from July 2000 to December 2003.

Yernar Beisenuly Zhanadil. Mr. Zhanadil has been a member of the Board of Directors of the Company since 2022. Mr. Zhanadil started his career working at Phillip Morris Kazakhstan, ElitStroy LLP, and PricewaterhouseCoopers, an international audit firm. In Samruk-Kazyna, he headed the internal audit service and held the position of the financial controller. In 2016, he was appointed as managing director for economics and finance and co-managing director and a member of the management board at Samruk-Kazyna. In 2021, he was appointed as managing director for investments, privatization and international cooperation and a member of the management board of Samruk-Kazynaw. Currently, he holds the following positions: managing director for development and privatization at Samruk-Kazyna, chairman of the board of directors of JSC Tau-Ken Samruk National Mining Company JSC and member of the board of directors of NAC Kazatomprom JSC. He received his bachelor of business administration in accounting and finance from the Kazakhstan Institute of Management, Economics and Strategic Research, (KIMEP), Kazakhstan. He holds master's degree in finance from Manchester Business School, University of Manchester, UK; He also received his executive MBA-Global from the Joint Program of London Business School and Columbia Business School, UK and USA. He holds the following professional international certificates: ACCA, CMA, IPMA.

Gibrat Kairatovich Auganov. Mr. Auganov has been a member of the Board of Directors of the Company since 2022. Mr. Auganov began his career as an engineer of the Labour Planning and Rationing Department of KMG EP. He subsequently held various further positions in the oil and gas industry (leading specialist of the Labour Remuneration and Rationing Department of KMG; leading specialist of the labour Remuneration and Rationing Department at "Samruk-Kazyna" Corporate University" Private Institution; leading engineer for labour rationing of the Human Resources Management Department at Kazgermunai; deputy director of the Personnel Management and Remuneration Department of EMG; director of the Personnel Management and Remuneration Department of KBM. He is a member of the Presidential Youth Personnel Reserve. He graduated from three Kazakh universities. Namely, he holds his bachelor's degree in finance from Kazakh Economic University named after. T. Ryskulov, Faculty of "Finance and Accounting"; he also holds a bachelor's degree in oil and gas business from Taraz State University named after M. Kh. Dulati; and he has a master's degree in economics and finance from the Humanitarian-Technical Academy.

Assel Anuarovna Khairova. Ms. Khairova has been a member of the Board of Directors of the Company since 2022. Ms. Khairova has more than 25 years of experience at international companies Century Integration AG and KPMG globally. She received her bachelor from Kazakhstan Polytechnic Institute, Kazakhstan. She holds Master of Public Administration from the Kazakhstan Institute of Management, Economics and Strategic Research, (KIMEP), Kazakhstan. She also received Leadership Programme from INSEAD Business School, France. Currently, she holds the following positions: member of the board of directors and chairman of the audit committee of Kazakhmys Holding, and member of the board of directors, chairman of the audit committee of JSC National Mining Company Tau-Ken Samruk.

Committees of the Board of Directors

The Company's Board of Directors includes the Audit Committee, the Nomination and Remuneration Committee, the Strategy and Portfolio Management Committee and the Health, Safety, Environment and Sustainable Development Committee.

Audit Committee

The Audit Committee is an advisory body of the Board of Directors that considers all issues concerning internal and external financial audit, financial statements and risk management. It also develops and presents recommendations to the Board of Directors as necessary.

As at the date of this Prospectus, the Audit Committee consists of the following members:

Name	Position
Assel Anuarovna Khairova	Chair since June 2022
Philip Malcolm Holland	Member since September 2020
Timothy Glen Miller	Member since September 2020

Nomination and Remuneration Committee

The Nomination and Remuneration Committee makes recommendations to the Board of Directors concerning the general policy of nomination to key positions and remuneration issues. The activity and recommendations of the Nomination and Remuneration Committee form the basis for Board of Directors and Management Board succession planning and performance reviews of members of the Management Board, the Corporate Secretary, and other senior employees. The Nomination and Remuneration Committee's role also includes ensuring an efficient personnel policy, wage and remuneration system, social support, professional development, and occupational training of Company officials and employees.

As at the date of this Prospectus, the Nomination and Remuneration Committee consists of the following members:

Name	Position
Philip Malcolm Holland	Chair since September 2020
Christopher John Walton	Member since June 2022
Gibrat Kairatovich Auganov	Member since April 2022
Assel Anuarovna Khairova	Member since May 2022

Strategy and Portfolio Management Committee

The Strategy and Portfolio Management Committee makes recommendations to the Board of Directors in respect of the Company's development strategy and investment policy. The Strategy and Portfolio Management Committee's role includes providing recommendations to enhance the Company's investment appeal through improved corporate governance, providing recommendations on the Company's financial and economic planning and innovation.

As at the date of this Prospectus, the Strategy and Portfolio Management Committee consists of the following members:

Name	Position
Christopher John Walton	Chair since June 2022 (previously, Member since September 2014)
Philip Malcolm Holland	Member since June 2022 (previously, Chair between September 2020 – June 2022)
Uzakbay Suleymenovich Karabalin	Member since June 2022 (previously, Member since February 2016)
Timothy Glen Miller	Member since September 2020
Yernar Beisenuly Zhanadil	Member since February 2022

Health, Safety, Environmental and Sustainable Development Committee

The Health, Safety, Environment and Sustainable Development Committee makes recommendations to the Board of Directors on maintaining health, safety and environment; what sustainable development principles to incorporate into strategy planning and social and economic growth of the Company; on social commitments and initiatives that the Company has under subsoil use contracts it has entered into; on how to ensure business continuity for the Company; and on environmental effectiveness of the Company.

Name	Position
Timothy Glen Miller	Chair since September 2020
Christopher John Walton............	Member since December 2018
Uzakbay Suleymenovich Karabalin....................................	Member since May 2019
Assel Anuarovna Khairova	Member since May 2022

The business address of each of the members of the Board of Directors and of the members of the Board's committees is the registered office of the Company at 8 Kunayev Street, Astana, 010000, Kazakhstan and its telephone number is +7 (7172) 786 101.

Composition of the Management Board

As at the date of this Prospectus, the Company's Management Board consists of seven members. The Board of Directors appoints the members of the Management Board. The Board of Directors may, at any time, terminate the authority of any Management Board members, other than the Chairman of the Management Board, who is appointed by the shareholders.

As at the date of this Prospectus, the Company's Management Board consists of the following members:

Name	Date of Birth	Appointed	Position with the Company
Magzum Mirzagaliyev	7 November 1978	April 2022	Chairman of the Management Board
Kurmangazy Iskaziyev	11 May 1965	February 2022	Deputy Chairman of the Management Board for Exploration and Production
Dauren Karabayev	11 June 1978	October 2018	Deputy Chairman of the Management Board for Economics and Finance
Murat Munbayev	5 January 1975	February 2022	Deputy Chairman of the Management Board for Major Oil-and-gas Projects
Dastan Abdulgafarov	16 December 1974	February 2022	Deputy Chairman of the Management Board for Strategy, Investments and Business Development
Arman Kairdenov	12 April 1971	May 2022	Deputy Chairman of the Management Board for Oil Refining and Petrochemicals
Bulat Zakirov	16 July 1976	May 2022	Deputy Chairman of the Management Board for Oil Transportation, International Projects and Sary-Arka Gas Pipeline Construction
Vassiliy Lavrenov	17 November 1979	May 2022	Deputy Chairman of the Management Board

Magzum Mirzagaliyev. See "—*Composition of the Board of Directors*".

Kurmangazy Iskaziyev. Mr. Iskaziyev graduated from the Oil Faculty of the Kazakh Polytechnic Institute named after V.I. Lenin majoring in Mining Engineering and Geology. In 1985, he started his career at Embaneft Production Association, where he subsequently passed all stages of production from an operator to the General Director of EMG. In 2006, Mr. Iskaziyev defended a doctoral thesis at Tomsk Polytechnic University, getting the "PhD Candidate of Geological and Mineralogical Sciences" qualification. In 2006-2008, he held the positions of Deputy Director of the Geology and Development Department, and Director of the Geology and Development Department at KMG EP. From 2008 to 2015, Mr. Iskaziyev worked for KMG as Executive Director for Oil and Gas Production, Managing Director for Geology, Geophysics and Reservoirs, Chief Geologist, Managing Director for Non-Operating Assets (Tengiz, Kashagan, Karachaganak). From September 2015 to 2018 held the positions of General Director of EMG, Chief Executive Officer of KMG EP. From 2018 to 2020 he served as a Deputy Chairman of the Management Board of KMG for Exploration, Production and Oilfield Services, Deputy Chairman of the Management Board of KMG for Geology and Exploration. From 2020 to February 2022 he was a Chief Executive Officer of KMG EP. Since February 2022 he has been a Deputy Chairman of the Management Board of KMG for Exploration and Production. In 2021, he defended a thesis at Gubkin National University of Oil and Gas "Gubkin University" with the scientific degree "Doctor of Geological and Mineralogical Sciences". He is a Laureate of the Al-Farabi State Prize of Kazakhstan in the field of science and technology, professor of the "Prospecting and Exploration of Oil and Gas" faculty of Gubkin's Russian State Oil and Gas University, academician of the Russian Academy of Natural Sciences (RANS). He was awarded with the order "Kurmet", the badges

“Honorary Prospector of the Republic of Kazakhstan” and “Honored Worker of the Oil and Gas Industry of the Republic of Kazakhstan”, title “Honorary citizen of Atyrau region”.

Dauren Karabayev, CFA. Mr. Karabayev graduated from the Kazakh State Academy of Management in 1999 with a bachelor’s degree in international economic relations. In 2001, he obtained a master of finance degree from Texas A&M University. In 2001, Mr. Karabayev started his career as a credit analyst at “ABN AMRO Bank Kazakhstan” JSC. In 2003, he was appointed head of credit management. Since 2004, he has served as a managing director of “Halyk Bank of Kazakhstan” JSC. From 2007 to June 2016, he was deputy chairman of the board of “Halyk Bank of Kazakhstan” JSC. From June 2016 to September 2016, he was a project supervisor at McKinsey & Company Inc. Since October 2016, he has been a Deputy Chairman of the Management Board of KMG for Economics and Finance.

Murat Munbayev. In 1998, Mr. Munbayev graduated from the University of Warsaw, getting a Master’s degree in international economic relations. He embarked upon his career in 1999 in financial organizations. From 2000 to 2002, he worked as an account manager, Branch Manager of ABN AMRO Bank Kazakhstan. From 2002 to 2004, Mr. Munbayev worked in TCO as Deputy Managing Director, supervising the treasury and debt financing matters. In 2004-2006, he held the position of Senior Planning Analyst, Advisor to the Executive Vice President of Chevron. In 2006-2007, he worked as Manager for Financial Support to Marketing and Transportation in TCO. From 2007 to 2016, he worked as Deputy General Manager, General Manager for Strategic Planning and Analysis and from 2016 to 2020 as General Manager for Marketing and Transportation in TCO. From January to June 2020, he was General Manager for Commerce in Eurasian Branch of ChevronMunaiGas Inc. In 2020-2021, he worked as General Manager for Strategy and Asset Portfolio in Shell Kazakhstan. Since February 2022, he has been Deputy Chairman of the Management Board for Major Oil-and-gas Projects in KMG.

Arman Kairdenov. Mr. Kairdenov graduated from the Kazakh Institute of Chemical Engineering with a degree in Chemical Technology of Carbon Materials. In 2003, he graduated from the Academy of National Economy under the Government of the Russian Federation with a degree in Oil and Gas Business. He started his career at the Atyrau Refinery, where he worked his way up from a process unit operator to the refinery manager. From 2006 to 2008, he worked at KMG as the General Manager of the Petrochemical Department and Deputy Director of the Oil Refining Department. From 2008 to 2012, he was Deputy CEO and CEO of Rompetrol Rafinare S. A., (Romania). From 2012 to 2013, he was CEO of Atyrau Refinery LLP. From 2013 to 2018, he worked at SEZ Atyrau JSC, The Rompetrol Group Corporate Centre S.R.L., KazMunayGaz - Refining and Marketing JSC. From 2019 to 2021, he worked as Director of the Technical Development Department, Managing Director for Oil Refining, and Director of the Oil Refining and Petrochemicals Department of KMG. Since July 2021, he has been CEO of Atyrau Refinery. Since May 2022, has been appointed Deputy Chairman of the Management Board of KMG for Oil Refining and Petrochemicals.

Bulat Zakirov. Mr. Zakirov graduated from the Kazakh State Academy of Management with a degree in International Monetary and Financial Relations and from the University of Dundee in Scotland with a degree in Oil and Gas Economics. From 1999 to 2009, he worked at KTO as a specialist of the Strategic Planning Department, manager of the Project Management Department, Chief Manager, Deputy Director and then Director of the Transport Logistics Department, Director of the Advanced Development Department and Deputy CEO for Development. From 2009 to 2011, he was Deputy CEO and CEO of KMG-Transcaspian LLP. From 2012 to 2016, he worked as an Advisor to the CEO, Managing Director for Production, Deputy CEO for Development and Managing Director for Assets of KTO. From 2016 to 2018, he was an Advisor to the CEO of KMG Systems & Services LLP. Since 2018, he has been the Director of the Oil Transportation Department, Head of Oil Transportation Administration of KMG. Since May 2022, has been appointed Deputy Chairman of the Management Board of KMG for Oil Transportation, International Projects and Sary-Arka Gas Pipeline Construction.

Vassiliy Lavrenov. V. Lavrenov graduated from the Kazakh State Law Academy in 2000. In 2004, he additionally got the degree in International Law from Duke University School of Law and Kyushu University in Japan. He started his career in 1999 as a paralegal in Titul Legal Agency LLP. He then worked as a lawyer at Grata Law Firm LLP. From 2001 to 2002, he worked as a legal advisor in the legal department of NAC Kazatomprom JSC. From 2002 to 2005, he was a partner in Grata Law Firm LLP. From 2005 to 2007, he worked as a Head of Legal Department, Chief Legal Advisor of the Kazakhstan Branch of Bateman Kazakhstan Oil and Gas Company B.V. From 2007 to 2008, he was the Director of the Legal Service of the oilfield services company Integra Management CJSC (Representative Office in Kazakhstan). From 2008 to 2017, he was the Director of the Legal Department and General Counsel of Eastcomtrans Group. From 2019 to 2022, he has been the Senior Partner, Consultant at Greenline Services Ltd in Budapest. Since May 2022, has been appointed Deputy Chairman of the Management Board of KMG.

The business address of each of the members of the Management Board is the registered office of the Company at 8 Kunayev Street Astana, 010000, Kazakhstan.

Chairman of the Management Board

The Chairman of the Management Board is the Company's chief executive officer. The current Chairman of the Management Board, Magzum Mirzagaliyev, was appointed effective 15 April 2022 by a resolution of the Management Board of Samruk-Kazyna dated 14 April 2022.

The business address of the Chairman of the Management Board is the registered office of the Company at 8 Kunayev Street, Astana, 010000, Kazakhstan.

Governance Structure

Shareholders

The shareholders perform the functions as set forth in the JSC Law, the Law "On the Sovereign Wealth Fund" (No. 550-IV, dated 1 February 2012, as amended) (the "**Sovereign Wealth Fund Law**"), the Charter (the latest edition was approved by a decision of shareholders on 22 April 2016, the latest edition was approved by a decision of shareholders on 22 April 2016, as amended on 1 August 2016, 4 November 2016, 30 November 2017, 16 November 2018, 19 December 2018, 19 December 2018, 20 May 2019, 3 February 2020, 13 July 2020) and the presidential edicts and resolutions of the Government on the establishment of Samruk-Kazyna and its role and functions in Kazakhstan's economy. See "*Principal and Selling Shareholder and Related Party Transactions—Samruk-Kazyna*".

Such functions include, among others, the following:

- participate in Company's management in accordance with the procedure established by the legislation and/or the Charter;
- when owning, independently or in aggregate with other shareholders, five or more percent of Company's voting shares, to propose to the Board of Directors to include additional items on the agenda of the General Meeting of Shareholders in accordance with the JSC Law;
- collect dividends;
- receive information about Company's activities, as well as the data on affiliated companies, including confidential information, not later than ten days after Company receives the inquiry, unless otherwise specified in the inquiry, and to familiarise themselves with Company's financial statements, in accordance with the procedure established by the legislation or the Charter;
- propose candidates for the General Meeting of Shareholders to be elected to Board of Directors;
- contest in court resolutions adopted by Company's bodies;
- initiate decision-making on issues within the competence of the General Meeting of Shareholders; and
- participate in decision-making on adjustment of the quantity or type of Company's shares in the manner prescribed by the legislation at the General Meeting of Shareholders.

Quorum and Voting Process

At any general meeting of shareholders of the Company, quorum is observed if the shareholders attending such meeting, in person or through their representatives, hold 50 per cent. or more of the voting shares of the Company.

For an adjourned general meeting of shareholders, quorum is observed if the shareholders attending such meeting, in person or through their representatives, hold 40 per cent. or more of the voting shares of the Company.

Voting at the general meeting of shareholders is carried out either by voting in person or absentee voting based on the "one share – one vote" principle, except for the following cases:

- where there is a restriction of the maximum number of votes on shares granted to one shareholder in the case specified by the legislative acts of the Republic of Kazakhstan;
- cumulative vote when electing members of the board of directors; and
- where one vote is granted to each person who has the right to vote at the general meeting of shareholders, for voting on procedural issues of conducting the general meeting of shareholders.

Board of Directors

The Board of Directors is responsible for the general management of the Company's activities, directs the Company's strategy and policy and has authority to make decisions on all aspects of the Company's activities, except those matters expressly reserved to the shareholders pursuant to the JSC Law and the Company's charter (as outlined above). In particular, the powers of the Board of Directors include, *inter alia*, the following:

- determination of priority activities of Company and approval of Company's development strategy, as well as monitoring of the implementation of Company's development strategy;
- approval of Company's annual report and sustainable development report;
- determination of the terms of issuance of Company's bonds and derivative securities and decision-making in respect of their issuance;
- approval of the annual audit plan of the internal audit service and the strategy of the internal audit service;
- taking decisions on establishment of legal entities and on acquisition or alienation by the Company of five and more per cent. [9] of shares (participation interest in the charter capital) of other legal entities;
- making a decision on the conclusion by Company of interested-party transaction in accordance with the legislation;
- adopt a resolution on the conclusion by Company of a transaction or a set of interrelated transactions, as a result of which Company acquires or disposes of (may acquire or dispose of) property, the value of which is ten or more per cent. of the total value of Company's assets;
- approval of a decision on the conclusion by Company of transactions or a set of interrelated transactions, as a result of which Company acquires or disposes of (may acquire or dispose of) property, the value of which exceeds the threshold equivalent to U.S.$110 million[10] in KZT at the rate determined by the forecast of macroeconomic indicators (baseline scenario) in the

[9] The amendments to the Charter approved by the Management Board of the Selling Shareholder on 27 October 2022 envisage changing the "five and more per cent." to "ten and more per cent.".
[10] The amendments to the Charter approved by the Management Board of the Selling Shareholder on 27 October 2022 envisage changing the "U.S.$110 million" to "U.S.$200 million".

relevant period, with the exception of transactions, decision-making on which is within the competence of the Board of Directors; and

- making decisions on concluding agreements (contracts) on joint activities and/or financing agreements for the implementation of projects under contracts (licenses) for subsoil use, concluding subsoil use contracts (after a decision is made by the competent authority in accordance with the legislation) or obtaining licenses for subsoil use, transfer of the subsoil use right (share in the subsoil use right) (prior to obtaining permission from the competent authority in accordance with the legislation), amendments and additions to subsoil use contracts (licenses) (except for amendments and additions of editorial nature), return to Company (refusal by Company) of the entire (part of) subsoil plot (all subsoil plots) in accordance with the legislation.

Members of the Board of Directors are appointed by a resolution of the shareholders for a term up of three years and shall not serve on the Board of Directors for more than nine consecutive years (although this limit is subject to certain exceptions). As at the date of this Prospectus, the Board of Directors consists of eight members, four of whom, Mr.Walton, Mr.Miller, Mr.Holland and Ms.Khairova are appointed as independent directors.

Management Board

The Management Board is responsible for the day-to-day management and administration of the Company, subject to the supervision of the Board of Directors and the shareholders. The Management Board's responsibilities include, *inter alia*, the following:

- adopting a resolution on the conclusion by Company of a transaction or a set of interrelated transactions, as a result of which Company acquires or disposes of (may acquire or dispose of) property, the value of which is less than ten percent of the total value of Company's assets, excluding transactions falling within the competence of other bodies of Company according to the legislation and/or the Charter;
- adopting, within its competence, resolutions on increasing Company's liabilities by the amount up to ten percent of its equity capital;
- submits for consideration by the Board of Directors, in accordance with the competence of the Management Board, proposals on Company's participation in establishment of other organisations and disposal of participatory interests and shares acquired on the basis of resolutions of the General Meeting of Shareholders or the Board of Directors;
- developing and submitting for preliminary approval to Board of Directors consolidated and separate annual financial statements of Company;
- submits proposals to the Board of Directors concerning establishment and closure of branches and representative offices of Company; and
- considers, approves and submits to the Board of Directors proposals on drafting of recommendations for Company's dividends policy, procedure of Company's net profit distribution for the financial year, dividend payment on ordinary shares and determination of the dividend amount payable per ordinary share of Company.

The amendments to the Charter approved by the Management Board of the Selling Shareholder on 27 October 2022 envisage transferring the competence related to approval of common policies and standards for the Company and organisations, in which the Company owns (directly or indirectly) voting shares or participation interests on matters not regulated by the corporate standards of Samruk-Kazyna, or establishing additional further details on the policies and corporate standards of Samruk-Kazyna, from the Board of Directors to the Management Board. See "*DESCRIPTION OF SHARE CAPITAL AND APPLICABLE KAZAKHSTAN REGULATION – Summary of the Charter*".

Internal Audit Service

The Internal Audit Service is a unified centralised body of the Company directly subordinate to and accountable to the Board of Directors. The Internal Audit Service exercises control over the financial and economic activities of the Group in accordance with the laws of Kazakhstan (namely the Law of Kazakhstan "On the National Welfare Fund") and internal policies and procedures of the Company, assesses internal controls and risk management, executes corporate governance documents and provides advice to Board of Directors in order to improve the activities of the Group.

The main role of the Internal Audit Service is to provide the Board of Directors with independent and objective information intended for the effective management of the Group by introducing a systematic approach on improving the processes of risk management, internal controls and corporate governance. The Internal Audit Service carries out its activities in accordance with the annual plan approved by the Board of Directors.

Remuneration

In accordance with the Company's charter, the remuneration of the members of the Board of Directors is determined by the shareholders, while remuneration of the Chairman of the Management Board, the members of the Management Board and the Internal Audit Service is determined by the Board of Directors based on the policy of the shareholders.

Total compensation to the Board of Directors of the Company in two currencies amounted to KZT 18,200,000 and U.S.$381,944 for the year ended 31 December 2021, KZT 15,799,427 and USD 819,020 for the year ended 31 December 2020 and KZT 18,559,956 and USD 1,418,097 for the year ended 31 December 2019.

Total compensation to the Management Board of the Company amounted to KZT 227,908,251.96 for the year ended 31 December 2021, KZT 317,527,424.77 for the year ended 31 December 2020 and KZT 565,558,538.93 for the year ended 31 December 2019. The compensation of the Management Board of the Company includes all salaries and financial benefits (plus taxes and pension contributions).

Employment Contracts with Senior Executive Officers

In general, the Company enters into employment contracts of indefinite duration with its senior executive officers. Under these contracts, the senior executive officers of the Company are entitled, in addition to their regular salary, to annual bonuses based on the Company's annual performance.

No member of the Board of Directors or the Management Board is party to any service contract with the Group where such contract provides for benefits upon termination of employment.

Conflicts of Interest

There are no potential conflicts of interest between any duties owed to the Company by members of the Board of Directors, the Management Board, the Chairman of the Management Board and the Internal Audit Service and their private interests or other duties, save that Uzakbay Karabalin holds 9,655 ordinary shares in KTO as of 31 December 2021.

To the best of the Company's knowledge as at the date of this Prospectus no member of the Management Board or the Board of Directors has any family or business relationship with any other member of the Management Board or the Board of Directors.

Litigation Statement about Directors and Senior Management

As at the date of this Prospectus, and for the five years preceding the date of this Prospectus, none of the Directors or members of the Management Board:

- has had any convictions in relation to fraudulent offences;

- has been a member of the administrative, management or supervisory bodies of any company, or been a partner in any partnership, at the time of or preceding any bankruptcy, receivership or liquidation; or
- has been subject to official public incrimination or sanction by a statutory or regulatory authority (including a professional body) nor has ever been disqualified by a court from acting as a member of the administrative, management or supervisory bodies of a company or from acting in the management or conduct of the affairs of a company.

Corporate Governance Policies

Corporate Governance Code

The Company adopted its corporate governance code on 27 May 2015 (the "**KMG Corporate Governance Code**"). It is based on the corporate governance code of Samruk-Kazyna which applies to those organizations in which Samruk-Kazyna directly or indirectly owns more than 50 per cent. of the voting shares. The KMG Corporate Governance Code deals with the following principal areas:

Principles of corporate governance

The KMG Corporate Governance Code states that the Government provides the Company with full operating self-sufficiency and does not allow interference by the Government and government agencies in the operational activities of the Company, except as provided by the laws, acts and orders of the President of the Republic of Kazakhstan.

Samruk-Kazyna as shareholder

Samruk-Kazyna shall annually communicate to the Chairman of the Board of Directors and the representatives of Samruk-Kazyna on the Board of Directors its expectations for the Company for the coming financial year. The Board of Directors has full autonomy in decision making within their competence, as established by the Charter.

Sustainable development

The Company recognizes the importance of its impact on the economy, environment and society and, while seeking to grow long-term value, it should ensure its sustainable development in the long run, by observing a balance of the interests of its stakeholders. This principle of responsible, thoughtful and rational interaction with stakeholders will contribute to the successful development of the Company. Activities concerning sustainable development should correspond to the best international practice. The Company should ensure the consistency of its economic, environmental and social goals for sustainable development in the long term.

Shareholders' rights and fair treatment of all shareholders

The KMG Corporate Governance Code establishes that the observance of the rights of shareholders is a fundamental condition for attracting investment to the Company. The Company should therefore ensure that all shareholders shall be treated equally.

Efficiency of the Board of Directors and the Management Board

The Board of Directors and the Management Board shall interact in collaboration and act for the benefit of the Company and make decisions based on the principles of sustainable development and fair treatment to all shareholders. The Board of Directors and the Management Board shall ensure the growth of long-term value and sustainable development of the Company.

The general meeting of shareholders shall elect the members of the Board of Directors on the basis of clear and transparent procedures taking into account competencies, skills, achievements, reputation and professional experience of the candidates.

The term of office of the Board of Directors shall coincide with the term of office of whole Board of Directors and shall expire at the time of the decision by the general meeting of shareholders to elect the new Board of Directors. Members of the Board of Directors shall be elected for the period of up to three years thereafter, subject to satisfactory performance, and may be re-elected for another period of up to three years. Any period of election to the Board of Directors for a period of more than six years in a row (for example, two three-year terms) shall be subject to special consideration in view of the necessary update of the qualitative composition of the Board of Directors.

An independent director cannot ordinarily be elected to the Board of Directors for a period of more than nine years. In exceptional cases, the election for more than nine years is allowed. However, the re-election of such an independent director shall take place each year with a detailed explanation of the need to elect a member of the Board of Directors and the influence of this factor on the independence of the decision. No person shall be involved regarding any decision making related to his or her own nomination, election and re-election or remuneration.

The Chairman of the Board of Directors is responsible for the overall management of the Board of Directors, ensuring the full and effective performance of its activities and in establishing a constructive dialogue with members of the Board of Directors, shareholders and the Management Board. The role and functions of the Chairman of the Board of Directors and Chief Executive Officer of the Management Board shall be clearly separated and fixed in the Charter and the regulations of the Board of Directors and the Management Board.

The measures ensuring proper exercise by the shareholders of the Company of their rights and effective dialogue between shareholders and other key stakeholders include, inter alia, the following:

- The Company regularly providing information on its activities and financial condition to shareholders and other stakeholders:
  - the Company publishes information on its activities on its web-site at: www.kmg.kz;
  - the Company publishes the annual report on its web-site within 10 days from its approval by the Board of Directors;
  - the Company publishes financial and accounting information, including financial reports, and information on corporate events on the web-site of the depository of financial reports;
  - the Company publishes information required to be disclosed as part of ongoing disclosure requirements of KASE and following AIX Admission will publish information required to be disclosed as part of ongoing disclosure requirements of the AIX; and
  - The Company must provide information requested by any of its shareholders within 10 business days from the date of the request.
- The General Meetings of Shareholders take place at least once a year;
- The General meeting of Shareholders may be attended either personally by the shareholder or by its proxy;
- Any shareholder is entitled to request an audit of the Company (at his/her expense), in which case the shareholder is entitled to appoint the auditor independently; and
- The governance and strategy of the Company is subject to corporate standards and policies approved by its Shareholders.

Risk management, internal control and audit

The KMG Corporate Governance Code provides that the Board of Directors and the Management Board are responsible for putting in place systems and procedures to ensure:

- the optimal balance between growth of the Company's value and profitability and the related risks;
- the efficiency of the Company's financial and economic activity and the achievement of financial sustainability of the Company;
- the soundness of the Company's assets and the effective use of Company's resources;
- the completeness, reliability and accuracy of financial and managerial reporting;
- compliance with the requirements of legislation of the Republic of Kazakhstan and internal documents; and
- appropriate internal controls to ensure the prevention of fraud are in place and to provide effective support for business processes and performance analysis.

The Board of Directors is responsible for defining the principles and approaches to the organization of the risk management and internal control system based on the tasks of this system and taking into account best practices, work and methodology of Samruk-Kazyna in the field of risk management and internal control. The Management Board shall ensure the development and support of the effective function of the risk management and internal control system. The risk management process shall be integrated with the planning processes (strategy and development plans, the annual budget) and operation's evaluation of the Company (management accounting). Each official of the Company shall ensure appropriate consideration of risks in decision making. The Management Board shall also ensure implementation of risk management procedures by employees, who have appropriate qualifications and experience. The system of risk management and internal control must be based on a strong culture of risk management, led by the Management Board, that provides mandatory procedures for the identification, assessment and monitoring of all significant risks, and takes timely and appropriate measures to reduce the risks that may affect the achievement of strategic objectives, implementation of operational targets, and the Company's reputation.

Transparency

The KMG Corporate Governance Code sets out that, in order to respect the interests of stakeholders, the Company must fairly disclose in a timely manner information on all important aspects of its activities, including its financial state, results of operations, ownership and management structure, including adhering to the laws of Kazakhstan and the rules of any recognised stock exchange where the shares or interests of such Company are listed.

Internal Control Systems Policy

The Company adopted the Internal Control Systems Policy on 21 October 2008 and subsequently amended it on 12 December 2018 ("**ICS Policy**"). The ICS Policy establishes the purposes, operational principles and components of the internal control system of the Company and its subsidiaries and affiliates ("**ICS**"). The Company regards the ICS as the key component of the Company's Corporate Governance Code and defines the ICS as a complex of processes and procedures, standards of conduct and actions facilitating the effective and efficient activity and aimed at achievement of the Company's operational targets and minimization of process-level risks. The ICS uses the committee of sponsoring organizations of the treadway commission model and includes five interrelated components: control environment, risk assessment, control procedures, information and communications, and monitoring. The ICS Policy is aimed at ensuring reasonable assurance in achievement of the Company's goals in three key areas:

- the improvement of operational efficiency;
- the preparation of full and reliable financial statements; and
- compliance with the laws of the Republic of Kazakhstan and the Company's internal regulations.

The ICS Policy applies to all levels of governance, internal processes and operations of the Company and is aimed at analyzing business processes, at timely identification and analysis of process-level risks inherent in KMG and its subsidiaries and affiliates' activities, as well as at defining and analyzing control procedures for managing these risks.

Business Continuity Management System Policy (BCMS)

Company is aware of the importance of having a BCMS and manages business continuity by determining the necessary conditions and resources for the development, improvement of measures and means to ensure business continuity in the context of threats and risks leading to business interruption (emergencies).

The Company adopted the Business Continuity Management System (BCMS) Policy on December 12, 2018, which defines BCMS as a set of processes and procedures aimed at identifying potential threats/risks and assessing their impact on the activities of KMG and its subsidiaries and affiliates. BCMS creates the basis for increasing the Company's resilience to incidents by implementing effective response measures capable of restoring the Company's activities and protecting the interests of stakeholders, business reputation, brand and activities that add value to the Company.

Anti-Corruption regulations

The Company has a number of internal anti-corruption regulations, in particular, Anti-Corruption Policy, Anti-Corruption Standards of the Employees, and Rules for Conducting Anti-Corruption Monitoring and Internal Analysis of Corruption Risks.

Anti-Corruption Policy

The Company adopted the Anti-Corruption Policy on 13 February 2020. The Anti-Corruption Policy discloses the goals and objectives of the Company in the field of combatting corruption, defines the legal basis and key principles of this anti-corruption, describes the measures taken by the Company to prevent corruption, establishes the duties of employees and other persons in the field of anti-corruption, as well as liability for non-compliance (improper execution) of the provisions of the Anti-Corruption Policy. This Anti-Corruption Policy is designed to:

- ensuring compliance of the Company with the requirements of Kazakhstan and foreign legislation governing relations in the field of anti-corruption, high standards of business ethics;
- minimizing the risks of involving the Company and its employees in corruption activities;
- the formation of the Company's employees and officers, shareholders, investors, counterparties, representatives of government bodies, other interested parties of a common understanding of the Company as denying corruption in all its forms and manifestations;
- creating a local regulatory framework governing the activities of the Company to combat corruption.

The Anti-Corruption Policy are mandatory for all employees and officials of the Company and applies to the Company; Company's subsidiaries; jointly controlled organizations of the Company, if there are no objections from other participants of such jointly controlled organization; Company's joint ventures that are consolidated in the financial statements of the Group using the equity method. The Anti-Corruption Policy does not apply to the Company's international group of companies and to financial investments of the Group.

Anti-Corruption Standards of the Employees

The Company adopted the Anti-Corruption Standards of the Employees on 16 January 2017 (the "**Anti-Corruption Standards**"). The Anti-Corruption Standards has been developed in accordance with the requirements of the relevant Kazakhstan legislation, Company's economic security policy and are intended to create the atmosphere of intolerance for any form of corruption among the employees through creating a system of valuable and ethical guidelines.

The Anti-corruption standards applies to all employees of the Company.

Rules for Conducting Anti-Corruption Monitoring and Internal Analysis of Corruption Risks

The Company adopted Rules for Conducting Anti-Corruption Monitoring and Internal Analysis of Corruption Risks at the Company and its subsidiaries and affiliates on 15 June 2017 (the "**Rules for Conducting Anti-Corruption Monitoring**"). The Rules for Conducting Anti-Corruption Monitoring have been developed in compliance with the Anti-Corruption Law of the Republic of Kazakhstan and Company's economic security policy, and provide for the uniform procedure of anti-corruption monitoring and analysis of corruption risks at the Company and its subsidiaries and affiliates.

The Rules for Conducting Anti-Corruption Monitoring are applicable to and mandatory for all participants of anti-corruption monitoring and internal analysis of corruption risks at the Company. The subsidiaries and affiliates of the Company shall harmonise the internal regulations in line with the Rules for Conducting Anti-Corruption Monitoring or develop and approve equivalent rules.

PRINCIPAL AND SELLING SHAREHOLDER AND RELATED PARTY TRANSACTIONS

Principal Shareholders

The table below sets forth certain information regarding the ownership of the Company's share capital prior to the Offering, as adjusted to give effect to the sale of the Shares by the Selling Shareholder in the Offering (assuming all Shares are sold in the Offering, respectively).

	Shares owned before the Offering		Shares owned after the Offering		Notifiable shareholdings(2)
Shareholder	**Number**	**Percentage(1)**	**Number**	**Percentage(1)**	**Yes/No**
Samruk-Kazyna	551,698,745	90.42	457,589,620	85.42	Yes
NBK(3)	58,420,748	9.58	58,420,748	9.58	Yes

Note:

(1) Approximate percentage shareholding of ordinary shares.

(2) Based on the JSC Law, the Charter of the Company and AIX Business Rules (as defined below).

(3) NBK has entered into a trust management agreement with Samruk-Kazyna in respect of its shares in the Company. See "*—National Bank of the Republic of Kazakhstan*" below.

Prior to the Offering, Samruk-Kazyna owned 90.42 per cent. of the Company's share capital and the NBK owned 9.58 per cent. of the Company's share capital. Following the Offering, Samruk-Kazyna will not less than approximately 85.42[11] per cent. of the Company's share capital and the NBK's shareholding will remain unchanged.

Under the JSC Law and the Charter, the disclosure obligations applicable to the shareholders of the Company appear in the last column of the table set out above. Following the Offering, Samruk-Kazyna will have an interest above the 10 per cent. threshold (representing a percentage of the total number of voting shares in the Company), which is notifiable to the Company together with information about the shareholder's affiliates. Additionally, following the Offering and AIX Admission of Company's shares, the Company will become a reporting entity for the purposes of the AIX Business Rules dated 12 November 2017 (the "**AIX Business Rules**") and, hence, these regulations will apply to both the Company, its directors and shareholders. Under the AIX Business Rules any shareholder must file a report with AIX, Astana Financial Services Authority and the Company in case of such shareholder acquiring or ceasing to hold more than 5 per cent. of the Company's voting shares and of any subsequent increase or decrease in the shareholding of not less than 1 per cent.

Following the Offering, Samruk-Kazyna will own not less than 75 per cent. of the Company's share capital and, as a result, will continue to control the Company, for example, in relation to electing members of the Board of Directors of the Company, declaring dividends (if any), amending the Charter and having control over certain decisions reserved to the competence of a general meeting of shareholders of the Company. The protections afforded to minority shareholders are outlined below, and no additional measures have been put in place at the Company to protect the rights of minority shareholders. See "*Risk Factors — Risks Relating to the Group's Business — After the Offering, the Company's controlling shareholder Samruk-Kazyna will continue to be able to exercise significant influence over the Company, its management and its affairs.*"

Certain protections are afforded to minority shareholders of a joint stock company under the JSC Law, albeit indirectly. In particular, the JSC Law:

- requires all interested party transactions to be approved by disinterested directors and all major transactions to be approved by the board of directors of the joint stock company;
- empowers shareholders to request certain information from the joint stock company;

[11] Assuming all of the 30,505,974 Shares offered in the Offering are sold.

- empowers shareholders holding, either independently or collectively, 10 per cent. or more of the voting shares of the joint stock company to request its board of directors to call general meetings of shareholders and request audits;
- provides for cumulative voting when members of the board of directors of the joint stock company are being elected;
- empowers shareholders to request the joint stock company to buy-back (repurchase) their shares in certain circumstances;
- empowers shareholders holding, either independently or collectively, 5 per cent. or more of the voting shares to:
    - file a claim with a court seeking compensation in favour of the joint stock company for losses caused by the joint stock company's officials and return to the joint stock company, by the officials and/or their affiliates, of the profit (income) received by them as a result of adopting a resolution approving the conclusion of major transactions and/or interested party transactions in instances provided by the JSC Law;
    - propose to the board of directors of the joint stock company to include additional matters to the agenda of the general meeting of shareholders; and
    - receive information on the amount of remuneration as the result of the year of each member of the board of directors and/or the management board, in the manner established under the JSC Law; and
- empowers minority shareholders to apply to the registrar of securities of the company in order to enable them to combine their votes at general meetings of shareholders for the purposes of voting.

In addition to the above statutory protections, certain related party transactions and major transactions are subject to the approval of disinterested shareholders.

For a detailed description of rights attached to common shares of the Company, *see "Description of Share Capital and Applicable Kazakhstan Regulation — Rights attaching to shares and variation of rights."*

So far as the Company is aware, no controlling shareholder, member of the Board of Directors or member of the Management Board, intends to purchase Shares in the Offering. So far as the Company is aware, no person intends to purchase more than 5 per cent. of the Shares in the Offering.

Samruk-Kazyna

Samruk-Kazyna is wholly-owned by the Government and is the national managing holding company for substantially all state enterprises in Kazakhstan. Samruk-Kazyna was created in 2008 pursuant to the Presidential Edict No. 669, dated 13 October 2008, and the Resolution of the Government No. 962, dated 17 October 2008, by way of the merger of JSC "Kazakhstan Holding for Management of State Assets", "Samruk" and JSC "Sustainable Development Fund" "Kazyna". Samruk-Kazyna is a joint stock company whose shares are held by the Ministry of Finance's Committee of State Property and Privatisation on behalf of Kazakhstan.

At the end of 2008, 100 per cent. of the Company's shares were transferred to Samruk-Kazyna and Samruk-Kazyna subsequently sold 10 per cent. plus one share to NBK, see "*—National Bank of the Republic of Kazakhstan*".

Samruk-Kazyna's primary objective is to manage shares (participatory interests) of legal entities it owns with a goal of maximising long-term value and increasing competitiveness of such legal entities in world markets.

The governance of Samruk-Kazyna's activities is subject to general corporate governance applicable to all joint stock companies in Kazakhstan and the Law of the Republic of Kazakhstan No. 550-IV "On

Sovereign Wealth Fund" dated 1 February 2012 (as amended). Accordingly, the corporate governance structure of Samruk-Kazyna is as follows: the Government, as the shareholder, constitutes the supreme governing body, the board of directors constitutes the managing body, and the management board constitutes the executive body.

Members of Samruk-Kazyna's board of directors are appointed by the Government, and its members are, among others, the Minister of Economy, the assistant of the President of the Republic of Kazakhstan, four independent directors and the chairman of the management board of Samruk-Kazyna.

The registered office of Samruk-Kazyna is at 17/10 Syganak Street, 01000, Astana, Kazakhstan and the telephone number is: +7 7172 55 40 01.

National Bank of the Republic of Kazakhstan

NBK is the central bank of Kazakhstan. It was formed on 13 April 1993 as a result of the reorganisation of the Kazakh Republican bank. It is accountable to the President of the Republic of Kazakhstan, but, within the limits of authority granted by its enabling legislation, is independent in its activities.

On 7 August 2015, NBK purchased 58,420,748 Shares of the Company, or 10 per cent. plus one Share, from Samruk-Kazyna. Since August 2015, NBK's ownership interest has been diluted (as a result of subsequent issuances of Shares) to approximately 9.58 per cent. of the Shares of the Company. NBK's Shares are voting shares.

Following the purchase of Company Shares from Samruk-Kazyna, NBK has entered into a trust management agreement with Samruk-Kazyna in respect of its Shares in the Company (the "**Trust Management Agreement**"). Pursuant to the Trust Management Agreement, Samruk-Kazyna shall exercise any shareholder rights in respect of the Company's Shares held by NBK in the interest of NBK, including the right to participate in Company's management (through participation in and voting at the general meetings of shareholders), receive information on Company's activities (including Company's financial statements), propose to the general meeting of shareholders the candidates for the Board of Directors, challenge in court decisions made by Company's corporate governance bodies, exercise the pre-emption right as stipulated by law, and receive dividends, among others. With respect to dividends related to NBK's Shares, once received, all such dividends are transferred from Samruk-Kazyna to NBK. For decisions on certain matters (being the amendment of the Company's charter or adopting the charter in a new edition, changing the amount of the Company's charter capital, and liquidating or re-organising the Company or changing its name), Samruk-Kazyna must receive prior written consent from NBK before the adoption of such decisions.

Related Party Transactions

The Company also enters into transactions with related parties. The Company identifies related party transactions as transactions between its subsidiaries, joint ventures and associates and:

- the key management personnel of the Company;
- enterprises in which a substantial interest in the voting shares is owned, directly or indirectly, by the Company's key management personnel; or
- Samruk-Kazyna entities and other entities controlled by the Government.

Related party transactions are made in accordance with Kazakhstan law, including the JSC Law, as well as Samruk-Kazyna internal regulations, on terms agreed between the parties. Such terms 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.

Disclosure on Related Party Transactions during the period covered by the historical financial information

Terms and conditions of transactions with related parties

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. Outstanding balances at the year-end are mainly unsecured and interest free and settlement occurs in cash, except as indicated below. The Group recognizes allowances for expected credit losses ("**ECL**") on amounts owed by related parties.

Transactions balances

The following table provides the balances of transactions with related parties as at 30 June 2022 (unautided) and 31 December 2021 (audited), 2020 (audited) and 2019 (audited):

In millions of KZT	**As at**	**Due from related parties**	**Due to related parties**	**Cash and deposits placed with related parties**	**Borrowings payable to related parties**
Samruk-Kazyna entities	**30 June, 2022 (unaudited)**	**457,284**	**1,645**	**–**	**35,449**
	31 December, 2021 (audited)	497,242	1,074	–	33,123
	2020 (audited)	402,272	5,921	–	45,192
	2019 (audited)	327,597	6,168	–	52,843
Associates	**30 June, 2022 (unaudited)**	**78,400**	**2,679**	**–**	**–**
	31 December 31, 2021 (audited)	12,249	3,009	–	–
	2020 (audited)	4,345	3,541	–	–
	2019 (audited)	56,331	3,814	–	–
Other state-controlled parties	**30 June, 2022 (unaudited)**	**1,300**	**428**	**94,366**	**137,172**
	31 December, 2021 (audited)	2,349	638	86,481	153,381
	2020 (audited)	4,116	113	126,443	273,695
	2019 (audited)	6,381	712	192,548	269,335
Joint ventures	**30 June, 2022 (unaudited)**	**172,534**	**341,779**	–	–
	31 December, 2021 (audited)	166,869	170,923	–	–
	2020 (audited)	357,832	246,555	–	–
	2019 (audited)	519,351	217,027	–	–

Due from/to related parties

Samruk-Kazyna entities

As at 31 December 2021 due from Samruk-Kazyna entities is mainly represented by the bonds receivable from the Samruk-Kazyna of KZT 18,373 million, net of ECL (31 December 2020: KZT 17,265 million) and the financial aid provided to Samruk-Kazyna for KZT 451,981 million, net of ECL (31 December 2020: KZT 379,159 million).

As at 31 December 2020 due from Samruk-Kazyna entities is mainly represented by the bonds receivable from the Samruk-Kazyna of KZT 17,265 million, net of ECL (31 December 2019: KZT 16,241 million) and the financial aid provided to Samruk-Kazyna for KZT 379,159 million, net of ECL (31 December 2019: KZT 307,568 million).

As at 31 December 2019 due from Samruk-Kazyna entities is mainly represented by the financial aid provided to Samruk-Kazyna for KZT 307,568 million and bonds of KZT 16,241 million (2018: KZT 244,878 million and KZT 15,315 million, 2017: KZT 259,835 million and KZT 18,342 million).

Associates

As at 30 June 2022 the increase in due from associates is mainly due to dividends receivable from CPC for U.S.$143 million (equivalent to KZT 67,175 million).

As at 31 December 2019 due from associates was mainly represented by the loan to CPC provided by KPV of KZT 8,691 million (2018: KZT 20,682 million, 2017: KZT 27,402 million) and "Kazakhstan Note" of KZT 38,670 million (2018: KZT 89,018 million, 2017: KZT 121,510 million). The "Kazakhstan Note" is the subordinated debt issued by CPC to the Government in exchange for Kazakstani pipeline assets transferred to CPC on 16 May 1997. In 2015, the Government contributed the right to claim payments under "Kazakhstan Note" to the share capital of the Company.

Joint ventures

As at 30 June 2022 due to joint ventures were mainly represented by accounts payable for crude oil to TCO for KZT 294,602 million.

As at 31 December 2021 due from joint ventures were mainly represented by the loans given to PKOP of KZT 74,612 million tenge (December 31, 2020: KZT 96,958 million), Ural Group Limited ("**UGL**") of KZT 48,549 million (31 December 2020: KZT 41,066 million) and advances paid to TCO for KZT 8,744 million (31 December 2020: KZT 16,094 million) under crude oil and LPG purchase contract.

As at 31 December 2021 due to joint ventures were mainly represented by accounts payable for crude oil to TCO for KZT 130,786 million (31 December 2020: KZT 67,578 million).

As at 31 December 2020 due from JVs were mainly represented by the loans given to Beineu-Shymkent Pipeline LLP ("**BSP**") of 172,151 million tenge (31 December 2019: KZT 202,669 million), PKOP of KZT 96,958 million (31 December 2019: KZT 110,172 million), UGL of KZT 41,066 million (31 December 2019: KZT 48,752 million) and advances paid to TCO for KZT 16,094 million (31 December 2019: KZT 92,435 million) under crude oil and LPG purchase contract.

As at 31 December 2020 due to JVs were mainly represented by accounts payable to BSP of KZT 47,821 million (31 December 2019: KZT 95,908 million) and Asia Gas Pipeline ("**AGP**") for gas transportation of KZT 36,625 million (31 December 2019: KZT 39,323 million), for gas purchases to KazRosGas for KZT 54,985 million (31 December 2019: KZT 30,477 million), and for crude oil to TCO for KZT 67,578 million (December 31 2019: nil).

As at 31 December 2019 due from joint ventures were mainly represented by the loan given to BSP of KZT 202,669 million (2018: KZT 26,319 million, 2017: KZT 207,557 million), PKOP of KZT 110,172 million (2018: KZT 133,531 million, 2017: KZT 133,676 million), UGL of KZT 48,752 million (2018: KZT 37,669 million, 2017: KZT 28,049 million) and advances paid to TCO for KZT 92,435 million (2018: KZT 56,753 million, 2017: KZT 52,539 million) under crude oil and LPG purchase contract.

As at 31 December 2019 due to joint ventures were mainly represented by accounts payable to BSP of KZT 95,908 million (2018: KZT 39,429 million, 2017: KZT 55,131 million) and AGP for gas transportation of KZT 39,323 million (2018: KZT 23,596 million, 2017: KZT 27,143 million), and accounts payable for gas purchases from KazRosGas for KZT 30,477 million (2018: KZT 50,845 million, 2017: KZT 25,395 million).

Cash and deposits placed with related parties

Other state-controlled parties

As at 31 December 2021, the decrease of cash and deposits placed with related parties is mainly due to partial withdraw of deposits for U.S.$100 million (equivalent to KZT 42,422 million as of the withdrawal date).

As at 31 December 2020 the cash and deposits placed with related parties are mainly attributable to the deposit placed by the Company for U.S.$300 million (equivalent to KZT 126,273 million) at a market rate.

As at 31 December 2019 the cash and deposits placed with related parties are mainly attributable placed deposit by the Company for U.S.$500 million (equivalent to KZT 192,547 million) at market rate.

Borrowings payable to related parties

Other state-controlled parties

As at 31 December 2021 the borrowings payable to related parties are represented by loans received from DBK by Atyrau refinery and Pavlodar refinery of KZT 153,381 million (31 December 2020: KZT 273,695 million).

As at 31 December 2020 the borrowings payable to related parties are represented by loans received from DBK by Atyrau refinery, Pavlodar refinery and KazRosGas of KZT 273,695 million (31 December 2019: KZT 269,335 million).

As at 31 December 2019 the borrowings payable to related parties are represented by loans received from DBK by ANPZ, PNHZ and KazRosGas of KZT 269,335 million (loans and bonds payable to DBK 2018: KZT 455,540 million, 2017: KZT 483,749 million).

Proceeds from loans given to related parties

In 2021 the Group received proceeds from principal and interest redemption of the loan issued to PKOP for KZT 24,438 million and KZT 3,507 million, respectively (2020: KZT 24,588 million and KZT 5,492 million, respectively), proceeds from interest on BSP, joint venture of KTG, for KZT 9,628 million (2020: principal for KZT 48,133 million and interest for KZT 9,336 million). In November 2021, KTG was transferred to Samruk-Kazyna.

In 2020 the Group received proceeds from principal and interest redemption of the loan issued to PKOP for KZT 24,588 million and KZT 5,492 million respectively (2019: KZT 21,995 million and KZT 7,954 million, respectively), BSP for KZT 48,133 million and KZT 9,336 million, respectively (2019: KZT 25,661 million and KZT 6,327 million, respectively) and proceeds from interest on the CPC for KZT 9,596 million (2019: KZT 12,656 million) and “Kazakhstan Note” for KZT 37,847 million (2019: KZT 47,663 million).

In 2019 the Group received proceeds from principal and interest redemption of the loan issued to PKOP for KZT 29,949 million (2018: KZT 28,110 million, in 2017: KZT 7,392 million), CPC for KZT 12,656 million (2018: KZT 11,609 million, 2017: KZT 9,077 million), BSP for KZT 31,988 million (2018: KZT 12,775 million, 2017: nil), and proceeds from interest on the "Kazakhstan Note" for KZT 47,663 million (2018: KZT 44,822 million, 2017: KZT 35,143 million).

Sales to related parties / purchases from related parties

Joint ventures

In 2021 sales to joint ventures were mainly represented by transportation and cargo servicing provided to TCO for KZT 16,698 million (2020: KZT 34,399 million), sale of compressor station to BSP for KZT 42,886 million (2020: KZT 43,667 million), transportation charges and oil servicing provided to MMG, subsidiary of MIBV, for KZT 53,892 million and for KZT 85,094 million, respectively (2020: KZT 53,591 million and KZT 72,251 million, respectively).

In 2021 purchases from joint ventures were mainly attributable to purchases of crude oil from TCO to perform the oil delivery customer contract for KZT 1,234,019 million (2020: KZT 687,896 million), and transportation services provided by BSP for KZT 167,217 million (2020: KZT 201,524 million) and AGP for KZT 75,287 million (2020: KZT 106,160 million).

In 2020 sales to JVs were mainly represented by transportation and cargo servicing provided to TCO for KZT 34,399 million (2019: KZT 64,246 million), sale of compressor station to BSP for KZT 43,667 million (2019: KZT 32,696 million), transportation charges and oil servicing provided to MMG, subsidiary of MIBV, for KZT 53,951 million and for KZT 72,251 million, respectively (2019: KZT 59,235 million and KZT 79,281 million, respectively).

In 2020 purchases from JVs were mainly attributable to purchases of crude oil from TCO to perform the oil delivery customer contract for KZT 687,896 million (2019: KZT 1,131,890 million), and transportation services provided by BSP for KZT 201,524 million (2019: KZT 172,894 million) and AGP for KZT 106,160 million (2019: KZT 97,904 million).

In 2019 sales to joint ventures were mainly represented by transportation and cargo servicing provided to TCO for KZT 64,246 million (2018: KZT 43,896 million, 2017: KZT 44,225 million), transportation charges and oil servicing provided to MMG for KZT 59,235 million (2018: KZT 56,927 million, 2017: KZT 55,615 million) for KZT 79,281 million (2018: KZT 70,255 million, 2017: KZT 66,949 million, respectively), respectively.

In 2019 purchases from joint ventures were mainly attributable to purchases of crude oil and LPG from TCO to perform the oil delivery customer contract for KZT 1,131,890 million (2018: KZT 1,132,908 million, 2017: KZT 819,258 million).

Related Party Transactions in the period from 30 June 2022 to the date of this Prospectus

Purchase of 50 per cent. shares in KMG Kashagan

On 15 September 2022, the wholly owned subsidiary of the Company, Coöperatieve KazMunaiGas U.A., exercised the Kashagan Call Option and acquired the shares in KMG Kashagan from Samruk-Kazyna, thereby becoming the sole shareholder in KMG Kashagan. The purchase price is U.S.$3.8 billion to be paid in several tranches until 30 June 2023.

Purchase of 49.9 percent interest in Silleno

KLPE (a Samruk-Kazyna affiliate) transferred 49.9 per cent. interest in Silleno to the Company on 14 September 2022 for a consideration of KZT 816,3 million paid through a non-cash transaction (offset of mutual obligations). KLPE's current stake in Silleno is 50.1 per cent.

Trust Management Agreement

For a description of the Trust Management Agreement between NBK and Samruk-Kazyna, please see "— *National Bank of the Republic of Kazakhstan*" above.

ENVIRONMENTAL, HEALTH AND SAFETY MATTERS

General overview

The operations of the Company are subject to Kazakhstan environmental laws and regulations comprising mainly the Environmental Code and related regulatory acts, as well as other health, occupational and industrial safety laws, regulations and other requirements applicable to oil and gas companies (the "**Environmental Legislation**").

Company's Development Strategy for 2022-2031 approved in November 2021 covers strategic initiatives to promote greater environmental responsibility. The Group's environmental priorities include management of greenhouse gas emissions, water resources and production waste, flaring reduction, and land reclamation. The Company and its subsidiaries and associates take a "zero tolerance" approach to losses and harm caused by environmental pollution and implement various mechanisms and initiatives to promote this approach.

Company's key ESG challenges are still carbon emissions from operating activities and emissions from using the Company's products, as well as community relations in the Company's regions of operation. A major goal for the Company is to solidify its standing as a company with a medium-range ESG Risk Rating by 2031. To that end, the Company has developed and approved an action plan to improve the Company's ESG rating across key sustainability areas: decarbonisation, emissions, wastewater and waste, community management, human capital, and corporate governance. The Company has also developed the LCD Programme for the 2022-2031. See "*Business—Overview—Sustainable Development and Energy Transition".*

Further, the Company has conducted scientific and technological studies to create base standards and implement new engineering mechanisms in its upstream operations that are designed to minimise environmental, health and safety hazards. The Company utilises systems based upon the best practices of environmental protection and certified under the requirements of environmental international standards ("**ISO 14001**") and the occupational health and safety management systems ("**ISO 45001**"). Since 2006, the Company has obtained and implemented ISO 14001 and ISO 45001 certifications for its environmental management, occupational health and safety management systems. An annual independent ecological audit of the Company has routinely confirmed that its industrial and ecological safety systems conform to the requirements of ISO 14001. Since 2006, KMG operates an integrated quality, environmental, and occupational health and safety management system compliant with ISO 9001, ISO 14001, and ISO 45001. KMG's significant energy users are certified to ISO 50001. The effectiveness of HSE MS is verified by independent auditors on a regular basis. To improve its management system, KMG has its HSE MS certified to ISO 45001.

The new Environmental Code removes the requirement to conduct an environmental audit. At the same time, the concept of a comprehensive technology audit has been introduced, which is carried out before the development of the catalogues on the BAT. All Group entities passed these audits in 2020-2021.

In addition to complying with applicable Environmental Legislation, the Company has introduced health and safety performance metrics based on best practice industry standards in order to monitor its performance, as well as a number of initiatives to increase health and safety transparency and awareness.

To ensure compliance with the new environmental requirements and global trends, the Company declared 2021 the Year of the Environment.

Environmental Policy and Environmental Capital Expenditures

In September 2021, the Company approved a new environmental policy (the "**Environmental Policy**"). Environmental priorities of the Company include management of greenhouse gases, reduction of flaring, water resource management, production waste management, land reclamation and increasing energy efficiency. The Group's management exercises zero tolerance to losses and damage due to environmental pollution. For instance, the Environmental Policy addresses such environmental aspects as climate, biodiversity, commitments to apply additional risk assessment for environmentally valuable sites, reclamation of polluted land, and ensuring integrity of pipelines.

In 2015, KMG supported the World Bank's Global Gas Flaring Reduction Partnership (GGFR) initiative intended to achieve zero regular associated petroleum gas (APG) flaring by 2030. As part of implementation of the above initiative, in 2019, KMG approved an air emissions management policy (the "**Air Emissions Management Policy**"). The Air Emissions Management Policy consists of eight key principles, of which six directly concern climate change, and targets zero regular flaring. In reducing the GHG footprint, the Company focuses on increasing associated petroleum gas utilisation and recovery while minimising flaring. Raw gas flaring reports under the Initiative are submitted on an annual basis to the World Bank's representative office in Kazakhstan. As a result of its efforts to improve environmental performance and ensure openness and transparency in that area, KMG has topped, for the fifth consecutive year, the Environmental Transparency Rating of Oil and Gas Companies in Kazakhstan compiled by independent experts from the World Wildlife Fund (WWF), Creon Group, and AKRA rating agency.

To effectively manage environmental risks, the Company constantly monitors and seeks to improve its approach to environmental management and allocates necessary resources for environmental protection. Environmental costs include taxes on permitted emissions, cost of environmental activities, insurance, compensatory environmental measures, and investments to prevent environmental impact, amongst others.

The Company's environmental costs amounted to KZT 33.4 billion in 2021, which is KZT 11.5 billion more than environmental costs of KZT 21.9 billion in 2020 (and KZT 18.8 billion in 2019). The increase was primarily a result of an increase in the budget for historical waste treatment and contaminated land remediation as well as an increase in investments in waste treatment since 2015 (with such investments comprising over a third of all environmental costs), partially offset by a reduction in air pollutant emission fees.

Environmental Impact from Operations

Historical contamination

One of the Company's material environmental liabilities arises from the requirement to remediate historically contaminated land. These liabilities as of the date of this Prospectus include approximately three million tonnes of legacy waste associated with historically contaminated land. In 2019, EMG reclaimed historically oil-contaminated lands and cleaned up 35 ha of oil-contaminated lands (125 thousand tonnes of oil-contaminated soil), and OMG treated 200 thousand tonnes of oil-contaminated soil from unorganised sludge collectors. In August the Company has entered into a Memorandum of Understanding with MEGNR containing historical oily waste disposal and oil contaminated soil remediation commitments of MMG, OMG and KBM until 2024. The respective members of the Group had drawn up an inventory contaminated lands, and the relevant remediation projects were developed and agreed upon with the local governmental authorities, which are being implemented.

As part of the Year of the Environment, the Company organized a few initiatives on disposal of historical oil waste and decontaminate oil-contaminated soils in KBM (the Karazhanbas Field), OMG (Uzen-Karamandybas field), EMG. In 2021, MMG carried out work on the construction of an oil waste disposal unit, in 2022 the operation of the unit commenced. In 2021, a total of 540,475 tonnes of historical waste was disposed of at Company's subsidiaries' and associates' facilities, with their disposal sites remediated. KTO completely reclaimed historically polluted lands in sections 984–985 kilometres of the UAS oil pipeline. The total area of reclamation of historically oil-contaminated lands for the Group is 48 hectares. In 2021, KMG's expenses for the recovery of waste generated and accumulated totalled KZT 12.9 billion.

Air Emissions

The Company is required under Environmental Legislation to submit to the MEGNR an application for an environmental permit that authorizes the Company to make emissions of regulated substances into the environment up to certain permitted levels based on a specific fee. Such permit specifies maximum levels of air emissions, waste water disposal and municipal and industrial waste permitted to be discharged or disposed of by a Company. In the event that the established limits of discharged contaminants and disposed waste exceed permitted levels, penalties for such environmental pollution are assessed. See "*Business—Regulation in Kazakhstan—Health, Safety and Environmental Regulation–Environmental permits*". Total fees paid by the Company and subsidiaries under operational control with 50 per cent. and more Company's ownership, including penalties, were KZT 574 million for the year ended 31 December 2021, KZT 322 million for the year ended 31 December 2020 and KZT 226 million for the year ended 31 December 2019. These fines amount to penalties paid, except for excessive gas flaring. Company expects that penalty and emission fees may continue to be assessed against the Company in the future.

Flaring of raw gas is prohibited under the Subsoil Code, except under certain circumstances. See "*Business—Regulation in Kazakhstan—Health, Safety and Environmental Regulation—Gas flaring*". The following subsidiaries and joint ventures of the Company have programmes for the reduction and elimination of the volumes of gas flaring in place: TCO, NCOC, Kazgermunai, MMG, KPO, KTM, Kazakhoil Aktobe, EMG and KBM.

As part of the Company's efforts to reduce its air emissions, the Company is implementing a programme to review gas utilisation at its fields, with the aim of converting gas from oil production to gas to be used for power generation.

As at 31 December 2021, the Company's gas utilisation rate was approximately 98 per cent. As at 31 December 2021, the Company's gas flaring intensity rate was 2.1 tonnes per 1,000 tonnes of produced hydrocarbons compared to approximately 2.95 tonnes per 1,000 tonnes in 2019 and approximately 6 tonnes per 1,000 tonnes in 2018 (which is 74 per cent. lower than International Association of Oil & Gas Producers average of 8.0 in 2021).

As at 31 December 2021, the Company's sulphur emissions rate was 0.22 tonnes per kiloton of hydrocarbon production, comparted to 0.23 in 2020 and 0.20 in 2019 (slightly higher than the International Association of Oil & Gas Producers average of 0.19 in 2021).

As at 31 December 2021, the Company's nitrate omissions rate was 0.24 tonne per kiloton of hydrocarbon production, compared to 0.22 in 2020 and 0.21 in 2019 (though lower than the International Association of Oil & Gas Producers average of 0.29 in 2021).

Water Management and Wastewater Treatment and Disposal

Water is an integral part of all KMG production processes. In its activities, the Company strives to reduce water consumption, increase water use efficiency, drive up water reuse and recycling, improve the quality of effluents, and minimise the impact on natural water bodies.

In December 2018, the Company adopted a corporate Water Resources Management Standard that is being gradually introduced in the Group. The standard sets out eight key water use principles to systemise the water management approach of the Group as well as increase the commitment of the Company's managers and employees to saving fresh water.

KMG takes water from surface and underground sources, municipal water supply systems, and the Caspian Sea. Wastewater from KMG's operations mainly received by specialised receivers: storage ponds, evaporation and filtration fields. Those facilities are technical structures designed for natural treatment of wastewater and preventing environmental pollution. Operations that do not have their own storage facilities transfer wastewater to dedicated companies for treatment and disposal. The quality standards for discharged water established by environmental laws are met through the use of mechanical and biological methods of effluent treatment. However, no wastewater is discharged into surface natural water bodies. Preliminary wastewater injection permission has been received from most Kazakhstan government agencies.

In June 2021, Atyrau Refinery and the European Bank for Reconstruction and Development entered into an agreement on financing the TAZALYQ project to the amount of up to U.S.$80 million. The implementation of the TAZALYQ project will enable the refinery to introduce modern "green" technologies for wastewater treatment.

KMG is implementing a project to build a 50,000 cubic metres per day seawater desalination factory with a trunk pipeline next to the Kenderly recreational zone to provide tap water to the population of Zhanaozen city. KBM is also constructing a water desalination plant with desalinated water output of 17,000 cubic metres per day and treated water output of 25,500 cubic metres per day to alleviate burden on the existing Astrakhan-Mangyshlak trunk water line. The Group's water footprint and water management disclosures were posted on the CDP's website as part of the 2021 Water Security Questionnaire.

Sulphur Storage

TCO's fields contain high amounts of hydrogen sulphide. The production of oil and gas with high hydrogen sulphide content requires additional processing to convert the hydrogen sulphide into elemental sulphur, a useful product. Elemental sulphur is stored in block form until it can be sold. TCO strives to store block sulphur according to internationally-accepted practices, and has included the storage of sulphur in its environmental use permits and pays fees accordingly. In 2008, TCO began selling sulphur to third parties in order to decrease the amount of sulphur that it is required to store and thereby reduce the risk of incurring fines connected to sulphur storage in the future. TCO sold 2.6 million tonnes of sulphur in 2021, 2.5 million tonnes in 2020 and 2.6 million tonnes in 2019.

Under the Environmental Code, no permit is required for storing sulphur in covered or closed facilities, whereas open storage (e.g., on sulphur pads) requires a permit with limits that are indicated in an environmental permit.

Oil and Chemical Spills

Equipment reliability procedures are in place with the Company's subsidiaries, joint ventures and associates, which are intended to evaluate and correct deficiencies and prevent oil and chemical spills. As a result, spill volumes relating to operations, on a per tonne of production basis, have steadily declined. At the same time, as a precaution, the Company's subsidiaries, joint ventures and associates have prepared emergency response plans and routinely conduct drills and training of key response personnel.

Health and Safety Initiatives

The Group's health and safety policy is based on leadership and top management commitment to health and safety and is intended to get each employee involved in development of the safety culture. Management of the Company and its subsidiaries and associated companies exercises zero tolerance to losses and damage due to accidents and incidents, abuse of alcohol, drugs, psychotropic and their equivalents, road traffic accidents. The Company's commitment is to follow the national law alongside requirements of international and national standards.

A pilot project called the "Near Miss Reporting/Qorgau Card" was launched in 2019 and focused on detection and correction of unsafe behaviour. The Near Miss Reporting/Qorgau Card programme is aimed to define unsafe working conditions. This programme involves employees of all levels and seeks to enable them to communicate their concerns, challenges and suggestions.

In 2019, KMG's "Heart Attack and Stroke Prevention" corporate health campaign was developed and is being implemented. The campaign aims at preventing and reducing the heart disease-related death rate amongst employees. Implementation of the "10 Steps to Improve Health" initiative, "KMG Group

Emergency First Aid Regulations" and "KMG Group Occupational Health and Workplace Hygiene Corporate Standard" is being controlled and monitored. The standard is primarily aimed at establishing uniform requirements for occupational health and workplace hygiene management.

In order to ensure prompt response, prevent the escalation of possible crisis situations, minimise the severity of consequences and probable loss, if any, a crisis management system was introduced. The Group employs a three-level management system that ensures the escalation of incident response from the level of a production facility and subsidiary up to the level of strategic crisis management by the corporate centre. The crisis management was played a key role in managing Company response to the COVID-19 outbreak and related governmental restrictions.

Health and Safety Metrics

Certain key health and safety metrics of the Company for the periods indicated*:

	For the year ended 31 December		
	2021	**2020**	**2019**
Work related fatalities (number of accidents)	1	0	2
Work related fatalities per 100 million man hours..........................	2.93	0.00	1.48
Non-work related fatalities	15	8	13
Lost time injuries (number of injured people including fatalities)	32	32	46
Lost time injuries per one million man hours	0.31	0.29	0.34
Motor vehicle accidents...	22	15	36
Motor vehicle accidents per one million kilometres driven	0.23	0.06	0.19

Notes:

* data does not include QazaqGaz.

In 2021, the lost time incident rate per 100 million man hours was 0.31, an increase of 2 per cent. from 0.29 in 2020 (also higher than the International Association of Oil & Gas Producers average of 0.20 for 2021). In 2021, the fatal accident rate per 100 million man hours was 2.93, compared to 0.00 in 2020 (and higher than the International Association of Oil & Gas Producers average of 0.56 for 2021).

REGULATION IN KAZAKHSTAN

Introduction

Key Government Authorities Regulating Oil and Gas Industry

In Kazakhstan, all subsoil resources belong to the state. The state plays a role in four areas of subsoil management. Firstly, the Government is responsible, among other things, for organising and managing state-owned reserves, imposing restrictions on subsoil use for the purposes of national security, environmental security and the protection of life and health of the population, defining the procedures for the conclusion of subsoil use contracts, appointing the competent authority in the subsoil use field, regulating oil and gas exports by imposing customs, protection, antidumping and compensation duties and quotes, establishing quotes for transportation of oil by various transport, and approving a number of normative legal acts in the sphere of oil and gas. Secondly, the state executes, implements and monitors subsoil use contracts through the respective competent authority, which has the power to execute and implement oil and gas contracts, and through a number of other Government agencies. Thirdly, the state's priority right is exercised through the Company and, starting from November 2021, QazaqGaz, as national companies, or a national management holding company. Finally, local executive authorities (known as *akimats*) have responsibility for, among other things, granting land use rights to subsoil users. However, local executive authorities do not have a leading role in subsoil use management.

In addition to regulation relating to subsoil management, there are a number of regulatory authorities that regulate other aspects of hydrocarbon extraction, transportation and refining.

Ministry of Energy

Following the reorganisation of the Government in 2014, the Ministry of Energy became the competent authority for the oil and gas sphere. The Ministry of Energy acts in the capacity of the oil and gas competent authority in respect of, among other things, oil and gas refineries, hydrocarbons transportation and operation of trunk pipelines (the "**Competent Authority**").

According to the Subsoil Code and other effective legislation, the Competent Authority is responsible for, among other things:

- implementing the state policy in oil and gas, petrochemical and hydrocarbons transportation industries;
- representing the state's interests in PSAs;
- organising tenders and auctions for granting subsoil use rights for oil and gas exploration and production, preparing and approving lists of blocks for tenders and auctions;
- executing and registering subsoil use contracts in respect of hydrocarbons;
- preparing and approving model contracts;
- approving working programmes related to subsoil use contracts in respect of oil and gas exploration and production;
- monitoring compliance with the terms of subsoil use contracts in respect of oil and gas exploration and production;
- granting consents for the transfer of subsoil use rights and the '*objects related to the subsoil use right*' (i.e., shares, participation interests or securities confirming title to shares of the subsoil user or legal entity that may directly or indirectly determine the decisions of the subsoil user (the "**Controlling Legal Entity**")) in respect of strategic deposits, and registration of transactions involving pledges of subsoil use rights, as applicable to oil and gas projects;
- suspending and terminating subsoil use contracts in oil and gas in accordance with the

procedures set forth in the Subsoil Code;

- determining the amount of oil and gas to be supplied by subsoil users to the domestic market;
- monitoring compliance of oil and gas subsoil users with requirements to purchase certain amounts of goods, work and services from local providers;
- approving gas processing development programmes and gas flaring permits; and
- issuing permits for using money in the liquidation fund.

Other Regulatory Authorities

Other major government authorities, which regulate aspects of hydrocarbon extraction, operations in oil and gas transportation, refining and sales in Kazakhstan, include:

- the Ministry of Ecology, Geology and Natural Resources (the "**MEGNR**") is responsible for formation and implementation of the state policy, coordination of processes in the environmental, "green economy," waste management areas, etc.;
- "PSA" Limited Liability Partnership is authorised by the Government to act in the interest of Kazakhstan in PSAs;
- various government authorities are responsible for the approval of construction projects and the use of water and land resources, including the local executive authorities;
- the Ministry of Labour and Social Protection of the Population is responsible for investigating labour disputes and complaints from individual employees, monitoring compliance with the obligations of subsoil users to give preference in hiring, including to employ a certain minimum percentage of Kazakhstan nationals, and issuing work permits for foreign workers;
- the Natural Monopolies Committee under the Ministry of National Economy of Kazakhstan, which is responsible for the regulation of tariffs for oil and gas transportation and prices related to sales of gas;
- the Ministry of Finance, the committees of which are responsible, among other things, for tax matters and compliance with customs regulations (including the regulation of export from, import to and transportation in the territories of the Eurasian Customs Union); and
- territorial departments of the Ministry of Justice and other authorities, which are responsible, among other things, for registering legal entities and non-commercial associations, as well as properties, pledges and mortgages.

The Company and its subsidiaries' shareholder registers are maintained by KCD as defined and described in Section '*Description of Share Capital and Applicable Kazakhstan Regulation – Transfer of Share'*), which is a quasi-sovereign institution owned and controlled by the NBK and which has an exclusive right to maintain securities registrars of Kazakhstan joint stock companies and certain limited liability partnerships (upon a voluntary decision of their participants).

Key Regulations Applicable to the Oil and Gas Industry and the Group

The following key laws and regulations apply to the oil and gas industry and the Company:

- Subsoil and Subsoil Use Code of the Republic of Kazakhstan (No. 125-VI dated 27 December 2017, as amended) (the "**Subsoil Code**");
- Environmental Code of the Republic of Kazakhstan (No.400-VI ZRK, dated 2 January 2021, as amended) (the "**Environmental Code**");
- Water Code of the Republic of Kazakhstan (No. 481, dated 9 July 2003, as amended) (the "**Water Code**");
- Entrepreneurial Code of the Republic of Kazakhstan (No. 375-V, dated 29 October 2015, as amended);
- Labour Code of the Republic of Kazakhstan (No. 414-V, dated 23 November 2015, as amended) (the "**Labour Code**");
- Civil Code of the Republic of Kazakhstan (General Part) (dated 27 December 1994, as amended) and Civil Code of the Republic of Kazakhstan (Special Part) (No. 409-I, dated 1 July 1999, as amended);
- Law of the Republic of Kazakhstan "On Trunk Pipeline" (No. 20-V dated 22 June 2012, as amended) (the "**Trunk Pipeline Law**");
- Law of the Republic of Kazakhstan "On Sovereign Wealth Fund" (No. 550-IV, dated 1 February 2012, as amended) (the "**Sovereign Wealth Fund Law**");
- Law of the Republic of Kazakhstan "On Gas and Gas Supply" (No. 532-IV, dated 9 January 2012, as amended) (the "**Gas Law**");
- Law of the Republic of Kazakhstan "On State Regulation of Production and Circulation of Certain Types of Oil Products" (No. 463-IV, dated 20 July 2011, as amended);
- Law of the Republic of Kazakhstan "On Employment of Population" (No. 482-V, dated 6 April 2016, as amended) (the "**Law on Employment of Population**");
- Law of the Republic of Kazakhstan "On Permits and Notifications" (No. 202-V, dated 16 May 2014, as amended) (the "**Permits and Notifications Law**");
- Law of the Republic of Kazakhstan "On Civil Protection" (No. 188-V, dated 11 April 2014, as amended) (the "**Civil Protection Law**");
- Law of the Republic of Kazakhstan "On State Property" (No. 413-IV, dated 1 March 2011, as amended) (the "**State Property Law**");
- Law of the Republic of Kazakhstan "On Specially Protected Natural Territories" (No. 175-III, dated 7 July 2006, as amended);
- Law of the Republic of Kazakhstan "On Mandatory Environmental Insurance" (No. 93-III, dated 13 December 2005, as amended);
- Law of the Republic of Kazakhstan "On Mandatory Insurance of an Employee against Accidents when Carrying Out Employee's Labour Duties" (No. 30-III, dated 7 February 2005, as amended);
- Law of the Republic of Kazakhstan "On Mandatory Insurance of Civil Liability of Owners of Units Associated with Danger of Damage to Third Parties" (No. 580-II, dated 7 July 2004, as amended);
- Law of the Republic of Kazakhstan "On Mandatory Insurance of the Civil Liability of Transport Vehicle Owners" (No. 446-II, dated 1 July 2003, as amended);

- Law of the Republic of Kazakhstan "On Registration of Pledge of Movable Property" (No. 254-I, dated 30 June 1998, as amended);
- Law of the Republic of Kazakhstan "On Arbitration" (No. 488-V ZRK, dated 8 April 2016, as amended) (the "**Arbitration Law**");
- Resolution No. 389 of the Government of the Republic of Kazakhstan "On Approval of the List of Strategic Subsoil Deposits" dated 28 June 2018;
- Resolution No. 854 of the Government of the Republic of Kazakhstan "On Approval of separation of activities of national companies in the field of subsoil use" dated 30 November 2021;
- Resolution No. 1273 of the Government of the Republic of Kazakhstan "On national operator of the main oil pipeline" dated 8 October 2012;
- Order No. 233 of the Minister of Energy "On approval of model subsoil use contracts" dated 11 June 2018;
- Order No. 121 of the Minister of Energy "On approval of rules of determining the maximum price of sour and commercial gas acquired by the national operator in accordance with the state's pre-emptive right" dated 13 November 2014;
- Order No. 271 of the Minister of Ecology, Geology and Natural Resources "On approval of the list of types of activities that are ecologically hazardous" dated 30 July 2021;
- Order No. 81 of the Minster of National Economy of the Republic of Kazakhstan dated 17 February 2016 approving the Rules for Calculation of the Rate of Export Customs Duty for Crude Oil and Oil Products; and
- Order No. QR DSM-13 of the Minister of Healthcare of the Republic of Kazakhstan dated 11 February 2022 approving the Sanitary Rules on "Sanitary and Epidemiological Requirements to Technological and Auxiliary Facilities and Installations Carrying Out Oil Operations."

Status of the Company as the National Company

The Company has the status of the national company in the field of hydrocarbons. As such, under the Subsoil Code, the Company has the following key advantages:

- exercising state's priority right to acquire an alienated subsoil use right and/or '*objects related to subsoil use right*' in respect of strategic deposits;
- alienating the subsoil use right and/or '*objects related to subsoil use right*' without prior consent of the Competent Authority;
- entering into an agreement with the Competent Authority on obtaining the right for exploration and production or production of hydrocarbons, not only through tender procedures, but also based on direct negotiations with the Competent Authority. The subsoil use right may not be alienated within two years period from registration of the respective subsoil use contract unless such subsoil use right is alienated to the Company's subsidiary in which the Company holds at least a fifty per cent. interest, whereas such subsidiary shall not in its turn alienate the subsoil use right within two years upon contract registration;
- engaging its strategic partner to participate in negotiations with the Competent Authority to obtain a subsoil use contract;
- holding in trust management the subsoil deposit, equipment and other assets under the terminated subsoil use contract; and
- having at least fifty per cent. interest in a subsoil user engaging in subsoil use in the sea or control over the decisions made by such subsoil user.

However, following the designation of QazaqGaz as a national company in the field of gas, in November 2021, the Government adopted Resolution No.854 “On allocation of activities of national companies”, which established that QazaqGaz was responsible for the exploration and production of gas and gas condensate at gas fields, while the Company was responsible for the exploration and production of oil, oil and gas and oil and gas condensate fields. The Resolution mandated that the Company and QazaqGaz enter into a separate agreement to further delineate competences of a national company in the field of hydrocarbon exploration and production pursuant to the Subsoil Code. In January 2022, the Company and QazaqGaz signed an agreement pursuant to which, inter alia, the Company retained the right to exercise the state’s pre-emption right, perform trust management and acquire subsoil use right through direct negotiations, with regard to oil, oil and gas, and oil and gas condensate fields, while QazaqGaz obtained the right to the same with regard to gas and gas condensate fields only.

Upstream

Subsoil Use Contracts

General

The Subsoil Code provides that the Competent Authority is responsible for developing and approving a national subsoil resources management programme (the “**Programme**”), which must identify, *inter alia*, subsoil blocks to be provided to: (i) subsoil users for exploration and production (through tenders); and (ii) the national company in the field of hydrocarbons (i.e., the Company or QazaqGaz, depending on the type of the field) (through direct negotiations). Accordingly, subsoil users, other than the Company or QazaqGaz, may only obtain subsoil use rights with respect to blocks identified in the Programme through a tender process (unless such subsoil user qualifies as a strategic partner and forms a joint venture with the Company for joint exploration and production).
Subsoil use rights are granted for a determinable period but may be extended in the established procedure before the expiration of the relevant subsoil use contract (if applicable, agreed and permitted) subject to certain limitations and conditions.

The current legal regime for granting subsoil use rights in respect of hydrocarbon projects is as follows:

- ***Exploration and Production Contracts***: contracts for the exploration and production of hydrocarbons may be concluded for a fixed term to be determined by the parties; however, the exploration phase under such contracts may not exceed six consecutive years or, in case of offshore deposits or complex hydrocarbon exploration projects, nine years. These limits are subject to a general right of extension, for periods set in the Subsoil Code, for the purposes of appraisal of a commercial discovery and/or production test or in the event of *force majeure* (if proved by the subsoil user). There is an additional three-year pre-production period. The production period is up to twenty-five years (or up to forty-five years for large and unique deposits), unless reduced due to an extension of the exploration period and may be extended for a period of up to twenty-five years. A subsoil user may prematurely terminate the exploration period by returning the entire exploration site to the state.

- ***Production Contracts***: production contracts may be concluded for a period of up to twenty-five years or, for fields with large and unique reserves, for a period of up to forty-five years. Such contracts may be extended for a period of up to twenty-five consecutive years.

Entering solely into exploration contracts in respect of hydrocarbon projects is not permitted.

The exploration and production contracts and the production contracts in respect of hydrocarbon projects are concluded based on the approved model contracts (as amended from time to time).

As of the date of this Prospectus, the Company is participating in the working group created under the Ministry of Energy that is developing a new improved model subsoil use contract for offshore projects, complex onshore projects and gas projects that would contain certain regulatory and fiscal preferences, which is expected to be introduced before the end of 2022. This improved model contract would potentially be used for certain of the Company's new offshore explorations projects.

Subsoil use contracts are subject to amendments in case of changes in the information on the subsoil user, an extension of exploration and/or production periods, transfer of the rights under the subsoil use contract, or changes in the contract area.

Liability for Violating Subsoil Use Contracts

In case of a breach of contractual obligations by the subsoil user, the Competent Authority notifies in writing the subsoil user of such breach requesting the subsoil user to pay relevant penalties (in the amount as specified in the subsoil use contract) and/or to cure such breach within the term set forth in the notification of the Competent Authority. Such breach may include:

- fulfilling subsoil user's financial obligations, as specified in the subsoil use contract, by less than thirty per cent. for the reporting year;
- conducting subsoil use operations in respect of hydrocarbons, where such operations related to causing damage to earth surface without providing security pursuant to the set schedule or in violation of the schedule for security formation;
- conducting subsoil use operations without project documents that have the requisite statutory expertise approvals;
- transferring subsoil use rights (and objects related to subsoil user rights) that results in a threat to national security;
- subsoil users (under the subsoil use contracts for strategic subsoil deposits) taking action that results in a threat to national security that refuse to negotiate, agree to or execute the requisite amendments to the subsoil use contract within the time periods set out in the Subsoil Code; or
- other breaches of a subsoil user's obligations under the subsoil use contract.

The subsoil user shall cure the breach within the period specified in Competent Authority's notification and shall inform in writing the Competent Authority thereof enclosing documents confirming that the breach has been cured.

The Competent Authority is entitled to terminate unilaterally the subsoil use contract if subsoil user fails to cure any of the breaches listed above.

Termination of Subsoil Use Contracts

If a subsoil user breaches its contractual obligations or fails to pay taxes and comply with mining, environmental, health and safety requirements, its subsoil use rights may be terminated by the Competent Authority unless such breaches are eliminated within the time period specified by the Competent Authority.

Upon termination of the subsoil use contract, the Competent Authority may instruct the subsoil user to transfer the subsoil deposit to the trust management of the Company (as the national company in the field of hydrocarbons, with respect to oil, oil and gas, and oil and gas condensate fields). Such subsoil user within one month from the day of receipt of the said instruction, shall transfer equipment and other property that ensures the continuity of the process and industrial safety in the subsoil deposit to the Company for a period until such property is transferred to a new subsoil user. The Company shall procure the appraisal of transferred equipment and keep such equipment until it is transferred to a new subsoil user.

Within five days after the Competent Authority decides to transfer the subsoil deposit to the Company and notifies the subsoil user of such decision, the Competent Authority and the Company shall conclude a respective trust management agreement. Under the trust management, the Company may carry out subsoil use operations without a subsoil use contract and obtain a land use right for the purpose of trust management of the subsoil deposit.

The Company is entitled to reimbursement of its expenses incurred due to its management of the subsoil deposit. Proceeds from the trust management, except for the reimbursed amounts and applicable taxes, shall be allocated to the founder (beneficiary) under the trust management agreement.

Previously Issued Licenses

Under the Subsoil Code, all previously issued subsoil use licences and awarded contracts and PSAs remain in full force and effect after the entry into force of the Subsoil Code. The Subsoil Code grandfathered certain provisions of the old the Subsoil Law and made them applicable to subsoil use contracts and PSAs concluded before both the enactment of the Subsoil Code and the Subsoil Law, including those related to rights of the Competent Authority to terminate subsoil use contracts unilaterally.

The Company and certain entities within the Group hold their subsoil use rights on the basis of subsoil use contracts and, in some cases, licences, as wells as PSAs, concluded or issued before introduction of the Subsoil Code.

Under the Subsoil Code, if there is a provision that worsens the results of business activities of a subsoil user under its subsoil use contracts, such provision shall not apply to the contracts concluded before the introduction of such amendments, except for changes to Kazakhstan law in respect of national security, defence capabilities, environmental protection, health, taxation, customs regulation, and protection of competition.

Regulation of PSAs Related to Offshore Oil Operations

The Law of the Republic of Kazakhstan "On Production Sharing Agreements for Conducting Offshore Petroleum Operations" (No. 68-III, dated 8 July 2005) (the "**PSA Law**"), which, together with other subsoil use regulation, was the applicable law for PSAs in Kazakhstan, was abolished by the introduction of a new tax code on 10 December 2008. The PSA Law ceased to have effect from 1 January 2009. There were no legislative acts introduced to replace the PSA Law. The PSA Law was Kazakhstan's only law dedicated exclusively to PSAs, and applied to oil operations in Kazakhstan's sector of the Caspian Sea and the Aral Sea. According to the Subsoil Code, PSAs are not a specified form of a permitted subsoil use contract, though PSAs concluded before the enactment of the Subsoil Code remain in force. At the same time, as of the date of this Prospectus, PSAs are recognised and specifically regulated by the Tax Code.

Offshore and Certain Exploration Operations

The Subsoil Code provides that the Company must be given at least a fifty per cent. interest in offshore subsoil use contracts, which is a mandatory condition of tenders for the subsoil use right to conduct offshore petroleum operations.

In general, the Company's subsoil use offshore operations are subject to specific, more strict regulation, as provided by the Subsoil Code, the Environmental Code, and the Water Code. Pursuant to such laws and regulations, a number of specific approvals, consents and permits of the competent government authorities are required for, among other things, construction, dredging and blasting operations, extraction of minerals and other resources, laying of cables, pipelines and other communications, drilling and other work, as well as for construction of artificial islands, dams and structures. Although the Subsoil Code requires special resources in case of oil spills, the requirement for a subsoil user to have its own resources is eliminated and the subsoil user shall employ a third-party by way of concluding agreements with the specialised organisation for the liquidation of oil spills at sea. The Subsoil Code prohibits the construction and operation of oil reservoirs and storages offshore. Offshore subsoil operations must be conducted in a way not to interfere and not cause harm to sea drylands, fishing and other activities. A subsoil user conducting operations offshore must develop specific programmes for the prevention of marine pollution and include such programmes into the project documentation.

Under Kazakhstan law, the Government shall make a general decision on the possibility to conduct petroleum operations at sea.

Petroleum operations in the Kazakhstan sector of the Caspian Sea may be limited to an approved depth. Furthermore, pursuant to the Law of Kazakhstan "On Specially Protected Natural Territories" (No. 175-III, dated 7 July 2006, as amended), the water area on the east of the northern part of the Caspian Sea, with the deltas of the Volga and the Ural rivers (within the territory of Kazakhstan), is a part of the state-protected area, established, among other things, to conserve fish stocks and provide for natural reproduction of sturgeon and other valuable species. Within the established State protected area, subsoil use operations are subject to additional environmental requirements established by the Environmental Code and may be limited or prohibited.

State's Priority Right in Respect of Strategic Subsoil Deposits

Under the Subsoil Code, a strategic subsoil deposit is a deposit that is either: (i) contains geological reserves of oil in the amount of over 50 million tonnes or natural gas of over 15 billion cubic meters, (ii) located in the Kazakhstan part of the Caspian Sea, and/or (iii) contains uranium.

On 28 June 2018, the Government approved a new list of subsoil deposits of strategic importance that includes, among others, oil and gas deposits (Resolution No. 389 of the Government of the Republic of Kazakhstan "On Approval of the List of Strategic Deposits" dated 28 June 2018).

The Subsoil Code grants the Republic of Kazakhstan the priority right, with certain exceptions, over any persons and organisations, including individuals and organisations that have priority rights based on Kazakhstan law or a contract, to acquire: (a) a subsoil use right (or a share in the subsoil use right being transferred) over the strategic deposits of subsoil resources to be alienated; and/or (b) shares and other securities issued at an organized securities market, when such shares and securities are considered "*objects related to subsoil use right*" in respect of a strategic deposit.

Under the Subsoil Code, the state's priority right is exercised pursuant to a decision of the Competent Authority through the Company or QazaqGaz, as national companies, or a national management holding company acting in the interest of the Republic of Kazakhstan and in accordance with Kazakhstan law.

Transfer of Subsoil Use Rights and/or "Objects Related to the Subsoil Use Right"

The subsoil use right (or part thereof) and the "*objects related to the subsoil use right*" may be transferred, including in case of foreclosure (including pledge enforcement), provided that the consent of the Competent Authority has been obtained (subject to certain exemptions set out in the Subsoil Code). Any transactions or other related actions effected without such Competent Authority's consent are invalid as of the date of their conclusion or undertaking. An acquirer and a subsoil user notifies the Competent Authority of the change of control over the subsoil user within one month following the date of such change.

Any offering or placement of shares, or securities confirming title to shares, or any other securities convertible into shares of a subsoil user or its Controlling Legal Entity at an organised securities market also requires the consent of the Competent Authority.

The Competent Authority's consent is issued for one year. If the transfer has not occurred within the said one-year period, a new consent need to be obtained from the Competent Authority.

Shares or other securities convertible into shares traded on an organised securities market and are issued by a subsoil user or the Controlling Legal Entity (once placed at an organised securities market, such shares or securities) cease being the "*objects related to the subsoil use right*" and the transactions with them are not subject to the Competent Authority's consent. An acquirer (or a transferee) or an entity issuing shares and/or securities (being "*objects related to the subsoil use right"*) must notify the Competent Authority of the completion of the transaction within one month following the completion.

The transfer of the subsoil use right (or part thereof) and/or an "*object related to the subsoil use right*" in some cases enjoys an exemption from necessity to obtain consent of the Competent Authority, e.g., if a national company, such as the Company, is a party to the transaction comprising such transfer. In the above instances, the waiver of the state's priority right (for strategic deposits) is also not required.

Pledges over Subsoil Use Rights and/or 'Objects Related to Subsoil Use Right'

Under the Subsoil Code, no consent of the Competent Authority for a pledge over the subsoil use right (part thereof) is required. However, for its effectiveness, such pledge is subject to registration with the Competent Authority. The pledge registration is conducted in accordance with the Law of the Republic of Kazakhstan "On Registration of Pledge of Movable Property" (No. 254-I, dated 30 June 1998, as amended). Pledge enforcement is carried out in accordance with the procedures set out in the civil legislation of the Republic of Kazakhstan and the Subsoil Code, including, inter alia, a requirement to obtain the Competent Authority's consent.

Although the Subsoil Code lifted a restriction in respect of the use of credit facilities secured by a pledge of subsoil use rights only for the purposes of subsoil use provided under the respective subsoil use contract or for further processing, such limitation still applies to hydrocarbon contracts.

The subsoil use right, which cannot be transferred under the law, cannot be pledged. For example, such limitation would apply during a two-year transfer limitation period after obtaining the subsoil use rights by the Company through direct negotiations. The transfer of the subsoil use right in trust management is prohibited unless specifically stipulated by law.

State's Pre-Emptive Right to Acquire Hydrocarbons

In order to cover the domestic market's need or in extraordinary situations, the Republic of Kazakhstan may exercise its pre-emptive right to acquire hydrocarbons produced by a subsoil user at the price not exceeding generally used prices of a subsoil user in commercial contracts with third parties excluding transportation expenses and sale costs. The maximum amount of hydrocarbons to be purchased and the payment methods shall be determined in the subsoil use contract. Under contracts which do not provide for a limit on the amount of hydrocarbons to be purchased, such a volume, as well as other terms of the acquisition, shall be determined by the Competent Authority and a respective subsoil user. After all terms and conditions are agreed by the Competent Authority and a respective subsoil user, the parties shall enter into a relevant sale and purchase agreement. The Competent Authority shall pay for the purchased hydrocarbons within thirty calendar days after the respective hydrocarbons have been supplied by the subsoil user.

Rights to Requisition of Natural Resources

In addition, pursuant to the State Property Law, the state is entitled to requisition of any individual's or legal entity's property in the public interest in the event of martial law or a state of emergency, subject to compensation being paid to the owner of such requisitioned property.

Stabilisation of Subsoil Use Contracts

According to the Subsoil Code, a subsoil user is guaranteed protection of its rights in accordance with Kazakhstan law. Any amendments and/or additions to law that worsen the results of a subsoil user's business activities under a subsoil use contract shall not apply to such contract if such contract has been concluded prior to those amendments and/or additions, except for changes in Kazakhstan law in respect of national security, defence capabilities, environmental protection, healthcare, taxation, customs regulation, and protection of competition.

Oil and Gas Export Duties

Order No. 81 of the Minister of National Economy dated 17 February 2016 which, *inter alia*, approved the Rules for Calculation of the Rate of Export Customs Duty for Crude Oil and Oil Products (the "**ED Rules**") and introduced a progressive scale of export customs duty rates on crude oil.

According to the ED Rules, the rate of customs duty for crude oil shall depend on the average world price of crude oil for a specific period, which shall be calculated by the tax authorities according to the formula provided in the ED Rules. Accordingly, the customs duty rate for crude oil varies from zero (when the average global price of crude oil is less than U.S.$25) up to U.S.$236 per tonne (when the average world price of crude oil is U.S.$185 or higher). The customs duty rate is calculated by the tax authorities on a monthly basis. In February 2016, the Minister of National Economy of Kazakhstan introduced a progressive scale of export customs duty rates on crude oil (Order No. 81 of the Minster of National Economy of the Republic of Kazakhstan dated 17 February 2016). Under the new regime, export duty rates are calculated on the basis of the mean market prices of Brent Crude and Urals oil trading classifications.

Mineral Extraction Tax

The Mineral Extraction Tax (the "**MET**") applies to the monetary value of extracted volume of crude oil, gas condensate, natural gas, minerals, and groundwater.

MET is calculated based on the value of the extracted content, which is calculated by multiplying average global prices with the extracted volume (adjusted for content). The determination of average global prices is based on the publications that are considered as official sources for calculation of the MET (Platts Crude Oil Marketwire and Crude Argus).

Currently, the MET rates for crude oil and gas condensate range from 5 per cent. to 18 per cent., depending on the accumulated production volume for the calendar year.

The MET rate for natural gas is set at 10 per cent. For domestic sales of natural gas, the MET rates range from 0.5 per cent. to 1.5 per cent.

Social Obligations

From the beginning of the second year of production, subsoil users are obliged to make mandatory payments to finance training of Kazakhstan personnel and research projects at a rate of one per cent. of the production costs incurred by the subsoil user during the first year of production period. Within the same timeframe, the subsoil user shall also pay an amount equivalent to one per cent. of its investment incurred by such subsoil user during the production of previous year period for social and economic development of the region.

Subsoil use contracts are required to identify the subsoil user's obligation to ensure equal conditions and fair pay for Kazakhstan personnel in comparison to foreign personnel, including personnel employed at the subcontractor level. A subsoil user is also obligated to give priority to hire Kazakhstan nationals to work and be trained.

In addition, subsoil use contracts might contain other social commitments and contributions to be undertaken by subsoil users, including those related to infrastructure and social development of the respective regions, as well as commitments related to the required establishment of sanitary protection zones.

Local Content

The Subsoil Code generally requires subsoil users to comply with certain mandatory local content (in-country value) requirements, including the use of Kazakhstan suppliers and Kazakhstan personnel. These general requirements are usually detailed in the subsoil use contracts, to which the Company's subsidiaries and joint venture companies are parties, and usually should not be less than fifty per cent. of the total volume of purchased works and services within a calendar year (unless the subsoil use contract has been concluded prior to the effective date of the Subsoil Code).

Liquidation of Consequences of Subsoil Use Operations

The Subsoil Code requires subsoil users (in the area of hydrocarbons) to liquidate the consequences of their subsoil operations on the subsoil deposits at the expense of such subsoil users.

Prior to the effective date of the Subsoil Code, subsoil users were required to form a liquidation fund to secure their liquidation obligations. The amount of such fund was required to be equal to 0.1 per cent. of annual production costs. This requirement remained effective until 30 June 2021 in respect of the subsoil use contracts concluded prior to the effective date of the Subsoil Code and now all subsoil users must follow Subsoil Code requirements on forming a liquidation fund.

Starting from 30 June 2021, for all subsoil use contracts that had been concluded before the Subsoil Code became effective, in the absence of the formed liquidation fund or if the amount of the market price for works to be performed in order to liquidate the consequences of hydrocarbons exploration and/or production operations exceeds the actual amount of the formed liquidation fund, subsoil user's obligations in that regard that are not covered by the above may be secured by a pledge over a bank deposit and/or full, unconditional and irrevocable corporate guarantee issued by:

- the Company, as the national company;
- the Company's subsidiaries having a minimum long-term credit rating in a foreign currency not below than BB- under Standard & Poor's or of the similar level under Moody's or Fitch, as confirmed annually; and/or
- partners of the Company or their subsidiaries holding shares (participation interests in the charter capital) of subsoil users, provided any of such guarantors have a minimum long-term credit rating in a foreign currency not below than BB- under Standard & Poor's or a rating of the similar level under Moody's or Fitch, as confirmed annually.

The Company, in its turn, may secure its obligations on liquidation of consequences of its subsoil use operations by a corporate guarantee issued by Samruk-Kazyna, as a national management holding company.

For subsoil use contracts concluded after the effective date of the Subsoil Code, subsoil user's obligations in respect of liquidation of consequences of its subsoil use operations are secured by a pledge over bank deposits, except for subsoil users carrying out hydrocarbon exploration at sea.

The transfer of the subsoil use right is deemed an unconditional ground for the transfer of rights to the pledged bank deposits formed pursuant to the terms of the subsoil use contract.

Geological Information

Geological information obtained at subsoil user's expense is deemed to be a private property. However, the private geological information contained in geological reports provided by a subsoil user to the government authority shall be transferred to the state for its perpetual possession and use.

A subsoil user may not alienate natural carriers of geological information, e.g., core boreholes, mineral samples, carbon dioxide and other natural material, obtained during subsoil use operations during the term of a subsoil use contract or a subsoil use licence without obtaining the prior consent of the respective government authority.

A subsoil user may export natural carriers of geological information in the forms of samples of rocks and minerals, collections of stone material, thin sections, polished sections, mineral solutions and powders outside of Kazakhstan solely for research and analysis purposes. The results of such research and analysis shall be included into geological reports when submitted to the authorised body: the

Committee of Geology of the Ministry of Geology, Ecology and Natural Resources (the "**Geology Committee**"). If the subsoil intends to export the natural carriers of geological information outside of Kazakhstan, it shall notify the respective government authority one month before the planned export date.

In case of intended alienation and/or destruction of natural carriers of geological information in the form of cores, the subsoil user shall notify the Geology Committee one month prior to the planned alienation or destruction and the respective Geology Committee may demand the transfer of title to such natural carrier to it.

The subsoil user shall notify the respective government authority of the natural and artificial (e.g., logs of field observations, geological reports etc.) carriers at its possession three month before planned termination of subsoil operations and the respective Geology Committee within one month period may demand the transfer of title to such natural and artificial carriers to it. A subsoil user must also provide all documents containing geological information to the Geology Committee within one month after the relinquishment of a part of the contract territory to the state.

Dispute Resolution

Under the Subsoil Code, any disputes arising in connection with the exercise, change, or termination of the subsoil use right are subject to settlement pursuant to Kazakhstan law and international treaties ratified by Kazakhstan unless an arbitration clause is provided for in the subsoil use contracts concluded before the effective date of the Subsoil Code.

Midstream and Downstream

Gas and Gas Supply

The Gas Law consolidates and streamlines various legislation that previously regulated this area.

Pursuant to the Gas Law, the State is the owner of associated gas produced in Kazakhstan (under both new production contracts and existing (including those entered into before the Gas Law entered into force) production contracts, unless they expressly specify that the subsoil user is the owner of the produced gas).

The Gas Law establishes the State's priority right to purchase (through a national operator) on terms no less favourable than those offered by a third-party: (i) any facility within an integrated sales gas supply system (i.e., connecting pipelines, trunk pipelines, sales gas storage facilities and other facilities for production, transport, storage, sale and consumption of gas); (ii) a share in the right of common ownership over such facilities, and (iii) shares (or a participatory interest) in an entity which owns such facilities (i.e., any oil producer that owns gas processing facilities or connecting pipelines for sales of gas). Such priority right of the State does not extend to: (a) transfers (sales) of gas-filling compressor stations and gas-consuming systems of industrial consumers; (b) sales of shares that are traded on the organised security markets; (c) transfers of the facilities and the shares between entities in which not less than 99 per cent. of shares are owned, directly or indirectly, by the same person or the same owner of the facility within the integrated sales gas supply system; and (d) transfers as a result of which the transferee (or acquirer) receives, directly or indirectly, the right to dispose of less than 0.1 per cent. of shares (or participation interest) in a legal entity, which owns an object of the integrated sales gas supply system. The State may exercise such priority right on terms no less favourable than those offered by a third-party in the manner and according to procedures provided by the Gas Law and the State Property Law.

In addition, the Gas Law provides for the State's pre-emptive right to buy (through the national operator) sour gas and sales gas at a price approved by the Competent Authority and determined pursuant to formulas provided in Order No. 121 of the Minister of Energy dated 13 November 2014 (as amended). The price of sour and sales gas includes production costs, processing costs, transportation costs and a maximum profit margin. If the State waives its pre-emptive right to buy gas, the seller may sell the gas to a third party.

By Resolution No. 914 of the Government of the Republic of Kazakhstan dated 5 July 2012, QazaqGaz (formerly KazTransGaz JSC and formerly owned by the Company) was appointed as the national operator in the sphere of gas and gas supply.

In addition to the matters described above, the Gas Law regulates the general terms and conditions of sales of commercial, LPG and liquefied natural gas (based on the approved model contracts), matters related to wholesale and retail sales of gas in the domestic market, as well as matters related to transportation and storage of gas.

Trunk Pipeline

The Trunk Pipeline Law sets out a unified legislative basis for the construction, ownership, and operation of trunk pipelines, as well as the State's control over trunk pipelines. In particular, the Trunk Pipeline Law provides that (i) a trunk pipeline, (ii) shares in an entity that owns a trunk pipeline, and (iii) shares in an entity that may directly and/or indirectly determine and/or influence decisions adopted by an owner of a trunk pipeline constitute "strategic assets" that may influence to sustainable development and national security of the state.

Pursuant to the Trunk Pipeline Law, and the State Property Law, the State has a priority right to acquire (i) "strategic assets" that are being alienated; and (ii) a controlling interest (of not less than fifty-one per cent.) in any new trunk pipeline project. The State may waive its priority right to acquire strategic assets and interest in a new trunk pipeline project or subscribe for less than a fifty-one per cent. interest in a new trunk pipeline project. The Trunk Pipeline Law does not envisage a priority right of the State in respect of an expansion of an existing trunk pipeline.

In addition, the Trunk Pipeline Law provides that, for trunk pipelines in which the state, a national management holding company, or a national company directly or indirectly owns more than a 50 per cent. interest, operator services must be provided by the national operator, unless otherwise agreed by the Government. Pursuant to Government Resolution No. 1273 dated 8 October 2012, KTO, the Company's subsidiary, is determined as the trunk pipeline national operator and now performs all functions and exercises all rights of the national operator as provided by the Trunk Pipeline Law.

The Trunk Pipeline Law (as well as legislation regulating natural monopolies) provides for equal rights of access to trunk pipeline services for all shippers if there is free throughput capacity, subject to certain statutory limitations. If there is limited throughput pipeline capacity, oil and oil product transportation services must be rendered in the priority established by the Trunk Pipeline Law, where first priority is given to shippers supplying oil to domestic refineries in the volume intended directly for processing on them. The Trunk Pipeline Law also provides for the possibility of swap operations (i.e., swaps of products by one shipper for the products of another shipper) for the purposes of supplying oil to domestic refineries and gas to the domestic market or outside Kazakhstan, upon written consent of the pipeline owner (or other person legally holding rights to the pipeline), the Competent Authority, and the relevant swapping entities.

The Trunk Pipeline Law defines a trunk pipeline as an integrated production and technological facilities complex and includes an obligation to ensure the safe transportation of products that meet the requirements of technical regulations and national standards. Pursuant to the Trunk Pipeline Law, the owner of a trunk pipeline must perform environmental rehabilitation procedures upon the liquidation of a trunk pipeline, including the remedial operations. The cost of complying with such a requirement are, at present, unknown.

Production and Circulation of Certain Types of Oil Products

The Law of the Republic of Kazakhstan "On State Regulation of Production and Circulation of Certain Types of Oil Products" (No. 463 IV, dated 20 July 2011, as amended) empowers the authorised body in the field of petroleum production to regulate marginal retail prices for oil products. The Ministry of Energy is the government body authorised to determine and approve the list of petroleum products for which state price regulation is established. Kazakhstan law does not provide for government regulation of the wholesale prices of oil products.

Following the protests against the surge in LPG prices in January 2022, the Government suspended use of the electronic trading platforms for LPG trading and reinstated state regulation of LPG prices. In March 2022, the concept of LPG trading on electronic trading platforms in the Gas Law was replaced with trading on commodity exchanges and in June 2022, the Ministry of Energy repealed existing regulations on LPG trading through electronic trading platforms. In June 2022, the exchange commodity trading regulations were amended to allow wholesale trading of LPG, with amendments becoming effective in September 2022 and trading expected to begin in January 2023.

Health, Safety and Environmental Regulation

General

The Company is subject to a variety of Kazakhstan's environmental laws, regulations and requirements that govern air emissions, water use and disposal, waste management, impacts on wildlife, as well as land use and reclamation. The Environmental Code is a major law regulating operations of subsoil users.

Both the Subsoil Code and the Environmental Code provide for specific requirements in relation to offshore operations in the Caspian Sea, which are stricter than the general requirements applicable to onshore subsoil operations.

Subsoil use contracts typically impose environmental obligations in addition to those required by law. Failure to comply with such obligations may lead to substantial fines and penalties or even to the suspension or termination of the subsoil use contracts or suspension of certain activities.

Under the Environmental Code that entered into force on 1 July 2021, companies are obligated to obtain permits (as described below) for causing negative impact to the environment and must observe all requirements set out in such permits.

The purpose of the enactment of the new Environmental Code was, inter alia, to emulate successful regulation in foreign countries, consolidate mechanisms for Kazakhstan to meet its international environmental obligations and increase public participation in environmental decision-making by the state.

The Environmental Code targets entities that contribute most heavily to pollution, including those in the oil and gas sector. The Environmental Code makes the operators of category I facilities directly responsible for the emissions of operator-engaged contractors involved in the construction, operation and servicing of the facilities, and mandates the implementation of the automated air monitoring systems starting from 2023 and gradual implementation of the BAT from 2025 onwards. If an operator intends to carry out a reconstruction or a material modification of an existing category I facility it would have to obtain a new ecological expertise approval and a new environmental permit in accordance with the requirements of the Environmental Code, including those on implementation of the BAT. The BAT sectoral catalogues are currently being developed by the MEGNR. Resolutions on the BAT are expected to be approved by the Government by 31 December 2023. The environmental state authorities will have real-time access to data gathered by the automated air monitoring system to react promptly to any incidents, including excessive emissions. Further, the Environmental Code significantly extended the applicable statute of limitations period for claims relating to environmental damage to 30 years from the date that any such damage was inflicted.

Environmental Permits

A person must have a permit in order to operate a facility or perform activities that may have negative impact on the environment. Depending on the level of negative impact the facility has on the environment, the facilities are classified into 4 categories: I (highest negative impact), II, III and IV (lowest negative impact) categories. I category facilities include hydrocarbon producing and processing plants, metal producing plants, power generation plants (depending on capacity), chemical plants and other heavy-polluting types of enterprises. There are three types of environmental permits (the "**EP**") under the Environmental Code: 1) integrated environmental permits; 2) permits for impact on the environment and 3) declaration on negative impact on the environment. EPs contain the conditions governing the user's negative impact on the environment. Operators of I category facilities must obtain integrated EPs starting generally from 2025 and until then may obtain a permit for impact on the environment. One of the mandatory terms of the integrated EP is the implementation of BAT. Integrated EPs are perpetual, unless the underlying production method or technology changes or BAT conclusion is revised. Operators of facilities of II category must obtain permits for negative impact on the environment and operators of facilities of III category must obtain a declaration on the negative impact on the environment. Fees for causing negative environmental impact were established by the Tax Code and may be increased (within certain limits) by local representative bodies (*maslikhats*). To promote the implementation of BAT, fees payable by category I facilities' operators for causing negative environmental impact will gradually increase two, four and eight-fold every three years. For operators included in the Government-approved list of Kazakhstan's top-50 polluters (which includes several entities of the Group, including joint ventures), this fee increase will commence in 2025. For all other operators, the increased fee regime will start from 2031. Having an EP shall not exempt a subsoil user from liability to pay compensation for damage to the environment caused by its activities, or exempt the subsoil user or its officers from administrative or criminal liability.

Gas Flaring

Under the Subsoil Code, the flaring of raw gas is prohibited except if (i) there is an emergency or a threat of emergency, threat to the life of personnel or threat to health of population and threat to the environment, (ii) during the testing of wells, (iii) during operational trial of the field, or (iv) if the flaring is unavoidable for technological reasons.

In case of emergency, threat of emergency, threat to the life of personnel or threat to health of population and threat to the environment the flaring of gas is possible without approval.

If the flaring is made because of emergency or a threat of emergency, the subsoil user shall notify the Competent Authority and the MEGNR in writing within 10 days of such flaring. In all other cases, the subsoil user is subject to obtaining the Competent Authority's permits for gas flaring provided that the subsoil user complies with the limits on gas flaring contained in the project documents and the gas processing development program approved by the Competent Authority.

Carbon Emissions Quotas

In March 2009, the President of Kazakhstan signed the law on the ratification of the Kyoto Protocol of the Framework Convention of Organizations of United Nations on climate change signed on 12 March 1999. Ratification of the Kyoto Protocol, which is intended to limit or discourage emissions of greenhouse gases such as carbon dioxide, is expected to have an impact on environmental regulation in Kazakhstan. The so-called Doha Amendment to the Kyoto Protocol, the purpose of which was to establish a second commitment period for the participating countries thereunder from 2013 to 2020, entered into force in December 2020. As of today, Kazakhstan had not ratified the Doha Amendment to the Kyoto Protocol.

Following the ratification of the Kyoto Protocol, the Environmental Code was amended to set out a framework for climate change control in Kazakhstan, which came into force on 1 January 2013. This framework included obtaining quotas for greenhouse gas emissions from legal entities emitting more than 20,000 tonnes of carbon dioxide in a year, quota trading and the development of the national quota allocation plan. In response to industry complaints on the imperfections of the legal mechanism put in place for the allocation of quotas and trading, and difficulties with adherence to such quotas, in April 2016, Kazakhstan suspended the application of a number of provisions of the Environmental Code related to greenhouse gas emissions until 1 January 2018.

In November 2016, Kazakhstan ratified the Paris Agreement, which is believed to have effectively replaced the Kyoto Protocol. Kazakhstan's nationally determined planned contribution under the Paris Agreement is to reduce the country's greenhouse gas emissions by at least 15 per cent. from 1990 levels, or by 25 per cent. (subject to certain conditions) by 2030.

On 26 December 2017, the Government approved the National Plan for the Allocation of Quotas in respect of Greenhouse Gases for 2018-2020, which came into effect on 1 January 2018. This Plan replaced the national allocation plan for 2016-2020. The Government then approved the National Plan for the Allocation of Quotas in respect of Greenhouse Gases for 2021. In July 2022, the MEGNR had published the draft Order on approval of the National Plan for the Allocation of Quotas in respect of Greenhouse Gases for 2022-2025. Historically, the volume of greenhouse gas quotas allocated has been decreasing and is expected to decrease further as the Government seeks to achieve its commitments under the Paris Agreement.

It is anticipated that Kazakhstan will further re-consider its greenhouse gas regulation. The potential effect that may arise therefrom is still unclear. Accordingly, potential compliance costs associated with any amendment to greenhouse gas regulation are unknown and may be significant.

Water Permits

The Water Code aims to implement governmental policy in relation to the utilisation and protection of water resources. The Water Code sets out obligations for the use of water and discharge of certain materials into the water on the basis of Water Use Permits (the "**WUP**"). WUP can be withdrawn if the terms as specified in the relevant WUP are breached. Such terms include monitoring the quality of underground water, submitting statistical reports and monitoring reports, complying with requirements relating to water pollution during mining operations and regular checking of equipment. If any circumstances relating to its water use change, a WUP holder is obliged to agree to such changes with the relevant government agencies. The term of a WUP may be extended subject to compliance with requirements specified within the WUP. Under the Environmental Code, water use conditions and limits may be included into the integrated EP.

Under the Subsoil Code and Kazakhstan environmental legislation, a subsoil user is required to keep an adequate record of extracted minerals and reserves, including processing by-products and residual waste. The state monitors the records of extracted minerals and reserves. A subsoil user is also required to provide geological reports on its activities in the contract territory relating to exploration and use of the subsoil.

Environmental Enforcement

The Environmental Code specifies which authorised bodies are responsible for controlling over the environmental compliance over natural resources and the environment and enforcing environmental requirements. These officials include the Chief State Ecological Inspector, the Deputy Chief State Ecological Inspector and other regional officials who have the authority to supervise environmental compliance and initiate judicial proceedings.

The Environmental Code authorises the relevant Government officials, in their enforcement of environmental protection measures, to, *inter alia*:

- inspect facilities and take measurements and samples for analysis;
- request and receive documentation, results of analysis and other materials;
- initiate procedures relating to the suspension and annulment of environmental and other permits in the event of violation of the terms of such permits;
- issue orders for individuals and legal entities to eliminate violations of Kazakhstan environmental regulation; and

- file claims with courts to restrict, suspend and prohibit business and other activities carried out in violation of Kazakhstan law and claim compensation for ecological damage.

Environmental and Other Mandatory Insurance

Kazakhstan law establishes a number of mandatory insurances to be obtained by any entity conducting certain types of activities.

Environmental Insurance

Pursuant to the Law of the Republic of Kazakhstan "On Mandatory Environmental Insurance" (No. 93-III, dated 13 December 2005, as amended), any entity carrying out environmentally hazardous activities should insure against the risks associated with such respective activities. An agreement of mandatory environmental insurance should cover damages to life, health, property of third parties and the environment caused as a result of an environmentally hazardous activity and other activities (except for payments for moral damage, loss of profit and payment of penalty interest).

According to Clause 3 of the List of Environmentally Hazardous Businesses and Other Activities, approved by the Order No. 271 of the Minister of Ecology, Geology and Natural Resources "On approval of the list of types of activities that are ecologically hazardous" dated 30 July 2021, environmentally hazardous activities include: (i) production of oil and natural gas for commercial purposes, in which the recoverable amount exceeds 500 tonnes per day for oil and 500 thousand cubic meters per day for gas; (ii) storage of oil, petrochemical or chemical products with a capacity of 200 thousand tonnes or more, as well as underground storage of natural gas with an active storage volume of more than 150 million cubic meters; (iii) activities of oil refineries (excluding enterprises producing only lubricants from crude oil) and gasification facilities; and (iv) operation of pipelines for the transportation of gas, oil or chemicals with a diameter of more than 800 millimetres and (or) a length of more than 40 kilometres.

A subsoil user cannot carry out these activities without obtaining mandatory environmental insurance.

Other lines of mandatory insurance, which are required by Kazakhstan law and applicable to the Company's activities, are as follows:

Insurance of Civil Liability of Danger Units Owners

According to the Civil Protection Law and the Law of the Republic of Kazakhstan "On Mandatory Insurance of Civil Liability of Owners of Units Associated with Danger of Damage to Third Parties" (No. 580 II, dated 7 July 2004, as amended), companies must insure against risks associated with the functioning of their hazardous manufacturing factor. A hazardous manufacturing factor is a physical phenomenon that occurs in case of accidents, incidents at hazardous production facilities, causing harm to the life, health and/or property of third parties.

Insurance of the Employees against Accidents at Work

According to the Law of the Republic of Kazakhstan "On Mandatory Insurance of an Employee against Accidents when Carrying Out Employee's Labour Duties" (No. 30-III, dated 7 February 2005, as amended), since 1 July 2005 all employers are obliged to insure employees against accidents when carrying out their employment duties.

Insurance of the Civil Liability of Transport Vehicles Owners

According to the Law of the Republic of Kazakhstan "On Mandatory Insurance of the Civil Liability of Transport Vehicle Owners" (No. 446-II, dated 1 July 2003, as amended), civil liability of owners of, *inter alia*, cars, trucks, buses, microbuses, and transport vehicles, motor-transport and trailers (semi-trailers) are subject to mandatory insurance requirements, and any use of such vehicles without insurance is prohibited.

Health and Safety Compliance

The Company's activities are subject to laws and regulations of Kazakhstan relating to safety and health matters, including industry-specific health and safety requirements, and are regulated by various government authorities, including the Ministry of Energy, the Ministry of Labour and Social Protection of the Population and the Ministry of Healthcare.

In addition to the Subsoil Code, such laws and normative acts include, among others: (a) the Civil Protection Law, which stipulates rules and procedures related to the mandatory industrial safety declaration; (b) the Sanitary Rules on "Sanitary and Epidemiological Requirements to Technological and Auxiliary Facilities and Installations Carrying Out Oil Operations" (Order No. QR DSM-13 of the Minister of Healthcare of the Republic of Kazakhstan dated 11 February 2022), and (c) other normative acts setting out requirements for industry safety in the oil and gas industry.

The laws and regulations require an employer to provide its employees with properly functioning and safe equipment, to train its employees on health and safety requirements, to adopt corporate health and safety regulations, to provide special uniforms and shoe wear, special nutrition, to perform periodic medical examinations of its employees, to obtain periodic third-party attestation for equipment and worksites, to provide adequate insurance to its employees, to maintain third-party liability insurance and to comply with fire safety, sanitary and hygienic regulations.

Licencing of Production, Refining, Pipeline Transportation, Storage and Subsoil Services

The Permits and Notifications Law consolidates and streamlines various regulations in relation to licences, permits, consents and other government approvals.

The Permits and Notifications Law provides that well drilling on the carbon deposits on the shore, on the sea, and inland water and operating the main oil and gas pipelines are licenced activities.

The right to explore and/or produce hydrocarbons is granted only based on a subsoil use contract entered into with the Competent Authority.

A licence is granted for an unlimited period of time by the Competent Authority, after submission of the required documentation and payment of a fee, and is not transferable from one person (licensee) to another.

A licence can be suspended or terminated in case a licensee fails to comply with qualification requirements, including but not limited to, lack of qualified personnel or proper equipment.

If a person conducts activities without a licence required under the Permits and Notifications Law, such entity and its managers are subject to administrative and criminal liability.

Antitrust Regulation

Until September 2020, supervision of market dominant entities in a particular market (such as the oil and gas market) was performed by the Natural Monopolies Committee under the Ministry of the National Economy. Subsequently, these duties and competences were transferred to the newly-formed Antiturst Agency. The Natural Monopolies Committee retained duties and competences related to supervision of activities of natural monopolies.

Protection of Competition

A market entity is deemed to hold a dominant position if the entity's market share is at least thirty-five per cent., and provided that the entity, *inter alia*, independently determines the commodity's price and general terms of sale within the market for a given commodity. The criteria are inapplicable to market entities with market shares of over fifty per cent.

Kazakhstan law also specifies criteria for holding a dominant position by a group of market entities. The criteria, inter alia, include circumstances when an aggregate market share of at least fifty per cent.

is held by the group of not more than three entities, or an aggregate market share of at least seventy per cent. is held by the group of not more than four entities. In these circumstances, each entity within the group would be deemed to hold a dominant position unless the entity's market share is equal to or less than fifteen per cent.

Economic Concentration

Market entities wishing to engage or that have engaged in economic concentration must obtain approval from the Antitrust Agency or notify them thereof. The prior approval or notification regime depends on the type of economic concentration and rights or interest acquired, such as shares (participating interest in the charter capital, participatory units), fixed assets, intangible assets or property rights.

Approval from the Antitrust Agency would be required following an acquisition by a person (or a group of persons) of voting shares in a market entity where that person (or group of persons) becomes entitled to dispose of more than fifty per cent. of such shares if, prior to such acquisition, that person (or group of persons) has not possessed shares in the market entity or possessed fifty per cent. or less of the voting shares in the charter capital of the market entity. This, however, does not apply to a new company set up.

Any transaction effectuated within one group of entities is not considered to be economic concentration and as such does not require approval from or notice to the Antitrust Agency.

In general, it is the responsibility of the purchaser that acquires shares, fixed assets, intangible assets or respective rights, to obtain prior approval from the Antitrust Agency. Failure to obtain approval may lead to administrative fines, invalidation of the transaction, and invalidation of state (re-) registration of the market entity or rights to real estate, as a result of an action brought by the Antitrust Agency.

State Participation in Business Activities

The state engages in business activity through establishing state enterprises, and/or direct or indirect equity participation in legal entities.

The state engages in business activities to ensure national security, state defence or the public interest, using and maintaining state-owned strategic assets, carrying out activity in the area of state monopoly, for lack of competition or underdeveloped competition in the relevant commodity market, and in other circumstances expressly provided for by Kazakhstan law. Legal entities, wherein the state holds over fifty per cent. of shares, carry out activities included in the list approved by Government Resolution No.1095 of 28 December 2015. Should the activity of legal entities, wherein the state or its affiliates hold over fifty per cent. of shares, be extended and/or changed, a prior consent of the Antitrust Agency would be required.

Natural Monopolies and Price Regulation

The Government can regulate prices with respect to Company members that are Kazakhstan companies if such companies have the status of a natural monopoly or hold a dominant position in the relevant market. KTO is classified as a natural monopolist, are subject to tariff regulation by the Natural Monopolies Committee. Such tariff regulation applies in regards of regulation of transportation of oil and/or oil products through main pipelines, storage, transportation of commercial gas through connecting, main gas pipelines and/or gas distribution systems, operation of group reservoir installations, as well as transportation of raw gas through connecting pipelines, except for storage, transportation of commercial gas for transit purposes through the territory of Kazakhstan and export outside of Kazakhstan.

In May 2014, the EAEU Treaty was signed by the EAEU member states, including Kazakhstan. Chapter XX (Energy) of the EAEU Treaty is dedicated to the matters of cooperation of the member states in the sphere of energy, conducts formation of a common gas market and granting access to services of natural monopolies in the electro energy sector in the member states in accordance with the common principles, conditions and rules in the EAEU. Pursuant to the EAEU Treaty, the Supreme Eurasian Economic

Council approved, in May 2016, the concept of forming a common gas market of the EAEU and, in December 2018, the programme of forming a common gas market of the EAEU. Currently, upon completion of the activities of the Union's common gas market formation program, it is anticipated that an inter-governmental agreement on the common gas market will be entered into in 2022 and the full common gas market framework is expected to commence on 1 January 2025. Formation of the common gas market by the EAEU member states may possibly impact matters related to gas trading in Kazakhstan and operations of the Company.

Choice of Law

Unless the law requires otherwise, parties to a transaction may choose any applicable (foreign) law that will govern such transaction, provided at least one of such parties is a foreign party and the mandatory provisions of Kazakhstan law applicable to the transaction at issue are complied with.

Kazakhstan law mandates that all subsoil use contracts be governed by the Kazakhstan material law.

Arbitration Law

Unless the parties agreed otherwise and subject to statutory restrictions, if the parties fail to resolve their dispute arising out of and/or in connection with their respective contract, they should submit such dispute to a relevant Kazakhstan court.

Under the Arbitration Law, arbitration tribunals are not entitled to consider disputes between Kazakhstan individuals and/or legal entities, on the one hand, and government authorities, state enterprises, as well as legal entities, wherein the state directly or indirectly holds at least fifty per cent. of voting shares (participating interest in the charter capital), on the other hand, without a consent of the authorised body of the relevant industry (in relation to the republican property) or the local executive authorities (in relation to the municipal property). The government authorities, state enterprises, as well as legal entities (such as the Company), fifty per cent. or more of voting shares (participation interests in the charter capital) of which are directly or indirectly owned by the state, intending to conclude an arbitration agreement, must send to the authorised body of the relevant industry (or local executive authority) a request for granting a consent to conclude such arbitration agreement, with indication of the estimated costs of the arbitration proceedings. When considering the request, the authorised body (or the local executive authority) must take into account the economic security and interests of the state. For the Company, the authorised body of the relevant industry is the Ministry of Energy.

When choosing an arbitral institution, parties are free to choose Kazakhstan-based (e.g., the International Arbitration Centre (the "**IAC**") within the Astana International Financial Centre (the "**AIFC**"), the Arbitration Centre of the National Chamber of Entrepreneurs Atameken, etc.) or international arbitration institutions (e.g., the London Court of International Arbitration, the ICC International Court of Arbitration, etc.).

IAC Arbitration

The AIFC is a financial hub in Astana, Kazakhstan, which was officially launched in 2018 and which has the special legal regime. The IAC is functioning in the territory of the AIFC and is intended to provide an independent, economical and expeditious alternative to court litigation, operating to the highest international standards to resolve civil and commercial disputes in the AIFC. Parties may agree for the IAC to administer their arbitration according to the IAC Arbitration and Mediation Rules, UNCITRAL Arbitration Rules or *ad hoc* arbitration rules and administer their mediations according to the IAC Arbitration and Mediation Rules or *ad hoc* mediation rules. The parties to the dispute may provide other forms of alternative dispute resolution.

The IAC's panel of arbitrators consists of over forty professionals from over ten different countries, including Austria, Greece, India, Italy, Lithuania, Pakistan, Russia, the United States, the United Arab Emirates, Ukraine and others.

Statute of Limitations on Proceedings

The statute of limitations for general civil proceedings is three years from the date when a person knew or ought to have known of a breach. The statute of limitations for claims related to environmental damage established by the Environmental Code is thirty years from the date the damage was inflicted. This limitation does not apply to regulatory proceedings, criminal or administrative prosecutions in connection with breaches of environmental requirements, which are subject to separate limitation periods.

Employment

Any employment relationships between employees and their employer are regulated by the Labour Code, employment agreements, and collective bargaining agreements (if any).

Kazakhstan citizens as well as foreigners may be employed in Kazakhstan. For employment of foreigners, a respective work permit need to be obtained first. Pursuant to the Law on Employment of Population, in order to protect the domestic labour market, the Government sets annually the respective quota for employing foreigners in Kazakhstan, i.e.:

- a quota for employing foreigner based on the types of economic activities (e.g., construction, education, healthcare, mining, etc.);
- a quota for employing foreigner based on the country of origin if there are international treaties on cooperation in the area of labour migration and social protection of migrant workers ratified by the Republic of Kazakhstan; and
- a quota for employing immigrant workers.

An employment agreement may be concluded for an indefinite or fixed term. A fixed term shall be not less than one year unless an employee is hired: (a) for a period to perform certain work (e.g., for a particular project), (b) to replace a temporarily absent employee, (c) for seasonal work, or (d) within terms established by the laws of Republic of Kazakhstan for exercising of labour activity by foreign employees arriving for self-employment under permits issued by the local executive body for the attraction of foreign employee or permission issued to a labour immigrant by internal affairs bodies.

Extension of the fixed-term employment agreement, concluded for not less than one year may not exceed two times. Extension of the fixed-term employment agreement, concluded not less than one year may not exceed two times. Any further extension is considered an extension for an indefinite term.

An employment agreement may specify a probation period, which shall not exceed three months. For chief executive officers and their deputies, chief accountants and their deputies, and directors of branches and representative offices, a probation period can be six months.

A regular duration of working hours shall not exceed forty hours a week. A regular working week is five days with two days off.

Overtime work shall not exceed two hours a day for each employee and overtime work in dangerous and/or hazardous conditions shall not exceed one hour. The total duration of overtime work shall not exceed twelve hours a month and one hundred and twenty hours a year.

Rotational work is allowed if required by the nature of working process. However, the duration of a working week shall be in compliance with the above specified limits. An employee may not work during two consecutive shifts.

The paid annual leave shall be at least twenty-four calendar days. Additional vacation days shall be provided for employees working in difficult, dangerous and/or hazardous conditions, and disabled individuals (group one and two).

Typically, an employment agreement can be terminated:

- by mutual consent;
- upon expiration of the employment agreement;
- at the employee's initiative; or
- at the employer's initiative.

Entering into a collective bargaining agreement is not mandatory.

In 2020, the Labor Code was amended to introduce regulations around borrowed labour (outstaffing). One of the few major changes introduced by the amendments were the obligation of the outstaffing agency to obtain mandatory employer's liability insurance for borrowed personnel in accordance with the class of risk of that of the client (host entity) and a requirement that the base salary (excluding bonuses and premiums) of outstaffed personnel must be equal to that of the host entity's employees holding the same position. These and other changes introduced by the amendments have increased the costs of using borrowed labour.

An employer shall maintain a compulsory occupational accident insurance. Failure to do so may entail an administrative fine to be imposed on such employer.

Samruk-Kazyna Procurement Rules

Pursuant to the Sovereign Wealth Fund Law, the Company is not subject to the general state procurement rules (established by the State Procurement Law) and conducts its procurements in accordance with the Samruk-Kazyna Procurement Regulations.

The current Samruk-Kazyna Procurement Regulations were adopted on 3 March 2022 in furtherance of an assignment from the President of Kazakhstan and became effective on 1 April 2022. They are generally similar to the state procurement rules and provide for mandatory procedures for the procurement of goods, work and services by Samruk-Kazyna and companies in which Samruk-Kazyna has a fifty per cent. or more direct or indirect ownership. In accordance with Samruk-Kazyna Procurement Regulations, supplier selection is carried out in the following ways: tender; request for price quotations, through an electronic store, from single source, through commodity markets, in the framework of inter holding cooperation.

The procurement of certain limited categories of goods, work and services, as well as goods, work and services provided by companies within the Samruk-Kazyna group exercised in specified cases and conducted from single source without involving the tendering procedures.

A detailed procedure for different types of procurement is established by the Samruk-Kazyna Procurement Standard adopted on 30 December 2021, which became effective on 1 January 2022. Certain preferential treatment, such as conditional discounts and an exemption from a requirement to provide security, that were established by the Samruk-Kazyna Procurement Standard to producers of domestic goods, work and services in procurements made by Group member subsoil users, ceased to apply from 1 January 2021 due to the expiration of the transition period under Kazakhstan's international obligations. Samruk-Kazyna exercises overall supervision over compliance with the Samruk-Kazyna Procurement Regulations.

DESCRIPTION OF SHARE CAPITAL AND APPLICABLE KAZAKHSTAN REGULATION

Set out below is a summary of material information concerning the share capital of the Company, including a description of certain rights of the holders of Shares in effect on the date of this Prospectus.

Share Capital

The Company was formed in February 2002 with an initial share capital of KZT 47,874.0 million, which was contributed by the transfer to the Company of 14,561,629 Shares of Kazakhoil with a nominal value of KZT 1,000 per share and 333,119,985 ordinary shares of CJSC NC of Oil and Gas Transport with a nominal value of KZT 100 per share. On 7 August 2002, the Company registered its share capital in the amount of KZT 48,874.0 million, including a further contribution of KZT 1.0 million in cash, comprising 95,747,255 ordinary shares with a differing range of par value.

In 2004, 2005 and 2006, the share capital of the Company was increased as a result of the issue of new Shares to the Government in consideration for cash contributions, which was partially offset by certain sums owed to the Government and expenses incurred by the Government and by the transfer of Shares of certain Government-owned entities to the Company. On 28 January 2006, the Government Shares in the Company were transferred to Samruk-Kazyna's predecessor, "Kazakh Holding for Management of State Property", which further merged with "Sustainable Development Fund "Kazyna"" to form Samruk-Kazyna. Samruk-Kazyna is the majority shareholder of the Company and is, in turn, wholly-owned by the Government. On 7 August 2015, NBK purchased 58,420,748 of Shares of the Company, amounting to a 10 per cent. plus one Share interest in the Company, from Samruk-Kazyna. Since August 2015, the NBK's ownership interest has been diluted to approximately 9.58 per cent. of the Shares of the Company, as at the date of this Prospectus.

As at 30 June 2022, the Company's share capital was KZT 916,540.5 million represented by Shares with a differing range of nominal value (see below). All of the Company's Shares are issued and outstanding.

Number of shares issued and paid, including	**610,119,493**
Par value of 27,726.63 tenge	137,900
Par value of 10,000 tenge	20,719,604
Par value of 5,000 tenge	59,707,029
Par value of 2,500 tenge	71,104,187
Par value of 2,451 tenge	1
Par value of 1,000 tenge	1
Par value of 921 tenge	1
Par value of 858 tenge	1
Par value of 838 tenge	1
Par value of 704 tenge	1
Par value of 592 tenge	1
Par value of 500 tenge	458,450,766
Share capital (thousands of tenge)	**916,540,545**

The Company Shares are in the book-entry form. Ownership of the Company's shares is evidenced by an extract from the shareholders register of the Company. KCD, as defined and described in the Section entitled '*Description of Share Capital and Applicable Kazakhstan Regulation – Transfer of Share*'), is the only entity authorised to maintain shareholder registers of private companies incorporated in Kazakhstan and is majority-owned by the NBK. The address of Central Securities Depository JSC is Republic of Kazakhstan, 050051, Almaty, 28 Samal-1 Residential Unit.

Summary of the Charter

Charter

The Company's Charter was approved by Samruk-Kazyna as the sole holder of all the voting shares of the Company on 22 April 2016. The most recent amendments to the Charter were adopted on 13 July

2020 and, as at the date of this Prospectus, the Shareholders of the Company are in the process of implementing certain other amendments to the Charter with respect to competences of the General Meeting of Shareholders, the Board of Directors and the Management Board of the Company. The decision of the Management Board of the Selling Shareholder approving the amendments was adopted on 27 October 2022 and certain other corporate approvals are pending. The description of the proposed amendments is given in the footnotes to the competences of the respective corporate governance bodies as per the Charter currently in effect described herein. See "*DESCRIPTION OF SHARE CAPITAL AND APPLICABLE KAZAKHSTAN REGULATION–General Meetings" and "DIRECTORS, MANAGEMENT AND CORPORATE GOVERNANCE–Board of Directors and –Management Board*" for more details.

Share Rights

Subject to the provisions of the JSC Law and without prejudice to any rights attaching to any existing shares, the Company may issue shares and other securities.

Rights attaching to Shares and Variation of Rights

The JSC Law provides for two types of shares: ordinary and preferred. Each type has certain rights as set out in the JSC Law. These rights may be extended by a company's charter (although the Company's Charter does not purport to extend such rights), but they cannot be restricted. The Charter allows the Company to issue only ordinary shares.

A holder of an ordinary share has the right to:

- participate in the management of a joint stock company in the manner provided for under the JSC Law and/or the charter of the joint stock company;
- receive dividends;
- receive information on company's activities, particularly, to familiarise him-/her-/itself with the financial statements of the joint stock company, pursuant to the procedure established by the general meeting of shareholders or the charter of the joint stock company;
- receive extracts from the central depositary or a nominal holder confirming the shareholder's ownership right to the securities;
- propose to a general meeting of shareholders candidates for election to the board of directors;
- challenge in court the resolutions adopted by the bodies of the joint stock company;
- file with the joint stock company written requests for information regarding its activities and receive a substantiated response from the joint stock company within 30 calendar days of the date of the filing of such request;
- receive part of the joint stock company's property in the event of the joint stock company's liquidation;
- exercise the pre-emption right in relation to the purchase of shares or other securities convertible into shares of the joint stock company in the manner established under the JSC Law;
- participate in adoption of resolution by the general meeting of shareholders in respect of change of the amount or type of the shares in the manner established under the JSC Law; and
- if such shareholder or a group of shareholders holds 5 per cent. or more of the voting shares of the joint stock company to:
    - file a claim with a court seeking compensation in favour of the joint stock company for losses caused by the joint stock company's officials, as well as a return to the joint stock company, by the officials and/or their affiliates, of the profit (income) received

by them as a result of adopting a resolution that proposes the conclusion of major transactions and/or related party transactions;

- propose to the board of directors of the joint stock company to include additional matters to the agenda of the general meeting of shareholders; and
- receive information on the amount of remuneration as the result of the year of each member of the board of directors and/or the management board, in the manner established under the JSC Law.

In addition to the above, a majority shareholder, being any shareholder or group of shareholders representing not less than 10 per cent. of the voting shares (individually or collectively, as applicable) (a "**Majority Shareholder**"), has the right to:

- request the convening of an extraordinary general meeting of shareholders, or to file a claim with the court seeking the same where the board of directors refuse to convene a general meeting of shareholders;
- request to call a meeting of the board of directors of the joint stock company; and
- request that an audit of the joint stock company be performed at the expense of the relevant Majority Shareholder.

Voting Rights

Subject to any rights or restrictions attached to any types of shares by or in accordance with the Charter or the JSC Law, each holder of voting shares present at the meeting of shareholder, whether in person or through an authorised representative, shall have:

- one vote on all procedural issues decided at the general meeting of shareholders; and
- one vote per each fully paid share of which such person is the holder, on all substantive issues decided at the general meeting of shareholders (except for electing the directors, where the number of votes such holder has shall be equal to the number of fully paid shares of which such person is the holder multiplied by the number of directors being elected at such a meeting) (see "*— Board of Directors*").

A resolution of shareholders in writing shall not be effective without a quorum, which requires the attendance of persons holding 50 per cent. or more of the voting share capital of the Company or, for an adjourned meeting called due to the absence of the 50 per cent. quorum, persons holding 40 per cent. or more of the voting share capital of the Company.

Dividends and Other Distributions

The JSC Law and the Charter set out the general procedure for determining dividends that the Company pays to its shareholders. Net income of the Company shall be distributed in accordance with the procedure provided for by the laws of the Republic of Kazakhstan, the Charter and the Corporate Governance Code. The Company's dividend policy was approved by the general meeting of shareholders on 27 October 2022 (see "*Dividend Policy*").

Subject to the provisions of the JSC Law, the Company may, by a resolution passed by a simple majority of shareholders present and voting at a general meeting of shareholders, declare dividends on the shares. Under the JSC Law, the general meeting of shareholders may declare an annual, semi-annual or quarterly dividend on the ordinary shares only after the audit of the financial statements of the Company for the relevant period has been carried out. Under the JSC Law, the Company may distribute dividends on the shares only if the Company has net income.

The JSC Law prohibits payment of dividends on shares if:

- the balance of the Company's own capital is negative or would become negative as a result of such payment;
- the Company demonstrates, or the payment of dividends would cause the Company to demonstrate, signs of insolvency; or
- in cases specified in the Laws of the Republic of Kazakhstan "On Banks and Banking Activities in the Republic of Kazakhstan," "On Insurance Activities," and Kazakhstan Securities Market Law.

The list of shareholders entitled to receive dividends is made up on a date preceding the date of payment of dividends. If a dividend payable in respect of a share is delayed by the Company, then additional interest is payable by the Company to the shareholder. The amount of such interest is accrued according to the base rate set by the NBK as of the date of payment of the relevant outstanding amount. The JSC Law provides that a shareholder's right to dividends does not lapse.

If the Company receives written consent from a shareholder, the Company may pay dividends in respect of such shares in the form of issued shares or bonds issued by the Company (but not in the form of any other type of securities). The JSC Law permits a holder of shares with an unpaid dividend to receive such unpaid dividend after such holder sells or otherwise transfers the shares to a third-party if the agreement for the transfer of shares explicitly provides for this. See also, "*Dividend Policy*."

Distributions to Shareholders on Liquidation

In the event of liquidation, the property of a joint stock company which is left after the satisfaction of the creditors' claims is distributed among the shareholders in the following order of priority:

- *first* – payments for shares which must be repurchased pursuant to the JSC Law;
- *second* – payments of accrued and outstanding dividends on preferred shares; and
- *third* – payments of accrued and outstanding dividends on ordinary shares.

The remaining property of the joint stock company is distributed among the holders of shares in proportion to the number of shares held by them, subject to the JSC Law's requirement that payments of a higher rank have a priority over payments of a lower rank.

Convertible Securities

The JSC Law and the Charter permit the Company to issue only ordinary shares. Ordinary shares are not convertible into any other security or instrument.

Unpaid Shares and Repurchased Shares

The JSC Law states that, until a share is paid in full, a share cannot be placed and a company must not instruct that the share be credited to the personal account of the would-be acquirer. Instead, the share is credited to the personal account of the company itself with the central depositary. Shares which have been repurchased by a company are credited to another special account of the company with the central depositary. No dividends accrue or are payable on unplaced shares or shares repurchased by the Company, and such shares are not counted for the purposes of determining a quorum and do not carry the right to vote.

Transfer of Shares

To transfer a share, the shareholder (or its representative) must sign a written order and submit it to the central depositary or nominee for execution or, in the alternative, give suitable electronic instructions as permitted by law. The central depositary or nominee will execute a sell order by pairing it with a buy order signed by the buyer (or its representative), and *vice versa*. All dealings with the shares must be registered by making entries in the relevant personal accounts in the registry system or the nominee's books. Legal title to a share passes at the moment when the transaction is so registered (unless each party to the transaction has a different nominee, in which case legal title passes at the moment when the transaction is registered in nominee accounts of each respective nominee opened with KCD. An extract from the personal account of a shareholder in the registry system or a nominee's books is evidence of that holder's legal right to a share. The central depositary or a nominee can refuse to register a transaction if the documents submitted do not conform to legislative requirements. Additionally, the NBK has the right (by notifying the relevant issuer and KCD to suspend trading in securities by blocking all or certain personal accounts in the registry or nominee systems if legal requirements establishing the following have been violated: (i) the rights and interests of investors when acquiring securities; or (ii) the terms and procedures for trading securities.

A fee will ordinarily be payable to the central depositary or nominee for registering the transfer, under contractual terms.

Samruk-Kazyna

Part of the Company's shares, which are held by and which will remain with Samruk-Kazyna upon the Offering, is included in the list of strategic assets approved by the Resolution of the Government No. 651 dated 30 June 2008. As such, under the State Property Law, in case of alienation of such shares designated as strategic assets, the state will have the priority right to acquire them. Should the state waive its priority right, Samruk-Kazyna will be able to alienate its shares (or part thereof) to third parties. By the Resolution of the Government No. 876 dated 5 November 2022 the Government Resolution No. 651 dated 30 June 2008 was amended to set the portion of the Company's Shares that are considered as strategic assets at 75 per cent.

For the avoidance of doubt, no Shares offered to sale in the Offering are on the list of the strategic assets. Hence, their sale is not subject to the state's priority right.

Alteration of Share Capital

The Company may from time to time, by a three-quarters majority of the total number of voting shares in the Company (but by no other method), increase its authorised share capital. The Board of Directors of the Company may place the shares within the permitted authorised number of shares. Any decision to place shares must state the number, the price and the manner of placement of the shares.

Buy-Back/Repurchase of Own Shares

Subject to the JSC Law and the Kazakhstan Securities Market Law, and without prejudice to any relevant special rights attached to any type of shares, the Company may purchase any of its own shares of any type in any way and at any price (whether at *par* or otherwise). Such shares will be credited to the Company's account with the KCD.

The Company cannot purchase any of its shares which are being placed in a primary offering. Any purchase by the Company must be effected with the consent of the relevant shareholder using a valuation method that has been approved in advance by a foundation meeting or amended by a general meeting of shareholders (save for any purchase which is effected through a stock exchange by way of an open trade). In certain circumstances provided for by the JSC Law, and subject to certain conditions set out in the JSC Law, the Company must repurchase shares belonging to a shareholder within 30 days of receiving a duly formalised request from such shareholder.

In both cases, shares being repurchased by the Company cannot exceed 25 per cent. of the total number of placed shares of the Company, and the purchase price for such shares cannot exceed 10 per cent. of the size of the Company's own capital.

Pre-emptive Rights

Under the JSC Law, a shareholder of the Company has a pre-emptive right to acquire newly placed shares of the Company (including newly issued shares or shares previously repurchased by the

Company). Holders of shares have pre-emptive rights for shares or for securities convertible into shares and holders of preferred shares have pre-emptive rights for preferred shares.

Within 10 calendar days of the date upon which the Company takes a decision to place a specified number of shares, it must make an offer to each existing shareholder (either by written notification or by way of publication in Kazakh and Russian languages on the Internet resource of the depositary of financial statements) for the shareholder to acquire the shares *pro rata* to its shareholding at the placement price established by the Company. Each shareholder then has 30 calendar days from the date of such notification or publication to submit an application to acquire shares (i.e., to exercise its pre-emptive right). Upon the expiry of such period, the right to submit an application will lapse. Where a shareholder submits an application to acquire shares, the shareholder then has 30 calendar days from the date of the application to pay for the shares being acquired, unless provided otherwise in the Charter. If no payment is made upon the expiry of such period, the application is deemed to be void.

The JSC Law provides that the placement (sale) of shares or other securities, convertible into ordinary shares, may be effected without application of pre-emptive right if (1) the general meeting of the shareholders takes a decision to that effect; or (2) if it provided for in the charter of a joint stock company. At the date of this Prospectus, there is no a decision of the general meeting of the Company shareholders and no provision in the Company charter that provides for disapplication of the pre-emptive right of shareholders to acquire shares of the Company to be placed.

General Meetings

The board of directors of the Company must convene and the Company must hold general meetings (including annual and extraordinary general meetings) in accordance with the requirements of the JSC Law. The board of directors of the Company may call general meetings at such times as it determines. In addition, an extraordinary general meeting may be convened on the written request of a Majority Shareholder.

The board of directors of the Company cannot of its own initiative introduce any changes to the agenda or propose a procedure for the conduct of a general meeting pursuant to a request of the Majority Shareholder. However, the board of directors of the Company may include additional items onto the agenda at its own discretion. Shareholders are entitled to receive not less than 30 (or, in the event of a meeting in absence and in mixed voting cases, 45) days' notice of the holding of any general meeting.

The general meeting of shareholders shall have exclusive competence to determine certain matters, including, *inter alia*, the following:

(1) making amendments to the Charter or approval of a restated Charter;

(2) approval of the Code of Corporate Governance and amendments to it;

(3) voluntary reorganisation or liquidation of the Company;

(4) adoption of a resolution on increasing the number of the Company's authorised shares or changing the type of the Company's unplaced authorised shares;

(5) determination of the procedure, terms and total number of the Company's Shares or other securities convertiable into orindary shares to be placed (sold) without application of the pre-emptive right;

(6) determination of the number of members and the term of office of the ballot committee, election of its members and early termination of their powers;

(7) determination of the number of members, the term of office of the Board of Directors, election of its members and early termination of their powers, determination of the rates and terms of remuneration and compensation of expenses to members of the Board of Directors for fulfilment of their duties, as well as approval of the regulations on the Board of Directors;

(8) appointment (election) and early termination of powers of the Chairman of the Company's Management Board;

(9) approval of the annual financial statements of the Company;

(10) adoption of a resolution on payment of dividends on ordinary shares and approval of the rates of dividends per ordinary share of the Company or taking a decision non-payment of dividends;

(11) adoption of a resolution on voluntary delisting of the Company's shares;

(12) adoption of a resolution on the conclusion of a major transaction(s) by the Company, as a result of which the Company acquires or disposes of (may acquire or dispose of) property, the value of which is fifty or more percent of the total book value of the Company's assets[12];

(13) making a decision on the conclusion of a major related-party transaction by the Company in accordance with the JSC Law, except for a transaction with companies within the Samruk-Kazyna group;

(14) approval of the methodology and amendments to the methodology for determining the value of shares during their redemption by the Company on the over-the-counter market in accordance with the Law;

(15) approval of the dividend policy; and

(16) other issues, the decision-making on which is reserved for the General Meeting of Shareholders in line with legislative acts of the Republic of Kazakhstan and/or the Charter.

Matters referred to in items 2, 3, 4, 5 and 14 of the bullet points above require the approval by a qualified majority (i.e., three-quarters) of the total number of voting shares.

On issues related to the internal organisation of the Company, a general meeting of shareholders has the right to cancel any decision made by any other management body of the Company.

See "*Directors, Management and Corporate Governance – Shareholders*" for more details.

Board of Directors

See "*Directors, Management and Corporate Governance – Board of Directors*" for details.

The Management Board and Chairman of the Management Board

The members of the Management Board are appointed by the board of directors of the Company for a term established by the board of directors of the Company. The chairman of the Management Board (chief executive officer) is appointed by the shareholders of the Company. The Management Board runs the day-to-day operations of the Company. The Management Board is entitled to make decisions on any matters relating to the activity of the Company that are not, under the JSC Law, other legislative acts of Kazakhstan or the Charter, within the competence of other bodies or officers of the Company.

See "*Directors, Management and Corporate Governance – Management Board*" for more details.

Remuneration of Directors

The remuneration of members of the board of directors of the Company is determined at a general meeting of shareholders.

[12] The amendments to the Charter approved by the Management Board of the Selling Shareholder on 27 October 2022 envisage changing the "fity per cent." criterion to "twenty per cent.".

Permitted Interests of Directors

A director of the Company cannot participate in voting on any related party transaction proposed to be entered into by the Company if:

- such director is a party to the transaction or he/she participates in the transaction as a representative or intermediary; or
- such director is an affiliate of a legal entity that is a party to the transaction or such legal entity participates in the transaction as a representative or intermediary.

Disclosure of Interests in Shares

A list of shareholders that have the right to participate in a meeting of shareholders and vote at the meeting will be prepared by the Central Registrar on the basis of information recorded in the register of shareholders of the Company. However, any shareholder holding shares through a nominee or whose identity is not disclosed to the KCD shall not be entitled to vote at a meeting of shareholders.

In addition, any person acquiring 10 per cent. or more of the voting shares of the Company, or otherwise falling within the definition of an affiliate as provided for in article 64 of the JSC Law, is considered an affiliate of the Company and must disclose to the Company its identity and information about its affiliated persons. Information about the identity of such person and its affiliates is not confidential.

Additionally, following the Offering and AIX Admission of Company's shares, the Company will become a reporting entity for the purposes of the AIX Business Rules and, hence, these regulations will apply to both the Company, its directors and shareholders. Under the AIX Business Rules any shareholder must file a report with AIX, Astana Financial Services Authority and the Company in case of such shareholder acquiring or ceasing to hold more than 5 per cent. of the Company's voting shares and of any subsequent increase or decrease in the shareholding of not less than 1 per cent.

Related Party Transactions

Under the JSC Law, a related party transaction means a transaction in which (a) an affiliate of the company either (i) is a party to such transaction or (ii) participates in the transaction as a representative or an intermediary or (b) an affiliate of the company is an affiliate of the legal entity which either (i) is a party to such transaction or (ii) participates in the transaction as a representative or an intermediary. The JSC Law excludes certain types of transactions from the definition of a related party transaction (such as, for instance, an acquisition of the company's shares or other securities by its shareholder or a repurchase by the company of the placed shares of the company). Under the JSC Law, related party transactions should be approved by the majority of disinterested members of the board of directors of the Company or, if all directors of the Company are interested, by the decision of a meeting of shareholders made by: (a) the majority of disinterested shareholders; or (b) a simple majority of the total number of voting shares of the Company if all directors and all shareholders are interested.

Mandatory Offers

Under the JSC Law, a person who, acting either alone or jointly with its affiliated persons, is acquiring:

- 30 per cent. or more of the voting shares of the Company; or
- any other number of voting shares of the Company where such acquisition would result in such person alone or jointly with its affiliated persons holding 30 per cent. or more of the voting shares of the Company,

is required to make an offer to the remaining shareholders to buy out their shares at the market price which shall be determined by the acquirer on the basis of the guidelines provided for in the JSC Law. Any failure by the acquirer to make such an offer would result in the acquirer being obliged to (i) reduce its shareholding to not more than 29 per cent., and (ii) refrain from any actions that would have an impact on the company's management or policy, and (or) any voting on the basis of those shares until those shares, in part exceeding 29 per cent., have been disposed of to a non-affiliate. Under the Entrepreneurship Code, any person, acting either alone or jointly with its affiliates, wishing to acquire more than 50 per cent. of the voting shares of the Company, must obtain prior consent from the Antitrust Agency.

Squeeze-Out Rules

Under the JSC Law, a person who, acting either solely or jointly with its affiliated persons, is acquiring:

- 95 per cent. or more of the voting shares of the company; or
- other number of voting shares in aggregate constituting not less than 10 per cent. of the voting shares of the company, as a result of which this person acquired, independently or jointly with its affiliates, 95 per cent. or more of the voting shares of the company,

has the right to demand from the other shareholders of the company to sell their voting shares. The offer price shall be the average weighted market price of voting shares at the stock exchange (if such shares are traded at the stock exchange) for a period of six months preceding the date of the transaction (as a result of which a person had acquired 95 per cent. or more of the voting shares of the company or determined by the independent appraisal if the shares are not listed at any stock exchange. The remaining shareholders are obliged to sell their voting shares within 60 calendar days after the date of publication of the request on the website of the depository of financial statements. Such remaining shareholders are not allowed to enter into any other transactions with respect to their voting shares within this 60-calendar-day period, except for transactions terminating trust management, pledge or seizures over such voting shares.

TAXATION

The following statements are intended only as a general guide to the main Kazakhstan consequences, which will apply to the shareholders. It does not purport to be a comprehensive analysis of all the tax consequences applicable to the shareholders and is based on current law, which may be subject to change. Any person who is in any doubt as to its tax position, or who is subject to taxation in any jurisdiction should seek professional advice immediately.

Kazakhstan Tax Considerations

The following summary of certain Kazakhstan taxation matters is based on the laws as at the date of this Prospectus and is subject to any changes in the laws, interpretation and application thereof, while such changes could be made with retroactive effect. The following summary does not purport to be a comprehensive description of all the tax considerations that may be relevant to a decision to acquire, hold or dispose of Shares, and does not purport to deal with the tax consequences applicable to all categories of investors, some of which (such as dealers in securities) may be subject to special rules. This summary only addresses the position of investors who do not have any connection with Kazakhstan other than through acquiring, holding or disposing of Shares. Investors should consult their professional advisers on the tax consequences of their acquiring, holding and disposing of Shares, including their eligibility for the benefits of double tax treaties, under the laws of their country of citizenship, residence, domicile or incorporation, and seek Kazakhstan tax advice as necessary.

This summary discusses the Kazakhstan tax consequences of the acquisition, ownership and disposal of Shares. In general, Kazakhstan tax legislation with respect to the taxation of securities and financial instruments is not well developed and, in many cases, the exact scope of Kazakhstan tax compliance rules and enforcement mechanism are unclear or open to different interpretations.

The only tax that may, under certain circumstances, apply in Kazakhstan to the above transactions is withholding income tax. No other taxes or duties should be levied in Kazakhstan with respect to the above transactions. For all relevant purposes of this summary, except as noted below (e.g., in relation to tax relief), legal entities and individuals are subject to similar withholding income tax treatment.

Tax residence

Non-resident persons should not become residents in Kazakhstan for Kazakhstan tax purposes by reason only of the acquisition, ownership or disposal of Shares. Therefore, under the Kazakhstan tax law, legal owners of Shares (Shareholders), being non-residents for Kazakhstan tax purposes with no presence in Kazakhstan, should only be taxed on their income earned from sources in Kazakhstan, rather than on their worldwide income.

For all relevant purposes of the section "*Kazakhstan Tax Considerations*", all the Shareholders are not considered as tax residents of Kazakhstan.

Exempt disposals of securities under the AIFC Law

Under the AIFC Law, capital gains derived by the shareholders from the sale of their Shares will be tax exempt until 1 January 2066 if the securities are included in the official list of the AIX as at the date of their sale. Accordingly, by virtue of the Shares being admitted to the official list of the AIX, any income derived from the sale of Shares included in the official list of the AIX as at the date of their sale will be tax exempt.

Exempt disposals of Shares under the Tax Code

The Tax Code currently in force came into effect in Kazakhstan on 1 January 2018. Under the Tax Code, generally, capital gains derived from disposals of the Shares are subject to withholding income tax in Kazakhstan. The Tax Code provides relief from withholding income tax in respect of capital gains derived by the Shareholders (other than individuals/natural persons) from sale of the Shares on the KASE or foreign stock exchange by means of open trade method, if the Shares are included into the official lists of the mentioned stock exchanges at the date of their sale. The Tax Code provides quite similar relief from withholding income tax for the Shareholders being individuals/natural persons, except for the possibility to get the relief upon sale of the Shares on a foreign stock exchange.

Treaty protection

If the exemptions envisaged by the Tax Code (as stated above) are not available, the Shareholders who are residents in countries with which Kazakhstan has double taxation treaties, may be entitled to withholding income tax exemption, if certain conditions are met.

However, treaty protection could be achieved through withholding income tax refund only, i.e., after withholding income tax is paid to the Kazakhstan state budget. Thus, the Shareholders who are eligible for withholding income tax exemption, should file withholding income tax refund claim along with documents prescribed by the Kazakhstan lax legislation to the respective tax authority within the established timeframe.

In practice, however, this process may prove to be administratively burdensome, time-consuming with no guarantee of the successful outcome.

Taxable disposals of Shares

This discussion applies only to disposals that are not exempt as described above.

Treatment of acquirer

Non-resident buyers of the Shares are not subject to taxation in Kazakhstan income upon acquisition of the Shares.

However, obligations on assessment, declaration, withholding and remittance to the state budget of withholding income tax on capital gain shall be fulfilled by an acquirer acting as a tax agent, regardless of whether the acquirer is a resident or non-resident for Kazakhstan tax purposes. In order to fulfil their tax agent obligations, non-residents should register with the tax authorities of Kazakhstan.

Capital gain is a positive difference between sales price of the Shares and their initial value (tax basis). If a transferor fails to provide an acquirer with documents confirming the initial value of the Shares (tax basis of the transferor), the acquirer should apply withholding income tax on a gross basis (i.e., to the purchase price).

Treatment of transferor

As a general rule, capital gain derived from the disposal of the Shares is subject to Kazakhstan withholding income tax at the source of payment at the rate of 15 per cent. However, if the transferor is registered in a Country with a Favourable Tax Regime (as defined below), capital gain derived from the disposal of the Shares is subject to withholding tax at the source of payment at the rate of 20 per cent. Disposals include almost all types of title transfers, i.e., sales, exchanges, etc.

The Tax Code defines a "**Country with a Favourable Tax Regime**" as either a foreign country or a territory, which meets one of the following criteria:

- profit tax rate in such a country or territory is less than 10 per cent.; or
- such a country or territory has laws on confidentiality of financial information or laws, which allow keeping confidential information about the actual owner of property or income or the actual owners, participants, founders or shareholders of a legal entity (except for a foreign country or a territory which has entered into an international treaty with the Republic of Kazakhstan, which provides for exchange of information on tax matters between the competent authorities, save for the cases when the foreign country or territory does not ensure exchange of information on tax matters between the competent authorities). Foreign country or territory is regarded as failed to ensure exchange of information with the competent Kazakhstan

authority for tax purposes if one of the following conditions is met: (1) Kazakhstan competent authority receives official refuse of a foreign competent authority for provision of information, even though such exchange is envisaged by the relevant international agreement; (2) competent foreign authority failed to provide the requested information within the period exceeding two years after sending the request by the Kazakhstan competent authority.

The exact list of Countries with a Favourable Tax Regime is approved by the Decree No. 142 of the Minister of Finance of the Republic of Kazakhstan dated 8 February 2018. The following jurisdictions are currently included in the list of Countries with a Favourable Tax Regime: Principality of Andorra, Antigua and Barbuda, Commonwealth of The Bahamas, Barbados, Kingdom of Bahrain, Belize, Negara Brunei Darussalam, Republic of Vanuatu, Republic of Guyana, Republic of Guatemala, Grenada, Republic of Djibouti, Dominican Republic, Commonwealth of Dominica, Kingdom of Spain (in respect of the territories of The Canary Islands only), People's Republic of China (in respect of the territories of the special administrative regions of Macau and Hong Kong only), Republic of Colombia, Union of the Comoros, Republic of Costa Rica, Malaysia (in respect of the territory of Labuan enclave only), Republic of Liberia, Republic of Lebanon, Republic of Mauritius, Islamic Republic of Mauritania, Republic of Portugal (in respect of the territory of the islands of Madeira only), Republic of Maldives, Republic of the Marshall Islands, Principality of Monaco, Republic of Malta, Mariana Islands, Kingdom of Morocco (in respect of the territory of the city of Tangier only), Republic of the Union of Myanmar, Republic of Nauru, Kingdom of the Netherlands (in respect of the territories of the islands of Aruba and dependent territories of the Antilles islands only), Federal Republic of Nigeria, New Zealand (in respect of the territories of the Cook Islands and Niue only), Republic of Palau, Republic of Panama, Independent State of Samoa, Republic of San Marino, Republic of Seychelles, Saint Vincent and the Grenadines, Saint Kitts and Nevis, Saint Lucia, UK (in respect of the following territories only: Anguilla; Bermuda; the British Virgin Islands; Gibraltar; the Cayman Islands; Montserrat; the Turks and Caicos Islands, Isle of Man, the Channel Islands (Guernsey, Jersey, Sark and Alderney), South Georgia and the South Sandwich Islands, Chagos Island), United States (in respect of the following territories only: The Virgin Islands of the United States, Guam, Commonwealth of Puerto Rico, State of Wyoming, State of Delaware), Republic of Suriname, United Republic of Tanzania, Kingdom of Tonga, Republic of Trinidad and Tobago, Republic of Fiji, Republic of the Philippines, Republic of France (in respect of the following territories only: Kerguelen Islands, French Polynesia, French Guiana), Montenegro, Democratic Socialist Republic of Sri Lanka, Jamaica.

Taxation of dividends under the AIFC Law and the Tax Code

As at the date of this Prospectus, under the AIFC Law, dividends paid on the securities will be exempt from corporate income tax until 1 January 2066, provided that such securities are included in the official list of securities of the AIX or KASE at the time the dividends are accrued. Accordingly, by virtue of the Shares being admitted to the official list of the AIX dividends paid on the Shares will be exempt from corporate income tax.

Starting from 1 January 2023 the new amendments to the Tax Code will enter into force. Pursuant to these amendments the dividend tax exemption will apply only if there have been trades with such shares. The criteria of sufficiency of the trades will be set out by the Kazakhstan Government. Pursuant to a draft Government Decree, the active trading criteria are (1) the amount of deals with the securities being not less than KZT 25 million a month, and (2) the number of deals with the securities being not less than 50 a month, with the criteria being satisfied only based on executed deals. See "*Risk Factors–Risks relating to Taxation–Dividends on Share included into the official lists of KASE and AIX may be subject to income tax if the active trading criteria are not met*".

If dividends on the Shares are not exempt (as stated above), such dividends are subject to withholding income tax at the rate of 15 per cent. However, dividends on the Shares held by a resident of a Country with a Favourable Tax Regime are subject to withholding tax at the rate of 20 per cent. The withholding income tax is applied to the gross amount of dividends without allowance for any deductions. The Shareholders should not be subject to any other tax reporting, payment, registration or compliance requirements with respect to dividends on the Shares.

The Shareholders who are residents in countries with which Kazakhstan has double taxation treaties may be entitled to a reduced rate of withholding income tax, if certain conditions are met.

Subject to the above, depending on the country of residence and satisfaction of certain other conditions, the dividend withholding income tax rates under Kazakhstan's double tax treaties in effect as at the date of this Prospectus may be between 5 per cent. and 15 per cent. Under double tax treaties effective on the date of this Prospectus, reduction of the dividend withholding income tax to a rate, which is below 15 per cent., may only be available to beneficial owners of dividends that are companies (depending on a particular double tax treaty, certain other requirements should also be met for reduction of withholding income tax rate).

In order to avail themselves of this relief, eligible Shareholders have to provide the Company with a document issued by the competent authority of their country of tax residence confirming their tax residence in a treaty jurisdiction. The document should be provided within the deadlines established by the Kazakhstan tax legislation and meet the requirements of the Tax Code. To be valid in Kazakhstan, the stamp of the competent authority and signature of the authorised official in the document should be apostilled or legalised by a Shareholder's home country's competent authority. If a Shareholder provides a copy of the mentioned document, signature and stamp of a foreign notary should be apostilled or legalised as well.

Apostille or legalisation of the above signatures/stamps are not required, if (i) the above document is published on the official web-site of the competent authority or (ii) other authentication procedures are set by international agreements to which Kazakhstan is a party, mutual agreement procedure between Kazakhstan and foreign competent authorities or the decision of the Eurasian Economic Union authority.

If the above document is not made available to the Company prior to 31 March of the year following the year when dividends are paid, then the Company should apply withholding income tax at a standard 15 per cent. rate or 20 per cent. rate (if the recipient is a resident of a Country with a Favourable Tax Regime), as applicable, and account for the withheld amounts to the relevant authority. The Shareholders who are eligible for a lower withholding income tax rate should later be able to claim a refund of overpaid tax from the Kazakhstan state budget. In doing so, the Shareholders should file withholding income tax refund claim along with documents prescribed by the Kazakhstan lax legislation to the respective tax authority. In practice, however, this process may prove to be administratively burdensome, time-consuming with no guarantee of the successful outcome.

PLAN OF DISTRIBUTION

Structure of the Offering

The Selling Shareholder is offering, in aggregate, up to 30,505,974 Shares at an Offer Price of KZT 8,406 per Share. The Offer Price was approved by the Board of Directors of the Selling Shareholder on 7 November 2022.

The Authorised Limit pursuant to the Resolution of the Government No. 877 dated 5 November 2022, Samruk-Kazyna is up to 94,109,125 Shares, representing in aggregate approximately 15.42 per cent. of the total number of existing Company's Shares, of which Samruk-Kazyna is intended to offer up to 30,575,974 Shares representing in aggregate approximately 5 per cent. of the total number of existing Company's Shares. The final number of Shares to be sold in the Offering (together with the price and structure of the Offering) are expected to be approved by the Board of Directors on or about the Allocation Date with its subsequent approval by the Resolution of the Kazakhstan Government (as the sole shareholder of the Selling Shareholder) in accordance with Kazakhstan laws.

The Selling Shareholder is offering Shares to (i) Kazakhstan and foreign retail and institutional investors through the book-building facilities of the AIX pursuant to the Market Rules and AIX Business Rules (the AIX Offering) and the KASE pursuant to the Kazakhstan Securities Market Law and its regulations and settlement procedures (the KASE Offering); and (ii) Kazakhstani retail investors via Direct Subscription through the App or KazPost offices.

In order to participate in the Offering of Shares and take delivery of Shares on the AIX and/or the KASE, investors are required to have an account opened with a broker company admitted as an AIX Trading Member on the AIX and/or a KASE Trading Member on the KASE. Shares will be held on behalf of investors in the relevant AIX Trading Member's or KASE Trading Member's custodial account at the AIX CSD or the KCD (as applicable).

In order to participate in the Direct Subscription and take delivery of Shares, Kazakhstani retail investors must open a personal custody account with AIX CSD, and submit a Bid, via the App or KazPost offices. The Selling Shareholder requires that bids submitted via the App must be prefunded. The prefunding monies paid by retail investors to the Selling Shareholder by means of the App will be held by the AIX CSD in escrow on behalf of the Selling Shareholder until the Closing Date.

The payment and settlement of the AIX Offering and the Direct Subscription will be made through the settlement system of the AIX CSD in accordance with the AIX CSD Rules and Procedures, and the payment and settlement of the KASE Offering will be made through the KCD in accordance with the KCD Rules.

In order to trade Shares on the AIX and/or the KASE after the Offering, investors must have an account opened with a broker company admitted as an AIX Trading Member on the AIX and/or KASE Trading Member on the KASE.

Underwriting Arrangements

JSC "Halyk Finance", JSC "SkyBridge Invest", JSC "Freedom Finance" and JSC "BCC Invest" are acting as joint coordinators and bookrunners of the Offering (collectively, the "**Local Bookrunners**"). JSC "Halyk Finance" is acting as the bookrunner at the KASE, and JSC "SkyBridge Invest" is acting as the bookrunner at the AIX.

The Company, and the Local Bookrunners have entered into the LB Underwriting Agremeent. In particular, the Local Bookrunners provide the Company with consulting and underwriting services in relation to the proposed listing and public offering of the Company's Shares on the AIX and the KASE, including provision of analytical coverage of the Company following the Offering.

In accordance with the provisions of the LB Underwriting Agreement, the Selling Shareholder has the right to join the LB Underwriting Agreement as an independent party. The Selling Shareholder intends to join the agreement on or about the Opening Date through execution of an amendment to the LB Underwriting Agreement.

The Local Bookrunners are acting based on a "best efforts" arrangement and undertake to market the Offering and attract investors to participate in the Offering. The Local Bookrunners will receive a commission in the amount of 1.8 per cent. of the gross proceeds of the Offering (excluding any proceeds from the Unified Accumulative Pension Fund JSC or any other entity, directly or indirectly owned by the state, and any proceeds received from the International Bookrunners), only in case the Offering takes place. This commission will be paid by the Selling Shareholder.

Also, the Company agreed to pay a fixed fee of KZT 80 million to all the Local Bookrunners (with each Local Bookrunners receiving a proportionate share of this fee), payable in monthly instalments of KZT 5 million until the Closing Date. In case the Offering occurs the base commission will be reduced to account for the portion of the fixed fee received by the Bookrunners. If the Offering does not happen the portion of the fixed fee that had been paid by the Company will not be refundable by the Local Bookrunners.

The LB Underwriting Agreement provides for the possibility of the Local Bookrunners to provide market-making services to the Company for shares subject to the Company and the Local Bookrunner entering into a separate agreement.

WOOD & Company Financial Services, a.s., Renaissance Securities (Cyprus) Limited, the International Bookrunners, are acting as bookrunners of the Offering. The legal advisors of the International Bookrunners are Kinstellar (as to Kazakhstan law) and Clifford Chance (as to English law).

Also, the Company, the Selling Shareholder and the International Bookrunners are intending to enter into the IB Underwriting Agreement before the Allocation Date with respect to using reasonable efforts to place (sell) the Company's Shares to non-resident investors (excluding those in the United States and in any other jurisdiction where distribution may be restricted by relevant securities laws).

The International Bookrunners will be acting based on a "reasonable efforts" arrangement and undertake to market the Offering and attract investors to participate in the Offering. The International Bookrunners will receive a commission in the amount of 1.0 per cent. of the gross proceeds of the Offering (excluding any proceeds from the Unified Accumulative Pension Fund JSC or any other entity, directly or indirectly owned by the state, and the proceeds received from Local Bookrunners), only in case the Offering takes place. The commission will be paid by the Selling Shareholder.

The proposed listing and public offering includes the sale to an unlimited number of investors (save as described herein) of the Company's existing Shares owned by the Company's existing shareholders.

Offer Price

The Offer Price is KZT 8,406 per Share.

The Selling Shareholder will receive all of the net proceeds of the Offering, which, if all the Shares are sold in the Offering, will be approximately KZT 256 billion.

The total commissions, fees and expenses payable in connection with the Offering will be approximately KZT 2.28 billion. These amounts include, among others, fees for auditors, tax advisers, financial advisers and legal counsel, listing fees and admission to trading fees, as well as selling commissions. The fees and commissions payable to the Bookrunners in connection with the Offering, all expenses and any other fees payable in connection with the Offering will be paid by the Selling Shareholder.

Distribution and allotment

Categories of investors

The following categories of investors are eligible to submit Applications for purchase of Shares:

(1) citizens of Kazakhstan,

(2) institutional investors-residents of Kazakhstan, and

(3) investors-non-residents of Kazakhstan (both retail and institutional) (excluding those in the United States and in any other jurisdiction where distribution may be restricted by relevant securities laws).

Minimum number of shares per Application: 1 (one Share).

The maximum number of Shares per one Application is not limited.

One person may submit an unlimited number of Applications (multiple subscriptions allowed).

Priority of satisfaction of investor applications

Satisfaction of Applications (full or partial) is made at the sole discretion of Samruk-Kazyna (and, as applicable, the Company) generally based on the following principles:

(1) Priority of satisfaction of Applications of citizens of Kazakhstan. According to this principle:

  (a) Applications of citizens of Kazakhstan are satisfied on a first-priority basis (ahead of all Applications of investors of other categories) in the maximum number possible from the total number of offered Shares;

  (b) Applications of other investors (including institutional investors-residents of Kazakhstan and non-resident investors (excluding those in the United States and in any other jurisdiction where distribution may be restricted by relevant securities laws)) are satisfied on a second-priority basis in the maximum number possible from the total number of offered Shares, minus the number of Shares necessary to fully satisfy all Applications of citizens of Kazakhstan.

(2) The unconditional right of Samruk-Kazyna (and, as applicable, the Company) to refuse, in its sole discretion, to satisfy any Application (in whole or in part) in the event that, in the opinion (regardless of how accurate and/or justified it is) of Samruk-Kazyna (and, as applicable, the Company) such satisfaction results or may result in: (1) a high concentration of Shares held by one person or a group of related persons; and/or (2) violation of requirements of applicable law and/or applicable compliance procedures.

No over-allotment arrangements are envisaged for the Offering. In case of over-subscription the Selling Shareholder reserves the right to decide on the number of Shares to be allocated / sold to any investor in its sole discretion.

Direct Subscription

Concurrently with the AIX Offering and KASE Offering, the Selling Shareholder is offering Shares via Direct Subscription to Kazakhstani retail investors through the Tabys App or KazPost offices. AIX CSD and the Bookrunner, acting as an agent on behalf and for the benefit of the Company and the Selling Shareholder, have entered into a Service Provider Agreement dated on or about the date of this Prospectus, which sets out the terms and conditions that will govern using the App to collect Bids from potential purchasers with respect to the Direct Subscription. The main terms and conditions of the Direct Subscription procedures are defined in the App documentation, which could be accessed by potential purchasers in the App or via a link www.tabysapp.kz. The App could be downloaded at the App Store or Google Play, see www.tabysapp.kz.

Bid Collection via the App or KazPost offices will be conducted simultaneously with the AIX book-building process and commence on 9 November 2022. Potential purchasers of the Shares in the Direct Subscription need to have a custodian account at AIX CSD, opening of which will be initiated upon registration of the potential purchaser in the App or at the KazPost office. The potential purchasers of the Shares will be required to specify in the Bid the number of the Shares they would like to acquire. All Bids must be prefunded. Prepaid Bids will be recorded in the App and provided to the Bookrunner and the Selling Shareholder. Allocation of the Shares in the Direct Subscription will take place simultaneously with allocation of Shares in the Offering on or about the Allocation Date. By participating in the Direct Subscription, the potential purchasers accept that the Selling Shareholder (through the Bookrunner) may, at its sole discretion, refuse to allocate Shares to any bid for any reason.

The App is a mobile application developed by AIX under brand name "Tabys" and leased out, based on corresponding sub-licence arrangements, to issuers (their selling shareholders or their duly authorized selling agent acting on behalf of, and for the benefit of, the issuer and/or the selling shareholder(s)), whose securities are listed or sought to be listed on AIX, for the purpose of the Direct Subscription. The App can be downloaded to the purchasers' personal devices or accessed as assisted via KazPost offices.

The Selling Shareholder must provide to AIX CSD: (i) the approved Prospectus (or link to a public source of the approved Prospectus), (ii) Bid Collection characteristics, including any pricing information which must be consistent with the approved Prospectus (such as, price range, fixed price, "at-strike price", "pre-determined price", "limit Bid", or other combination); (iii) brief description of the Issuer, the Selling Shareholder(s), the Shares and terms of the Offering of Shares, which the Selling Shareholder shall make available to purchasers in the IPO Section of the App, provided that such description must be consistent with the approved Prospectus. AIX CSD will assist the Selling Shareholder in uploading this information into the App.

To participate in Direct Subscription offered in accordance with the terms and provisions of the Prospectus and take delivery of the Shares, a purchaser shall have a sub-account in the name of the purchaser under AIX CSD's nominee account established in the depository operated by AIX CSD for the sole purpose of safekeeping the Shares and evidencing the title of the purchaser to the ownership of Shares (a "**Custody Account**").

The Selling Shareholder appoints AIX CSD as its paying agent to collect the prefunding monies from purchasers' banking cards for cash settlement purposes, to hold such prefunding monies in escrow for the benefit of the Selling Shareholder during the Offer Period, and to credit the corresponding funds to the Selling Shareholder's account and/or return it to purchasers upon completion of the Offer Period.

The prefunding monies paid by purchasers to the Selling Shareholder by means of the App as a prepayment for the subscribed Shares during the Bid Collection will be temporarily kept on the nominee (transfer) bank accounts of AIX CSD opened with the transit banks and/or settlement banks approved by AIX CSD for the settlement purposes under the AIX CSD Rules and AIX CSD Procedures, and will be held by AIX CSD in escrow on behalf of the Selling Shareholder until completion of the Bid Collection period.

Upon completion of the Bid Collection period and receiving settlement instructions from the Selling Shareholder, AIX CSD (i) conducts settlement with successful purchasers, whose Bids (in full or in part) were accepted by the Selling Shareholder, in the time and manner prescribed by the AIX CSD Rules and AIX CSD Procedures; and (ii) returns prefunding monies (or a respective part thereof, if the Bids accepted by the Selling Shareholder in part) to those purchasers, whose Bids in full (or in part) were not accepted by the Selling Shareholder, by crediting their sub-custody accounts at AIX CSD or banking cards.

No commissions, fees or expenses in connection with the Direct Subscription will be charged to investors by the Company, the Selling Shareholder or AIX CSD. However, third party payment processors may charge processing fees and expenses for processing the investors' banking card payments and online payments in connection with the Direct Subscription via the App. The amount of processing fees will depend on various factors such as type of banking card, the pricing model preferred by the third party payment processor, etc. AIX CSD will recharge the third party processing fees in connection with the online settlement of Direct Subscriptions via the App to investors by topping up the Offer Price by a pro-rated amount of the processing fees.

Lock-up Arrangements

Each of the Company, the Selling Shareholder and the NBK has undertaken to each of the Bookrunners that from the date of the Underwriting Agreements (or from the date of the unilateral Lock-Up Undertaking for the NBK) until 180 days from the Closing Date, they will not, subject to certain exceptions, without the prior written consent of the Bookrunners, (i) issue, offer, place, alienate, encumber (including pledge) or otherwise dispose, directly or indirectly, of any Shares or other shares of the Company, or any securities convertible into or exercisable or exchangeable for Shares or other shares of the Company; or (ii) issue, offer, place, alienate, grant any options or derivative securities or instruments the underlying assets of which is, directly or indirectly any Shares or other shares of the Company, or any securities convertible into or exercisable or exchangeable for Shares or other shares of the Company; or (iii) file any registration application in respect of any Shares or other shares of the Company, or any securities convertible into or exercisable or exchangeable for Shares or other shares of the Company and/or any rights therein with any securities regulator or securities registry, stock exchange or listing authority or other similar body or authority in any country or jurisdiction in under the laws of any country or jurisdiction; or (iv) enter into any swap or any other agreement or any transaction (including unilateral) that transfers, in whole or in part, directly or indirectly, any rights in any Shares or other shares of the Company, or any securities convertible into or exercisable or exchangeable for Shares or other shares of the Company; or (v) direct or allow any third party to perform (or announce publicly an intention to do) any of the above.

Other Relationships

The Bookrunners and their respective affiliates have engaged in transactions with and performed various investment banking, financial advisory and other services for the Company its and its affiliates, for which they received customary fees, and they and its respective affiliates may provide such services for the Company its and their respective affiliates in the future. As a result, the Bookrunners and their respective affiliates may have a commercial interest in continuing to provide services to the Company its and its respective affiliates that may be material to the Offering.

In connection with the Offering, each of the Bookrunners and any affiliate, acting as an investor for its own account, may take up Shares and in that capacity may retain, purchase or sell for its own account such Shares and any related investments and may offer or sell such Shares or other investments otherwise than in connection with the Offering. Accordingly, references in this Prospectus to the Shares being offered or placed should be read as including any offering or placement of Shares to the Bookrunners and any affiliate acting in such capacity. None of the Bookrunners intends to disclose the extent of any such investment or transactions otherwise than to the Company and in accordance with any legal or regulatory obligation to do so.

SELLING RESTRICTIONS

No action has been or will be taken in any jurisdiction outside the AIFC that would permit a public offering of the Shares, or possession or distribution of this Prospectus or any other offering material in any country or jurisdiction where action for that purpose is required. Accordingly, the Shares may not be offered or sold, directly or indirectly, and neither this Prospectus nor any other offering material or advertisement in connection with the Shares may be distributed or published in or from any country or jurisdiction outside Kazakhstan (including the AIFC) except under circumstances that will result in compliance with any and all applicable rules and regulations of any such country or jurisdiction. Persons into whose possession this Prospectus comes should inform themselves about and observe any restrictions on the distribution of this Prospectus and the offer and sale of the Shares offered in the Offering, including those in the paragraphs below. Any failure to comply with these restrictions may constitute a violation of the securities laws of any such jurisdiction. This Prospectus does not constitute an offer to subscribe for or buy any of the Shares offered in the Offering to any person in any jurisdiction to whom it is unlawful to make such offer or solicitation in such jurisdiction.

Recipients of this Prospectus outside Kazakhstan are hereby notified that this document has been furnished to them on a confidential basis and not to be reproduced, retransmitted or otherwise redistributed, in whole or in part, under any circumstances. Furthermore, recipients are authorised to use it solely for the purpose of considering a purchase of the Shares offered by this Prospectus and may not disclose any of the contents of this Prospectus for any other purpose. This Prospectus is personal to each offeree and does not constitute an offer to any other person or the public generally to subscribe for or otherwise acquire the Shares offered by this Prospectus. Such recipients of this Prospectus agree to the foregoing by accepting delivery of this Prospectus.

The Shares referred to in this document may only be offered or and sold in the Republic of Kazakhstan, including in or from the AIFC, in compliance with the applicable laws of the Republic of Kazakhstan and the AIFC rules and regulations. This Prospectus does not constitute an offer, or an invitation to make offers, to sell, purchase, exchange or otherwise transfer securities in Kazakhstan to or for the benefit of any Kazakhstan person or entity, except for those persons or entities that are capable to do so under the legislation of the Republic of Kazakhstan and any other laws applicable to such capacity of such persons or entities. This Prospectus shall not be construed as an advertisement (i.e., information intended for an unlimited group of persons which is distributed and placed in any form and aimed to create or maintain interest in the Company and its merchandise, trademarks, works, services and/or its securities and promote their sales) in Kazakhstan, and for the purpose of Kazakhstan law, unless such advertisement is in full compliance with Kazakhstan law.

UK

No Shares have been offered or will be offered pursuant to the Offering to the public in the UK prior to the publication of a prospectus in relation to the Shares which has been approved by the FCA, except that the Shares may be offered to the public in the UK at any time:

(a) to any legal entity which is a qualified investor as defined under Article 2 of the UK Prospectus Regulation;

(b) to fewer than 150 natural or legal persons (other than qualified investors as defined under Article 2 of the UK Prospectus Regulation), subject to obtaining the prior consent of the International Bookrunners for any such offer; or

(c) in any other circumstances falling within Section 86 of the Financial Services and Markets Act 2000 as amended from time to time (the "**FSMA**"),

provided that no such offer of the Shares shall require the Company or any International Bookrunner to publish a prospectus pursuant to Section 85 of the FSMA or supplement a prospectus pursuant to Article 23 of the UK Prospectus Regulation. For the purposes of this provision, the expression an "offer to the public" in relation to the Shares in the UK means the communication in any form and by any means of sufficient information on the terms of the offer and any Shares to be offered so as to enable an investor to decide to purchase or subscribe for any Shares.

This Prospectus is for distribution only to persons who: (A) are outside the UK; or (B) are in the UK; and are Qualified Investors who: (i) have professional experience in matters relating to investments and who qualify as investment professionals within the meaning of Article 19(5) of the Order; (ii) are persons falling within Article 49(2)(a) to (d) of the Order; or (iii) are persons to whom an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the FSMA in connection with the issue or sale of any securities may otherwise lawfully be communicated or caused to be communicated (all such persons together being referred to as Relevant Persons)). This document may only distributed to Relevant Persons and must not be acted on or relied on by persons who are not Relevant Persons in the UK. Any investment or investment activity to which this Prospectus relates is available only to Relevant Persons and will be engaged in only with Relevant Persons.

European Economic Area

Members of the public are not eligible to take part in the Offering. In relation to each Relevant State, no Shares have been offered or will be offered pursuant to the Offering to the public in that Relevant State prior to the publication of a prospectus in relation to the Shares which has been approved by the competent authority in that Relevant State or, where appropriate, approved in another Relevant State and notified to the competent authority in that Relevant State, all in accordance with the EU Prospectus Regulation, except that offers of the Shares may be made to the public in that Relevant State at any time:

(a) to any legal entity which is a qualified investor as defined under Article 2 of the EU Prospectus Regulation (Qualified Persons);

(b) to fewer than 150 natural or legal persons (other than Qualified Investors), subject to obtaining the prior consent of the International Bookrunners for any such offer; or

(c) in any other circumstances falling within Article 1(4) of the EU Prospectus Regulation,

provided that no such offer of the Shares shall result in a requirement for the publication by the Company of a prospectus pursuant to Article 3 of the EU Prospectus Regulation or supplement a prospectus pursuant to Article 23 of the EU Prospectus Regulation.

For the purposes of this provision, the expression an "offer to the public" in relation to any Shares in any Relevant State means the communication in any form and by any means of sufficient information on the terms of the offer and the Shares to be offered so as to enable an investor to decide to purchase or subscribe for any Shares.

Japan

The Shares have not been, and will not be, registered under the Financial Instruments and Exchange Law of Japan (Law No. 25 of 1948 as amended, the "**FIEL**") and disclosure under the FIEL has not been, and will not be, made with respect to the Shares. Neither the Shares nor any interest therein may be offered, sold, resold or otherwise transferred, except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the FIEL and all other applicable laws, regulations and guidelines promulgated by the relevant Japanese governmental and regulatory authorities. As used in this paragraph, a resident of Japan is any person that is resident in Japan, including any corporation or other entity organised under the laws of Japan.

United States

The Shares have not been and will not be registered under the Securities Act and may not be offered or sold within the United States except in certain transactions exempt from, or in a transaction not subject to, the registration requirements of the Securities Act.

The Shares are being offered and sold solely outside the United States in reliance on Regulation S.

SETTLEMENT AND TRANSFER

AIX CSD Settlement Procedure

The depositary links have been established between the AIX CSD and the KCD acting as the share registry for the Company. The AIX CSD will facilitate the initial transfers of the Shares associated with a start of the shares book-building process on the AIX and the Direct Subscription, and cross-market transfers of the Shares associated with secondary market trading on the AIX.

It is expected that delivery of the Shares to purchasers thereof in the AIX Offering and the Direct Subscription will be made through the facilities of the AIX CSD and payment for Shares by the purchasers will be made through the facilities of the AIX CSD Settlement Bank on or about the Closing Date. To take delivery of the Shares, purchasers need to have a custody account opened with the AIX CSD via the App or an account opened with a broker acting as an AIX trading member. The purchasers shall take all actions required in accordance with the applicable law and regulations to take delivery of the purchased Shares.

The Shares will be traded on the AIX and settled on the AIX CSD in accordance with the Business Rules of the AIX and the AIX CSD respectively.

The Company expects that there will be trading of Shares by the AIX and the KASE Trading Members or transfer of Shares between the AIX CSD and the KCD participant accounts.

Distributions of dividends of Shares on the AIX

The AIX CSD is not acting as the registry for the Company. Upon request, by the Company or its registry, currently the KCD, the AIX CSD will, according to its rules and procedures, provide details of the beneficial owners of the Shares held with the AIX CSD to enable the Company to pay dividends or make other payments.

Once the AIX CSD, in its capacity as nominee, shall receive any dividends payments from the KCD, acting as registry of the Company, the AIX CSD shall redistribute dividend payments received to the AIX CSD participants to be further credited to the accounts of investors of the AIX CSD participants.

KASE Settlement Procedure

The Company expects KCD to facilitate the initial transfers of the Shares associated with a start of the shares book-building process on the KASE and cross-market transfers of the Shares associated with secondary market trading.

It is expected that delivery of the Shares to purchasers thereof will be made through the facilities of the KCD and payment for Shares by the purchasers will be made through the facilities of the KCD on or about the Closing Date. To take delivery of the Shares, purchasers need to have an account opened with a broker acting as a KASE trading member in the KCD. The purchasers shall take all actions required in accordance with the applicable law and regulations to take delivery of the purchased Shares.

The Shares will be traded on the KASE and settled on the KCD in accordance with the KASE and the KCD rules and procedures respectively.

The Company expects that there will be trading of Shares by the KASE and the AIX Trading Members or transfer of shares between the KCD and the AIX CSD participant accounts.

Distributions of dividends of Shares on the KASE

The KCD is acting as the share registry for the Company. Upon request by the Company the KCD will, according to its rules and procedures, provide details of the beneficial owners of the Shares held with the KCD to enable the Company to make pay dividends or other payments.

LEGAL MATTERS

Certain legal matters with respect to the Offering will be passed upon for the Company in respect of the laws of Kazakhstan and the AIFC by White & Case LLP and in respect of the English law by Fieldfisher LLP.

INDEPENDENT AUDITORS

The Financial Statements have been audited by Ernst & Young LLP, independent auditors, as stated in their audit report appearing herein. The registered address of Ernst & Young LLP is Al-Farabi Avenue, 77/7, Esentai Tower, Almaty 050060, Kazakhstan. Ernst & Young LLP operates under a state licence on auditing in the Republic of Kazakhstan, Number 0000003, type MFU-2, issued by the Ministry of Finance dated 15 July 2005. Ernst & Young LLP is a member of the Chamber of Auditors of the Republic of Kazakhstan. Ernst & Young LLP does not have any interest in the Company.

ANNEX A - EXECUTIVE SUMMARY FROM THE D&M REPORT

(as attached)

DeGolyer and MacNaughton
5001 Spring Valley Road
Suite 800 East
Dallas, Texas 75244

February 15, 2022

JSC National Company KazMunayGas
Block B, Emerald Towers (Izumrudniy Kvartal)
8, D. Kunayev Street
Nur-Sultan, Z05H9E8
Republic of Kazakhstan

Subject: Reserves, contingent resources, and prospective resources estimates as of December 31, 2021, for various assets within various licenses within the Republic of Kazakhstan and the Russian Federation

Ladies and Gentlemen:

Pursuant to your request, we have prepared estimates, as of December 31, 2021, of the extent of the proved, probable, and possible oil, condensate, natural gas liquids (NGL), and gas reserves, estimates of the value of the proved, proved-plus-probable, and proved-plus-probable-plus-possible reserves, and estimates of the extent only of the oil, condensate, and gas contingent resources of certain fields in which JSC NC KazMunayGas (NC KMG) has represented it holds or controls an interest either directly, or through various subsidiary enterprises or joint ventures of NC KMG. The Kazakh subsidiary enterprises consist of Amangeldy Gas LLP (AGG), Embamunaigas JSC (EMG), Karazhanbasmunai JSC (KBM), Kashagan B.V. (KBV), Karachaganak Petroleum Operating B.V. (KCGP), JV Kazgermunai LLP (KGM), Kazakhoil Aktobe LLP (KOA), Kazakhturkmunai LLP (KTM), Kolzhan LLP (KZ), Mangistaumunaigas JSC (MTMG), Ozenmunaigas JSC (OMG), PetroKazakhstan Kumkol Resources JSC (PKKR), PetroKazakhstan Ventures Inc (PKV), Tengizchevroil LLP (TCO), Turgai Petroleum JSC (TGP), Ural Oil and Gas LLP (UOG), and Urikhtau Operating LLP (UTO). The Russian subsidiary enterprises consist of Tsentralnaya Oil and Gas LLC (NGKC) and Caspian Oil and Gas LLC (KNGK). NC KMG has represented that all of the fields evaluated are located in the Republic of Kazakhstan and the Russian Federation and are held at varying working interests by each respective subsidiary.

We have also estimated the extent and potential present worth of the oil and gas prospective resources of various assets within various license blocks located in the Republic of Kazakhstan.

The results presented herein are subject to the definitions, assumptions, explanations, qualifications, and conclusions contained in our reports entitled "Report as of December 31, 2021 on Reserves and Revenue and Contingent Resources of Certain Fields with interests attributable to or controlled by JSC NC KazMunayGas PRMS Case" (the Reserves and Contingent Resources Report) and "Report as of December 31, 2021 on Prospective Resources and Potential Present Worth associated with Various Prospects and Leads with interest attributable to JSC NC KazMunayGas in Various Licenses Republic of Kazakhstan" (the Prospective Resources Report). It should be noted that, without reference to the Reserves and Contingent Resources Report and the Prospective Resources Report, the information presented herein is susceptible to being misunderstood and should be used with caution.

Reserves estimated herein are expressed as net reserves. The estimated net proved, probable, and possible reserves, as of December 31, 2021, as presented in the Reserves and Contingent Resources Report, are summarized as follows, expressed in English units in thousands of barrels (10^3bbl) and millions of cubic feet (10^6ft^3) and in metric units in thousands of metric tons (10^3mt) and millions of cubic meters (10^6m^3):

Reserves Category	English Units Oil and Condensate (10^3bbl)	NGL (10^3bbl)	Fuel Gas (10^6ft^3)	Sales Gas (10^6ft^3)	Marketable Gas (10^6ft^3)
Proved Developed Producing	1,774,735	44,369	932,865	2,533,702	3,466,567
Proved Developed Non-Producing	143,309	0	40,894	489,065	529,959
Proved Developed	**1,918,044**	**44,369**	**973,759**	**3,022,767**	**3,996,526**
Proved Undeveloped	818,784	130,770	1,400,378	1,669,529	3,068,724
Total Proved	**2,736,828**	**175,139**	**2,374,137**	**4,692,296**	**7,065,249**
Probable	1,181,942	30,914	630,551	454,507	1,086,241
Proved plus Probable	**3,918,771**	**206,053**	**3,004,687**	**5,146,803**	**8,151,490**
Possible	693,529	26,256	379,224	998,699	1,377,923
Proved plus Probable plus Possible	**4,612,300**	**232,309**	**3,383,912**	**6,145,502**	**9,529,413**

Note: Probable and possible reserves have not been risk adjusted to make them comparable to proved reserves.

Reserves Category	Metric Units Oil and Condensate (10^3mt)	NGL (10^3mt)	Fuel Gas (10^6m^3)	Sales Gas (10^6m^3)	Marketable Gas (10^6m^3)
Proved Developed Producing	234,214	3,749	26,420	71,746	98,165
Proved Developed Non-Producing	18,793	0	1,158	13,849	15,007
Proved Developed	**253,007**	**3,749**	**27,578**	**85,595**	**113,173**
Proved Undeveloped	106,100	11,050	39,652	47,277	86,895
Total Proved	**359,107**	**14,799**	**67,230**	**132,872**	**200,068**
Probable	155,452	2,614	17,855	12,865	30,753
Proved plus Probable	**514,559**	**17,413**	**85,085**	**145,737**	**230,821**
Possible	92,823	2,218	10,733	28,280	39,012
Proved plus Probable plus Possible	**607,382**	**19,631**	**95,817**	**174,016**	**269,833**

Note: Probable and possible reserves have not been risk adjusted to make them comparable to proved reserves.

Contingent resources estimated in this letter are expressed as net contingent resources. The net contingent resources estimated herein cannot be classified as reserves. The net contingent resources estimates presented herein are provided as a means of comparison to other contingent resources and do not provide a direct comparison to reserves. The estimated net 1C, 2C, and 3C contingent resources, as of December 31, 2021, as presented in the Reserves and Contingent Resources Report, are summarized as follows, expressed in metric units in thousands of metric tons (10^3mt) and millions of cubic meters (10^6m^3):

Category	Net Contingent Resources: English Units Oil and Condensate (10^3bbl)	English Units Sales Gas (10^6ft^3)	Metric Units Oil and Condensate (10^3mt)	Metric Units Sales Gas (10^6m^3)
Economically Viable				
1C	129,349	604,895	17,563	17,131
2C	496,498	1,824,728	67,342	51,670
3C	1,253,261	3,318,127	169,860	93,953
Economically Not Viable				
1C	67,260	953,210	8,975	26,989
2C	169,662	2,026,568	22,441	57,379
3C	341,078	6,374,011	45,285	180,481
Total				
1C	**196,609**	**1,558,105**	**26,538**	**44,120**
2C	**666,160**	**3,851,296**	**89,783**	**109,049**
3C	**1,594,339**	**9,692,138**	**215,145**	**274,434**

Notes:
1. Application of any risk factor to contingent resources quantities does not equate contingent resources with reserves.
2. There is no certainty that it will be commercially viable to produce any portion of the contingent resources evaluated herein.

The estimated NC KMG future net revenue and NC KMG present worth attributable to NC KMG's interest in the proved, proved-plus-probable, and proved-plus-probable-plus-possible reserves, as of December 31, 2021, as presented in the Reserves and Contingent Resources Report, are summarized as follows, expressed in thousands of United States dollars (10^3U.S.$):

Reserves Category	NC KMG Future Net Revenue (10^3U.S.$)	NC KMG Present Worth at 10 Percent (10^3U.S.$)
Proved Developed	34,898,274	14,717,292
Proved Undeveloped	17,837,826	7,443,408
Total Proved	**52,736,100**	**22,160,700**
Proved plus Probable	69,308,596	24,945,684
Proved plus Probable plus Possible	79,502,898	26,796,847

Note: Values for probable and possible reserves have not been risk adjusted to make them comparable to values for proved reserves.

Prospective resources were evaluated in various license blocks in the Republic of Kazakhstan. The prospective resources estimates presented below were summarized using the statistical aggregation method. Estimates of the gross prospective resources, as of December 31, 2021, as presented in the Prospective Resources Report, are summarized as follows, expressed in English units in thousands of barrels (10^3bbl) and millions of cubic feet (10^6ft^3) and in metric units in thousands of metric tons (10^3mt) and millions of cubic meters (10^6m^3):

	Gross Prospective Resources 1U (Low) Estimate	2U (Best) Estimate	3U (High) Estimate	Mean Estimate
English Units				
Gross Oil Prospective Resources, 10^3bbl	5,806,371	11,397,494	18,865,589	12,550,089
Gross Sales Gas Prospective Resources, 10^6ft^3	3,680,387	5,207,045	6,272,410	5,256,800
Gross Condensate Prospective Resources, 10^3bbl	31,290	70,099	127,348	81,004
Gross Solution Gas Prospective Resources, 10^6ft^3	2,722,351	5,717,083	10,128,533	6,494,992
Metric Units				
Gross Oil Prospective Resources, 10^3mt	795,393	1,561,300	2,584,327	1,719,190
Gross Sales Gas Prospective Resources, 10^6m^3	104,216	147,446	177,613	148,855
Gross Condensate Prospective Resources, 10^3mt	3,793	8,497	15,436	9,819
Gross Solution Gas Prospective Resources, 10^6m^3	77,088	161,888	286,805	183,916

Notes:
1. 1U (Low), 2U (Best), 3U (High), and mean estimates in this table are P_{90}, P_{50}, P_{10}, and mean, respectively.
2. P_g and P_e have not been applied to the volumes in this table.
3. Application of any geological or economic chance factor does not equate prospective resources to contingent resources or reserves.
4. Recovery efficiency was applied to prospective resources in this table.
5. The prospective resources presented above were based on the statistical aggregation method.
6. The prospective resources quantities for the prospects evaluated in this report were aggregated by the arithmetic summation method, as required by the PRMS.
7. There is no certainty that any portion of the prospective resources estimated herein will be discovered. If discovered, there is no certainty that it will be commercially viable to produce any portion of the prospective resources evaluated.

The following table summarizes the NC KMG estimated potential present worth at 10 percent that might be realized from the production and sale of the truncated, TEFS-adjusted, P_e-adjusted prospective resources, as of December 31, 2021, of the various prospects evaluated in the Prospective Resources Report, using the potential present worth at 10 percent per prospective resources quantity methodology, are summarized as follows, expressed in thousands of United States dollars (10^3U.S.$):

	NC KMG Potential Present Worth at 10 Percent			
	1U (Low) Estimate (10^3U.S.$)	2U (Best) Estimate (10^3U.S.$)	3U (High) Estimate (10^3U.S.$)	Mean Estimate (10^3U.S.$)
NC KMG Truncated, TEFS-Adjusted, P_e-Adjusted Oil Prospective Resources	3,576,032	4,326,831	5,235,261	4,374,940
NC KMG Truncated, TEFS-Adjusted, P_e-Adjusted Sales Gas Prospective Resources	-	-	-	-

Notes:
1. 1U (Low), 2U (Best), 3U (High), and mean estimates in this table are P_{90}, P_{50}, P_{10}, and mean, respectively.
2. Estimates of potential present worth at 10 percent for prospective resources are not comparable to present worth estimates of contingent resources or reserves.
3. Estimates of potential present worth at 10 percent for prospective resources do not consider adjustments for political and/or environmental uncertainties.
4. Estimates of the potential present worth at 10 percent for prospective resources presented above were based on the statistical aggregation method.
5. A possibility exists that the prospects will not result in successful discovery and development, in which case there would be no potential present worth at 10 percent.
6. The prospective resources quantities for the prospects evaluated in this report were aggregated by the arithmetic summation method, as required by the PRMS.
7. There is no certainty that any portion of the prospective resources estimated herein will be discovered. If discovered, there is no certainty that it will be commercially viable to produce any portion of the prospective resources evaluated.
8. TEFS data, potential production profiles, cost schedules, prices, and discounted cash flows utilized in the potential present worth estimation herein have been provided by NC KMG; these data have not been independently verified by DeGolyer and MacNaughton.
9. Prospective sales gas resources designated with a hyphen (-) were estimated to yield a negative potential present worth at 10 percent and were not included at the request of NV KMG.

Information used in the preparation of this letter was obtained from NC KMG. In the preparation of this letter we have relied, without independent verification, upon information furnished by NC KMG with respect to ownership, production, and various other information and data that were accepted as represented. A field examination was not considered necessary for the purposes of this letter.

Submitted,

DeGOLYER and MacNAUGHTON
Texas Registered Engineering Firm F-716

State of Texas
Thomas D. Scott, Jr.
Geology
5143
Licensed
Professional Geoscientist

American Association of Petroleum Geologists
Certified Petroleum Geologist
THOMAS D. SCOTT, JR.
5651

Thomas D. Scott, Jr., T.P.G., C.P.G.
Senior Vice President
DeGolyer and MacNaughton

State of Texas
STEFAN R. KRYSTOSIK
121894
Licensed
Professional Engineer

Stefan R. Krystosik, P.E.
Vice President
DeGolyer and MacNaughton

GENERAL INFORMATION

It is expected that the Shares will be admitted to trading on the AIX on 8 December 2022.

The Company has obtained all consents, approvals and authorisations required under Kazakhstan law and AIFC rules and regulations in connection with the Admission and Offering. The Selling Shareholder's entry into the LB Underwriting Agreement and the potential IB Underwriting Agreement was duly authorised by the Management Board on 3 November 2022.

Copies of the following documents will be available for 12 months from the date of publication of this Prospectus at the Company's website: https://www.kmg.kz.

- this Prospectus;
- the Charter;
- the executive summary from the D&M Report (Annex A hereto); and
- the Financial Statements.

The registered office of the Company is 8 Kunayev Street, Astana, 010000, Kazakhstan and its telephone number is +7 (7172) 786 101.

There has been no significant change in the financial position or financial performance of the Group since 30 June 2022, the end of the last financial period for which financial information has been published, other than as described in the section entitled "Capitalisation".

In the opinion of the Company, the working capital available to the Company is sufficient for the Company's present requirements, that is, for at least the next 12 months following the date of this Prospectus.

The Shares to be offered are denominated in Tenge.

The Offer Price was determined by the Board of Directors of the Selling Shareholder based on the recommendation of the Local Bookrunners, International Bookrunners and independent consultants before commencement of the Offer Period. The results of the Offering will be made public by the Company through a press release promptly on or after the Closing Date, including through the AIX Regulatory Announcement Service.

Material Contracts

Relationships between the Company and TCO

<u>Formation Agreement</u>

The formation agreement establishing TCO was entered into on 2 April 1993 (the "**Formation Agreement**"). The Formation Agreement provides that TCO's objectives are to develop hydrocarbon resources and explore, produce, process, store, transport, export and sell hydrocarbons, hydrocarbon products, and sulphur. The term of the Formation Agreement is 40 years.

The Formation Agreement provides that Partnership Council meetings are held at TCO offices at least quarterly, unless decided otherwise by Partnership Council.

<u>Project Agreement</u>

A project agreement was entered on 2 April 1993 (the "**Project Agreement**") and sets forth the parties' obligations with respect to payments, taxes, royalty and other matters associated with the activities of TCO. Pursuant to the Project Agreement, TCO has exclusive rights until 6 April 2033 to develop and produce all hydrocarbons, hydrocarbon products and sulphur from its concession area, as set out in its production licence. The Government is obligated to ensure that TCO operations are not adversely affected by the actions and operations of other operators in the area with respect to emissions and the use of natural resources and the infrastructure.

PSA LLP

In June 2010, the Company established PSA LLP, a 100 per cent.-owned subsidiary (as at 31 December 2021). PSA LLP is responsible for the PSAs covering the North Caspian Project (Kashagan Field), Karachaganak Field and Dunga Field, respectively. Although PSA LLP is legally owned by the Company, as at the date of this Prospectus, 100 per cent. of the participatory interest in PSA LLP are held by the Ministry of Energy under a trust management agreement with the Company[13].

According to the Resolution of the Government of Kazakhstan on 20 June 2016, PSA LLP was appointed as the Authority on behalf of and in the interest of the Government of Kazakhstan in production sharing agreements on major petroleum fields such as the North Caspian Project (the Kashagan Field), Karachaganak Project (Karachaganak Field), and Dunga Project (Dunga Field) (the "**PSA Projects**").

The primary function of PSA LLP is to monitor and protect the interests of the Government by ensuring compliance of all parties with their respective obligations under the PSA Project documents, including consideration of the multi-year development plan and annual budgets of the PSA Projects, conducting audits over petroleum operations accounts, compliance with tender procedures, participation in management committees of the PSA Projects.

Atyrau Refinery facility with VTB Bank

Pursuant to a facility agreement with VTB Bank dated 18 October 2021, Atyrau Refinery, the Company's subsidiary, received a loan from VTB Bank for RUB 38,169 million (or KZT 229,015 million). Termination and final repayment date is set at 72 months from the date of execution – October 2027. The facility was provided for various specific purposes as stated in the facility agreement including general corporate purposes such as financing capital expenditures, financing acquisitions and working capital needs. The interest rate is set at the key rate of the CBR plus 2.25 per cent. per annum. The CBR key rate has increased significantly between November 2021 and March-April 2022, and it currently stands at 14 per cent. per annum. KMG is in process of evaluating the expediency and option of early repayment of this loan.

Underwriting Agreements

The Company and the Local Bookrunners executed the LB Underwriting Agreement with respect to the proposed listing and public offering of the Company's Shares on the AIX and/or the KASE. The Selling Shareholder intends to accede to the LB Underwriting Agreement on or about the Opening Date.

Also, the Company, the Selling Shareholder and the International Bookrunners intend to enter into the IB Underwriting Agreement before the Allocation Date with respect to selling the Company's Shares to non-resident investors. See "*Plan of Distribution – Underwriting Arrangements*".

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[13] As of the date of this Prospectus, however, there has been no change in the ownership or trust management arrangements of PSA, and the delegation remains in force. The Ministry of energy, the Company, and PSA LLP are still engaged in ongoing discussions regarding the most appropriate structure to optimize and protect the interests of all parties. As of the date of this Prospectus, no immediate decision or action is expected. Neither the creation of the Ministry of Oil and Gas of Kazakhstan in 2010, the subsequent establishment of PSA LLP and the delegation to it of the functions of the Authority under the PSA LLP, nor the recent re-organization of the Government and creation of the Ministry of Energy has to date, nor are expected to, adversely affect the Company's status as the designated beneficiary of the Government's priority rights to acquire interests in subsoil use contracts (with respect to strategic subsoil deposits) or the Company's reserves or other commercial interests.

The AIX trading symbol for the Shares is KMG. The KASE trading symbol for the Shares is KMGZ.

The Company is not aware of any person intending to subscribe for or purchase more than 5 per cent. of the Offering.

As at the date of this Prospectus significant subsidiaries of the Company consolidated in its Financial Statements include KMG EP, KMT, KMG Karachaganak, KTM, KTO, KMTF, Cooperative Kazmunaygas PKI U.A., Atyrau Refinery, Pavlodar Refinery, KMG International and KMG DS. See "*Business*".

GLOSSARY OF TERMS AND DEFINITIONS

In this Prospectus, unless the context otherwise requires, the following words and expressions have the following meanings.

"**2019 Financial Statements**"	the audited consolidated financial statements of the Group as at and for the year ended 31 December 2019
"**2020 Financial Statements**"	the audited consolidated financial statements of the Group as at and for the year ended 31 December 2020
2021 Financial Statements	the audited consolidated financial statements of the Group as at and for the year ended 31 December 2021
"**Admission**"	admission of the Shares to the AIX Official List
"**Application**"	a prefunded request of an individual purchaser in a form of individual application transmitted to the Selling Shareholder for the subscription (purchase) of Shares offered in the KASE Offering and/or the AIX Offering, including a Bid
"**Air Emissions Management Policy**"	Air emissions management policy adopted by the Company in 2019
"**AIX**"	Astana International Exchange Limited, the stock exchange of the Astana International Financial Centre
"**AIX Admission**"	Admission to the Official List
"**AIX Business Rules**"	AIX Business Rules dated 12 November 2017
"**AIX CSD**"	Astana International Exchange Central Securities Depository Ltd.
"AIX Offering"	the Offering on the AIX
"**Allocation Date**"	5 December 2022
"**ALMTG**"	Air Liquide Munay Tech Gases LLP
"**AMS**"	automated online monitoring system
"**Anti-Corruption Standards**"	Anti-Corruption Standards of the Employees dated 16 January 2017
"Antitrust Agency"	The Agency for Protection and Development of Competition of the Republic of Kazakhstan
"APMs"	alternative performance measures
"App"	a mobile application developed by AIX under brand name "Tabys" and leased out, based on corresponding sub-licence arrangements, to issuers (their selling shareholders or their duly authorized selling agent acting on behalf of, and for the benefit of, the issuer and/or the selling shareholder(s)), whose securities are listed or sought to be listed on AIX, for the purpose of the Direct Subscription. The App can be downloaded to the purchasers' personal devices or accessed as assisted via KazPost offices

"**Arbitration Law**"	Law No. 488-V ZRK of the Republic of Kazakhstan "On Arbitration" dated 8 April 2016, as amended
"**Atyrau Refinery**"	Atyrau Oil Refinery (ANPZ LLP)
"**Authorised Limit**"	up to 30,505,974 Shares, representing in aggregate approximately 5 per cent. of the total number of existing ordinary shares of the Company
"BAT"	best available techniques, the most effective and advanced stage in the development of activities and methods of carrying them out, which indicates their practical suitability to serve as the basis for the establishment of technological standards and other environmental conditions aimed at preventing or, if this is not practicable, minimizing negative anthropogenic impact on the environment (pursuant to the Environmental Code)
"barrels" or **"bbl"**	standard 42 U.S. gallon barrels
"Bid"	a prefunded request of an individual purchaser in a form of individual electronic application transmitted to the Selling Shareholder through the App for the subscription (purchase) of Shares offered under Direct Subscription
"Bid Collection"	a process, as determined by the Selling Shareholder, of collecting purchasers' individual pre-funded electronic Applications for Shares transmitted to the Selling Shareholder through the App during the Direct Subscription
"**Board of Directors**"	the board of directors of the Company
"**Caspian OGC**"	Caspian Oil and Gas Company LLC
"CaspiBitum"	Caspi Bitum JV LLP
"category I facilities"	certain facilities (including oil and gas production and processing plants) according to the Environmental Code with relatively high levels of negative environmental impact
"CBR"	the Central Bank of Russia
"**CCEL**"	CITIC Canada Energy Limited
"**CCM**"	the Competition Council of the Republic of Moldova
"**Central OGC**"	Central Oil and Gas Company LLC
"**CGU**"	cash generating units
"**Charter**"	the charter of the Company approved by Samruk-Kazyna as holder of all the voting shares of the Company on 22 April 2016 (as amended)
"**CIS**"	the Commonwealth of Independent States
"**Civil Protection Law**"	Law No. 188-V of the Republic of Kazakhstan "On Civil Protection" dated 11 April 2014, as amended
"**CNPC**"	China National Petroleum Corporation
"**Company**" or "**KMG**"	National Company "KazMunayGas" JSC

"**Competent Authority**"	the government authorities regulating and competent in the field of subsoil use, i.e., the Ministry of Energy (in respect of hydrocarbons and uranium) and the MIID (in respect of solid minerals (except for commonly occurring minerals, in respect of which the local executive authorities (*akimats*) implement the state policies and grant subsoil use rights))
"**Closing Date**"	7 December 2022
"**Controlling Legal Entity**"	a legal entity that may directly or indirectly determine the decisions of the subsoil user
"**Country with a Favourable Tax Regime**"	any foreign country or a territory, which meets the criteria of the Tax Code. See '*Taxation*"
"**CPC**"	CPC-K and CPC-R
"**CPC-K**"	Caspian Pipeline Consortium-K JSC
"**CPC-R**"	Caspian Pipeline Consortium-R JSC
"**CPC pipeline**"	the trunk oil pipeline operated by CPC
"**DBK**"	The Development Bank of Kazakhstan
"**D&M**"	DeGolyer & MacNaughton, registered at 5001 Spring Valley Road, Suite 800 East, Dallas, Texas, USA,75244
"**D&M Report**"	Report as of December 31, 2021 on Reserves and Revenue and Contingent Resources of Certain Fields with interests attributable to or controlled by JSC NC KazMunayGas – PRMS CASE" dated 9 February 2022
Direct Subscription	collection of bids, and direct sale of Shares, to Kazakhstani retail investors through the App or KazPost offices
"**Director(s)**"	the director(s) of the Company
"**EAEU**"	the Eurasian Economic Union in which Kazakhstan participates jointly with the Republic of Armenia, the Republic of Belarus, the Kyrgyz Republic and the Russian Federation
"**EAEU Treaty**"	the Treaty on the Eurasian Economic Union (signed in Astana on 29 May 2014, as amended; and ratified by Kazakhstan pursuant to Law No. 240-V of the Republic of Kazakhstan, dated 14 October 2014)
"**ED Rules**"	Rules for Calculation of the Rate of Export Customs Duty for Crude Oil and Oil Products approved by Order No. 81 of the Minister of National Economy dated 17 February 2016
"**EIA**"	the U.S. Energy Information Administration
"**EMBI**"	the J.P. Morgan Emerging Markets Bond Index
"**EMG**"	Embamunaigas JSC
"**Environmental Code**"	Code of the Republic of Kazakhstan "Environmental Code of the Republic of Kazakhstan" No. 400-VI dated 2 January 2021, as amended
"**Environmental Legislation**"	Kazakhstan environmental laws and regulations comprising mainly the Environmental Code and related regulatory acts, as well as other health,

	occupational and industrial safety laws, regulations and other requirements applicable to oil and gas companies
"**Environmental Policy**"	the Environmental policy approved by the Company in September 2021
"**EP**"	environmental permits
"**EUR**" or "**euro**"	the lawful currency for the time being of the member states of the European Union that adopted the single currency in accordance with the Treaty of Rome establishing the European Economic Community, as amended
"**European Union**" or "**EU**"	a political and economic union of 28 member states that are located primarily in Europe
"**EU Prospectus Regulation**"	Regulation (EU) 2017/1129 of the European Parliament and of the Council of 14 June 2017 on the prospectus to be published when securities are offered to the public or admitted to trading on a regulated market (as amended)
"**EY**"	Ernst & Young LLP registered at Esentai Tower, 77/7, Al-Farabi Avenue, Almaty, 050060, Kazakhstan (an associate member of the Chamber of Auditors of Kazakhstan)
"**Faber**"	Faber Invest & Trade Inc.
"**FCA**"	the Financial Conduct Authority of the UK
"FEED"	front-end engineering design
"FIEL"	the Financial Instruments and Exchange Law of Japan (Law No. 25 of 1948 as amended)
"**FGP**"	TCO's future growth expansion project
"**Financial Statements**"	the audited consolidated financial statements of the Group as at and for the years ended 31 December 2021, 2020 and 2019 and the unaudited interim condensed consolidated financial statements of the Group as at and for the six months ended 30 June 2022
"**FSMA**"	Financial Services and Markets Act 2000 as amended from time to time
"**Gas Law**"	Law No. 532-IV of the Republic of Kazakhstan "On Gas and Gas Supply" dated 9 January 2012, as amended
"**Gazprom**"	Gazprom PJSC
"**General Meeting of Shareholders**"	the general meeting of shareholders of the Company
"**GHGs**"	greenhouse gases
"Geology Committee"	the Committee of Geology of the Ministry of Ecology, Geology and Natural Resources of the Republic of Kazakhstan
"**Government**"	the Government of the Republic of Kazakhstan
"**Group**"	the Company and its consolidated subsidiaries and joint ventures, taken as a whole

"**Holder**"	in relation to any Share, the person registered as the holder of that Share on the Register
"**IB Underwriting Agreement**"	the underwriting agreement to be entered into between the Company, the Selling Shareholder and International Bookrunners before the Allocation Date
"**ICS**"	the internal control system of the Company
"**ICS Policy**"	the Internal Control Systems Policy dated 21 October 2008 (as amended)
"**IFRS**"	International Financial Reporting Standards as issued by the International Accounting Standards Board
"**Insurance Programme**"	the Company's unified corporate insurance programme
"**Interim Financial Statements**"	the unaudited interim condensed consolidated financial statements of the Group as at and for the six months ended 30 June 2022
"**International Bookrunners**"	WOOD & Company Financial Services, a.s., Renaissance Securities (Cyprus) Limited
"**Interstate Agreement**"	the Agreement between the Republic of Kazakhstan and the Russian Federation on the delimitation of the bottom of the northern part of the Caspian Sea to exercise sovereign rights to the use of subsoil, dated 6 July 1998 and the Protocol to it dated 13 May 2002 (as amended on 25 January 2006 and 9 November 2017)
"**Isatay subsoil use contract**"	the subsoil use contract No. 4160 dated 26 June 2015 for the combined exploration and production of hydrocarbon raw materials at the Isatay site located in the Kazakhstan part of the Caspian Sea, as amended
"**ISO 14001"**	the requirements of environmental international standards
"**ISO 45001**"	the occupational health and safety management systems
"**IT**"	information technology
"**JSC Law**"	Law No.415-II of the Republic of Kazakhstan "On Joint Stock Company" dated 13 May 2003, as amended
"KASE"	Kazakhstan Stock Exchange JSC
"KASE Offering"	the Offering on the KASE
"**KazGPZ**"	the Kazakh Gas Refinery
"KazPost"	regional office(s) of JSC KazPost assisting the purchasers on transmitting their Bids to the Selling Shareholder through the App and acting as a paying agent of such purchasers by accepting and transferring prepayment to the paying agent for corresponding Bids pursuant to and in accordance with the Prospectus and respective legal agreements between purchasers and KazPost
"**Kazakhoil**"	Kazakhoil National Oil and Gas Company CJSC
"**Kazakhoil Aktobe**"	Kazakhoil Aktobe LLP
"**Kazakhstan**"	the Republic of Kazakhstan

“**Kazakhstan Law on Transfer Pricing**”	the Law No. 67-IV of the Republic of Kazakhstan “On Transfer Pricing” dated 5 July 2008
“**Kazakhstan Securities Market Law**”	Law No. 461-II of the Republic of Kazakhstan “On Securities Market” dated 2 July 2003, as amended
“**Kazgermunai**”	Kazgermunai JV LLP
“KBM”	Karazhanbasmunai JSC
“**KCP pipeline**”	a network of oil transportation pipelines from Atyrau in western Kazakhstan to Alashankou on the Kazakhstan-China border with a total length of approximately 2,800 kilometres owned by KCP
“**KCD**”	Central Securities Depository JSC
“**KCP**”	Kazakhstan-China Pipeline JV LLP
“**KEP**”	the Karachaganak Expansion Project
“KLPE”	KLPE LLP
“KMG Corporate Governance Code”	the Company’s corporate governance code adopted on 27 May 2015
“KMG DS”	KMG Drilling & Services LLP
“KMG EP”	KazMunaiGas Exploration Production
“**KMG International**” or “**KMGI**”	KazMunayGas International N.V.
“**KMG Kashagan**”	KMG Kashagan B.V.
“**KMG Karachaganak**”	KMG Karachaganak B.V.
“**KMG-operated fields**”	fields operated by KMG with stable production (including, OMG, MMG and EMG, and other brownfields
“**KMT**”	OOC KazMunayTeniz LLP
“**KMTF**”	Kazmortransflot National Marine Shipping Company LLP
“**KTZ**”	Kazakhstan Temir Zholy JSC, Kazakhstan’s national railway operator
“KPI”	Kazakhstan Petrochemical Industries Inc. LLP
“**KPMG**”	KPMG (certified Public Accountants and a member of the International Federation of Accountants)
“**KPO**”	Karachaganak Petroleum Operating B.V.
“**KTM**”	Kazakhturkmunai LLP
“**KTO**”	KazTransOil JSC

"**Kurmangazy PSA**"	the production sharing agreement No. 1787 for Project Kurmangazy dated 6 July 2005
"**KUS**"	Karabatan Utility Solutions LLP
"**KZT**" or "**Tenge**"	Kazakhstan tenge, the lawful currency of the Republic of Kazakhstan
"**Labour Code**"	Labour Code of the Republic of Kazakhstan (No. 414-V, dated 23 November 2015, as amended)
"**Law on Employment of Population**"	Law of the Republic of Kazakhstan "On Employment of Population" (No. 482-V, dated 6 April 2016, as amended)
"**LB Underwriting Agreement**"	the underwriting agreement originally between the Company and Local Bookrunners dated 29 July 2022 to which Samruk-Kazyna intends to accede on or about the Opening Date
"**LCD Programme**"	the Low-Carbon Development Programme for 2022–2031 approved by the Company in 2021
"**Lock up Period**"	a period of 180 days after the Closing Date, during which each of the Company, the Selling Shareholder and the NBK will not, subject to certain exceptions, without the prior written consent of the Bookrunners issue, offer, place, alienate, encumber (including pledge) or otherwise dispose of any Shares
"**Lock-Up Undertaking**"	The undertaking of the NBK to the Bookrunners signed by NBK on 4 November 2022, providing that the NBK will not, subject to certain exceptions, without the prior written consent of the Bookrunners issue, offer, place, alienate, encumber (including pledge) or otherwise dispose of any Shares.
"**Local Bookrunners**"	JSC "Halyk Finance", JSC "Freedom Finance", JSC "SkyBridge Invest" and JSC "BCC Invest"
"LPG"	liquefied petroleum gas
"Lukoil"	Lukoil PJSC
"Majoirty Shareholder"	any shareholder or group of shareholders representing not less than 10 per cent. of the voting shares (individually or collectively, as applicable)
"**Management Board**"	the management board of the Company
"**Market Rules**"	AIFC Market Rules (AIFC Rules No.FR0003 dated 17 October 2017) (as amended)
"**megafields**"	three megafields in development (namely, Tengiz Field, including Korolevskoye Field operated by TCO), Karachaganak Field operated by KPO, and Kashagan Field developed by NCOC
"**MEGNR**"	the Ministry of Ecology, Geology and Natural Resources of the Republic of Kazakhstan
"**MIBV**"	Mangistau Investments B.V.

"**MIID**"	the Ministry of Industry and Infrastructural Development of the Republic of Kazakhstan
"**MET**"	the Mineral Extraction Tax
"**Ministry of Energy**"	the Ministry of Energy of the Republic of Kazakhstan
"**Ministry of Finance**"	the Ministry of Finance of the Republic of Kazakhstan
"**MiFID II**"	Directive 2014/65/EU of the European Parliament and of the Council of 15 May 2014 on markets in financial instruments (as amended)
"**MMG**"	Mangistaumunaigas JSC
"**MunaiTas**"	MunaiTas LLP
"**Natural Monopolies Committee**"	the Committee for Regulation of Natural Monopolies under the Ministry of the National Economy of the Republic of Kazakhstan
"**NBK**"	the National Bank of the Republic of Kazakhstan
"**NC PSA**"	the joint operating agreement dated 6 July 1998 entered into by and between NCPC participants
"**NCI**"	the Nelson complexity index
"**NCPC**"	North Caspian Project Consortium
"**NCOC**"	North Caspian Operating Company N.V.
"**New York Convention**"	1958 New York Convention on the Recognition and Enforcement of Foreign Arbitral Awards
"**OECD**"	Organization for Economic Co-operation and Development
"**OFAC**"	the U.S. Treasury Department's Office of Foreign Assets Control
"**Offer Period**"	The period during which investors may submit Applications for subscription for (purchase of) Shares starting on the Opening Date and ending on (a) 30 November 2022, 18:00 (Astana time) for institutional investors and (b) 2 December 2022, 15:00 (Astana time) for retail investors.
"**Offer Price**"	the final KZT price per Share at which the Shares are to be acquired pursuant to the Offering
"**Offering**"	the offering of the Shares by the Selling Shareholder
"**Official List**"	the official list of the AIX
"**OMG**"	Ozenmunaigas JSC
"**OPEC**"	the Organisation of Petroleum Exporting Countries, comprising the following member-states: Algiers, Angola, Venezuela, Gabon, Iraq, Iran, Congo Republic, Kuwait, Libya, the UAE, Nigeria, Saudi Arabia and Equatorial Guinea
"**OPEC+**"	The extended group of countries including all the OPEC member-states and the following non-OPEC member-states: Azerbaijan, Bahrain, Brunei

	Darussalam, Kazakhstan, Malaysia, Mexico, Oman, Philippines, Russia, Sudan and South Sudan
"**Order**"	Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (as amended)
"**Opening Date**"	9 November 2022
"**Paris Agreement**"	Paris Agreement under the United Nations Framework Convention on Climate Change
"**Pavlodar Refinery**"	Pavlodar Refinery LLP
"**Permits and Notifications Law**"	Law No. 202-V of the Republic of Kazakhstan "On Permits and Notifications" dated 16 May 2014, as amended
"**PKI**"	PetroKazakhstan Inc.
"**PKOP**"	PetroKazakhstan Oil Products
"**Polymer Production**"	Polymer Production LLP
"**PRMS**"	the reserve estimation standards under the Petroleum Resources Management System sponsored by the Society for Petroleum Engineers, the American Association of Petroleum Geologists, World Petroleum Council and the Society for Petroleum Evaluation Engineers
"**Programme**"	a national subsoil resources management programme
"**Prospectus**"	this Prospectus dated 7 November 2022
"**PSA**"	a production sharing agreement
"**PSA Law**"	Law No. 68-III of the Republic of Kazakhstan "On Production Sharing Agreements for Conducting Offshore Petroleum Operations" dated 8 July 2005, as amended
"**PSA Projects**"	North Caspian Project (the Kashagan Field), Karachaganak Project (Karachaganak Field), and Dunga Project (Dunga Field)
"QazaqGaz"	QazaqGaz National Company JSC (formerly KazTransGaz JSC)
"RAMR"	Romanian National Agency for Mineral Resources
"Relevant States"	Member states of the European Economic Area
"**Rosneft**"	Rosneft NK PJSC
"Rostransnadzor"	The Federal Service for Supervision of Transport of the Russian Federation
"**Refinery Company RT**"	Refinery Company RT LLP
"**RPM**"	Rompetrol Moldova, a subsidiary of KMG International
"**RUB**"	Russian ruble, the lawful currency of the Russian Federation

"**Rules for Conducting Anti-Corruption Monitoring**"	Rules for Conducting Anti-Corruption Monitoring and Internal Analysis of Corruption Risks at the Company and its subsidiaries and affiliates on 15 June 2017
"**Russia**"	the Russian Federation
"**Satti rig**"	the Satti jack-up drilling rig owned by KMG DS
"**SEC Standards**"	the reserves classifications permitted by the SEC
"**Securities Act**"	the United States Securities Act of 1933, as amended, and the rules and regulations promulgated thereunder
"**Selling Shareholder**" or "**Samruk-Kazyna**"	Samruk-Kazyna JSC
"**Senior Management**"	the senior management of the Group as at the date of this Prospectus
"**Shareholders**"	means, unless specified otherwise, holder(s) of Share(s)
"**Shares**"	ordinary shares, each with a differing rage of nominal value, in the share capital of the Company. See "*DESCRIPTION OF SHARE CAPITAL AND APPLICABLE KAZAKHSTAN REGULATION–Share capital*".
"**SIBUR**"	SIBUR Holding PJSC
"Silleno"	Silleno LLP
"SKO"	Samruk-Kazyna Ondeu LLP (formerly United Chemical Corporation LLP)
"**Sovereign Wealth Fund Law**"	Law No. 550-IV of the Republic of Kazakhstan "On Sovereign Wealth Fund" dated 1 February 2012, as amended
"**State Procurement Law**"	Law No. 434-V of the Republic of Kazakhstan "On State Procurement" dated 4 December 2015, as amended
"**State Property Law**"	Law No. 413-IV of the Republic of Kazakhstan "On State Property" dated 1 March 2011, as amended
"**Stati case**"	a dispute with the Stati parties relating to termination of a subsoil use contract by the Ministry of Oil and Gas of Kazakhstan with the company the Stati parties controlled
"**Stati parties**"	Anatolie Stati, Gabriel Stati, Ascom Group S.A. and Terra Raf Trans Trading Ltd
"**Bureau of Statistics**"	The Bureau for Statistics of the Agency for Strategic Planning and Reforms of the Republic of Kazakhstan
"**Subsoil Code**"	Code No. 125-VI ZRK of the Republic of Kazakhstan "On subsoil and subsoil use" dated 27 December 2017, as amended
"**Subsoil Law**"	Law No. 291 IV of the Republic of Kazakhstan "On Subsoil and Subsoil Use" dated 24 June 2010), as amended
"**Tatneft**"	Tatneft PJSC

"**Tax Code**"	Code № 120-VI of the Republic of Kazakhstan "On taxes and other obligatory payments to the budget (Tax Code)" dated 25 December, 2017, as amended
"**TCO**"	Tengizchevroil LLP
"**TFCI**"	Tengizchevroil Finance Company International Ltd
"**Translation**"	a Russian and/or Kazakh translation of this Prospectus
"**Transneft**"	Transneft PJSC
"**Trunk Pipeline Law**"	Law No. 20-V of the Republic of Kazakhstan "On Trunk Pipeline" dated 22 June 2012, as amended
"**TKN**"	TsentrKaspneftegaz LLC
"**UFG**"	UnionField Group Ltd.
"**UGL**"	Ural Group Limited
"**U.S.$**", "**U.S. Dollar**" or "**dollar**"	Dollar, the lawful currency for the time being of the United States
"**UK**"	the United Kingdom
"**UK Prospectus Regulation**"	The EU Prospectus Regulation as adopted / amended by the UK by virtue of the European Union (Withdrawal) Act 2018
"**Underwriting Agreement**"	each of the LB Underwriting Agreement and the IB Underwriting Agreement
"**United States**" or "**U.S.**"	the United States of America, its territories, its possessions and all areas subject to its jurisdiction
"**UO**"	Urikhtau Operating LLP
"**UOG**"	Ural Oil and Gas LLP
"**UAS pipeline**"	The Uzen-Atyrau-Samara pipeline
"**VAT**"	value added tax
"**VTB Bank**"	VTB Bank PJSC
"**Water Code**"	Code No. 481 of the Republic of Kazakhstan "The Water Code of the Republic of Kazakhstan" dated 9 July 2003, as amended
"**WPMP**"	TCO's wellhead pressure management project
"**WUP**"	Water Use Permits

INDEX TO THE CONSOLIDATED FINANCIAL STATEMENTS

COMPANY

National Company “KazMunayGas” JSC
8 Kunayev Street
Astana, 010000
Kazakhstan

SELLING SHAREHOLDER

“Samruk-Kazyna” JSC
17/10 Syganak Street
010000, Astana
Kazakhstan

FINANCIAL ADVISER TO THE SELLING SHAREHOLDER

KPMG Tax and Advisory LLP
Koktem Business Centre
180 Dostyk Avenue
A25D6T5 Almaty
Kazakhstan

<table>
<tr><th colspan="2">JOINT COORDINATORS AND LOCAL BOOKRUNNERS</th></tr>
<tr><td>“Halyk Finance” JSC
109 “V” Abay Avenue
BC “Globus” 5th floor
A05A1B9 Almaty
Kazakhstan</td><td>“Freedom Finance” JSC
n.p. 3a
77/7, Al Farabi Avenue
050040 Almaty
Kazakhstan</td></tr>
<tr><td>“SkyBridge Invest” JSC
Esentai Tower
12 Floor
77/7, Al Farabi Avenue
050040 Almaty
Kazakhstan</td><td>“BCC Invest” JSC
98, Panfilov Street
A05G1D2 Almaty
Kazakhstan</td></tr>
<tr><th colspan="2">INTERNATIONAL BOOKRUNNERS</th></tr>
<tr><td>Wood & Company Financial Services a.s.
Palladium, Nam. Republiky 1079/1a
110 00 Prague 1
Czech Republic</td><td>Renaissance Securities (Cyprus) Limited
Labs Tower, 3rd Floor Foti Pitta 4 1065
Nicosia
Republic of Cyprus</td></tr>
<tr><th colspan="2">LEGAL ADVISERS TO THE COMPANY</th></tr>
<tr><td>As to Kazakhstan and AIFC law</td><td>As to English law</td></tr>
<tr><td>White & Case LLP
5 Old Broad Street
London EC2N 1DW
United Kingdom</td><td>Fieldfisher LLP
Riverbank House
2 Swan Lane
London EC4R 3TT
United Kingdom</td></tr>
</table>

INDEPENDENT AUDITORS TO THE COMPANY

Ernst & Young LLP
Esentai Tower
77/7 Al-Farabi Ave.
Almaty, 050060
Kazakhstan

Joint Stock Company "National Company "KazMunayGas"

Interim condensed consolidated financial statements (unaudited)

For the three and six months ended June 30, 2022

CONTENTS

«Эрнст энд Янг» ЖШС
Әл-Фараби д-лы, 77/7
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Report on Review of Interim Financial Information

To the Shareholders, Board of Directors and Management of JSC "National Company "KazMunayGas"

Introduction

We have reviewed the accompanying interim condensed consolidated financial statements of JSC "National Company "KazMunayGas" and its subsidiaries, which comprise the interim consolidated statement of financial position as at 30 June 2022, the interim consolidated statement of comprehensive income for the three and six-month periods then ended, interim consolidated statement of changes in equity and interim consolidated statement of cash flows for the six-month period then ended, and selected explanatory notes (interim financial information). Management is responsible for the preparation and presentation of this interim financial information in accordance with IAS 34, *Interim Financial Reporting*. Our responsibility is to express a conclusion on this interim financial information based on our review.

Scope of review

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

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Conclusion

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

Ernst & Young LLP

Kairat Medetbayev Auditor	Rustamzhan Sattarov General Director Ernst and Young LLP
Auditor qualification certificate No. МФ-0000137 dated 8 February 2013	State audit license for audit activities on the territory of the Republic of Kazakhstan: series МФЮ-2 No. 0000003 issued by the Ministry of finance of the Republic of Kazakhstan on 15 July 2005

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

12 August 2022

INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2022

In millions of tenge	Note	For the three months ended June 30, 2022 (unaudited)	For the three months ended June 30, 2021 (unaudited) (restated)*	For the six months ended June 30, 2022 (unaudited)	For the six months ended June 30, 2021 (unaudited) (restated)*
Continuing operations					
Revenue and other income					
Revenue from contracts with customers	6	**2,245,997**	1,479,584	**4,203,150**	2,672,028
Share in profit of joint ventures and associates, net	7	**326,712**	182,046	**643,548**	324,165
Finance income	13	**30,583**	18,635	**52,902**	34,645
Gain on sale of joint venture		**–**	2,674	**–**	2,674
Other operating income		**2,894**	4,164	**10,038**	14,381
Total revenue and other income		**2,606,186**	1,687,103	**4,909,638**	3,047,893
Costs and expenses					
Cost of purchased oil, gas, petroleum products and other materials	8	**(1,352,276)**	(892,958)	**(2,817,958)**	(1,621,125)
Production expenses	9	**(291,809)**	(169,022)	**(482,206)**	(312,816)
Taxes other than income tax	10	**(181,496)**	(101,906)	**(291,171)**	(189,918)
Depreciation, depletion and amortization		**(80,182)**	(80,974)	**(163,416)**	(160,082)
Transportation and selling expenses	11	**(38,243)**	(35,043)	**(69,811)**	(65,552)
General and administrative expenses	12	**(34,179)**	(31,234)	**(66,793)**	(57,079)
Reversal of impairment/(impairment) of property, plant and equipment, exploration and evaluation assets, intangible assets and assets classified as held for sale		**677**	(3,764)	**630**	(3,758)
Exploration expenses		**–**	–	**–**	(19,800)
Finance costs	13	**(69,658)**	(57,606)	**(153,361)**	(115,824)
Foreign exchange (loss)/gain, net	2	**(109,494)**	1,138	**(39,920)**	3,780
Loss on disposal of subsidiaries		**–**	(1,351)	**–**	(1,351)
Other expenses		**(8,040)**	(3,233)	**(14,072)**	(8,595)
Total costs and expenses		**(2,164,700)**	(1,375,953)	**(4,098,078)**	(2,552,120)
Profit before income tax		**441,486**	311,150	**811,560**	495,773
Income tax expenses	14	**(51,957)**	(63,761)	**(134,600)**	(106,085)
Profit for the period from continuing operations		**389,529**	247,389	**676,960**	389,688
Discontinued operations					
Profit after income tax for the period from discontinued operations	4	**–**	110,924	**–**	254,745
Net profit for the period		**389,529**	358,313	**676,960**	644,433

The accounting policies and explanatory notes on pages 9 through 37 form an integral part of these interim condensed consolidated financial statements.

INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (continued)

In millions of tenge	Note	For the three months ended June 30, 2022 (unaudited)	For the three months ended June 30, 2021 (unaudited) (restated)*	For the six months ended June 30, 2022 (unaudited)	For the six months ended June 30, 2021 (unaudited) (restated)*
Other comprehensive income/(loss)					
Other comprehensive income/(loss) to be reclassified to profit or loss in subsequent periods					
Hedging effect		**(28,653)**	655	**(37,120)**	(583)
Exchange differences on translation of foreign operations		**61,015**	35,368	**474,367**	80,777
Tax effect		**(5,875)**	(3,101)	**(43,693)**	(7,221)
Net other comprehensive income to be reclassified to profit or loss in the subsequent periods, net of tax		**26,487**	32,922	**393,554**	72,973
Other comprehensive income not to be reclassified to profit or loss in subsequent periods					
Actuarial gain on defined benefit plans of the Group, net of tax		**1,642**	–	**1,642**	–
Actuarial (loss)/gain on defined benefit plans of the joint ventures, net of tax		**(15)**	84	**116**	137
Net other comprehensive income not to be reclassified to profit or loss in the subsequent periods, net of tax		**1,627**	84	**1,758**	137
Net other comprehensive income for the period, net of tax		**28,114**	33,006	**395,312**	73,110
Total comprehensive income for the period, net of tax		**417,643**	391,319	**1,072,272**	717,543
Net profit for the period attributable to:					
Equity holders of the Parent Company		**344,301**	357,156	**656,162**	643,859
Non-controlling interests		**45,228**	1,157	**20,798**	574
		389,529	358,313	**676,960**	644,433
Total comprehensive income attributable to:					
Equity holders of the Parent Company		**372,330**	389,978	**1,051,070**	716,797
Non-controlling interests		**45,313**	1,341	**21,202**	746
		417,643	391,319	**1,072,272**	717,543
Earnings per share** – tenge thousands					
Basic and diluted		**0.64**	0.59	**1.11**	1.06
Basic and diluted, from continuing operations		**0.64**	0.41	**1.11**	0.64
Basic and diluted, from discontinued operations		**–**	0.18	**–**	0.42

** Certain numbers shown here do not correspond to the interim condensed consolidated financial statements for the three and six months ended June 30, 2021 and reflect adjustments made, refer to Note 4*

*** The number of ordinary shares as of June 30, 2022 and 2021 equaled to 610,119,493.*

Deputy Chairman of the Management Board for Economy and Finance ____________ *D.S. Karabayev*

Chief accountant ____________ *A.S. Yesbergenova*

The accounting policies and explanatory notes on pages 9 through 37 form an integral part of these interim condensed consolidated financial statements.

INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2022

In millions of tenge	Note	June 30, 2022 (unaudited)	December 31, 2021 (audited)
Assets			
Non-current assets			
Property, plant and equipment	15	**3,496,920**	3,405,980
Right-of-use assets		**48,370**	40,551
Exploration and evaluation assets		**46,356**	43,541
Investment property		**17,995**	19,711
Intangible assets		**186,219**	182,222
Long-term bank deposits	16	**60,433**	56,058
Investments in joint ventures and associates	17	**7,564,841**	6,550,384
VAT receivable		**12,087**	11,972
Advances for non-current assets		**48,553**	40,845
Loans and receivables due from related parties		**145,698**	142,394
Other non-current financial assets		**11,633**	13,248
Other non-current non-financial assets		**4,762**	4,784
Deferred income tax assets		**61,037**	34,035
		11,704,904	10,545,725
Current assets			
Inventories		**348,317**	259,497
VAT receivable		**21,413**	24,845
Income tax prepaid		**18,731**	24,900
Trade accounts receivable	18	**833,841**	418,255
Short-term bank deposits	16	**609,447**	510,513
Loans and receivables due from related parties		**449,353**	485,765
Other current financial assets	18	**159,391**	329,503
Other current non-financial assets	18	**91,347**	76,614
Cash and cash equivalents	19	**973,258**	975,849
		3,505,098	3,105,741
Assets classified as held for sale		**386**	795
		3,505,484	3,106,536
Total assets		**15,210,388**	13,652,261

The accounting policies and explanatory notes on pages 9 through 37 form an integral part of these interim condensed consolidated financial statements.

INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)

In millions of tenge	Note	June 30, 2022 (unaudited)	December 31, 2021 (audited)
Equity and liabilities			
Equity			
Share capital		**916,541**	916,541
Additional paid-in capital		**1,142**	1,142
Other capital reserves		**(27,007)**	10,113
Currency translation reserve		**2,690,703**	2,260,533
Retained earnings		**5,414,887**	5,059,634
Attributable to equity holders of the Parent Company		**8,996,266**	8,247,963
Non-controlling interests		**(70,007)**	(89,282)
Total equity		**8,926,259**	8,158,681
Non-current liabilities			
Borrowings	20	**3,578,712**	3,261,347
Provisions		**226,274**	222,936
Lease liabilities		**40,801**	36,106
Other non-current financial liabilities	21	**15,666**	15,915
Other non-current non-financial liabilities	21	**37,560**	39,229
Deferred income tax liabilities		**660,036**	545,763
		4,559,049	4,121,296
Current liabilities			
Borrowings	20	**355,985**	484,980
Provisions		**19,377**	22,309
Income tax payable		**27,332**	6,882
Trade accounts payable	21	**870,116**	519,201
Other taxes payable		**186,443**	126,424
Lease liabilities		**9,931**	8,988
Other current financial liabilities	21	**112,762**	69,231
Other current non-financial liabilities	21	**143,134**	134,269
		1,725,080	1,372,284
Total liabilities		**6,284,129**	5,493,580
Total equity and liabilities		**15,210,388**	13,652,261
Book value per ordinary share* – tenge thousands		**14.325**	13.074

**The number of ordinary shares as of June 30, 2022 and December 31, 2021 equaled to 610,119,493. Presentation of Book value per ordinary share is a non-IFRS measure required by KASE.*

Deputy Chairman of the Management Board for Economy and Finance ____________ *D.S. Karabayev*

Chief accountant ____________ *A.S. Yesbergenova*

The accounting policies and explanatory notes on pages 9 through 37 form an integral part of these interim condensed consolidated financial statements.

INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2022

In millions of tenge	Note	For the six months ended June 30, 2022 (unaudited)	2021 (unaudited) (restated)*
Cash flows from operating activities			
Profit before income tax from continuing operations		**811,560**	495,773
Profit before income tax from discontinued operations		**–**	277,857
Profit before income tax		**811,560**	773,630
Adjustments:			
Depreciation, depletion and amortization		**163,416**	160,082
Depreciation, depletion and amortization from discontinued operations	4	**–**	37,312
(Reversal of impairment)/impairment of property, plant and equipment, exploration and evaluation assets, intangible assets and assets classified as held for sale		**(630)**	3,774
Exploration expenses		**–**	19,800
Realized losses from derivatives on petroleum products	9	**78,908**	7,879
Finance income	13	**(52,902)**	(34,645)
Finance income from discontinued operations	4	**–**	(11,442)
Finance costs	13	**153,361**	115,824
Finance costs from discontinued operations	4	**–**	21,365
Loss on disposal of subsidiaries		**–**	1,351
Gain on sale of joint venture		**–**	(2,674)
Share in profit of joint ventures and associates, net	7	**(643,548)**	(324,165)
Share in profit of joint ventures and associates from discontinued operations, net	4	**–**	(157,059)
Movements in provisions		**20,193**	(6,270)
Net foreign exchange loss		**61,439**	1,987
Write off of inventories to net realizable value		**8,976**	3,377
Loss/(gain) on disposal of property, plant and equipment, intangible assets, investment property and assets held for sale, net		**793**	(5,222)
Other adjustments		**2,844**	6,039
Operating profit before working capital changes		**604,410**	610,943
Change in VAT receivable		**3,302**	60,957
Change in inventory		**(127,205)**	(29,602)
Change in trade accounts receivable and other current assets		**(420,697)**	(135,047)
Change in trade and other payables and contract liabilities		**277,454**	(29,396)
Change in other taxes payable		**41,657**	(5,080)
Cash generated from operations		**378,921**	472,775
Dividends received from joint ventures and associates	17	**123,038**	121,620
Income taxes paid		**(55,362)**	(31,202)
Interest received		**17,168**	18,837
Interest paid		**(109,610)**	(138,286)
Net cash flow from operating activities		**354,155**	443,744

The accounting policies and explanatory notes on pages 9 through 37 form an integral part of these interim condensed consolidated financial statements.

INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS (continued)

In millions of tenge	Note	For the six months ended June 30, 2022 (unaudited)	2021 (unaudited) (restated)*
Cash flows from investing activities			
Placement of bank deposits		**(503,950)**	(228,441)
Withdrawal of bank deposits		**454,519**	266,209
Purchase of property, plant and equipment, intangible assets and exploration and evaluation assets		**(166,392)**	(153,077)
Proceeds from sale of property, plant and equipment, exploration and evaluation assets and assets held for sale		**1,382**	68,759
Additional contributions to joint ventures without changes in ownership	17	**(67)**	(1,926)
Proceeds from disposal of subsidiaries, net of cash disposed		**–**	728
Loans given to related parties		**(33,156)**	(24,268)
Repayment of loans due from related parties		**12,958**	12,282
Other		**(793)**	73
Net cash flows used in investing activities		**(235,499)**	(59,661)
Cash flows from financing activities			
Proceeds from borrowings	20	**108,460**	165,933
Repayment of borrowings	20	**(75,088)**	(167,820)
Dividends paid to Samruk-Kazyna and National Bank of RK	22	**(199,997)**	(45,212)
Dividends paid to non-controlling interests		**(1,003)**	(5,078)
Distributions to Samruk-Kazyna		**(1,762)**	(600)
Reservation of cash for payment of borrowings	20	**–**	(32,799)
Repayment of principal of lease liabilities		**(7,113)**	(12,142)
Net cash flows used in financing activities		**(176,503)**	(97,718)
Effects of exchange rate changes on cash and cash equivalents		**55,128**	12,807
Change in allowance for expected credit losses		**128**	(92)
Net change in cash and cash equivalents		**(2,591)**	299,080
Cash and cash equivalents, at the beginning of the period		**975,849**	1,145,864
Cash and cash equivalents, at the end of the period		**973,258**	1,444,944

** Certain numbers shown here do not correspond to the interim condensed consolidated financial statements for the three and six months ended June 30, 2021 and reflect adjustments made, refer to Note 4.*

NON-CASH TRANSACTIONS

In June and November 2021, the Group made reservation of cash in amount of 292,258 million tenge for repayment of loan from The Export-Import Bank of China, including interest accrued. The loan was repaid in July 2021 for 32,799 million tenge and in January 2022 for 259,459 million tenge (Note 18 and 20). Repayment of the loan was treated as non-cash transaction.

Deputy Chairman of the Management Board for Economy and Finance ______ *D.S. Karabayev*

Chief accountant ______ *A.S. Yesbergenova*

INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the and six months ended 30 June 2022

	Attributable to equity holders of the Parent Company							
In millions of tenge	Share capital	Additional paid-in capital	Other capital reserves	Currency translation reserve	Retained earnings	Total	Non-controlling interests	Total
As at December 31, 2020 (audited)	916,541	8,981	58	2,146,035	5,636,705	8,708,320	(71,641)	8,636,679
Net profit for the period	–	–	–	–	643,859	643,859	574	644,433
Other comprehensive income/(loss)	–	–	(583)	73,383	138	72,938	172	73,110
Total comprehensive income/(loss)	–	–	(583)	73,383	643,997	716,797	746	717,543
Dividends	–	–	–	–	(49,999)	(49,999)	(6,188)	(56,187)
Transactions with Samruk-Kazyna	–	–	–	–	(2,975)	(2,975)	–	(2,975)
Equity contribution to subsidiary	–	–	–	–	–	–	4,967	4,967
As at June 30, 2021 (unaudited)	916,541	8,981	(525)	2,219,418	6,227,728	9,372,143	(72,116)	9,300,027

The accounting policies and explanatory notes on pages 9 through 37 form an integral part of these interim condensed consolidated financial statements.

INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (continued)

	Attributable to equity holders of the Parent Company							
In millions of tenge	Share capital	Additional paid-in capital	Other capital reserves	Currency translation reserve	Retained earnings	Total	Non-controlling interests	Total
As at December 31, 2021 (audited)	916,541	1,142	10,113	2,260,533	5,059,634	8,247,963	(89,282)	8,158,681
Net profit for the period	–	–	–	–	656,162	656,162	20,798	676,960
Other comprehensive income/(loss)	–	–	(37,120)	430,170	1,858	394,908	404	395,312
Total comprehensive income/(loss)	–	–	(37,120)	430,170	658,020	1,051,070	21,202	1,072,272
Acquisition of a joint venture *(Note 5)*	–	–	–	–	(91,175)	(91,175)	–	(91,175)
Dividends *(Note 22)*	–	–	–	–	(199,997)	(199,997)	(1,927)	(201,924)
Distributions to Samruk-Kazyna *(Note 22)*	–	–	–	–	(9,690)	(9,690)	–	(9,690)
Transactions with Samruk-Kazyna	–	–	–	–	(1,905)	(1,905)	–	(1,905)
As at June 30, 2022 (unaudited)	916,541	1,142	(27,007)	2,690,703	5,414,887	8,996,266	(70,007)	8,926,259

Deputy Chairman of the Management Board for Economy and Finance

D.S. Karabayev

Chief accountant

A.S. Yesbergenova

The accounting policies and explanatory notes on pages 9 through 37 form an integral part of these interim condensed consolidated financial statements.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (unaudited)

For the three and six months ended June 30, 2022

1. GENERAL

Joint stock company "National Company "KazMunayGas" (further the Company, JSC NC "KazMunayGas" or Parent Company) is oil and gas enterprise of the Republic of Kazakhstan (further RK), which was established on February 27, 2002 as a closed joint stock company pursuant to the Decree No. 811 of the President of the RK dated February 20, 2002 and the resolution of the Government of the RK (further the Government) No. 248 dated February 25, 2002. The Company was formed as a result of the merger of closed joint stock companies "National Oil and Gas Company Kazakhoil" and "National Company Transport Nefti i Gaza". As the result of the merger, all assets and liabilities, including ownership interest in all entities owned by these companies, have been transferred to the Company. The Company was reregistered as a joint stock company in accordance with the legislation of the RK in March 2004.

Starting from June 8, 2006, the sole shareholder of the Company was joint stock company "Kazakhstan Holding Company for State Assets Management "Samruk", which in October 2008 was merged with the state owned Sustainable Development Fund "Kazyna" and formed joint stock company "National Welfare Fund Samruk-Kazyna", now renamed to joint stock company "Sovereign Wealth Fund Samruk-Kazyna" (further Samruk-Kazyna). The Government is the sole shareholder of Samruk-Kazyna. On August 7, 2015, the National Bank of RK purchased 9.58% plus one share of the Company from Samruk-Kazyna.

As at June 30, 2022, the Company has interest in 60 operating companies (as of December 31, 2021: 60) (jointly "the Group").

The Company has its registered office in the RK, Nur-Sultan, Dinmukhamed Kunayev, 8.

The principal activity of the Group includes, but is not limited, to the following:

- Participation in the development and implementation of the uniform public policy in the oil and gas sector;
- Representation of the state interests in subsoil use contracts through interest participation in those contracts; and
- Corporate governance and monitoring of exploration, development, production, oil servicing, processing, petrochemistry, transportation and sale of hydrocarbons and the designing, construction and maintenance of oil pipeline and field infrastructure.

The interim condensed consolidated financial statements comprise the financial statements of the Company and its controlled subsidiaries.

These interim condensed consolidated financial statements of the Group were approved for issue by the Deputy Chairman of the Management Board for Economy and Finance and the Chief accountant on August 12, 2022.

2. BASIS OF PREPARATION

The interim condensed consolidated financial statements for the three and six months ended June 30, 2022 have been prepared in accordance with IAS 34 *Interim Financial Reporting* issued by the International Accounting Standards Board. These interim condensed consolidated financial statements do not include all the information and disclosures required in the annual consolidated financial statements, and should be read in conjunction with the Group's annual consolidated financial statements for the year ended December 31, 2021.

Foreign currency translation

Functional and presentation currency

Items included in the financial statements of each of the Group's entities included in these interim condensed consolidated financial statements are measured using the currency of the primary economic environment in which the entities operate (further the functional currency). The interim condensed consolidated financial statements are presented in Kazakhstan tenge (further tenge or KZT), which is the Company's functional and presentation currency.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the consolidated statement of comprehensive income.

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

2. BASIS OF PREPARATION (continued)

Foreign currency translation (continued)

Transactions and balances (continued)

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined.

Differences arising on settlement or translation of monetary items are recognized in profit or loss with the exception of monetary items that are designated as part of the hedge of the Group's net investment in foreign operation. These are recognized in other comprehensive income until the net investment is disposed of, at which time, the cumulative amount is reclassified to profit or loss. Tax charges and credits attributable to exchange differences on those monetary items are also recorded in other comprehensive income.

Group Companies

The results and financial position of all of the Group's subsidiaries, joint ventures and associates that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- Assets and liabilities for each statement of financial position presented are translated at the closing rate at that reporting date;
- Income and expenses for each statement of comprehensive income presented are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the date of the transaction); and
- All resulting exchange differences are recognized as a separate component of other comprehensive income.

Exchange rates

Weighted average currency exchange rates established by the Kazakhstan Stock Exchange (further KASE) are used as official currency exchange rates in the RK. The currency exchange rate of KASE as at June 30, 2022 and December 31, 2021 were 470.34 and 431.80 tenge to 1 United States dollar (further US dollar), respectively. These rates were used to translate monetary assets and liabilities denominated in US dollar as at June 30, 2022 and December 31, 2021. The weighted average rate for six months ended June 30, 2022 was 450.06 tenge to 1 US dollar (for the six months ended June 30, 2021: 424.22 tenge to 1 US dollar). The currency exchange rate of KASE as at August 12, 2022 was 476.01 tenge to 1 US dollar. For the six months ended June 30, 2022, the Group had net foreign exchange loss of KZT 39,920 million due to fluctuations in foreign exchange rates to tenge.

Renegotiation of loans in the context of IBOR reform

In the context of IBOR reform, some financial instruments have already been amended or will be amended as they transition from IBORs to risk free rates (further RFR). In addition to the interest rate of a financial instrument changing, there may be other changes made to the terms of the financial instrument at the time of transition. For financial instruments measured at amortised cost, the Group first applies the following practical expedients:

- A practical expedient to require contractual changes, or changes to cash flows that are directly required by the reform, to be treated as changes to a floating interest rate, equivalent to a movement in a market rate of interest;
- Permit changes required by IBOR reform to be made to hedge designations and hedge documentation without the hedging relationship being discontinued;
- Provide temporary relief to entities from having to meet the separately identifiable requirement when an RFR instrument is designated as a hedge of a risk component.

Second, for any changes not covered by the practical expedient, the Group applies judgement to assess whether the changes are substantial and if they are, the financial instrument is derecognized and a new financial instrument is recognized. If the changes are not substantial, the Group adjusts the gross carrying amount of the financial instrument by the present value of the changes not covered by the practical expedient, discounted using the revised effective interest rate.

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Business combinations and goodwill

Acquisition of joint ventures and associates from parties under common control

Acquisition of joint ventures and associates from parties under common control are accounted for using the pooling of interest method.

The Group's share in the assets and liabilities of the joint ventures and associates transferred under common control is recorded in the consolidated financial statements at the carrying amounts of the transferring entity (the Predecessor) at the date of the transfer. Any difference between the Group's share in the total book value of net assets, and the consideration paid is accounted for in the consolidated financial statements as an adjustment to equity.

Changes in accounting policies and disclosures

New and amended standards and interpretations

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 December 31, 2021, except for the adoption of new standards and interpretations effective as of January 1, 2022. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

Several amendments and interpretations apply for the first time in 2022, but do not have an impact on the interim condensed consolidated financial statements of the Group.

The Group presented only the list of standards effective and applicable for the Group.

Onerous Contracts – Costs of Fulfilling a Contract – Amendments to IAS 37

The amendments specify that when assessing whether a contract is onerous or loss-making, an entity needs to include costs that relate directly to a contract to provide goods or services include both incremental costs and an allocation of costs directly related to contract activities. General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract. These amendments had no impact on the interim condensed consolidated financial statements of the Group as there were no onerous contracts identified.

Reference to the Conceptual Framework – Amendments to IFRS 3

The amendments add an exception to the recognition principle of IFRS 3 *Business Combinations* to avoid the issue of potential 'day 2' gains or losses arising for liabilities and contingent liabilities that would be within the scope of IAS 37 *Provisions, Contingent Liabilities and Contingent Assets* or IFRIC 21 *Levies*, if incurred separately. The exception requires entities to apply the criteria in IAS 37 or IFRIC 21, respectively, instead of the Conceptual Framework, to determine whether a present obligation exists at the acquisition date. These amendments had no impact on the interim condensed consolidated financial statements of the Group as there were no contingent assets, liabilities and contingent liabilities within the scope of these amendments arisen during the period.

Property, Plant and Equipment: Proceeds before Intended Use – Amendments to IAS 16

The amendment prohibits entities from deducting from the cost of an item of property, plant and equipment, any proceeds of the sale of items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognizes the proceeds from selling such items, and the costs of producing those items, in profit or loss. These amendments had no impact on the interim condensed consolidated financial statements of the Group as there were no sales of such items produced by property, plant and equipment made available for use on or after the beginning of the earliest period presented.

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Changes in accounting policies and disclosures (continued)

New and amended standards and interpretations (continued)

IFRS 9 Financial Instruments – Fees in the '10 per cent' test for derecognition of financial liabilities

The amendment clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. There is no similar amendment proposed for IAS 39 *Financial Instruments: Recognition and Measurement*. These amendments had no impact on the interim condensed consolidated financial statements of the Group as there were no modifications of the Group's financial instruments during the period.

4. DISCONTINUED OPERATIONS IN COMPARATIVE PERIOD

On November 8, 2021, the Company classified its subsidiary KazTransGas JSC (further KTG) as disposal group held for sale. On November 9, 2021, the Company transferred to Samruk-Kazyna 100% shares of KTG for 1 tenge. Accordingly, in the consolidated financial statements of the Group for the year ended 31 December 2021, KTG was classified as a discontinued operation.

In order to reflect effect of such classification in these interim consolidated financial statements, the Group restated retrospectively the interim consolidated statement of comprehensive income and the interim consolidated statement of cashflows, as well as the related notes to the interim condensed consolidated financial statements for the three and six months ended June 30, 2021.

The business of KTG represented the entirety of the Group's *Gas trading and transportation* segment. With KTG being classified as discontinued operation, the *Gas trading and transportation* segment is no longer presented in the segment note, including the comparative period.

The results of KTG for the three and six months ended June 30, 2021 are presented below:

In millions of tenge	**For the three months ended June 30, 2021**	**For the six months ended June 30, 2021**
Revenue	209,084	450,091
Share in profit of joint ventures, net	81,452	157,059
Finance income	5,904	11,442
Other operating income	15,058	16,765
Total revenue and other income from discontinued operations	**311,498**	**635,357**
Cost of purchased gas and other materials	(48,978)	(67,853)
Production expenses	(17,524)	(37,961)
Taxes other than income tax	(3,695)	(7,355)
Depreciation, depletion and amortization	(18,317)	(37,312)
Transportation and selling expenses	(76,486)	(168,646)
General and administrative expenses	(5,901)	(11,665)
Finance costs	(11,564)	(21,365)
Foreign exchange loss, net	(5,422)	(4,438)
Other expenses	(512)	(905)
Total expenses from discontinued operations	**(188,399)**	**(357,500)**
Profit before income tax from discontinued operations	**123,099**	**277,857**
Income tax expenses	(12,175)	(23,112)
Profit for the period from discontinued operations	**110,924**	**254,745**

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

4. DISCONTINUED OPERATIONS IN COMPARATIVE PERIOD (continued)

The net cash flows incurred by KTG for the six months ended June 30, 2021 were as follows:

In millions of tenge	**For the six months ended June 30, 2021**
Operating	158,282
Investing	65,604
Financing	(13,628)
Net increase in cash and cash equivalents	**210,729**

5. ACQUISITION OF JOINT VENTURE UNDER COMMON CONTROL

On June 13, 2022, Samruk-Kazyna transferred 49.50% of the shares Kazakhstan Petrochemical Industries Inc. LLP (further KPI) to the Company. The cost of the acquisition was 91,175 million tenge. KPI is engaged in the implementation of the investment project "Construction of the first integrated petrochemical complex in Atyrau region".

49.50% interests in KPI was accounted for as an acquisition of the joint venture from the parties under common control and accounted for under pooling of interest method based on its carrying value. Samruk-Kazyna Ondeu LLP (subsidiary of Samruk-Kazyna) and the Company have joint control over the KPI where decisions about the relevant activities of KPI require the unanimous consent.

The following table illustrate carrying value of KPI assets and liabilities as at the date of the acquisition (based on Predecessor's accounting books):

In millions of tenge	
Non-current assets	852,587
Current assets	81,276
Non-current liabilities	(859,691)
Current liabilities	(77,754)
Net assets	**(3,582)**
Share of ownership	49.50%
The Group's share in net assets	**(1,773)**
Purchase consideration transferred	91,175
Difference between consideration and carrying value of the investment in joint venture recognized in equity	91,175

6. REVENUE FROM CONTRACTS WITH CUSTOMERS

	For the three months ended June 30,		For the six months ended June 30,	
In millions of tenge	**2022 (unaudited)**	2021 (unaudited) (restated)	**2022 (unaudited)**	2021 (unaudited) (restated)
Type of goods and services				
Sales of crude oil and gas	**1,179,477**	750,914	**2,386,316**	1,382,482
Sales of refined products	**902,447**	559,846	**1,498,893**	975,631
Refining of oil and oil products	**56,143**	55,467	**107,389**	102,459
Oil transportation services	**44,153**	42,284	**84,454**	84,276
Other revenue	**63,777**	71,073	**126,098**	127,180
	2,245,997	1,479,584	**4,203,150**	2,672,028
Geographical markets				
Kazakhstan	**297,674**	254,733	**531,377**	442,534
Other countries	**1,948,323**	1,224,851	**3,671,773**	2,229,494
	2,245,997	1,479,584	**4,203,150**	2,672,028

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

7. SHARE IN PROFIT OF JOINT VENTURES AND ASSOCIATES, NET

	For the three months ended June 30,		For the six months ended June 30,	
In millions of tenge	2022 (unaudited)	2021 (unaudited) (restated)	2022 (unaudited)	2021 (unaudited) (restated)
Joint ventures				
Tengizchevroil LLP	**201,213**	109,664	**401,091**	199,005
KMG Kashagan B.V.	**53,020**	22,312	**97,303**	30,798
Mangistau Investments B.V.	**6,050**	14,740	**40,587**	26,794
KazGerMunay LLP	**6,060**	3,846	**10,758**	4,099
Kazakhstan-China Pipeline LLP	**6,295**	4,231	**8,977**	6,881
KazRosGas LLP	**5,998**	7,320	**8,512**	9,165
Valsera Holdings B.V.	**6,983**	636	**5,537**	4,551
Kazakhoil-Aktobe LLP	**2,763**	1,914	**5,170**	2,737
Teniz Service LLP	**(2,341)**	(2,452)	**(2,015)**	(3,096)
Ural Group Limited	**(2,222)**	(3,473)	**(4,491)**	(5,220)
Other	**36**	1,231	**1,087**	1,828
Associates				
Caspian Pipeline Consortium	**41,105**	17,316	**63,709**	39,321
PetroKazakhstan Inc.	**(881)**	3,725	**2,745**	5,832
Other	**2,633**	1,036	**4,578**	1,470
	326,712	182,046	**643,548**	324,165

8. COST OF PURCHASED OIL, GAS, PETROLEUM PRODUCTS AND OTHER MATERIALS

	For the three months ended June 30,		For the six months ended June 30,	
In millions of tenge	2022 (unaudited)	2021 (unaudited) (restated)	2022 (unaudited)	2021 (unaudited) (restated)
Purchased oil for resale	**1,041,052**	647,464	**2,149,835**	1,216,468
Cost of oil for refining	**175,196**	162,364	**413,961**	251,415
Materials and supplies	**99,497**	61,783	**175,046**	112,835
Purchased gas for resale	**21,476**	12,316	**42,870**	23,573
Purchased petroleum products for resale	**15,055**	9,031	**36,246**	16,834
	1,352,276	892,958	**2,817,958**	1,621,125

9. PRODUCTION EXPENSES

	For the three months ended June 30,		For the six months ended June 30,	
In millions of tenge	2022 (unaudited)	2021 (unaudited) (restated)	2022 (unaudited)	2021 (unaudited) (restated)
Payroll	**112,184**	75,291	**187,959**	146,951
Realized losses from derivatives on petroleum products	**33,893**	5,819	**78,908**	7,879
Energy	**31,929**	21,278	**63,497**	43,577
Repair and maintenance	**40,429**	28,294	**63,431**	45,540
Short-term lease expenses	**22,745**	6,594	**35,137**	13,383
Transportation costs	**16,916**	10,878	**30,448**	21,179
Others	**33,713**	20,868	**22,826**	34,307
	291,809	169,022	**482,206**	312,816

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

10. TAXES OTHER THAN INCOME TAX

In millions of tenge	For the three months ended June 30, 2022 (unaudited)	2021 (unaudited) (restated)	For the six months ended June 30, 2022 (unaudited)	2021 (unaudited) (restated)
Rent tax on crude oil export	**66,829**	29,074	**103,360**	55,583
Export customs duty	**39,380**	28,828	**60,132**	49,231
Mineral extraction tax	**29,410**	21,426	**58,532**	41,763
Other taxes	**45,877**	22,578	**69,147**	43,341
	181,496	101,906	**291,171**	189,918

11. TRANSPORTATION AND SELLING EXPENSES

In millions of tenge	For the three months ended June 30, 2022 (unaudited)	2021 (unaudited) (restated)	For the six months ended June 30, 2022 (unaudited)	2021 (unaudited) (restated)
Transportation	**26,831**	23,837	**46,146**	44,055
Payroll	**3,494**	3,013	**7,156**	6,017
Other	**7,918**	8,193	**16,509**	15,480
	38,243	35,043	**69,811**	65,552

12. GENERAL AND ADMINISTRATIVE EXPENSES

In millions of tenge	For the three months ended June 30, 2022 (unaudited)	2021 (unaudited) (restated)	For the six months ended June 30, 2022 (unaudited)	2021 (unaudited) (restated)
Payroll	**15,704**	13,349	**31,696**	27,341
Consulting services	**4,079**	3,543	**6,718**	6,554
Maintenance	**1,422**	1,131	**2,828**	2,167
Social payments	**1,054**	788	**2,030**	1,842
VAT that could not be offset	**809**	568	**1,477**	1,199
Accrual of expected credit losses for trade receivables and other current financial assets	**646**	3,359	**928**	3,105
Communication	**424**	294	**758**	770
Accrual/(reversal) of impairment of other current non-financial assets	**78**	(35)	**262**	75
Allowance for fines, penalties and tax provisions	**147**	1,490	**237**	1,513
Accrual/(reversal) of impairment of VAT receivable	**30**	(353)	**55**	(2,075)
Other	**9,786**	7,100	**19,804**	14,588
	34,179	31,234	**66,793**	57,079

For the six months ended June 30, 2022, the total payroll amounted to 226,811 million tenge (for the six months ended June 30, 2021: 180,309 million tenge) and was included in production expenses, transportation and selling expenses and general and administrative expenses in the interim condensed consolidated financial statements.

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

13. FINANCE INCOME/FINANCE COSTS

Finance income

In millions of tenge	For the three months ended June 30, 2022 (unaudited)	2021 (unaudited) (restated)	For the six months ended June 30, 2022 (unaudited)	2021 (unaudited) (restated)
Interest income on bank deposits, financial assets, loans and bonds	**29,571**	17,206	**49,490**	31,890
Amortization of issued financial guarantees	**–**	566	**–**	1,131
Total interest income	**29,571**	17,772	**49,490**	33,021
Revaluation of financial assets at fair value through profit or loss	**(662)**	31	**154**	448
Other	**1,674**	832	**3,258**	1,176
	30,583	18,635	**52,902**	34,645

Finance costs

In millions of tenge	For the three months ended June 30, 2022 (unaudited)	2021 (unaudited) (restated)	For the six months ended June 30, 2022 (unaudited)	2021 (unaudited) (restated)
Interest expense on loans and bonds	**61,063**	52,780	**120,100**	104,249
Commission for the early redemption of the loan *(Note 20)*	**–**	–	**4,498**	–
Interest expense on lease liabilities	**740**	772	**1,435**	1,530
Total interest expense	**61,803**	53,552	**126,033**	105,779
Write-off of transaction costs due to early redemption of the loan *(Note 20)*	**–**	–	**13,035**	–
Unwinding of discount on asset retirement obligations, for environmental obligation and other provisions	**2,496**	2,146	**4,343**	3,648
Unwinding of discount on employee benefits obligations	**1,114**	973	**2,016**	1,781
Other	**4,245**	935	**7,934**	4,616
	69,658	57,606	**153,361**	115,824

14. INCOME TAX EXPENSES

In millions of tenge	For the three months ended June 30, 2022 (unaudited)	2021 (unaudited) (restated)	For the six months ended June 30, 2022 (unaudited)	2021 (unaudited) (restated)
Current income tax				
Corporate income tax	**39,671**	39,582	**78,693**	66,831
Withholding tax on dividends and interest income	**10,183**	5,762	**10,731**	6,005
Excess profit tax	**3,589**	38	**3,589**	38
Deferred income tax				
Corporate income tax	**(26,668)**	1,938	**(28,816)**	3,371
Withholding tax on dividends	**25,182**	16,450	**70,164**	29,851
Excess profit tax	**–**	(9)	**239**	(11)
Income tax expenses	**51,957**	63,761	**134,600**	106,085

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

15. PROPERTY, PLANT AND EQUIPMENT

In millions of tenge	Oil and gas assets	Pipelines	Refinery assets	Buildings and improve-ments	Machinery and equipment	Vehicles	Other	Capital work in progress	Total
Net book value as at December, 2020 (audited)	1,083,615	808,757	1,171,110	289,702	453,821	84,661	111,947	366,132	4,369,745
Foreign currency translation	8,540	695	4,295	1,095	766	577	1,202	3,570	20,740
Additions	3,942	2,704	2,129	55	27,450	4,274	1,075	118,435	160,064
Change in estimate	(2,729)	(104)	–	(12)	–	–	–	–	(2,845)
Disposals	(15,614)	(6,440)	(35,899)	(586)	(1,481)	(3,893)	(1,647)	(366)	(65,926)
Loss of control over subsidiaries	–	–	–	(426)	(416)	(221)	(184)	(38)	(1,285)
Depreciation charge	(57,354)	(14,887)	(57,398)	(9,292)	(19,063)	(5,371)	(5,613)	–	(168,978)
Accumulated depreciation and impairment on disposals	13,241	6,134	8,062	520	1,331	3,189	1,493	298	34,268
Reversal/(impairment)	10	–	–	–	10	–	1	(7)	14
Transfers to assets classified as held for sale	–	–	(24)	(11,534)	(33,670)	(3,635)	(457)	–	(49,320)
Transfers from investment property	–	–	–	791	–	–	7	–	798
Transfers from exploration and evaluation assets	145	–	–	–	–	–	–	–	145
Other changes	44	1,596	23	1	20	3	76	149	1,912
Transfers	45,615	8,281	7,069	3,346	38,633	378	16,901	(120,223)	–
Net book value as at June 30, 2021 (unaudited)	1,079,455	806,736	1,099,367	273,660	467,401	79,962	124,801	367,950	4,299,332
At cost	2,280,868	1,070,653	2,531,251	585,139	908,028	210,935	262,261	422,620	8,271,755
Accumulated depreciation and impairment	(1,201,413)	(263,917)	(1,431,884)	(311,479)	(440,627)	(130,973)	(137,460)	(54,670)	(3,972,423)
Net book value as at June 30, 2021 (unaudited)	1,079,455	806,736	1,099,367	273,660	467,401	79,962	124,801	367,950	4,299,332

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

15. PROPERTY, PLANT AND EQUIPMENT (continued)

In millions of tenge	Oil and gas assets	Pipelines	Refinery assets	Buildings and improvements	Machinery and equipment	Vehicles	Other	Capital work in progress	Total
Net book value as at December 31, 2021 (audited)	1,126,550	262,717	1,121,420	211,823	239,191	75,225	109,016	260,038	3,405,980
Foreign currency translation	49,361	2,465	25,749	8,056	4,572	2,760	6,849	12,545	112,357
Change in estimate	(15,573)	(7,285)	–	(3,289)	–	–	–	–	(26,147)
Additions	3,613	50	114	13,631	2,186	182	267	137,005	157,048
Disposals	(9,960)	(204)	(335)	(415)	(2,700)	(2,545)	(1,249)	(226)	(17,634)
Depreciation charge	(59,210)	(7,030)	(53,865)	(8,471)	(14,337)	(4,574)	(5,461)	–	(152,948)
Accumulated depreciation and impairment on disposals	8,907	204	322	354	2,660	1,958	951	183	15,539
(Impairment)/reversal of impairment	–	(20)	–	–	9	491	129	21	630
Transfers from/(to) assets classified as held for sale	–	–	–	422	(24)	(24)	27	–	401
Transfers from investment property	–	–	–	1,553	–	–	–	–	1,553
Other changes	2	(54)	–	–	11	–	24	158	141
Transfers	57,137	2,115	7,510	7,075	26,291	385	1,739	(102,252)	–
Net book value as at June 30, 2022 (unaudited)	1,160,827	252,958	1,100,915	230,739	257,859	73,858	112,292	307,472	3,496,920
At cost	2,492,953	395,161	2,753,813	550,712	629,484	218,558	259,202	357,877	7,657,760
Accumulated depreciation and impairment	(1,332,126)	(142,203)	(1,652,898)	(319,973)	(371,625)	(144,700)	(146,910)	(50,405)	(4,160,840)
Net book value as at June 30, 2022 (unaudited)	1,160,827	252,958	1,100,915	230,739	257,859	73,858	112,292	307,472	3,496,920

15. PROPERTY, PLANT AND EQUIPMENT (continued)

Additions

For the six months ended June 30, 2022 additions to capital work in progress are mainly attributable to development drilling at Embamunaigas JSC, Ozenmunaigas JSC, subsidiaries of KazMunaiGas Exploration Production JSC, and KMG Karachaganak LLP for the total of 76,237 million tenge, overhauls at the plant facilities at Rompetrol Rafinare, subsidiary of KMG International N.V. (further KMGI) for 23,053 million tenge, replacement of "Uzen-Atyray-Samara" and "Astrakhan-Mangyshlak" pipelines for the total amount of 14,652 million tenge at KazTransOil JSC.

Other

For the six months ended June 30, 2022, the Group capitalized to the carrying amount of property, plant and equipment borrowing costs in amount of 227 million tenge related to the construction of those property, plant and equipment at the average interest rate of 6.70% (for the year ended December 31, 2021: 32 million tenge at the average interest rate of 2.10%).

As at June 30, 2022, the cost of fully depreciated but still in use property, plant and equipment was 344,950 million tenge (December 31, 2021: 329,282 million tenge).

As at June 30, 2022, property, plant and equipment with the net book value of 831,032 million tenge (December 31, 2021: 837,744 million tenge) were pledged as collateral to secure borrowings of the Group.

Capital commitments are disclosed in *Note 24*.

16. BANK DEPOSITS

In millions of tenge	**June 30, 2022 (unaudited)**	December 31, 2021 (audited)
Denominated in US dollar	**663,495**	559,244
Denominated in tenge	**6,617**	7,527
Less: allowance for expected credit losses	**(232)**	(200)
	669,880	566,571

As at June 30, 2022, the weighted average interest rate for long-term bank deposits was 0.94% in US dollars and 0.86% in tenge (December 31, 2021: 1.04% in US dollars and 0.94% in tenge).

As at June 30, 2022, the weighted average interest rate for short-term bank deposits was 1.31% in US dollars and 1.40% in tenge (December 31, 2021: 0.27% in US dollars and 5.68% in tenge).

Bank deposits have maturities as detailed below:

In millions of tenge	**June 30, 2022 (unaudited)**	December 31, 2021 (audited)
Maturities under 1 year	**609,447**	510,513
Maturities between 1 and 2 years	**170**	140
Maturities over 2 years	**60,263**	55,918
	669,880	566,571

As at June 30, 2022 bank deposits include those pledged as collateral of 60,433 million tenge (December 31, 2021: 56,058 million tenge), which are represented mainly by 56,262 million tenge at restricted bank accounts designated as a liquidation fund per requirements of subsoil use contracts (December 31, 2021: 51,163 million tenge).

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

17. INVESTMENTS IN JOINT VENTURES AND ASSOCIATES

			June 30, 2022 (unaudited)		December 31, 2021 (audited)	
In millions of tenge	Main activity	Place of business	Carrying value	Percentage ownership	Carrying value	Percentage ownership
Joint ventures						
Tengizchevroil LLP	Oil and gas exploration and production	Kazakhstan	**3,737,729**	**20.00%**	3,105,942	20.00%
KMG Kashagan B.V.	Oil and gas exploration and production	Kazakhstan	**2,721,148**	**50.00%**	2,404,820	50.00%
Mangistau Investments B.V.	Oil and gas development and production	Kazakhstan	**205,893**	**50.00%**	207,410	50.00%
KazRosGas LLP	Processing and sale of natural gas and refined gas products	Kazakhstan	**68,124**	**50.00%**	54,317	50.00%
Ural Group Limited	Oil and gas exploration and production	Kazakhstan	**44,364**	**50.00%**	41,453	50.00%
Kazakhstan-China Pipeline LLP	Oil transportation	Kazakhstan	**29,331**	**50.00%**	25,355	50.00%
Kazakhoil-Aktobe LLP	Production of crude oil	Kazakhstan	**23,932**	**50.00%**	25,262	50.00%
KazGerMunay LLP	Oil and gas exploration and production	Kazakhstan	**27,600**	**50.00%**	32,289	50.00%
Teniz Service LLP	Design, construction and operation of infrastructure facilities, offshore oil operations support	Kazakhstan	**14,878**	**48.996%**	16,894	48.996%
Valsera Holdings B.V.	Oil refining	Kazakhstan	**14,725**	**50.00%**	9,590	50.00%
Other			**31,404**		30,525	
Associates						
Caspian Pipeline Consortium	Transportation of liquid hydrocarbons	Kazakhstan/Russia	**509,393**	**20.75%**	473,880	20.75%
PetroKazakhstan Inc.	Exploration, production and processing of oil and gas	Kazakhstan	**92,363**	**33.00%**	84,905	33.00%
Other			**43,957**		37,742	
			7,564,841		6,550,384	

17. INVESTMENTS IN JOINT VENTURES AND ASSOCIATES (continued)

All of the above joint ventures and associates are strategic for the Group's business.

As at June 30, 2022, the Group's share in unrecognized losses of joint ventures and associates was equal to 4,335 million tenge (December 31, 2021: 1,811 million tenge).

The following table summarizes the movements in the investments of joint ventures and associates during the six months ended June 30, 2022 and 2021:

In millions of tenge	2022	2021
On January 1 (audited)	**6,550,384**	6,471,021
Share in profits of joint ventures and associates, net *(Notes 4 and 7)*	**643,548**	481,224
Dividends received	**(123,038)**	(121,620)
Change in dividends receivable	**(80,699)**	(25,611)
Other changes in the equity of the joint venture	**4,054**	2,020
Additional contributions without change in ownership	**67**	1,926
Eliminations and adjustments*	**(402)**	–
Foreign currency translation	**570,927**	96,474
On June 30 (unaudited)	**7,564,841**	6,905,434

**Equity method eliminations and adjustments represent unrealized income from sale of inventory from joint ventures to subsidiaries and capitalized borrowing costs on the loans provided by the Company and subsidiaries to joint ventures.*

On October 16, 2015, the Group sold 50% of its shares in KMG Kashagan B.V. to Samruk-Kazyna with a right to buy back all or part of the shares (further Option) effective from January 1, 2018 to December 31, 2020 which was later extended to December 31, 2022. In 2017, the Amsterdam Court imposed certain restrictions on 50% of shares in KMG Kashagan B.V. owned by Samruk-Kazyna (further Restrictions). During the Restrictions period, these shares of KMG Kashagan B.V. cannot be sold, transferred or pledge. As of December 31, 2021 the Restrictions remained in force.

On June 14, 2022 the Amsterdam Court lifted previously imposed certain restrictions on 50% of shares in KMG Kashagan B.V. owned by Samruk-Kazyna. Based on the analysis, the Group concluded that the Option does not give the Group substantive voting rights. The Group does not consider exercising the Option economically viable on the existing terms as the Option is out of the money due to the exercise price being significantly higher than the fair value of the 50% interest that the option relates to. Also, the Group analysed its financial ability and concluded that the Group does not have sufficient financial resources to finance the execution of the Option at the current terms of the Option. As a result, the Group does not have control over KMG Kashagan B.V. and continues to account for investments in KMG Kashagan B.V. using the equity method.

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

18. TRADE ACCOUNTS RECEIVABLE AND OTHER CURRENT FINANCIAL AND NON-FINANCIAL ASSETS

In millions of tenge	**June 30, 2022 (unaudited)**	December 31, 2021 (audited)
Trade accounts receivable		
Trade accounts receivable	**862,801**	445,500
Less: allowance for expected credit losses	**(28,960)**	(27,245)
	833,841	418,255
Other current financial assets		
Other receivables	**118,734**	102,699
Dividends receivable	**83,288**	6,375
Reservation of cash for repayment of borrowings	**–**	259,459
Less: allowance for expected credit losses	**(42,631)**	(39,030)
	159,391	329,503
Other current non-financial assets		
Advances paid and prepaid expenses	**50,192**	38,149
Taxes receivable, other than VAT	**33,780**	32,090
Other	**7,488**	6,479
Less: impairment allowance	**(113)**	(104)
	91,347	76,614
Total other current assets	**250,738**	406,117

As at June 30, 2022 and December 31, 2021 the above assets were non-interest bearing.

As at June 30, 2022 trade accounts receivable of 157,679 million tenge are pledged as collateral (December 31, 2021: 131,000 million tenge).

As at December 31, 2021, the Group reserved cash in the amount of 259,459 million tenge for repayment of the loan from The Export-Import Bank of China (further Eximbank), including interest accrued. Cash reserved was used for early redemption of the loan from Eximbank, including interest accrued, in January 2022.

Trade accounts receivable is denominated in the following currencies as of June 30, 2022 and December 31, 2021:

In millions of tenge	**June 30, 2022 (unaudited)**	December 31, 2021 (audited)
US dollars	**612,420**	245,124
Tenge	**113,592**	104,603
Romanian Leu	**96,797**	60,616
Euro	**8,337**	3,615
Other currency	**2,695**	4,297
	833,841	418,255

Set out below is the information about credit risk exposure on the Group's trade receivables using a provision matrix:

		Days past due				
In millions of tenge	**Current**	**<30 days**	**30-60 days**	**61-90 days**	**>91 days**	**Total**
June 30, 2022 (unaudited)						
Expected credit loss rate	**0.17%**	**1.85%**	**1.13%**	**1.41%**	**86.78%**	
Trade accounts receivable	**786,525**	**40,428**	**1,785**	**3,152**	**30,911**	**862,801**
Expected credit loss	**(1,323)**	**(747)**	**(20)**	**(44)**	**(26,826)**	**(28,960)**
December 31, 2021 (audited)						
Expected credit loss rate	0.39%	3.17%	18.42%	8.28%	94.05%	
Trade accounts receivable	405,468	11,088	617	1,661	26,666	445,500
Expected credit loss	(1,561)	(352)	(114)	(138)	(25,080)	(27,245)

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

19. CASH AND CASH EQUIVALENTS

In millions of tenge	**June 30, 2022 (unaudited)**	December 31, 2021 (audited)
Term deposits with banks – US dollar	**565,289**	512,701
Term deposits with banks – tenge	**157,342**	231,944
Term deposits with banks – other currencies	**13,557**	32,343
Current accounts with banks – US dollar	**179,843**	179,097
Current accounts with banks – tenge	**3,009**	7,003
Current accounts with banks – other currencies	**18,814**	10,037
The contracts of reverse repo with original maturities of three months or less	**18,000**	–
Cash in transit	**15,334**	1,557
Cash-on-hand and cheques	**2,112**	1,337
Less: allowance for expected credit losses	**(42)**	(170)
	973,258	975,849

Term deposits with banks are made for various periods of between one day and three months, depending on the immediate cash requirements of the Group.

As at June 30, 2022, the weighted average interest rate for term deposits with banks was 1.45% in US dollars, 12.21% in tenge and 0.04% in other currencies (December 31, 2021: 0.20% in US dollars, 8.67% in tenge and 5.00% in other currencies).

As at June 30, 2022 and December 31, 2021 cash and cash equivalents were not pledged as collateral for obligations of the Group.

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

20. BORROWINGS

In millions of tenge	June 30, 2022 (unaudited)	December 31, 2021 (audited)
Fixed interest rate borrowings	**3,249,935**	3,041,001
Weighted average interest rates	**5.69%**	5.72%
Floating interest rate borrowings	**684,762**	705,326
Weighted average interest rates	**8.12%**	5.78%
	3,934,697	3,746,327

As at June 30, 2022 and December 31, 2021, borrowings are denominated in the following currencies:

In millions of tenge	June 30, 2022 (unaudited)	December 31, 2021 (audited)
US dollar	**3,284,212**	3,213,820
Tenge	**281,362**	294,581
Russian ruble	**349,123**	221,207
Euro	**9,214**	8,424
Other currencies	**10,786**	8,295
	3,934,697	3,746,327

In millions of tenge	June 30, 2022 (unaudited)	December 31, 2021 (audited)
Current portion	**355,985**	484,980
Non-current portion	**3,578,712**	3,261,347
	3,934,697	3,746,327

As at June 30, 2022 and December 31, 2021 the bonds comprised:

In millions of tenge	Issuance amount	Redemption date	Interest	June 30, 2022 (unaudited)	December 31, 2021 (audited)
Bonds					
Bonds LSE 2020	750 million USD	2033	3.50%	**354,834**	325,735
AIX 2019	56 billion KZT	2024	5.00%	**35,451**	33,123
Bonds LSE 2018	1.5 billion USD	2048	6.375%	**696,326**	639,046
Bonds LSE 2018	1.25 billion USD	2030	5.375%	**588,694**	540,156
Bonds LSE 2018	0.5 billion USD	2025	4.75%	**236,279**	216,760
Bonds LSE 2017	1.25 billion USD	2047	5.75%	**569,989**	522,827
Bonds LSE 2017	1 billion USD	2027	4.75%	**467,557**	428,552
Total				**2,949,130**	2,706,199

NOTES TO THE INTERIM CONDENSED CONSOLIDATEDFINANCIAL STATEMENTS (unaudited) (continued)

20. BORROWINGS (continued)

As at June 30, 2022 and December 31, 2021 the borrowings comprised:

In millions of tenge	Issuance amount	Redemption date	Interest	June 30, 2022 (unaudited)	December 31, 2021 (audited)
Loans					
VTB Bank (PJSC)	38 billion RUB	2027	Key Rate of Central Bank of Russian Federation + 2.25%	**349,123**	221,207
The Syndicate of banks (Unicredit Tiriac Bank, ING Bank, BCR, Raiffeisen Bank)	435 million USD[1]	2022-2023	1M Libor + 2.75%, 1M Libor + 2.50%, ON Euribor+2.50%	**148,966**	84,096
Halyk bank JSC (Halyk bank)	151 billion KZT	2024-2025	11.00%	**136,498**	138,119
Development bank of Kazakhstan JSC (DBK)	157 billion KZT	2023-2026	7.00%-9.00%	**109,885**	119,243
Cargill	150 million USD	2023-2024	3M SOFR + 2.61%, 3M Libor + 2.50%, 3M SOFR + 2.98%	**70,956**	43,343
ING Bank NV	250 million USD	2022	COF[3] (1.95%) + 2.00%	**35,254**	24,034
DBK	843.6 million USD	2023	10.99%	**27,287**	34,138
Halyk bank	100 million USD[2]	2024	5.00% (USD), 16.00% (KZT)	**27,135**	43,302
Bank of Tokyo-Mitsubishi UFJ, Ltd (London Branch)	150 million USD	2022	COF (1.60%) + 1.70%	**25,541**	22,385
Credit Agricole	250 million USD	2022	COF (1.72%) + 2.00%	**3,362**	21,533
The Export-Import Bank of China (Eximbank)	1.13 billion USD	2026	6M Libor + 4.10%	**–**	242,555
Other	–	–	–	**51,560**	46,173
Total				**985,567**	1,040,128

[1]75 million USD with revolving credit facility.

[2]Revolving credit facility.

[3]Cost of funding.

20. BORROWINGS (continued)

The increase in carrying value of placed bonds during the six months ended June 30, 2022, is due to the effect of the foreign currency exchange rate on bonds placed at the London Stock Exchange (further LSE) and denominated in US dollars for 238,139 million tenge.

In January 2022, Atyrau Refinery LLP (further Atyrau Refinery) made early fully repayment of the loan from Eximbank for 604 million US dollars (equivalent to 259,459 million tenge), including accrued interest. For the repayment was used the cash reserved in November 2021 *(Note 18)*.

During the six months ended June 30, 2022, KMGI received Syndicated loan used to finance its working capital for the total amount of 126 million US dollars (equivalent to 56,555 million tenge).

The increase in carrying value of the loan from VTB Bank (PJSC) denominated in Russian ruble during the six months ended June 30, 2022, is due to the effect of the foreign currency exchange rate for 123,988 million tenge.

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

20. BORROWINGS (continued)

Changes in liabilities arising from financing activities for the six months ended June 30:

	2022				2021			
In millions of tenge	**Short-term loans**	**Long-term loans**	**Bonds**	**Total**	Short-term loans	Long-term loans	Bonds	Total
On January 1 (audited)	**162,772**	**877,356**	**2,706,199**	**3,746,327**	184,370	916,265	2,977,813	4,078,448
Received in cash	**26,576**	**81,884**	**–**	**108,460**	110,159	55,774	–	165,933
Repayment of principal in cash	**(54,184)**	**(20,384)**	**(520)**	**(75,088)**	(46,300)	(115,233)	(6,287)	(167,820)
Repayment of principal and interest by reserved cash	**–**	**(259,459)**	**–**	**(259,459)**	–	–	–	–
Interest accrued	**4,472**	**38,086**	**77,440**	**119,998**	4,654	32,743	80,879	118,276
Commission for the early redemption of the loan *(Note 13)*	**–**	**4,498**	**–**	**4,498**	–	–	–	–
Write-off of transactions costs due to early redemption of the loan *(Note 13)*	**–**	**13,035**	**–**	**13,035**	–	–	–	–
Interest paid*	**(4,547)**	**(30,046)**	**(74,988)**	**(109,581)**	(4,532)	(27,141)	(106,340)	(138,013)
Foreign currency translation	**9,787**	**13,056**	**233,582**	**256,425**	2,845	1,715	43,956	48,516
Foreign exchange loss	**262**	**123,631**	**7,417**	**131,310**	472	8,573	5,991	15,036
Other	**–**	**(1,228)**	**–**	**(1,228)**	–	(192)	–	(192)
On June 30 (unaudited)	**145,138**	**840,429**	**2,949,130**	**3,934,697**	251,668	872,504	2,996,012	4,120,184
Current portion	**145,138**	**172,287**	**38,560**	**355,985**	251,668	171,423	44,678	467,769
Non-current portion	**–**	**668,142**	**2,910,570**	**3,578,712**	–	701,081	2,951,334	3,652,415

**The repayment of the interest is classified in the statement of cash flows as operating cash flows.*

Covenants

The Group is required to comply with the financial and non-financial covenants under the terms of loan agreements. As of June 30, 2022 and December 31, 2021 the Group complied with all financial and non-financial covenants.

Hedge of net investment in the foreign operations

As at June 30, 2022, certain borrowings denominated in foreign currency were designated as hedge instrument for the net investment in the foreign operations. These borrowings are being used to hedge the Group's exposure to the US dollar foreign exchange risk on these investments. For the six months ended June 30, 2022, loss of 233,582 million tenge (for the six months ended, June 30, 2021: loss of 43,956 million tenge) on the translation of these borrowings were transferred to other comprehensive income and offset against translation gains of the net investments in foreign operations.

20. BORROWINGS (continued)

Hedge of net investment in the foreign operations (continued)

There is an economic relationship between the hedged item and the hedging instrument as the net investment creates a translation risk that will match the foreign exchange risk on the US Dollars borrowings. The Group has established a hedge ratio of 1:1 as the underlying risk of the hedging instrument is identical to the hedged risk component. The hedge ineffectiveness will arise when the amount of the investment in the foreign subsidiary becomes lower than the amount of the fixed rate borrowings. As at June 30, 2022 and December 31, 2021 there was no ineffective portion of the hedge.

21. TRADE ACCOUNTS PAYABLE AND OTHER FINANCIAL AND NON-FINANCIAL LIABILITIES

In millions of tenge	June 30, 2022 (unaudited)	December 31, 2021 (audited)
Trade accounts payable	**870,116**	519,201
Other financial liabilities		
Due to employees	**55,967**	44,401
Other trade payables	**20,889**	16,446
Derivative financial instruments	**29,405**	2,127
Other	**22,167**	22,172
	128,428	85,146
Current portion	**112,762**	69,231
Non-current portion	**15,666**	15,915
Other non-financial liabilities		
Contract liabilities	**157,468**	154,696
Other	**23,226**	18,802
	180,694	173,498
Current portion	**143,134**	134,269
Non-current portion	**37,560**	39,229

As of June 30, 2022 and December 31, 2021 trade accounts payable were denominated in the following currencies:

In millions of tenge	June 30, 2022 (unaudited)	December 31, 2021 (audited)
US dollars	**704,136**	351,383
Tenge	**70,000**	83,705
Romanian leu	**59,149**	71,932
Euro	**31,745**	3,381
Other currency	**5,086**	8,800
Total	**870,116**	519,201

As at June 30, 2022 and December 31, 2021 trade accounts payable and other financial liabilities were not interest bearing.

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

22. RELATED PARTY DISCLOSURES

Terms and conditions of transactions with related parties

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. Outstanding balances are mainly unsecured and interest free and settlement occurs in cash. The Group recognizes allowances for expected credit losses on amounts owed by related parties.

Transactions balances

The following table provides the balances of transactions with related parties as at June 30, 2022 and December 31, 2021:

In millions of tenge	As at	Due from related parties	Due to related parties	Cash and deposits placed with related parties	Borrowings payable to related parties
Samruk-Kazyna entities	**June 30, 2022 (unaudited)**	**457,284**	**1,645**	**–**	**35,449**
	December 31, 2021 (audited)	497,242	1,074	–	33,123
Associates	**June 30, 2022 (unaudited)**	**78,400**	**2,679**	**–**	**–**
	December 31, 2021 (audited)	12,249	3,009	–	–
Other state-controlled parties	**June 30, 2022 (unaudited)**	**1,300**	**428**	**94,366**	**137,172**
	December 31, 2021 (audited)	2,349	638	86,481	153,381
Joint ventures	**June 30, 2022 (unaudited)**	**172,534**	**341,779**	**–**	**–**
	December 31, 2021 (audited)	166,869	170,923	–	–

Due from/to related parties

Associates

As at June 30, 2022 the increase in due from associates is mainly due to dividends receivable from Caspian Pipeline Consortium JSC for 143 million US dollars (equivalent to 67,175 million tenge).

Joint ventures

As at June 30, 2022 due to joint ventures were mainly represented by accounts payable for crude oil to Tengizchevroil LLP (further TCO) for 294,602 million tenge.

Transactions turnover

The following table provides the total amount of transactions, which have been entered into with related parties during the six months ended June 30, 2022 and 2021:

In millions of tenge	During the six months ended June 30,	Sales to related parties	Purchases from related parties	Interest earned from related parties	Interest incurred to related parties
Samruk-Kazyna entities	**2022 (unaudited)**	**4,812**	**5,356**	**25,209**	**800**
	2021 (unaudited)	10,096	7,338	17,345	975
Associates	**2022 (unaudited)**	**12,414**	**17,341**	**122**	**–**
	2021 (unaudited)	43,735	17,377	4,501	–
Other state-controlled parties	**2022 (unaudited)**	**7,782**	**9,224**	**158**	**8,049**
	2021 (unaudited)	17,827	6,975	162	11,695
Joint ventures	**2022 (unaudited)**	**101,901**	**1,153,273**	**5,492**	**3**
	2021 (unaudited)	196,296	819,354	12,123	354

22. RELATED PARTY DISCLOSURES (continued)

Key management employee compensation

Total compensation to key management personnel (members of the Boards of directors and Management boards of the Group) included in general and administrative expenses was equal to 3,072 million tenge and 3,189 million tenge for the six months ended June 30, 2022 and 2021, respectively. Compensation to key management personnel mainly consists of contractual salary and performance bonus based on operating results.

Dividends

During the six months ended June 30, 2022, based on the decision of Samruk-Kazyna and National Bank of RK, the Company declared and paid-off dividends for 2021 of 327.80 tenge per common share in the total of 199,997 million tenge (2021: declared dividends for 2020 of 81.95 tenge per common share in the total of 49,999 million tenge).

Distributions to Samruk-Kazyna

During the six months ended June 30, 2022, in accordance with the Government decree on the construction of a medical center in Zhana-ozen town and housing for the residents, living in Zhana-ozen town, the Group accrued liabilities for 9,690 million tenge and recognized as distribution to Samryk-Kazyna in equity.

23. FINANCIAL RISK MANAGEMENT, OBJECTIVES AND POLICIES

Fair values of financial instruments

The carrying amount of the Group financial instruments as at June 30, 2022 and December 31, 2021 are reasonable approximation of their fair value, except for the financial instruments disclosed below:

	June 30, 2022 (unaudited)					December 31, 2021 (audited)				
			Fair value by level of assessment					Fair value by level of assessment		
In millions of tenge	Carrying amount	Fair value	Level 1	Level 2	Level 3	Carrying amount	Fair value	Level 1	Level 2	Level 3
Bonds receivable from Samruk-Kazyna	**18,682**	**20,030**	**-**	**20,030**	**-**	18,373	16,925	-	16,925	-
Loans given to related parties at amortized cost	**438,819**	**431,657**	**-**	**399,041**	**32,616**	474,875	472,528	-	448,658	23,870
Fixed interest rate borrowings	**3,249,935**	**2,784,871**	**2,469,502**	**315,369**	**-**	3,041,001	3,556,705	3,210,632	346,073	-
Floating interest rate borrowings	**684,762**	**684,762**	**-**	**684,762**	**-**	705,326	755,347	-	755,347	-

23. FINANCIAL RISK MANAGEMENT, OBJECTIVES AND POLICIES (continued)

Fair values of financial instruments (continued)

The fair value of bonds receivable from the Samruk-Kazyna and other debt instruments have been calculated by discounting the expected future cash flows at market interest rates.

All financial instruments for which fair value is recognized or disclosed are categorized within the fair value hierarchy, based on the lowest level input that is significant to the fair value measurement as a whole, as follows:

- Level 1 – quoted (unadjusted) market prices in active markets for identical assets or liabilities;
- Level 2 – valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable;
- Level 3 – valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

There were no transfers between Level 1 and Level 2 during the reporting period, and no transfers into or out of Level 3 category.

For assets and liabilities that are recognized at fair value on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period. There were no changes in the Group's valuation processes, valuation techniques, and types of inputs used in the fair value measurements during the six months ended June 30, 2022.

The significant unobservable inputs used in the fair value measurements categorized within Level 3 of the fair value hierarchy are shown below:

	Valuation technique	Significant unobservable inputs	Range as of June 30, 2022 (unaudited)	Range as of December 31, 2021 (audited)
Loans given to related parties at amortized cost	Discounted cash flow method	Interest/ discount rate	**5.1-15.7%**	4.1-11.5%

24. CONTINGENT LIABILITIES AND COMMITMENTS

In addition to the contingent liabilities and commitments disclosed in the consolidated financial statements of the Group for the year ended December 31, 2021, the following changes have taken place during the six month ended June 30, 2022:

The civil litigation at KMGI

Faber Invest & Trade Inc. (further Faber), the non-controlling shareholder of KMGI subsidiaries, resumed several previous civil filings in 2020, one of which challenged the increase in the Rompetrol Rafinare Constanta, the KMGI subsidiary, share capital in 2003-2005. The hearings have been held periodically, but no final decisions were made. On July 13, 2021, the court rejected the complaint of Faber. However, Faber appealed against this decision. Faber's two lawsuits were dismissed by the Supreme Court on April 13, 2022 and May 4, 2022. As a result of hearing in December 2021 the court admitted the appeal and sent back the file to be re-settled. Next hearings are scheduled to September 2022.

The Group believes that its position with regard to the new Faber filing will be sustained similar to the matters resolved in 2020 in favour of the Group, and as such, the Group did not recognize any provisions as of June 30, 2022.

Comprehensive tax audit at Pavlodar Refinery for 2016-2020

On March 1, 2022, based on 2016-2020 comprehensive tax audit, Pavlodar oil chemistry refinery (further Pavlodar Refinery) received additional tax assessment for VAT for 15,290 million tenge, for Income tax for 2,772 million tenge, for other taxes for 255 million tenge, including penalties, and reduction in tax carry-forward losses for 15,579 million tenge. Pavlodar Refinery has not agreed with tax audit results and on April 15, 2022 sent an appeal to the RK Ministry of Finance. In May 2022, appeal consideration was suspended by the RK Ministry of Finance until clarification of the circumstances. The Group believes that the risk of additional tax assessment is not probable, as such, the Group did not recognize any provisions as of June 30, 2022.

24. CONTINGENT LIABILITIES AND COMMITMENTS (continued)

Cost recovery audits

As of June 30, 2022, the Group's share in the total disputed amounts of costs is 1,231 million US dollars (equivalent to 579,193 million tenge as at reporting date) (As of December 31, 2021: 1,177 million US dollars, equivalent to 508,180 million tenge), including its share in the joint venture.

Kazakhstan local market obligation

During the six months ended June 30, 2022 in accordance with its obligations, the Group delivered 4,030 thousand tons of crude oil (for the six months ended June 30, 2021: 3,396 thousand tons), including its share in the joint ventures and associates, to the Kazakhstan market.

Commitments under subsoil use contracts

As at June 30, 2022, the Group had the following commitments related to minimal working program in accordance with terms of licenses, production sharing agreements and subsoil use contracts, signed with the Government, including its share in joint ventures and associate:

In millions of tenge	Capital expenditures	Operational expenditures
Year		
2022	179,505	14,477
2023	110,943	4,310
2024	32,408	4,324
2025	14,217	4,275
2026-2048	3,038	21,957
Total	**340,111**	**49,343**

Oil supply commitments

As of June 30, 2022, KMG Kashagan B.V., joint venture of the Company, had commitments under the oil supply agreements in the total amount of 3.7 million ton (December 31, 2021: 4.3 million ton).

Other contractual commitments

As at June 30, 2022, the Group, including its share in joint ventures commitments, had other capital commitments of approximately 186,935 million tenge, net of VAT (as at December 31, 2021: 148,590 million tenge, net of VAT), related to acquisition and construction of non-current assets.

As at June 30, 2022, the Group had commitments of 169,073 million tenge (as at December 31, 2021: 184,455 million tenge) under the investment programs approved by the joint order of Ministry of Energy of RK and Committee on Regulation of Natural Monopolies and Protection of Competition of the Ministry of National Economy of RK to facilitate production units.

25. SEGMENT REPORTING

The Group's operating segments have their own structure and management according to the type of the produced goods and services provided. Moreover, all segments are strategic directions of the business which offer different types of the goods and services in different markets. The functions have been defined as the operating segments of the Group because they are segments a) that engages in business activities from which revenues are generated and expenses incurred; b) whose operating results are regularly reviewed by the Group's chief operating decision makers to make decisions.

The Group's activity consists of three main operating segments: exploration and production of oil and gas, oil transportation, refining and trading of crude oil and refined products. The Group presents the Company's activities separately in Corporate segment, since the Company performs not only the functions of the parent company, but also carries out operational activities. The remaining operating segments have been aggregated and presented as other operating segment due to their insignificance.

Disaggregation of revenue by types of goods and services is presented in *Note 6* to the consolidated financial statements.

25. SEGMENT REPORTING (continued)

For the six months ended June 30, 2022 disaggregated revenue type *Sales of crude oil and gas* and *Sales of refined products* mainly represents sales made to the external parties by the following operating segments:

	Type of products and services			
	For the six months ended June 30,			
	2022		2021	
In millions of tenge	**Sales of crude oil and gas**	**Sales of refined products**	Sales of crude oil and gas	Sales of refined products
Segments				
Refining and trading of crude oil and refined products	**2,386,316**	**1,135,412**	1,382,482	719,496
Corporate	**–**	**356,206**	–	249,384
Exploration and production of oil and gas	**–**	**2,038**	–	1,659
Other	**–**	**5,237**	–	5,092
	2,386,316	**1,498,893**	1,382,482	975,631

Segment performance is evaluated based on revenues, net profit and adjusted EBITDA, which are measured on the same basis as in the consolidated financial statements.

EBITDA is a supplemental non-IFRS financial measure used by management to evaluate segments performance, and is defined as earnings before depreciation, depletion and amortization, impairment of property, plant and equipment, exploration and evaluation assets, intangible assets and assets classified as held for sale, exploration expenses, impairments of joint ventures and associates, finance income and expense, income tax expenses.

EBITDA, % is calculated as EBITDA of each reporting segment divided by the total EBITDA.

Geographic information

The Group's property, plant and equipment are located in the following countries:

In millions of tenge	**June 30, 2022 (unaudited)**	December 31, 2021 (audited)
Kazakhstan	**2,828,181**	2,782,481
Other countries	**668,739**	623,499
	3,496,920	3,405,980

Eliminations and adjustments in the tables below represent the exclusion of intra-group turnovers. Inter-segment transactions were made on terms agreed to between the segments that may not necessarily comply with market rates, except for certain regulated services, which are provided based on the tariffs available to related and third parties.

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

25. SEGMENT REPORTING (continued)

The following represents information about profit and loss for the six months ended June 30, 2022 and assets and liabilities as at June 30, 2022 of operating segments of the Group:

In millions of tenge	Exploration and production of oil and gas	Oil transportation	Refining and trading of crude oil and refined products	Corporate	Other	Eliminations and adjustments	Total
Revenues from sales to external customers	1,216	103,411	3,684,120	357,059	57,344	–	4,203,150
Revenues from sales to other segments	747,037	67,896	77,688	45,690	45,942	(984,253)	–
Total revenue	748,253	171,307	3,761,808	402,749	103,286	(984,253)	4,203,150
Cost of purchased oil, gas, petroleum products and other materials	(14,700)	(7,996)	(3,328,167)	(189,475)	(13,850)	736,230	(2,817,958)
Production expenses	(198,354)	(91,280)	(187,902)	(93,452)	(94,492)	183,274	(482,206)
Taxes other than income tax	(232,125)	(8,175)	(7,191)	(39,207)	(4,473)	–	(291,171)
Transportation and selling expenses	(53,316)	(9,309)	(34,249)	(4,588)	–	31,651	(69,811)
General and administrative expenses	(15,979)	(6,658)	(22,028)	(11,991)	(11,293)	1,156	(66,793)
Share in profit of joint ventures and associates, net	552,870	73,978	10,146	–	6,554	–	643,548
EBITDA	786,649	121,867	192,417	64,036	(14,268)	(31,942)	1,118,759
EBITDA, %	70%	11%	17%	6%	(1%)	(3%)	
Depreciation, depletion and amortization	(65,151)	(22,260)	(69,949)	(1,559)	(4,497)	–	(163,416)
Finance income	38,058	1,158	6,341	70,761	5,117	(68,533)	52,902
Finance costs	(10,382)	(3,701)	(72,414)	(112,882)	(2,499)	48,517	(153,361)
Impairment/(reversal of impairment) of property, plant and equipment, exploration and evaluation assets, intangible assets and assets classified as held for sale	18	(20)	3	–	629	–	630
Income tax expenses	(118,781)	(14,079)	9,626	(10,574)	(792)	–	(134,600)
Profit/(loss) for the year from continuing operations	568,650	22,018	(57,893)	211,695	(17,740)	(49,770)	676,960
Other segment information							
Investments in joint ventures and associates	6,856,486	564,548	58,774	–	85,033	–	7,564,841
Capital expenditures	86,110	33,925	33,028	2,986	7,571	–	163,620
Allowances for obsolete inventories, expected credit losses on trade receivables, loans and receivables from related parties, other current financial assets and impairment of other current non-financial assets	(4,884)	(10,663)	(54,334)	(29,655)	(9,398)	–	(108,934)
Assets of the segment	9,735,894	1,286,291	3,394,215	1,696,717	337,183	(1,239,912)	15,210,388
Liabilities of the segment	1,036,688	235,994	2,384,057	3,682,393	111,998	(1,167,001)	6,284,129

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

25. SEGMENT REPORTING (continued)

The following represents information about profit and loss for the six months ended June 30, 2021 and assets and liabilities as at December 31, 2021 of operating segments of the Group:

In millions of tenge	Exploration and production of oil and gas	Oil transportation	Refining and trading of crude oil and refined products	Corporate	Other	Eliminations and adjustments	Total
Revenues from sales to external customers	3,276	98,917	2,263,000	249,495	57,340	–	2,672,028
Revenues from sales to other segments	572,263	38,620	75,376	19,282	39,734	(745,275)	–
Total revenue	575,539	137,537	2,338,376	268,777	97,074	(745,275)	2,672,028
Cost of purchased oil, gas, petroleum products and other materials	(14,210)	(6,346)	(2,042,997)	(113,700)	(13,311)	569,439	(1,621,125)
Production expenses	(147,441)	(50,876)	(86,349)	(79,228)	(72,571)	123,649	(312,816)
Taxes other than income tax	(153,669)	(6,281)	(7,245)	(19,185)	(3,538)	–	(189,918)
Transportation and selling expenses	(52,555)	(3,676)	(32,238)	(5,005)	(10)	27,932	(65,552)
General and administrative expenses	(13,467)	(9,523)	(16,006)	(7,834)	(9,722)	(527)	(57,079)
Share in profit of joint ventures and associates, net	264,038	47,140	6,025	–	6,962	–	324,165
EBITDA	458,235	107,975	159,566	43,825	4,884	(24,782)	749,703
EBITDA, %	61%	14%	21%	6%	1%	(3%)	
Depreciation, depletion and amortization	(62,456)	(20,416)	(70,527)	(1,541)	(5,142)	–	(160,082)
Finance income	32,815	2,482	3,283	84,385	4,262	(92,582)	34,645
Finance costs	(9,670)	(2,522)	(40,647)	(103,274)	(2,392)	42,681	(115,824)
Impairment of property, plant and equipment, exploration and evaluation assets and assets classified as held for sale	3	–	–	–	(3,761)	–	(3,758)
Exploration expenses	(19,800)	–	–	–	–	–	(19,800)
Income tax expenses	(77,295)	(9,110)	(12,893)	(6,023)	(764)	–	(106,085)
Net profit for the period	315,409	10,965	39,372	99,480	(3,463)	(72,075)	389,688
Other segment information							
Investments in joint ventures and associates	5,904,568	523,747	47,395	–	74,674	–	6,550,384
Capital expenditures	72,537	40,676	11,607	4,561	7,352	29,772	166,505
Allowances for obsolete inventories, expected credit losses on trade receivables, loans and receivables from related parties, other current financial assets and impairment of other current non-financial assets	(4,854)	(9,686)	(40,898)	(28,518)	(9,023)	–	(92,979)
Assets of the segment	8,624,757	1,213,613	3,000,106	1,580,623	322,008	(1,088,846)	13,652,261
Liabilities of the segment	868,902	216,809	1,994,289	3,378,313	100,458	(1,065,191)	5,493,580

**Certain numbers shown here do not correspond to the consolidated financial statements for the six months ended June 30, 2021 and reflect adjustments made, refer to Note 4.*

26. SUBSEQUENT EVENTS

Dividends received

In July and August 2022 the Company received dividends from Kazakhstan - China Pipeline LLP, KazGerMunay LLP, MunayTas LLP and KMG Kashagan B.V., the joint ventures, of 5,000 million tenge, 4,759 million tenge, 2,637 million tenge and 567 million US dollars (equivalent to 266,118 million tenge), respectively, and from Caspian Pipeline Consortium, the associate, of 129 million US dollars (equivalent to 61,046 million tenge).

Acquisitions

In July 2022, the Company acquired 49% of shares in Petrosun LLP that specializes in the sale of liquefied petroleum gas and petroleum products. As a result of the analysis the Group recognized Petrosun LLP as a joint venture and accounts for using the equity method in accordance with IAS 28.

Incident at the Kashagan field

On August 3, 2022, a leak was discovered at the Kashagan field (North Caspian project) at the preliminary gas sampling facility. As a result, production was completely stopped. Since August 10, the production has been partially resumed. NCOC, the project operator, is conducting an incident assessment inspection and restoration work.

Joint Stock Company "National Company "KazMunayGas"

Consolidated financial statements

For the year ended December 31, 2021
with independent auditor's report

CONTENTS

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Independent auditor's report

To the Shareholders, Board of Directors and Management of Joint Stock Company "National Company "KazMunayGas"

Opinion

We have audited the consolidated financial statements of Joint Stock Company "National Company "KazMunayGas" and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at 31 December 2021, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2021 and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the consolidated financial statements section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code) together with the ethical requirements that are relevant to our audit of the consolidated financial statements in the Republic of Kazakhstan, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the consolidated financial statements section* of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

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Key audit matter	How our audit addressed the key audit matter
Impairment of non-current assets	
We consider this matter to be one of the matters of most significance in our audit due to materiality of the balances of non-current assets, including upstream, exploration and evaluation, downstream assets and investments in upstream and midstream joint ventures and associates, to the consolidated financial statements, the high level of subjectivity in respect of assumptions underlying impairment analysis and significant judgements and estimates made by management. Significant assumptions included discount rates, oil and petroleum products prices forecasts and inflation and exchange rate forecasts. Significant estimates included production forecast, future capital expenditure and oil and gas reserves available for development and production. Information on non-current assets and the impairment tests performed is disclosed in *Note 4* to the consolidated financial statements.	We considered management's assessment of the existence of impairment indicators and where impairment indicators identified, we involved our business valuation specialists in the testing of impairment analysis and calculation of recoverable amounts performed by management. We analyzed the assumptions underlying management forecast. We compared oil and petroleum products prices used in the calculation of recoverable amounts to available market forecasts. We compared the discount rates and long-term growth rates to general market indicators and other available evidence. We tested the mathematical integrity of the impairment models and assessed the analysis of the sensitivity of the results of impairment tests to changes in assumptions. We performed procedures to assess competence, capabilities and objectivity of the external experts engaged by the Group to estimate the volumes of oil and gas reserves and prepare impairment models, where applicable. We analysed disclosures on impairment test in the consolidated financial statements.
Compliance with debt covenants In accordance with the terms of certain financing arrangements, the Group should comply with certain financial and non-financial covenants.	We examined the terms of financing arrangements and analysed financial and non-financial covenants and terms of early repayment. We compared data used in the calculations with the financial statements. We tested mathematical accuracy of financial covenants calculations.

There is a higher likelihood that covenants impacted by trading volumes, revenue and profit may be breached particularly in subsidiaries impacted by volatility of oil prices and higher operating expenses, therefore, we focused on this area during our audit. Breaching covenants could result in funding shortages. Compliance with the financing covenants is one of the matters of most significance in the audit since it can have a major impact on the going concern assumption used in the preparation of the consolidated financial statements, and on classification of interest-bearing liabilities in the consolidated statement of financial position.

Information on compliance with covenants is disclosed in *Note 25* to the consolidated financial statements.

We analysed the disclosures in respect of debt covenants compliance in the consolidated financial statements of the Group.

Disposal of KazTransGas

In November 2021, the Group signed a share sale and purchase agreement (the SPA) for a 100% interest in KazTransGas JSC ("KTG") with Samruk-Kazyna JSC, the parent company, for 1 Tenge.

This matter is one of the matters of most significance in our audit due to the complexity of transaction and size of the assets and liabilities being disposed off.

Information about discontinued operations is disclosed in *Note 5* to the consolidated financial statements; a description of accounting policy is included in *Note 3* to the consolidated financial statements.

We analyzed the structure of this transaction. We examined the SPA and other documents related to this transaction and gained an understanding of the main terms of the transaction.

We analyzed the accounting for the transaction against the criteria set out in IFRS 5.

We evaluated the disposal accounting applied, recalculated the financial result from the disposal and compared it with the financial result from the discontinued operations presented in the consolidated financial statements.

We also considered the relevant disclosures in the consolidated financial statements and the allocation between continuing and discontinued operations.

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Other information included in the Group's 2021 annual report

Other information consists of the information included in the Group's 2021 Annual Report, other than the consolidated financial statements and our auditor's report thereon. Management is responsible for the other information. The Group's 2021 Annual Report is expected to be made available to us after the date of this auditor's report.

Our opinion on the consolidated financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information, when it becomes available, and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

Responsibilities of management and the Audit Committee for the consolidated financial statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRSs, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The Audit Committee is responsible for overseeing the Group's financial reporting process.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

Building a better working world

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The partner in charge of the audit resulting in this independent auditor's report is Kairat Medetbayev.

Ernst & Young LLP

Kairat Medetbayev Auditor	Rustamzhan Sattarov General Director Ernst and Young LLP
Auditor qualification certificate No. МФ-0000137 dated 8 February 2013	State audit license for audit activities on the territory of the Republic of Kazakhstan: series МФЮ-2 No. 0000003 issued by the Ministry of finance of the Republic of Kazakhstan on 15 July 2005

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

4 March 2022

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

In millions of tenge	Note	For the years ended December 31 2021	2020 (restated)*
Revenue and other income			
Revenue	6	**5,838,793**	3,624,964
Share in profit of joint ventures and associates, net	7	**768,733**	280,815
Finance income	14	**84,599**	87,987
Gain on sale of joint ventures		**19,835**	–
Other operating income		**30,779**	19,020
Total revenue and other income		**6,742,739**	4,012,786
Costs and expenses			
Cost of purchased oil, gas, petroleum products and other materials	8	**(3,596,491)**	(1,901,236)
Production expenses	9	**(693,031)**	(656,178)
Taxes other than income tax	10	**(428,639)**	(254,322)
Depreciation, depletion and amortization	33	**(322,068)**	(317,427)
Transportation and selling expenses	11	**(131,912)**	(137,144)
General and administrative expenses	12	**(148,478)**	(146,625)
Impairment of property, plant and equipment, exploration and evaluation assets, intangible assets and assets classified as held for sale	13	**(20,724)**	(243,893)
Exploration expenses	13	**(79,083)**	(19,807)
Impairment of investment in joint venture and associate	19	**(64)**	(30,654)
Finance costs	14	**(249,265)**	(265,372)
Net foreign exchange gain/(loss)		**17,781**	(16,189)
Other expenses		**(24,510)**	(28,094)
Total costs and expenses		**(5,676,484)**	(4,016,941)
Profit/(loss) before income tax		**1,066,255**	(4,155)
Income tax expenses	29	**(221,393)**	(85,276)
Profit/(loss) for the year from continuing operations		**844,862**	(89,431)
Discontinued operations			
Profit after income tax for the year from discontinued operations	5	**352,478**	261,328
Net profit for the year		**1,197,340**	171,897
Net profit/(loss) for the year attributable to:			
Equity holders of the Parent Company		**1,215,561**	273,237
Non-controlling interest		**(18,221)**	(101,340)
		1,197,340	171,897

The accounting policies and explanatory notes on pages 9 through 75 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (continued)

In millions of tenge		For the years ended December 31 2021	2020 (restated)*
Other comprehensive income/(loss)			
Other comprehensive income/(loss) to be reclassified to profit or loss in subsequent periods			
Hedging effect		**10,055**	(25)
Exchange differences on translation of foreign operations		**126,673**	450,936
Tax effect		**(11,818)**	(36,481)
Net other comprehensive income to be reclassified to profit or loss in the subsequent periods, net of tax		**124,910**	414,430
Other comprehensive gain/(loss) not to be reclassified to profit or loss in subsequent periods			
Actuarial gain/(loss) on defined benefit plans of the Group, net of tax		**5,959**	(10,592)
Actuarial loss on defined benefit plans of the joint ventures, net of tax		**(169)**	(285)
Tax effect		**(48)**	108
Net other comprehensive gain/(loss) not to be reclassified to profit or loss in the subsequent periods, net of tax		**5,742**	(10,769)
Net other comprehensive income for the year, net of tax		**130,652**	403,661
Total comprehensive income for the year, net of tax		**1,327,992**	575,558
Total comprehensive income/(loss) for the year attributable to:			
Equity holders of the Parent Company		**1,344,408**	677,742
Non-controlling interest		**(16,416)**	(102,184)
		1,327,992	575,558
Earnings per share** – tenge thousands			
Basic and diluted	24	**1.963**	0.282
Basic and diluted, from continuing operations		**1.385**	(0.147)
Basic and diluted, from discontinued operations		**0.578**	0.428

* *Certain numbers shown here do not correspond to the consolidated financial statements for the year ended December 31, 2020 and reflect adjustments made, refer to Note 5.*

** *The number of ordinary shares as of December 31, 2021 and 2020 equaled to 610,119,493.*

Deputy Chairman of the Management Board for Economy and Finance _______ *D.S. Karabayev*

Chief accountant _______ *A.S. Yesbergenova*

The accounting policies and explanatory notes on pages 9 through 75 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

In millions of tenge	Note	As at December 31 2021	2020
Assets			
Non-current assets			
Property, plant and equipment	15	**3,405,980**	4,369,745
Right-of-use assets		**40,551**	53,661
Exploration and evaluation assets	16	**43,541**	158,385
Investment property		**19,711**	22,826
Intangible assets	17	**182,222**	168,481
Long-term bank deposits	18	**56,058**	56,528
Investments in joint ventures and associates	19	**6,550,384**	6,471,021
Deferred income tax assets	29	**34,035**	58,590
VAT receivable		**11,972**	94,481
Advances for non-current assets		**40,845**	23,343
Loans and receivables due from related parties	22	**142,394**	684,610
Other non-current financial assets		**13,248**	11,651
Other non-current non-financial assets		**4,784**	3,542
		10,545,725	12,176,864
Current assets			
Inventories	20	**259,497**	228,065
VAT receivable		**24,845**	106,695
Income tax prepaid	29	**24,900**	70,301
Trade accounts receivable	21	**418,255**	422,821
Short-term bank deposits	18	**510,513**	282,472
Loans and receivables due from related parties	22	**485,765**	27,795
Other current financial assets	21	**329,503**	57,071
Other current non-financial assets	21	**76,614**	88,821
Cash and cash equivalents	23	**975,849**	1,145,864
		3,105,741	2,429,905
Assets classified as held for sale	15	**795**	46,518
		3,106,536	2,476,423
Total assets		**13,652,261**	14,653,287

The accounting policies and explanatory notes on pages 9 through 75 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)

In millions of tenge	Note	As at December 31 2021	2020
Equity and liabilities			
Equity			
Share capital	24	**916,541**	916,541
Additional paid-in capital	24	**1,142**	8,981
Other equity		**10,113**	58
Currency translation reserve		**2,260,533**	2,146,035
Retained earnings		**5,059,634**	5,636,705
Attributable to equity holders of the Parent Company		**8,247,963**	8,708,320
Non-controlling interest	24	**(89,282)**	(71,641)
Total equity		**8,158,681**	8,636,679
Non-current liabilities			
Borrowings	25	**3,261,347**	3,716,892
Provisions	26	**222,936**	303,154
Deferred income tax liabilities	29	**545,763**	555,894
Lease liabilities		**36,106**	45,499
Other non-current financial liabilities		**15,915**	32,963
Other non-current non-financial liabilities		**39,229**	28,831
		4,121,296	4,683,233
Current liabilities			
Borrowings	25	**484,980**	361,556
Provisions	26	**22,309**	63,235
Income tax payable	29	**6,882**	8,967
Trade accounts payable	27	**519,201**	536,922
Other taxes payable	28	**126,424**	130,263
Lease liabilities		**8,988**	16,971
Other current financial liabilities	27	**69,231**	86,440
Other current non-financial liabilities	27	**134,269**	129,021
		1,372,284	1,333,375
Total liabilities		**5,493,580**	6,016,608
Total equity and liabilities		**13,652,261**	14,653,287
Book value per ordinary share – tenge thousands	24	**13.074**	13.880

* *The number of ordinary shares as of December 31, 2021 and 2020 equaled to 610,119,493.*

Deputy Chairman of the Management Board for Economy and Finance

D.S. Karabayev

Chief accountant

A.S. Yesbergenova

The accounting policies and explanatory notes on pages 9 through 75 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

		For the years ended December 31,	
In millions of tenge	Note	2021	2020 (restated)*
Cash flows from operating activities			
Profit/(loss) before income tax from continuing operations		**1,066,255**	(4,155)
Profit before income tax from discontinued operations		**407,993**	282,355
Profit before income tax		**1,474,248**	278,200
Adjustments:			
Depreciation, depletion and amortization	33	**322,068**	317,427
Depreciation, depletion and amortization from discontinued operations	5	**63,502**	42,856
Impairment of property, plant and equipment, exploration and evaluation assets, intangible assets and assets classified as held for sale	13	**20,724**	243,694
Exploration expenses	13	**79,083**	19,807
Impairment of investments in joint venture and associate	19	**64**	30,654
Unrealized losses from derivatives on petroleum products		**–**	626
Realized losses/(gains) from derivatives on petroleum products		**14,954**	(22,946)
Finance income	14	**(84,599)**	(87,987)
Finance income from discontinued operations		**(19,750)**	(21,766)
Finance costs	14	**249,265**	265,372
Finance costs from discontinued operations		**36,330**	32,179
Gain on sale of joint venture		**(19,835)**	–
Share in profit of joint ventures and associates, net	7	**(768,733)**	(280,815)
Share in profit of joint ventures and associates from discontinued operations, net		**(275,100)**	(230,380)
Movements in provisions		**(140,318)**	(43,174)
Net foreign exchange (gain)/loss		**(6,565)**	45,388
Allowance for obsolete inventories		**4,091**	357
(Gain)/loss on disposal of property, plant and equipment, intangible assets, investment property and assets held for sale, net		**(2,259)**	6,508
(Reversal)/accrual of impairment of VAT receivable		**(5,144)**	6,435
Change in financial guarantees		**3,527**	6,288
VAT that could not be offset		**2,599**	4,528
Allowance of expected credit loss for trade receivables and other financial assets		**3,453**	4,225
Other adjustments		**427**	(267)
Operating profit before working capital changes		**952,032**	617,209
Change in VAT receivable		**73,253**	(3,993)
Change in inventory		**(90,603)**	82,337
Change in trade accounts receivable and other current assets		**(124,957)**	121,837
Change in trade and other payables and contract liabilities		**227,645**	(305,380)
Change in other taxes payable		**(52,580)**	34,066
Cash generated from operations		**984,790**	546,076
Dividends received from joint ventures and associates	19	**415,359**	134,772
Net payment of derivative instruments		**–**	(142)
Income taxes paid		**(111,373)**	(87,984)
Interest received		**39,496**	90,798
Interest paid		**(249,775)**	(236,987)
Net cash flow from operating activities		**1,078,497**	446,533

The accounting policies and explanatory notes on pages 9 through 75 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS (continued)

In millions of tenge	Note	For the years ended December 31, 2021	2020
Cash flows from investing activities			
Placement of bank deposits		**(819,226)**	(581,666)
Withdrawal of bank deposits		**585,614**	685,773
Purchase of property, plant and equipment, intangible assets and exploration and evaluation assets		**(409,660)**	(396,406)
Proceeds from sale of property, plant and equipment, exploration and evaluation assets and assets held for sale		**71,084**	50,738
Proceeds from disposal of subsidiaries, net of cash disposed		**(375,910)**	8,710
Additional contributions to joint ventures without changes in ownership		**(1,926)**	(6,586)
Proceeds from disposal of joint ventures		**17,169**	5,966
Loans given to related parties	30	**(73,274)**	(57,485)
Repayment of loans due from related parties	30	**24,438**	72,721
Acquisition of debt securities		**(14,741)**	(928)
Proceeds from sale of debt securities		**10,528**	636
Proceeds from Note receivable from a shareholder of a joint venture		**–**	11,512
Other		**(2,790)**	1,404
Net cash flows used in investing activities		**(988,694)**	(205,611)
Cash flows from financing activities			
Proceeds from borrowings	25	**451,096**	676,979
Repayment of borrowings	25	**(339,552)**	(807,355)
Reservation of cash for payment of borrowings**		**(292,258)**	–
Dividends paid to Samruk-Kazyna and National Bank of RK	24	**(49,999)**	(81,738)
Dividends paid to non-controlling interests	24	**(5,756)**	(4,553)
Distributions to Samruk-Kazyna	24	**(534)**	(7,987)
Share buyback by subsidiary		**–**	(212)
Payment under financial guarantee		**–**	(1,383)
Payment of principal lease liabilities		**(45,530)**	(18,978)
Net cash flows used in financing activities		**(282,533)**	(245,227)
Effects of exchange rate changes on cash and cash equivalents		**22,851**	85,341
Change in allowance for expected credit losses		**(136)**	376
Net change in cash and cash equivalents		**(170,015)**	81,412
Cash and cash equivalents, at the beginning of the year		**1,145,864**	1,064,452
Cash and cash equivalents, at the end of the year		**975,849**	1,145,864

* *Certain numbers shown here do not correspond to the consolidated financial statements for the year ended December 31, 2020 and reflect adjustments made, refer to Note 5.*

** *In June and November 2021, the Group made reservation of cash in total amount of 292,258 million tenge for repayment of loan from The Export-Import Bank of China, including interest accrued. The loan was repaid in July 2021 for 32,799 million tenge (Note 25) and in January 2022 for 259,459 million tenge (Note 21 and 25). Repayment of the loan was treated as non-cash transaction.*

Deputy Chairman of the Management Board for Economy and Finance

D.S. Karabayev

Chief accountant

A.S. Yesbergenova

The accounting policies and explanatory notes on pages 9 through 75 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to equity holders of the Parent Company							
In millions of tenge	Share capital	Additional paid-in capital	Other equity	Currency translation reserve	Retained earnings	Total	Non-controlling interest	Total
As at December 31, 2019	916,541	40,794	83	1,731,747	5,469,236	8,158,401	38,255	8,196,656
Net profit/(loss) for the year	–	–	–	–	273,237	273,237	(101,340)	171,897
Other comprehensive income/(loss)	–	–	(25)	414,288	(9,758)	404,505	(844)	403,661
Total comprehensive income/(loss)	–	–	(25)	414,288	263,479	677,742	(102,184)	575,558
Dividends *(Note 24)*	–	–	–	–	(81,738)	(81,738)	(4,856)	(86,594)
Distributions to Samruk-Kazyna *(Note 24)*	–	–	–	–	(7,763)	(7,763)	–	(7,763)
Transactions with Samruk-Kazyna *(Note 24)*	–	–	–	–	(11,617)	(11,617)	–	(11,617)
Transfer of pipelines contributed by the Government due to termination of the trust management agreement *(Note 24)*	–	(17,323)	–	–	1,205	(16,118)	–	(16,118)
Transfer of difference between par and fair value of the loan received from Samruk-Kazyna by the Company due to settlement *(Note 24)*	–	(10,971)	–	–	10,971	–	–	–
Transfer of excess of fair value over nominal value of the loan receivable, contributed by Samruk-Kazyna due to settlement *(Note 24)*	–	(3,519)	–	–	3,519	–	–	–
Reserve for put option of non-controlling interest holder of a subsidiary	–	–	–	–	(10,750)	(10,750)	(2,481)	(13,231)
Share buyback by subsidiary	–	–	–	–	163	163	(375)	(212)
As at December 31, 2020	916,541	8,981	58	2,146,035	5,636,705	8,708,320	(71,641)	8,636,679

The accounting policies and explanatory notes on pages 9 through 75 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (continued)

	Attributable to equity holders of the Parent Company							
In millions of tenge	Share capital	Additional paid-in capital	Other equity	Currency translation reserve	Retained earnings	Total	Non-controlling interest	Total
As at December 31, 2020	916,541	8,981	58	2,146,035	5,636,705	8,708,320	(71,641)	8,636,679
Net profit/(loss) for the year	–	–	–	–	1,215,561	1,215,561	(18,221)	1,197,340
Other comprehensive income	–	–	10,055	114,498	4,294	128,847	1,805	130,652
Total comprehensive income/(loss)	–	–	10,055	114,498	1,219,855	1,344,408	(16,416)	1,327,992
Dividends *(Note 24)*	–	–	–	–	(49,999)	(49,999)	(6,192)	(56,191)
Distributions to Samruk-Kazyna *(Note 24)*	–	–	–	–	(85)	(85)	–	(85)
Transactions with Samruk-Kazyna *(Note 24)*	–	–	–	–	(5,222)	(5,222)	–	(5,222)
Transfer of KazTransGas to Samruk-Kazyna *(Note 5)*	–	(7,839)	–	–	(1,741,620)	(1,749,459)	–	(1,749,459)
Equity contribution to subsidiary	–	–	–	–	–	–	4,967	4,967
As at December 31, 2021	**916,541**	**1,142**	**10,113**	**2,260,533**	**5,059,634**	**8,247,963**	**(89,282)**	**8,158,681**

Deputy Chairman of the Management Board for Economy and Finance ______ *D.S. Karabayev*

Chief accountant ______ *A.S. Yesbergenova*

The accounting policies and explanatory notes on pages 9 through 75 form an integral part of these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2021

1. GENERAL

Joint stock company "National Company "KazMunayGas" (the Company, JSC NC "KazMunayGas" or Parent Company) is oil and gas enterprise of the Republic of Kazakhstan (RK), which was established on February 27, 2002 as a closed joint stock company pursuant to the Decree No. 811 of the President of the Republic of Kazakhstan dated February 20, 2002 and the resolution of the Government of the RK (further the Government) No. 248 dated February 25, 2002. The Company was formed as a result of the merger of closed joint stock companies "National Oil and Gas Company Kazakhoil" and "National Company Transport Nefti i Gaza". As the result of the merger, all assets and liabilities, including ownership interest in all entities owned by these companies, have been transferred to the Company. The Company was reregistered as a joint stock company in accordance with the legislation of the RK in March 2004.

Starting from June 8, 2006, the sole shareholder of the Company was joint stock company "Kazakhstan Holding Company for State Assets Management "Samruk", which in October 2008 was merged with the state owned Sustainable Development Fund "Kazyna" and formed joint stock company "National Welfare Fund Samruk-Kazyna", now renamed to joint stock company "Sovereign Wealth Fund Samruk-Kazyna" (further Samruk-Kazyna). The Government is the sole shareholder of Samruk-Kazyna. On August 7, 2015, the National Bank of RK purchased 9.58% plus one share of the Company from Samruk-Kazyna.

As at December 31, 2021, the Company has interest in 60 operating companies (as of December 31, 2020: 61) (jointly "the Group").

The Company has its registered office in the RK, Nur-Sultan, Dinmukhamed Kunayev, 8.

The principal activity of the Group includes, but is not limited, to the following:

- Participation in the development and implementation of the uniform public policy in the oil and gas sector;
- Representation of the state interests in subsoil use contracts through interest participation in those contracts; and
- Corporate governance and monitoring of exploration, development, production, oil servicing, processing, petrochemistry, transportation and sale of hydrocarbons and the designing, construction and maintenance of oil-and-gas pipeline and field infrastructure.

The consolidated financial statements comprise the financial statements of the Company and its controlled subsidiaries *(Note 3)*.

These consolidated financial statements of the Group were approved for issue by the Deputy Chairman of the Management Board for Economy and Finance and the Chief accountant on March 4, 2022.

2. BASIS OF PREPARATION

These consolidated financial statements have been prepared on a historical cost basis, except as described in the accounting policies and the notes to these consolidated financial statements. All values in these consolidated financial statements are rounded to the nearest millions, except when otherwise indicated.

Statement of compliance

These consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by International Accounting Standards Board (IASB).

The preparation of the consolidated financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the Group consolidated financial statements are disclosed in *Note 4*.

In course of preparation of these consolidated financial statements the Group management considered the current international economic environment including complex of uncertainties due to COVID-19 pandemic. The consolidated financial statements were prepared on a going concern basis.

2. BASIS OF PREPARATION (continued)

Foreign currency translation

Functional and presentation currency

Items included in the financial statements of each of the Group's entities included in these consolidated financial statements are measured using the currency of the primary economic environment in which the entities operate (the functional currency). The consolidated financial statements are presented in Kazakhstan tenge (tenge or KZT), which is the Company's functional and presentation currency.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the consolidated statement of comprehensive income.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined.

Differences arising on settlement or translation of monetary items are recognized in profit or loss with the exception of monetary items that are designated as part of the hedge of the Group's net investment in foreign operation. These are recognized in other comprehensive income until the net investment is disposed of, at which time, the cumulative amount is reclassified to profit or loss. Tax charges and credits attributable to exchange differences on those monetary items are also recorded in other comprehensive income.

Group Companies

The results and financial position of all of the Group's subsidiaries, joint ventures and associates (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- Assets and liabilities for each statement of financial position presented are translated at the closing rate at that reporting date;
- Income and expenses for each statement of comprehensive income presented are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the date of the transaction); and
- All resulting exchange differences are recognized as a separate component of other comprehensive income.

Exchange rates

Weighted average currency exchange rates established by the Kazakhstan Stock Exchange (KASE) are used as official currency exchange rates in the Republic of Kazakhstan. The currency exchange rate of KASE as at December 31, 2021 was 431.80 tenge to 1 United States dollar (US dollar). This rate was used to translate monetary assets and liabilities denominated in US dollar as at December 31, 2021 (2020: 420.91 tenge to 1 US dollar). The currency exchange rate of KASE as at March 4, 2022 was 499.20 tenge to 1 US dollar.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Changes in accounting policies and disclosures

New and amended standards and interpretations

The accounting policies adopted in the preparation of the consolidated financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended December 31, 2020, except for the adoption of new standards and interpretations effective as of January 1, 2021.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Changes in accounting policies and disclosures (continued)

New and amended standards and interpretations (continued)

The following amendments were applied for the first time in 2021:

- Amendments to IFRS 9 *Financial Instruments*, IAS 39 *Financial Instruments: Recognition and Measurement*, IFRS 7 *Financial Instruments: Disclosures*, IFRS 4 *Insurance Contracts* and IFRS 16 *Leases*. The amendments provide temporary reliefs which address the financial reporting effects when an interbank offered rate (IBOR) is replaced with an alternative nearly risk-free interest rate (RFR). The amendments include the following practical expedients:
    - A practical expedient to require contractual changes, or changes to cash flows that are directly required by the reform, to be treated as changes to a floating interest rate, equivalent to a movement in a market rate of interest;
    - Permit changes required by IBOR reform to be made to hedge designations and hedge documentation without the hedging relationship being discontinued;
    - Provide temporary relief to entities from having to meet the separately identifiable requirement when an RFR instrument is designated as a hedge of a risk component.

These amendments had no impact on the consolidated financial statements of the Group:

- Amendments to IFRS 16 *Leases* in regards of COVID-19-related rent concessions. The amendments provide relief to lessees from assessment whether a COVID-19-related rent concession is a lease modification. The amendments did not have a material impact on the consolidated financial statements, as the Group has not received significant rent concessions related to pandemic.

Standards issued but not yet effective

In May 2017, the IASB issued IFRS 17 *Insurance Contracts*. IFRS 17 establishes a single framework for the accounting for insurance contracts and contains requirements for related disclosures. The new standard replaces IFRS 4 *Insurance Contracts*. In June 2020, the IASB issued amendments to IFRS 17 that address concerns and implementation challenges, and deferred the date of initial application to annual periods beginning on or after January 1, 2023. The Group does not expect the standard to have a material impact on the consolidated financial statements.

In January 2020, the IASB issued amendments to IAS 1 *Presentation of Financial Statements* named *Classification of Liabilities as Current or Non-current*. The amendments clarify requirements for classifying liabilities as current or non-current. The amendments are effective on or after January 1, 2023; earlier application is permitted. The Group does not expect the amendments to have a material impact on the consolidated financial statements, as the Group already applies criteria set by the amendments.

In May 2020, the IASB issued amendments to IFRS 3 *Business Combinations* named *Reference to the Conceptual Framework*. The amendments replace references to the *Conceptual Framework for Financial Reporting* with the current version issued in March 2018, without significantly changing the requirements of the standard. The amendments are effective on or after January 1, 2022; earlier application is permitted. The Group does not expect the amendments to have a material impact on the consolidated financial statements.

In May 2020, the IASB issued amendments to IAS 16 *Property, Plant and Equipment* named *Property, Plant and Equipment: Proceeds Before Intended Use*. The amendments prohibit entities from deducting from the cost of an item of property, plant and equipment any proceeds of the sale of items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognizes the proceeds from selling such items, and the costs of producing those items, in profit or loss. The amendments are effective on or after January 1, 2022 and should be applied retrospectively. The Group does not expect the amendments to have a material impact on the consolidated financial statements.

In May 2020, the IASB issued amendments to IAS 37 *Provisions, Contingent Liabilities and Contingent Assets* named *Onerous Contracts – Costs of Fulfilling a Contract*. The amendments specify which costs an entity needs to include when assessing whether a contract is onerous. The amendments are effective on or after January 1, 2022; earlier application is permitted. The Group does not expect the amendments to have a material impact on the consolidated financial statements.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Changes in accounting policies and disclosures (continued)

Standards issued but not yet effective (continued)

In May 2021, the IASB issued amendments to IAS 12 *Income Taxes* named *Deferred Tax Related to Assets and Liabilities arising from a Single Transaction*. The amendments clarify the accounting for deferred tax on transactions in which equal amounts of deductible and taxable temporary differences arise on initial recognition. The amendments are effective on or after January 1, 2023; earlier application is permitted. The Group does not expect the amendments to have a material impact on the consolidated financial statements.

Additionally, a number of amendments, not yet effective, were issued during annual improvement process conducted by IASB. They include the amendments to IFRS 1 *Fist-time Adoption* named *First-time Adoption: Subsidiary as a First-time Adopter*, the amendments to IFRS 9 *Financial Instruments* named *Fees in the '10 per cent' Test for Derecognition of Financial Liabilities*, the amendments to IFRS 16 *Leases* named Lease incentives and the amendments to IAS 41 *Agriculture* named *Taxation in Fair Value Measurements*. The Group does not expect the amendments to have a material impact on the consolidated financial statements.

Amendments to IAS 1 *Presentation of Financial Statements* and IFRS Practice Statement 2 *Making Materiality Judgements*. The amendments to IAS 1 require companies to disclose their material accounting policy information rather than their significant accounting policies. The amendments to IFRS Practice Statement 2 provide guidance on how to apply the concept of materiality to accounting policy disclosures.

Separately, the Board has also issued amendments *to* IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*. The amendments clarify how companies should distinguish changes in accounting policies from changes in accounting estimates. That distinction is important because changes in accounting estimates are applied prospectively only to future transactions and other future events, but changes in accounting policies are generally also applied retrospectively to past transactions and other past events.

The amendments to IAS 1 and IAS 8 will be effective for annual reporting periods beginning on or after 1 January 2023, with early application permitted.

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

Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as of December 31, 2021. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if and only if the Group has: power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee); exposure, or rights, to variable returns from its involvement with the investee, and; the ability to use its power over the investee to affect its returns.

Generally, there is a presumption that a majority of voting rights result in control. To support this presumption and when the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including: the contractual arrangement with the other vote holders of the investee; rights arising from other contractual arrangements; the Group's voting rights and potential voting rights.

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control over the subsidiary. Assets, liabilities, revenue and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the date the Group gains control until the date the Group ceases to control the subsidiary.

The financial statements of the subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies. Profit or loss and each component of other comprehensive income are attributable to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interest having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies. All intra-group balances, transactions, unrealized gains and losses resulting from intra-group transactions and dividends are eliminated in full on consolidation. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of consolidation (continued)

If the Group loses control over a subsidiary, it derecognizes the related assets (including goodwill), liabilities, non-controlling interest and other components of equity while any resultant gain or loss is recognized in profit or loss. Any investment retained is recognized at fair value.

Subsidiaries

As at December 31, 2021 and 2020, the following direct significant subsidiaries were included in these consolidated financial statements:

Significant entities	Main activity	Country of incorporation	Percentage ownership 2021	Percentage ownership 2020
KazMunayGas Exploration Production JSC	Exploration and production	Kazakhstan	**99.72%**	99.72%
KazMunayTeniz LLP	Exploration and production	Kazakhstan	**100%**	100%
KMG Karachaganak LLP	Exploration and production	Kazakhstan	**100%**	100%
Kazakhturkmunay LLP	Exploration and production	Kazakhstan	**100%**	100%
KazTransOil JSC	Oil transportation	Kazakhstan	**90%**	90%
KazMorTransFlot LLP	Oil transportation and construction	Kazakhstan	**100%**	100%
KazTransGas JSC *(Note 5)*	Gas transportation	Kazakhstan	**–**	100%
Cooperative KazMunayGas PKI U.A.	Refinery and marketing of oil products	Netherlands	**100%**	100%
Atyrau Refinery LLP	Refinery	Kazakhstan	**99.53%**	99.53%
Pavlodar oil chemistry refinery LLP	Refinery	Kazakhstan	**100%**	100%
KMG International N.V.	Refinery and marketing of oil products	Romania	**100%**	100%
KMG Drilling&Services LLP	Drilling services	Kazakhstan	**100%**	100%

Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any non-controlling interest in the acquiree. For each business combination, the acquirer measures the non-controlling interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition costs incurred are expensed and included in general and administrative expenses.

When the Group acquires a business, it assesses the financial assets acquired and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

Any contingent consideration to be transferred by the acquirer will be recognized at fair value at the acquisition date. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of IFRS 9 *Financial Instruments*, is measured at fair value with changes in fair value recognized in the statement of profit or loss in accordance with IFRS 9. If the contingent consideration is not within the scope of IFRS 9, it is measured at fair value through profit and loss. Contingent consideration that is classified as equity is not remeasured and its subsequent settlement is accounted for within equity.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognized for non-controlling interests, and any previous interest held, over the net identifiable assets acquired and liabilities assumed. If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Group re-assesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognized at the acquisition date. If the reassessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognized in profit or loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Business combinations and goodwill (continued)

Where goodwill forms part of a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

Business combinations achieved in stages

The acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date through profit or loss.

In a business combination achieved in stages the acquirer recognizes goodwill as of the acquisition date measured as the excess of (a) over (b) below:

(a) The aggregate of: (i) the consideration transferred measured in accordance with this IFRS 3 *Business Combinations*, which generally requires acquisition-date fair value; (ii) the amount of any non-controlling interest in the acquiree measured in accordance with this IFRS; and (iii) the acquisition-date fair value of the acquirer's previously held equity interest in the acquiree;

(b) The net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed.

Acquisition of subsidiaries from parties under common control

Acquisitions of subsidiaries from parties under common control are accounted for using the pooling of interest method.

The assets and liabilities of the subsidiary transferred under common control are recorded in the consolidated financial statements at the carrying amounts of the transferring entity (the Predecessor) at the date of the transfer. Related goodwill, if any, inherent in the Predecessor's original acquisition is also recorded in the consolidated financial statements. Any difference between the total book value of net assets, including the Predecessor's goodwill, and the consideration paid is accounted for in the consolidated financial statements as an adjustment to equity.

The consolidated financial statements, including corresponding figures, are presented as if the subsidiary had been acquired by the Group on the date it was originally acquired by the Predecessor.

Joint operations

A joint operation is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets and obligations for the liabilities, relating to the arrangement. In relation to its interests in joint operations, the Group recognizes its: Assets, including its share of any assets held jointly; Liabilities, including its share of any liabilities incurred jointly; Revenue from the sale of its share of the output arising from the joint operation; Share of the revenue from the sale of the output by the joint operation; Expenses, including its share of any expenses incurred jointly.

Investment in associates and joint ventures

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but which does not comprise control or joint control over those policies.

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control. Under contractual arrangement that establishes joint control the Group may own less than 50% of shares in joint ventures.

The considerations made in determining significant influence or joint control are similar to those necessary to determine control over subsidiaries. The Group's investments in its joint venture and associates are accounted for using the equity method.

Under the equity method, the investment in a joint venture or an associate is initially recognized at cost. The carrying amount of the investment is adjusted to recognize changes in the Group's share of net assets of the joint venture or associate since the acquisition date. Goodwill relating to the joint venture or associate is included in the carrying amount of the investment and is neither amortized nor individually tested for impairment.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investment in associates and joint ventures (continued)

The consolidated statement of comprehensive income reflects the Group's share of the results of operations of the joint venture or associate. Any change in other comprehensive income of those investees is presented as part of the Group's other comprehensive income. In addition, when there has been a change recognized directly in the equity of the joint venture or associate, the Group recognizes its share of any changes, when applicable, in the consolidated statement of changes in equity. Unrealized gains and losses resulting from transactions between the Group and the joint venture or associate are eliminated to the extent of the interest in the joint venture or associate.

The aggregate of the Group's share in profit or loss of a joint venture and an associate is shown on the face of the consolidated statement of comprehensive income and represents profit or loss after tax and non-controlling interest in the subsidiaries of the joint venture or associate. The financial statements of the joint venture or associate are prepared for the same reporting period as the Group. When necessary, adjustments are made to bring their accounting policies in line with those of the Group.

After application of the equity method, the Group determines whether it is necessary to recognize an impairment loss on its investment in its joint venture or associate. At each reporting date, the Group determines whether there is objective evidence that the investment in the joint venture or associate is impaired. If there is such evidence, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate or joint venture and its carrying value, and then recognizes the loss as "Impairment of investment in joint venture and associate" in the consolidated statement of comprehensive income.

Upon loss of joint control over the joint venture or significant influence over the associate, the Group measures and recognizes any retained investment at its fair value. Any difference between the carrying amount of the joint venture or associate upon loss of joint control or significant influence and the fair value of the retained investment and proceeds from disposal is recognized in profit or loss.

Current versus non-current classification

The Group presents assets and liabilities in the consolidated statement of financial position based on current/non-current classification. An asset is classified as current when it is: expected to be realized or intended to sold or consumed in normal operating cycle; held primarily for the purpose of trading; expected to be realized within 12 (twelve) months after the reporting period; or it is cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least 12 (twelve) months after the reporting period. All other assets are classified as non-current.

A liability is classified as current when it is: expected to be settled in normal operating cycle; held primarily for the purpose of trading; due to be settled within 12 (twelve) months after the reporting period; or there is no unconditional right to defer the settlement of the liability for at least 12 (twelve) months after the reporting period. The Group classifies all other liabilities as non-current.

Deferred tax assets and liabilities are always classified as non-current assets and liabilities.

Oil and natural gas exploration, evaluation and development expenditure

Costs incurred before obtaining subsoil use rights (licenses)

Costs incurred before obtaining full subsoil use rights (licenses) are expensed in the period in which they are incurred, except when costs are incurred after signing preliminary agreements with the Government of RK, in such cases costs incurred after this date are capitalized in exploration and evaluation assets.

Subsoil use rights and property acquisition costs

Exploration and production subsoil use rights and related property acquisition costs are capitalized within exploration and evaluation assets and subclassified as intangible. Each property under exploration and appraisal is reviewed on an annual basis to confirm that drilling activity is planned and it is not impaired. If no future activity is planned, the carrying amount of the exploration subsoil use right and related property acquisition costs is written off. Upon determination of economically recoverable reserves ('proved reserves' or 'commercial reserves') and internal approval of development, the carrying amount of the subsoil use right and related property acquisition costs held on a field-by-field basis is aggregated with exploration and evaluation assets and transferred to oil and gas assets or intangible assets.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Oil and natural gas exploration, evaluation and development expenditure (continued)

Exploration and evaluation costs

Once the legal right to explore has been acquired, geological and geophysical exploration costs and costs directly associated with exploration and appraisal wells, including unsuccessful development or delineation wells are capitalized as exploration and evaluation intangible or tangible assets, according to the nature of the costs, until the drilling of the well is complete and the results have been evaluated. These costs include employee remuneration, materials and fuel used, rig costs and payments made to contractors. If no expected reserves are found, the exploration and evaluation asset is tested for impairment. If extractable hydrocarbons are found and, subject to further appraisal activity, which may include the drilling of further wells, are likely to be developed commercially; the costs continue to be carried as an asset while sufficient/continued progress is made in assessing the commerciality of the hydrocarbon reserves. All such carried costs are subject to technical, commercial and management review as well as review for impairment at least once a year to confirm the continued intent to develop or otherwise extract value from the discovery.

When proved reserves of hydrocarbons are determined and development is sanctioned, the relevant expenditure is transferred to oil and gas assets after impairment is assessed and impairment loss recognized, if any.

When this is no longer the case, and the Group decides to relinquish the contract territory to the Government and terminate the subsoil use contracts, the assets are written off.

Development costs

Expenditures on the construction, installation or completion of infrastructure facilities such as platforms, pipelines and the drilling of development wells, are capitalized within oil and gas assets.

Oil and gas assets and other property, plant and equipment

Oil and gas assets and other property, plant and equipment are stated at cost less accumulated depreciation, depletion and impairment.

The initial cost of an asset comprises its purchase price or construction cost, borrowing cost for long-term construction or development project, if recognition criteria is met, any costs directly attributable to bringing the asset into operation and the initial estimate of decommissioning obligation, if there is any. The purchase price or construction cost is the aggregate amount paid and the fair value of any other consideration given to acquire the asset.

Oil and gas assets are depreciated using a unit-of-production method, whereas tangible assets are depreciated over proved developed reserves and intangible assets – over proved reserves. Certain oil and gas assets with useful lives less than the remaining life of the fields or term of the subsoil use contracts are depreciated on a straight-line basis over useful lives.

Property, plant and equipment other than oil and gas assets and land principally comprise buildings, machinery and equipment, vehicles and others that are depreciated on a straight-line basis over the expected remaining useful average lives as follows:

Refinery assets	4-100 years
Pipelines	2-30 years
Buildings and improvements	2-100 years
Machinery and equipment	2-30 years
Vehicles	3-35 years
Other	2-20 years
Land	Not depreciated

The expected useful lives of property, plant and equipment are reviewed on an annual basis and, if necessary, changes in useful lives are accounted for prospectively.

The carrying value of property, plant and equipment is reviewed for impairment whenever events or changes in circumstances indicate the carrying value may not be recoverable.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Oil and gas assets and other property, plant and equipment (continued)

An item of property, plant and equipment, inclusive of production wells which stop producing commercial quantities of hydrocarbons and are scheduled for abandonment, is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the profit or loss in the period the item is derecognized.

Intangible assets

Intangible assets are stated at cost, less accumulated amortization and accumulated impairment losses. Intangible assets include expenditure on acquiring subsoil use rights for oil and natural gas exploration, evaluation and development, computer software and goodwill. Intangible assets acquired separately from a business are carried initially at cost. The initial cost is the aggregate amount paid and the fair value of any other consideration given to acquire the asset.

Intangible assets, except for goodwill and subsoil use rights, are amortized on a straight-line basis over the expected remaining useful life. The expected useful lives of the assets are reviewed on an annual basis and, if necessary, changes in useful lives are accounted for prospectively. Computer software costs have an estimated useful life of 3 to 7 years.

The carrying value of intangible assets is reviewed for impairment whenever events or changes in circumstances indicate the carrying value may not be recoverable. Goodwill is tested for impairment annually (as at December 31) and when circumstances indicate that the carrying value may be impaired.

Impairment is determined for goodwill by assessing the recoverable amount of each cash-generating unit (or group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash generating unit is less than their carrying amount an impairment loss is recognized. Impairment losses relating to goodwill cannot be reversed in future periods.

Impairment of non-financial assets

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's (CGU) fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

In determining fair value less costs to sell, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded subsidiaries or other available fair value indicators. Impairment losses of continuing operations are recognized in the consolidated statement of comprehensive income in those expense categories consistent with the function of the impaired asset.

The Group bases its impairment calculation on detailed budgets and forecast calculations, which are prepared separately for each of the Group's CGUs to which the individual assets are allocated. These budgets and forecast calculations generally cover a period of 5 (five) years. For longer periods, a long-term growth rate is calculated and applied to projected future cash flows after the fifth year.

For assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the Group estimates the asset's or cash-generating unit's recoverable amount. A previously recognized impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognized. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of accumulated depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the consolidated statement of comprehensive income.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of exploration and evaluation assets

Exploration and evaluation assets are tested for impairment when reclassified to oil and gas development tangible or intangible assets or whenever facts and circumstances indicate impairment.

One or more of the following facts and circumstances indicate that the Group should test exploration and evaluation assets for impairment (the list is not exhaustive):

- The period for which the Group entity has the right to explore and appraise in the specific area has expired during the period or will expire in the near future, and is not expected to be renewed;
- Substantive expenditure on the further exploration for and evaluation of hydrocarbon resources in the specific area is neither budgeted nor planned;
- Exploration for and evaluation of hydrocarbon resources in the specific area have not led to the discovery of commercially viable quantities of hydrocarbon resources and the Group entity has decided to discontinue such activities in the specific area;
- Sufficient data exist to indicate that, although a development in the specific area is likely to proceed, the carrying amount of the exploration and evaluation asset is unlikely to be recovered in full from successful development or by sale.

Non-current assets held for sale and discontinued operations

Non-current assets and disposal groups classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell. Non-current assets and disposal groups are classified as held for sale if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset or disposal group is available for immediate sale in its present condition.

Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

In the consolidated statement of comprehensive income of the reporting period, and of the comparable period of the previous year, income and expenses from discontinued operations are reported separately from income and expenses from continuing operations, down to the level of profit after taxes, even when the Group retains a non-controlling interest in the subsidiary after the sale. The resulting profit or loss (after taxes) is reported separately in the consolidated statement of comprehensive income.

Property, plant and equipment and intangible assets once classified as held for sale are not depreciated or amortized.

Asset retirement obligation (decommissioning)

Provision for decommissioning is recognized in full, on a discounted cash flow basis, when the Group has an obligation to dismantle and remove a facility or an item of plant, property and equipment and to restore the site on which it is located, and when a reasonable estimate of that provision can be made. The amount recognized is the present value of the estimated future expenditure determined in accordance with local conditions and requirements. A corresponding item of property, plant and equipment of an amount equivalent to the provision is also created. This asset is subsequently depreciated as part of the capital costs of the production and transportation facilities based on the appropriate depreciation method.

Changes in the measurement of an existing decommissioning provision that result from changes in the estimated timing or amount of the outflow of resources embodying economic benefits required to settle the obligation, or change in the discount rate, is accounted for so that:

(a) Changes in the provision are added to, or deducted from, the cost of the related asset in the current period;

(b) The amount deducted from the cost of the asset shall not exceed its carrying amount. If a decrease in the provision exceeds the carrying amount of the asset, the excess is recognized immediately in the consolidated statement of comprehensive income; and

(c) If the adjustment results in an addition to the cost of an asset, the Group considers whether this is an indication that the new carrying amount of the asset may not be fully recoverable. If it is such an indication, the Group tests the asset for impairment by estimating its recoverable amount, and accounts for any impairment loss, in accordance with IAS 36.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortized cost, fair value through other comprehensive income, and fair value through profit or loss. The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient, the Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under IFRS 15.

In order for a debt financial asset to be classified and measured at amortized cost or fair value through other comprehensive income, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level. The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognized on the trade date, i.e., the date that the Group commits to purchase or sell the asset.

Subsequent measurement

For purposes of subsequent measurement, financial assets are classified in two categories:

- Financial assets at amortized cost (debt instruments);
- Financial assets at fair value through profit or loss.

The Group does not have financial assets at fair value through other comprehensive income.

Financial assets at amortized cost (debt instruments)

This category is the most relevant to the Group. The Group measures financial assets at amortized cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortized cost are subsequently measured using the effective interest rate method and are subject to impairment. Gains and losses are recognized in profit or loss when the asset is derecognized, modified or impaired. The Group's financial assets at amortized cost include trade and other receivables, loans due from related parties and bank deposits.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include certain loans due from related parties, which contain embedded derivative financial instruments. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at fair value through profit or loss, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortized cost or at fair value through other comprehensive income, as described above, debt instruments may be designated at fair value through profit or loss on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

Financial assets at fair value through profit or loss are carried in the consolidated statement of financial position at fair value with net changes in fair value recognized in the consolidated statement of comprehensive income within the profit and loss.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial assets (continued)

Derecognition

A financial asset is primarily derecognized (removed from the consolidated statement of financial position) when:

- The rights to receive cash flows from the asset have expired; or
- The Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Group continues to recognize the transferred asset to the extent of its continuing involvement. In that case, the Group also recognizes an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Impairment of financial assets

The Group recognizes an allowance for expected credit losses (ECL) for all debt instruments not held at fair value through profit or loss. ECL are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECL are recognized in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECL are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

For trade and other receivables, the Group applies a simplified approach in calculating ECL. Therefore, the Group does not track changes in credit risk, but instead recognizes a loss allowance based on lifetime ECL at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

The Group considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Inventories

Inventories are stated at the lower of cost and net realizable value on a first-in first-out (FIFO) basis. Cost includes all costs incurred in the normal course of business in bringing each product to its present location and condition. The cost of crude oil and refined products is the cost of production, including the appropriate proportion of depreciation, depletion and amortization and overheads based on normal capacity. Net realizable value of crude oil and refined products is based on estimated selling price in the ordinary course of business less any costs expected to be incurred to complete the sale.

Value added tax (VAT)

The tax authorities permit the settlement of VAT on sales and purchases on a net basis. VAT receivable represents VAT on domestic purchases net of VAT on domestic sales. Export sales are zero rated.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Cash and cash equivalents

Cash and cash equivalents include cash in bank and cash on hand, demand deposits with banks with original maturities of three months or less.

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans borrowings and payables, or as derivatives financial instruments.

All financial liabilities are recognized initially at fair value and in the case of loans and borrowings, plus directly attributable transaction costs.

The Group's financial liabilities include trade and other payables, loans and borrowings and derivative financial instruments.

Subsequent measurement

The measurement of financial liabilities depends on their classification as follows:

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss includes financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are acquired for the purpose of selling in the near term. This category includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by IFRS 9. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

Gains or losses on liabilities held for trading are recognized in profit or loss.

The Group has not designated any financial liabilities upon initial recognition as at fair value through profit or loss.

Trade and other payables

Trade payables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method.

Loans and borrowings

After initial recognition, interest bearing loans and borrowings are subsequently measured at amortized cost using the effective interest rate method. Gains and losses are recognized in the consolidated statement of comprehensive income when the liabilities are derecognized as well as through the effective interest rate amortization process.

Amortized cost is calculated by taking into account any discount or premium on acquisition and fee or costs that are an integral part of the effective interest rate. The effective interest rate amortization is included in finance costs.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least twelve months after the reporting date. Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalized as part of the cost of that asset. Other borrowing costs are recognized as an expense when incurred.

Financial guarantee contracts

Financial guarantee contracts issued by the Group are those contracts that require a payment to be made to reimburse the holder for a loss it incurs because the specified debtor fails to make a payment when due in accordance with the terms of a debt instrument. Financial guarantee contracts are recognized initially as a liability at fair value, adjusted for transaction costs that are directly attributable to the issuance of the guarantee. Subsequently, the liability is measured at the higher of the expected credit losses allowance calculated under IFRS 9 and the amount recognized less cumulative amortization, if any.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial liabilities (continued)

Derecognition

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in profit or loss.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the consolidated statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the assets and settle the liabilities simultaneously.

Fair value of financial instruments

The fair value of financial instruments that are traded in active markets at each reporting date is determined by reference to quoted market prices or dealer price quotations (bid price for long positions and ask price for short positions), without any deduction for transaction costs.

For financial instruments not traded in an active market, the fair value is determined using appropriate valuation techniques. Such techniques may include using recent arm's length market transactions; reference to the current fair value of another instrument that is substantially the same; a discounted cash flow analysis or other valuation models.

Provisions

Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. When the Group expects a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognized as a separate asset, but only when the reimbursement is virtually certain.

If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as a finance cost.

Provision for obligations to the Government

The Government assigns various sponsorship and financing obligations to the Group. Management of the Group believes that such Government's assignments represent constructive obligations of the Group and require recognition on the basis of respective resolution of the Government. Furthermore, as the Government is the ultimate controlling party of the Group, the expenditures on these assignments are recognized as other distributions to the Shareholders directly in the equity, in the consolidated financial statements.

Employee benefits

Pension scheme

Payments to defined contribution retirement benefit plans are charged as an expense as they fall due. Payments made to state – managed retirement benefit schemes are dealt with as defined contribution plans where the Group's obligations under the scheme are equivalent to those arising in a defined contribution retirement benefit plan.

Long-term employee benefits

The Group provides long-term employee benefits to employees before, on and after retirement, in accordance with the collective agreements between the Group entities and their employees. The collective agreement provides for certain one-off retirement payments, financial aid for employees' disability, anniversaries, funeral and other benefits. The entitlement to benefits is usually conditional on the employee remaining in service up to retirement age.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Employee benefits (continued)

Long-term employee benefits (continued)

The expected costs of the benefits associated with one-off retirement payments are accrued over the period of employment using the same accounting methodology as used for defined benefit post-employment plans with defined payments upon the end of employment. Actuarial gains and losses arising in the year are taken to other comprehensive income. For this purpose, actuarial gains and losses comprise both the effects of changes in actuarial assumptions and experience adjustments arising because of differences between the previous actuarial assumptions and what has actually occurred. Other movements are recognized in the current period, including current service cost, any past service cost and the effect of any curtailments or settlements.

The most significant assumptions used in accounting for defined benefit obligations are discount rate and mortality assumptions. The discount rate is used to determine the net present value of future liabilities and each year the unwinding of the discount on those liabilities is charged to the consolidated statement of comprehensive income as finance costs. The mortality assumption is used to project the future stream of benefit payments, which is then discounted to arrive at a net present value of liabilities.

Employee benefits other than one-off retirement payments are considered as other long-term employee benefits. The expected cost of these benefits is accrued over the period of employment using the same accounting methodology as used for the defined benefit plan. Actuarial gains and losses on other long-term employee benefits are recognized in the profit or loss. These obligations are valued by independent qualified actuaries on an annual basis.

Revenue recognition

Revenues are recognized when (or as) the Group satisfies a performance obligation by transferring a promised good or service (i.e. an asset) to a customer. An asset is transferred when (or as) the customer obtains control of that asset, which usually occurs when the title is passed, provided that the contract price is fixed or determinable and collectability of the receivable is reasonably assured. Specifically, domestic sales of crude oil and gas, as well as petroleum products and materials are usually recognized when title passes. For export sales, title generally passes at the border of the RK. Revenue is measured at the fair value of the consideration received or receivable taking into account the amount of any trade discounts, volume rebates and reimbursable taxes.

Sales of support services are recognized as services are performed provided that the service price can be determined and no significant uncertainties regarding the receipt of revenues exist.

Interest income and expense

For all financial instruments measured at amortized cost, and interest income and interest expense are recorded using the effective interest rate. Effective interest rate is the rate that exactly discounts the estimated future cash payments or receipts over the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or liability. Interest income is included in finance income and interest expense is included in finance costs in the consolidated statement of comprehensive income.

Trade receivables

A receivable represents the Group's right to an amount of consideration that is unconditional (i.e., only the passage of time is required before payment of the consideration is due).

Contract liabilities

A contract liability is the obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer. If a customer pays consideration before the Group transfers goods or services to the customer, a contract liability is recognized when the payment is made or the payment is due (whichever is earlier). Contract liabilities are recognized as revenue when the Group performs under the contract.

Expense recognition

Expenses are recognized as incurred and are reported in the consolidated financial statements in the period to which they relate on an accrual basis.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Income taxes

Income tax for the year comprises current income tax, excess profit tax and deferred tax. Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the reporting date. Current income tax (CIT) relating to items recognized directly in equity is recognized in equity and not in the consolidated statement of comprehensive income.

Excess profit tax (EPT) is treated as an income tax and forms part of income tax expense. In accordance with the applicable tax legislation, the Group accrues and pays EPT in respect of each subsoil use contract, at varying rates based on the ratio of aggregate annual income to deductions for the year for a particular subsoil use contract. The ratio of aggregate annual income to deductions in each tax year triggering the application of EPT is 1.25:1. EPT rates are applied to the part of the taxable income (taxable income after corporate income tax and allowable adjustments) related to each subsoil use contract in excess of 25% of the deductions attributable to each contract.

Deferred tax is calculated with respect to both CIT and EPT. Deferred EPT is calculated on temporary differences for assets allocated to subsoil use contracts at the expected rate of EPT to be paid under the contract.

Deferred income tax is provided using the liability method on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognized for all taxable temporary differences, except:

- Where the deferred income tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred income tax assets are recognized for all deductible temporary differences, carryforward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward of unused tax credits and unused tax losses can be utilized except:

- When the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred income tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

The carrying amount of deferred income tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilized. Unrecognized deferred income tax assets are reassessed at each reporting date and are recognized to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered. Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realized or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the reporting date.

Deferred income tax relating to items recognized directly in equity is recognized in equity and not in the consolidated statement of comprehensive income. Deferred income tax assets and deferred income tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred income taxes relate to the same taxable entity and the same taxation authority. Deferred tax assets are recognized for all allowances and unused tax losses to the extent that it is probable that taxable temporary differences and business nature of such expenses will be proved. Significant management judgment is required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and level of future taxable profits together with future tax planning strategies.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Equity

Non-controlling interest

Non-controlling interests are presented in the consolidated statement of financial position within equity, separately from the equity of the Company's owners. Total comprehensive income is attributed to the Company's owners and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Dividends

Dividends are recognized as a liability and deducted from equity at the reporting date only if they are declared before or on the reporting date. Dividends are disclosed when they are declared before the reporting date or after the reporting date but before the consolidated financial statements are authorized for issue.

Distributions to the Shareholders

Expenditures incurred by the Group based on the respective resolution of the Government based on the RK President's charge or decision and instructions of Samruk-Kazyna are accounted for as other distributions through equity. Such expenditures include costs associated with non-core activity of the Group (construction of social assets to be transferred to Samruk-Kazyna).

Subsequent events

The results of post-year-end events that provide evidence of conditions that existed at the reporting date (adjusting events) are reflected in the consolidated financial statements. Post-year-end events that are not adjusting events are disclosed in the notes to the consolidated financial statements when material.

4. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of the Group's consolidated financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities and the disclosure of contingent liabilities and assets, at the reporting date. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.

Considerations in respect of COVID-19 pandemic and hydrocarbon economy in 2021

The impact of COVID-19 and unfavorable trend in the global hydrocarbons market on the basis of preparation of these consolidated financial statements has been considered as part of the going concern assessment. To support this assertion liquidity forecast has been assessed under several stressed scenarios.

In "Exploration and production of oil and gas segment" no impairment indicators of property, plant and equipment intangible assets and exploration and evaluation assets were observed.

In "Oil transportation" segment impairment charges of 4,453 million tenge were recognized. Impairment charges mainly relate to barges of KazMorTransFlot LLP *(Note 13)*. The recoverable amounts of the CGUs within these businesses were based on value-in-use calculations.

In "Refining and trading of crude oil and refined products segment" impairment charges of 8,298 million tenge were recognized, which represent partial impairment of refining assets of KMG International N.V. (further KMGI) *(Note 13)*. The recoverable amount of these assets for impairment testing purposes was determined based on fair value less cost to disposal.

Headroom of the majority of oil and refining assets are sensitive to changes in price or other assumptions. The changes within next financial periods may result in recoverable amount of these assets above or below the current carrying amounts and therefore there is a risk of impairment reversals or charges in those periods. Sensitivity to key assumptions for significant CGUs of the Group, at which impairment charges were recognized in 2021, were disclosed in *Note 13*.

4. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS (continued)

Considerations in respect of COVID-19 pandemic and hydrocarbon economy in 2021 (continued)

Impairment testing assumptions

The Group's long-term assumptions for Brent oil prices, KZT/USD exchange rate and inflation projections have been revised and are based on externally sourced forecasts and rates of the independent research organizations considering long-tern market expectations. Production volumes estimates are based on proved developed and undeveloped reserves for subsidiaries, and on proved and probable reserves for significant investments in joint ventures and associates. Production period is either based on subsoil use contracts' expiration date or on extended license period, to which the Group has strong intention to extend its licenses. Estimated production volumes are based on the Group's production plans that are mostly used for the purposes of application filing for extension of subsoil use contracts.

Discount rates were estimated on the weighted average cost of capital of the individual cash generating unit and ranged between 10.70-16.30% depending on the functional currency, production period, size, equity risk premium, beta and gearing ratio of the relevant CGU.

The long-term price assumptions applied were derived from Bloomberg consensus; so did the near-term commodity price assumptions, a summary of which, in real 2021 terms, is provided below:

	2022	2023	2024	2025	2026
Brent oil ($/bbl)	73	71.5	73	70	71

Oil and gas reserves

Oil and gas reserves are a material factor in the Group's computation of depreciation, depletion and amortization expenses. The Group estimates its oil and gas reserves in accordance with the methodology of the Society of Petroleum Engineers (SPE). In estimating its reserves under SPE methodology, the Group uses long-term planning prices. Using planning prices for estimating proved reserves removes the impact of the volatility inherent in using year-end spot prices. Management believes that long-term planning price assumptions, which are also used by management for their business planning and investment decisions are more consistent with the long-term nature of the upstream business and provide the most appropriate basis for estimating oil and gas reserves.

All reserve estimates involve some degree of uncertainty. The uncertainty depends mainly on the amount of reliable geological and engineering data available at the time of the estimate and the interpretation of this data.

The relative degree of uncertainty can be conveyed by placing reserves into one of two principal classifications, either proved or unproved. Proved reserves are more certain to be recovered than unproved reserves and may be further sub-classified as developed and undeveloped to denote progressively increasing uncertainty in their recoverability.

Estimates are reviewed and revised annually. Revisions occur due to the evaluation or re-evaluation of already available geological, reservoir or production data, availability of new data, or changes to underlying price assumptions. Reserve estimates may also be revised due to improved recovery projects, changes in production capacity or changes in development strategy. Proved developed reserves are used to calculate the unit of production rates for depreciation, depletion and amortization in relation to oil and gas production assets. The Group has included in proved reserves only those quantities that are expected to be produced during the initial subsoil use contract period. This is due to the uncertainties surrounding the outcome of such renewal procedures, since the renewal is ultimately at the discretion of the Government. An increase in the Group's subsoil use contract periods and corresponding increase in reported reserves would generally lead to lower depreciation, depletion and amortization expense and could materially affect earnings. A reduction in proved developed reserves will increase depreciation, depletion and amortization expense (assuming constant production), reduce income and could also result in an immediate write-down of the property's book value. Given the relatively small number of producing fields, it is possible that any changes in reserve estimates year on year could significantly affect prospective charges for depreciation, depletion and amortization.

Please refer *Note 13* for details on annual impairment test results.

4. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS (continued)

Recoverability of oil and gas assets, downstream, refining and other assets

The Group assesses assets or CGU for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Where an indicator of impairment exists, a formal estimate of the recoverable amount is made, which is considered to be the higher of the fair value less costs to sell and value in use. These assessments require the use of estimates and assumptions such as long-term oil prices, discount rates, future capital requirements, operating performance (including production and sales volumes) that are subject to risk and uncertainty. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset/CGU is considered to be impaired and is written down to its recoverable amount. In assessing recoverable values, the estimated future cash flows are adjusted for the risks specific to the asset group and are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Fair value less costs to sell is identified as the price that would be received to sell the asset in an orderly transaction between market participants and does not reflect the effects of factors that may be specific to the entity and not applicable to entities in general.

KMGI CGU, including goodwill

As at December 31, 2021 and 2020, the Group performed its annual impairment tests for goodwill and downstream, refining and other assets due to existence of impairment indicators at the CGUs of KMGI. As the result of the impairment analysis, recoverable amount of KMGI CGUs exceeded their carrying values *(Note 13).*

Pavlodar refinery, goodwill

As of December 31, 2021 and 2020 the Group has goodwill of 88,553 million tenge related to acquisition of Pavlodar oil chemistry refinery LLP (further Pavlodar refinery) *(Note 17).* The Group performed annual impairment test for the Pavlodar refinery goodwill using the current tolling business scheme employed by Pavlodar refinery in December 2021 and 2020. The Group considered the forecast for oil tolling volumes, oil tolling tariffs, capital expenditures, among other factors, when reviewing for indicators of impairment. The recoverable amount is calculated using a discounted cash flow model. In 2021, the discount rate of 12.06% was calculated based on the pre-tax weighted average cost of capital. The inherent risk was included by applying an individual beta factor. The beta factor was estimated based on the publicly available market data. Forecasted cash flows till to 2029 were based on five-years business plan of Pavlodar refinery 2022-2026, which assumes current management estimates on potential changes in operating and capital costs. As at December 31, 2021 and 2020 the recoverable amount of goodwill, which was determined based on value-in-use, exceeded its book value, as such no impairment of Pavlodar refinery goodwill was recognized.

Sensitivity to changes in assumptions

Results of the assessment of recoverable amount of Pavlodar refinery goodwill are sensitive to changes in key assumptions, in particular, assumptions related to changes in discount rate and target EBITDA in terminal period. Increase in discount rates by 1.0% to 13.06% and decrease of target EBITDA in terminal period by 1% would not result decrease of the recoverable amount of CGU Pavlodar refinery to its carrying value.

Other CGUs

Revision to the Group's commodity price and other assumptions have not resulted in impairment charges in any other CGUs of the *Refining and trading of crude oil and refined products segment.*

4. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS (continued)

Assets retirement obligations

Oil and gas production facilities

Under the terms of certain subsoil use contracts, legislation and regulations the Group has legal obligations to dismantle and remove tangible assets and restore the land at each production site. Specifically, the Group's obligation relates to the ongoing closure of all non-producing wells and final closure activities such as removal of pipes, buildings and recultivation of the contract territories, and also obligations to dismantle and remove tangible assets and restore territory at each production site. Since the subsoil use contract terms cannot be extended at the discretion of the Group, the settlement date of the final closure obligations has been assumed to be the end of each subsoil use contract period. The extent of the Group's obligations to finance the abandonment of wells and for final closure costs depends on the terms of the respective subsoil use contracts and current legislation.

Where neither subsoil use contracts nor legislation include an unambiguous obligation to undertake or finance such final abandonment and closure costs at the end of the subsoil use contract term, no liability has been recognized. There is some uncertainty and significant judgment involved in making such a determination. Management's assessment of the presence or absence of such obligations could change with shifts in policies and practices of the Government or in the local industry practice.

The Group calculates asset retirement obligations separately for each contract. The amount of the obligation is the present value of the estimated expenditures expected to be required to settle the obligation adjusted for expected inflation and discounted using average long-term risk-free interest rates for emerging market sovereign debt adjusted for risks specific to the Kazakhstan market.

At each reporting date the Group reviews site restoration provisions, and adjusts them to reflect the current best estimate in accordance with IFRIC 1 *Changes in Existing Decommissioning, Restoration and Similar Liabilities*.

Estimating the future closure costs involves significant estimates and judgments by management. Most of these obligations are many years in the future and, in addition to ambiguities in the legal requirements, the Group's estimate can be affected by changes in asset removal technologies, costs and industry practice. The Group estimates future well abandonment cost using current year prices and the average long-term inflation rate.

The long-term inflation and discount rates used to determine the obligation in the consolidated statement of financial position across the Group entities at December 31, 2021 were in the range from 2.23% to 8.10% and from 3.80% to 10.25%, respectively (December 31, 2020: from 2.00% to 7.3% and from 3.68% to 11.00%, respectively). As at December 31, 2021 the carrying amounts of the Group's asset retirement obligations relating to decommissioning of oil and gas facilities were 67,190 million tenge (December 31, 2020: 66,177 million tenge) *(Note 26)*.

Major oil and gas pipelines

According to the Law of the RK *On Major Pipelines* which was made effective on July 4, 2012 KazTransOil JSC (further KTO) has legal obligation to decommission its major oil pipelines at the end of their operating life and to restore the land to its original condition. Asset retirement obligation is calculated based on estimate of the work to decommission and rehabilitate. As at December 31, 2021, the carrying values of the Group's asset retirement obligations relating to decommissioning of pipelines and land were 34,547 million tenge (December 31, 2020: 113,558 million tenge) *(Note 26)*.

Environmental remediation obligations provision

The Group also makes judgments and estimates in establishing provisions for environmental remediation obligations. Environmental expenditures are capitalized or expensed depending upon their future economic benefit. Expenditures that relate to an existing condition caused by past operations and do not have a future economic benefit are expensed.

Liabilities are determined based on current information about costs and expected plans for remediation and are recorded on discounted basis. The Group's environmental remediation provision represents management best estimate based on an independent assessment of the anticipated expenditure necessary for the Group to remain in compliance with the current regulatory regime in Kazakhstan and Europe. The Group has classified this obligation as non-current except for the portion of costs, included in the annual budget for 2022. For environmental remediation provisions, actual costs can differ from estimates because of changes in laws and regulations, public expectations, discovery and analysis of site conditions and changes in clean-up technology. Movements in the provision for environmental remediation obligations are disclosed in *Note 26*.

4. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS (continued)

Employee benefits

The cost of defined long-term employee benefits payable before, on and after retirement and the present value of the obligation are determined using actuarial valuations. An actuarial valuation involves making various assumptions that may differ from actual developments in the future. These include the determination of the discount rate, future salary increases, mortality rates and future pension increases.

Due to the complexity of the valuation, the underlying assumptions and its long-term nature, a defined benefit obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date.

Taxation

In assessing tax risks, management considers to be probable obligations the known areas of tax positions which the Group would not appeal or does not believe it could successfully appeal, if assessed by tax authorities. Such determinations inherently involve significant judgment and are subject to change as a result of changes in tax laws and regulations, amendments to the taxation terms of the Group's subsoil use contracts, the determination of expected outcomes from pending tax proceedings and current outcome of ongoing compliance audits by tax authorities. The provision for tax risks other than on income tax are disclosed under provisions for taxes in *Note 26*. Contingent liabilities for tax risks other than on income tax are disclosed in *Note 32*. Provisions and contingent liabilities related to income tax are included or disclosed as income tax liabilities or contingencies (see *Note 29* and *32* for further details).

Useful lives of property, plant and equipment

The Group assesses the remaining useful lives of items of property, plant and equipment at least at each financial year-end and, if expectations differ from previous estimates, the changes are accounted for prospectively as a change in an accounting estimate in accordance with IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*.

Fair value of financial instruments

Where the fair value of financial assets and financial liabilities recorded in the consolidated statement of financial position cannot be derived from active markets, they are determined using valuation techniques including the discounted cash flows model. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgment is required in establishing fair values. The judgments include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions about these factors could affect the reported fair value of financial instruments presented in the consolidated financial statements. Further details are disclosed in *Note 31*.

5. LOSS OF CONTROL

On March 11, 2021, the Company and Samruk-Kazyna entered into a trust management agreement with respect to 100% common shares of KazTransGas JSC (further KTG). On November 9, 2021, the Company transferred to Samruk-Kazyna 100% shares of KTG for 1 tenge and the trust management agreement was terminated.

The transaction was preceded by fulfilment of a number of legal and financial conditions, including approvals from KMG lenders and relevant government agencies. The last condition was fulfilled on November 8, 2021. Starting from November 8, 2021, KTG was classified as a discontinued operation.

The Company's obligation on the financial guarantee of the Company and KTG under syndicated loan of Beineu-Shymkent Gas Pipeline LLP, the joint venture of KTG, was transferred to KTG *(Note 27)*.

The business of KTG represented the entirety of the Group's *Gas trading and transportation* segment until November 8, 2021. With KTG being disposed, the *Gas trading and transportation* segment is no longer presented in the segment note.

The consolidated statement of comprehensive income and the consolidated statement of cashflows, as well as the related notes to the consolidated financial statements for prior year were restated retrospectively.

5. LOSS OF CONTROL (continued)

The results of KTG for the period ended November 8, 2021 and the year ended December 31, 2020 are presented below:

In millions of tenge	**For the period ended November 8, 2021**	For the year ended December 31, 2020
Revenue	**708,110**	931,073
Share in profit of joint ventures, net	**275,100**	230,380
Finance income	**19,750**	21,766
Other operating income	**18,288**	6,075
Total revenue and other income from discontinued operations	**1,021,248**	1,189,294
Cost of purchased gas and other materials	**(158,438)**	(375,831)
Production expenses	**(66,266)**	(84,608)
Taxes other than income tax	**(12,645)**	(15,237)
Depreciation, depletion and amortization	**(63,502)**	(42,856)
Transportation and selling expenses	**(248,832)**	(321,042)
General and administrative expenses	**(18,420)**	(23,583)
Finance costs	**(36,330)**	(32,179)
Net foreign exchange loss	**(4,423)**	(7,747)
Other expenses	**(4,399)**	(3,856)
Profit before income tax from discontinued operations	**407,993**	282,355
Income tax expenses	**(55,515)**	(21,027)
Profit after income tax for the period from discontinued operations	**352,478**	261,328

The net cash flows incurred by KTG period ended November 8, 2021 and the year ended December 31, 2020 are as follows:

In millions of tenge	**For the period ended November 8, 2021**	For the year ended December 31, 2020
Operating	**184,675**	88,737
Investing	**(8,689)**	71,562
Financing	**(44,270)**	(36,183)
Net increase in cash and cash equivalents	**134,138**	132,134

5. LOSS OF CONTROL (continued)

At the date of loss of control net assets of KTG were as follows:

In millions of tenge	**Net assets at the date of loss of control**
Assets	
Property, plant and equipment	968,467
Investments in joint ventures	662,208
Loans due from related parties	176,019
VAT receivable	94,439
Inventories	41,834
Trade accounts receivable	127,567
Other non-current assets	95,088
Other current assets	77,582
Cash and cash equivalents	380,438
Assets classified as held for sale	**2,623,642**
Liabilities	
Borrowings	490,813
Provisions	119,902
Deferred income tax liabilities	72,909
Trade accounts payable	132,708
Other non-current liabilities	25,157
Other current liabilities	32,694
Liabilities directly associated with assets classified as held for sale	**874,183**
Net assets directly associated with disposal group	**1,749,459**

Other non-current liabilities of KTG as of the date of loss of control were adjusted for the Company's obligation on the financial guarantee for 6,445 million tenge.

Since the transfer of KTG was carried out pursuant to the order of the President of the RK and the decision of the Samruk-Kazyna, the difference between the sale price and the carrying amount of net assets of KTG at the date of loss of control was recorded as transactions with Samruk-Kazyna.

6. REVENUE

In millions of tenge	**2021**	2020 (restated)
Type of goods and services		
Sales of crude oil and gas	**3,097,249**	1,676,749
Sales of refined products	**2,102,113**	1,336,723
Refining of oil and oil products	**203,425**	193,659
Oil and gas transportation services	**171,365**	167,911
Other revenue	**264,641**	249,922
	5,838,793	3,624,964
Geographical markets		
Kazakhstan	**978,343**	770,102
Other countries	**4,860,450**	2,854,862
	5,838,793	3,624,964

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

7. SHARE IN PROFIT OF JOINT VENTURES AND ASSOCIATES, NET

In millions of tenge	2021	2020 (restated)
Tengizchevroil LLP	**441,665**	173,476
Caspian Pipeline Consortium	**90,904**	81,582
KMG Kashagan B.V.	**88,423**	(6,961)
Mangistau Investments B.V.	**80,154**	16,749
KazRosGas LLP	**20,952**	957
Kazakhstan-China Pipeline LLP	**13,464**	10,380
Kazakhoil-Aktobe LLP	**13,379**	2,448
Valsera Holdings B.V.	**11,868**	(6,137)
PetroKazakhstan Inc.	**8,042**	(8,812)
KazGerMunay LLP	**6,108**	15,622
Teniz Service LLP	**(3,089)**	3,891
Ural Group Limited	**(11,060)**	(10,265)
Other joint ventures and associates	**7,923**	7,885
	768,733	280,815

8. COST OF PURCHASED OIL, GAS, PETROLEUM PRODUCTS AND OTHER MATERIALS

In millions of tenge	2021	2020 (restated)
Purchased oil for resale	**2,626,857**	1,311,169
Cost of oil for refining	**558,603**	313,543
Materials and supplies	**256,761**	214,332
Purchased petroleum products for resale	**97,964**	45,870
Purchased gas for resale	**56,306**	16,322
	3,596,491	1,901,236

9. PRODUCTION EXPENSES

In millions of tenge	2021	2020 (restated)
Payroll	**310,672**	294,529
Repair and maintenance	**116,151**	103,124
Energy	**98,258**	81,910
Transportation costs	**45,599**	39,631
Short-term lease expenses	**28,213**	33,822
Others	**94,138**	103,162
	693,031	656,178

10. TAXES OTHER THAN INCOME TAX

In millions of tenge	2021	2020 (restated)
Rent tax on crude oil export	**129,056**	41,120
Export customs duty	**107,074**	71,746
Mineral extraction tax	**91,751**	59,323
Other taxes	**100,758**	82,133
	428,639	254,322

11. TRANSPORTATION AND SELLING EXPENSES

In millions of tenge	2021	2020 (restated)
Transportation	**87,282**	94,800
Payroll	**11,899**	12,811
Other	**32,731**	29,533
	131,912	137,144

12. GENERAL AND ADMINISTRATIVE EXPENSES

In millions of tenge	2021	2020 (restated)
Payroll	**63,844**	63,360
Management fees	**21,428**	–
Consulting services	**15,912**	21,893
Maintenance	**5,620**	6,163
Social payments	**4,594**	5,028
Communication	**4,081**	3,624
Accrual of expected credit losses for trade receivables and other current financial assets *(Note 21)*	**3,268**	3,460
VAT that could not be offset	**2,599**	3,166
Allowance for fines, penalties and tax provisions	**2,114**	12
Accrual/(reversal) of impairment of other current non-financial assets *(Note 21)*	**101**	(65)
(Reversal)/accrual of impairment of VAT receivable	**(5,144)**	6,432
Other	**30,061**	33,552
	148,478	146,625

For the year ended December 31, 2021, the total payroll amounted to 386,415 million tenge (2020: 370,700 million tenge) and was included in production expenses, transportation and selling expenses and general and administrative expenses in the consolidated statement of comprehensive income.

13. IMPAIRMENT OF PROPERTY, PLANT AND EQUIPMENT, EXPLORATION AND EVALUATION ASSETS, INTANGIBLE ASSETS, ASSETS CLASSIFIED AS HELD FOR SALE AND EXPLORATION EXPENSES

In millions of tenge	2021	2020 (restated)
Impairment charge and reversal		
Property, plant and equipment *(Note 15)*	**17,013**	221,112
Assets classified as held for sale	**3,770**	–
Exploration and evaluation assets *(Note 16)*	**–**	16,389
Investment property	**–**	142
Intangible assets *(Note 17)*	**(59)**	6,250
	20,724	243,893
Exploration expenses		
Zhambyl project	**59,283**	–
Brownfields of KMG EP	**19,800**	19,692
Samtyr, Zhayik, Saraishyk, Zaburunie projects	**–**	115
	79,083	19,807
	99,807	263,700

13. IMPAIRMENT OF PROPERTY, PLANT AND EQUIPMENT, EXPLORATION AND EVALUATION ASSETS, INTANGIBLE ASSETS, ASSETS CLASSIFIED AS HELD FOR SALE AND EXPLORATION EXPENSES (continued)

Impairment was recognized for the following CGUs:

In millions of tenge	2021	2020 (restated)
CGUs of KMGI	**8,298**	162,455
Sunkar, Barys and Berkut, self-propelled barges (Barges)	**4,453**	10,297
EMG CGU	**–**	60,440
Others	**7,973**	10,701
	20,724	243,893

CGUs of KMGI

In 2020, KMGI, the Group subsidiary, performed impairment tests of its CGUs. As a result of the test performed, KMGI recognized impairment loss of property, plant and equipment and intangible assets of 155,544 million tenge and 6,911 million tenge, respectively.

On July 2, 2021, an incident occurred at the Petromidia Refinery (further Petromidia), subsidiary of KMGI, that led to fire and resulted in temporarily interruption of the production until damaged facilities are repaired. KMGI conducted assessments to estimate the incident consequences and recognized impairmentof property, plant and equipment of Petromidia for 1,615 million tenge.

For the year ended December 31, 2021, based on the results of the property, plant and equipment physical inspection, KMGI recognized an impairment loss of property, plant and equipment for 6,683 million tenge.

EMG CGU

In 2020, Embamunaigas (further EMG), subsidiary of KazMunayGas Exploration Production JSC (further KMG EP), carried out an assessment of the recoverable amount of property, plant and equipment and exploration and evaluation assets due to the presence of impairment indicators such as decline in the forecasted oil prices. The result of this assessment indicated that the carrying value of assets exceeded their estimated recoverable amount by 60,440 million tenge, particularly, 44,098 million tenge of property, plant and equipment and 16,342 million tenge of exploration and evaluation assets were impaired.

For the year ended December 31, 2021, no impairment or reversal of impairment indicators for property, plant and equipment, intangible assets and exploration and evaluation assets were observed.

Barges

The recoverable amount of the barges of KazMorTransFlot LLP was determined on the basis of value-in-use method. Value-in-use was assessed as the present value of the future cash flows expected to be derived from the barges until the end of the existing and probable contracts at the discount rate of 10.7% (2020: 11.3%). As a result of the test, the Group recognized an impairment loss of 4,453 million tenge for the year ended December 31, 2021 in regards of Barys and Berkut barges (2020: 10,297 million tenge on Sunkar, Barys and Berkut barges).

Exploration expenses

For the year ended December 31, 2020 the Group has written off the exploration and evaluation assets in the amount of 12,829 million tenge as a result of termination of Ozen-Karamandybas exploration subsoil use contract, the contract territory of which was relinquished to the Government. Also, the Group partially reduced the contract area at Karaton-Sarkamys site and, accordingly, wrote off exploration and evaluation expenses in the amount of 6,863 million tenge.

For the year ended December 31, 2021 the Group has written off the exploration and evaluation assets in the amount of 59,283 million tenge of Zhambyl project, the subsoil use contract for which was terminated and the contract territory was relinquished to the Government. Also, the Group partially reduced the contract area at Taisoigan site and, accordingly, wrote off exploration and evaluation expenses in the amount of 19,800 million tenge.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

14. FINANCE INCOME / FINANCE COST

Finance income

In millions of tenge	2021	2020 (restated)
Interest income on bank deposits, financial assets, loans and bonds	**64,655**	70,800
Amortization of issued financial guarantees	**1,704**	2,276
Total interest income	**66,359**	73,076
Revaluation of financial assets at fair value through profit or loss	**12,022**	445
Discount on a loan with non-market interest rate *(Note 25)*	**–**	11,002
Other	**6,218**	3,464
	84,599	87,987

Finance costs

In millions of tenge	2021	2020 (restated)
Interest expense on loans and bonds	**218,999**	215,614
Interest expense on lease liabilities	**2,950**	3,390
Total interest expense	**221,949**	219,004
Unwinding of discount on asset retirement obligations, for environmental obligation and other provisions *(Note 26)*	**9,206**	7,284
Unwinding of discount on employee benefits obligations *(Note 26)*	**4,412**	3,484
Bonds redemption fee (*Note 25*)	**–**	21,057
Other	**13,698**	14,543
	249,265	265,372

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

15. PROPERTY, PLANT AND EQUIPMENT

In millions of tenge	Oil and gas assets	Pipelines	Refinery assets	Buildings and improve-ments	Machinery and equip-ment	Vehicles	Other	Capital work in progress	Total
Net book value as at December 31, 2019	1,049,763	803,717	1,381,661	300,655	457,811	97,637	106,286	286,741	4,484,271
Foreign currency translation	50,582	3,992	39,281	6,928	3,404	2,973	7,033	15,034	129,227
Change in estimate	6,785	5,914	–	28	–	–	–	–	12,727
Additions	4,738	1,967	2,176	4,455	6,901	5,439	2,561	404,519	432,756
Disposals	(17,138)	(18,212)	(10,829)	(4,412)	(4,135)	(1,887)	(2,783)	(2,533)	(61,929)
Depreciation charge	(109,846)	(29,297)	(119,746)	(19,746)	(37,922)	(11,085)	(11,163)	–	(338,805)
Accumulated depreciation and impairment on disposals	13,876	1,893	10,364	3,352	4,007	1,720	2,521	1,356	39,089
Impairment *(Note 13)*	(37,887)	(731)	(155,544)	(5,101)	(1,366)	(11,766)	(1,750)	(6,768)	(220,913)
Transfers to assets classified as held for sale	–	–	(834)	(14,777)	(71,856)	(86)	(228)	(1,400)	(89,181)
Transfers from/(to) inventory, net	42	(28)	1,619	–	264	(54)	532	2,541	4,916
Transfers from exploration and evaluation assets *(Note 16)*	67	–	–	–	–	–	–	–	67
Transfers to investment property	–	–	–	(19,207)	–	–	–	–	(19,207)
Other changes	–	–	(96)	–	–	–	(619)	(2,558)	(3,273)
Transfers	122,633	39,542	23,058	37,527	96,713	1,770	9,557	(330,800)	–
Net book value as at December 31, 2020	1,083,615	808,757	1,171,110	289,702	453,821	84,661	111,947	366,132	4,369,745
At cost	2,232,770	1,063,532	2,537,233	591,757	880,230	235,520	244,801	422,492	8,208,335
Accumulated depreciation and impairment	(1,149,155)	(254,775)	(1,366,123)	(302,055)	(426,409)	(150,859)	(132,854)	(56,360)	(3,838,590)
Net book value as at December 31, 2020	1,083,615	808,757	1,171,110	289,702	453,821	84,661	111,947	366,132	4,369,745

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

15. PROPERTY, PLANT AND EQUIPMENT (continued)

In millions of tenge	Oil and gas assets	Pipelines	Refinery assets	Buildings and improve-ments	Machinery and equip-ment	Vehicles	Other	Capital work in progress	Total
Net book value as at December 31, 2020	1,083,615	808,757	1,171,110	289,702	453,821	84,661	111,947	366,132	4,369,745
Foreign currency translation	13,298	1,075	7,241	908	1,288	894	1,818	4,720	31,242
Change in estimate	259	(382)	–	(3)	–	–	–	–	(126)
Additions	11,165	3,163	2,063	6,716	42,099	6,857	3,452	324,834	400,349
Disposals	(27,370)	(9,103)	(39,685)	(5,401)	(7,141)	(5,033)	(4,919)	(685)	(99,337)
Loss of control over subsidiaries	–	–	–	(631)	(557)	(248)	(222)	(38)	(1,696)
Depreciation charge	(115,545)	(27,370)	(114,521)	(19,786)	(36,632)	(9,925)	(11,034)	–	(334,813)
Accumulated depreciation and impairment on disposals	23,602	8,586	11,649	4,525	5,935	4,102	4,701	373	63,473
(Impairment)/reversal of impairment *(Note 13)*	(3,939)	(3)	(8,276)	2	13	(4,451)	22	(381)	(17,013)
Discontinued operations *(Note 5)*	(32,655)	(549,852)		(73,865)	(261,707)	(4,196)	(4,547)	(41,645)	(968,467)
Transfers to assets classified as held for sale	–	–	(24)	(11,452)	(33,477)	(48)	(450)	–	(45,451)
Transfers from inventory, net	46	1,387	125	1	82	1	1,424	1,863	4,929
Transfers from exploration and evaluation assets *(Note 16)*	16,674	–	–	–	–	–	–	–	16,674
Transfers from investment property	–	–	–	2,296	–	–	7	–	2,303
Other changes	(6,179)	–	–	–	–	–	(16)	(9,637)	(15,832)
Transfers	163,579	26,459	91,738	18,811	75,467	2,611	6,833	(385,498)	–
Net book value as at December 31, 2021	1,126,550	262,717	1,121,420	211,823	239,191	75,225	109,016	260,038	3,405,980
At cost	2,370,020	394,496	2,624,793	507,485	588,037	214,572	243,514	309,288	7,252,205
Accumulated depreciation and impairment	(1,243,470)	(131,779)	(1,503,373)	(295,662)	(348,846)	(139,347)	(134,498)	(49,250)	(3,846,225)
Net book value as at December 31, 2021	1,126,550	262,717	1,121,420	211,823	239,191	75,225	109,016	260,038	3,405,980

15. PROPERTY, PLANT AND EQUIPMENT (continued)

Additions

In 2021, additions were mainly attributable to development drilling at Ozenmunaigas JSC (further OMG), subsidiary of KMG EP, EMG and KMG Karachaganak LLP for the total of 145,179 million tenge, overhaul of main gas pipelines and construction of gas metering stations and rotational camp at KTG for total amount of 41,642 million tenge within the framework of the projects "Bukhara gas-bearing region Tashkent-Bishkek-Almaty", "Gazli-Shymkent" and "Bukhara-Ural"; construction of water pipeline of "Kulsary-Tengiz" for 24,987 million tenge at KTO; and overhauls at Atyrau refinery LLP (further Atyrau refinery) and Rompetrol Rafinare for 22,522 million tenge and 29,693 million tenge respectively.

In 2020, additions to capital work in progress were mainly attributable to development drilling at OMG, EMG and KMG Karachaganak LLP for the total of 148,593 million tenge, construction of compressor stations at KTG for 113,844 million tenge within the framework of the projects "Beineu-Bozoy-Shymkent and Bukhara-Ural" and reconstruction of "Bozoi" underground gas storage, replacement of "Prorva-Kulsary" and "Uzen-Atyray-Samara" pipeline for 43,247 million tenge at KTO, and overhauls at the plant facilities at Rompetrol Rafinare for 51,617 million tenge.

Transfer to assets held for sale

During 2021, the Group reclassified to assets held for sale property and equipment of 45,451 million tenge mainly represented by compressor station "Aral" for 40,378 million tenge and property, plant and equipment of UTTiOS LLP for 5,009 million tenge.

During 2021, the Group sold the compressor station "Korkyt-ata", which was reclassified to assets held for sale in 2020, for the consideration of 42,886 million tenge.

During 2020, the Group reclassified to assets held for sale compressor stations "Turkestan" and sold it for the consideration of 43,667 million tenge.

Other

For the year ended December 31, 2021, the Group capitalized to the carrying amount of property, plant and equipment borrowing costs related to construction of 32 million tenge at the average interest rate of 2.10% (for the year ended December 31, 2020: 2,890 million tenge at the average interest rate of 5.78%) *(Note 25)*.

As at December 31, 2021, the cost of fully depreciated but still in use property, plant and equipment was 329,282 million tenge (as at December 31, 2020: 340,511 million tenge).

As at December 31, 2021, property, plant and equipment with the net book value of 837,744 million tenge (as at December 31, 2020: 910,216 million tenge) were mainly pledged as collateral to secure borrowings of the Group.

Capital commitments are disclosed in *Note 32*.

16. EXPLORATION AND EVALUATION ASSETS

In millions of tenge	Tangible	Intangible	Total
Net book value as at December 31, 2019	152,292	27,605	179,897
Additions	14,212	787	14,999
Write-off *(Note 13)*	(19,235)	(572)	(19,807)
Impairment *(Note 13)*	(12,797)	(3,592)	(16,389)
Trial production	(248)	–	(248)
Transfer to property, plant and equipment *(Note 15)*	(67)	–	(67)
Net book value as at December 31, 2020	134,157	24,228	158,385
Additions	**8,763**	**831**	**9,594**
Change in estimate	**77**	**–**	**77**
Write-off *(Note 13)*	**(76,869)**	**(2,214)**	**(79,083)**
Discontinued operations *(Note 5)*	**(19,250)**	**(14)**	**(19,264)**
Loss of control over subsidiaries	**–**	**(427)**	**(427)**
Transfers to intangible assets *(Note 17)*	**–**	**(8,768)**	**(8,768)**
Transfer to property, plant and equipment *(Note 15)*	**(16,674)**	**–**	**(16,674)**
Other changes	**(299)**	**–**	**(299)**
Net book value as at December 31, 2021	**29,905**	**13,636**	**43,541**

16. EXPLORATION AND EVALUATION ASSETS (continued)

As at December 31, 2021 and 2020 the exploration and evaluation assets are represented by the following projects:

In millions of tenge	**December 31, 2021**	December 31, 2020
EMG	**16,357**	33,458
Urikhtau	**13,726**	38,834
KTG projects	**–**	17,366
Zhambyl	**–**	59,603
Others	**13,458**	9,124
	43,541	158,385

17. INTANGIBLE ASSETS

In millions of tenge	Goodwill	Marketing related intangible assets	Software	Other	Total
Net book value as at December 31, 2019	98,561	28,960	19,454	24,197	171,172
Foreign currency translation	1,003	2,775	296	1,071	5,145
Additions	–	–	2,855	3,553	6,408
Disposals	–	–	(5,576)	(2,246)	(7,822)
Amortization charge	–	–	(6,494)	(2,804)	(9,298)
Accumulated amortization and impairment on disposals	–	–	5,544	215	5,759
(Impairment)/reversal, net *(Note 13)*	–	(6,911)	(270)	931	(6,250)
Transfers to assets classified as held for sale	–	–	(24)	–	(24)
Other changes	–	–	1,925	1,466	3,391
Transfers	–	–	2,404	(2,404)	–
Net book value as at December 31, 2020	99,564	24,824	20,114	23,979	168,481
Foreign currency translation	**285**	**643**	**111**	**772**	**1,811**
Additions	**–**	**–**	**1,613**	**2,634**	**4,247**
Disposals	**–**	**–**	**(1,930)**	**(126)**	**(2,056)**
Amortization charge	**–**	**–**	**(7,277)**	**(3,566)**	**(10,843)**
Accumulated amortization and impairment on disposals	**–**	**–**	**1,775**	**107**	**1,882**
Reversal of impairment *(Note 13)*	**–**	**–**	**54**	**5**	**59**
Loss of control over subsidiaries	**–**	**–**	**(2)**	**(2)**	**(4)**
Transfers from assets classified as held for sale	**–**	**–**	**42**	**–**	**42**
Transfers from exploration and evaluation assets *(Note 16)*	**–**	**–**	**–**	**8,768**	**8,768**
Discontinued operations *(Note 5)*	**–**	**–**	**(5,246)**	**(751)**	**(5,997)**
Other changes	**–**	**–**	**3,924**	**11,908**	**15,832**
Transfers	**–**	**–**	**4,210**	**(4,210)**	**–**
Net book value as at December 31, 2021	**99,849**	**25,467**	**17,388**	**39,518**	**182,222**
At cost	**208,594**	**65,371**	**72,230**	**120,317**	**466,512**
Accumulated amortization and impairment	**(108,745)**	**(39,904)**	**(54,842)**	**(80,799)**	**(284,290)**
Net book value as at December 31, 2021	**99,849**	**25,467**	**17,388**	**39,518**	**182,222**
At cost	210,012	63,722	74,841	100,784	449,359
Accumulated amortization and impairment	(110,448)	(38,898)	(54,727)	(76,805)	(280,878)
Net book value as at December 31, 2020	99,564	24,824	20,114	23,979	168,481

As at December 31, 2021 and 2020, marketing related intangible assets were represented by trademarks of KMGI.

17. INTANGIBLE ASSETS (continued)

Carrying amount of goodwill is allocated to each of the group of cash-generating units as follows:

Cash-generating unit	December 31, 2021	December 31, 2020
Pavlodar refinery CGU	**88,553**	88,553
CGUs of KMGI	**11,296**	11,011
Total goodwill	**99,849**	99,564

In 2021 and 2020, based on the impairment test results, no impairment of Pavlodar refinery or KMGI goodwill was recognized. For the detailed discussion of Pavlodar refinery goodwill impairment test refer to *Note 4*.

18. BANK DEPOSITS

In millions of tenge	December 31, 2021	December 31, 2020
Denominated in US dollar	**559,244**	324,646
Denominated in tenge	**7,527**	14,863
Less: allowance for expected credit losses	**(200)**	(509)
	566,571	339,000

As at December 31, 2021, the weighted average interest rate for long-term bank deposits was 1.04% in US dollars and 0.94% in tenge (December 31, 2020: 1.07% in US dollars and 1.58% in tenge).

As at December 31, 2021, the weighted average interest rate for short-term bank deposits was 0.27% in US dollars and 5.68% in tenge (December 31, 2020: 0.40% in US dollars and 3.10% in tenge).

In millions of tenge	December 31, 2021	December 31, 2020
Maturities under 1 year	**510,513**	282,472
Maturities between 1 and 2 years	**140**	796
Maturities over 2 years	**55,918**	55,732
	566,571	339,000

As at December 31, 2021 bank deposits include those pledged as collateral of 56,058 million tenge (December 31, 2020: 56,528 million tenge), which are represented mainly by 51,163 million tenge at restricted bank accounts designated as a liquidation fund per requirements of subsoil use contracts (December 31, 2020: 44,497 million tenge).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

19. INVESTMENTS IN JOINT VENTURES AND ASSOCIATES

			December 31, 2021		December 31, 2020	
In millions of tenge	**Main activity**	**Place of business**	**Carrying value**	**Percentage ownership**	Carrying value	Percentage ownership
Joint ventures						
Tengizchevroil LLP (TCO)	Oil and gas exploration and production	Kazakhstan	**3,105,942**	**20.00%**	2,793,887	20.00%
KMG Kashagan B.V. (Kashagan)	Oil and gas exploration and production	Kazakhstan	**2,404,820**	**50.00%**	2,256,816	50.00%
Mangistau Investments B.V. (MIBV)	Oil and gas development and production	Kazakhstan	**207,410**	**50.00%**	142,585	50.00%
KazRosGas LLP (KRG)	Processing and sale of natural gas and refined gas products	Kazakhstan	**54,317**	**50.00%**	76,702	50.00%
Ural Group Limited (UGL)	Oil and gas exploration and production	Kazakhstan	**41,453**	**50.00%**	44,585	50.00%
KazGerMunay LLP (KGM)	Oil and gas exploration and production	Kazakhstan	**32,289**	**50.00%**	32,840	50.00%
Kazakhoil-Aktobe LLP (KOA)	Production of crude oil	Kazakhstan	**25,262**	**50.00%**	20,886	50.00%
Teniz Service LLP (Teniz Service)	Design, construction and operation of infrastructure facilities, offshore oil operations support	Kazakhstan	**16,894**	**48.996%**	20,473	48.996%
Valsera Holdings B.V. (Valsera)	Oil refining	Kazakhstan	**9,590**	**50.00%**	2,253	50.00%
Asian Gas Pipeline LLP (AGP) *(Note 5)*	Construction and operation of the gas pipeline	Kazakhstan	**–**	**–**	291,086	50.00%
Beineu-Shymkent Gas Pipeline LLP (BSGP) *(Note 5)*	Construction and operation of the gas pipeline	Kazakhstan	**–**	**–**	156,771	50.00%
Other			**55,880**		43,498	
Associates						
Caspian Pipeline Consortium (CPC)	Transportation of liquid hydrocarbons	Kazakhstan / Russia	**473,880**	**20.75%**	478,134	20.75%
PetroKazakhstan Inc. (PKI)	Exploration, production and processing of oil and gas	Kazakhstan	**84,905**	**33.00%**	78,636	33.00%
Other			**37,742**		31,869	
			6,550,384		6,471,021	

19. INVESTMENTS IN JOINT VENTURES AND ASSOCIATES (continued)

All of the above joint ventures and associates are strategic for the Group's business.

As at December 31, 2021, the Group's share in unrecognized losses of joint ventures and associates was equal to 1,811 million tenge (December 31, 2020: 19,038 million tenge).

The following table summarizes the movements in the investments in 2021 and 2020:

In millions of tenge	**2021**	2020
On January 1	**6,471,021**	5,590,384
Share in profits of joint ventures and associates, net *(Note 5 and 7)*	**1,043,833**	511,195
Dividends received	**(415,359)**	(134,772)
Change in dividends receivable	**(48,511)**	1,680
Impairment of investments	**(64)**	(30,654)
Other changes in the equity of the joint venture	**9,391**	21,352
Additional contributions without change in ownership	**1,926**	1,586
Disposals, net	**–**	(179)
Transfers to assets classified as held for sale	**–**	(3,080)
Eliminations and adjustments*	**(6,308)**	2,936
Discontinued operations *(Note 5)*	**(662,208)**	–
Foreign currency translation	**156,663**	510,573
On December 31	**6,550,384**	6,471,021

* *Equity method eliminations and adjustments represent unrealized income from sale of inventory from joint ventures to subsidiaries and capitalized borrowing costs on the loans provided by the Company and subsidiaries to joint ventures.*

On October 16, 2015, the Group sold 50% of its shares in KMG Kashagan B.V. to Samruk-Kazyna with a right to buy back all or part of the shares (further Option) effective from January 1, 2018 to December 31, 2020. On December 20, 2017, the exercise period for the Option was changed to January 1, 2020 and December 31, 2022. As of December 31, 2021 and 2020, the fair value of the Option was close to nil.

The Amsterdam Court imposed certain restrictions on 50% of shares in KMG Kashagan B.V. owned by Samruk-Kazyna (further Restrictions). During the Restrictions period, these shares of KMG Kashagan B.V. cannot be sold, transferred or pledged. As of December 31, 2021 and 2020, the Restrictions remained in force and control over the asset was not transferred to the Group.

19. INVESTMENTS IN JOINT VENTURES AND ASSOCIATES (continued)

The following tables illustrate summarized financial information of material joint ventures, based on financial statements of these entities for 2021:

In millions of tenge	TCO	Kashagan	MIBV	KRG	UGL	KGM
Non-current assets	21,900,722	4,287,173	480,741	45,961	254,152	65,184
Current assets, including	1,454,491	356,957	160,802	80,906	911	54,869
Cash and cash equivalents	*331,602*	*164,701*	*101,431*	*31,428*	*830*	*49,531*
Non-current liabilities, including	(6,307,907)	(290,869)	(138,617)	(225)	(129,822)	(18,405)
Non-current financial liabilities	*(3,886,200)*	*(25,710)*	–	–	*(95,775)*	–
Current liabilities, including	(1,517,597)	(59,404)	(86,154)	(18,009)	(2,335)	(37,070)
Current financial liabilities	*(60,529)*	*(9,942)*	–	–	–	–
Equity	15,529,709	4,293,857	416,772	108,633	122,906	64,578
Share of ownership	20%	50%	50%	50%	50%	50%
Goodwill	–	257,892	–	–	–	–
Impairment of the investment	–	–	–	–	(20,000)	–
Equity method adjustments	–	–	(976)	–	–	–
Carrying amount of the investments as at December 31, 2021	3,105,942	2,404,820	207,410	54,317	41,453	32,289
Revenue	6,793,158	628,306	763,148	196,978	–	118,071
Depreciation, depletion and amortization	(894,739)	(203,568)	(66,434)	(221)	(61)	(59,318)
Finance income	2,341	484	181	2,908	–	743
Finance costs	(62,409)	(13,948)	(9,296)	–	(3,918)	(1,752)
Income tax expenses	(946,429)	(99,855)	(55,667)	(12,467)	(171)	(27,785)
Profit for the year from continuing operations	2,208,327	176,846	160,308	41,903	(22,120)	12,216
Other comprehensive income	393,933	119,162	18	4,394	3,995	1,596
Total comprehensive income	2,602,260	296,008	160,326	46,297	(18,125)	13,812
Dividends received	177,260	–	15,338	45,532	–	7,441

The following tables illustrate summarized financial information of material joint ventures, based on financial statements of these entities for 2021:

In millions of tenge	KOA	Teniz Service	Valsera	AGP *(Note 5)*	BSGP *(Note 5)*
Non-current assets	50,961	13,544	487,137	–	–
Current assets, including	18,936	34,290	119,241	–	–
Cash and cash equivalents	*11,652*	*8,728*	*66,868*	–	–
Non-current liabilities, including	(2,671)	(357)	(443,302)	–	–
Non-current financial liabilities	–	–	*(412,600)*	–	–
Current liabilities, including	(16,701)	(12,997)	(100,603)	–	–
Current financial liabilities	–	–	*(74,181)*	–	–
Equity	50,525	34,480	62,473	–	–
Share of ownership	50%	48.996%	50%	–	–
Impairment of the investment	–	–	(21,647)	–	–
Carrying amount of the investments as at December 31, 2021	25,262	16,894	9,590	–	–
Revenue	65,050	106,302	181,777	732,768	167,239
Depreciation, depletion and amortization	(3,492)	(106,478)	(38,773)	(69,439)	(16,839)
Finance income	347	14	19	1,006	–
Finance costs	(588)	(2,383)	(24,063)	(31,528)	(10,840)
Income tax expenses	(6,905)	245	(13,179)	(112,025)	–
Profit/(loss) for the year from continuing operations	26,758	(6,305)	23,737	436,821	113,246
Other comprehensive income/(loss)	–	–	(353)	412	–
Total comprehensive income/(loss)	26,758	(6,305)	23,384	437,233	113,246
Dividends received	6,003	490	–	40,216	18,000

19. INVESTMENTS IN JOINT VENTURES AND ASSOCIATES (continued)

The following tables illustrate summarized financial information of material joint ventures, based on financial statements of these entities for 2020:

In millions of tenge	TCO	Kashagan	MIBV	KRG	UGL	KGM
Non-current assets	20,221,619	4,332,838	468,069	44,681	246,111	101,629
Current assets, including	908,846	178,797	89,172	118,142	993	24,627
Cash and cash equivalents	*50,588*	*117,269*	*5,267*	*44,459*	*833*	*19,264*
Non-current liabilities, including	(6,412,967)	(371,651)	(160,711)	(207)	(115,216)	(35,090)
Non-current financial liabilities	*(4,061,782)*	*(40,665)*	–	–	*(81,291)*	–
Current liabilities, including	(748,064)	(129,128)	(110,186)	(9,212)	(2,718)	(25,486)
Current financial liabilities	*(69,558)*	*(9,691)*	*(21,306)*	–	–	–
Equity	13,969,434	4,010,856	286,344	153,404	129,170	65,680
Share of ownership	20%	50%	50%	50%	50%	50%
Goodwill	–	251,388	–	–	–	–
Impairment of investments	–	–	–	–	(20,000)	–
Equity method adjustments	–	–	(587)	–	–	–
Carrying amount of the investments as at December 31, 2020	2,793,887	2,256,816	142,585	76,702	44,585	32,840
Revenue	3,776,155	311,663	488,032	167,016	–	101,595
Depreciation, depletion and amortization	(700,929)	(196,789)	(75,609)	(289)	(14)	(27,084)
Finance income	3,887	2,250	239	2,293	–	511
Finance costs	(58,264)	(24,322)	(9,555)	–	(16,986)	(1,598)
Income tax expenses	(371,799)	(11,190)	(19,663)	(6,628)	(1,077)	(6,200)
Profit/(loss) for the year from continuing operations	867,380	(13,922)	33,498	7,785	(20,531)	31,245
Other comprehensive income/(loss)	1,216,017	411,964	(1,479)	16,232	11,671	4,337
Total comprehensive income	2,083,397	398,042	32,019	24,017	(8,860)	35,582
Dividends received	–	–	32,291	15,155	–	10,372

The following tables illustrate summarized financial information of material joint ventures, based on financial statements of these entities for 2020:

In millions of tenge	KOA	Teniz Service	Valsera	AGP *(Note 5)*	BSGP *(Note 5)*
Non-current assets	46,657	118,818	536,659	1,333,611	544,058
Current assets, including	10,837	50,602	99,783	616,479	147,802
Cash and cash equivalents	*1,664*	*9,046*	*47,783*	*180,065*	*18,027*
Non-current liabilities, including	(6,450)	(15,265)	(488,672)	(886,363)	(351,719)
Non-current financial liabilities	–	–	*(471,886)*	*(692,254)*	*(335,084)*
Current liabilities, including	(9,272)	(112,370)	(108,681)	(481,556)	(76,155)
Current financial liabilities	–	–	*(73,012)*	*(464,699)*	*(63,101)*
Equity	41,772	41,785	39,089	582,171	263,986
Share of ownership	50%	48.996%	50%	50%	50%
Impairment of the investment	–	–	(17,292)	–	–
Equity method adjustments	–	–	–	–	24,778
Carrying amount of the investments as at December 31, 2020	20,886	20,473	2,253	291,086	156,771
Revenue	41,654	260,560	147,569	727,503	201,524
Depreciation, depletion and amortization	(7,169)	(215,594)	(36,397)	(78,212)	(18,222)
Finance income	238	1	17	7,352	–
Finance costs	(544)	(15,377)	(30,195)	(54,943)	(14,365)
Income tax expenses	(3,142)	(2,805)	(9,363)	(90,323)	–
Profit/(loss) for the year from continuing operations	4,897	7,941	(12,275)	350,677	110,010
Other comprehensive income/(loss)	–	–	(420)	2,964	–
Total comprehensive income/(loss)	4,897	7,941	(12,695)	353,641	110,010
Dividends received	8,000	2,695	4,176	53,821	–

19. INVESTMENTS IN JOINT VENTURES AND ASSOCIATES (continued)

The following tables illustrate summarized financial information of material associates, based on their financial statements for 2021:

In millions of tenge	December 31, 2021 CPC	December 31, 2021 PKI
Non-current assets	**2,050,452**	**255,912**
Current assets	**229,939**	**88,537**
Non-current liabilities	**(32,699)**	**(20,905)**
Current liabilities	**(163,712)**	**(45,717)**
Equity	**2,083,980**	**277,827**
Share of ownership	**20.75%**	**33%**
Goodwill	**41,454**	**–**
Impairment of the investment	**–**	**(6,778)**
Carrying amount of the investment as at December 31	**473,880**	**84,905**
Revenue	**925,320**	**113,185**
Depreciation, depletion and amortization	**(174,032)**	**(17,008)**
Finance income	**775**	**249**
Finance costs	**(1,685)**	**(1,675)**
Income tax expenses	**(128,913)**	**(1,112)**
Profit for the year	**438,091**	**24,369**
Other comprehensive income	**60,033**	**3,149**
Total comprehensive income	**498,124**	**27,518**
Dividends received	**96,489**	**2,676**

The following tables illustrate summarized financial information of material associates, based on their financial statements for 2020:

In millions of tenge	December 31, 2020 CPC	December 31, 2020 PKI
Non-current assets	2,082,957	284,545
Current assets	193,677	67,047
Non-current liabilities	(32,817)	(72,335)
Current liabilities	(134,300)	(20,426)
Equity	2,109,517	258,831
Share of ownership	20.75%	33%
Goodwill	40,409	–
Impairment of the investment	–	(6,778)
Carrying amount of the investment as at December 31	478,134	78,636
Revenue	872,851	83,863
Depreciation, depletion and amortization	(184,379)	(26,470)
Finance income	171	252
Finance costs	(12,080)	(2,464)
Income tax (expenses)/benefit	(99,572)	5,599
Profit/(loss) for the year	393,165	(26,702)
Other comprehensive income	180,142	13,223
Total comprehensive income/(loss)	573,307	(13,479)
Dividends received	–	2,609

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

19. INVESTMENTS IN JOINT VENTURES AND ASSOCIATES (continued)

The following tables illustrate aggregate financial information of individually immaterial joint ventures (the Group's proportional share):

In millions of tenge	**December 31, 2021**	December 31, 2020
Group share in:		
Non-current assets	**105,445**	123,063
Current assets	**56,509**	53,760
Non-current liabilities	**(67,992)**	(85,476)
Current liabilities	**(39,190)**	(65,550)
Goodwill	**172**	172
Impairment of the investment in joint venture	**–**	(3,635)
Accumulated unrecognized share of losses	**936**	18,163
Carrying amount of the investments as at December 31	**55,880**	43,498
Profit for the year from continuing operations	**31,230**	25,690
Other comprehensive income	**20**	47
Total comprehensive income	**31,250**	25,737
Unrecognized share of (loss)/income	**(273)**	1,225

The following tables illustrate aggregate financial information of individually immaterial associates (the Group's proportional share):

In millions of tenge	**December 31, 2021**	December 31, 2020
Group share in:		
Non-current assets	**47,781**	36,869
Current assets	**93,419**	56,671
Non-current liabilities	**(13,860)**	(8,998)
Current liabilities	**(90,409)**	(53,548)
Impairment of the investment in associates	**(64)**	–
Accumulated unrecognized share of losses	**875**	875
Carrying amount of the investments as at December 31	**37,742**	31,869
Profit for the year from continuing operations	**16,338**	11,442
Other comprehensive income	**425**	6,218
Total comprehensive income	**16,763**	17,660

20. INVENTORIES

In millions of tenge	**December 31, 2021**	December 31, 2020
Materials and supplies (at cost)	**114,580**	108,506
Refined products (at lower of cost and net realizable value)	**89,725**	56,712
Crude oil (at cost)	**55,136**	30,006
Gas products (at cost)	**56**	32,841
	259,497	228,065

As at December 31, 2021 inventories of 121,772 million tenge are pledged as collateral (December 31, 2020: 72,277 million tenge).

21. TRADE ACCOUNTS RECEIVABLE AND OTHER CURRENT FINANCIAL AND NON-FINANCIAL ASSETS

In millions of tenge	**December 31, 2021**	December 31, 2020
Trade accounts receivable		
Trade accounts receivable	**445,500**	455,321
Less: allowance for expected credit losses	**(27,245)**	(32,500)
	418,255	422,821
Other current financial assets		
Other receivables	**102,699**	90,904
Reservation of cash for repayment of borrowings *(Note 25)*	**259,459**	–
Dividends receivable	**6,375**	2,913
Less: allowance for expected credit losses	**(39,030)**	(36,746)
	329,503	57,071
Other current non-financial assets		
Advances paid and prepaid expenses	**38,149**	45,497
Taxes receivable, other than VAT	**32,090**	35,003
Other	**6,479**	11,867
Less: impairment allowance	**(104)**	(3,546)
	76,614	88,821
Total other current assets	**406,117**	145,892

As at December 31, 2021 and 2020 the above assets were non-interest bearing.

As at December 31, 2021 trade accounts receivable of 131,000 million tenge are pledged as collateral (December 31, 2020: 155,998 million tenge).

As at December 31, 2021, the Group reserved cash in the amount of 259,459 million tenge for repayment of the loan from The Export-Import Bank of China, including interest accrued. Cash reserved in November 2021 was used for early redemption of the loan from The Export-Import Bank of China, including interest accrued, in January 2022.

Trade accounts receivable is denominated in the following currencies as of December 31, 2021 and 2020:

In millions of tenge	**December 31, 2021**	December 31, 2020
US dollars	**245,124**	235,099
Tenge	**104,603**	123,824
Romanian Leu	**60,616**	57,637
Euro	**3,615**	6,059
Other currency	**4,297**	202
	418,255	422,821

21. TRADE ACCOUNTS RECEIVABLE AND OTHER CURRENT FINANCIAL AND NON-FINANCIAL ASSETS (continued)

Movements in the allowance for expected credit losses and impairment were as follows:

	Individually impaired	
In millions of tenge	Trade accounts receivable and other current financial assets	Other current non-financial assets
As at December 31, 2019	68,005	3,719
Charge for the year, net *(Note 12)*	4,225	(65)
Written-off	(9,259)	(108)
Foreign currency translation	6,275	–
As at December 31, 2020	69,246	3,546
Charge for the year, net *(Note 12)*	**3,819**	**100**
Written-off	**(3,915)**	**(1,410)**
Transfers and reclassifications	**2,121**	**(2,121)**
Discontinued operations *(Note 5)*	**(4,932)**	**(11)**
Foreign currency translation	**(64)**	**–**
As at December 31, 2021	**66,275**	**104**

There was no significant deterioration in the credit quality of trade and other accounts receivable due to COVID-19 pandemic. Uncertainties due to COVID-19 pandemic may exist in the future, and as a result, actual losses may differ from expected credit losses on accounts receivable.

Set out below is the information about credit risk exposure on the Group's trade receivables using a provision matrix:

	Days past due					
In millions of tenge	Current	<30 days	30-60 days	61-90 days	>91 days	Total
December 31, 2021						
Expected credit loss rate	**0.39%**	**3.17%**	**18.42%**	**8.28%**	**94.05%**	
Trade accounts receivable	**405,468**	**11,088**	**617**	**1,661**	**26,666**	**445,500**
Expected credit loss	**(1,561)**	**(352)**	**(114)**	**(138)**	**(25,080)**	**(27,245)**
December 31, 2020						
Expected credit loss rate	0.18%	2.94%	2.66%	4.34%	81.01%	
Trade accounts receivable	398,752	12,361	2,844	2,845	38,519	455,321
Expected credit loss	(733)	(363)	(76)	(124)	(31,204)	(32,500)

22. LOANS AND RECEIVABLES DUE FROM RELATED PARTIES

In millions of tenge	December 31, 2021	December 31, 2020
At amortized cost		
Loans due from related parties	**478,064**	558,546
Bonds receivable from Samruk-Kazyna *(Note 30)*	**18,433**	17,312
Other	**–**	2,470
Less: allowance for expected credit losses	**(3,249)**	(3,947)
	493,248	574,381
At fair value through profit or loss		
Loans due from related parties	**123,161**	138,024
Guaranteed returns from shareholders of joint venture	**11,750**	–
	134,911	138,024
Total loans and receivables due from related parties	**628,159**	712,405

22. LOANS AND RECEIVABLES DUE FROM RELATED PARTIES (continued)

Loans and receivables due from related parties are denominated in the following currencies:

In millions of tenge	**December 31, 2021**	December 31, 2020
Tenge	**470,677**	398,896
US dollars	**156,374**	310,175
Other foreign currencies	**1,108**	3,334
	628,159	712,405

In millions of tenge	**December 31, 2021**	December 31, 2020
Current portion	**485,765**	27,795
Non-current portion	**142,394**	684,610
	628,159	712,405

Movements in the allowance for expected credit losses of loans and receivables due from related parties were as follows:

In millions of tenge	
As at December 31, 2019	3,508
Charged, net	340
Foreign currency translation	99
As at December 31, 2020	3,947
Charged, net	**188**
Foreign currency translation	**52**
Discontinued operations *(Note 5)*	**(938)**
As at December 31, 2021	**3,249**

23. CASH AND CASH EQUIVALENTS

In millions of tenge	**December 31, 2021**	December 31, 2020
Term deposits with banks – US dollar	**512,701**	435,119
Term deposits with banks – tenge	**231,944**	163,820
Term deposits with banks – other currencies	**32,343**	54,800
Current accounts with banks – US dollar	**179,097**	397,774
Current accounts with banks – tenge	**7,003**	75,369
Current accounts with banks – other currencies	**10,037**	10,370
Cash in transit	**1,557**	7,508
Cash-on-hand and cheques	**1,337**	1,138
Less: allowance for expected credit losses	**(170)**	(34)
	975,849	1,145,864

Term deposits with banks are made for various periods of between one day and three months, depending on the immediate cash requirements of the Group.

As at December 31, 2021, the weighted average interest rate for time deposits with banks was 0.20% in US dollars, 8.67% in tenge and 5.00% in other currencies (December 31, 2020: 0.37% in US dollars, 7.74% in tenge and 1.44% in other currencies).

As at December 31, 2021 and 2020, cash and cash equivalents were not pledged as collateral for obligations of the Group.

24. EQUITY

Share capital

Total number of outstanding, issued and paid shares comprises:

	December 31, 2020 and 2021
Number of shares issued and paid, including	**610,119,493**
Par value of 27,726.63 tenge	137,900
Par value of 10,000 tenge	20,719,604
Par value of 5,000 tenge	59,707,029
Par value of 2,500 tenge	71,104,187
Par value of 2,451 tenge	1
Par value of 1,000 tenge	1
Par value of 921 tenge	1
Par value of 858 tenge	1
Par value of 838 tenge	1
Par value of 704 tenge	1
Par value of 592 tenge	1
Par value of 500 tenge	458,450,766
Share capital (thousands of tenge)	**916,540,545**

As at December 31, 2021 and 2020, the Company had only one class of issued shares. As at December 31, 2021 and 2020, common shares in the number of 239,440,103 were authorized, but not issued. In 2021, there was no issuance of any ordinary share.

Additional paid-in capital (APIC)

In 2020 the Group disposed gas pipeline assets obtained on trust management terms from the Government for 17,323 million tenge due to change in judgements. These pipelines were recognized within APIC in prior years. As of disposal date the book value of pipelines was 16,118 million tenge. The difference between cost and book value as of disposal date mainly represents depreciation of the pipelines, and was reversed from retained earnings.

In 2020, the Group transferred the difference between par and fair value of loan received from Samruk-Kazyna of 10,971 million tenge, recognized in 2011 within APIC, to retained earnings due the fact that the loan payable was settled.

In 2020, the Group transferred 3,519 million tenge, the difference between fair and nominal value of a loan receivable, from APIC to retained earnings. This loan represents the "Kazakhstan Note" receivable from CPC, and which was contributed to the Company in 2015, and fully settled in 2020 *(Note 30)*.

Dividends

In 2021, based on the decision of Samruk-Kazyna and National Bank of RK, the Company declared and paid-off dividends for 2020 of 81.95 tenge per common share in the total of 49,999 million tenge (2020: declared dividends for 2019 of 133.97 tenge per common share in the total of 81,738 million tenge).

In 2021, the Group declared and paid-off dividends to the non-controlling interest holders of KTO, KMGI and KMG EP in the total amount of 6,192 million tenge and 5,756 million tenge, respectively (2020: 4,856 million tenge and 4,553 million tenge, respectively).

Transactions with Samruk-Kazyna

In 2021, the Company provided Samruk-Kazyna additional interest-free financial aid tranches of 43,151 million tenge (2020: 54,951 million tenge) under a long-term financial aid agreement signed on December 25, 2015, with a current maturity in 2022 *(Note 30)*. In 2021, the difference between the fair value and nominal amount of the additional tranches of 5,222 million tenge (2020: 11,617 million tenge) was recognized as transactions with Samruk-Kazyna in the consolidated statement of changes in equity.

24. EQUITY (continued)

Distributions to Samruk-Kazyna

In 2021, in accordance with the Government decree on housing for the residents, living in Zhana-ozen town, the Group distributed 393 million tenge and paid 842 million tenge (2020: distributed 3,098 million tenge and paid 2,490 million tenge).

Additionally, in 2021, the Company reversed its distribution to Samruk-Kazyna by 308 million tenge and received reimbursement of 308 million tenge from contractor due to savings, which was recognized in prior years under the construction for social facilities in Turkestan city (2020: accrued and settled 5,497 million tenge).

Book value per share

In accordance with the decision of KASE dated October 4, 2010 financial statements shall disclose book value per share (ordinary and preferred) as of the reporting date, calculated in accordance with the KASE rules.

In millions of tenge	**December 31, 2021**	December 31, 2020
Total assets	**13,652,261**	14,653,287
Less: intangible assets	**182,222**	168,481
Less: total liabilities	**5,493,580**	6,016,608
Net assets	**7,976,459**	8,468,198
Number of ordinary shares	**610,119,493**	610,119,493
Book value per ordinary share (in thousand tenge)	**13.074**	13.880

Earnings per share

In thousand tenge	**2021**	2020 (restated)
Weighted average number of common shares for basic and diluted earnings per share	**610,119,493**	610,119,493
Basic and diluted earnings per share	**1.963**	0.282
Basic and diluted earnings per share from continuing operations	**1.385**	(0.147)
Basic and diluted earnings per share from discontinued operations	**0.578**	0.428

Non-controlling interest

The following tables illustrate information of subsidiaries in which the Group has significant non-controlling interests:

		December 31, 2021		December 31, 2020	
	Country of incorporation and operation	**Non-controlling shares**	**Carrying value**	Non-controlling shares	Carrying value
Rompetrol Downstream S.R.L.	Romania	**45.37%**	**56,869**	45.37%	53,065
KTO	Kazakhstan	**10.00%**	**49,100**	10.00%	47,314
Rompetrol Petrochemicals S.R.L.	Romania	**45.37%**	**15,935**	45.37%	15,338
KMG EP	Kazakhstan	**0.28%**	**6,115**	0.28%	5,447
Rompetrol Vega	Romania	**45.37%**	**(15,113)**	45.37%	(15,824)
Rompetrol Rafinare S.A.	Romania	**45.37%**	**(219,641)**	45.37%	(185,286)
Other			**17,453**		8,305
			(89,282)		(71,641)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

24. EQUITY (continued)

Non-controlling interest (continued)

The following tables illustrate summarized financial information of subsidiaries on a stand-alone basis, in which the Group has significant non-controlling interests as at December 31, 2021 and for the year then ended:

In millions of tenge	Rompetrol Downstream S.R.L.	KTO	Rompetrol Petrochemicals S.R.L.	KMG EP	Rompetrol Vega	Rompetrol Rafinare S.A.
Summarized statement of financial position						
Non-current assets	94,973	595,294	3,078	1,515,936	30,700	142,738
Current assets	195,726	80,960	32,700	369,789	11,550	65,598
Non-current liabilities	(57,646)	(112,607)	(632)	(81,740)	(29,969)	(66,933)
Current liabilities	(107,713)	(78,607)	(24)	(141,796)	(45,589)	(625,494)
Total equity	125,340	485,040	35,122	1,662,189	(33,308)	(484,091)
Attributable to:						
Equity holder of the Parent Company	68,471	435,940	19,187	1,656,074	(18,195)	(264,450)
Non-controlling interest	56,869	49,100	15,935	6,115	(15,113)	(219,641)
Summarized statement of comprehensive income						
Revenue	81,210	238,176	–	1,026,022	81,210	1,225,765
Profit/(loss) for the year from continuing operations	6,326	64,872	(1,503)	240,606	2,637	(64,132)
Total comprehensive income/(loss) for the year, net of tax	8,383	68,620	1,317	244,322	1,568	(75,719)
Attributable to:						
Equity holder of the Parent Company	4,579	61,758	719	243,638	857	(41,364)
Non-controlling interest	3,804	6,862	598	684	711	(34,355)
Dividends declared to non-controlling interests	–	(5,076)	–	(16)	–	–
Summarized cash flow information						
Operating activity	12,442	89,776	(8)	291,813	3,547	36,361
Investing activity	3,235	(48,768)	–	(237,951)	(1,660)	(16,996)
Financing activity	(6,378)	(52,802)	–	(17)	(1,884)	(49,899)
Net increase/(decrease) in cash and cash equivalents	9,299	(11,516)	(8)	57,459	3	(30,534)

24. EQUITY (continued)

Non-controlling interest (continued)

The following tables illustrate summarized financial information of subsidiaries on a stand-alone basis, in which the Group has significant non-controlling interests as at December 31, 2020 and for the year then ended:

In millions of tenge	Rompetrol Downstream S.R.L.	KTO	Rompetrol Petrochemicals S.R.L.	KMG EP	Rompetrol Vega	Rompetrol Rafinare S.A.
Summarized statement of financial position						
Non-current assets	101,670	523,992	3,072	1,329,294	30,643	131,929
Current assets	165,467	110,803	31,415	326,047	6,406	41,149
Non-current liabilities	(60,155)	(88,539)	(659)	(81,848)	(26,078)	(80,806)
Current liabilities	(90,026)	(79,066)	(22)	(107,727)	(45,847)	(500,643)
Total equity	116,956	467,190	33,806	1,465,766	(34,876)	(408,371)
Attributable to:						
Equity holder of the Parent Company	63,891	419,876	18,468	1,460,319	(19,052)	(223,085)
Non-controlling interest	53,065	47,314	15,338	5,447	(15,824)	(185,286)
Summarized statement of comprehensive income						
Revenue	495,075	235,222	–	718,825	58,229	790,412
Profit/(loss) for the year from continuing operations	2,505	73,267	1,840	127,124	4,528	(240,657)
Total comprehensive income/(loss) for the year, net of tax	3,249	69,936	21,642	65,600	1,025	(244,304)
Attributable to:						
Equity holder of the Parent Company	1,775	62,817	11,822	65,403	560	(133,458)
Non-controlling interest	1,474	7,119	9,820	197	465	(110,846)
Dividends declared to non-controlling interests	–	(4,538)	–	(16)	–	–
Summarized cash flow information						
Operating activity	10,357	94,608	–	131,498	4,607	84,236
Investing activity	1,108	(26,354)	–	(137,375)	(3,110)	(42,881)
Financing activity	(9,736)	(47,434)	–	(2,717)	(1,643)	(6,675)
Net increase/(decrease) in cash and cash equivalents	1,729	23,366	–	(1,727)	(146)	34,680

25. BORROWINGS

In millions of tenge	**December 31, 2021**	December 31, 2020
Fixed interest rate borrowings	**3,041,001**	3,394,958
Weighted average interest rates	**5.72%**	5.50%
Floating interest rate borrowings	**705,326**	683,490
Weighted average interest rates *(Note 31)*	**5.78%**	4.38%
	3,746,327	4,078,448

Borrowings are denominated in the following currencies as of December 31:

In millions of tenge	**December 31, 2021**	December 31, 2020
US dollar	**3,213,820**	3,669,668
Tenge	**294,581**	318,034
Russian ruble	**221,207**	85,223
Euro	**8,424**	2,319
Other currencies	**8,295**	3,204
	3,746,327	4,078,448

In millions of tenge	**December 31, 2021**	December 31, 2020
Current portion	**484,980**	361,556
Non-current portion	**3,261,347**	3,716,892
	3,746,327	4,078,448

As at December 31, 2021 and 2020, the bonds comprised:

In millions of tenge	**Issuance amount**	**Redemption date**	**Interest**	**December 31, 2021**	December 31, 2020
Bonds					
Bonds LSE 2020	750 million USD	2033	3.50%	**325,735**	317,474
AIX 2019	56 billion KZT	2024	5.00%	**33,123**	45,192
Bonds LSE 2018	1.5 billion USD	2048	6.375%	**639,046**	631,832
Bonds LSE 2018	1.25 billion USD	2030	5.375%	**540,156**	530,776
Bonds LSE 2018	0.5 billion USD	2025	4.75%	**216,760**	212,117
Bonds LSE 2017	1.25 billion USD	2047	5.75%	**522,827**	516,505
Bonds LSE 2017	1 billion USD	2027	4.75%	**428,552**	419,390
Bonds ISE 2017	750 million USD	2027	4.375%	**–**	299,934
Other	–	–	–	**–**	4,593
Total				**2,706,199**	2,977,813

In October - November 2020, the Company made an early full repayment of bonds due 2022 and 2023 with nominal value of 906,564 thousand US dollars (equivalent to 392,214 million tenge). Bond repayment fee was 49 million US dollars (equivalent to 21,057 million tenge) *(Note 14)*.

In October 2020, the Company placed bonds for 750 million US dollars (equivalent to 321,698 million tenge) at coupon interest rate of 3.5% per annum and due 2033.

In May 2020, KTG made an early partial repayment of bonds placed at ISE for the total amount of 41 million US dollars (equivalent to 17,816 million tenge) with bonds repayment gain of 927 million tenge.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

25. BORROWINGS (continued)

As at December 31, 2021 and 2020, the borrowings comprised:

In millions of tenge	Issuance amount	Redemption date	Interest	December 31, 2021	December 31, 2020
Loans					
The Export-Import Bank of China (Eximbank)	1.13 billion USD	2026	6M Libor + 4.10%	**242,555**	287,387
VTB Bank (PJSC)	38 billion RUB	2027	Key Rate of Central Bank of Russia Federation + 2.25%	**221,207**	–
Halyk bank JSC (Halyk bank)	151 billion KZT	2024-2025	11.00%	**138,119**	41,207
Development bank of Kazakhstan JSC (DBK) *(Note 30)*	157 billion KZT	2023-2026	7.00%-9.00%	**119,243**	166,377
The Syndicate of banks (Unicredit Tiriac Bank, ING Bank, BCR, Raiffeisen Bank)	435 million USD[1]	2022-2023	1M Libor + 2.75%, 1M Libor + 2.50%, 1W Libor + 2.50%	**84,096**	118,228
Cargill	100 million USD	2022-2023	3M Libor + 2.60%, 3M Libor + 2.50%	**43,343**	–
Halyk bank	100 million USD[2]	2023	5.00%	**43,302**	42,145
DBK *(Note 30)*	843.6 million USD	2023	10.99%	**34,138**	107,318
ING Bank NV	250 million USD	2022	COF (0.25%) + 2.00%	**24,034**	35,029
Bank of Tokyo-Mitsubishi UFJ, Ltd (London Branch)	150 million USD	2022	COF (0.14%) + 1.70%	**22,385**	38,215
Credit Agricole	250 million USD	2022	COF (0.24%) + 2.00%	**21,533**	14,862
VTB Bank Kazakhstan and VTB Bank (PJSC)	15 billion RUB	2023	Key Rate of Central Bank of Russia Federation + 2.15%	**–**	85,223
Japan Bank for International Cooperation (JBIC)	297.5 million USD	2025	2.19% + CIRR	**–**	60,098
European Bank for Reconstruction and Development (EBRD)	68 billion KZT	2026	3M CPI + 50 basis points + 2.15%	**–**	33,786
EBRD	36 billion KZT	2026	6M CPI + 100 basis points + 2.15%	**–**	24,278
Other	–	–	–	**46,173**	46,482
Total				**1,040,128**	1,100,635

[1] *75 million USD with revolving credit facility.*

[2] *Revolving credit facility.*

25. BORROWINGS (continued)

In 2021 Atyrau Refinery received a long-term loan from VTB Bank (PJSC) for 38,169 million Russian rubles (equivalent to 229,015 million tenge) at the rate of key rate of Central Bank of Russia + 2.25% per annum and maturity of 6 years for full early repayment of the loan from Eximbank in 2022.

In 2021 Atyrau Refinery partially repaid for 105 million US dollars (equivalent to 44,734 million tenge) including accrued interest, and received a short-term loan from Halyk bank under revolving credit facility for 100 million US dollars (equivalent to 42,813 million tenge) with 5% interest rate for full early repayment of the loan from Eximbank in 2022 and to finance working capital.

In 2021 Atyrau Refinery received a long-term loan from Halyk bank in the total amount of 109,855 million tenge with 11% interest rate and maturity of 4 years to refinance its existing loans from JBIC and DBK. The loan from Halyk bank was partially repaid for 22,827 million tenge, including accrued interest.

In 2021 Atyrau Refinery made partial repayment of the loan from Eximbank for 79 million US dollars (equivalent to 33,039 million tenge), including accrued interest. In June and November 2021, Atyrau Refinery made reservation of cash in total amount of 681 million US dollars (equivalent to 292,258 million tenge) for repayment of the loan from Eximbank and repaid the loan in July 2021 for 77 million US dollars (equivalent to 32,799 million tenge) and in January 2022 for 604 million US dollars (equivalent to 259,459 million tenge), including accrued interest.

In 2021 Atyrau Refinery made full early repayment of the loan from JBIC for 155 million US dollars (equivalent to 67,392 million tenge), including accrued interest.

In 2021 Atyrau Refinery made full and partial repayment of the loans from DBK for 142 million US dollars (equivalent to 59,507 million tenge), including accrued interest, and 29,409 million tenge, including accrued interest.

In 2021 KMGI received short-term and long-term loans to finance working capital from Cargill at the rate of 3M Libor + + 2.60% and 3M Libor + 2.50%, respectively, for 50 million US dollars each (equivalent to 20,997 million tenge).

In 2021 KMGI partially repaid a short-term loan from ING Bank NV for 29 million US dollars (equivalent to 12,632 million tenge), including accrued interest.

In 2021 KMGI made partial repayment of its syndicated loan for 97 million US dollars (equivalent to 41,447 million tenge).

In 2020 Atyrau refinery made partial repayment of the loan from Eximbank for 289 million US dollars (equivalent to 112,494 million tenge), including accrued interest.

In 2020 Atyrau refinery and KTG received an additional long-term loan under the loan agreement with DBK for the total amount of 49,609 million tenge and made a partial redemption of existing loans for 27,832 million tenge, including accrued interest.

In 2020 Atyrau refinery and Pavlodar refinery, made a partial repayment of the loan from DBK for 98 million US dollars (equivalent to 39,005 million tenge), including accrued interest.

In November 2020, KTG received a long-term loan from VTB Bank Kazakhstan and VTB Bank (PJSC) for the total amount of 15,152 million Russian rubles (equivalent to 84,621 million tenge) at the rate of key rate of Central Bank of Russia + 2.15% per annum and maturity of 3 years. KTG used proceeds from these loans to make a full early repayment of its syndicated loan of 205 million US dollars (equivalent to 86,971 million tenge), including accrued interest. This syndicated loan was raised to partially fund a strategic project – construction of three compressor stations at MG "Beineu-Bozoi-Shymkent".

In December, 2020, Atyrau refinery received a long-term loan from Halyk bank for the total amount of 41,089 million tenge with 11% interest rate and maturity of 4 years, and used it to fully refinance its long-term loan from Halyk bank for 144 million US dollars (equivalent to 59,007 million tenge), including accrued interest.

In 2020 KMGI received and repaid short-term loans to finance working capital from Bank of Tokyo-Mitsubishi UFJ, Ltd (London Branch) at the rate of COF (0.18%) + 1.50% for 91 million US dollars (equivalent to 37,539 million tenge).

In 2020 KMGI received and repaid short-term loans to finance working capital from ING Bank NV at the rate of COF (0.28%) + 2.00% for 83 million US dollars (equivalent to 34,409 million tenge).

In 2020 KTG made a partial repayment of the loan from EBRD for the total amount of 12,696 million tenge, including accrued interest.

In 2020, KMGI received and repaid short-term loans to finance working capital from Credit Agricole at the rate of COF (0.29%) + 2.00% for 33 million US dollars (equivalent to 13,655 million tenge).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

25. BORROWINGS (continued)

Changes in liabilities arising from financing activities:

In millions of tenge	2021 Short-term loans	2021 Long-term loans	2021 Bonds	2021 Total	2020 Short-term loans	2020 Long-term loans	2020 Bonds	2020 Total
On January 1	**184,370**	**916,265**	**2,977,813**	**4,078,448**	70,843	974,937	2,791,724	3,837,504
Received in cash	**82,753**	**368,343**	**–**	**451,096**	169,088	186,641	321,250	676,979
Repayment of principal in cash	**(108,134)**	**(218,733)**	**(12,685)**	**(339,552)**	(64,921)	(299,501)	(442,933)	(807,355)
Repayment of principal and interest by reserved cash	**–**	**(32,799)**	**–**	**(32,799)**	–	–	–	–
Interest accrued	**9,573**	**72,248**	**159,810**	**241,631**	7,265	64,931	163,890	236,086
Interest paid	**(9,427)**	**(52,876)**	**(185,140)**	**(247,443)**	(7,278)	(64,953)	(164,192)	(236,423)
Discount *(Note 14)*	**–**	**–**	**–**	**–**	–	(11,002)	–	(11,002)
Bonds redemption fee *(Note 14)*	**–**	**–**	**–**	**–**	–	–	21,057	21,057
Bonds redemption gain	**–**	**–**	**–**	**–**	–	–	(927)	(927)
Foreign currency translation	**3,227**	**2,684**	**66,967**	**72,878**	4,790	9,164	205,725	219,679
Foreign exchange loss	**410**	**4,844**	**7,679**	**12,933**	4,583	54,367	82,365	141,315
Discontinued operations *(Note 5)*		**(182,568)**	**(308,245)**	**(490,813)**	–	–	–	–
Other	**–**	**(52)**	**–**	**(52)**	–	1,681	(146)	1,535
On December 31	**162,772**	**877,356**	**2,706,199**	**3,746,327**	184,370	916,265	2,977,813	4,078,448
Current portion	**162,772**	**292,708**	**29,500**	**484,980**	184,370	133,094	44,092	361,556
Non-current portion	**–**	**584,648**	**2,676,699**	**3,261,347**	–	783,171	2,933,721	3,716,892

Covenants

The Group is required to comply with the financial and non-financial covenants under the terms of loan agreements. On June 16, 2021, the Company received a consent of the holders of Eurobonds with maturities in 2025, 2027, 2030, 2047, 2048 to bring the terms of these issues in line with the terms of the issue of KMG Eurobonds in 2020. As of December 31, 2021 and 2020, the Group complied with all financial and non-financial covenants.

25. BORROWINGS (continued)

Hedge of net investment in the foreign operations

As at December 31, 2021, certain borrowings denominated in foreign currency were designated as hedge instrument for the net investment in the foreign operations. These borrowings are being used to hedge the Group's exposure to the US dollar foreign exchange risk on these investments. In 2021 loss of 66,967 million tenge (2020: loss of 205,725 million tenge) on the translation of these borrowings were transferred to other comprehensive income and offset against translation gains of the net investments in foreign operations.

There is an economic relationship between the hedged item and the hedging instrument as the net investment creates a translation risk that will match the foreign exchange risk on the US Dollars borrowings. The Group has established a hedge ratio of 1:1 as the underlying risk of the hedging instrument is identical to the hedged risk component. The hedge ineffectiveness will arise when the amount of the investment in the foreign subsidiary becomes lower than the amount of the fixed rate borrowings. As at December 31, 2021 and 2020, there was no ineffective portion of the hedge.

26. PROVISIONS

In millions of tenge	Asset retirement obligations	Provision for environ-mental obligation	Provision for taxes	Provision for gas transpor-tation	Employee benefit obligations	Other	Total
As at December 31, 2019	154,394	60,346	18,184	27,965	59,059	57,179	377,127
Foreign currency translation	2,258	3,706	(1)	2,801	922	5,370	15,056
Change in estimate	13,049	(1,421)	–	–	–	(3)	11,625
Unwinding of discount *(Note 14)*	11,001	2,242	–	–	3,605	130	16,978
Provision for the year	886	5,454	722	–	13,099	15,857	36,018
Recovered	(1,189)	–	(1,451)	–	–	(5,041)	(7,681)
Use of provision	(664)	(5,326)	(7,019)	–	(6,767)	(62,958)	(82,734)
As at December 31, 2020	179,735	65,001	10,435	30,766	69,918	10,534	366,389
Foreign currency translation	**543**	**1,087**	**118**	**453**	**266**	**78**	**2,545**
Change in estimate	**(55)**	**(2,514)**	**–**	**–**	**503**	**151**	**(1,915)**
Unwinding of discount *(Note 14)*	**10,343**	**3,759**	**–**	**–**	**4,515**	**152**	**18,769**
Provision for the year	**785**	**2,628**	**2,392**	**–**	**(2,905)**	**2,974**	**5,874**
Recovered	**(1,329)**	**–**	**(748)**	**–**	**–**	**(1,207)**	**(3,284)**
Use of provision	**(332)**	**(6,775)**	**(1,834)**	**–**	**(6,235)**	**(8,055)**	**(23,231)**
Discontinued operations *(Note 5)*	**(87,953)**	**–**	**(1)**	**(31,219)**	**(636)**	**(93)**	**(119,902)**
As at December 31, 2021	**101,737**	**63,186**	**10,362**	**–**	**65,426**	**4,534**	**245,245**

Detailed description of significant provisions, including critical estimates and judgments used, is included in *Note 4*.

Current portion and long-term portion are segregated as follows:

In millions of tenge	Asset retirement obligations	Provision for environ-mental obligation	Provision for taxes	Provision for gas transport-tation	Employee benefit obligations	Other	Total
Current portion	**1,196**	**4,627**	**10,362**	**–**	**3,809**	**2,315**	**22,309**
Long-term portion	**100,541**	**58,559**	**–**	**–**	**61,617**	**2,219**	**222,936**
As at December 31, 2021	**101,737**	**63,186**	**10,362**	**–**	**65,426**	**4,534**	**245,245**
Current portion	700	8,094	10,435	30,766	5,691	7,549	63,235
Long-term portion	179,035	56,907	–	–	64,227	2,985	303,154
As at December 31, 2020	179,735	65,001	10,435	30,766	69,918	10,534	366,389

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

27. TRADE ACCOUNTS PAYABLE AND OTHER FINANCIAL AND NON-FINANCIAL LIABILITIES

In millions of tenge	**December 31, 2021**	December 31, 2020
Trade accounts payable	**519,201**	536,922
Other financial liabilities		
Due to employees	**44,401**	54,741
Other trade payables	**16,446**	21,215
Dividends payable	**534**	195
Financial guarantees *(Note 5)*	**122**	14,910
Other	**23,643**	28,342
	85,146	119,403
Current portion	**69,231**	86,440
Non-current portion	**15,915**	32,963
Other non-financial liabilities		
Contract liabilities	**154,696**	118,537
Other	**18,802**	39,315
	173,498	157,852
Current portion	**134,269**	129,021
Non-current portion	**39,229**	28,831

As of December 31, 2021 and 2020, trade accounts payable were denominated in the following currencies:

In millions of tenge	**December 31, 2021**	December 31, 2020
US dollars	**351,383**	221,097
Tenge	**83,705**	249,108
Romanian Leu	**71,932**	44,457
Euro	**3,381**	6,558
Other currency	**8,800**	15,702
Total	**519,201**	536,922

As at December 31, 2021 and 2020, trade accounts payable and other financial liabilities were not interest bearing.

28. OTHER TAXES PAYABLE

In millions of tenge	**December 31, 2021**	December 31, 2020
VAT	**49,002**	90,883
Mineral Extraction Tax	**26,439**	10,147
Rent tax on crude oil export	**23,702**	10,054
Individual income tax	**6,834**	5,746
Export customs duty	**5,842**	–
Social tax	**5,217**	5,691
Withholding tax from non-residents	**2,357**	1,556
Excise tax	**1,719**	2,239
Other	**5,312**	3,947
	126,424	130,263

29. INCOME TAX EXPENSES

As at December 31, 2021 income taxes prepaid of 24,900 million tenge (2020: 70,301 million tenge) are mainly represented by corporate income tax. As at December 31, 2021 income taxes payable of 6,882 million tenge (2020: 8,967 million tenge) are mainly represented by corporate income tax.

Income tax expense comprised the following for the years ended December 31:

In millions of tenge	2021	2020 (restated)
Current income tax		
Corporate income tax	**116,567**	60,634
Withholding tax on dividends and interest income	**42,886**	9,416
Excess profit tax	**1,237**	(194)
Deferred income tax		
Corporate income tax	**25,747**	(7,616)
Withholding tax on dividends	**34,990**	26,021
Excess profit tax	**(34)**	(2,985)
Income tax expenses	**221,393**	85,276

A reconciliation of income tax expenses applicable to profit before income tax at the statutory income tax rate (20% in 2021 and 2020) to income tax expenses was as follows for the years ended December 31:

In millions of tenge	2021	2020 (restated)
Profit/(loss) before income tax from continuing operations	**1,066,255**	(4,155)
Profit before income tax from discontinued operations	**407,993**	282,355
Statutory tax rate	**20%**	20%
Income tax expense on accounting profit	**294,850**	55,640
Share in profit of joint ventures and associates	**(87,497)**	(76,218)
Other non-deductible expenses and non-taxable income	**71,398**	49,874
Effect of different corporate income tax rates	**18,017**	30,039
Excess profit tax	**1,203**	(3,179)
Change in unrecognized deferred tax assets	**(21,063)**	50,147
Income tax expenses	**276,908**	106,303
Income tax expenses attributable to continued operations	**221,393**	85,276
Income tax expenses attributable to discontinued operations	**55,515**	21,027
	276,908	106,303

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

29. INCOME TAX EXPENSES (continued)

Deferred tax balances, calculated by applying the statutory tax rates effective at the respective reporting dates to the temporary differences between the tax basis of assets and liabilities and the amounts reported in the consolidated financial statements, are comprised of the following at December 31:

	2021					2020				
In millions of tenge	**Corporate income tax**	**Excess profit tax**	**Withholding tax**	**Total**	**Recognized in profit and loss**	Corporate income tax	Excess profit tax	Withholding tax	Total	Recognized in profit and loss
Deferred tax assets										
Property, plant and equipment	**22,769**	**–**	**–**	**22,769**	**(12,831)**	**35,848**	–	–	35,848	968
Tax loss carryforward	**556,394**	**–**	**–**	**556,394**	**(35,419)**	**591,813**	–	–	591,813	35,367
Employee benefits related accruals	**4,975**	**–**	**–**	**4,975**	**(133)**	**5,342**	–	–	5,342	78
Impairment of financial assets	**1**	**–**	**–**	**1**	**(12)**	**13**	–	–	13	3
Environmental liability	**3,089**	**–**	**–**	**3,089**	**(1,207)**	**4,296**	–	–	4,296	(532)
Other	**57,772**	**–**	**–**	**57,772**	**10,726**	**52,186**	–	–	52,186	(2,091)
Less: unrecognized deferred tax assets	**(561,198)**	**–**	**–**	**(561,198)**	**21,063**	**(582,261)**	–	–	(582,261)	(50,147)
Less: deferred tax assets offset with deferred tax liabilities	**(49,767)**	**–**	**–**	**(49,767)**	**(5,809)**	**(48,647)**	–	–	(48,647)	2,832
Deferred tax assets	**34,035**	**–**	**–**	**34,035**	**(23,622)**	**58,590**	–	–	58,590	(13,522)
Deferred tax liabilities										
Property, plant and equipment	**125,840**	**358**	**–**	**126,198**	**11,007**	**179,394**	392	–	179,786	(19,811)
Undistributed earnings of joint venture	**–**	**–**	**465,891**	**465,891**	**34,990**	**–**	–	419,083	419,083	26,021
Other	**3,441**	**–**	**–**	**3,441**	**10,723**	**5,672**	–	–	5,672	1,018
Less: deferred tax assets offset with deferred tax liabilities	**(49,767)**	**–**	**–**	**(49,767)**	**(5,809)**	**(48,647)**	–	–	(48,647)	2,832
Deferred tax liabilities	**79,514**	**358**	**465,891**	**545,763**	**50,911**	**136,419**	392	419,083	555,894	10,060
Net deferred tax liability	**45,479**	**358**	**465,891**	**511,728**	**–**	**77,829**	392	419,083	497,304	–
Deferred tax expense					**74,533**					23,582

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

29. INCOME TAX EXPENSES (continued)

Deferred corporate income tax and excess profit tax are determined with reference to individual subsoil use contracts. Deferred corporate income tax is also determined for activities outside of the scope of subsoil use contracts. A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realized. Unrecognized deferred tax asset arising mainly from tax losses carry forward amounted to 561,198 million tenge as at December 31, 2021 (2020: 582,261 million tenge).

Tax losses carry forward as at December 31, 2021 and 2020 in the RK expire for tax purposes after ten years from the date they are incurred.

The movements in the deferred tax liability/(asset) were as follows:

	2021				2020			
In millions of tenge	**Corporate income tax**	**Excess profit tax**	**Withholding tax**	**Total**	Corporate income tax	Excess profit tax	Withholding tax	Total
Net deferred tax liability as at January 1	**77,829**	**392**	**419,083**	**497,304**	75,790	3,377	356,581	435,748
Foreign currency translation	**296**	**–**	**11,818**	**12,114**	1,601	–	36,481	38,082
Tax expense/(income) during the year recognized in profit and loss	**39,577**	**(34)**	**34,990**	**74,533**	546	(2,985)	26,021	23,582
Tax expense/(income) during the year recognized in other comprehensive income	**48**	**–**	**–**	**48**	(108)	–	–	(108)
Discontinued operations *(Note 5)*	**(72,271)**	**–**	**–**	**(72,271)**	–	–	–	–
Net deferred tax liability as at December 31	**45,479**	**358**	**465,891**	**511,728**	77,829	392	419,083	497,304

30. RELATED PARTY DISCLOSURES

Terms and conditions of transactions with related parties

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. Outstanding balances at the year-end are mainly unsecured and interest free and settlement occurs in cash, except as indicated below. The Group recognizes allowances for ECL on amounts owed by related parties.

Transactions balances

The following table provides the balances of transactions with related parties as at December 31, 2021 and 2020:

In millions of tenge	December 31,	Due from related parties	Due to related parties	Cash and deposits placed with related parties	Borrowings payable to related parties
Samruk-Kazyna entities	**2021**	**497,242**	**1,074**	**–**	**33,123**
	2020	402,272	5,921	–	45,192
Associates	**2021**	**12,249**	**3,009**	**–**	**–**
	2020	4,345	3,541	–	–
Other state-controlled parties	**2021**	**2,349**	**638**	**86,481**	**153,381**
	2020	4,116	113	126,443	273,695
Joint ventures	**2021**	**166,869**	**170,923**	**–**	**–**
	2020	357,832	246,555	–	–

Due from/to related parties

Samruk-Kazyna entities

As at December 31, 2021 due from Samruk-Kazyna entities is mainly represented by the bonds receivable from the Samruk-Kazyna of 18,373 million tenge, net of expected credit losses (December 31, 2020: 17,265 million tenge) *(Note 22)* and the financial aid provided to Samruk-Kazyna for 451,981 million tenge, net of expected credit losses (December 31, 2020: 379,159 million tenge) *(Note 24)*.

Joint ventures

As at December 31, 2021 due from joint ventures were mainly represented by the loans given to PetroKazakhstan Oil Products LLP (further PKOP) of 74,612 million tenge (December 31, 2020: 96,958 million tenge), UGL of 48,549 million tenge (December 31, 2020: 41,066 million tenge) and advances paid to TCO for 8,744 million tenge (December 31, 2020: 16,094 million tenge) under crude oil and LPG purchase contract.

As at December 31, 2021 due to joint ventures were mainly represented by accounts payable for crude oil to TCO for 130,786 million tenge (December 31, 2020: 67,578 million tenge).

Cash and deposits placed with related parties

Other state-controlled parties

As at December 31, 2021, the decrease of cash and deposits placed with related parties is mainly due to partial withdraw of deposits for 100 million US dollars (equivalent to 42,422 million tenge as of the withdrawal date).

Borrowings payable to related parties

Other state-controlled parties

As at December 31, 2021 the borrowings payable to related parties are represented by loans received from DBK by Atyrau refinery and Pavlodar refinery of 153,381 million tenge (December 31, 2020: 273,695 million tenge) *(Note 25)*.

30. RELATED PARTY DISCLOSURES (continued)

Proceeds from loans given to related parties

In 2021 the Group received proceeds from principal and interest redemption of the loan issued to PKOP for 24,438 million tenge and 3,507 million tenge, respectively (2020: 24,588 million tenge and 5,492 million tenge, respectively), proceeds from interest on BSGP, joint venture of KTG, for 9,628 million tenge (2020: principal for 48,133 million tenge and interest for 9,336 million tenge). In November 2021, KTG was transferred to Samruk-Kazyna *(Note 5)*.

Transactions turnover

The following table provides the total amount of transactions, which have been entered into with related parties during 2021 and 2020:

In millions of tenge		Sales to related parties	Purchases from related parties	Interest earned from related parties	Interest incurred to related parties
Samruk-Kazyna entities	**2021**	**17,589**	**11,500**	**36,805**	**6,448**
	2020	13,793	24,316	30,055	2,293
Associates	**2021**	**53,754**	**33,549**	**–**	**–**
	2020	21,000	24,710	2,740	–
Other state-controlled parties	**2021**	**32,810**	**16,788**	**315**	**21,529**
	2020	42,880	18,765	12,035	26,567
Joint ventures	**2021**	**270,274**	**1,678,338**	**30,626**	**1,109**
	2020	322,894	1,128,533	31,397	4,763

Sales to related parties / purchases from related parties

Joint ventures

In 2021, sales to joint ventures were mainly represented by transportation and cargo servicing provided to TCO for 16,698 million tenge (2020: 34,399 million tenge), sale of compressor station to BSGP for 42,886 million tenge (2020: 43,667 million tenge) *(Note 15)*, transportation charges and oil servicing provided to MangystauMunaiGas JSC, subsidiary of MIBV, for 53,892 million tenge and for 85,094 million tenge, respectively (2020: 53,591 million tenge and 72,251 million tenge, respectively).

In 2021, purchases from joint ventures were mainly attributable to purchases of crude oil from TCO to perform the oil delivery customer contract for 1,234,019 million tenge (2020: 687,896 million tenge), and transportation services provided by BSGP for 167,217 million tenge (2020: 201,524 million tenge) and AGP for 75,287 million tenge (2020: 106,160 million tenge).

Key management employee compensation

Total compensation to key management personnel (members of the Boards of directors and Management boards of the Group) included in general and administrative expenses in the accompanying consolidated statement of the comprehensive income was equal to 7,899 million tenge and 8,159 million tenge for the years ended December 31, 2021 and 2020, respectively. Compensation to key management personnel mainly consists of contractual salary and performance bonus based on operating results.

31. FINANCIAL RISK MANAGEMENT, OBJECTIVES AND POLICIES

The Group's principal financial instruments mainly consist of borrowings, loans given, financial guarantees, cash and cash equivalents, bank deposits as well as accounts receivable and accounts payable. The Group is exposed to interest rate risk, foreign currency risk and credit risk. The Group further monitors the market risk and liquidity risk arising from all financial instruments.

Market risk

The Group takes on exposure to market risks. Market risks arise from open positions in interest rate, currency, and securities, all of which are exposed to general and specific market movements. The Group manages market risk through periodic estimation of potential losses that could arise from adverse changes in market conditions and establishing appropriate margin and collateral requirements. The sensitivity analyses in the following sections relate to the position as of December 31, 2021 and 2020.

Foreign currency risk

As a result of significant borrowings and accounts payable denominated in the US dollars, the Group's consolidated statement of financial position can be affected significantly by movement in the US dollar / tenge exchange rates. The Group also has transactional currency exposures. Such exposure arises from revenues in the US dollars. The Group has a policy on managing its foreign currency risk in US dollar by matching US dollar denominated financial assets with US dollar denominated financial liabilities. The following table demonstrates the sensitivity to a reasonably possible change in the US dollar exchange rate, with all other variables held constant, of the Group's profit before income tax (due to changes in the cash flows of monetary assets and liabilities). The sensitivity of possible changes in exchange rates for other currencies are not considered due to its insignificance to the consolidated financial results of Group's operations.

In millions of tenge	Increase/ (decrease) in tenge to US dollar exchange rate	Effect on profit before tax
2021	**+13%**	**(252,408)**
	(10%)	**194,160**
2020	+14%	(335,219)
	(11%)	263,387

Interest rate risk

Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates. The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's long-term borrowings with floating interest rates. The Group's policy is to manage its interest rate cost using a mix of fixed and variable rate borrowings.

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the Group's profit before income tax (through the impact on floating rate borrowings). There is no significant impact on the Group's equity.

In millions of tenge	Increase/ decrease in basis points	Effect on profit before tax
2021		
LIBOR	**+1.25**	**(8,817)**
	-0.25	**1,763**
2020		
LIBOR	+1.00	(6,835)
	-0.25	1,709

31. FINANCIAL RISK MANAGEMENT, OBJECTIVES AND POLICIES (continued)

Credit risk

The Group trades only with recognized, creditworthy parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant. The maximum exposure is the carrying amount as disclosed in *Note 14*. There are no significant concentrations of credit risk within the Group.

With respect to credit risks arising on other financial assets of the Group, which comprise cash and cash equivalents, bank deposits, loans and receivables from related parties and other financial assets, the Group's exposure to credit risks arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments.

The table below shows the risk profile of the Group's cash and cash equivalents, short-term and long-term deposits held in banks as at 31 December 2021 and 2020 using the Fitch credit ratings, or in their absence, using their equivalent rates in S&P and Moody's:

	As at 31 December	
	2021	2020
AA- to A+	**8%**	12%
A to A-	**34%**	30%
BBB+ to BBB-	**54%**	16%
BB+ to BB-	**1%**	41%
B+ to B-	**3%**	1%

Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in raising funds to meet commitments associated with its financial liabilities. Liquidity risk may result from an inability to sell a financial asset quickly at close to its fair value.

Liquidity requirements are monitored on a regular basis and management ensures that sufficient funds are available to meet any commitments as they arise.

The table below summarizes the maturity profile of the Group's financial liabilities as at December 31, 2021 and 2020 based on contractual undiscounted payments.

In millions of tenge	Due less than one month	Due later than one month but not later than three months	Due later than three months but not later than one year	Due later than one year but not later than five years	Due after 5 years*	Total
As at December 31, 2021						
Borrowings*	**268,383**	**92**	**379,336**	**1,432,280**	**4,283,944**	**6,364,035**
Trade accounts payable	**250,549**	**260,874**	**7,778**	**–**	**–**	**519,201**
Financial guarantees**	**–**	**4**	**312**	**1,252**	**–**	**1,568**
Lease liabilities	**1,896**	**1,229**	**6,595**	**12,763**	**22,879**	**45,362**
Other financial liabilities	**38,906**	**17,650**	**15,932**	**16,979**	**–**	**89,467**
	559,734	**279,849**	**409,953**	**1,463,274**	**4,306,823**	**7,019,633**
As at December 31, 2020						
Borrowings*	64,664	15,128	449,943	1,699,247	4,607,751	6,836,733
Trade accounts payable	208,648	318,195	10,079	–	–	536,922
Financial guarantees**	–	16,339	48,734	172,619	313	238,005
Lease liabilities	395	515	16,061	26,236	20,448	63,655
Other financial liabilities	33,377	23,337	24,486	11,096	54,586	146,882
	307,084	373,514	549,303	1,909,198	4,683,098	7,822,197

* *The Group excludes from the maturity profile table the borrowings payable to project partners under the carry-in financing agreements, due to the uncertainty of maturity of these loans. As of December 31, 2021, the borrowings due to partners were 12,355 million tenge (December 31, 2020: 7,175 million tenge).*

** *The Group includes financial guarantees to the maturity profile table, however, the cash outflow in relation to financial guarantees is subject to certain conditions. Financial guarantee is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because of specified debtor fails to make payment when due in accordance with the original or modified terms of debt instrument. In 2021 and 2020 there was no significant instances of financial guarantees execution.*

31. FINANCIAL RISK MANAGEMENT, OBJECTIVES AND POLICIES (continued)

Capital management

The primary objective of the Group's capital management is to maximise the shareholder value. The Group manages its capital to ensure that Group will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance.

The Company seeks to maintain a prudent capital structure to support its capital investment plans and maintain investment grade credit rating through the cycle. Maintaining sufficient financial flexibility is considered strategically important to mitigate industry cyclicality while also enabling the pursuit of organic and inorganic investment opportunities. The Company has a comprehensive and disciplined internal approval process for capital expenditures, new projects and debt incurrence.

For the purpose of the Group's capital management, the capital structure of the Group consists of borrowings disclosed in *Note 25* less cash *(Note 23)* and short-term deposits *(Note 18)* and equity, comprising share capital, additional paid-in capital, other reserves and retained earnings as disclosed in *Note 24.*

The Group's management regularly reviews the capital structure. As part of this review, management considers the cost of capital and the risks associated with each class of capital. Also to achieve this overall objective, the Group's capital management, among other things, aims to ensure that it meets financial covenants attached to borrowings that define capital structure requirements. There have been no breaches of the financial covenants of any borrowing in the years ended December 31, 2021 and 2020 *(Note 25).*

In millions of tenge	**December 31, 2021**	December 31, 2020
Borrowings	**3,746,327**	4,078,448
less: cash, cash equivalents and short-term bank deposits	**1,486,362**	1,428,336
Net debt	**2,259,965**	2,650,112
Equity	**8,158,681**	8,636,679
Capital and net debt	**10,418,646**	11,286,791

No changes were made in the overall strategy, objectives, policies or processes for managing capital during the years ended December 31, 2021 and 2020.

31. FINANCIAL RISK MANAGEMENT, OBJECTIVES AND POLICIES (continued)

Fair values of financial instruments

The carrying amount of the Group financial instruments as at December 31, 2021 and 2020 are reasonable approximation of their fair value, except for the financial instruments disclosed below:

	December 31, 2021					December 31, 2020				
			Fair value by level of assessment					Fair value by level of assessment		
In millions of tenge	**Carrying amount**	**Fair value**	**Level 1**	**Level 2**	**Level 3**	Carrying amount	Fair value	Level 1	Level 2	Level 3
Bonds receivable from Samruk-Kazyna	**18,373**	**16,925**	**–**	**16,925**	**–**	17,265	16,916	–	16,916	–
Loans given to related parties at amortized cost, lease receivables from joint venture	**474,875**	**472,528**	**–**	**448,658**	**23,870**	557,116	538,063	–	372,823	165,240
Fixed interest rate borrowings	**3,041,001**	**3,556,705**	**3,210,632**	**346,073**	**–**	3,394,958	4,103,404	3,640,931	462,473	–
Floating interest rate borrowings	**705,326**	**755,347**	**–**	**755,347**	**–**	683,490	699,509	–	699,509	–
Financial guarantee issued *(Note 5)*	**122**	**122**	**–**	**–**	**122**	14,910	15,464	–	–	15,464

The fair value of bonds receivable from the Samruk-Kazyna and other debt instruments have been calculated by discounting the expected future cash flows at market interest rates.

All financial instruments for which fair value is recognized or disclosed are categorized within the fair value hierarchy, based on the lowest level input that is significant to the fair value measurement as a whole, as follows:

- Level 1 – quoted (unadjusted) market prices in active markets for identical assets or liabilities;
- Level 2 – valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable;
- Level 3 – valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

There were no transfers between Level 1 and Level 2 during the reporting period, and no transfers into or out of Level 3 category.

For assets and liabilities that are recognized at fair value on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period. There were no changes in the Group's valuation processes, valuation techniques, and types of inputs used in the fair value measurements during the year.

31. FINANCIAL RISK MANAGEMENT, OBJECTIVES AND POLICIES (continued)

Fair values of financial instruments (continued)

The significant unobservable inputs used in the fair value measurements categorized within Level 3 of the fair value hierarchy are shown below:

	Valuation technique	Significant unobservable inputs	Range as of December 31, 2021	2020
Loans given to related parties at amortized cost, lease receivables from joint venture	Discounted cash flow method	Interest/discount rate	**4.1-11.5%**	7.54-9.9%
Financial guarantee issued			**4.5%**	4.9%

32. CONTINGENT LIABILITIES AND COMMITMENTS

Operating environment

Kazakhstan continues economic reforms and development of its legal, tax and regulatory frameworks as required by a market economy. The future stability of the Kazakhstan economy is largely dependent upon these reforms and developments and the effectiveness of economic, financial and monetary measures undertaken by the Government.

Since the beginning of March 2020, the world markets are experiencing a significant volatility in oil demand and oil prices, in particular as a result of COVID-19 pandemic. Kazakhstan tenge value has fallen significantly against the major world currencies. In the opinion of the Company's management, these trends will not have a material impact on the Company's future financial position, results of operations and business prospects.

Commodity price risk

The Group generates most of its revenue from the sale of commodities, primarily crude oil and oil products. Historically, the prices of these products have been volatile and have fluctuated widely in response to changes in supply and demand, market uncertainty, the performance of the global or regional economies and cyclicality in industries. Prices may also be affected by the Government actions, including the imposition of tariffs and import duties, speculative trades, an increase in capacity or oversupply of the Group's products in its main markets. These external factors and the volatility of the commodity markets make it difficult to estimate future prices. A substantial or extended decline in commodity prices would materially and adversely affect the Group's business and the consolidated financial results and cash flows of operations. The Group mainly does not hedge its exposure to the risk of fluctuations in the price of its products.

Taxation

Kazakhstan's tax legislation and regulations are subject to ongoing changes and varying interpretations. Instances of inconsistent opinions between local, regional and national tax authorities are not unusual, including opinions with respect to IFRS treatment of revenues, expenses and other items in the financial statements. The current regime of penalties and interest related to reported and discovered violations of Kazakhstan's tax laws are severe. Due to uncertainties associated with Kazakhstan's tax system, the ultimate amount of taxes, penalties and interest, if any, may be in excess of the amount expensed to date and accrued at December 31, 2021. As at December 31, 2021, Management believes that its interpretation of the relevant legislation is appropriate and that it is probable that the Group's tax positions will be sustained, except as provided for or otherwise disclosed in these consolidated financial statements.

32. CONTINGENT LIABILITIES AND COMMITMENTS (continued)

Transfer pricing control

Transfer pricing control in Kazakhstan has a very wide scope and applies to many transactions that directly or indirectly relate to international business regardless of whether the transaction participants are related or not. The transfer pricing legislation requires that all taxes applicable to a transaction should be calculated based on market price determined in accordance with the arm's length principle. The law on transfer pricing came into force in Kazakhstan from January 1, 2009. The law is not explicit and there is little precedence with some of its provisions. Moreover, the law is not supported by detailed guidance for application of transfer pricing control to various types, as a result, there is a risk that the tax authorities may take a position that differs from the Group's position, which could result in additional taxes, fines and interest. As at December 31, 2021 management believes that its interpretation of the transfer pricing legislation is appropriate and that it is probable that the Group's positions with regard to transfer pricing will be sustained.

Comprehensive tax audit at Atyrau refinery for 2015-2017

On December 15, 2020, based on 2015-2017 comprehensive tax audit, Atyrau refinery received additional tax assessment for VAT for 9,257 million tenge, including penalties, and reduction in tax carry-forward losses for 29,026 million tenge. Atyrau refinery has not agreed with tax audit results, and, on January 28, 2021, sent an appeal to the RK Ministry of Finance. As of December 31, 2021, appeal consideration was suspended by the RK Ministry of Finance until clarification of the circumstances. The Group believes that the risk of additional tax assessment is remote, as such, the Group did not recognize any provisions as of December 31, 2021.

Legal issues and claims

The civil litigation at KMGI

Faber Invest & Trade Inc. (further Faber), the non-controlling shareholder of KMGI subsidiaries, resumed several previous civil filings in 2020, one of which challenged the increase in the Rompetrol Rafinare Constanta, the KMGI subsidiary, share capital in 2003-2005. The hearings have been held periodically, but no final decisions were made. On July 13, 2021, the court rejected the complaint of Faber. However, Faber appealed against this decision. As a result of hearing in December 2021 the court admitted the appeal and sent back the file to be re-settled. Next hearings are scheduled to March and May 2022.

The Group believes that its position with regard to the new Faber filing will be sustained similar to the matters resolved in 2020 in favour of the Group, and as such, the Group did not recognize any provisions as of December 31, 2021.

Cost recovery audits

Under the base principles of the production sharing agreements, the Government transferred to contractors the exclusive rights to conduct activities in the subsurface use area, but did not transfer rights to this subsurface use area either to ownership or lease. Thus, all extracted and processed oil (i.e. the hydrocarbons produced) are the property of the Government. Works are carried out on the basis of compensation and the Government pays to the contractors not in cash but in the form of the portion of oil production, thereby allowing the contractors to recover their costs and earn profit.

In accordance with the production sharing agreements, not all costs incurred by the contractors could be reimbursed. Certain expenditures need to be approved by the authorized bodies. The authorized bodies conduct the cost recovery audits. In accordance with the cost recovery audits completed prior to December 31, 2021, certain amounts of the costs incurred by contractors were assessed as non-recoverable. The parties to the production sharing agreements are in negotiations with respect to the recoverability of those costs.

As of December 31, 2021, the Group's share in the total disputed amounts of costs is 1,177 million US dollars (equivalent to 508,180 million tenge as at reporting date) (2020: 1,078 million US dollars, equivalent to 453,641 million tenge as at reporting date), including its share in the joint venture. The Group and its partners under the production sharing agreements are in negotiation with the Government with respect to the recoverability of these costs.

32. CONTINGENT LIABILITIES AND COMMITMENTS (continued)

Kazakhstan local market obligation

The Government requires oil companies in the RK to supply a portion of the products to meet the Kazakhstan domestic energy requirement on an annual basis, mainly to maintain oil products supply balance on the local market and to support agricultural producers during the spring and autumn sowing and harvest campaigns.

Kazakhstan local market oil prices are significantly lower than export prices and even lower than the normal domestic market prices determined in an arm-length transaction. If the Government does require additional crude oil to be delivered over and above the quantities currently supplied by the Group, such supplies will take precedence over market sales and will generate substantially less revenue than crude oil sold on the export market, which may materially and adversely affect the Group's business, prospects, consolidated financial position and performance.

In 2021, in accordance with its obligations, the Group delivered 7,114 thousand tons of crude oil (2020: 6,401 thousand tons), including its share in the joint ventures and associates, to the Kazakhstan market.

Commitments under subsoil use contracts

As at December 31, 2021, the Group had the following commitments related to minimal working program in accordance with terms of licenses, production sharing agreements and subsoil use contracts, signed with the Government, including its share in joint ventures and associate:

In millions of tenge	Capital expenditures	Operational expenditures
Year		
2022	236,077	57,135
2023	94,245	4,373
2024	27,106	4,383
2025	10,880	4,314
2026-2048	5,216	21,372
Total	**373,524**	**91,577**

Oil supply commitments

As of December 31, 2021, Kashagan, joint venture of the Company, had commitments under the oil supply agreements in the total amount of 4.3 million ton (December 31, 2020: 8.2 million ton).

Other contractual commitments

As at December 31, 2021, the Group, including its share in joint ventures commitments, had other capital commitments of approximately 148,590 million tenge (as at December 31, 2020: 196,531 million tenge), related to acquisition and construction of long-lived assets.

As at December 31, 2021, the Group had commitments in the total amount of 184,455 million tenge (as at December 31, 2020: 232,136 million tenge) under the investment programs approved by the joint order of Ministry of Energy of RK and *Committee on Regulation of Natural Monopolies and Protection of Competition of the Ministry of National Economy of RK* to facilitate production units.

Non-financial guarantees

As of December 31, 2021 and 2020, the Group has outstanding performance guarantees issued in favour of third parties whereas it provides guarantee should its joint venture or associate fail to perform their obligations under the natural gas purchase-sale, transportation and other agreements.

As of December 31, 2021, the management of the Group believes that there were no expected cases of non-performance from the guaranteed parties and, accordingly, no obligations related to the above stated non-financial contingencies were recognized.

33. SEGMENT REPORTING

The Group's operating segments have their own structure and management according to the type of the produced goods and services provided. Moreover, all segments are strategic directions of the business which offer different types of the goods and services in different markets. The functions have been defined as the operating segments of the Group because they are segments a) that engages in business activities from which revenues are generated and expenses incurred; b) whose operating results are regularly reviewed by the Group's chief operating decision makers to make decisions.

The Group's activity consists of three main operating segments: exploration and production of oil and gas, oil transportation, and refining and trading of crude oil and refined products. The Group presents the Company's activities separately in Corporate segment, since the Company performs not only the functions of the parent company, but also carries out operational activities. The remaining operating segments have been aggregated and presented as other operating segment due to their insignificance.

Disaggregation of revenue by types of goods and services is presented in *Note 6* to the consolidated financial statements.

In 2021 disaggregated revenue type *Sales of crude oil and gas* and *Sales of refined products* mainly represents sales made to the external parties by the following operating segments:

	Type of products and services			
	2021		2020	
In millions of tenge	**Sales of crude oil and gas**	**Sales of refined products**	Sales of crude oil and gas	Sales of refined products
Segments				
Refining and trading of crude oil and refined products	**3,097,249**	**1,527,802**	1,676,749	989,881
Corporate	**–**	**559,515**	–	333,100
Exploration and production of oil and gas	**–**	**3,092**	–	3,910
Other	**–**	**11,704**	–	9,832
	3,097,249	**2,102,113**	1,676,749	1,336,723

Segment performance is evaluated based on revenues, net profit and adjusted EBITDA, which are measure on the same basis as in the consolidated financial statements.

EBITDA is a supplemental non-IFRS financial measure used by management to evaluate segments performance, and is defined as earnings before depreciation, depletion and amortization, impairment of property, plant and equipment, exploration and evaluation assets, intangible assets and assets classified as held for sale, exploration expenses, impairments of joint ventures and associates, finance income and expense, income tax expenses.

EBITDA, % is calculated as EBITDA of each reporting segment divided by the total EBITDA.

Eliminations and adjustments represent the exclusion of intra-group turnovers. Inter-segment transactions were made on terms agreed to between the segments that may not necessarily comply with market rates, except for certain regulated services, which are provided based on the tariffs available to related and third parties.

Geographic information

The Group's property, plant and equipment *(Note 15)* are located in the following countries:

In millions of tenge	**2021**	2020
Kazakhstan	**2,782,481**	3,730,070
Other countries	**623,499**	639,675
	3,405,980	4,369,745

33. SEGMENT REPORTING (continued)

The following represents information about profit and loss for 2021 and assets and liabilities as at December 31, 2021 of operating segments of the Group:

In millions of tenge	Exploration and production of oil and gas	Oil transportation	Refining and trading of crude oil and refined products	Corporate	Other	Eliminations and adjustments	Total
Revenues from sales to external customers	8,142	203,388	4,944,326	560,895	122,042	–	5,838,793
Revenues from sales to other segments	1,223,371	78,579	157,380	46,222	86,598	(1,592,150)	–
Total revenue	1,231,513	281,967	5,101,706	607,117	208,640	(1,592,150)	5,838,793
Cost of purchased oil, gas, petroleum products and other materials	(30,151)	(14,477)	(4,508,909)	(265,594)	(33,494)	1,256,134	(3,596,491)
Production expenses	(309,158)	(124,163)	(203,059)	(167,570)	(149,841)	260,760	(693,031)
Taxes other than income tax	(346,304)	(14,105)	(14,998)	(45,855)	(7,377)	–	(428,639)
Transportation and selling expenses	(103,433)	(5,444)	(66,646)	(10,353)	–	53,964	(131,912)
General and administrative expenses	(26,223)	(18,312)	(36,366)	(46,296)	(24,151)	2,870	(148,478)
Share in profit of joint ventures and associates, net	625,567	105,890	17,694	–	19,582	–	768,733
EBITDA	1,041,811	211,356	289,422	71,449	13,359	(18,422)	1,608,975
EBITDA, %	65%	13%	18%	4%	1%	(1%)	
Depreciation, depletion and amortization	(126,433)	(41,694)	(140,870)	(3,034)	(10,037)	–	(322,068)
Finance income	71,785	3,980	2,563	161,385	20,795	(175,909)	84,599
Finance costs	(19,566)	(6,426)	(93,290)	(212,693)	(4,919)	87,629	(249,265)
Impairment of property, plant and equipment, exploration and evaluation assets, intangible assets and assets classified as held for sale	(3,987)	(4,796)	(8,217)	(324)	(3,400)	–	(20,724)
Exploration expenses	(79,083)	–	–	–	–	–	(79,083)
Income tax expenses	(136,784)	(14,441)	(38,159)	(30,899)	(1,110)	–	(221,393)
Profit/(loss) for the year from continuing operations	593,531	48,688	36,922	300,334	(33,052)	(101,561)	844,862
Other segment information							
Investments in joint ventures and associates	5,904,568	523,747	47,395	–	74,674	–	6,550,384
Capital expenditures	168,017	92,061	83,020	6,013	12,681	52,398	414,190
Allowances for obsolete inventories, expected credit losses on trade receivables, loans and receivables from related parties, other current financial assets and impairment of other current non-financial assets	(4,854)	(9,686)	(40,898)	(28,518)	(9,023)	–	(92,979)
Assets of the segment	8,624,757	1,213,613	3,000,106	1,580,623	322,008	(1,088,846)	13,652,261
Liabilities of the segment	868,902	216,809	1,994,289	3,378,313	100,458	(1,065,191)	5,493,580

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

33. SEGMENT REPORTING (continued)

The following represents information about profit and loss for 2020 and assets and liabilities as at December 31, 2020 of operating segments of the Group:

In millions of tenge	Exploration and production of oil and gas	Oil transportation	Refining and trading of crude oil and refined products	Corporate	Other	Eliminations and adjustments	Total
Revenues from sales to external customers*	8,981	216,843	2,955,444	334,092	109,604	–	3,624,964
Revenues from sales to other segments*	868,731	91,497	327,229	36,945	83,314	(1,407,716)	–
Total revenue*	877,712	308,340	3,282,673	371,037	192,918	(1,407,716)	3,624,964
Cost of purchased oil, gas, petroleum products and other materials*	(29,528)	(13,301)	(2,739,382)	(185,884)	(32,844)	1,099,703	(1,901,236)
Production expenses*	(297,934)	(124,041)	(202,820)	(126,431)	(139,308)	234,356	(656,178)
Taxes other than income tax*	(194,328)	(12,891)	(15,188)	(24,994)	(7,107)	186	(254,322)
Transportation and selling expenses*	(118,054)	(8,019)	(62,381)	(7,752)	–	59,062	(137,144)
General and administrative expenses*	(30,219)	(16,775)	(46,690)	(51,053)	(25,096)	23,208	(146,625)
Share in profit of joint ventures and associates, net*	182,572	93,525	(1,373)	–	6,091	–	280,815
EBITDA*	390,221	226,838	214,839	(25,077)	(5,346)	8,799	810,274
EBITDA, %*	48%	28%	27%	(3%)	(1%)	1%	
Depreciation, depletion and amortization*	(118,157)	(39,253)	(146,764)	(3,200)	(10,053)	–	(317,427)
Finance income*	106,079	3,943	18,285	99,245	11,760	(151,325)	87,987
Finance costs*	(16,934)	(5,180)	(87,043)	(269,715)	(11,694)	125,194	(265,372)
Impairment of property, plant and equipment, exploration and evaluation assets, intangible assets and assets classified as held for sale*	(61,908)	(10,534)	(164,736)	(2,279)	(4,436)	–	(243,893)
Exploration expenses	(19,807)	–	–	–	–	–	(19,807)
Impairment of investments in joint venture and associate	(30,654)	–	–	–	–	–	(30,654)
Income tax expenses*	(60,988)	(18,462)	4,028	(8,306)	(1,548)	–	(85,276)
Profit/(loss) for the year from continuing operations*	171,149	161,288	(227,818)	(189,273)	(18,589)	13,812	(89,431)
Other segment information							
Investments in joint ventures and associates	5,371,371	515,025	34,122	–	101,579	448,924	6,471,021
Capital expenditures	167,609	48,900	84,649	11,811	15,586	125,608	454,163
Allowances for obsolete inventories, expected credit losses on trade receivables, loans and receivables from related parties, other current financial assets and impairment of other current non-financial assets	(4,495)	(6,457)	(46,112)	(25,141)	(9,254)	(7,240)	(98,699)
Assets of the segment	7,861,383	1,189,807	2,654,458	1,302,283	340,220	1,305,136	14,653,287
Liabilities of the segment	814,551	198,810	1,704,835	3,269,893	105,549	(77,030)	6,016,608

* *Certain numbers shown here do not correspond to the consolidated financial statements for the year ended December 31, 2020 and reflect adjustments made, refer to Note 5.*

34. SUBSEQUENT EVENTS

Dividends received

In January 2022, the Company received dividends from KOA, KGM and MIBV, the joint ventures, of 3,000 million tenge, 4,338 million tenge and 97 million US dollars (equivalent to 41,996 million tenge), respectively.

Inspections

Starting from January 2022, various state bodies have initiated inspections in some companies of the Group, including the Company. Currently, the inspections have not been completed and, accordingly, the Group is unable to assess the impact on the consolidated financial statements.

State of emergency

On January 2, 2022 protests started in Mangystau region of Kazakhstan related to significant increase in the liquified petroleum gas retail price. Further, protests began in other cities and resulted in riots, damage to property and loss of life. On January 5, 2022 the government declared a state of emergency.

As a result of the above protests and state of emergency the President of the RK has made certain public announcements regarding possible measures including amendments to the tax legislation, introducing measures for financial stability, controlling and stabilizing the inflation rate and the tenge exchange rate.

On January 19, 2022 the state of emergency was lifted. On January 25, 2022 Samruk-Kazyna presented its action plan on reforms, developed to pursue the instructions of the President of RK. The Company is currently unable to quantify what the impact, if any, may be on the financial position of any new measures the Government and Samruk-Kazyna may take or any impact from the effect on the Kazakhstan economy as a result of the above protests, state of emergency and plans of Samruk-Kazyna.

Impact of sanction risks

In February 2022, due to the conflict between the Russian Federation and Ukraine, numerous sanctions have been announced by majority of western countries against the Russian Federation. These sanctions are targeted to have a negative economic impact on the Russian Federation.

Due to the growing geopolitical tensions, since February 2022, there has been a significant increase in volatility on the securities and currency markets, as well as a significant depreciation of the tenge against the US dollar and the euro.

The Group regards these events as non-adjusting events after the reporting period, the quantitative effect of which cannot be estimated at the moment with a sufficient degree of confidence.

As at December 31, 2021, the Group had cash and cash equivalents in various currencies with total amount of equivalent to 87,183 million tenge and borrowings of 221,207 million tenge *(Note 25)* at subsidiaries of Russian banks. As at the date of issue of these consolidated financial statements, cash and cash equivalents held at subsidiaries of Russian banks equaled to 205 million tenge due to the transfer of funds to Kazakhstan banks. The transfer was made without any loss.

Currently, the Group's management is analyzing the possible impact of changing micro- and macroeconomic conditions on the Group's financial position and results of operations.

Joint Stock Company "National Company "KazMunayGas"

Consolidated financial statements

For the year ended December 31, 2020
with independent auditor's report

CONTENTS

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Independent auditor's report

To the Shareholders, Board of Directors and Management of Joint Stock Company "National Company "KazMunayGas"

Opinion

We have audited the consolidated financial statements of JSC NC "KazMunayGas" and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at 31 December 2020, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2020 and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the consolidated financial statements section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' (IESBA) International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code) and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the consolidated financial statements section* of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

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Key audit matter	How our audit addressed the key audit matter
Impairment of non-current assets	
We considered this matter to be one of most significance in the audit due to materiality of the balances of non-current assets, including upstream, exploration and evaluation, downstream assets and investments in upstream and midstream joint ventures and associates, to the consolidated financial statements, the high level of subjectivity in respect of assumptions underlying impairment analysis and significant judgements and estimates made by management. In addition, the combination of volatility in oil prices and Tenge and uncertainty about future economic growth affects the Group's business prospects and therefore triggers potential impairment of the Group's assets. Significant assumptions included discount rates, oil and petroleum products prices forecasts and inflation and exchange rate forecasts. Significant estimates included production forecast, future capital expenditure and oil and gas reserves available for development and production. Information on non-current assets and the impairment tests performed is disclosed in Note 4 to the consolidated financial statements.	We involved our business valuation specialists in the testing of impairment analysis and calculation of recoverable amounts performed by management. We analyzed the assumptions underlying management forecast. We compared oil and petroleum products prices used in the calculation of recoverable amounts to available market forecasts. We compared the discount rates and long-term growth rates to general market indicators and other available evidence. We tested the mathematical integrity of the impairment models and assessed the analysis of the sensitivity of the results of impairment tests to changes in assumptions. We performed procedures to assess competence, capabilities and objectivity of the external experts engaged by the Group to estimate the volumes of oil and gas reserves and prepare impairment models, where applicable. We analysed disclosures on impairment test in the consolidated financial statements.
Compliance with debt covenants	
In accordance with the terms of certain financing arrangements, the Group should comply with certain financial and non-financial covenants. There is a higher likelihood that covenants impacted by trading volumes, revenue and profit may be breached particularly in subsidiaries impacted by volatility of oil prices and higher operating expenses, therefore, we focused on this area during our audit. Breaching covenants could result in funding shortages.	We examined the terms of financing arrangements and analysed financial and non-financial covenants, terms of early repayment and events of default. We examined the presence of confirmations received from the banks related to compliance with financial covenants. We compared data used in the calculations with the financial statements. We tested mathematical accuracy of financial covenants calculations.

Cross default provisions are in place under the Group's financing arrangements. Compliance with the financing covenants is one of the matters of most significance in the audit since it can have a major impact on the going concern assumption used in the preparation of the consolidated financial statements, and on classification of interest-bearing liabilities in the consolidated statement of financial position.

Information on compliance with covenants is disclosed in Note 24 to the consolidated financial statements.

We analysed the disclosures in respect of debt covenants compliance in the consolidated financial statements of the Group.

Other information included in the Group's 2020 annual report

Other information consists of the information included in the Group's 2020 Annual Report, other than the consolidated financial statements and our auditor's report thereon. Management is responsible for the other information. The Group's 2020 Annual Report is expected to be made available to us after the date of this auditor's report.

Our opinion on the consolidated financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information, when it becomes available, and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

Responsibilities of management and the Audit Committee for the consolidated financial statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRSs, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The Audit Committee is responsible for overseeing the Group's financial reporting process.

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Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The partner in charge of the audit resulting in this independent auditor's report is Paul Cohn.

Ernst & Young LLP

Paul Cohn
Audit Partner

Guldariya Zaripova
Auditor

Auditor qualification certificate
No. МФ-0000414 dated 13 January 2017

Rustamzhan Sattarov
General Director
Ernst and Young LLP

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

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5 March 2021

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

In millions of tenge	Note	For the years ended December 31 2020	2019*
Revenue and other income			
Revenue	5	**4,556,037**	6,858,856
Share in profit of joint ventures and associates, net	6	**511,195**	827,979
Finance income	13	**109,753**	240,880
Gain on sale of subsidiaries		**519**	17,481
Other operating income		**24,576**	24,936
Total revenue and other income		**5,202,080**	7,970,132
Costs and expenses			
Cost of purchased oil, gas, petroleum products and other materials	7	**(2,277,066)**	(3,913,744)
Production expenses	8	**(740,786)**	(721,693)
Taxes other than income tax	9	**(269,559)**	(454,295)
Depreciation, depletion and amortization	32	**(360,283)**	(337,424)
Transportation and selling expenses	10	**(458,186)**	(420,402)
General and administrative expenses	11	**(170,208)**	(213,967)
Impairment of property, plant and equipment, intangible assets, exploration and evaluation assets	12	**(243,694)**	(150,751)
Exploration expense	12	**(19,807)**	(57,068)
Impairments of investments in joint ventures and associate	18	**(30,654)**	–
Finance costs	13	**(297,551)**	(317,433)
Other expenses		**(32,151)**	(7,203)
Net foreign exchange (loss)/ gain		**(23,935)**	8,479
Total costs and expenses		**(4,923,880)**	(6,585,501)
Profit before income tax		**278,200**	1,384,631
Income tax expense	28	**(106,303)**	(226,180)
Profit for the year from continuing operations		**171,897**	1,158,451
Discontinued operations			
Profit after income tax for the year from discontinued operations		**–**	6
Net profit for the year		**171,897**	1,158,457
Net profit/(loss) for the year attributable to:			
Equity holders of the Parent Company		**273,237**	1,197,157
Non-controlling interest		**(101,340)**	(38,700)
		171,897	1,158,457

The accounting policies and explanatory notes on pages 9 through 79 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (continued)

In millions of tenge		For the years ended December 31 2020	2019*
Other comprehensive income/(loss)			
Other comprehensive income/(loss) to be reclassified to profit or loss in subsequent periods			
Hedging effect		**(25)**	–
Exchange differences on translation of foreign operations		**450,936**	(32,072)
Tax effect		**(36,481)**	(1,240)
Net other comprehensive income/(loss) to be reclassified to profit or loss in the subsequent periods		**414,430**	(33,312)
Other comprehensive loss not to be reclassified to profit or loss in subsequent periods			
Actuarial loss on defined benefit plans of the Group		**(10,592)**	(5,688)
Actuarial (loss)/gain on defined benefit plans of joint ventures		**(285)**	199
Tax effect		**108**	1,179
Net other comprehensive loss not to be reclassified to profit or loss in the subsequent periods		**(10,769)**	(4,310)
Net other comprehensive income/(loss) for the year		**403,661**	(37,622)
Total comprehensive income for the year, net of tax		**575,558**	1,120,835
Total comprehensive income for the year attributable to:			
Equity holders of the Parent Company		**677,742**	1,159,447
Non-controlling interest		**(102,184)**	(38,612)
		575,558	1,120,835
Earnings per share** – Tenge thousands			
Basic and diluted	23	**0.28**	1.90

* *Certain numbers shown here do not correspond to the consolidated financial statements for the year ended December 31, 2019, and reflect reclassifications made, refer to Note 3.*

** *The number of ordinary shares as of December 31, 2020 and 2019 equaled to 610,119,493.*

Deputy Chairman of the Management Board for Economy and Finance

D.S. Karabayev

Chief accountant

A.S. Yesbergenova

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		As at December 31	
In millions of tenge	Note	2020	2019*
Assets			
Non-current assets			
Property, plant and equipment	14	**4,369,745**	4,484,271
Right-of-use assets		**53,661**	38,379
Exploration and evaluation assets	15	**158,385**	179,897
Investment property		**22,826**	9,541
Intangible assets	16	**168,481**	171,172
Long-term bank deposits	17	**56,528**	52,526
Investments in joint ventures and associates	18	**6,471,021**	5,590,384
Deferred income tax assets	28	**58,590**	73,714
VAT receivable		**94,481**	133,557
Advances for non-current assets		**23,343**	73,367
Loans and receivables due from related parties	21	**684,610**	615,546
Other non-current financial assets		**11,651**	2,488
Other non-current non-financial assets		**3,542**	17,162
		12,176,864	11,442,004
Current assets			
Inventories	19	**228,065**	281,215
VAT receivable		**106,695**	74,049
Income tax prepaid	28	**70,301**	54,517
Trade accounts receivable	20	**422,821**	397,757
Short-term bank deposits	17	**282,472**	359,504
Loans and receivables due from related parties	21	**27,795**	138,719
Other current financial assets	20	**57,071**	63,555
Other current non-financial assets	20	**88,821**	198,539
Cash and cash equivalents	22	**1,145,864**	1,064,452
		2,429,905	2,632,307
Assets classified as held for sale	14	**46,518**	7,604
		2,476,423	2,639,911
Total assets		**14,653,287**	14,081,915

The accounting policies and explanatory notes on pages 9 through 79 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)

		As at December 31	
In millions of tenge	Note	2020	2019*
Equity and liabilities			
Equity			
Share capital	23	**916,541**	916,541
Additional paid-in capital	23	**8,981**	40,794
Other equity		**58**	83
Currency translation reserve		**2,146,035**	1,731,747
Retained earnings		**5,636,705**	5,469,236
Attributable to equity holders of the Parent Company		**8,708,320**	8,158,401
Non-controlling interest	23	**(71,641)**	38,255
Total equity		**8,636,679**	8,196,656
Non-current liabilities			
Borrowings	24	**3,716,892**	3,584,076
Provisions	25	**303,154**	273,589
Deferred income tax liabilities	28	**555,894**	509,462
Lease liabilities		**45,499**	35,996
Other non-current financial liabilities		**32,963**	16,365
Other non-current non-financial liabilities		**28,831**	27,329
		4,683,233	4,446,817
Current liabilities			
Borrowings	24	**361,556**	253,428
Provisions	25	**63,235**	103,538
Income tax payable	28	**8,967**	13,011
Trade accounts payable	26	**536,922**	667,861
Other taxes payable	27	**130,263**	86,666
Lease liabilities		**16,971**	10,922
Other current financial liabilities	26	**86,440**	93,139
Other current non-financial liabilities	26	**129,021**	209,877
		1,333,375	1,438,442
Total liabilities		**6,016,608**	5,885,259
Total equity and liabilities		**14,653,287**	14,081,915
Book value per ordinary share – Tenge thousands	23	**13.880**	13.154

* *Certain numbers shown here do not correspond to the consolidated financial statements for the year ended December 31, 2019, and reflect reclassifications made, refer to Note 3.*

Deputy Chairman of the Management Board for Economy and Finance

D.S. Karabayev

Chief accountant

A.S. Yesbergenova

The accounting policies and explanatory notes on pages 9 through 79 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

In millions of tenge	Note	For the years ended December 31, 2020	2019
Operating activities			
Profit before income tax from continuing operations		**278,200**	1,384,631
Profit before income tax from discontinued operations		**–**	6
Profit before income tax		**278,200**	1,384,637
Adjustments to reconcile profit before taxation to net cash provided by operating activities:			
Depreciation, depletion and amortization	32	**360,283**	337,424
Impairment of property, plant and equipment, intangible assets, exploration and evaluation assets	12	**243,694**	150,751
Finance costs	13	**297,551**	317,433
Net foreign exchange differences		**45,388**	4,142
Impairment of investment in joint venture	18	**30,654**	–
Exploration expense	12	**19,807**	57,068
Loss on disposal of property, plant and equipment, intangible assets and investment property, net		**6,508**	6,430
Accrual of impairment of VAT receivable	11	**6,435**	15,703
Change in financial guarantees		**6,288**	(6,956)
VAT that could not be offset	11	**4,528**	6,910
Allowance of expected credit loss for trade receivables and other financial assets	11	**4,225**	14,096
Unrealized losses/(gains) from derivatives on petroleum products		**626**	(465)
Gain on sale of subsidiaries		**(519)**	(17,481)
Allowance/(reversal) of obsolete inventories		**357**	(2,534)
Adjustment for repayment of advances received for the supply of oil		**–**	(864,450)
(Reversal)/accrual of impairment losses allowance for other non-financial assets	11	**(65)**	42
Realized gain from derivatives on petroleum products		**(22,946)**	(8,410)
Movements in provisions		**(43,174)**	2,967
Finance income	13	**(109,753)**	(240,880)
Share in profit of joint ventures and associates, net	6	**(511,195)**	(827,979)
Other adjustments		**317**	13
Operating profit before working capital changes		**617,209**	328,461
Change in VAT receivable		**(3,993)**	(28,070)
Change in inventory		**82,337**	11,710
Change in trade accounts receivable and other current assets		**121,837**	11,466
Change in trade and other payables and contract liabilities		**(305,380)**	(23,578)
Change in other taxes payable		**34,066**	(19,916)
Cash generated from operations		**546,076**	280,073
Dividends received from joint ventures and associates	18	**134,772**	126,461
Net payment of derivative instruments		**(142)**	(7)
Income taxes paid		**(87,984)**	(161,979)
Interest received		**90,798**	118,207
Interest paid		**(236,987)**	(238,954)
Net cash flow from operating activities		**446,533**	123,801

The accounting policies and explanatory notes on pages 9 through 79 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS (continued)

In millions of tenge	Note	For the years ended December 31, 2020	2019
Investing activities			
Withdrawal and placement of bank deposits, net		**104,107**	28,987
Purchase of property, plant and equipment, intangible assets, investment property and exploration and evaluation assets		**(396,406)**	(444,193)
Proceeds from sale of property, plant and equipment, intangible assets, investment property, exploration and evaluation assets and assets held for sale		**50,738**	42,776
Proceeds from disposal of subsidiaries, net		**8,710**	56,760
Contribution to joint ventures		**(6,586)**	(889)
Proceeds from disposal of joint ventures		**5,966**	–
Loans given to related parties	29	**(57,485)**	(56,516)
Repayment of loans due from related parties	29	**72,721**	47,656
(Acquisition)/refund of debt securities		**(292)**	454
Proceeds from lease receivables from joint venture		**1,404**	–
Proceeds from Note receivable from a shareholder of a joint venture		**11,512**	5,403
Net cash flows used in investing activities		**(205,611)**	(319,562)
Financing activities			
Proceeds from borrowings	24	**676,979**	271,772
Repayment of borrowings	24	**(807,355)**	(444,656)
Dividends paid to Samruk-Kazyna and National Bank of RK	23	**(81,738)**	(36,998)
Dividends paid to non-controlling interests	23	**(4,553)**	(5,693)
Share buyback by subsidiary	23	**(212)**	(2,318)
Distributions to Samruk-Kazyna	23	**(7,987)**	(36,297)
Payment of principal lease liabilities		**(18,978)**	(16,181)
Payment under financial guarantee		**(1,383)**	–
Net cash flows used in financing activities		**(245,227)**	(270,371)
Effects of exchange rate changes on cash and cash equivalents		**85,341**	(14,985)
Change in allowance for expected credit losses in cash and cash equivalents		**376**	(279)
Net change in cash and cash equivalents		**81,412**	(481,396)
Cash and cash equivalents, at the beginning of the year		**1,064,452**	1,545,848
Cash and cash equivalents, at the end of the year		**1,145,864**	1,064,452

NON-CASH and OTHER TRANSACTIONS: SUPPLEMENTAL DISCLOSURE

The following significant non-cash transactions and other transactions were excluded from the consolidated statement of cash flows:

Account payable for non-current assets

For the year ended December 31, 2020, accounts payable for purchases of property, plant and equipment increased by 6,107 million tenge (2019: increased by 97,382 million tenge).

Deputy Chairman of the Management Board for Economy and Finance *D.S. Karabayev*

Chief accountant *A.S. Yesbergenova*

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to equity holders of the Parent Company							
In millions of tenge	Share capital	Additional paid-in capital	Other equity	Currency translation reserve	Retained earnings	Total	Non-controlling interest	Total
As at December 31, 2018	916,541	40,794	83	1,764,108	4,341,063	7,062,589	80,480	7,143,069
Effect of adoption of IFRS 16	–	–	–	–	(4,268)	(4,268)	(910)	(5,178)
As at January 1, 2019 (restated)	916,541	40,794	83	1,764,108	4,336,795	7,058,321	79,570	7,137,891
Net profit/(loss) for the year	–	–	–	–	1,197,157	1,197,157	(38,700)	1,158,457
Other comprehensive (loss)/income	–	–	–	(32,361)	(5,349)	(37,710)	88	(37,622)
Total comprehensive income/(loss) for the year	–	–	–	(32,361)	1,191,808	1,159,447	(38,612)	1,120,835
Dividends *(Note 23)*	–	–	–	–	(36,998)	(36,998)	(4,138)	(41,136)
Transactions with Samruk-Kazyna *(Note 23)*	–	–	–	–	(14,184)	(14,184)	–	(14,184)
Distributions to Samruk-Kazyna *(Note 23)*	–	–	–	–	(6,194)	(6,194)	–	(6,194)
Share buyback by subsidiary	–	–	–	–	(1,991)	(1,991)	(473)	(2,464)
Contribution to share capital of subsidiary without change in ownership shares	–	–	–	–	–	–	1,908	1,908
As at December 31, 2019	916,541	40,794	83	1,731,747	5,469,236	8,158,401	38,255	8,196,656

The accounting policies and explanatory notes on pages 9 through 79 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (continued)

	Attributable to equity holders of the Parent Company							
In millions of tenge	Share capital	Additional paid-in capital	Other equity	Currency translation reserve	Retained earnings	Total	Non-controlling interest	Total
As at December 31, 2019	**916,541**	**40,794**	**83**	**1,731,747**	**5,469,236**	**8,158,401**	**38,255**	**8,196,656**
Net profit/(loss) for the year	–	–	–	–	273,237	273,237	(101,340)	171,897
Other comprehensive income/(loss)	–	–	(25)	414,288	(9,758)	404,505	(844)	403,661
Total comprehensive income/(loss) for the year	–	–	(25)	414,288	263,479	677,742	(102,184)	575,558
	–	–	–	–	–	–	–	–
Dividends *(Note 23)*	–	–	–	–	(81,738)	(81,738)	(4,856)	(86,594)
Transactions with Samruk-Kazyna *(Note 23)*	–	–	–	–	(11,617)	(11,617)	–	(11,617)
Distributions to Samruk-Kazyna *(Note 23)*	–	–	–	–	(7,763)	(7,763)	–	(7,763)
Transfer of pipelines contributed by the Government due to termination of the trust management agreement *(Note 23)*	–	(17,323)	–	–	1,205	(16,118)	–	(16,118)
Transfer of difference between par and fair value of to the loan received from Samruk-Kazyna to the Company due to settlement *(Note 23)*	–	(10,971)	–	–	10,971	–	–	–
Transfer of excess of fair value over nominal value of the loan receivable, contributed by Samruk-Kazyna due to settlement *(Note 23)*	–	(3,519)	–	–	3,519	–	–	–
Reserve for put option of non-controlling interest holder of a subsidiary	–	–	–	–	(10,750)	(10,750)	(2,481)	(13,231)
Share buyback by subsidiary	–	–	–	–	163	163	(375)	(212)
As at December 31, 2020	**916,541**	**8,981**	**58**	**2,146,035**	**5,636,705**	**8,708,320**	**(71,641)**	**8,636,679**

Deputy Chairman of the Management Board for Economy and Finance — *D.S. Karabayev*

Chief accountant — *A.S. Yesbergenova*

The accounting policies and explanatory notes on pages 9 through 79 form an integral part of these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2020

1. GENERAL

Joint stock company "National Company "KazMunayGas" (the Company, JSC NC "KazMunayGas" or Parent Company) is oil and gas enterprise of the Republic of Kazakhstan (RK), which was established on February 27, 2002 as a closed joint stock company pursuant to the Decree No. 811 of the President of the Republic of Kazakhstan dated February 20, 2002 and the resolution of the Government of the RK (further the Government) No. 248 dated February 25, 2002. The Company was formed as a result of the merger of closed joint stock companies "National Oil and Gas Company Kazakhoil" and "National Company Transport Nefti i Gaza". As the result of the merger, all assets and liabilities, including ownership interest in all entities owned by these companies, have been transferred to the Company. The Company was reregistered as a joint stock company in accordance with the legislation of the RK in March 2004.

Starting from June 8, 2006, the sole shareholder of the Company was joint stock company "Kazakhstan Holding Company for State Assets Management "Samruk", which in October 2008 was merged with the state owned Sustainable Development Fund "Kazyna" and formed joint stock company "National Welfare Fund "Samruk-Kazyna", now renamed to joint stock company "Sovereign Wealth Fund Samruk-Kazyna" (further Samruk-Kazyna). The Government is the sole shareholder of Samruk-Kazyna. On August 7, 2015, the National Bank of RK purchased 9.58% plus one share of the Company from Samruk-Kazyna.

As at December 31, 2020, the Company has interest in 61 operating companies (as of December 31, 2019: 54) (jointly the "Group").

The Company has its registered office in the RK, Nur-Sultan, Dinmukhamed Kunayev, 8.

The principal activity of the Group includes, but is not limited, to the following:

- Participation in the development and implementation of the uniform public policy in the oil and gas sector;
- Representation of the state interests in subsoil use contracts through interest participation in those contracts; and
- Corporate governance and monitoring of exploration, development, production, oil servicing, processing, petrochemistry, transportation and sale of hydrocarbons and the designing, construction and maintenance of oil-and-gas pipeline and field infrastructure.

The consolidated financial statements comprise the financial statements of the Company and its controlled subsidiaries *(Note 3)*.

These consolidated financial statements of the Group were approved for issue by the Deputy Chairman of the Management Board for Economy and Finance and the Chief accountant on March 5, 2021.

2. BASIS OF PREPARATION

These consolidated financial statements have been prepared on a historical cost basis, except as described in the accounting policies and the notes to these consolidated financial statements. All values in these consolidated financial statements are rounded to the nearest millions, except when otherwise indicated.

Statement of compliance

These consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by International Accounting Standards Board ("IASB").

The preparation of the consolidated financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the Group consolidated financial statements are disclosed in *Note 4*.

In course of preparation of these consolidated financial statements the Group management considered the current international economic environment including complex of uncertainties due to COVID-19 pandemic. The consolidated financial statements were prepared on a going concern basis.

2. BASIS OF PREPARATION (continued)

Foreign currency translation

Functional and presentation currency

Items included in the financial statements of each of the Group's entities included in these consolidated financial statements are measured using the currency of the primary economic environment in which the entities operate ("the functional currency"). The consolidated financial statements are presented in Kazakhstan tenge ("tenge" or "KZT"), which is the Company's functional currency.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the consolidated statement of comprehensive income.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined.

Differences arising on settlement or translation of monetary items are recognised in profit or loss with the exception of monetary items that are designated as part of the hedge of the Group's net investment of a foreign operation. These are recognised in other comprehensive income until the net investment is disposed of, at which time, the cumulative amount is reclassified to profit or loss. Tax charges and credits attributable to exchange differences on those monetary items are also recorded in other comprehensive income.

Group Companies

The results and financial position of all of the Group's subsidiaries, joint ventures and associates (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each statement of financial position presented are translated at the closing rate at that reporting date;
- income and expenses for each statement of comprehensive income are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and
- all resulting exchange differences are recognized as a separate component of other comprehensive income.

Exchange rates

Weighted average currency exchange rates established by the Kazakhstan Stock Exchange ("KASE") are used as official currency exchange rates in the RK. The currency exchange rate of KASE as at December 31, 2020 was 420.91 tenge to 1 US dollar. This rate was used to translate monetary assets and liabilities denominated in United States dollars ("US dollar") as at December 31, 2020 (2019: 382.59 tenge to 1 US dollar). The currency exchange rate of KASE as at March 5, 2021 was 419.66 tenge to 1 US dollar.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Changes in accounting policies and disclosures

New and amended standards and interpretations

The accounting policies adopted in the preparation of the consolidated financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended December 31, 2019, except for the adoption of new standards and interpretations effective as of January 1, 2020.

The following amendments were applied for the first time in 2020:

- Amendments to *IFRS 3* Business Combinations. The amendments enhanced definition of a business set out by the standard and clarifies that to be considered a business, an integrated set of activities and assets must include, at a minimum, an input and a substantive process that, together, significantly contribute to the ability to create output. Furthermore, it clarifies that a business can exist without including all of the inputs and processes needed to create outputs. The amendments are applicable prospectively. These amendments had no impact on the consolidated financial statements of the Group since the current practice is in line with these amendments.
- Amendments to *IFRS 7 Financial instruments: Disclosures, IAS 39 Financial Instruments: Recognition and Measurement* and *IFRS 9 Financial instruments.* The amendments provide a number of reliefs, which apply to all hedging relationships that are directly affected by interest rate benchmark reform. A hedging relationship is affected if the reform gives rise to uncertainty about the timing and/or amount of benchmark-based cash flows of the hedged item or the hedging instrument. These amendments have no impact on the consolidated financial statements of the Group as it does not have any interest rate hedge relationships.
- Amendments *to IAS 1 Presentation of Financial Statements* and *IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors.* These amendments introduced new definition of material. A misstatement of information is material if it could reasonably be expected to influence decisions made by the primary users. Since the current practice is in line with these amendments, there is no impact on the consolidated financial statements.
- Revised version of *Conceptual Framework for Financial Reporting.* In particular, the revised version introduced new definitions of assets and liabilities, as well as amended definitions of income and expenses. These amendments had no impact on the consolidated financial statements of the Group.
- Amendments to *IFRS 16 Leases* in regards of *COVID-19-related rent concessions.* The amendments provide relief to lessees from assessment whether a COVID-19-related rent concession is a lease modification. The amendments did not have a material impact on the consolidated financial statements, as the Group has not received significant rent concessions related to pandemic.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Changes in accounting policies and disclosures (continued)

Standards issued but not yet effective

In May 2017, the IASB issued *IFRS 17 Insurance Contracts*. IFRS 17 establishes a single framework for the accounting for insurance contracts and contains requirements for related disclosures. The new standard replaces *IFRS 4 Insurance Contracts*. The standard is effective for annual periods beginning on or after January 1, 2021. The Group does not expect the standard to have a material impact on the consolidated financial statements.

In January 2020, the IASB issued amendments to *IAS 1 Presentation of Financial Statements* named Classification of Liabilities as Current or Non-current. The amendments clarify requirements for classifying liabilities as current or non-current. The amendments are effective on or after January 1, 2023; earlier application is permitted. The Group does not expect the amendments to have a material impact on the consolidated financial statements, as the Group already applies criteria set by the amendments.

In May 2020, the IASB issued amendments to *IFRS 3 Business Combinations* named Reference to the Conceptual Framework. The amendments replace references to the Conceptual Framework for Financial Reporting with the current version issued in March 2018, without significantly changing the requirements of the standard. The amendments are effective on or after January 1, 2022; earlier application is permitted. The Group does not expect the amendments to have a material impact on the consolidated financial statements.

In May 2020, the IASB issued amendments to *IAS 16 Property, Plant and Equipment* named Property, Plant and Equipment: Proceeds Before Intended Use. The amendments prohibit entities from deducting from the cost of an item of property, plant and equipment any proceeds of the sale of items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling such items, and the costs of producing those items, in profit or loss. The amendments are effective on or after January 1, 2022 and should be applied retrospectively. The Group does not expect the amendments to have a material impact on the consolidated financial statements.

In May 2020, the IASB issued amendments to *IAS 37 Provisions, Contingent Liabilities and Contingent Assets* named Onerous Contracts – Costs of Fulfilling a Contract. The amendments specify which costs an entity needs to include when assessing whether a contract is onerous. The amendments are effective on or after January 1, 2022; earlier application is permitted. The Group does not expect the amendments to have a material impact on the consolidated financial statements.

In August 2020, the IASB issued amendments to *IFRS 7 Financial Instruments: Disclosures, IFRS 9 Financial Instruments* as well as *IFRS 4 Insurance Contracts and IFRS 16 Leases* named Interest Rate Benchmark Reform – Phase II. The amendments provide certain temporary reliefs which address the financial reporting effects related to the transfer to the risk-free interest rate. The amendments are effective on or after January 1, 2021; earlier application is permitted. The Group does not expect the amendments to have a material impact on the consolidated financial statements.

Additionally, a number of amendments, not yet effective, were issued during annual improvement process conducted by IASB. They include the amendments to *IFRS 1 Fist-time Adoption* named First-time Adoption: Subsidiary as a First-time Adopter, and the amendments to *IFRS 9 Financial Instruments* named Fees in the '10 per cent' Test for Derecognition of Financial Liabilities. The Group does not expect the amendments to have a material impact on the consolidated financial statements.

Amendments to *IAS 1* Presentation of Financial Statements and *IFRS Practice Statement 2* Making Materiality Judgements. The amendments to IAS 1 require companies to disclose their material accounting policy information rather than their significant accounting policies. The amendments to IFRS Practice Statement 2 provide guidance on how to apply the concept of materiality to accounting policy disclosures.

Separately, the Board has also issued amendments to IAS *8* Accounting Policies, Changes in Accounting Estimates and Errors. The amendments clarify how companies should distinguish changes in accounting policies from changes in accounting estimates. That distinction is important because changes in accounting estimates are applied prospectively only to future transactions and other future events, but changes in accounting policies are generally also applied retrospectively to past transactions and other past events.

The *amendments to IAS 1 and IAS 8* will be effective for annual reporting periods beginning on or after 1 January 2023, with early application permitted.

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Changes in accounting policies and disclosures (continued)

Changes in accounting policies related to presentation

In accordance with *IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors*, the Group decided to apply voluntary changes in accounting policies related to presentation of the consolidated financial statements to improve presentation that led to reclassifications below, none of which affect net profit or comprehensive income or equity.

Changes in presentation of the consolidated statement of comprehensive income

In 2020, the Group decided to present separately *Exploration expense* that was included in *Impairment of property, plant and equipment, intangible assets and exploration and evaluation assets* for the year ended December 31, 2019. Accordingly, comparative information in the consolidated statement of comprehensive income, *Notes 12* and *15* have been re-presented to align with the presentation of 2020.

Changes in presentation of the consolidated statement of financial position

In 2020, the Group decided to present separately other financial and non-financial current assets, financial and non-financial non-current and current liabilities. Accordingly, comparative information in the consolidated statement of financial position have been re-presented to align with the presentation of 2020.

Change in estimates on contribution of gas pipelines under trust management agreements terms from the state bodies

In prior years the Group used a judgement when treating pipelines transferred to the Group from local executive bodies (LEB) or State Property and Privatization Committee Departments (SPPCD) under trust management agreements (TMA). The judgement was that TMA serves as a temporary mechanism, which gives control to the Group over the pipelines until the legal title is transferred to the Group. The Group assumed that the Government transfers the pipelines to Samruk-Kazyna, and the latter transfers to the Group in the shortest period possible. Also the judgment was based on the Memorandum of Understanding signed in 2017 with local authorities, according to which all risks and rewards were transferred to the Group, including property taxation and rights for tariff filings.

During 2020, following significant changes occurred in facts and circumstances that supported the initial judgement:

- TMA has expired without prolongation and gas pipelines were returned to LEB, while it was initially assumed that the Group will receive legal ownership of these assets;
- Assets received under TMA were not transferred to the republican ownership (to SPPCD) and, further to Samruk-Kazyna within the short period as was expected. This revealed that the transferring mechanism was not a temporary measure to provide the Group with the ownership rights until the formal transfer of the legal title.
- The above mentioned Memorandum expired.

Accordingly, the Group concluded that from 2020, the initial judgement is no longer applicable and, after TMA update, the Group no longer can exercise control over the pipelines provided by LEB. In accordance with IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors, this change in judgement does not represent an accounting error and, was accounted prospectively.

As a result, in 2020 the Group derecognized all pipelines received under such TMA at their carrying amounts at that date and, correspondingly, reduced additional paid-in capital by 17,323 million tenge *(Note 23)*. The change in the judgment affects current and future reporting periods, and if the change in the judgement did not occur in 2020, equity and PPE at the end of 2020 would have been higher by 15,873 million tenge, the income statement effect on the current and future reporting periods is insignificant.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as of December 31, 2020. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if and only if the Group has: power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee); exposure, or rights, to variable returns from its involvement with the investee, and; the ability to use its power over the investee to affect its returns.

Generally, there is a presumption that a majority of voting rights result in control. To support this presumption and when the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including: the contractual arrangement with the other vote holders of the investee; rights arising from other contractual arrangements; the Group's voting rights and potential voting rights. The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control over the subsidiary. Assets, liabilities, revenue and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the date the Group gains control until the date the Group ceases to control the subsidiary.

The financial statements of the subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies. Profit or loss and each component of other comprehensive income are attributable to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interest having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies. All intra-group balances, transactions, unrealized gains and losses resulting from intra-group transactions and dividends are eliminated in full. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises the related assets (including goodwill), liabilities, non-controlling interest and other components of equity while any resultant gain or loss is recognised in profit or loss. Any investment retained is recognised at fair value.

Subsidiaries

As at December 31, 2020 and 2019, the following direct significant subsidiaries were included in these consolidated financial statements:

Significant entities	Main activity	Country of incorporation	Percentage ownership 2020	2019
KazMunayGas Exploration Production JSC (KMG EP)	Exploration and production	Kazakhstan	**99.72%**	99.70%
KazMunayTeniz LLP	Exploration and production	Kazakhstan	**100%**	100%
KMG Karachaganak LLP (Karachaganak)	Exploration and production	Kazakhstan	**100%**	100%
KazTransOil JSC (KTO)	Oil transportation	Kazakhstan	**90%**	90%
KazMorTransFlot LLP	Oil transportation and construction	Kazakhstan	**100%**	100%
KazTransGas JSC (KTG)	Gas transportation	Kazakhstan	**100%**	100%
Cooperative KazMunayGas PKI U.A.	Refinery and marketing of oil products	Netherlands	**100%**	100%
Atyrau Refinery LLP (Atyrau refinery)	Refinery	Kazakhstan	**99.53%**	99.53%
Pavlodar oil chemistry refinery LLP (Pavlodar refinery)	Refinery	Kazakhstan	**100%**	100%
KMG International N.V. (KMGI)	Refinery and marketing of oil products	Romania	**100%**	100%
KazMunayGas Onimdery LLP	Marketing of oil products	Kazakhstan	**100%**	100%
KazMunayGas-Service LLP	Service projects	Kazakhstan	**100%**	100%
KMG Drilling&Services LLP (KMG Drilling)	Drilling services	Kazakhstan	**100%**	100%

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any non-controlling interest in the acquiree. For each business combination, the acquirer measures the non-controlling interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition costs incurred are expensed and included in general and administrative expenses.

When the Group acquires a business, it assesses the financial assets acquired and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of IFRS 9 Financial Instruments: Recognition and Measurement, is measured at fair value with changes in fair value recognised in the statement of profit or loss in accordance with IFRS 9. If the contingent consideration is not within the scope of IFRS 9, it is measured at fair value through profit and loss. Contingent consideration that is classified as equity is not remeasured and its subsequent settlement is accounted for within equity.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interests, and any previous interest held, over the net identifiable assets acquired and liabilities assumed. If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Group re-assesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognised at the acquisition date. If the reassessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognised in profit or loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill forms part of a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed off in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

Business combinations achieved in stages

The acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date through profit or loss.

In a business combination achieved in stages the acquirer recognises goodwill as of the acquisition date measured as the excess of (a) over (b) below:

(a) the aggregate of: (i) the consideration transferred measured in accordance with this IFRS 3 *Business Combinations*, which generally requires acquisition-date fair value; (ii) the amount of any non-controlling interest in the acquiree measured in accordance with this IFRS; and (iii) the acquisition-date fair value of the acquirer's previously held equity interest in the acquire; (b) the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed.

Acquisition of subsidiaries from parties under common control

Acquisitions of subsidiaries from parties under common control are accounted for using the pooling of interest method.

The assets and liabilities of the subsidiary transferred under common control are recorded in the consolidated financial statements at the carrying amounts of the transferring entity (the Predecessor) at the date of the transfer. Related goodwill, if any, inherent in the Predecessor's original acquisition is also recorded in the consolidated financial statements. Any difference between the total book value of net assets, including the Predecessor's goodwill, and the consideration paid is accounted for in the consolidated financial statements as an adjustment to equity.

The consolidated financial statements, including corresponding figures, are presented as if the subsidiary had been acquired by the Group on the date it was originally acquired by the Predecessor.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Joint operations

A joint operation is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets and obligations for the liabilities, relating to the arrangement. In relation to its interests in joint operations, the Group recognizes its: Assets, including its share of any assets held jointly; Liabilities, including its share of any liabilities incurred jointly; Revenue from the sale of its share of the output arising from the joint operation; Share of the revenue from the sale of the output by the joint operation; Expenses, including its share of any expenses incurred jointly.

Investment in associates and joint ventures

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but which does not comprise control or joint control over those policies. A joint venture (further - JV) is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control. Under contractual arrangement that establishes joint control the Group may own less than 50% of shares in JVs.

The considerations made in determining significant influence or joint control are similar to those necessary to determine control over subsidiaries.

The Group's investments in its JV and associates are accounted for using the equity method. Under the equity method, the investment in a JV or an associate is initially recognized at cost. The carrying amount of the investment is adjusted to recognize changes in the Group's share of net assets of the JV or associate since the acquisition date. Goodwill relating to the JV or associate is included in the carrying amount of the investment and is neither amortized nor individually tested for impairment.

The consolidated statement of comprehensive income reflects the Group's share of the results of operations of the JV or associate. Any change in OCI of those investees is presented as part of the Group's OCI. In addition, when there has been a change recognized directly in the equity of the JV or associate, the Group recognizes its share of any changes, when applicable, in the consolidated statement of changes in equity. Unrealized gains and losses resulting from transactions between the Group and the JV or associate are eliminated to the extent of the interest in the JV or associate.

The aggregate of the Group's share in profit or loss of a JV and an associate is shown on the face of the consolidated statement of comprehensive income and represents profit or loss after tax and non-controlling interest in the subsidiaries of the JV or associate. The financial statements of the JV or associate are prepared for the same reporting period as the Group. When necessary, adjustments are made to bring their accounting policies in line with those of the Group.

After application of the equity method, the Group determines whether it is necessary to recognize an impairment loss on its investment in its JV or associate. At each reporting date, the Group determines whether there is objective evidence that the investment in the JV or associate is impaired. If there is such evidence, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate or JV and its carrying value, and then recognizes the loss as "Impairment of investment in JV or associate" in the consolidated statement of comprehensive income. Upon loss of joint control over the JV or significant influence over the associate, the Group measures and recognizes any retained investment at its fair value. Any difference between the carrying amount of the JV or associate upon loss of joint control or significant influence and the fair value of the retained investment and proceeds from disposal is recognized in profit or loss.

Current versus non-current classification

The Group presents assets and liabilities in the consolidated statement of financial position based on current/non-current classification. An asset is classified as current when: expected to be realized or intended to sold or consumed in normal operating cycle; held primarily for the purpose of trading; expected to be realized within 12 (twelve) months after the reporting period; or it is cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least 12 (twelve) months after the reporting period. All other assets are classified as non-current.

A liability is classified as current when: it is expected to be settled in normal operating cycle; it is held primarily for the purpose of trading; it is due to be settled within 12 (twelve) months after the reporting period; or there is no unconditional right to defer the settlement of the liability for at least 12 (twelve) months after the reporting period. The Group classifies all other liabilities as non-current.

Deferred tax assets and liabilities are always classified as non-current assets and liabilities.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Oil and natural gas exploration, evaluation and development expenditure

Costs incurred before obtaining subsoil use rights (licenses)

Costs incurred before obtaining full subsoil use rights (licenses) are expensed in the period in which they are incurred, except when costs are incurred after signing preliminary agreements with the Government of RK, in such cases costs incurred after this date are capitalized in exploration and evaluation assets.

Subsoil use rights and property acquisition costs

Exploration and production subsoil use rights and related property acquisition costs are capitalized within exploration and evaluation assets and subclassified as intangible. Each property under exploration and appraisal is reviewed on an annual basis to confirm that drilling activity is planned and it is not impaired. If no future activity is planned, the carrying amount of the exploration subsoil use right and related property acquisition costs is written off. Upon determination of economically recoverable reserves ('proved reserves' or 'commercial reserves') and internal approval of development, the carrying amount of the subsoil use right and related property acquisition costs held on a field-by-field basis is aggregated with exploration and evaluation assets and transferred to oil and gas assets or intangible assets.

Exploration and evaluation costs

Once the legal right to explore has been acquired, geological and geophysical exploration costs and costs directly associated with exploration and appraisal wells, including unsuccessful development or delineation wells are capitalized as exploration and evaluation intangible or tangible assets, according to the nature of the costs, until the drilling of the well is complete and the results have been evaluated. These costs include employee remuneration, materials and fuel used, rig costs and payments made to contractors. If no expected reserves are found, the exploration and evaluation asset is tested for impairment, if extractable hydrocarbons are found and, subject to further appraisal activity, which may include the drilling of further wells, are likely to be developed commercially; the costs continue to be carried as an asset while sufficient/continued progress is made in assessing the commerciality of the hydrocarbon reserves. All such carried costs are subject to technical, commercial and management review as well as review for impairment at least once a year to confirm the continued intent to develop or otherwise extract value from the discovery.

When proved reserves of hydrocarbons are determined and development is sanctioned, the relevant expenditure is transferred to oil and gas assets after impairment is assessed and impairment loss recognized, if any.

When this is no longer the case, and the Group decides to relinquish the contract territory to the Government and terminate the subsoil use contracts, the assets are written off.

Development costs

Expenditures on the construction, installation or completion of infrastructure facilities such as platforms, pipelines and the drilling of development wells, are capitalized within oil and gas assets.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Oil and gas assets and other property, plant and equipment

Oil and gas assets and other property, plant and equipment are stated at cost less accumulated depreciation, depletion and impairment ("DD&A").

The initial cost of an asset comprises its purchase price or construction cost, borrowing cost for long-term construction or development project, if recognition criteria is met, any costs directly attributable to bringing the asset into operation and the initial estimate of decommissioning obligation, if there is any. The purchase price or construction cost is the aggregate amount paid and the fair value of any other consideration given to acquire the asset.

Oil and gas assets are depreciated using a unit-of-production method, whereas tangible assets are depreciated over proved developed reserves and intangible assets – over proved reserves. Certain oil and gas assets with useful lives less than the remaining life of the fields or term of the subsoil use contracts are depreciated on a straight-line basis over useful lives.

Property, plant and equipment other than oil and gas assets and land principally comprise buildings, machinery and equipment, vehicles and others that are depreciated on a straight-line basis over the expected remaining useful average lives as follows:

Refinery assets	4-100 years
Pipelines	2-30 years
Buildings and improvements	2-100 years
Machinery and equipment	2-30 years
Vehicles	3-35 years
Other	2-20 years
Land	not depreciated

The expected useful lives of property, plant and equipment are reviewed on an annual basis and, if necessary, changes in useful lives are accounted for prospectively.

The carrying value of property, plant and equipment is reviewed for impairment whenever events or changes in circumstances indicate the carrying value may not be recoverable.

An item of property, plant and equipment, inclusive of production wells which stop producing commercial quantities of hydrocarbons and are scheduled for abandonment, is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the profit or loss in the period the item is derecognized.

Intangible assets

Intangible assets are stated at cost, less accumulated amortization and accumulated impairment losses. Intangible assets include expenditure on acquiring subsoil use rights for oil and natural gas exploration, evaluation and development, computer software and goodwill. Intangible assets acquired separately from a business are carried initially at cost. The initial cost is the aggregate amount paid and the fair value of any other consideration given to acquire the asset.

Intangible assets, except for goodwill and subsoil use rights, are amortized on a straight-line basis over the expected remaining useful life. The expected useful lives of the assets are reviewed on an annual basis and, if necessary, changes in useful lives are accounted for prospectively. Computer software costs have an estimated useful life of 3 to 7 years. The carrying value of intangible assets is reviewed for impairment whenever events or changes in circumstances indicate the carrying value may not be recoverable. Goodwill is tested for impairment annually (as at December 31) and when circumstances indicate that the carrying value may be impaired.

Impairment is determined for goodwill by assessing the recoverable amount of each cash-generating unit (or group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash generating unit is less than their carrying amount an impairment loss is recognized. Impairment losses relating to goodwill cannot be reversed in future periods.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of non-financial assets

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's (CGU) fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded subsidiaries or other available fair value indicators. Impairment losses of continuing operations are recognized in the consolidated statement of comprehensive income in those expense categories consistent with the function of the impaired asset.

The Group bases its impairment calculation on detailed budgets and forecast calculations, which are prepared separately for each of the Group's CGUs to which the individual assets are allocated. These budgets and forecast calculations generally cover a period of 5 (five) years. For longer periods, a long-term growth rate is calculated and applied to projected future cash flows after the fifth year.

For assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the Group estimates the asset's or cash-generating unit's recoverable amount. A previously recognized impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognized. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of accumulated depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the consolidated statement of comprehensive income.

Impairment of exploration and evaluation assets

Exploration and evaluation assets are tested for impairment when reclassified to oil and gas development tangible or intangible assets or whenever facts and circumstances indicate impairment. One or more of the following facts and circumstances indicate that the Group should test exploration and evaluation assets for impairment (the list is not exhaustive):

- the period for which the Group entity has the right to explore and appraise in the specific area has expired during the period or will expire in the near future, and is not expected to be renewed;
- substantive expenditure on the further exploration for and evaluation of hydrocarbon resources in the specific area is neither budgeted nor planned;
- exploration for and evaluation of hydrocarbon resources in the specific area have not led to the discovery of commercial viable quantities of hydrocarbon resources and the Group entity has decided to discontinue such activities in the specific area;
- sufficient data exist to indicate that, although a development in the specific area is likely to proceed, the carrying amount of the exploration and evaluation asset is unlikely to be recovered in full from successful development or by sale.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Non-current assets held for sale and discontinued operations

Non-current assets and disposal groups classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell. Non-current assets and disposal groups are classified as held for sale if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset or disposal group is available for immediate sale in its present condition.

Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

In the consolidated statement of comprehensive income of the reporting period, and of the comparable period of the previous year, income and expenses from discontinued operations are reported separately from income and expenses from continuing operations, down to the level of profit after taxes, even when the Group retains a non-controlling interest in the subsidiary after the sale. The resulting profit or loss (after taxes) is reported separately in the consolidated statement of comprehensive income.

Property, plant and equipment and intangible assets once classified as held for sale are not depreciated or amortized.

Asset retirement obligation (decommissioning)

Provision for decommissioning is recognized in full, on a discounted cash flow basis, when the Group has an obligation to dismantle and remove a facility or an item of plant, property and equipment and to restore the site on which it is located, and when a reasonable estimate of that provision can be made. The amount recognized is the present value of the estimated future expenditure determined in accordance with local conditions and requirements. A corresponding item of property, plant and equipment of an amount equivalent to the provision is also created. This asset is subsequently depreciated as part of the capital costs of the production and transportation facilities based on the appropriate depreciation method.

Changes in the measurement of an existing decommissioning provision that result from changes in the estimated timing or amount of the outflow of resources embodying economic benefits required to settle the obligation, or change in the discount rate, is accounted for so that:

(a) changes in the provision are added to, or deducted from, the cost of the related asset in the current period;

(b) the amount deducted from the cost of the asset shall not exceed its carrying amount. If a decrease in the provision exceeds the carrying amount of the asset, the excess is recognized immediately in the consolidated statement of comprehensive income; and

(c) if the adjustment results in an addition to the cost of an asset, the Group considers whether this is an indication that the new carrying amount of the asset may not be fully recoverable. If it is such an indication, the Group tests the asset for impairment by estimating its recoverable amount, and accounts for any impairment loss, in accordance with IAS 36.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income (FVOCI), and fair value through profit or loss (FVPL). The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient, the Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under IFRS 15. In order for a debt financial asset to be classified and measured at amortised cost or fair value through OCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level. The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e., the date that the Group commits to purchase or sell the asset.

Subsequent measurement

For purposes of subsequent measurement, financial assets are classified in two categories:

- Financial assets at amortised cost (debt instruments)
- Financial assets at fair value through profit or loss

The Group does not have financial assets at fair value through other comprehensive income.

Financial assets at amortised cost (debt instruments)

This category is the most relevant to the Group. The Group measures financial assets at amortised cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows, and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding

Financial assets at amortised cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

The Group's financial assets at amortised cost include trade and other receivables, loans due from related parties and bank deposits.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include certain loans due from related parties, which contain embedded derivative financial instruments. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at fair value through profit or loss, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortised cost or at fair value through OCI, as described above, debt instruments may be designated at fair value through profit or loss on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch. Financial assets at fair value through profit or loss are carried in the consolidated statement of financial position at fair value with net changes in fair value recognised in the consolidated statement of comprehensive income within the profit and loss.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial assets (continued)

Derecognition

A financial asset is primarily derecognised (removed from the consolidated statement of financial position) when:

- The rights to receive cash flows from the asset have expired or
- The Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of its continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Impairment of financial assets

The Group recognises an allowance for expected credit losses (ECL) for all debt instruments not held at fair value through profit or loss.

ECL are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate.

The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECL are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECL are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

For trade and other receivables the Group applies a simplified approach in calculating ECL. Therefore, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECL at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

The Group considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Inventories

Inventories are stated at the lower of cost and net realizable value on a first-in first-out ("FIFO") basis. Cost includes all costs incurred in the normal course of business in bringing each product to its present location and condition. The cost of crude oil and refined products is the cost of production, including the appropriate proportion of DD&A and overheads based on normal capacity. Net realizable value of crude oil and refined products is based on estimated selling price in the ordinary course of business less any costs expected to be incurred to complete the sale.

Value added tax (VAT)

The tax authorities permit the settlement of VAT on sales and purchases on a net basis. VAT receivable represents VAT on domestic purchases net of VAT on domestic sales. Export sales are zero rated.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Cash and cash equivalents

Cash and cash equivalents include cash in bank and cash on hand, demand deposits with banks with original maturities of three months or less.

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans borrowings and payables, or as derivatives financial instruments.

All financial liabilities are recognized initially at fair value and in the case of loans and borrowings, plus directly attributable transaction costs.

The Group's financial liabilities include trade and other payables, loans and borrowings and derivative financial instruments.

Subsequent measurement

The measurement of financial liabilities depends on their classification as follows:

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss includes financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are acquired for the purpose of selling in the near term. This category includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by IFRS 9. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

Gains or losses on liabilities held for trading are recognized in profit or loss.

The Group has not designated any financial liabilities upon initial recognition as at fair value through profit or loss.

Trade and other payables

Trade payables are recognized initially at fair value and subsequently measured at amortized cost using the EIR.

Loans and borrowings

After initial recognition, interest bearing loans and borrowings are subsequently measured at amortized cost using the EIR. Gains and losses are recognized in the consolidated statement of comprehensive income when the liabilities are derecognized as well as through the EIR amortization process.

Amortized cost is calculated by taking into account any discount or premium on acquisition and fee or costs that are an integral part of the EIR. The EIR amortization is included in finance costs.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least twelve months after the reporting date. Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalized as part of the cost of that asset. Other borrowing costs are recognized as an expense when incurred.

Financial guarantee contracts

Financial guarantee contracts issued by the Group are those contracts that require a payment to be made to reimburse the holder for a loss it incurs because the specified debtor fails to make a payment when due in accordance with the terms of a debt instrument. Financial guarantee contracts are recognised initially as a liability at fair value, adjusted for transaction costs that are directly attributable to the issuance of the guarantee. Subsequently, the liability is measured at the higher of the expected credit losses allowance calculated under IFRS 9 and the amount recognised less cumulative amortisation, if any.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial liabilities (continued)

Derecognition

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in profit or loss.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the consolidated statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

Fair value of financial instruments

The fair value of financial instruments that are traded in active markets at each reporting date is determined by reference to quoted market prices or dealer price quotations (bid price for long positions and ask price for short positions), without any deduction for transaction costs.

For financial instruments not traded in an active market, the fair value is determined using appropriate valuation techniques. Such techniques may include using recent arm's length market transactions; reference to the current fair value of another instrument that is substantially the same; a discounted cash flow analysis or other valuation models.

Provisions

Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Group expects a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain.

If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as a finance cost.

Provision for obligations to the Government

The Government assigns various sponsorship and financing obligations to the Group. Management of the Group believes that such Government's assignments represent constructive obligations of the Group and require recognition on the basis of respective resolution of the Government. Furthermore, as the Government is the ultimate controlling party of the Group, the expenditures on these assignments are recognized as other distributions to the Shareholders directly in the equity, in the consolidated financial statements.

Employee benefits

Pension scheme

Payments to defined contribution retirement benefit plans are charged as an expense as they fall due. Payments made to state – managed retirement benefit schemes are dealt with as defined contribution plans where the Group's obligations under the scheme are equivalent to those arising in a defined contribution retirement benefit plan.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Employee benefits (continued)

Long-term employee benefits

The Group provides long-term employee benefits to employees before, on and after retirement, in accordance with the collective agreements between the Group entities and their employees. The collective agreement provides for certain one-off retirement payments, financial aid for employees' disability, anniversaries, funeral and other benefits. The entitlement to benefits is usually conditional on the employee remaining in service up to retirement age.

The expected costs of the benefits associated with one-off retirement payments are accrued over the period of employment using the same accounting methodology as used for defined benefit post-employment plans with defined payments upon the end of employment. Actuarial gains and losses arising in the year are taken to other comprehensive income. For this purpose, actuarial gains and losses comprise both the effects of changes in actuarial assumptions and experience adjustments arising because of differences between the previous actuarial assumptions and what has actually occurred. Other movements are recognised in the current period, including current service cost, any past service cost and the effect of any curtailments or settlements.

The most significant assumptions used in accounting for defined benefit obligations are discount rate and mortality assumptions. The discount rate is used to determine the net present value of future liabilities and each year the unwinding of the discount on those liabilities is charged to the consolidated statement of comprehensive income as finance costs. The mortality assumption is used to project the future stream of benefit payments, which is then discounted to arrive at a net present value of liabilities.

Employee benefits other than one-off retirement payments are considered as other long-term employee benefits. The expected cost of these benefits is accrued over the period of employment using the same accounting methodology as used for the defined benefit plan. Actuarial gains and losses on other long-term employee benefits are recognised in the profit or loss. These obligations are valued by independent qualified actuaries on an annual basis.

Revenue recognition

Revenues are recognized when (or as) the Group satisfies a performance obligation by transferring a promised good or service (i.e. an asset) to a customer. An asset is transferred when (or as) the customer obtains control of that asset, which usually occurs when the title is passed, provided that the contract price is fixed or determinable and collectability of the receivable is reasonably assured. Specifically, domestic sales of crude oil and gas, as well as petroleum products and materials are usually recognized when title passes. For export sales, title generally passes at the border of the RK. Revenue is measured at the fair value of the consideration received or receivable taking into account the amount of any trade discounts, volume rebates and reimbursable taxes.

Sales of support services are recognized as services are performed provided that the service price can be determined and no significant uncertainties regarding the receipt of revenues exist.

Interest income and expense

For all financial instruments measured at amortised cost, and interest income and interest expense are recorded using the effective interest rate (EIR). EIR is the rate that exactly discounts the estimated future cash payments or receipts over the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or liability. Interest income is included in finance income and interest expense is included in finance costs in the consolidated statement of comprehensive income.

Trade receivables

A receivable represents the Group's right to an amount of consideration that is unconditional (i.e., only the passage of time is required before payment of the consideration is due).

Contract liabilities

A contract liability is the obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer. If a customer pays consideration before the Group transfers goods or services to the customer, a contract liability is recognized when the payment is made or the payment is due (whichever is earlier). Contract liabilities are recognised as revenue when the Group performs under the contract.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Expense recognition

Expenses are recognized as incurred and are reported in the consolidated financial statements in the period to which they relate on an accrual basis.

Income taxes

Income tax for the year comprises current income tax, excess profit tax and deferred tax. Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the reporting date. Current income tax ("CIT") relating to items recognized directly in equity is recognized in equity and not in the consolidated statement of comprehensive income.

Excess profit tax ("EPT") is treated as an income tax and forms part of income tax expense. In accordance with the applicable tax legislation, the Group accrues and pays EPT in respect of each subsoil use contract, at varying rates based on the ratio of aggregate annual income to deductions for the year for a particular subsoil use contract. The ratio of aggregate annual income to deductions in each tax year triggering the application of EPT is 1.25:1. EPT rates are applied to the part of the taxable income (taxable income after corporate income tax and allowable adjustments) related to each subsoil use contract in excess of 25% of the deductions attributable to each contract.

Deferred tax is calculated with respect to both CIT and EPT. Deferred EPT is calculated on temporary differences for assets allocated to subsoil use contracts at the expected rate of EPT to be paid under the contract.

Deferred income tax is provided using the liability method on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognized for all taxable temporary differences, except:

- where the deferred income tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in JVs, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred income tax assets are recognized for all deductible temporary differences, carryforward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward of unused tax credits and unused tax losses can be utilized except:

- where the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in JVs, deferred income tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

The carrying amount of deferred income tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilized. Unrecognized deferred income tax assets are reassessed at each reporting date and are recognized to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered. Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realized or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the reporting date.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Income taxes (continued)

Deferred income tax relating to items recognized directly in equity is recognized in equity and not in the consolidated statement of comprehensive income. Deferred income tax assets and deferred income tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred income taxes relate to the same taxable entity and the same taxation authority. Deferred tax assets are recognized for all allowances and unused tax losses to the extent that it is probable that taxable temporary differences and business nature of such expenses will be proved. Significant management judgment is required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and level of future taxable profits together with future tax planning strategies.

Equity

Non-controlling interest

Non-controlling interests are presented in the consolidated statement of financial position within equity, separately from the equity of the Company's owners. Total comprehensive income is attributed to the Company's owners and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Dividends

Dividends are recognized as a liability and deducted from equity at the reporting date only if they are declared before or on the reporting date. Dividends are disclosed when they are proposed before the reporting date or proposed or declared after the reporting date but before the consolidated financial statements are authorized for issue.

Distributions to the Shareholders

Expenditures incurred by the Group based on the respective resolution of the Government based on the RK President's charge or decision and instructions of Samruk-Kazyna are accounted for as other distributions through equity. Such expenditures include costs associated with non-core activity of the Group (construction of social assets to be transferred to the Shareholder).

Subsequent events

The results of post-year-end events that provide evidence of conditions that existed at the reporting date (adjusting events) are reflected in the consolidated financial statements. Post-year-end events that are not adjusting events are disclosed in the notes to the consolidated financial statements when material.

4. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of the Group's consolidated financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities and the disclosure of contingent liabilities and assets, at the reporting date. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.

Considerations in respect of COVID-19 pandemic and hydrocarbon economy in 2020

The impact of COVID-19 and unfavorable trend in the global hydrocarbons market on the basis of preparation of this consolidated financial statements has been considered as part of the going concern assessment. To support this assertion liquidity forecast has been assessed under several stressed scenarios. And as a result, impairment tests for upstream and midstream segments were performed.

4. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS (continued)

Considerations in respect of COVID-19 pandemic and hydrocarbon economy in 2020 (continued)

Impairment testing assumptions

The Group's long-term assumptions for Brent oil prices, KZT/USD exchange rate and inflation projections have been revised and are based on externally sourced forecasts and rates of the independent research organizations considering long-tern market expectations. Production volumes estimates are based on proved developed and undeveloped reserves for subsidiaries, and on proved and probable reserves for significant investments in JVs and associates. Production period is either based on subsoil use contracts' expiration date or on extended license period, to which the Group has strong intention to extend its licenses. Estimated production volumes are based on the Group's production plans that are mostly used for the purposes of application filing for extension of subsoil use contracts.

Discount rates were estimated on the weighted average cost of capital of the individual cash generating unit and ranged between 7.77%-14.50% depending on the functional currency, production period, size, equity risk premium, beta and gearing ratio of the relevant cash-generating unit (CGU).

The long-term price assumptions applied were derived from Bloomberg consensus; so did the near-term commodity price assumptions, a summary of which, in real 2020 terms, is provided below:

	2021	2022	2023	2024	2025
Brent oil ($/bbl)	48	54.5	54	56	57

In *Exploration and production of oil and gas* segment net impairment charges were 91,094 million tenge for 2020. Impairment charges mainly relate to producing assets and principally arose as a result of changes to the group's oil and gas price assumptions, and include 60,440 million tenge attributable to Embamunaigas JSC, the Group subsidiary, (EMG) (*Note 12*) and 30,654 million tenge related to the Group's JVs and associate (*Note 18*). The Group's share of impairment charges arising in equity-accounted entities was 16,818 million tenge and mainly attributable to PetroKazakhstan Inc.. The recoverable amounts of the CGUs within these businesses were based on value-in-use calculations.

In *Refining and trading of crude oil and refined products segment* impairment charges of 162,455 million tenge were recognized in 2020, which represents partial impairment of refining assets of KMGI due to the decline in refining margins following lock-downs caused by COVID-19 *(Note 12)*. The recoverable amount of these assets for impairment testing purposes was determined based on fair value less cost to disposal.

Headroom of the majority of oil and refining assets are sensitive to changes in price or other assumptions. The changes within next financial periods may result in recoverable amount of these assets above or below the current carrying amounts and therefore there is a risk of impairment reversals or charges in those periods. Sensitivity to key assumptions for significant CGUs of the Group, at which impairment charges were recognized in 2020, were disclosed in *Note 12*. Impairment testing is performed by independent qualified appraisers on an annual basis.

Oil and gas reserves

Oil and gas reserves are a material factor in the Group's computation of DD&A expenses. The Group estimates its oil and gas reserves in accordance with the methodology of the Society of Petroleum Engineers ("SPE"). In estimating its reserves under SPE methodology, the Group uses long-term planning prices. Using planning prices for estimating proved reserves removes the impact of the volatility inherent in using year-end spot prices. Management believes that long-term planning price assumptions, which are also used by management for their business planning and investment decisions are more consistent with the long-term nature of the upstream business and provide the most appropriate basis for estimating oil and gas reserves.

All reserve estimates involve some degree of uncertainty. The uncertainty depends mainly on the amount of reliable geological and engineering data available at the time of the estimate and the interpretation of this data.

The relative degree of uncertainty can be conveyed by placing reserves into one of two principal classifications, either proved or unproved. Proved reserves are more certain to be recovered than unproved reserves and may be further sub-classified as developed and undeveloped to denote progressively increasing uncertainty in their recoverability.

4. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS (continued)

Oil and gas reserves (continued)

Estimates are reviewed and revised annually. Revisions occur due to the evaluation or re-evaluation of already available geological, reservoir or production data, availability of new data, or changes to underlying price assumptions. Reserve estimates may also be revised due to improved recovery projects, changes in production capacity or changes in development strategy. Proved developed reserves are used to calculate the unit of production rates for DD&A in relation to oil and gas production assets. The Group has included in proved reserves only those quantities that are expected to be produced during the initial subsoil use contract period. This is due to the uncertainties surrounding the outcome of such renewal procedures, since the renewal is ultimately at the discretion of the Government. An increase in the Group's subsoil use contract periods and corresponding increase in reported reserves would generally lead to lower DD&A expense and could materially affect earnings. A reduction in proved developed reserves will increase DD&A expense (assuming constant production), reduce income and could also result in an immediate write-down of the property's book value. Given the relatively small number of producing fields, it is possible that any changes in reserve estimates year on year could significantly affect prospective charges for DD&A.

Please refer *Note 12* for details on annual impairment test results.

Recoverability of oil and gas assets, downstream, refining and other assets

The Group assesses assets or CGU for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Where an indicator of impairment exists, a formal estimate of the recoverable amount is made, which is considered to be the higher of the fair value less costs to sell and value in use. These assessments require the use of estimates and assumptions such as long-term oil prices, discount rates, future capital requirements, operating performance (including production and sales volumes) that are subject to risk and uncertainty. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset/CGU is considered to be impaired and is written down to its recoverable amount. In assessing recoverable values, the estimated future cash flows are adjusted for the risks specific to the asset group and are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Fair value less costs to sell is identified as the price that would be received to sell the asset in an orderly transaction between market participants and does not reflect the effects of factors that may be specific to the entity and not applicable to entities in general.

KMGI CGU, including goodwill

As at December 31, 2020 and 2019, the Group performed its annual impairment tests for goodwill and downstream, refining and other assets due to existence of impairment indicators at the CGUs of KMGI. As the result of the impairment analysis, recoverable amount of KMGI CGUs exceeded their carrying values, except for Refining CGU *(Note 12).*

Pavlodar refinery, goodwill

As of December 31, 2020 and 2019 the Group has goodwill of 88,553 million tenge related to acquisition of Pavlodar refinery *(Note 16).* The Group performed annual impairment test for the Pavlodar refinery goodwill using the current tolling business scheme used by Pavlodar refinery in December 2020 and 2019. The Group considered the forecast for oil tolling volumes, oil tolling tariffs, capital expenditures, among other factors, when reviewing for indicators of impairment. The recoverable amount is calculated using a discounted cash flow model. In 2020, the discount rate of 10.79% (2019: 9.7%) was calculated based on the weighted average cost of capital before taxes. The weighted average cost of capital considers both borrowed funds and equity. The cost of equity is derived from the expected return on investment. The cost of debt capital is based on long-term interest-bearing loans of Pavlodar refinery. The inherent risk was included by applying an individual beta factor. The beta factor was estimated based on the publicly available market data. Forecasted cash flows till to 2029 were based on five-years business plan of Pavlodar refinery 2021-2025, which assumes current management estimates on potential changes in operating and capital costs. The significant part of those cash flows after 2025 was forecasted by applying expected inflation rate of 2020: 5.53% (2019: 5.49%), excluding capital costs, which are based on the best estimate of the Group as of valuation date. As at December 31, 2020 and 2019 the recoverable amount of goodwill, which was determined based on value-in-use, exceeded its book value, as such no impairment of Pavlodar refinery goodwill was recognised.

4. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS (continued)

Recoverability of oil and gas assets, downstream, refining and other assets (continued)

Sensitivity to changes in assumptions

Results of the assessment of recoverable amount of Pavlodar refinery goodwill are sensitive to changes in key assumptions, in particular, assumptions related to changes in discount rate and target EBITDA in terminal period. Increase in discount rates by 1.0% to 11.89% and decrease of target EBITDA in terminal period by 1% from 34% to 35% would result in decrease of the recoverable amount of CGU Pavlodar refinery to its carrying value.

Other CGUs

Revision to the Group's commodity price and other assumptions have not resulted in impairment charges in any other CGUs of the *Refining and trading of crude oil and refined products segment.*

Assets retirement obligations

Oil and gas production facilities

Under the terms of certain subsoil use contracts, legislation and regulations the Group has legal obligations to dismantle and remove tangible assets and restore the land at each production site. Specifically, the Group's obligation relates to the ongoing closure of all non-producing wells and final closure activities such as removal of pipes, buildings and recultivation of the contract territories, and also obligations to dismantle and remove tangible assets and restore territory at each production site. Since the subsoil use contract terms cannot be extended at the discretion of the Group, the settlement date of the final closure obligations has been assumed to be the end of each subsoil use contract period. The extent of the Group's obligations to finance the abandonment of wells and for final closure costs depends on the terms of the respective subsoil use contracts and current legislation.

Where neither subsoil use contracts nor legislation include an unambiguous obligation to undertake or finance such final abandonment and closure costs at the end of the subsoil use contract term, no liability has been recognized. There is some uncertainty and significant judgment involved in making such a determination. Management's assessment of the presence or absence of such obligations could change with shifts in policies and practices of the Government or in the local industry practice.

The Group calculates asset retirement obligations separately for each contract. The amount of the obligation is the present value of the estimated expenditures expected to be required to settle the obligation adjusted for expected inflation and discounted using average long-term risk-free interest rates for emerging market sovereign debt adjusted for risks specific to the Kazakhstan market.

At each reporting date the Group reviews site restoration provisions, and adjusts them to reflect the current best estimate in accordance with *IFRIC 1 Changes in Existing Decommissioning, Restoration and Similar Liabilities.*

Estimating the future closure costs involves significant estimates and judgments by management. Most of these obligations are many years in the future and, in addition to ambiguities in the legal requirements, the Group's estimate can be affected by changes in asset removal technologies, costs and industry practice. The Group estimates future well abandonment cost using current year prices and the average long-term inflation rate.

The long-term inflation and discount rates used to determine the obligation in the consolidated statement of financial position across the Group entities at December 31, 2020 were in the range from 2.00% to 7.3% and from 3.68% to 11.00% (December 31, 2019: from 2.01% to 5.49% and from 4.43% to 8.95%). As at December 31, 2020 the carrying amounts of the Group's asset retirement obligations relating to decommissioning of oil and gas facilities were 66,177 million tenge (December 31, 2019: 54,165 million tenge) *(Note 25).*

4. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS (continued)

Assets retirement obligations (continued)

Major oil and gas pipelines

According to the Law of the RK *On Major Pipelines* which was made effective on July 4, 2012 mainly KTO and Intergas Central Asia JSC, the subsidiary of KTG, have legal obligation to decommission its major oil pipelines at the end of their operating life and to restore the land to its original condition. Asset retirement obligation is calculated based on estimate of the work to decommission and rehabilitate. As at December 31, 2020, the carrying values of the Group's asset retirement obligations relating to decommissioning of pipelines and land were 113,558 million tenge (December 31, 2019: 100,229 million tenge) *(Note 25)*.

Environmental remediation obligations provision

The Group also makes judgments and estimates in establishing provisions for environmental remediation obligations. Environmental expenditures are capitalized or expensed depending upon their future economic benefit. Expenditures that relate to an existing condition caused by past operations and do not have a future economic benefit are expensed.

Liabilities are determined based on current information about costs and expected plans for remediation and are recorded on discounted basis. The Group's environmental remediation provision represents management best estimate based on an independent assessment of the anticipated expenditure necessary for the Group to remain in compliance with the current regulatory regime in Kazakhstan and Europe. The Group has classified this obligation as non-current except for the portion of costs, included in the annual budget for 2020 and 2021. For environmental remediation provisions, actual costs can differ from estimates because of changes in laws and regulations, public expectations, discovery and analysis of site conditions and changes in clean-up technology. Movements in the provision for environmental remediation obligations are disclosed in *Note 25*.

Employee benefits

The cost of defined long-term employee benefits payable before, on and after retirement and the present value of the obligation are determined using actuarial valuations. An actuarial valuation involves making various assumptions that may differ from actual developments in the future. These include the determination of the discount rate, future salary increases, mortality rates and future pension increases.

Due to the complexity of the valuation, the underlying assumptions and its long-term nature, a defined benefit obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date.

Taxation

In assessing tax risks, management considers to be probable obligations the known areas of tax positions which the Group would not appeal or does not believe it could successfully appeal, if assessed by tax authorities. Such determinations inherently involve significant judgment and are subject to change as a result of changes in tax laws and regulations, amendments to the taxation terms of the Group's subsoil use contracts, the determination of expected outcomes from pending tax proceedings and current outcome of ongoing compliance audits by tax authorities. The provision for tax risks other than on income tax are disclosed under provisions for taxes in *Note 25*. Contingent liabilities for tax risks other than on income tax are disclosed in *Note 31*. Provisions and contingent liabilities related to income tax are included or disclosed as income tax liabilities or contingencies (see *Note 28* and *31* for further details).

Useful lives of property, plant and equipment

The Group assesses the remaining useful lives of items of property, plant and equipment at least at each financial year-end and, if expectations differ from previous estimates, the changes are accounted for prospectively as a change in an accounting estimate in accordance with IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*.

Fair value of financial instruments

Where the fair value of financial assets and financial liabilities recorded in the consolidated statement of financial position cannot be derived from active markets, they are determined using valuation techniques including the discounted cash flows model. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgment is required in establishing fair values. The judgments include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions about these factors could affect the reported fair value of financial instruments presented in the consolidated financial statements. Further details are disclosed in *Note 30*.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

5. REVENUE

In millions of tenge	2020	2019
Type of goods and services		
Sales of crude oil and gas	**2,467,391**	3,966,941
Sales of refined products	**1,337,579**	2,043,848
Oil and gas transportation services	**289,880**	389,496
Refining of oil and oil products	**193,659**	195,896
Other revenue	**267,528**	262,675
	4,556,037	6,858,856
Geographical markets		
Kazakhstan	**950,298**	1,212,267
Other countries	**3,605,739**	5,646,589
	4,556,037	6,858,856

6. SHARE IN PROFIT OF JOINT VENTURES AND ASSOCIATES, NET

In millions of tenge	2020	2019
Asia Gas Pipeline LLP (AGP)	**175,339**	168,086
Tengizchevroil LLP (TCO)	**173,476**	414,940
Caspian Pipeline Consortium (CPC)	**81,582**	70,869
Beineu-Shymkent Pipeline LLP (BSP)	**55,005**	56,194
Mangistau Investments B.V. (MIBV)	**16,749**	81,991
KazGerMunay LLP (KGM)	**15,622**	17,561
Kazakhstan - China Pipeline LLP (KCP)	**10,380**	3,313
Teniz Service LLP (Teniz Service)	**3,891**	6,742
Kazakhoil-Aktobe LLP (KOA)	**2,448**	9,722
KazRosGas LLP (KRG)	**957**	18,091
Valsera Holding BV (Valsera)	**(6,137)**	(6,107)
KMG Kashagan B.V. (Kashagan)	**(6,961)**	13,114
PetroKazakhstan Inc. (PKI)	**(8,812)**	(18,244)
Ural Group Limited BVI (UGL)	**(10,265)**	(18,895)
Other joint ventures and associates	**7,921**	10,602
	511,195	827,979

7. COST OF PURCHASED OIL, GAS, PETROLEUM PRODUCTS AND OTHER MATERIALS

In millions of tenge	2020	2019
Purchased oil for resale	**1,311,169**	2,448,412
Purchased gas for resale	**380,261**	493,280
Cost of oil for refining	**313,543**	638,293
Materials and supplies	**226,223**	217,138
Purchased petroleum products for resale	**45,870**	116,621
	2,277,066	3,913,744

8. PRODUCTION EXPENSES

In millions of tenge	2020	2019
Payroll	**339,877**	338,120
Repair and maintenance	**114,700**	129,450
Energy	**83,290**	88,910
Transportation costs	**42,507**	30,456
Short-term lease expenses	**37,743**	52,091
Others	**122,669**	82,666
	740,786	721,693

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

9. TAXES OTHER THAN INCOME TAX

In millions of tenge	2020	2019
Export customs duty	**71,746**	131,326
Mineral extraction tax (MET)	**59,374**	100,300
Rent tax on crude oil export (rent tax)	**41,120**	133,144
Other taxes	**97,319**	89,525
	269,559	454,295

10. TRANSPORTATION AND SELLING EXPENSES

In millions of tenge	2020	2019
Transportation	**415,842**	374,686
Payroll	**12,811**	12,542
Other	**29,533**	33,174
	458,186	420,402

11. GENERAL AND ADMINISTRATIVE EXPENSES

In millions of tenge	2020	2019
Payroll	**74,704**	78,055
Consulting services	**23,402**	25,448
Maintenance	**8,655**	8,711
Accrual of impairment of VAT receivable	**6,435**	15,703
Social payments	**5,961**	8,933
VAT that could not be offset	**4,528**	6,910
Communication	**3,809**	2,963
Accrual of ECL for trade receivables and current financial assets (*Note* 20)	**4,225**	14,096
(Reversal)/accrual of impairment losses allowance for other non-financial current assets (*Note 20*)	**(65)**	42
Allowance for/(reversal of) fines, penalties and tax provisions	**44**	(19,755)
Provision under the *KMG DS - Consortium case* (*Note 31*)	**–**	34,132
Other	**38,510**	38,729
	170,208	213,967

For the year ended December 31, 2020, the total payroll amounted to 427,392 million tenge (2019: 428,717 million tenge) and was included in production expenses, transportation and selling expenses and general and administrative expenses in the consolidated statement of comprehensive income.

12. IMPAIRMENT OF PROPERTY, PLANT AND EQUIPMENT, INTANGIBLE ASSETS, EXPLORATION AND EVALUATION ASSETS and EXPLORATION EXPENSE

In millions of tenge	**2020**	2019
Impairment expense		
Property, plant and equipment *(Note 14)*	**220,913**	144,482
Exploration and evaluation assets *(Note 15)*	**16,389**	171
Investment property	**142**	(142)
Intangible assets *(Note 16)*	**6,250**	6,240
	243,694	150,751
Exploration expense (exploration and evaluation assets write-off) *(Note 15)*		
Brownfields of KMG EP	**19,692**	18,888
Pearls project	**–**	38,180
Samtyr, Zhayik, Saraishyk, Zaburunie projects	**115**	–
	19,807	57,068
	263,501	207,819

For the following CGUs impairment losses were recognised for years ended:

In millions of tenge	**2020**	2019
Refining CGU of KMGI	**162,455**	93,587
EMG CGU	**60,440**	–
Sunkar, Barys and Berkut, self-propelled barges (Barges)	**10,297**	11,837
Satti, the drilling jackup rig (Satti rig)	**–**	24,505
Batumi Oil Terminal, the CGU (BNT CGU)	**–**	12,583
Others	**10,502**	8,239
	243,694	150,751

Refining CGU of KMGI

In 2020 and 2019, the Group performed impairment test of the Refining CGU of KMGI. The Group considered forecasted refining margins and production volumes, among other factors, when reviewing for indicators of impairment. The recoverable amount of Refining CGU of KMGI was determined based on fair value less costs of disposal (FVLCD), which was calculated using the discounted cash flow method. The key assumptions used in the FVLCD calculations for the CGU were operating profit, discount rates and growth rate used to extrapolate cash flows beyond the budgeted period. The discount rate applied to cash flow projections for Refining CGU was 10.7% (2019: 9.6%) and cash flows beyond the 5-year period were extrapolated using 2.2% (2019: 1.9%) growth rate, which is the same as the long-term average growth rate for the industry. The capitalization rate used for residual values was 8.5% (2019: 7.7%). For the purposes of impairment test, the Group updated projected cash flows to reflect the decrease in forecasted refining margins and change in post-tax discount rate. In 2020, based on the results of the test performed, the Group recognized impairment loss of property, plant and equipment and intangible assets of 155,544 million tenge and 6,911 million tenge respectively (2019: 86,946 million tenge and 6,641 million tenge, respectively).

Sensitivity to changes in assumptions:
The additional impairment charges will occur if the weighted average cost of capital increases by more than 2.3 points to 13%, or should the operating profit decrease by more than 28.4%.

EMG CGU

In 2020, EMG carried out an assessment of the recoverable amount of property, plant and equipment and exploration and evaluation assets due to the presence of impairment indicators such as decline in the forecasted oil prices. EMG calculated recoverable amount using a discounted cash flow model for value in use valuation method. The discount rate applied to cash flow projections was equal to 14.4%. The 5-year business plan was used as a primary source of information, which contains forecasts for crude oil production, sales volumes, revenues, costs and capital expenditure. The result of this assessment indicated that the carrying value of assets exceeded their estimated recoverable amount by 60,440 million tenge, particularly, 44,098 million tenge of property, plant and equipment and 16,342 million tenge of exploration and evaluation assets were impaired in the consolidated statement of comprehensive income.

Sensitivity to changes in assumptions:
The additional impairment charges will occur if the weighted average cost of capital increases by more than 1 point to 15.4% or if the Brent price decreases by more than 1%.

12. IMPAIRMENT OF PROPERTY, PLANT AND EQUIPMENT, INTANGIBLE ASSETS, EXPLORATION AND EVALUATION ASSETS AND EXPLORATION EXPENSE (continued)

Barges

The recoverable amount of the barges was determined on the basis of value-in-use method. Value-in-use was assessed as the present value of the future cash flows expected to be derived from the barges until the end of the existing and probable contracts at the discount rate of 11.3% (2019: 10.05%). As a result of the test, the Group recognized an impairment loss of 10,297 million tenge for the year ended December 31, 2020 in regards of Sunkar, Barys and Berkut barges (2019: 11,837 million tenge on Sunkar and Berkut).

Satti rig

The recoverable amount of Satti rig was determined on the basis of value-in-use method. Value-in-use was assessed as the present value of the future cash flows expected to be derived from the rig. The forecasted cash flows were based on financial budget approved by the Group management for the period of 2020-2024, and on estimated forecasts for the period of the useful life of the rig till 2041 extrapolated by inflation rates and discounted at 12.5%. As a result of the impairment test, the Group recognised an impairment loss of 24,505 million tenge as at December 31, 2019. As at December 31, 2020, the recoverable value of the Satti rig exceeded its carrying value.

BNT CGU

For the year ended December 31, 2019, the Group recognized an impairment loss of 12,583 million tenge using FVLCD. The impairment was caused due to decrease in oil transshipment volumes in post-prognosis period. As at December 31, 2020, the recoverable value of BNT CGU exceeded its carrying value.

13. FINANCE INCOME / FINANCE COST

Finance income

In millions of tenge	**2020**	2019
Interest income on bank deposits, financial assets, loans and bonds	**86,067**	99,274
Amortization of issued financial guarantees	**6,497**	1,974
Total interest income	**92,564**	101,248
Discount on a loan with non-market interest rate *(Note 24)*	**11,002**	7,781
Bonds redemption gain *(Note 24)*	**927**	–
Derecognition of loan *(Note 24)*	–	111,476
Write-off of guarantee due to significant modification	–	13,573
Other	**5,260**	6,802
	109,753	240,880

Finance costs

In millions of tenge	**2020**	2019
Interest expense on loans and bonds	**239,855**	235,728
Interest expense on lease liabilities	**3,438**	3,916
Interest expense under oil supply agreement	–	19,541
Total interest expense	**243,293**	259,185
Bonds redemption fee *(Note 24)*	**21,057**	–
Unwinding of discount on asset retirement obligations, for environmental obligation and other provisions *(Note 25)*	**13,373**	13,819
Discount on employee benefits obligations *(Note 25)*	**3,605**	3,559
Issued financial guarantees	–	11,341
Other	**16,223**	29,529
	297,551	317,433

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

14. PROPERTY, PLANT AND EQUIPMENT

In millions of tenge	Oil and gas assets	Pipelines	Refinery assets	Buildings and improvements	Machinery and equipment	Vehicles	Other	Capital work in progress	Total
As at January 1, 2019	**1,081,676**	**787,813**	**1,550,680**	**263,204**	**394,602**	**116,561**	**44,124**	**275,986**	**4,514,646**
Foreign currency translation	(2,749)	(173)	(1,115)	(306)	374	(314)	(50)	–	(4,333)
Change in estimate	13,006	12,156	–	27	–	–	19	–	25,208
Additions	48,725	6,370	794	10,615	11,190	5,076	6,400	345,236	434,406
Disposals	(24,598)	(2,161)	(4,100)	(15,970)	(7,534)	(3,455)	(7,200)	(1,088)	(66,106)
Depreciation charge	(85,565)	(28,859)	(121,306)	(17,969)	(37,832)	(11,608)	(10,601)	–	(313,740)
Accumulated depreciation and impairment on disposals	14,198	1,794	4,039	11,148	7,085	3,141	6,733	325	48,463
(Impairment)/ reversal (*Note 12*)	(4,911)	228	(86,946)	(5,277)	(31,068)	(13,140)	(1,057)	(2,311)	(144,482)
Transfers (to)/from assets classified as held for sale	18	–	(81)	(10,610)	(18,390)	(6,493)	(65)	–	(35,621)
Transfers from /(to) investment property	215	–	–	16,314	144	–	2,356	(39)	18,990
Transfers from/(to) inventory, net	35	(35)	4,435	1	362	13	666	3,295	8,772
Transfers from exploration and evaluation assets (*Note 15*)	1,743	–	–	–	–	–	–	1,024	2,767
Transfers (to)/from intangible assets (*Note 16*)	(145)	–	(64)	–	–	–	97	(4,587)	(4,699)
Transfers and reclassifications	8,115	26,584	35,325	49,478	138,878	7,856	64,864	(331,100)	–
Net book value as at December 31, 2019	**1,049,763**	**803,717**	**1,381,661**	**300,655**	**457,811**	**97,637**	**106,286**	**286,741**	**4,484,271**
At cost	2,032,972	1,028,456	2,408,000	568,723	841,626	226,215	222,426	336,772	7,665,190
Accumulated depreciation and impairment	(983,209)	(224,739)	(1,026,339)	(268,068)	(383,815)	(128,578)	(116,140)	(50,031)	(3,180,919)
Net book value as at December 31, 2019	**1,049,763**	**803,717**	**1,381,661**	**300,655**	**457,811**	**97,637**	**106,286**	**286,741**	**4,484,271**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

14. PROPERTY, PLANT AND EQUIPMENT (continued)

In millions of tenge	Oil and gas assets	Pipelines	Refinery assets	Buildings and improvements	Machinery and equipment	Vehicles	Other	Capital work in progress	Total
Net book value as at December 31, 2019	**1,049,763**	**803,717**	**1,381,661**	**300,655**	**457,811**	**97,637**	**106,286**	**286,741**	**4,484,271**
Foreign currency translation	50,582	3,992	39,281	6,928	3,404	2,973	7,033	15,034	**129,227**
Change in estimate	6,785	5,914	–	28	–	–	–	–	**12,727**
Additions	4,738	1,967	2,176	4,455	6,901	5,439	2,561	404,519	**432,756**
Disposals	(17,138)	(18,212)	(10,829)	(4,412)	(4,135)	(1,887)	(2,783)	(2,533)	**(61,929)**
Depreciation charge	(109,846)	(29,297)	(119,746)	(19,746)	(37,922)	(11,085)	(11,163)	–	**(338,805)**
Accumulated depreciation and impairment on disposals	13,876	1,893	10,364	3,352	4,007	1,720	2,521	1,356	**39,089**
Impairment *(Note 12)*	(37,887)	(731)	(155,544)	(5,101)	(1,366)	(11,766)	(1,750)	(6,768)	**(220,913)**
Transfers to assets classified as held for sale	–	–	(834)	(14,777)	(71,856)	(86)	(228)	(1,400)	**(89,181)**
Transfers from/(to) inventory, net	42	(28)	1,619	–	264	(54)	532	2,541	**4,916**
Transfers from exploration and evaluation assets *(Note 15)*	67	–	–	–	–	–	–	–	**67**
Transfers to intangible assets, net *(Note 16)*	–	–	(96)	–	–	–	(619)	(2,558)	**(3,273)**
Transfers to investment property	–	–	–	(19,207)	–	–	–	–	**(19,207)**
Transfers and reclassifications	122,633	39,542	23,058	37,527	96,713	1,770	9,557	(330,800)	**–**
Net book value as at December 31, 2020	**1,083,615**	**808,757**	**1,171,110**	**289,702**	**453,821**	**84,661**	**111,947**	**366,132**	**4,369,745**
At cost	2,232,770	1,063,532	2,537,233	591,757	880,230	235,520	244,801	422,492	8,208,335
Accumulated depreciation and impairment	(1,149,155)	(254,775)	(1,366,123)	(302,055)	(426,409)	(150,859)	(132,854)	(56,360)	(3,838,590)
Net book value as at December 31, 2020	**1,083,615**	**808,757**	**1,171,110**	**289,702**	**453,821**	**84,661**	**111,947**	**366,132**	**4,369,745**

14. PROPERTY, PLANT AND EQUIPMENT (continued)

Additions

In 2020, additions to capital work in progress are mainly attributable to development drilling at OMG, EMG and Karachaganak for the total of 148,593 million tenge, construction of compressor stations at KTG for 113,844 million tenge within the framework of the projects "Beineu-Bozoy-Shymkent and Bukhara-Ural" and reconstruction of "Bozoi" underground gas storage, replacement of "Prorva-Kulsary" and "Uzen-Atyray-Samara" pipeline for 43,247 million tenge at KTO, and overhauls at the plant facilities at Rompetrol Rafinare for 51,617 million tenge.

In 2019, additions to capital work are mainly attributable to development drilling at OMG, EMG and Karachaganak for 181,050 million tenge, the construction of compressor stations at KTG for 67,998 million tenge within the framework of modernization of gas transportation system, the reconstruction of the water pipeline "Astrakhan-Mangyshlak" and the reconstruction of the "Uzen-Atyrau-Samara" oil pipeline for 35,323 million tenge at KTO, overhaul at the Atyrau refinery for 36,972 million tenge and Rompetrol Rafinare for 31,859 million of tenge, respectively.

Transfer to assets held for sale

During 2020, the Group reclassified to assets held for sale property and equipment of 89,181 million tenge mainly represented by compressor stations "Korkyt-ata" and "Turkestan". During 2020, the Group sold the compressor station "Turkestan" for the consideration of 43,667 million tenge *(Note 29)*.

During 2019, the Group classified as assets held for sale tankers and gas compressor station with net book value of 35,621 million tenge, the latter was sold for the consideration of 32,696 million tenge.

Other

For the year ended December 31, 2020, the Group capitalized to the carrying amount of property, plant and equipment borrowing costs related to construction of 2,890 million tenge at the average interest rate of 5.78% (for the year ended December 31, 2019: 2,525 million tenge at the average interest rate of 4.3%) *(Note 24)*.

As at December 31, 2020, the cost of fully depreciated but still in use property, plant and equipment was 517,484 million tenge (as at December 31, 2019: 394,841 million tenge).

As at December 31, 2020, property, plant and equipment with the net book value of 910,216 million tenge (as at December 31, 2019: 1,023,146 million tenge) were pledged as collateral to secure borrowings and payables of the Group.

15. EXPLORATION AND EVALUATION ASSETS

In millions of tenge	Tangible	Intangible	Total
Net book value as at December 31, 2018	**162,813**	**26,987**	**189,800**
Additions	51,385	3,144	54,529
Write-off *(Note 12)*	(51,546)	(5,522)	(57,068)
Impairment *(Note 12)*	(171)	–	(171)
Disposal	(1,991)	(653)	(2,644)
Transfer to intangible assets *(Note 16)*	–	(1,800)	(1,800)
Transfer to property, plant and equipment *(Note 14)*	(2,767)	–	(2,767)
Change in estimate	9	–	9
Transfers from inventory	9	–	9
Transfers and reclassifications	(5,449)	5,449	–
Net book value as at December 31, 2019	**152,292**	**27,605**	**179,897**
Additions	14,212	787	14,999
Write-off *(Note 12)*	(19,235)	(572)	(19,807)
Impairment *(Note 12)*	(12,797)	(3,592)	(16,389)
Trial production	(248)	–	(248)
Transfer to property, plant and equipment *(Note 14)*	(67)	–	(67)
Net book value as at December 31, 2020	**134,157**	**24,228**	**158,385**

As at December 31, 2020 and 2019 the exploration and evaluation assets are represented by the following projects:

In millions of tenge	December 31, 2020	December 31, 2019
Zhambyl	**59,603**	58,293
EMG	**33,458**	41,337
Urikhtau	**38,834**	35,265
KTG projects	**17,366**	13,206
Others	**9,124**	31,796
	158,385	179,897

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

16. INTANGIBLE ASSETS

In millions of tenge	Goodwill	Marketing related intangible assets	Software	Other	Total
Net book value as at December 31, 2018	100,054	33,364	13,429	26,230	173,077
Foreign currency translation	(1,493)	2,237	(62)	(461)	221
Additions	–	–	5,827	4,599	10,426
Disposals	–	–	(3,725)	(1,678)	(5,403)
Change in estimates	–	–	–	(174)	(174)
Amortization charge	–	–	(5,709)	(5,608)	(11,317)
Accumulated amortization and impairment on disposals	–	–	3,551	527	4,078
(Impairment)/ reversal, net (*Note 12*)	–	(6,641)	5	396	(6,240)
Transfers from inventory	–	–	–	5	5
Transfers from exploration and evaluation assets (*Note 15)*	–	–	–	1,800	1,800
Transfer from/(to)property, plant and equipment, net (*Note 14)*	–	–	4,838	(139)	4,699
Transfers and reclassifications	–	–	1,300	(1,300)	–
Net book value as at December 31, 2019	98,561	28,960	19,454	24,197	171,172
Foreign currency translation	**1,003**	**2,775**	**296**	**1,071**	**5,145**
Additions	–	–	**2,855**	**3,553**	**6,408**
Disposals	–	–	**(5,576)**	**(2,246)**	**(7,822)**
Amortization charge	–	–	**(6,494)**	**(2,804)**	**(9,298)**
Accumulated amortization and impairment on disposals	–	–	**5,544**	**215**	**5,759**
(Impairment)/ reversal, net (*Note 12*)	–	**(6,911)**	**(270)**	**931**	**(6,250)**
Transfer from property, plant and equipment, net (*Note 14)*	–	–	**1,925**	**1,348**	**3,273**
Transfers to assets classified as held for sale	–	–	**(24)**	–	**(24)**
Transfers from right-of-use assets	–	–		**118**	**118**
Transfers and reclassifications	–	–	**2,404**	**(2,404)**	–
Net book value as at December 31, 2020	**99,564**	**24,824**	**20,114**	**23,979**	**168,481**
At cost	**210,012**	**63,722**	**74,841**	**100,784**	**449,359**
Accumulated amortization and impairment	**(110,448)**	**(38,898)**	**(54,727)**	**(76,805)**	**(280,878)**
Net book value as at December 31, 2020	**99,564**	**24,824**	**20,114**	**23,979**	**168,481**
At cost	209,009	57,921	70,381	93,290	430,601
Accumulated amortization and impairment	(110,448)	(28,961)	(50,927)	(69,093)	(259,429)
Net book value as at December 31, 2019	98,561	28,960	19,454	24,197	171,172

Carrying amount of goodwill is allocated to each of the group of cash-generating units as follows:

Cash-generating unit	**December 31, 2020**	December 31, 2019
Cash-generating unit, Pavlodar refinery	**88,553**	88,553
Cash-generating units of KMGI	**11,011**	10,008
Total goodwill	**99,564**	98,561

In 2020 and 2019, based on the impairment test results, no impairment of Pavlodar refinery or KMGI goodwill was recognized. For the detailed discussion of Pavlodar refinery goodwill impairment test refer to *Note 4*.

17. BANK DEPOSITS

In millions of tenge	**December 31, 2020**	December 31, 2019
Denominated in US dollar	**324,646**	390,598
Denominated in tenge	**14,863**	21,940
Less: allowance for ECL	**(509)**	(508)
	339,000	412,030

As at December 31, 2020, the weighted average interest rate for long-term bank deposits was 1.07% in US dollars and 1.58% in tenge, respectively (December 31, 2019: 1.08% in US dollars and 2.58% in tenge, respectively).

As at December 31, 2020, the weighted average interest rate for short-term bank deposits was 0.40% in US dollars and 3.10% in tenge, respectively (December 31, 2019: 1.57% in US dollars and 8.33% in tenge, respectively).

In millions of tenge	**December 31, 2020**	December 31, 2019
Maturities under 1 year	**282,472**	359,504
Maturities between 1 and 2 years	**796**	1,029
Maturities over 2 years	**55,732**	51,497
	339,000	412,030

As at December 31, 2020 bank deposits include cash pledged as collateral of 56,528 million tenge (December 31, 2019: 50,046 million tenge), which are represented mainly by restricted bank accounts designated as a liquidation fund per requirements of subsoil use contracts of 44,497 million tenge (December 31, 2019: 37,916 million tenge).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

18. INVESTMENTS IN JOINT VENTURES AND ASSOCIATES

In millions of tenge	Main activity	Place of business	December 31, 2020 Carrying value	December 31, 2020 Percentage ownership	December 31, 2019 Carrying value	December 31, 2019 Percentage ownership
Joint ventures						
TCO	Oil and gas exploration and production	Kazakhstan	**2,793,887**	**20.00%**	2,377,207	20.00%
Kashagan	Oil and gas exploration and production	Kazakhstan	**2,256,816**	**50.00%**	2,057,795	50.00%
AGP	Construction and operation of gas pipeline	Kazakhstan	**291,086**	**50.00%**	168,086	50.00%
BSP	Construction and operation of gas pipeline	Kazakhstan	**156,771**	**50.00%**	101,766	50.00%
MIBV	Oil and gas development and production	Kazakhstan	**142,585**	**50.00%**	158,867	50.00%
KRG	Processing and sale of natural gas and refined gas products	Kazakhstan	**76,702**	**50.00%**	79,849	50.00%
UGL	Oil and gas exploration and production	Kazakhstan	**44,585**	**50.00%**	47,662	50.00%
KGM	Oil and gas exploration and production	Kazakhstan	**32,840**	**50.00%**	25,620	50.00%
KOA	Production of crude oil	Kazakhstan	**20,886**	**50.00%**	21,438	50.00%
Teniz Service	Design, construction, facilities and offshore oil operations support	Kazakhstan	**20,473**	**48.996%**	19,277	48.996%
Valsera	Oil refining	Kazakhstan	**2,253**	**50.00%**	12,776	50.00%
Other			**43,498**		41,014	
Associates						
CPC	Transportation of liquid hydrocarbons	Kazakhstan / Russia	**478,134**	**20.75%**	359,173	20.75%
PKI	Exploration, production and processing of oil and gas	Kazakhstan	**78,636**	**33.00%**	95,320	33.00%
Other			**31,869**		24,534	
			6,471,021		5,590,384	

18. INVESTMENTS IN JOINT VENTURES AND ASSOCIATES (continued)

All of the above JVs and associates are strategic for the Group's business.

As at December 31, 2020, the Group's share in unrecognized losses of JVs and associates was 19,038 million tenge (December 31, 2019: 17,812 million tenge). The Group's change in share of unrecognized losses of JVs and associates in 2020 was 1,226 million tenge (2019: 59,628 million tenge).

The following table summarizes the movements in the investments in 2020 and 2019:

In millions of tenge	2020	2019
At January 1	**5,590,384**	4,895,444
Share in profits of JVs and associates, net *(Note 6)*	**511,195**	827,979
Dividends received	**(134,772)**	(126,461)
Change in dividends receivable	**1,680**	7,433
Impairment of investments	**(30,654)**	–
Other changes in the equity of the JVs	**21,352**	(3,803)
Contribution without change in ownership	**1,586**	5,889
Disposals, net	**(179)**	–
Guarantees issued	**–**	11,162
Transfers to assets classified as held for sale	**(3,080)**	–
Eliminations and adjustments*	**2,936**	(7,043)
Foreign currency translation	**510,573**	(20,216)
At December 31	**6,471,021**	5,590,384

** Equity method eliminations and adjustments represent unrealized income from sale of inventory from JVs to subsidiaries and capitalized borrowing costs on the loans provided by the Company and subsidiaries to JVs.*

On October 16, 2015, the Group sold 50% of its shares in Kashagan to Samruk-Kazyna with a right to buy back all or part of the shares effective from January 1, 2018 to December 31, 2020 (further "Option"). On December 20, 2017, the exercise period for the call option was changed to January 1, 2020 and December 31, 2022. As of December 31, 2020 and 2019, the fair value of the option was close to nil.

The Amsterdam Court imposed certain restrictions on 50% of shares in Kashagan owned by Samruk-Kazyna (further restrictions). During the restrictions period, these shares of Kashagan cannot be sold, transferred or pledged. As of December 31, 2020 and 2019, the restrictions remained in force and control over the asset was not transferred to the Group.

18. INVESTMENTS IN JOINT VENTURES AND ASSOCIATES (continued)

The following tables illustrate summarized financial information of material JVs, based on financial statements of these entities for 2020:

In millions of tenge	TCO	Kashagan	AGP	BSP	MIBV	KRG
Non-current assets	20,221,619	4,332,838	1,333,611	544,058	468,069	44,681
Current assets, including	908,846	178,797	616,479	147,802	89,172	118,142
Cash and cash equivalents	50,588	117,269	180,065	18,027	5,267	44,459
Non-current liabilities, including	(6,412,967)	(371,651)	(886,363)	(351,719)	(160,711)	(207)
Non-current financial liabilities	(4,061,782)	(40,665)	(692,254)	(335,084)	–	–
Current liabilities, including	(748,064)	(129,128)	(481,556)	(76,155)	(110,186)	(9,212)
Current financial liabilities	(69,558)	(9,691)	(464,699)	(63,101)	(21,306)	–
Equity	13,969,434	4,010,856	582,171	263,986	286,344	153,404
Share of ownership	20%	50%	50%	50%	50%	50%
Goodwill	–	251,388	–	–	–	–
Consolidation adjustments	–	–	–	24,778	(587)	–
Carrying amount of the investments as at December 31, 2020	2,793,887	2,256,816	291,086	156,771	142,585	76,702
Revenue	3,776,155	311,663	727,503	201,524	488,032	167,016
Depreciation, depletion and amortization	(700,929)	(196,789)	(78,212)	(18,222)	(75,609)	(289)
Finance income	3,887	2,250	7,352	–	239	2,293
Finance costs	(58,264)	(24,322)	(54,943)	(14,365)	(9,555)	–
Income tax expense	(371,799)	(11,190)	(90,323)	–	(19,663)	(6,628)
Profit/(loss) for the year from continuing operations	867,380	(13,922)	350,677	110,010	33,498	7,785
Other comprehensive (loss)/income	1,216,017	411,964	2,964	–	(1,479)	16,232
Total comprehensive income	2,083,397	398,042	353,641	110,010	32,019	24,017
Change in unrecognized share of losses	–	–	–	–	–	–
Dividends received	–	–	53,821	–	32,291	15,155

18. INVESTMENTS IN JOINT VENTURES AND ASSOCIATES (continued)

The following tables illustrate summarized financial information of material JVs, based on financial statements of these entities for 2020:

In millions of tenge	UGL	KGM	KOA	Teniz Service	Valsera
Non-current assets	246,111	101,629	46,657	118,818	536,659
Current assets, including	993	24,627	10,837	50,602	99,783
Cash and cash equivalents	833	19,264	1,664	9,046	47,783
Non-current liabilities, including	(115,216)	(35,090)	(6,450)	(15,265)	(488,672)
Non-current financial liabilities	(81,291)	–	–	–	(471,886)
Current liabilities, including	(2,718)	(25,486)	(9,272)	(112,370)	(108,681)
Current financial liabilities	–	–	–	–	(73,012)
Equity	129,170	65,680	41,772	41,785	39,089
Share of ownership	50%	50%	50%	48.996%	50%
Impairment of the investment	(20,000)	–	–	–	(17,292)
Carrying amount of the investments as at December 31, 2020	44,585	32,840	20,886	20,473	2,253
Revenue	–	101,595	41,654	260,560	147,569
Depreciation, depletion and amortization	(14)	(27,084)	(7,169)	(215,594)	(36,397)
Finance income	–	511	238	1	17
Finance costs	(16,986)	(1,598)	(544)	(15,377)	(30,195)
Income tax expense	(1,077)	(6,200)	(3,142)	(2,805)	(9,363)
Profit/(loss) for the year from continuing operations	(20,531)	31,245	4,897	7,941	(12,275)
Other comprehensive (loss)/income	11,671	4,337	–	–	(420)
Total comprehensive income/(loss)	(8,860)	35,582	4,897	7,941	(12,695)
Dividends received	–	10,372	8,000	2,695	4,176

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

18. INVESTMENTS IN JOINT VENTURES AND ASSOCIATES (continued)

The following tables illustrate summarized financial information of material JVs, based on financial statements of these entities for 2019:

In millions of tenge	TCO	Kashagan	AGP	MIBV	BSP	KRG
Non-current assets	16,276,182	4,087,310	1,395,615	433,950	482,553	10,176
Current assets, including	975,247	273,048	578,072	114,571	171,411	195,666
Cash and cash equivalents	45,128	74,330	136,318	16,091	11,918	83,674
Non-current liabilities, including	(4,137,239)	(499,989)	(1,225,064)	(148,898)	(354,711)	(148)
Non-current financial liabilities	(2,563,353)	(581)	(1,050,532)	(49,553)	(342,836)	–
Current liabilities, including	(1,228,155)	(201,781)	(412,451)	(80,495)	(145,277)	(45,996)
Current financial liabilities	(44,762)	(194)	(379,633)	(400)	(119,557)	–
Equity	11,886,035	3,658,588	336,172	319,128	153,976	159,698
Share of ownership	20%	50%	50%	50%	50%	50%
Goodwill	–	228,501	–	–	–	–
Consolidation adjustments	–	–	–	(697)	24,778	–
Carrying amount of the investments as at December 31, 2019	2,377,207	2,057,795	168,086	158,867	101,766	79,849
Revenue	6,231,720	443,545	785,250	836,474	172,894	306,259
Depreciation, depletion and amortization	(874,694)	(175,119)	(74,734)	(70,250)	(16,028)	(280)
Finance income	9,428	5,377	9,674	159	–	2,384
Finance costs	(39,896)	(41,813)	(90,669)	(8,772)	(26,563)	–
Income tax expense	(889,194)	(57,794)	(113,177)	(51,818)	–	(8,625)
Profit for the year from continuing operations	2,074,701	26,228	428,204	165,766	112,387	30,311
Other comprehensive (loss)/income	(41,327)	(17,880)	–	485	–	(846)
Total comprehensive income	2,033,374	8,348	428,204	166,251	112,387	29,465
Change in unrecognized share of losses	–	–	46,016	–	–	–
Dividends received	–	–	–	61,872	–	–

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

18. INVESTMENTS IN JOINT VENTURES AND ASSOCIATES (continued)

The following tables illustrate summarized financial information of material JVs, based on financial statements of these entities for 2019:

In millions of tenge	UGL	KGM	KOA	Teniz Service	Valsera
Non-current assets	218,689	118,312	53,020	335,845	564,128
Current assets, including	729	42,245	19,326	51,621	80,995
Cash and cash equivalents	714	37,401	11,947	6,953	41,660
Non-current liabilities, including	(123,902)	(40,343)	(6,533)	(117,580)	(513,735)
Non-current financial liabilities	(94,532)	–	–	–	(507,803)
Current liabilities, including	(192)	(68,975)	(22,937)	(230,542)	(90,320)
Current financial liabilities	–	–	–	(1,360)	(27,035)
Equity	95,324	51,239	42,876	39,344	41,068
Share of ownership	50%	50%	50%	48.996%	50%
Consolidation adjustments	–	–	–	–	(7,758)
Carrying amount of the investments as at December 31, 2019	47,662	25,620	21,438	19,277	12,776
Revenue	–	191,297	61,597	257,944	132,246
Depreciation, depletion and amortization	(13)	(50,605)	(11,886)	(194,344)	(25,790)
Finance income	–	227	185	3	21
Finance costs	(27,471)	(1,348)	(91)	(25,434)	(34,425)
Income tax expense	(1,688)	(73,148)	113	–	(22,964)
Profit/(loss) for the year from continuing operations	(37,790)	35,121	19,445	13,760	(12,214)
Other comprehensive loss	(627)	(216)	–	–	(85)
Total comprehensive income/(loss)	(38,417)	34,905	19,445	13,760	(12,299)
Dividends received	–	30,183	9,057	4,410	757

18. INVESTMENTS IN JOINT VENTURES AND ASSOCIATES (continued)

The following tables illustrate summarized financial information of material associates, based on their financial statements for 2020:

	December 31, 2020	
In millions of tenge	CPC	PKI
Non-current assets	**2,082,957**	**284,545**
Current assets	**193,677**	**67,047**
Non-current liabilities	**(32,817)**	**(72,335)**
Current liabilities	**(134,300)**	**(20,426)**
Equity	**2,109,517**	**258,831**
Share of ownership	**20.75%**	**33%**
Goodwill	**40,409**	**–**
Impairment of the investment	**–**	**(6,778)**
Carrying amount of the investment as at December 31	**478,134**	**78,636**
Revenue	**872,851**	**83,863**
Depreciation, depletion and amortization	**(184,379)**	**(26,470)**
Finance income	**171**	**252**
Finance costs	**(12,080)**	**(2,464)**
Income tax expense	**(99,572)**	**5,599**
Profit for the year *(Note 6)*	**393,165**	**(26,702)**
Other comprehensive income	**180,142**	**13,223**
Total comprehensive income	**573,307**	**(13,479)**
Dividends received	**–**	**2,609**

The following tables illustrate summarized financial information of material associates, based on their financial statements for 2019:

	December 31, 2019	
In millions of tenge	CPC	PKI
Non-current assets	1,992,524	330,021
Current assets	99,635	55,086
Non-current liabilities	(38,825)	(69,474)
Current liabilities	(499,392)	(26,785)
Equity	1,553,942	288,848
Share of ownership	20.75%	33%
Goodwill	36,730	–
Carrying amount of the investment as at December 31	359,173	95,320
Revenue	867,450	131,688
Depreciation, depletion and amortization	(178,032)	(49,236)
Finance income	10,720	425
Finance costs	(52,453)	(2,769)
Income tax expense	(111,797)	(20,904)
Profit for the year	341,537	(55,286)
Other comprehensive income	(6,181)	(1,473)
Total comprehensive income	335,356	(56,759)
Dividends received	–	15,004

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

18. INVESTMENTS IN JOINT VENTURES AND ASSOCIATES (continued)

The following tables illustrate aggregate financial information of individually immaterial JVs (the Group's proportional share):

In millions of tenge	**December 31, 2020**	December 31, 2019
Group share in:		
Non-current assets	**123,063**	143,772
Current assets	**53,760**	52,488
Non-current liabilities	**(85,476)**	(110,096)
Current liabilities	**(65,550)**	(62,503)
Goodwill	**172**	4,050
Impairment of the investment in joint venture	**(3,635)**	(3,635)
Accumulated unrecognized share of losses	**(18,163)**	(16,938)
Carrying amount of the investments as at December 31	43,498	41,014
Profit for the year from continuing operations	**25,690**	25,069
Other comprehensive income	**47**	–
Total comprehensive income	**25,737**	25,069
Unrecognized share of (loss)/income	**1,225**	13,612

The following tables illustrate aggregate financial information of individually immaterial associates (the Group's proportional share):

In millions of tenge	**December 31, 2020**	December 31, 2019
Group share in:		
Non-current assets	**36,869**	30,415
Current assets	**56,671**	55,185
Non-current liabilities	**(8,998)**	(10,566)
Current liabilities	**(53,548)**	(51,374)
Accumulated unrecognized share of losses	**(875)**	(875)
Carrying amount of the investments as at December 31	31,868	24,534
Profit/losses for the year from continuing operations	**11,442**	2,457
Other comprehensive income/ (loss)	**6,218**	(398)
Total comprehensive income	**17,660**	2,059

19. INVENTORIES

In millions of tenge	**December 31, 2020**	December 31, 2019
Materials and supplies (*at cost*)	**108,506**	116,327
Refined products (*at lower of cost and net realizable value*)	**56,712**	53,974
Gas products (*at cost*)	**32,841**	52,566
Crude oil (*at cost*)	**30,006**	58,348
	228,065	281,215

As at December 31, 2020 inventories of 72,277 million tenge are pledged as collateral (December 31, 2019: 47,863 million tenge).

20. TRADE ACCOUNTS RECEIVABLE AND OTHER CURRENT ASSETS

In millions of tenge	**December 31, 2020**	December 31, 2019
Trade accounts receivable		
Trade accounts receivable	**455,321**	430,125
Less: allowance for ECL	**(32,500)**	(32,368)
	422,821	397,757
Other current financial assets		
Other receivables	**90,904**	91,610
Dividends receivable	**2,913**	7,582
Less: allowance for ECL	**(36,746)**	(35,637)
	57,071	63,555
Other current non-financial assets		
Advances paid and prepaid expenses	**45,497**	138,822
Taxes receivable, other than VAT	**35,003**	52,642
Other	**11,867**	10,794
Less: impairment allowance	**(3,546)**	(3,719)
	88,821	198,539
Total other current assets	**145,892**	262,094

As at December 31, 2020 and 2019 the above assets were non-interest bearing. As at December 31, 2020 trade accounts receivable of 155,998 million tenge are pledged as collateral (December 31, 2019: 71,296 million tenge).

Trade accounts receivable is denominated in the following currencies as of December 31, 2020 and December 31, 2019:

In millions of tenge	**December 31, 2020**	December 31, 2019
Tenge	**123,824**	118,870
US dollars	**235,099**	206,155
Romanian Leu	**57,637**	60,673
Euro	**6,059**	4,676
Other currency	**202**	7,383
	422,821	397,757

Movements in the allowance for ECL and impairment were as follows:

In millions of tenge		Individually impaired
	Trade accounts receivable and other current financial assets	**Other current non-financial assets**
As at December 31, 2018	**70,796**	**4,424**
Charge for the year, net *(Note 11)*	14,096	42
Written-off	(15,976)	(683)
Transfers and reclassifications	217	(64)
Foreign currency translation	(1,128)	–
As at December 31, 2019	**68,005**	**3,719**
Charge for the year, net (*Note 11*)	4,225	(65)
Written-off	(9,259)	(108)
Foreign currency translation	6,275	–
As at December 31, 2020	**69,246**	**3,546**

Set out below is the information about credit risk exposure on the Group's trade receivables using a provision matrix:

	Days past due					
In millions of tenge	current	<30 days	30-60 days	61-90 days	>91 days	Total
December 31, 2020						
ECL rate	0.18%	2.94%	2.66%	4.34%	81.01%	
Trade accounts receivable	398,752	12,361	2,844	2,845	38,519	455,321
ECL	(733)	(363)	(76)	(124)	(31,204)	(32,500)
December 31, 2019						
ECL rate	0.12%	1.19%	5.30%	3.37%	82.30%	
Trade accounts receivable	364,869	19,869	5,418	1,871	38,098	430,125
ECL	(427)	(236)	(287)	(63)	(31,355)	(32,368)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

21. LOANS AND RECEIVABLES DUE FROM RELATED PARTIES

In millions of tenge	December 31, 2020	December 31, 2019
At amortized cost:		
Loans due from related parties	**558,546**	509,003
Bonds receivable from Samruk-Kazyna *(Note 29)*	**17,312**	16,290
Lease receivable from a joint venture	**–**	4,458
Other	**2,470**	–
Less: allowance for ECL	**(3,947)**	(3,508)
	574,381	526,243
At fair value through profit or loss:		
Loans due from related parties	**138,024**	214,395
Note receivable from a shareholder of a joint venture	**–**	13,627
	138,024	228,022
Total loans and receivables due from related parties	**712,405**	754,265

Loans and receivables due from related parties are denominated in the following currencies:

In millions of tenge	December 31, 2020	December 31, 2019
Tenge	**398,896**	380,248
US dollars	**310,175**	370,593
Other foreign currencies	**3,334**	3,424
	712,405	754,265

In millions of tenge	December 31, 2020	December 31, 2019
Current portion	**27,795**	138,719
Non-current portion	**684,610**	615,546
	712,405	754,265

Movements in the allowance for ECL of loans and receivables due from related parties were as follows:

In millions of tenge	
As at December 31, 2018	3,963
Recovered, net	(447)
Foreign currency translation	(8)
As at December 31, 2019	3,508
Charged, net	**340**
Foreign currency translation	**99**
As at December 31, 2020	**3,947**

22. CASH AND CASH EQUIVALENTS

In millions of tenge	**December 31, 2020**	December 31, 2019
Term deposits with banks – US dollar	**435,119**	108,298
Term deposits with banks – tenge	**163,820**	210,354
Term deposits with banks – other currencies	**54,800**	6,450
Current accounts with banks – US dollar	**397,774**	633,231
Current accounts with banks – tenge	**75,369**	75,168
Current accounts with banks – other currencies	**10,370**	10,220
Cash in transit	**7,508**	19,991
Cash-on-hand and cheques	**1,138**	1,150
Less: ECL	**(34)**	(410)
	1,145,864	1,064,452

Term deposits with banks are made for various periods of between one day and three months, depending on the immediate cash requirements of the Group.

As at December 31, 2020, the weighted average interest rate for time deposits with banks was 0.37% in US dollars, 7.74% in tenge and 1.44% in other currencies, respectively (December 31, 2019: 2.02% in US dollars, 8.84% in tenge and 0.12% in other currencies, respectively).

As at December 31, 2020 and 2019, cash and cash equivalents were not pledged as collateral.

23. EQUITY

Share capital

Total number of outstanding, issued and paid shares comprises:

	December 31, 2019 and 2020
Number of shares issued and paid, including	610,119,493
Par value of 27,726.63 tenge	137,900
Par value of 10,000 tenge	20,719,604
Par value of 5,000 tenge	59,707,029
Par value of 2,500 tenge	71,104,187
Par value of 2,451 tenge	1
Par value of 1,000 tenge	1
Par value of 921 tenge	1
Par value of 858 tenge	1
Par value of 838 tenge	1
Par value of 704 tenge	1
Par value of 592 tenge	1
Par value of 500 tenge	458,450,766
Share capital (thousands of tenge)	916,540,545

As at December 31, 2020 and 2019, the Company had only one class of issued shares. As at December 31, 2020 and 2019, common shares in the number of 239,440,103 were authorized, but not issued. In 2020, there was no issuance of any ordinary share.

Additional paid-in capital (APIC)

Transfer of pipelines contributed by the Government due to termination of the trust management agreement

In 2020 the Group disposed gas pipeline assets obtained on trust management terms from the Government for 17,323 million tenge due to change in judgements *(Note 3)*. These pipelines were recognised within APIC in prior years. As of disposal date the book value of pipelines was 16,118 million tenge. The difference between cost and book value as of disposal date mainly represents depreciation of the pipelines, and was reversed from retained earnings.

23. EQUITY (continued)

Additional paid-in capital (APIC) (continued)

Transfer of difference between par and fair value of the loan received from Samruk-Kazyna to the Company due to the loan settlement

In 2020, the Group transferred the difference between par and fair value of loan received from Samruk-Kazyna of 10,971 million tenge, recognised in 2011 within APIC, to retained earnings due the fact that the loan payable was settled.

Transfer of excess of fair value over nominal value of the loan receivable, contributed by Samruk-Kazyna due settlement

In 2020, the Group transferred 3,519 million tenge, the difference between fair and nominal value of a loan receivable, from APIC to retained earnings. This loan represents the "Kazakhstan Note" receivable from CPC, and which was contributed to the Company in 2015, and fully settled in 2020 *(Note 29)*.

Dividends

In 2020, based on the decision of Samruk-Kazyna and National Bank of RK, the Company declared and paid-off dividends for 2019 of 133.97 tenge per common share in the total of 81,738 million tenge (2019: declared dividends for 2018 of 60.64 tenge per common share in the total of 36,998 million tenge).

In 2020, the Group declared and paid-off dividends to the non-controlling interest holders of KTO, KMGI and KMG EP in the total amount of 4,856 million tenge and 4,553 million tenge, respectively (2019: 4,138 million tenge and 5,693 million tenge, respectively).

Transactions with Samruk-Kazyna

In 2020, the Company provided Samruk-Kazyna additional interest-free financial aid tranches of 54,951 million tenge (2019: 54,720 million tenge) under a long-term financial aid agreement signed on December 25, 2015, with a current maturity in 2022 *(Note 29)*. In 2020, the difference between the fair value and nominal amount of the additional tranches of 11,617 million tenge (2019: 14,184 million tenge) was recognized as transactions with Samruk-Kazyna in the consolidated statement of changes in equity.

Distributions to Samruk-Kazyna

In 2020, in accordance with the Government decree on housing of the residents, living in Zhana-ozen town, the Group distributed 3,098 million tenge and paid 2,490 million tenge (2019: distributed and paid 568 million tenge).

In 2020, the Group accrued and settled additional distribution of 5,497 million tenge for to Samruk-Kazyna for social facilities construction in Turkestan city (2019: distributed and paid-off 1,773 million tenge and 22,673 million tenge, respectively).

Additionally, in 2020, the Company reversed its distribution to Samruk-Kazyna by 832 million tenge, which was recognised in prior years under the construction project of a kindergarden in Nur-Sultan city.

In 2019, the Company transferred to Samruk-Kazyna proceeds from the sale of its non-core assets of 3,853 million tenge, recognised as distribution to Samruk-Kazyna in accordance with the Government decrees and the decision of the Management Board of Samruk-Kazyna.

In 2019, under the construction project of the Palace of martial arts in Nur-Sultan city, the Group transferred cash of 9,203 million tenge to fulfill its commitments, recognized within distributions to Samruk-Kazyna in 2016-2017.

23. EQUITY (continued)

Book value per share

In accordance with the decision of KASE dated October 4, 2010 financial statements shall disclose book value per share (ordinary and preferred) as of the reporting date, calculated in accordance with the KASE rules.

In millions of tenge	**December 31, 2020**	December 31, 2019
Total assets	**14,653,287**	14,081,915
Less: intangible assets	**168,481**	171,172
Less: total liabilities	**6,016,608**	5,885,259
Net assets	**8,468,198**	8,025,484
Number of ordinary shares	**610,119,493**	610,119,493
Book value per ordinary share	**13.880**	13.154

Earnings per share

In 2020 and 2019, the weighted average number of common shares for basic and diluted earnings per share was 610,119,493, and earnings per share in net profit for the period was 282 tenge in 2020, and 1,899 tenge in 2019.

Non-controlling interest

The following tables illustrate information of subsidiaries in which the Group has significant non-controlling interests:

		December 31, 2020		December 31, 2019	
	Country of incorporation and operation	**Non-controlling shares**	**Carrying value**	Non-controlling shares	Carrying value
Rompetrol Downstream S.R.L.	Romania	**45.37%**	**53,065**	45.37%	51,591
KTO	Kazakhstan	**10.00%**	**47,314**	10.00%	44,733
Rompetrol Petrochemicals S.R.L.	Romania	**45.37%**	**15,338**	45.37%	5,518
KMG EP	Kazakhstan	**0.28%**	**5,447**	0.30%	9,733
Rompetrol Vega	Romania	**45.37%**	**(15,824)**	45.37%	(16,289)
Rompetrol Rafinare S.A.	Romania	**45.37%**	**(185,286)**	45.37%	(74,441)
Other			**8,305**		17,410
			(71,641)		38,255

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

23. EQUITY (continued)

Non-controlling interest (continued)

The following tables illustrate summarized financial information of subsidiaries on a stand-alone basis, in which the Group has significant non-controlling interests as at December 31, 2020 and for the year then ended:

In millions of tenge	Rompetrol Downstream S.R.L.	KTO	Rompetrol Petrochemicals S.R.L.	KMG EP	Rompetrol Vega	Rompetrol Rafinare S.A.
Summarized statement of financial position						
Non-current assets	101,670	523,992	3,072	1,329,294	30,643	131,929
Current assets	165,467	110,803	31,415	326,047	6,406	41,149
Non-current liabilities	(60,155)	(88,539)	(659)	(81,848)	(26,078)	(80,806)
Current liabilities	(90,026)	(79,066)	(22)	(107,727)	(45,847)	(500,643)
Total equity	116,956	467,190	33,806	1,465,766	(34,876)	(408,371)
Attributable to:						
Equity holder of the Parent Company	63,891	419,876	18,468	1,460,319	(19,052)	(223,085)
Non-controlling interest	53,065	47,314	15,338	5,447	(15,824)	(185,286)
Summarized statement of comprehensive income						
Revenue	495,075	235,222	–	718,825	58,229	790,412
Profit/(loss) for the year from continuing operations	2,505	73,267	1,840	127,124	4,528	(240,657)
Total comprehensive income/(loss) for the year, net of tax	3,249	69,936	21,642	65,600	1,025	(244,304)
Attributable to:						
Equity holder of the Parent Company	1,775	62,817	11,822	65,403	560	(133,458)
Non-controlling interest	1,474	7,119	9,820	197	465	(110,846)
Dividends declared to non-controlling interests	–	(4,538)	–	(16)	–	–
Summarized cash flow information						
Operating activity	10,357	94,608	–	131,498	4,607	84,236
Investing activity	1,108	(26,354)	–	(137,375)	(3,110)	(42,881)
Financing activity	(9,736)	(47,434)	–	(2,717)	(1,643)	(6,675)
Net increase/(decrease) in cash and cash equivalents	1,729	23,366	–	(1,727)	(146)	34,680

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

23. EQUITY (continued)

Non-controlling interest (continued)

The following tables illustrate summarized financial information of subsidiaries on a stand-alone basis, in which the Group has significant non-controlling interests as at December 31, 2019 and for the year then ended:

In millions of tenge	Rompetrol Downstream S.R.L.	KTO	Rompetrol Petrochemicals S.R.L.	KMG EP	Rompetrol Vega	Rompetrol Rafinare S.A.
Summarized statement of financial position						
Non-current assets	114,262	490,914	3,800	893,471	27,272	102,697
Current assets	135,270	104,433	9,024	1,235,457	9,511	219,194
Non-current liabilities	(56,084)	(78,008)	(643)	(75,452)	(24,905)	(93,091)
Current liabilities	(79,741)	(74,699)	(19)	(167,393)	(47,778)	(392,868)
Total equity	113,707	442,640	12,162	1,886,083	(35,900)	(164,068)
Attributable to:						
Equity holder of the Parent Company	62,116	397,907	6,644	1,876,350	(19,611)	(89,627)
Non-controlling interest	51,591	44,733	5,518	9,733	(16,289)	(74,441)
Summarized statement of comprehensive income						
Revenue	610,232	239,626	–	1,119,068	85,831	1,316,167
Profit/(loss) for the year from continuing operations	6,884	56,653	19,830	272,863	10,657	(143,227)
Total comprehensive income/(loss) for the year, net of tax	6,511	53,448	19,471	267,684	10,792	(141,676)
Attributable to:						
Equity holder of the Parent Company	3,557	48,045	10,637	266,518	5,895	(77,204)
Non-controlling interest	2,954	5,403	8,834	1,166	4,897	(64,472)
Dividends declared to non-controlling interests	–	(3,999)	–	(16)	–	–
Summarized cash flow information						
Operating activity	11,581	94,060	1	237,576	3,666	70,429
Investing activity	3,183	(57,033)	–	(368,188)	(3,541)	(26,015)
Financing activity	(14,590)	(41,853)	–	(4,457)	(46)	(43,941)
Net increase/(decrease) in cash and cash equivalents	174	(4,630)	1	(139,237)	79	473

24. BORROWINGS

In millions of tenge	December 31, 2020	December 31, 2019
Fixed interest rate borrowings	**3,394,958**	3,146,477
Weighted average interest rates	**5.50%**	5.48%
Floating interest rate borrowings	**683,490**	691,027
Weighted average interest rates (*Note 30*)	**4.38%**	5.73%
	4,078,448	3,837,504

Borrowings are denominated in the following currencies as of December 31,

In millions of tenge	2020	2019
US dollar	**3,669,668**	3,555,347
Tenge	**318,034**	271,776
Russian ruble	**85,223**	–
Euro	**2,319**	2,881
Other currencies	**3,204**	7,500
	4,078,448	3,837,504

In millions of tenge	December 31, 2020	December 31, 2019
Current portion	**361,556**	253,428
Non-current portion	**3,716,892**	3,584,076
	4,078,448	3,837,504

As at December 31, 2020 and as at December 31, 2019, the bonds comprised:

In millions of tenge	Issuance amount	Redemption date	Interest	December 31, 2020	December 31, 2019
Bonds					
Bonds LSE 2020	750 million USD	2033	3.50%	**317,474**	–
AIX 2019	56 billion KZT	2024	5.00%	**45,192**	52,843
Bonds LSE 2018	1.5 billion USD	2048	6.375%	**631,832**	574,230
Bonds LSE 2018	1.25 billion USD	2030	5.375%	**530,776**	482,393
Bonds LSE 2018	0.5 billion USD	2025	4.75%	**212,117**	192,764
Bonds LSE 2017	1.25 billion USD	2047	5.75%	**516,505**	468,940
Bonds LSE 2017	1 billion USD	2027	4.75%	**419,390**	380,413
Bonds ISE 2017	750 million USD	2027	4.375%	**299,934**	289,487
Bonds LSE 2017	0.5 billion USD	2022	3.88%	–	191,694
Bonds LSE 2013	1 billion USD	2023	4.40%	–	154,442
Other	–	–	–	**4,593**	4,518
Total				**2,977,813**	2,791,724

In October – November, 2020, the Company made an early full repayment of bonds due 2022 and 2023 with nominal value of 906,564 thousand US dollars (equivalent to 392,214 million tenge). Bond repayment fee was 49 million US dollars (equivalent to 21,057 million tenge) *(Note 13).*

In October, 2020, the Company placed bonds for 750 million US dollars (equivalent to 321,698 million tenge) at coupon interest rate of 3.5% per annum and due 2033.

In May 2020, KTG made an early partial repayment of bonds placed at ISE for the total amount of 41 million US dollars (equivalent to 17,816 million tenge) with bonds repayment gain of 927 million tenge *(Note 13).*

In April, 2019, the Company made early repayment of Eurobonds with maturity date of 2044 for 31 million US dollars (equivalent to 11,909 million tenge), including premium, coupon payments and consent fee.

24. BORROWINGS (continued)

As at December 31, 2020 and as at December 31, 2019, the borrowings comprised:

In millions of tenge	Issuance amount	Redemption date	Interest	31 December 2020	31 December 2019
Loans					
The Export-Import Bank of China (EXIM)	1.13 billion USD	2026	6M Libor + 4.10%	**287,387**	350,042
Development bank of Kazakhstan JSC (DBK) *(Note 29)*	230 billion KZT	2022-2030	7.00%-13.67%	**166,377**	138,313
The Syndicate of banks *(Unicredit Tiriac Bank, ING Bank, BCR, Raiffeisen Bank)*	435 million USD[2]	2021-2023	1M Libor + 2.75%, 1M Libor + 2.50%, 1M Robor + 2.00%, 1M Robor +1.50%,ON Libor + 2.50%, 1W Libor + 2.50%	**118,228**	99,554
DBK *(Note 29)*	1.1 billion USD	2023-2025	6M Libor + 4.00%, 5.00%, 10.99%	**107,318**	131,022
VTB Bank Kazakhstan and VTB Bank (PJSC)	15 billion RUB	2023	Key Rate of Central Bank of Russia Federation + 2.15%	**85,223**	–
Japan Bank for International Cooperation	297.5 million USD	2025	2.19% + CIRR	**60,098**	65,254
Halyk bank JSC (Halyk bank)	100 million USD[1]	2023	5.00%	**42,145**	38,323
Halyk bank	41 billion KZT	2024	11.00%	**41,207**	–
Bank of Tokyo-Mitsubishi UFJ, Ltd (London Branch)	150 million USD	2021	COF (0.18%) + 1.50%	**38,215**	–
ING Bank NV	250 million USD	2021	COF (0.28%) + 2.00%	**35,029**	–
European Bank for Reconstruction and Development (EBRD)	68 billion KZT	2026	3M CPI + 50 basis points + 2.15%	**33,786**	42,940
EBRD	39 billion KZT	2026	6M CPI + 100 basis points + 2.15%	**24,278**	24,573
Credit Agricole	300 million USD	2021	COF (0.29%) + 2.00%	**14,862**	874
The Syndicate of banks (*Citibank, N.A. London Branch, Mizuho Bank Ltd., MUFG Bank Ltd., Société Générale, ING Bank and ING Bank N.V.*)	200 million USD	2021	3M Libor + 1.35%	**–**	76,442
Halyk bank	150 million USD	2024	5.25%	**–**	52,771
Other	–	–	–	**46,482**	25,672
Total				**1,100,635**	1,045,780

[1]revolving credit facility
[2]75 million USD with revolving credit facility

24. BORROWINGS (continued)

In 2020, Atyrau refinery made partial repayment of the loan from Eximbank for 289 million US dollars (equivalent to 112,494 million tenge), including accrued interest.

In 2020, Atyrau refinery and KTG received an additional long-term loan under the loan agreement with DBK for the total amount of 49,609 million tenge and made a partial redemption of existing loans for 27,832 million tenge, including accrued interest.

In 2020, Atyrau refinery and Pavlodar refinery, made a partial repayment of the loan from DBK for 98 million US dollars (equivalent to 39,005 million tenge), including accrued interest.

In November, 2020, KTG received a long-term loan from VTB Bank Kazakhstan and VTB Bank (PJSC) for the total amount of 15,152 million Russian rubles (equivalent to 84,621 million tenge) at the rate of Key Rate of Central Bank of Russia + 2.15% per annum and maturity of 3 years. KTG used proceeds from these loans to make a full early repayment of its syndicated loan of 205 million US dollars (equivalent to 86,971 million tenge), including accrued interest. This syndicated loan was raised to partially fund a strategic project – construction of three compressor stations at MG "Beineu-Bozoi-Shymkent".

In December, 2020, Atyrau refinery received a long-term loan from Halyk bank for the total amount of 41,089 million tenge with 11% interest rate and maturity of 4 years, and used it to fully refinance its long-term loan from Halyk bank for 144 million US dollars (equivalent to 59,007 million tenge), including accrued interest.

In 2020, KMGI received and repaid short-term loans to finance working capital from Bank of Tokyo-Mitsubishi UFJ, Ltd (London Branch) at the rate of COF (0.18%) + 1.50% for 91 million US dollars (equivalent to 37,539 million tenge).

In 2020, KMGI received and repaid short-term loans to finance working capital from ING Bank NV at the rate of COF (0.28%) + 2.00% for 83 million US dollars (equivalent to 34,409 million tenge).

In 2020, KTG made a partial repayment of the loan from EBRD for the total amount of 12,696 million tenge, including accrued interest.

In 2020, KMGI received and repaid short-term loans to finance working capital from Credit Agricole at the rate of COF (0.29%) + 2.00% for 33 million US dollars (equivalent to 13,655 million tenge).

In 2019, the Company derecognized a loan from partners of the Pearls project under the carried interest arrangement for the total amount of 110,930 million tenge, including an interest of 3,543 million tenge, since the partners of the project decided to voluntarily relinquish the contract area under the Pearls PSA (*Note 13*).

On January 10, 2019, Atyrau refinery placed bonds at Astana International Exchange (AIX) for the total amount of 56,223 million tenge (equivalent to 150 million US dollars) with interest rate of 5% and maturity of 5 years. On January 10, 2019, Samruk-Kazyna purchased these bonds for 56,223 million tenge. On January 11, 2019, Atyrau refinery received long-term loan from Halyk bank of 150 million US dollars (equivalent to 56,195 million tenge), with 5% interest rate for the first year (since the second year the interest year is 5.25%) and maturity of 5 years.

Proceeds from the borrowings above in the total amount of 300 million US dollars (equivalent to 113,016 million tenge) were used to make an early repayment of loan principal of Atyrau refinery borrowings from DBK, raised to fund a strategic investment project – construction of the aromatic hydrocarbons production unit. In December 2019, Atyrau refinery received long-term loan from DBK of 32,938 million tenge with 7.99% nominal interest rate and maturity of 7 years to finance the oil processing plant modernisation.

In 2019, the Group made an additional repayment of the borrowings from DBK for 77,182 million tenge and the bonds held by DBK (Bonds KASE 2009 with a number of 16 million bonds) for 43,868 million tenge, including accrued interest.

In 2019, Atyrau refinery has made partial repayment of the loan from Eximbank for 197 million US dollars (equivalent to 74,968 million tenge), including accrued interest.

In 2019, KMGI made the repayments to BNP Paribas and partly repaid Syndicated loan a number of other banks amounted to 65 million US dollars (equivalent to 24,821 million tenge), including accrued interest, of its short-term loans used to finance working capital.

In May 2019, KMGI made a full early repayment of its Club loan for 47 million US dollars (equivalent to 17,739 million tenge), including accrued interest.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

24. BORROWINGS (continued)

Changes in liabilities arising from financing activities:

	2020				2019			
In millions of tenge	Short-term loans	Long-term loans	Bonds	Total	Short-term loans	Long-term loans	Bonds	Total
On January 1	70,843	974,937	2,791,724	3,837,504	81,813	1,258,009	2,813,416	4,153,238
Received in cash	169,088	186,641	321,250	676,979	103,608	111,941	56,223	271,772
Repayment of principal in cash	(64,921)	(299,501)	(442,933)	(807,355)	(112,416)	(274,435)	(57,805)	(444,656)
Derecognition of loan *(Note13)*	–	–	–	–	–	(111,476)	–	(111,476)
Interest accrued	7,265	64,931	163,890	236,086	4,765	73,495	152,708	230,968
Interest paid	(7,278)	(64,953)	(164,192)	(236,423)	(4,906)	(71,043)	(162,405)	(238,354)
Interest capitalized *(Note 14)*	–	2,890	–	2,890	–	2,525	–	2,525
Discount *(Note 13)*	–	(11,002)	–	(11,002)	–	(7,781)	–	(7,781)
Bonds redemption fee *(Note 13)*	–	–	21,057	21,057	–	–	–	–
Bonds redemption gain *(Note 13)*	–	–	(927)	(927)	–	–	–	–
Foreign currency translation	4,790	9,164	205,725	219,679	(199)	(422)	(10,332)	(10,953)
Foreign exchange loss/(gain)	4,583	54,367	82,365	141,315	(1,932)	(5,237)	(197)	(7,366)
Other	–	(1,209)	(146)	(1,355)	110	(639)	116	(413)
On December 31	184,370	916,265	2,977,813	4,078,448	70,843	974,937	2,791,724	3,837,504
Current portion	184,370	133,094	44,092	361,556	70,843	141,447	41,138	253,428
Non-current portion	–	783,171	2,933,721	3,716,892	–	833,490	2,750,586	3,584,076

Covenants

The Group is required to ensure execution of the financial and non-financial covenants under the terms of loan agreements. As of December 31, 2020 and 2019, the Group complied with all financial and non-financial covenants.

24. BORROWINGS (continued)

Hedge of net investment in the foreign operations

As at December 31, 2020 certain borrowings denominated in foreign currency were designated as hedge instrument for the net investment in the foreign operations. These borrowings are being used to hedge the Group's exposure to the US dollar foreign exchange risk on these investments. In 2020, loss of 205,725 million tenge (2019: gain of 10,332 million tenge) on the translation of these borrowings were transferred to other comprehensive income and offset against translation gains and losses of the net investments in foreign operations.

There is an economic relationship between the hedged item and the hedging instrument as the net investment creates a translation risk that will match the foreign exchange risk on the US Dollars borrowings. The Group has established a hedge ratio of 1:1 as the underlying risk of the hedging instrument is identical to the hedged risk component. The hedge ineffectiveness will arise when the amount of the investment in the foreign subsidiary becomes lower than the amount of the fixed rate borrowings. As at December 31, 2020 and 2019, there was no ineffective portion of the hedge.

25. PROVISIONS

In millions of tenge	Asset retirement obligations	Provision for environmental obligation	Provision for taxes	Provision for gas transportation	Employee benefit obligations	Other	Total
As at December 31, 2018	116,236	62,978	20,334	28,083	47,479	53,158	328,268
Foreign currency translation	(83)	(167)	(13)	(118)	–	69	(312)
Change in estimate	25,990	(7)	–	–	–	50	26,033
Unwinding of discount *(Note 13)*	10,005	3,670	–	–	3,559	144	17,378
Provision for the year	4,618	2,888	4,393	–	11,568	40,473	63,940
Recovered	(208)	(4,490)	(5,865)	–	–	(18,116)	(28,679)
Use of provision	(2,164)	(4,526)	(1,147)	–	(3,547)	(16,677)	(28,061)
Transfers and reclassifications	–	–	482	–	–	(1,922)	(1,440)
As at December 31, 2019	154,394	60,346	18,184	27,965	59,059	57,179	377,127
Foreign currency translation	**2,258**	**3,706**	**(1)**	**2,801**	**922**	**5,370**	**15,056**
Change in estimate	**13,049**	**(1,421)**	–	–	–	**(3)**	**11,625**
Unwinding of discount *(Note 13)*	**11,001**	**2,242**	–	–	**3,605**	**130**	**16,978**
Provision for the year	**886**	**5,454**	**722**	–	**13,099**	**15,857**	**36,018**
Recovered	**(1,189)**	–	**(1,451)**	–	–	**(5,041)**	**(7,681)**
Use of provision	**(664)**	**(5,326)**	**(7,019)**	–	**(6,767)**	**(62,958)**	**(82,734)**
As at December 31, 2020	**179,735**	**65,001**	**10,435**	**30,766**	**69,918**	**10,534**	**366,389**

Provision for gas transportation relates to the Group's commitment on reimbursement of losses incurred by PetroChina International Co. Ltd (PetroChina). Under the agreement of gas borrowing the Group has commitments to PetroChina to reimburse the supported costs and losses incurred by PetroChina due to gas borrowing and its return. Detailed description of significant provisions, including critical estimates and judgments used, is included in *Note 4*.

Current portion and long-term portion are segregated as follows:

In millions of tenge	Asset retirement obligations	Provision for environmental obligation	Provision for taxes	Provision for gas transport-tation	Employee benefit obligations	Other	Total
Current portion	**700**	**8,094**	**10,435**	**30,766**	**5,691**	**7,549**	**63,235**
Long-term portion	**179,035**	**56,907**	–	–	**64,227**	**2,985**	**303,154**
As at December 31, 2020	**179,735**	**65,001**	**10,435**	**30,766**	**69,918**	**10,534**	**366,389**
Current portion	805	7,728	18,184	27,965	6,425	42,431	103,538
Long-term portion	153,589	52,618	–	–	52,634	14,748	273,589
As at December 31, 2019	154,394	60,346	18,184	27,965	59,059	57,179	377,127

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

26. TRADE ACCOUNTS PAYABLE AND OTHER CURRENT FINANCIAL AND NON-FINANCIAL LIABILITIES

In millions of tenge	**December 31, 2020**	December 31, 2019
Other current financial liabilities		
Due to employees	**54,741**	51,613
Financial guarantees	**5,240**	5,866
Dividends payable	**195**	354
Other	**26,264**	35,306
	86,440	93,139
Other current non-financial liabilities		
Contract liabilities	**117,956**	184,362
Other	**11,065**	25,515
	129,021	209,877
Total other financial and non-financial current liabilities	**215,461**	303,016
Trade accounts payable	**536,922**	667,861

Trade accounts payable is denominated in the following currencies as of December 31:

In millions of tenge	**December 31, 2020**	December 31, 2019
Tenge	**249,108**	328,538
US dollars	**221,097**	280,742
Romanian Leu	**44,457**	42,740
Euro	**6,558**	3,196
Other currency	**15,702**	12,645
Total	**536,922**	667,861

As at December 31, 2020 and 2019, trade accounts payable and other current financial liabilities were not interest bearing.

27. OTHER TAXES PAYABLE

In millions of tenge	**December 31, 2020**	December 31, 2019
VAT	**90,883**	19,376
Mineral Extraction Tax	**10,147**	19,037
Rent tax on crude oil export	**10,054**	29,586
Individual income tax	**5,746**	6,135
Social tax	**5,691**	4,639
Excise tax	**2,239**	2,163
Withholding tax from non-residents	**1,556**	1,873
Other	**3,947**	3,857
	130,263	86,666

28. INCOME TAX EXPENSE

As at December 31, 2020 income taxes prepaid of 70,301 million tenge (2019: 54,517 million tenge) are mainly represented by corporate income tax. As at December 31, 2020 income taxes payable of 8,967 million tenge (2019: 13,011 million tenge) are mainly represented by corporate income tax.

Income tax expense comprised the following for the years ended December 31:

In millions of tenge	2020	2019
Current income tax		
Corporate income tax	**73,499**	146,658
Excess profit tax	**(194)**	11,291
Withholding tax on dividends and interest income	**9,416**	12,893
Deferred income tax		
Corporate income tax	**546**	(1,999)
Excess profit tax	**(2,985)**	(4,904)
Withholding tax on dividends	**26,021**	62,241
Income tax expenses	**106,303**	226,180

A reconciliation of income tax expenses applicable to profit before income tax at the statutory income tax rate (20% in 2020 and 2019) to income tax expenses was as follows for the years ended December 31:

In millions of tenge	2020	2019
Profit before income tax from continuing operations	**278,200**	1,384,631
Profit before income tax from discontinued operations	**–**	6
Statutory tax rate	**20%**	20%
Income tax expense on accounting profit	**55,640**	276,926
Share in profit of JVs and associates	**(76,218)**	(103,138)
Other non-deductible expenses and non-taxable income	**49,874**	36,913
Excess profit tax	**(3,179)**	6,387
Effect of different corporate income tax rates	**30,039**	13,047
Change in unrecognized deferred tax assets	**50,147**	(3,955)
Income tax expense	**106,303**	226,180

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

28. INCOME TAX EXPENSE (continued)

Deferred tax balances, calculated by applying the statutory tax rates effective at the respective reporting dates to the temporary differences between the tax basis of assets and liabilities and the amounts reported in the consolidated financial statements, are comprised of the following at December 31:

In millions of tenge	2020 Corporate income tax	2020 Excess profit tax	2020 Withholding tax	2020 Total	2019 Corporate income tax	2019 Excess profit tax	2019 Withholding tax	2019 Total
Deferred tax assets								
Property, plant and equipment	**35,848**	**–**	**–**	**35,848**	34,880	–	–	34,880
Tax loss carryforward	**591,813**	**–**	**–**	**591,813**	556,446	–	–	556,446
Employee benefits related accruals	**5,342**	**–**	**–**	**5,342**	5,182	82	–	5,264
Impairment of financial assets	**13**	**–**	**–**	**13**	11	–	–	11
Environmental liability	**4,296**	**–**	**–**	**4,296**	4,572	256	–	4,828
Other	**52,186**	**–**	**–**	**52,186**	51,985	3,893	–	55,878
Less: unrecognized deferred tax assets	**(582,261)**	**–**	**–**	**(582,261)**	(532,114)	–	–	(532,114)
Less: deferred tax assets offset with deferred tax liabilities	**(48,647)**	**–**	**–**	**(48,647)**	(50,721)	(758)	–	(51,479)
Deferred tax assets	**58,590**	**–**	**–**	**58,590**	70,241	3,473	–	73,714
Deferred tax liabilities								
Property, plant and equipment	**179,394**	**392**	**–**	**179,786**	191,989	7,608	–	199,597
Undistributed earnings of JV	**–**	**–**	**419,083**	**419,083**	–	–	356,581	356,581
Other	**5,672**	**–**	**–**	**5,672**	4,763	–	–	4,763
Less: deferred tax assets offset with deferred tax liabilities	**(48,647)**	**–**	**–**	**(48,647)**	(50,721)	(758)	–	(51,479)
Deferred tax liabilities	**136,419**	**392**	**419,083**	**555,894**	146,031	6,850	356,581	509,462
Net deferred tax liability	**77,829**	**392**	**419,083**	**497,304**	75,790	3,377	356,581	435,748

28. INCOME TAX EXPENSE (continued)

Deferred corporate income tax and excess profit tax are determined with reference to individual subsoil use contracts. Deferred corporate income tax is also determined for activities outside of the scope of subsoil use contracts. A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realized. Unrecognized deferred tax asset arising mainly from tax losses carry forward amounted to 582,261 million tenge as at December 31, 2020 (2019: 532,114 million tenge).

Tax losses carry forward as at December 31, 2020 and 2019 in the RK expire for tax purposes after ten years from the date they are incurred.

The movements in the deferred tax liability/ (asset) were as follows:

In millions of tenge	**2020 Corporate income tax**	**2020 Excess profit tax**	**2020 Withhol-ding tax**	**2020 total**	2019 Corporate income tax	2019 Excess profit tax	2019 Withhol-ding tax	2019 total
Net deferred tax liability as at January 1	**75,790**	**3,377**	**356,581**	**435,748**	77,856	8,281	295,580	381,717
Foreign currency translation	**1,601**	**–**	**36,481**	**38,082**	1,112	–	(1,240)	(128)
Tax expense/(income) during the year recognized in profit and loss	**546**	**(2,985)**	**26,021**	**23,582**	(1,999)	(4,904)	62,241	55,338
Tax income during the year recognized in OCI	**(108)**	**–**	**–**	**(108)**	(1,179)	–	–	(1,179)
Net deferred tax liability as at December 31	**77,829**	**392**	**419,083**	**497,304**	75,790	3,377	356,581	435,748

29. RELATED PARTY DISCLOSURES

Terms and conditions of transactions with related parties

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. Outstanding balances at the year-end are mainly unsecured and interest free and settlement occurs in cash, except as indicated below. The Group recognizes allowances for ECL on amounts owed by related parties.

Transactions balances

The following table provides the balances of transactions with related parties as at December 31, 2020 and 2019:

In millions of tenge	December 31,	Due from related parties	Due to related parties	Cash and deposits placed with related parties	Borrowings payable to related parties
Samruk-Kazyna entities	**2020**	**402,272**	**5,921**	–	**45,192**
	2019	327,597	6,168	–	52,843
Associates	**2020**	**4,345**	**3,541**	–	–
	2019	56,331	3,814	–	–
Other state-controlled parties	**2020**	**4,116**	**113**	**126,443**	**273,695**
	2019	6,381	712	192,548	269,335
JVs	**2020**	**357,832**	**246,555**	–	–
	2019	519,351	217,027	–	–

Due from related parties

Samruk-Kazyna entities

As at December 31, 2020 due from Samruk-Kazyna entities is mainly represented by the bonds receivable from the Samruk-Kazyna of 17,265 million tenge, net of ECL (December 31, 2019: 16,241 million tenge) (*Note 21*) and the financial aid provided to Samruk-Kazyna for 379,159 million tenge, net of ECL (December 31, 2019: 307,568 million tenge) *(Note 23)*.

Due from/to related parties

JVs

As at December 31, 2020 due from JVs were mainly represented by the loans given to BSP of 172,151 million tenge (December 31, 2019: 202,669 million tenge), PKOP of 96,958 million tenge (December 31, 2019: 110,172 million tenge), UGL of 41,066 million tenge (December 31, 2019: 48,752 million tenge) and advances paid to TCO for 16,094 million tenge (December 31, 2019: 92,435 million tenge) under crude oil and LPG purchase contract.

As at December 31, 2020 due to JVs were mainly represented by accounts payable to BSP of 47,821 million tenge (December 31, 2019: 95,908 million tenge) and AGP for gas transportation of 36,625 million tenge (December 31, 2019: 39,323 million tenge), for gas purchases to KRG for 54,985 million tenge (December 31, 2019: 30,477 million tenge), and for crude oil to TCO for 67,578 million tenge (December 31, 2019: nil).

Cash and deposits placed with related parties

Other state-controlled parties

As at December 31, 2020 the cash and deposits placed with related parties are mainly attributable to the deposit placed by the Company for 300 million US dollars (equivalent to 126,273 million tenge) at a market rate (December 31, 2019: 500 million US dollars, equivalent to 192,547 million tenge).

On February 1, 2021, the Company withdraw its deposit for 100 million US dollars (equivalent to 42,422 million tenge). The maturity of the deposit was extended to July 30, 2021.

29. RELATED PARTY DISCLOSURES (continued)

Borrowings payable to related parties

Other state-controlled parties

As at December 31, 2020 the borrowings payable to related parties are represented by loans received from DBK by Atyrau refinery, Pavlodar refinery and KTG of 273,695 million tenge (December 31, 2019: 269,335 million tenge) (*Note 24*).

Proceeds from loans given to related parties

In 2020 the Group received proceeds from principal and interest redemption of the loan issued to PKOP for 24,588 million tenge and 5,492 million tenge, respectively (2019: 21,995 million tenge and 7,954 million tenge, respectively), BSP for 48,133 million tenge and 9,336 million tenge, respectively (2019: 25,661 million tenge and 6,327 million tenge, respectively) and proceeds from interest on the CPC for 9,596 million tenge (2019: 12,656 million tenge) and "Kazakhstan Note" for 37,847 million tenge (2019: 47,663 million tenge) (Note 23).

Transactions turnover

The following table provides the total amount of transactions, which have been entered into with related parties during 2020 and 2019:

In millions of tenge		Sales to related parties	Purchases from related parties	Interest earned from related parties	Interest incurred to related parties
Samruk-Kazyna entities	**2020**	**13,793**	**24,316**	**30,055**	**2,293**
	2019	42,250	20,030	24,054	2,841
Associates	**2020**	**21,000**	**24,710**	**2,740**	**–**
	2019	19,565	40,930	8,892	–
Other state-controlled parties	**2020**	**42,880**	**18,765**	**12,035**	**26,567**
	2019	7,149	3,540	1,300	20,728
JVs	**2020**	**322,894**	**1,128,533**	**31,397**	**4,763**
	2019	307,075	1,511,600	43,324	11,183

Sales to related parties/ Purchases from related parties

JVs

In 2020, sales to JVs were mainly represented by transportation and cargo servicing provided to TCO for 34,399 million tenge (2019: 64,246 million tenge), sale of compressor station to BSP for 43,667 million tenge (2019: 32,696 million tenge) *(Note 14)*, transportation charges and oil servicing provided to MangystauMunaiGas, subsidiary of MIBV, for 53,951 million tenge and for 72,251 million tenge, respectively (2019: 59,235 million tenge and 79,281 million tenge, respectively).

In 2020, purchases from JVs were mainly attributable to purchases of crude oil from TCO to perform the oil delivery customer contract for 687,896 million tenge (2019: 1,131,890 million tenge), and transportation services provided by BSP for 201,524 million tenge (2019: 172,894 million tenge) and AGP for 106,160 million tenge (2019: 97,904 million tenge).

Key management employee compensation

Total compensation to key management personnel (members of the Boards of directors and the Management boards) included in general and administrative expenses in the accompanying consolidated statement of comprehensive income was equal to 8,159 million tenge and 11,399 million tenge for the years ended December 31, 2020 and 2019, respectively. Compensation to key management personnel mainly consists of contractual salary and performance bonus based on operating results.

30. FINANCIAL RISK MANAGEMENT, OBJECTIVES AND POLICIES

The Group's principal financial instruments mainly consist of borrowings, loans given, financial guarantees, cash and cash equivalents, bank deposits as well as accounts receivable and accounts payable. The Group is exposed to interest rate risk, foreign currency risk and credit risk. The Group further monitors the market risk and liquidity risk arising from all financial instruments.

Market risk

The Group takes on exposure to market risks. Market risks arise from open positions in interest rate, currency, and securities, all of which are exposed to general and specific market movements. The Group manages market risk through periodic estimation of potential losses that could arise from adverse changes in market conditions and establishing appropriate margin and collateral requirements. The sensitivity analyses in the following sections relate to the position as of December 31, 2020 and 2019.

Foreign currency risk

As a result of significant borrowings and accounts payable denominated in the US dollars, the Group's consolidated statement of financial position can be affected significantly by movement in the US dollar / tenge exchange rates. The Group also has transactional currency exposures. Such exposure arises from revenues in the US dollars. The Group has a policy on managing its foreign currency risk in US dollar by matching US dollar denominated financial assets with US dollar denominated financial liabilities. The following table demonstrates the sensitivity to a reasonably possible change in the US dollar exchange rate, with all other variables held constant, of the Group's profit before income tax (due to changes in the cash flows of monetary assets and liabilities). The sensitivity of possible changes in exchange rates for other currencies are not considered due to its insignificance to the consolidated financial results of Group's operations.

In millions of tenge	Increase/ (decrease) in tenge to US dollar exchange rate	Effect on profit before tax
2020	**+14%**	**(335,219)**
	(11%)	**263,387**
2019	+12%	(291,448)
	(9%)	218,586

Interest rate risk

Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates. The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's long-term borrowings with floating interest rates. The Group's policy is to manage its interest rate cost using a mix of fixed and variable rate borrowings.

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the Group's profit before income tax (through the impact on floating rate borrowings). There is no significant impact on the Group's equity.

In millions of tenge	Increase/ decrease in basis points	Effect on profit before tax
2020	**+1.00**	**(6,835)**
LIBOR	**-0.25**	**1,709**
2019		
LIBOR	+0.35	(2,419)
	(0.35)	2,419

30. FINANCIAL RISK MANAGEMENT, OBJECTIVES AND POLICIES (continued)

Credit risk

The Group trades only with recognized, creditworthy parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant. The maximum exposure is the carrying amount as disclosed in *Note 13*. There are no significant concentrations of credit risk within the Group.

With respect to credit risks arising on other financial assets of the Group, which comprise cash and cash equivalents, bank deposits, loans and receivables from related parties and other financial assets, the Group's exposure to credit risks arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments.

The table below shows the risk profile of the Group's cash and cash equivalents, short-term and long-term deposits held in banks as at 31 December 2020 and 2019 using the Fitch credit ratings, or in their absence, using their equivalent rates in S&P and Moody's:

%	As at 31 December	
	2020	2019
AA- to A+	12%	27%
A to A-	30%	8%
BBB+ to BBB-	16%	22%
BB+ to BB-	41%	39%
B+ to B-	1%	4%

Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in raising funds to meet commitments associated with its financial liabilities. Liquidity risk may result from an inability to sell a financial asset quickly at close to its fair value.

Liquidity requirements are monitored on a regular basis and management ensures that sufficient funds are available to meet any commitments as they arise.

The table below summarises the maturity profile of the Group's financial liabilities as at December 31, 2020 and 2019 based on contractual undiscounted payments.

In millions of tenge	On demand	Due later than one month but not later than three months	Due later than three month but not later than one year	Due later than one year but not later than five years	Due after 5 years*	Total
As at December 31, 2020						
Borrowings*	**64,664**	**15,128**	**449,943**	**1,699,247**	**4,607,751**	**6,836,733**
Trade accounts payable	**208,648**	**318,195**	**10,079**	**–**	**–**	**536,922**
Financial guarantees**	**–**	**16,339**	**48,734**	**172,619**	**313**	**238,005**
Lease liabilities	**395**	**515**	**16,061**	**26,236**	**20,448**	**63,655**
Other financial liabilities	**33,377**	**23,337**	**24,486**	**11,096**	**54,586**	**146,882**
	307,084	**373,514**	**549,303**	**1,909,198**	**4,683,098**	**7,822,197**
As at December 31, 2019						
Borrowings*	68,135	15,905	325,822	1,750,799	4,358,675	6,519,336
Trade accounts payable	255,550	368,492	43,819	–	–	667,861
Financial guarantees**	–	15,953	43,699	207,850	626	268,128
Lease liabilities	4,922	204	5,795	26,026	10,419	47,366
Other financial liabilities	13,249	8,391	8,570	8,207	1,901	40,318
	341,856	408,945	427,705	1,992,882	4,371,621	7,543,009

*The Group excludes from the maturity profile table the borrowings payable to project partners under the carry-in financing agreements, due to the uncertainty of maturity of these loans. As of December 31, 2020, the borrowings due to partners were 7,175 million tenge (December 31, 2019: 2,683 million tenge).

** The Group includes financial guarantees to the maturity profile table, however, the cash outflow in relation to financial guarantees is subject to certain conditions. Financial guarantee is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because of specified debtor fails to make payment when due in accordance with the original or modified terms of debt instrument. In 2020 and 2019 there was no significant instances of financial guarantees execution.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

30. FINANCIAL RISK MANAGEMENT, OBJECTIVES AND POLICIES (continued)

Capital management

The primary objective of the Group's capital management is to maximise the shareholder value. The Group manages its capital to ensure that Group will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance.

The Company seeks to maintain a prudent capital structure to support its capital investment plans and maintain investment grade credit rating through the cycle.

Maintaining sufficient financial flexibility is considered strategically important to mitigate industry cyclicality while also enabling the pursuit of organic and inorganic investment opportunities. The Company has a comprehensive and disciplined internal approval process for capital expenditures, new projects and debt incurrence.

For the purpose of the Group's capital management, the capital structure of the Group consists of borrowings disclosed in *Note 24* less cash (*Note 22*) and short-term deposits (*Note 17*) and equity, comprising share capital, additional paid-in capital, other reserves and retained earnings as disclosed in *Note 23.*

The Group's management regularly reviews the capital structure. As part of this review, management considers the cost of capital and the risks associated with each class of capital. Also to achieve this overall objective, the Group's capital management, among other things, aims to ensure that it meets financial covenants attached to borrowings that define capital structure requirements. There have been no breaches of the financial covenants of any borrowing in the years ended December 31, 2020 and 2019 (*Note 24*).

In millions of tenge	**December 31, 2020**	December 31, 2019
Borrowings	**4,078,448**	3,837,504
less: cash and short-term bank deposits	**1,428,336**	1,423,956
Net debt	**2,650,112**	2,413,548
Equity	**8,636,679**	8,196,656
Capital and net debt	**11,286,791**	10,610,204

No changes were made in the overall strategy, objectives, policies or processes for managing capital during the years ended December 31, 2020 and 2019.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

30. FINANCIAL RISK MANAGEMENT, OBJECTIVES AND POLICIES (continued)

Fair values of financial instruments and investment property

The carrying amount of the Group financial instruments and investment property as at December 31, 2020 and 2019 are reasonable approximation of their fair value, except for the financial instruments disclosed below:

	December 31, 2020					December 31, 2019				
	Carrying amount	Fair value	Fair value by level of assessment			Carrying amount	Fair value	Fair value by level of assessment		
In millions of tenge			Level 1	Level 2	Level 3			Level 1	Level 2	Level 3
Bonds receivable from Samruk-Kazyna	**17,265**	**16,916**	**–**	**16,916**	**–**	16,241	18,835	–	18,835	–
Loans given to related parties at amortised cost, lease receivables from JV	**557,116**	**538,063**	**–**	**372,823**	**165,240**	510,002	506,868	–	304,422	202,446
Fixed interest rate borrowings	**3,394,958**	**4,103,404**	**3,640,931**	**462,473**	**–**	3,146,477	3,576,082	3,172,400	403,682	–
Floating interest rate borrowings	**683,490**	**699,509**	**–**	**699,509**	**–**	691,027	714,271	–	714,271	–
Financial guarantee issued	**14,910**	**15,464**	**–**	**–**	**15,464**	20,189	20,189	–	–	20,189

The fair value of bonds receivable from the Samruk-Kazyna and other debt instruments have been calculated by discounting the expected future cash flows at market interest rates.

All financial instruments for which fair value is recognized or disclosed are categorized within the fair value hierarchy, based on the lowest level input that is significant to the fair value measurement as a whole, as follows:

Level 1 – quoted (unadjusted) market prices in active markets for identical assets or liabilities;

Level 2 – valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable;

Level 3 – valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

There were no transfers between Level 1 and Level 2 during the reporting period, and no transfers into or out of Level 3 category.

For assets and liabilities that are recognized at fair value on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period. There were no changes in the Group's valuation processes, valuation techniques, and types of inputs used in the fair value measurements during the year.

The significant unobservable inputs used in the fair value measurements categorized within Level 3 of the fair value hierarchy are shown below:

	Valuation technique	Significant unobservable inputs	Range as of December 31, 2020	2019
Loans given to related parties at amortised cost, lease receivables from JV	discounted cash flow method	Interest/discount rate	**7.54%-9.9%**	4.5%-9.1%
Financial guarantee issued			**4.9%**	4.1%

31. CONTINGENT LIABILITIES AND COMMITMENTS

Operating environment

Kazakhstan continues economic reforms and development of its legal, tax and regulatory frameworks as required by a market economy. The future stability of the Kazakhstan economy is largely dependent upon these reforms and developments and the effectiveness of economic, financial and monetary measures undertaken by the Government.

Commodity price risk

The Group generates most of its revenue from the sale of commodities, primarily crude oil and oil products. Historically, the prices of these products have been volatile and have fluctuated widely in response to changes in supply and demand, market uncertainty, the performance of the global or regional economies and cyclicality in industries. Prices may also be affected by the Government actions, including the imposition of tariffs and import duties, speculative trades, an increase in capacity or oversupply of the Group's products in its main markets. These external factors and the volatility of the commodity markets make it difficult to estimate future prices. A substantial or extended decline in commodity prices would materially and adversely affect the Group's business and the consolidated financial results and cash flows of operations. The Group mainly does not hedge its exposure to the risk of fluctuations in the price of its products.

Taxation

Kazakhstan's tax legislation and regulations are subject to ongoing changes and varying interpretations. Instances of inconsistent opinions between local, regional and national tax authorities are not unusual, including opinions with respect to IFRS treatment of revenues, expenses and other items in the financial statements. The current regime of penalties and interest related to reported and discovered violations of Kazakhstan's tax laws are severe. Due to uncertainties associated with Kazakhstan's tax system, the ultimate amount of taxes, penalties and interest, if any, may be in excess of the amount expensed to date and accrued at December 31, 2020. As at December 31, 2020, Management believes that its interpretation of the relevant legislation is appropriate and that it is probable that the Group's tax positions will be sustained, except as provided for or otherwise disclosed in these consolidated financial statements.

Transfer pricing control

Transfer pricing control in Kazakhstan has a very wide scope and applies to many transactions that directly or indirectly relate to international business regardless of whether the transaction participants are related or not. The transfer pricing legislation requires that all taxes applicable to transaction participants are related or not. The transfer pricing legislation requires that all taxes applicable to a transaction should be calculated based on market price determined in accordance with the arm's length principle. The law on transfer pricing came into force in Kazakhstan from January 1, 2009. The law is not explicit and there is little precedence with some of its provisions. Moreover, the law is not supported by detailed guidance for application of transfer pricing control to various types, as a result, there is a risk that the tax authorities may take a position that differs from the Group's position, which could result in additional taxes, fines and interest. As at December 31, 2020 management believes that its interpretation of the transfer pricing legislation is appropriate and that it is probable that the Group's positions with regard to transfer pricing will be sustained.

Environmental audit at EMG

Since 2018, EMG has been subject to three ecological audits for the periods from November 2017 to December 2018, and received a notification for damages caused by ecological violations.

As at January 1, 2019 the provision on this case was at 26,070 million tenge. In 2019, EMG filed for tax return of 10,420 million tenge and increased provisions for this amount. In the meantime, to avoid late payment penalties, EMG paid-off 6,472 million tenge. Also, in 2019, the court ruled to decrease the amount of fines, and accordingly EMG reversed 25,433 million tenge, net. As a result, the provision amounted to 4,585 million tenge as at December 31, 2019.

During 2020, EMG reversed 658 million tenge, net, and settled 3,364 million tenge, thus, as of December 31, 2020, the provision was 563 million tenge.

Comprehensive tax audit at Atyrau refinery for 2015- 2017

On December 15, 2020, based on 2015-2017 comprehensive tax audit, Atyrau refinery received additional tax assessment for VAT for 9,257 million tenge, including penalties, and reduction in tax carry-forward losses for 29,026 million tenge. Atyrau refinery has not agreed with tax audit results, and, on January 28, 2021, sent an appeal to the RK Ministry of finance. The Group believes that the risk of additional tax assessment is remote, as such, the Group did not recognize any provisions as of December 31, 2020.

31. CONTINGENT LIABILITIES AND COMMITMENTS (continued)

Legal issues and claims

Sign-off of settlement agreement between KMG Drilling and the Consortium (the KMG Drilling - Consortium case)

As of December 31, 2019, KMG Drilling provisioned of 90 million US dollars (equivalent to 34,132 million tenge) (*Note 11*) in the annual consolidated financial statements of the Group for the year ended December 31, 2019, in relation to the arbitrage dispute with the Consortium of companies (Ersai Caspian Contractor LLP and Caspian Offshore and Marine Construction LLP) over the jack-up rig construction contract dated July 5, 2012.

On July 15, 2020, KMG Drilling and the Consortium signed-off a final settlement agreement on the dispute with a slight increase in settlement amount by 0.4 million US dollars.

On November 17, 2020, the full settlement amount of 90.4 million US dollars (equivalent to 38,821 million tenge at transaction date) was paid-off by KMG Drilling, accordingly, as of December 31, 2020, the case is closed.

Resolution of civil litigation at KMGI

On December 5, 2019, the Prosecutor's Office of Romania (further the POR) issued an ordinance according to which charges related to the disputes between the Romanian Government and KMGI were dismissed due to expiration of the statute of limitations.

Three following plaintiffs filed a complaint against the above POR's decision:

1) The Romanian Privatization Agency on the improper fulfillment by KMGI of the post-privatization requirements for obligations of Petromidia Refinery and Vega Refinery in 2013-2014 for 30 million US dollars;

2) Faber Invest & Trade Inc. (further Faber), the non-controlling shareholder of KMGI subsidiaries, who challenged decisions of KMGI as a shareholder of Rompetrol Rafinare S.A. for 55 million US dollars;

3) Mr. Stephenson George Philip, the former director of KMGI.

On December 27, 2019, KMGI appealed against the ordinance and required the case to be dismissed on merits, not expiration of statute of limitations.

On July 10, 2020, the Supreme Court issued a final decision according to which all the complaints against the POR's decision was rejected.

However, Faber has resumed one of the previous filings, which challenged the increase in the Rompetrol Rafinare Constanta, the KMGI subsidiary, share capital of 2003-2005. The hearing was held on November 10, 2020, however, no final decision was made. The next hearings are scheduled to be on March 16, 2021.

The Group believes that its position with regard to the new Faber filing will be sustained similar to the matters resolved in 2020 in favour of the Group, and as such, the Group did not recognize any provisions as of December 31, 2020.

Resolution of the possible breach of anti-monopoly regulations at Atyrau refinery

The Department of the Committee for protection and development of competition of the Ministry of national economy of the RK for the Atyrau region (hereinafter the Department) has conducted an antimonopoly investigation against Atyrau refinery.

On July 9, 2020 the Department finalized investigation results, and concluded that the third-party services were enforced into previous period tolling contracts (January 2016 - August 2018), which breaches RK anti-monopoly legislation.

On August 5, 2020 the Department issued an order to remedy alleged breach, and took this case to the Administrative court. The Department's order was appealed by Atyrau refinery in the Civil court. Additionally, Atyrau refinery made a petition to the Administrative court to suspend proceedings until the Civil court decision was made. This petition was accepted by the Administrative court.

On September 10, 2020, the Civil court ordered that the investigation results were unlawful and terminated the proceedings. This order was appealed against by the Department at the Appeal court, but on November 24, 2020 the case resolved in favour of Atyrau refinery. In the meantime, on October 19, 2020, the Administrative court terminated administrative proceedings due to the absence of administrative offence, as such, as at December 31, 2020 the case is closed in favour of the Group.

31. CONTINGENT LIABILITIES AND COMMITMENTS (continued)

Disputes regarding the calculation of the proportion of Profit oil sharing with the RK (Karachaganak)

According to the Karachaganak Final Production Sharing Agreement (FPSA), the Karachaganak project Profit oil sharing is regulated by the Fairness Index. In the second quarter of 2014, the economics of the Karachaganak project reached a level where the trigger on the Fairness Index "worked" and the proportion in the Profit oil sharing changed in favour of the RK.

In addition, from August 20, 2014, the Ministry of Energy of the RK (MinEnergy) used to notify quarterly the Contracting Companies, participants of FPSA, (the Contracting Companies) of disagreement regarding the presented calculation of the proportion of the Profit oil sharing.

On December 30, 2016, a legally non-binding Memorandum of Understanding was signed between the RK and the Contracting Companies.

On July 17, 2020, the RK and the Contracting Companies signed-off settlement agreement regarding the calculation of the proportion of Profit oil sharing. According to this agreement, Karachaganak is exempt from obligation to pay the financial contribution and reimburse arbitration costs.

On December 11, 2020, the RK and the Contracting Companies signed-off the dispute closure agreement, as such as of December 31, 2020, the case is closed, and the Group has no due commitments.

Cost recovery audits

Under the base principles of the production sharing agreements, the Government transferred to contractors the exclusive rights to conduct activities in the subsurface use area, but did not transfer rights to this subsurface use area either to ownership or lease. Thus, all extracted and processed oil (i.e. the hydrocarbons produced) are the property of the Government. Works are carried out on the basis of compensation and the Government pays to the contractors not in cash but in the form of the portion of oil production, thereby allowing the contractors to recover their costs and earn profit.

In accordance with the production sharing agreements, not all costs incurred by the contractors could be reimbursed. Certain expenditures need to be approved by the authorized bodies. The authorized bodies conduct the cost recovery audits. In accordance with the costs recovery audits completed prior to December 31, 2020, certain amounts of the costs incurred by contractors were assessed as non-recoverable. The parties to the production sharing agreements are in negotiations with respect to the recoverability of those costs.

As of December 31, 2020 the Group's share in the total disputed amounts of costs is 1,078 million US dollars (equivalent to 453,641 million tenge as at reporting date) (2019: 1,052 million US dollars, equivalent to 402,474 million tenge as at reporting date), including its share in the joint venture. The Group and its partners under the production sharing agreements are in negotiation with the Government with respect to the recoverability of these costs.

Kazakhstan local market obligation

The Government requires oil companies in the RK to supply a portion of the products to meet the Kazakhstan domestic energy requirement on an annual basis, mainly to maintain oil products supply balance on the local market and to support agricultural producers during the spring and autumn sowing and harvest campaigns.

Kazakhstan local market oil prices are significantly lower than export prices and even lower than the normal domestic market prices determined in an arm-length transaction. If the Government does require additional crude oil to be delivered over and above the quantities currently supplied by the Group, such supplies will take precedence over market sales and will generate substantially less revenue than crude oil sold on the export market, which may materially and adversely affect the Group's business, prospects, consolidated financial position and performance.

In 2020, in accordance with its obligations, the Group delivered 6,401 thousand tons of crude oil (2019: 6,224 thousand tons), including its share in the JVs and associates, to the Kazakhstan market.

31. CONTINGENT LIABILITIES AND COMMITMENTS (continued)

Commitments under subsoil use contracts

As at December 31, 2020, the Group had the following commitments related to minimal working program in accordance with terms of licenses, production sharing agreements and subsoil use contracts, signed with the Government, including its share in JVs and associate:

Year	Capital expenditures	Operational expenditures
2021	**254,859**	**37,884**
2022	**94,841**	**3,625**
2023	**6,774**	**3,671**
2024	**5,003**	**2,994**
2025-2048	**5,448**	**32,221**
Total	**366,925**	**80,395**

Oil supply commitments

As of December 31, 2020, the Group had commitments under the oil supply agreements in the total amount of 8.2 million ton (December 31, 2019: 12.8 million ton), including its share in JV commitments.

Other contractual commitments

As at December 31, 2020, the Group, including its share in JVs commitments, had other capital commitments of approximately 196,531 million tenge (as at December 31, 2019: 335,609 million tenge), related to acquisition and construction of long-lived assets.

As at December 31, 2020, the Group had commitments in the total amount of 232,136 million tenge (as at December 31, 2019: 78,677 million tenge) under the investment programs approved by the joint order of Ministry of Energy of RK and *Committee on Regulation of Natural Monopolies and Protection of Competition of the Ministry of National Economy of RK* (hereinafter – the CRNM) to facilitate production units.

Unfulfilled contractual commitments of KTO and KCP under investment programs

KTO and KCP have not fulfilled their investment programs related to previous years (2015-2019) for 26,552 million tenge and 14,477 million tenge (the Group share), respectively. These amounts were not included to the commitments of the Group as of December 31, 2020, due to the following:

- with regard to KTO, unfulfilled amount in accordance with legislation on natural monopolies of RK was accounted for within tariffs for oil pumping to the domestic market for 2021-2025 by CRNM;
- with regard to KCP, the CRNM applied temporary compensating tariffs for oil pumping from October 2020 till September 2022, this was challenged by KCP at court. On December 23, 2020, KCP won the case. However, on January 26, 2021, CRNM appealed against the court decision and the application of tariffs is postponed until the court decision is released.

Non-financial guarantees

As of December 31, 2020 and 2019, the Group has outstanding performance guarantees issued in favour of third parties whereas it provides guarantee should its subsidiary, JV or associate fail to perform their obligations under the natural gas purchase-sale, transportation and other agreements.

As of December 31, 2020, the management of the Group believes that there were no expected cases of non-performance from the guaranteed parties and, accordingly, no obligations related to the above stated non-financial contingencies were recognized.

32. SEGMENT REPORTING

The Group's operating segments have their own structure and management according to the type of the produced goods and services provided. Moreover, all segments are strategic directions of the business which offer different types of the goods and services in different markets. The functions have been defined as the operating segments of the Group because they are segments a) that engages in business activities from which revenues are generated and expenses incurred; b) whose operating results are regularly reviewed by the Group's chief operating decision makers to make decisions. The

Group's activity consists of four main operating segments: exploration and production of oil and gas, oil transportation, gas trading and transportation, refining and trading of crude oil and refined products. The Group presents the Company's activities separately in Corporate segment, since the Company performs not only the functions of the parent company, but also carries out operational activities. The remaining operating segments have been aggregated and presented as other operating segment due to their insignificance.

Disaggregation of revenue by types of goods and services is presented in *Note 5* to the financial statements.

Disaggregated revenue type *Sales of crude oil and gas* mainly represents sales made by the following operating segments: *Gas trading and transportation* of 790,642 million tenge (2019: 874,505 million tenge) and *Refining and trading of crude oil and refined products* of 1,676,749 million tenge (2019: 3,092,437 million tenge).

Disaggregated revenue type *Sales of refined products* mainly includes revenue of operating segments such as *Refining and trading of crude oil and refined products* of 989,881 million tenge (2019: 1,665,356 million tenge), *Sales of crude oil and gas* of 3,910 million tenge (2019: 4,166 million tenge) and *Corporate of* 333,100 million tenge (2019: 352,056 million tenge).

Segment performance is evaluated based on revenues, net profit and EBITDA, which are measure on the same basis as in the consolidated financial statements.

EBITDA is a supplemental non-IFRS financial measure used by management to evaluate segments performance, and is defined as earnings before DD&A, impairment of property, plant and equipment, intangible assets, exploration and evaluation assets, exploration expense, impairments of JVs and associates, finance income and expense, income tax expense.

EBITDA, % is calculated as EBITDA of each reporting segment divided by the total EBITDA.

Eliminations represent the exclusion of intra-group turnovers. Inter-segment transactions were made on terms agreed to between the segments 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.

Geographic information

The Group's property, plant and equipment (*Note 14*) are located in the following countries:

In millions of tenge	**2020**	2019
Kazakhstan	**3,730,070**	3,751,128
Other countries	**639,675**	733,143
	4,369,745	4,484,271

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

32. SEGMENT REPORTING (continued)

The following represents information about assets and liabilities and profit and loss of operating segments of the Group for 2020:

In millions of tenge	Exploration and production of oil and gas	Oil transportation	Gas trading and transportation	Refining and trading of crude oil and refined products	Corporate	Other	Elimination	Total
Revenues from sales to external customers	8,981	216,843	931,073	2,955,444	334,092	109,604	–	**4,556,037**
Revenues from sales to other segments	868,731	91,497	14,447	327,229	36,945	83,314	(1,422,163)	–
Total revenue	**877,712**	**308,340**	**945,520**	**3,282,673**	**371,037**	**192,918**	**(1,422,163)**	**4,556,037**
Cost of purchased oil, gas, petroleum products and other materials	(29,528)	(13,301)	(378,862)	(2,739,382)	(185,884)	(32,844)	1,102,735	**(2,277,066)**
Production expenses	(297,934)	(124,041)	(84,644)	(202,820)	(126,431)	(139,308)	234,392	**(740,786)**
Taxes other than income tax	(194,328)	(12,891)	(15,237)	(15,188)	(24,994)	(7,107)	186	**(269,559)**
Transportation and selling expenses	(118,054)	(8,019)	(321,042)	(62,381)	(7,752)	–	59,062	**(458,186)**
General and administrative expenses	(30,219)	(16,775)	(24,507)	(46,690)	(51,053)	(25,096)	24,132	**(170,208)**
Share in profit of joint ventures and associates, net	182,572	93,525	231,337	(1,373)	–	5,134	–	**511,195**
EBITDA	**390,221**	**226,838**	**352,565**	**214,839**	**(25,077)**	**(6,303)**	**(1,656)**	**1,151,427**
EBITDA, %	**34%**	**20%**	**30%**	**19%**	**(2%)**	**(1%)**	**0%**	
Depreciation, depletion and amortization	(118,157)	(39,253)	(42,856)	(146,764)	(3,200)	(10,053)	–	**(360,283)**
Finance income	106,079	3,943	21,766	18,285	99,245	11,760	(151,325)	**109,753**
Finance costs	(16,934)	(5,180)	(36,911)	(87,043)	(269,715)	(11,694)	129,926	**(297,551)**
Impairment of property, plant and equipment, intangible assets, exploration and evaluation assets	(61,908)	(10,534)	199	(164,736)	(2,279)	(4,436)	–	**(243,694)**
Exploration expense	(19,807)	–	–	–	–	–	–	**(19,807)**
Impairment of investments in joint ventures and associates	(30,654)	–	–	–	–	–	–	**(30,654)**
Income tax expenses	(60,988)	(18,462)	(21,027)	4,028	(8,306)	(1,548)	–	**(106,303)**
Net profit for the year	**171,149**	**161,288**	**268,040**	**(227,818)**	**(189,273)**	**(19,546)**	**8,057**	**171,897**
Other segment information								
Investments in joint ventures and associates	5,371,371	515,025	525,626	34,122	–	24,877	–	**6,471,021**
Capital expenditures	167,609	48,900	125,608	84,649	11,811	15,586	–	**454,163**
Allowances for obsolete inventories, ECL on trade receivables, loans and receivables from related parties, other current financial assets and impairment of other current non-financial assets	(4,495)	(6,457)	(7,240)	(46,112)	(25,141)	(9,254)	–	**(98,699)**
Assets of the segment	**7,861,383**	**1,189,807**	**2,405,880**	**2,654,458**	**1,302,283**	**263,518**	**(1,024,042)**	**14,653,287**
Liabilities of the segment	**814,551**	**198,810**	**921,668**	**1,704,835**	**3,269,893**	**105,549**	**(998,698)**	**6,016,608**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

32. SEGMENT REPORTING (continued)

The following represents information about assets and liabilities and profit and loss of operating segments of the Group for 2019:

In millions of tenge	Exploration and production of oil and gas	Oil transportation	Gas trading and transportation	Refining and trading of crude oil and refined products	Corporate	Other	Elimination	Total
Revenues from sales to external customers	7,592	236,485	1,102,110	5,035,188	352,056	125,425	–	6,858,856
Revenues from sales to other segments	1,302,744	100,253	965	540,947	78,121	87,505	(2,110,535)	–
Total revenue	1,310,336	336,738	1,103,075	5,576,135	430,177	212,930	(2,110,535)	6,858,856
Cost of purchased oil, gas, petroleum products and other materials	(33,719)	(13,666)	(490,142)	(4,972,915)	(212,655)	(33,252)	1,842,605	(3,913,744)
Production expenses	(295,687)	(149,033)	(71,978)	(203,864)	(110,379)	(145,595)	254,843	(721,693)
Taxes other than income tax	(379,725)	(13,287)	(17,388)	(13,584)	(22,417)	(7,894)	–	(454,295)
Transportation and selling expenses	(123,725)	(1,145)	(272,174)	(69,264)	(7,137)	(3)	53,046	(420,402)
General and administrative expenses	(15,439)	(15,877)	(35,900)	(45,247)	(35,244)	(71,175)	4,915	(213,967)
Share in profit of joint ventures and associates, net	500,737	75,474	242,336	(3,248)	–	12,680	–	827,979
EBITDA	962,778	219,204	457,829	268,013	42,345	(32,309)	44,874	1,962,734
EBITDA, %	49%	11%	23%	14%	2%	-2%	2%	
Depreciation, depletion and amortization	(94,432)	(39,257)	(41,567)	(143,875)	(4,177)	(14,116)	–	(337,424)
Finance income	202,592	7,298	29,589	43,975	130,878	10,729	(184,181)	240,880
Finance costs	(21,460)	(7,095)	(43,443)	(127,391)	(264,841)	(8,333)	155,130	(317,433)
Impairment of property, plant and equipment, intangible assets, exploration and evaluation assets	(6,550)	(24,783)	816	(93,161)	(11)	(27,062)	–	(150,751)
Exploration expense	(57,068)	–	–	–	–	–	–	(57,068)
Income tax expenses	(138,762)	(20,825)	(39,917)	(12,241)	(12,923)	(1,512)	–	(226,180)
Net profit for the year	842,496	136,906	362,344	(36,553)	(119,657)	(68,083)	41,004	1,158,457
Other segment information								
Investments in joint ventures and associates	4,788,314	384,173	350,732	40,304	–	26,861	–	5,590,384
Capital expenditures	256,725	44,926	91,744	79,492	14,323	18,098	–	505,308
Allowances for obsolete inventories, ECL on trade receivables, loans and receivables from related parties, other current financial assets and impairment of other current non-financial assets	(3,146)	(5,173)	(9,991)	(46,020)	(22,297)	(9,903)	–	(96,530)
Assets of the segment	7,504,518	1,080,046	2,195,386	2,854,018	1,480,009	454,084	(1,486,146)	14,081,915
Liabilities of the segment	748,226	204,540	956,917	1,771,290	3,453,634	117,899	(1,367,247)	5,885,259

33. SUBSEQUENT EVENTS

Proceeds from new borrowings and settlement of existing borrowings:

The Atyrau refinery:

- on January 5 and 11, 2021, received long-term loans from Halyk Bank, in order to refinance its existing loan from DBK of 53,627 million tenge.
- on January 14, 2021, made an early redemption of the loan received from Eximbank for 79 million US dollars (equivalent to 33,133 million tenge), including interest.
- on January 15, 2021, paid the principal and coupon payments of the bond received from Samruk-Kazyna in total of 7,387 million tenge.
- on January 21, 2021, made an early redemption of the loan received from DBK for 10,889 million tenge, including interest.
- on January 21, 2021, made a full early redemption of the loan from DBK for total of 142 million US dollars (equivalent to 59,451 million tenge), including interest.

In February, 2021, *KMGI* received a short-term loan from Cargill, a financial institute based in the United States, for 50 million US dollars (equivalent to 21,187 million tenge).

Litigation:

On February 19, 2021, a Decision was issued of the arbitration proceedings on the claim of KTG against the partners of the North Caspian project on gas price calculus from the Kashagan field. The decision was issued in favour of KTG. In accordance with the Decision, the court ordered the parties to make their calculations within 30 days on the basis of the principles established by the Decision and calculate the amounts payable to KTG, including legal costs. The final amounts are not yet estimated, thus, as at the reporting date the Group did not recognise the effects of this case in its consolidated financial statements.

JSC "National Company "KazMunayGas"

Consolidated financial statements

For the year ended December 31, 2019
with independent auditors' report

CONTENTS

Building a better working world

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Independent auditor's report

To the Shareholders and Management of "National Company "KazMunayGas" JSC

Opinion

We have audited the consolidated financial statements of National Company "KazMunayGas" JSC and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at 31 December 2019 and 2018, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2019 and 2018 and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements section* of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* (including International Independence Standards) (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide an opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the consolidated financial statements section* of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

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Key audit matter	How our audit addressed the key audit matter
Impairment of non-current assets	
We considered this matter to be one of most significance in the audit due to materiality of the balances of non-current assets, including upstream, exploration and evaluation, downstream assets and investments in upstream and midstream joint ventures and associates, to the consolidated financial statements, the high level of subjectivity in respect of assumptions underlying impairment analysis and significant judgements and estimates made by management. In addition, the combination of volatility in oil prices and Tenge, increased inflation and cost of debt and uncertainty about future economic growth affects the Group's business prospects and therefore triggers potential impairment of the Group's assets. Significant assumptions included discount rates, oil and petroleum products prices forecasts and inflation and exchange rate forecasts. Significant estimates included production forecast, future capital expenditure and oil and gas reserves available for development and production. Information on non-current assets and the impairment tests performed is disclosed in *Note 4* to the consolidated financial statements.	We involved our business valuation specialists in the testing of impairment analysis and calculation of recoverable amount performed by management. We analyzed the assumptions underlying management forecast. We compared oil and petroleum products prices used in the calculation of recoverable amounts to available market forecasts. We compared the discount rates and long-term growth rates to general market indicators and other available evidence. We tested the mathematical integrity of the impairment models and assessed the analysis of the sensitivity of the results of impairment tests to changes in assumptions. We analysed disclosures on impairment test in the consolidated financial statements.

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Compliance with debt covenants

In accordance with the terms of certain financing arrangements, the Group should comply with certain financial and non-financial covenants. There is a higher likelihood that covenants impacted by trading volumes, revenue and profit may be breached particularly in subsidiaries impacted by volatility of oil prices and higher operating expenses, therefore, we focused on this area during our audit. Breaching covenants could result in funding shortages. Cross default provisions are in place under the Group's financing arrangements. Compliance with the financing covenants is one of the matters of most significance in the audit since it can have a major impact on the going concern assumption used in the preparation of the consolidated financial statements, and on classification of interest-bearing liabilities in the consolidated statement of financial position.

Information on compliance with covenants is disclosed in *Note 25* to the consolidated financial statements.

We examined the terms of financing arrangements and analysed financial and non-financial covenants, terms of early repayment and events of default. We examined the presence of confirmations received from the banks related to compliance with financial covenants. We compared data used in the calculations with the financial statements. We tested arithmetic accuracy of financial covenants calculations.

We analysed the disclosures in respect of debt covenants compliance in the consolidated financial statements of the Group.

Estimation of oil and gas reserves and resources

We considered this matter to be one of most significance in our audit due to the fact that the estimate of hydrocarbon reserves and resources has significant impact on the impairment test, depreciation, depletion and amortization and decommissioning provisions.

Reserves and resources are also a fundamental indicator of the future potential of the group's performance.

Information on estimation of oil and gas reserves and resources is disclosed in *Note 4* to the consolidated financial statements as part of significant accounting estimates.

We performed procedures to assess competence, capabilities and objectivity of the external expert engaged by the Group to estimate volumes of oil and gas reserves and resources. We assessed the assumptions used by the external expert and compared the assumptions to the macroeconomic indicators, hydrocarbon production, operating costs, capital expenditures forecasts and other performance indicators, approved by the Group's management. We compared the estimates of reserves and resources to the estimates included in the consideration of impairment, depreciation, depletion and amortization and decommissioning provisions.

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Other information included in the Group's 2019 annual report

Other information consists of the information included in the Group's 2019 Annual Report, other than the consolidated financial statements and our auditor's report thereon. Management is responsible for the other information.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of management and the Audit Committee for the consolidated financial statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRSs, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The Audit Committee is responsible for overseeing the Group's financial reporting process.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The partner in charge of the audit resulting in this independent auditor's report is Gulmira Turmagambetova.

Ernst & Young LLP

Gulmira Turmagambetova
Auditor / General Director
Ernst and Young LLP

Auditor qualification certificate
No. 0000374 dated 21 February 1998

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

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5 March 2020

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

		For the years ended December 31		
In millions of tenge	Note	2019	2018* (Reclassed)	2017* (Reclassed)
Revenue and other income				
Revenue	6	**6,858,856**	6,988,964	4,793,763
Share in profit of joint ventures and associates, net	7	**827,979**	697,326	414,950
Finance income	14	**240,880**	161,027	122,574
Gain on sale of subsidiaries	5	**17,481**	18,359	–
Other operating income		**24,936**	23,035	20,165
Total revenue and other income		**7,970,132**	7,888,711	5,351,452
Costs and expenses				
Cost of purchased oil, gas, petroleum products and other materials	8	**(3,913,744)**	(4,312,958)	(2,729,514)
Production expenses	9	**(721,693)**	(604,475)	(624,346)
Taxes other than income tax	10	**(454,295)**	(477,732)	(354,447)
Depreciation, depletion and amortization	35	**(337,424)**	(285,186)	(238,021)
Transportation and selling expenses	11	**(420,402)**	(370,777)	(238,063)
General and administrative expenses	12	**(213,967)**	(213,485)	(163,780)
Impairment of property, plant and equipment, intangible assets, exploration and evaluation assets	13	**(207,819)**	(165,522)	(24,660)
Reversal of impairment of investment in joint venture	19	**–**	–	14,845
Other expenses		**(7,203)**	(23,283)	(34,767)
Finance costs	14	**(317,433)**	(427,655)	(306,355)
Net foreign exchange gain/(loss)		**8,479**	(38,320)	67,055
Total costs and expenses		**(6,585,501)**	(6,919,393)	(4,632,053)
Profit before income tax		**1,384,631**	969,318	719,399
Income tax expenses	30	**(226,180)**	(279,260)	(190,285)
Profit for the year from continuing operations		**1,158,451**	690,058	529,114
Discontinued operations				
Profit/(loss) after income tax for the year from discontinued operations	5	**6**	3,453	(3,666)
Net profit for the year		**1,158,457**	693,511	525,448
Net profit/(loss) for the year attributable to:				
Equity holders of the Parent Company		**1,197,157**	695,864	443,408
Non-controlling interest		**(38,700)**	(2,353)	82,040
		1,158,457	693,511	525,448

The accounting policies and explanatory notes on pages 11 through 99 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (continued)

		For the years ended December 31		
In millions of tenge	**Note**	**2019**	2018* (Reclassed)	2017* (Reclassed)
Other comprehensive income				
Other comprehensive income/(loss) to be reclassified to profit or loss in subsequent periods				
Exchange differences on translation of foreign operations		**(32,072)**	479,196	(75,011)
Tax effect		**(1,240)**	–	–
Reclassified differences on translation of disposal group		**–**	(476)	(424)
Net other comprehensive (loss)/income to be reclassified to profit or loss in the subsequent periods		**(33,312)**	478,720	(75,435)
Other comprehensive loss not to be reclassified to profit or loss in subsequent periods				
Actuarial loss on defined benefit plans of the Group		**(5,688)**	(3,658)	(1,148)
Actuarial loss on defined benefit plans of joint ventures		**199**	(160)	(173)
Other		**–**	–	(150)
Tax effect		**1,179**	(86)	8
Net other comprehensive loss not to be reclassified to profit or loss in the subsequent periods		**(4,310)**	(3,904)	(1,463)
Net other comprehensive (loss)/income for the year		**(37,622)**	474,816	(76,898)
Total comprehensive income for the year, net of tax		**1,120,835**	1,168,327	448,550
Total comprehensive income for the year attributable to:				
Equity holders of the Parent Company		**1,159,447**	1,161,007	366,949
Non-controlling interest		**(38,612)**	7,320	81,601
		1,120,835	1,168,327	448,550

* *Certain numbers shown here do not correspond to the consolidated financial statements for the years ended December 31, 2018 and 2017, and reflect reclassifications made, refer to Note 3*

Deputy Chairman of the Management Board – Chief Financial Officer ______ *D.S. Karabayev*

Managing director – financial controller ______ *A.Zh. Beknazarova*

Chief accountant ______ *Y.Y. Orynbayev*

The accounting policies and explanatory notes on pages 11 through 99 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		As at December 31		
In millions of tenge	Note	2019	2018* (Reclassed)	2017* (Reclassed)
Assets				
Non-current assets				
Property, plant and equipment	15	**4,484,271**	4,515,170	4,080,165
Right-of-use assets		**38,379**	–	–
Exploration and evaluation assets	16	**179,897**	189,800	253,326
Investment property		**9,541**	24,188	27,423
Intangible assets	17	**171,172**	173,077	185,205
Long-term bank deposits	18	**52,526**	52,297	48,523
Investments in joint ventures and associates	19	**5,590,384**	4,895,444	3,823,630
Deferred income tax asset	30	**73,714**	97,881	98,681
VAT receivable		**133,557**	113,073	96,666
Advances for non-current assets		**73,367**	27,176	124,907
Loans and receivables due from related parties	22	**615,546**	638,528	672,449
Other financial assets		**2,488**	4,753	4,161
Other non-current assets		**17,162**	16,942	17,401
		11,442,004	10,748,329	9,432,537
Current assets				
Inventories	20	**281,215**	312,299	250,369
VAT receivable		**74,049**	66,522	69,605
Income tax prepaid	30	**54,517**	53,143	36,135
Trade accounts receivable	21	**397,757**	493,977	467,867
Short-term bank deposits	18	**359,504**	386,459	1,638,941
Loans and receivables due from related parties	22	**138,719**	148,615	169,502
Other current assets	21	**262,094**	204,723	196,110
Cash and cash equivalents	23	**1,064,452**	1,539,453	1,263,987
		2,632,307	3,205,191	4,092,516
Assets classified as held for sale	5	**7,604**	61,760	24,905
		2,639,911	3,266,951	4,117,421
Total assets		**14,081,915**	14,015,280	13,549,958

The accounting policies and explanatory notes on pages 11 through 99 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)

		As at December 31		
In millions of tenge	Note	2019	2018* (Reclassed)	2017* (Reclassed)
Equity and liabilities				
Equity				
Share capital	24	**916,541**	916,541	709,345
Additional paid-in capital	24	**40,794**	40,794	243,876
Other equity		**83**	83	83
Currency translation reserve		**1,731,747**	1,764,108	1,295,091
Retained earnings		**5,469,236**	4,341,063	3,665,192
Attributable to equity holders of the Parent Company		**8,158,401**	7,062,589	5,913,587
Non-controlling interest	24	**38,255**	80,480	870,018
Total equity		**8,196,656**	7,143,069	6,783,605
Non-current liabilities				
Borrowings	25	**3,584,076**	3,822,648	3,417,112
Provisions	26	**273,589**	229,797	203,775
Deferred income tax liabilities	30	**509,462**	479,598	380,738
Lease liabilities		**35,996**	6,550	5,314
Prepayment on oil supply agreements	27	—	480,250	581,578
Other non-current liabilities		**43,694**	45,213	51,879
		4,446,817	5,064,056	4,640,396
Current liabilities				
Borrowings	25	**253,428**	330,590	884,140
Provisions	26	**103,538**	98,471	78,812
Income tax payable	30	**13,011**	13,272	10,081
Trade accounts payable	28	**667,861**	632,739	513,851
Other taxes payable	29	**86,666**	105,026	101,198
Lease liabilities		**10,922**	2,656	1,676
Prepayment on oil supply agreements	27	—	384,199	332,330
Other current liabilities	28	**303,016**	236,163	201,940
		1,438,442	1,803,116	2,124,028
Liabilities directly associated with the assets classified as held for sale	5	—	5,039	1,929
Total liabilities		**5,885,259**	6,872,211	6,766,353
Total equity and liabilities		**14,081,915**	14,015,280	13,549,958
Book value per ordinary share	24	**13.154**	11.424	11.195

* *Certain numbers shown here do not correspond to the consolidated financial statements for the years ended December 31, 2018 and 2017, and reflect reclassifications made, refer to Note 3.*

Deputy Chairman of the Management Board – Chief Financial Officer

D.S. Karabayev

Managing director – financial controller

A.Zh. Beknazarova

Chief accountant

Y.Y. Orynbayev

The accounting policies and explanatory notes on pages 11 through 99 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

		For the years ended December 31		
In millions of tenge	Note	2019	2018* (Restated)	2017* (Restated)
Cash flows from operating activities				
Profit before income tax from continuing operations		**1,384,631**	969,318	719,399
Profit/(loss) before income tax from discontinued operations		**6**	3,453	(3,666)
Profit before income tax		**1,384,637**	972,771	715,733
Adjustments:				
Depreciation, depletion and amortization	35	**337,424**	285,186	238,021
Impairment of property, plant and equipment, intangible assets, exploration and evaluation assets	13	**207,819**	165,522	24,660
Reversal of impairment of investment in joint venture	19	–	–	(14,845)
Impairment of assets classified as held for sale		**24**	168	68
(Reversal of) /allowance for impairment of long term advances	12	**(11)**	–	1,188
(Reversal of) /allowance for obsolete inventories		**(2,534)**	4,339	345
Accrual/(reversal) of expected credit losses for trade receivables	12	**1,892**	(1,489)	1,056
Accrual/(reversal) of expected credit losses other current assets	12	**12,246**	1,225	(120)
VAT written-off	12	**6,910**	3,031	7,923
Accrual/(reversal) of impairment of VAT receivable	12	**15,703**	4,215	(24,158)
Adjustment on the re-measurement to fair value less costs to sell		–	2,291	711
Net foreign exchange differences		**4,142**	(6,061)	(62,879)
Loss on disposal of property, plant and equipment, intangible assets and investment property, net		**6,430**	3,517	3,815
Unrealized (gains)/ losses from derivatives on petroleum products		**(465)**	(415)	231
Realized (gains)/ losses from derivatives on petroleum products		**(8,410)**	1,435	3,534
Adjustment for repayment of advances received for the supply of oil (*Note 27*)		**(864,450)**	(344,274)	(244,559)
Finance costs	14	**317,433**	427,655	306,355
Finance costs from discontinued operations		–	85	131
Finance income	14	**(240,880)**	(161,027)	(122,574)
Finance income from discontinued operations		–	(66)	(427)
Gains on sale of subsidiaries	5	**(17,481)**	(18,359)	–
Share in profit of joint ventures and associates, net	30	**(827,979)**	(697,326)	(414,950)
Change in financial guarantees		**(6,956)**	1,405	1,381
Movements in provisions	26	**2,967**	6,711	(9,896)
Operating profit before working capital changes		**328,461**	650,539	410,744
Change in VAT receivable		**(28,070)**	(12,250)	(9,466)
Change in inventory		**11,710**	(55,606)	(53,833)
Change in trade accounts receivable and other current assets		**11,466**	26,369	(17,795)
Change in trade and other payables and contract liabilities		**(23,578)**	(39,896)	61,908
Change in advances received for oil supply (*Note 27*)		–	172,322	175,133
Change in other taxes payable		**(19,916)**	28,022	81,303
Cash generated from operations		**280,073**	769,500	647,994

The accounting policies and explanatory notes on pages 11 through 99 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS (continued)

	For the years ended December 31		
In millions of tenge	2019	2018* (Restated)	2017* (Restated)
Dividends received from joint ventures and associates	**126,461**	160,061	271,783
Net (payment)/ receipt of derivative instruments	**(7)**	(225)	57
Income taxes paid	**(161,979)**	(186,199)	(112,605)
Interest received	**118,207**	134,365	104,804
Interest paid	**(238,954)**	(248,341)	(216,640)
Net cash flow from operating activities	**123,801**	629,161	695,393
Cash flows from investing activities			
Withdrawal/(placement) of bank deposits, net	**28,987**	1,295,272	(457,273)
Purchase of property, plant and equipment, intangible assets, investment property and exploration and evaluation assets	**(444,193)**	(430,305)	(464,353)
Proceeds from sale of property, plant and equipment, intangible assets, investment property and exploration and evaluation assets	**42,776**	8,711	1,408
Proceeds from disposal of subsidiaries (*Note 5*)	**56,760**	18,112	9,151
Cash acquired with subsidiaries	–	–	181
Acquisition of and contribution to joint ventures	**(889)**	(1,467)	(3)
Proceeds from disposal of joint ventures *(Note 19)*	–	2,000	–
Refund of contribution to joint ventures	–	93,072	1,715
Loans given to related parties	**(56,516)**	(64,716)	(184,708)
Repayment of loans due from related parties (*Note 31*)	**47,656**	40,984	455
Refund/(acquisition) of debt securities	**454**	244	(332)
Proceeds from Note receivable from a shareholder of a joint venture *(Note 31)*	**5,403**	29,174	–
Net cash flows (used in)/ from investing activities	**(319,562)**	991,081	(1,093,759)
Cash flows from financing activities			
Proceeds from borrowings (*Note 25*)	**271,772**	1,249,907	1,508,170
Repayment of borrowings (*Note 25)*	**(444,656)**	(2,069,977)	(689,074)
Dividends paid to Samruk-Kazyna and National Bank of RK (*Note 24*)	**(36,998)**	(36,273)	(45,878)
Dividends paid to non-controlling interests (*Note 24*)	**(5,693)**	(6,390)	(12,416)
Share buyback by subsidiary *(Note 24)*	**(2,318)**	(642,524)	–
Distribution to Samruk-Kazyna	**(36,297)**	(13,553)	(22,652)
Payment of principal lease liabilities	**(16,181)**	(1,558)	(1,069)
Net cash flows (used in)/from financing activities	**(270,371)**	(1,520,368)	737,081
Effects of exchange rate changes	**(14,985)**	179,467	22,437
Change in allowance for expected credit losses	**(279)**	(98)	–
Net change in cash and cash equivalents	**(481,396)**	279,243	361,152
Cash and cash equivalents, at the beginning of the year	**1,545,848**	1,266,605	905,453
Cash and cash equivalents, at the end of the year	**1,064,452**	1,545,848	1,266,605

* *Certain numbers shown here do not correspond to the consolidated financial statements for the years ended December 31, 2018 and 2017, and reflect reclassifications made, refer to Note 3*

NON-CASH and OTHER TRANSACTIONS: SUPPLEMENTAL DISCLOSURE

The following significant non-cash transactions and other transactions were excluded from the consolidated statement of cash flows:

Account payable for non-current assets

For the year ended December 31, 2019 accounts payable for purchases of property, plant and equipment increased by 97,382 million tenge (2018: 41,609 million tenge, 2017: 11,795 million tenge).

CONSOLIDATED STATEMENT OF CASH FLOWS (continued)

NON-CASH TRANSACTIONS: SUPPLEMENTAL DISCLOSURE (continued)

Additions to Property, Plant and Equipment (PPE)

In 2018 and 2017 the Group received PPE on deferred payment terms in the amount of 33,216 million tenge and 135,393 million tenge, respectively, which were directly capitalized within additions to PPE (*Note 25*).

Contribution of pipelines

In 2018 the Company issued common shares for the total amount of 207,196 million tenge in exchange for gas pipelines received from Samruk-Kazyna and earlier recognized as additional paid in capital *(Note 24).*

Derecognition of borrowings from subsoil use contracts' project partners

In 2019 one and in 2018 two subsoil use contracts were terminated voluntarily by the Group and its projects partners. These projects were funded on carry-financing basis, according to which the share of expenses of the Group was financed by the project partners. These amounts were recognized as borrowings and were payable upon start of the commercial production and in case of positive cash flows. As the projects were ceased, the Group derecognized related borrowings for 110,930 million tenge and 53,263 million tenge in 2019 and 2018, respectively (*Note 25*).

Capitalization of borrowing costs

For the year ended December 31, 2019 the Group capitalized in the carrying amount of property, plant and equipment borrowing costs of 2,525 million tenge (2018: 21,715 million tenge, 2017: 26,532 million tenge) (*Note 25*).

Financial guarantee

During 2019 the Group provided a financial guarantee for joint venture to secure its borrowings. At initial recognition of the fair value of the financial guarantee issued was recognized as addition to the carrying amount of investments in joint venture for the amount of 11,162 million tenge and was recognized as an increase in the carrying amount of investment in joint venture (2018 and 2017: nil) (*Note 19*).

Deputy Chairman of the Management Board – Chief Financial Officer _______________ *D.S. Karabayev*

Managing director – financial controller _______________ *A.Zh. Beknazarova*

Chief accountant _______________ *Y.Y. Orynbayev*

The accounting policies and explanatory notes on pages 11 through 99 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to equity holder of the Parent Company							
In millions of tenge	Share capital	Additional paid-in capital	Other equity	Currency translation reserve	Retained earnings	Total	Non-controlling interest	Total
As at December 31, 2016	696,377	243,655	222	1,370,264	3,322,319	5,632,837	801,560	6,434,397
Net profit for the year	–	–	–	–	443,408	443,408	82,040	525,448
Other comprehensive loss	–	–	–	(75,173)	(1,286)	(76,459)	(439)	(76,898)
Total comprehensive income for the year	–	–	–	(75,173)	442,122	366,949	81,601	448,550
Contribution to share capital	12,968	221	–	–	–	13,189	–	13,189
Dividends *(Note 24)*	–	–	–	–	(45,879)	(45,879)	(13,269)	(59,148)
Distributions to Samruk-Kazyna *(Note 24)*	–	–	–	–	(23,634)	(23,634)	–	(23,634)
Transactions with Samruk-Kazyna *(Note 24)*	–	–	–	–	(29,736)	(29,736)	–	(29,736)
Execution of share-based payments	–	–	(131)	–	–	(131)	131	–
Forfeiture of share-based payments	–	–	(8)	–	–	(8)	(5)	(13)
As at December 31, 2017	709,345	243,876	83	1,295,091	3,665,192	5,913,587	870,018	6,783,605

The accounting policies and explanatory notes on pages 11 through 99 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (continued)

	Attributable to equity holder of the Parent Company							
In millions of tenge	Share capital	Additional paid-in capital	Other equity	Currency translation reserve	Retained earnings	Total	Non-controlling interest	Total
As at December 31, 2017	709,345	243,876	83	1,295,091	3,665,192	5,913,587	870,018	6,783,605
Effect of adoption of IFRS 9 and IFRS 15	–	–	–	–	(12,391)	(12,391)	(6)	(12,397)
As at January 1, 2018	709,345	243,876	83	1,295,091	3,652,801	5,901,196	870,012	6,771,208
Net profit for the year	–	–	–	–	695,864	695,864	(2,353)	693,511
Other comprehensive income	–	–	–	469,017	(3,874)	465,143	9,673	474,816
Total comprehensive income for the year	–	–	–	469,017	691,990	1,161,007	7,320	1,168,327
Contribution to share capital *(Note 24)*	207,196	(203,082)	–	–	–	4,114	–	4,114
Dividends *(Note 24)*	–	–	–	–	(36,272)	(36,272)	(6,200)	(42,472)
Distributions to Samruk-Kazyna *(Note 24)*	–	–	–	–	(27,383)	(27,383)	–	(27,383)
Transactions with Samruk-Kazyna *(Note 24)*	–	–	–	–	(88,546)	(88,546)	–	(88,546)
Acquisition of subsidiaries	–	–	–	–	–	–	345	345
Share buyback by subsidiary *(Note 24)*	–	–	–	–	148,473	148,473	(790,997)	(642,524)
As at December 31, 2018	916,541	40,794	83	1,764,108	4,341,063	7,062,589	80,480	7,143,069

The accounting policies and explanatory notes on pages 11 through 99 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (continued)

	Attributable to equity holder of the Parent Company							
In millions of tenge	Share capital	Additional paid-in capital	Other equity	Currency translation reserve	Retained earnings	Total	Non-controlling interest	Total
As at December 31, 2018	**916,541**	**40,794**	**83**	**1,764,108**	**4,341,063**	**7,062,589**	**80,480**	**7,143,069**
Effect of adoption of IFRS 16 *(Note 3)*	–	–	–	–	(4,268)	(4,268)	(910)	(5,178)
As at January 1, 2019 (restated)	**916,541**	**40,794**	**83**	**1,764,108**	**4,336,795**	**7,058,321**	**79,570**	**7,137,891**
Net profit for the year	–	–	–	–	1,197,157	1,197,157	(38,700)	1,158,457
Other comprehensive (loss)/income	–	–	–	(32,361)	(5,349)	(37,710)	88	(37,622)
Total comprehensive income for the year	–	–	–	**(32,361)**	**1,191,808**	**1,159,447**	**(38,612)**	**1,120,835**
Dividends *(Note 24)*	–	–	–	–	(36,998)	(36,998)	(4,138)	(41,136)
Distributions to Samruk-Kazyna *(Note 24)*	–	–	–	–	(6,194)	(6,194)	–	(6,194)
Transactions with Samruk-Kazyna *(Note 24)*	–	–	–	–	(14,184)	(14,184)	–	(14,184)
Share buyback by subsidiary *(Note 24)*	–	–	–	–	(1,991)	(1,991)	(473)	(2,464)
Contribution to share capital without change in ownership shares	–	–	–	–	–	–	1,908	1,908
As at December 31, 2019	**916,541**	**40,794**	**83**	**1,731,747**	**5,469,236**	**8,158,401**	**38,255**	**8,196,656**

Deputy Chairman of the Management Board – Chief Financial Officer — *D.S. Karabayev*

Managing director – financial controller — *A.Zh. Beknazarova*

Chief accountant — *Y.Y. Orynbayev*

The accounting policies and explanatory notes on pages 11 through 99 form an integral part of these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2019

1. GENERAL

JSC "National Company "KazMunayGas" (the "Company", "KazMunayGas" or "Parent Company") is oil and gas enterprise of the Republic of Kazakhstan, which was established on February 27, 2002 as a closed joint stock company pursuant to the Decree No. 811 of the President of the Republic of Kazakhstan dated February 20, 2002 and the Resolution of the Government of the Republic of Kazakhstan (the "Government") No. 248 dated February 25, 2002. The Company was formed as a result of the merger of National Oil and Gas Company Kazakhoil CJSC ("Kazakhoil") and National Company Transport Nefti i Gaza CJSC ("TNG"). As the result of the merger, all assets and liabilities, including ownership interest in all entities owned by these companies, have been transferred to KazMunayGas. The Company was reregistered as a joint stock company in accordance with the legislation of the Republic of Kazakhstan in March 2004.

Starting from June 8, 2006, the sole shareholder of the Company was JSC "Kazakhstan Holding Company for State Assets Management "Samruk" ("Samruk"), which in October 2008 was merged with the state owned Sustainable Development Fund "Kazyna" and formed JSC "National Welfare Fund Samruk-Kazyna" ("Samruk-Kazyna"), now renamed to JSC "Sovereign Wealth Fund Samruk-Kazyna". The Government is the sole shareholder of Samruk-Kazyna. On August 7, 2015 National Bank of Republic of Kazakhstan ("National Bank of RK") purchased 10% plus one share of the Company from Samruk-Kazyna.

As at December 31, 2019, the Company has an interest in 54 operating companies (2018: 57 and 2017: 52) (jointly the "Group").

The Company has its registered office in the Republic of Kazakhstan, Nur-Sultan, Kunayev, 8.

The principal activity of the Group includes, but is not limited, to the following:

- participation in the Government activities relating to the oil and gas sector;
- representation of the state interests in subsoil use contracts through interest participation in those contracts; and
- corporate governance and monitoring of exploration, development, production, processing, transportation and sale of hydrocarbons and the designing, construction and maintenance of oil-and-gas pipeline and field infrastructure.

The consolidated financial statements comprise the financial statements of the Company and its controlled subsidiaries *(Note 33)*.

These consolidated financial statements of the Group were approved for issue by the Deputy Chairman of the Management Board – Chief Financial Officer, Managing director – financial controller and the Chief accountant on March 5, 2020.

2. BASIS OF PREPARATION

These consolidated financial statements have been prepared on a historical cost basis, except as described in the accounting policies and the notes to these consolidated financial statements. All values in these consolidated financial statements are rounded to the nearest millions, except when otherwise indicated.

The Group changed the presentation unit of the consolidated financial statements from thousands tenge to millions tenge since the Group believes that it is more relevant to users of consolidated financial statements.

Statement of compliance

These consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by International Accounting Standards Board ("IASB").

The preparation of the consolidated financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the Group consolidated financial statements are disclosed in *Note 4*.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

2. BASIS OF PREPARATION (continued)

Foreign currency translation

Functional and presentation currency

Items included in the financial statements of each of the Group's entities included in these consolidated financial statements are measured using the currency of the primary economic environment in which the entities operate ("the functional currency"). The consolidated financial statements are presented in Kazakhstan tenge ("tenge" or "KZT"), which is the Company's functional currency.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the consolidated statement of comprehensive income.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined.

Differences arising on settlement or translation of monetary items are recognised in profit or loss with the exception of monetary items that are designated as part of the hedge of the Group's net investment of a foreign operation. These are recognised in other comprehensive income until the net investment is disposed of, at which time, the cumulative amount is reclassified to profit or loss. Tax charges and credits attributable to exchange differences on those monetary items are also recorded in other comprehensive income.

Group Companies

The results and financial position of all of the Group's subsidiaries, joint ventures and associates (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each statement of financial position presented are translated at the closing rate at that reporting date;
- income and expenses for each statement of comprehensive income are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and
- all resulting exchange differences are recognized as a separate component of other comprehensive income.

Exchange rates

Weighted average currency exchange rates established by the Kazakhstan Stock Exchange ("KASE") are used as official currency exchange rates in the Republic of Kazakhstan.
The currency exchange rate of KASE as at December 31, 2019 was 382.59 tenge to 1 US dollar. This rate was used to translate monetary assets and liabilities denominated in United States dollars ("US dollar") as at December 31, 2019 (2018: 384.20 and 2017: 332.33 tenge to 1 US dollar). The currency exchange rate of KASE as at March 5, 2020 was 380.53 tenge to 1 US dollar.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Changes in accounting policies and disclosures

New and amended standards and interpretations

The accounting policies adopted in the preparation of the consolidated financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended December 31, 2018, except for the adoption of new standards and interpretations effective as of January 1, 2019. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

The Group applied in 2019, for the first time, IFRS 16 Leases. The nature and effect of these changes are disclosed below.

Several other amendments and interpretations apply for the first time in 2019, but do not have an impact on the consolidated financial statements of the Group.

IFRS 16 Leases

IFRS 16 supersedes 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.* The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for most leases under a single on-balance sheet model.

Lessor accounting under IFRS 16 is substantially unchanged from 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 January 1, 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 and upon initial adoption of the standard, 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'), relied on its assessment of whether leases are onerous immediately before the date of initial application and used hindsight in determining the lease term where the contract contained options to extend or terminate the lease.

The effect of adoption IFRS 16 on consolidated financial statement as at January 1, 2019 is as follows:

In millions of tenge	**As at January 1, 2019**
Assets	
Property, plant and equipment *(Note 15)*	(524)
Right-of-use assets	44,398
Advances for non-current assets	(2,364)
Total assets	**41,510**
Equity	
Retained earnings	(4,268)
Non-controlling interest	(910)
	(5,178)
Liabilities	
Lease liabilities	46,688
Total equity and liabilities	**41,510**

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Changes in accounting policies and disclosures (continued)

New and amended standards and interpretations (continued)

IFRS 16 Leases (continued)

The Group assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

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

The Group has lease contracts for various items of plant, machinery, vehicles and other equipment. Before the adoption of IFRS 16, the Group classified each of its leases (as lessee) at the inception date as either a finance lease or an operating lease. A lease was classified as a finance lease if it transferred substantially all of the risks and rewards incidental to ownership of the leased asset to the Group; otherwise it was classified as an operating lease. Finance leases were capitalised at the commencement of the lease at the inception date at fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments were apportioned between interest (recognised as finance costs) and reduction of the lease liability. In an operating lease, the leased property was not capitalised and the lease payments were recognised as rent expense in profit or loss on a straight-line basis over the lease term. Any prepaid rent and accrued rent were recognised under advances received, trade accounts payable 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 classified as finance leases

The Group did not change the initial carrying amounts of recognised assets and liabilities at the date of initial application for leases previously classified as finance leases (i.e., the right-of-use assets and lease liabilities equal the lease assets and liabilities recognised under IAS 17). The requirements of IFRS 16 was applied to these leases from January 1, 2019.

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 for most leases were recognised based on the carrying amount as if the standard had always been applied, apart from the use of incremental borrowing rate at the date of initial application. In some leases, the right-of-use assets were recognised based on the amount equal to the lease liabilities, adjusted for any related advances received and accrued lease payments previously recognised. Lease liabilities were recognised based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at the date of initial application.

The lease liabilities as at January 1, 2019 can be reconciled to the operating lease commitments as of December 31, 2018 as follows:

In millions of tenge	
Operating lease commitments as at December 31, 2018	**71,902**
Weighted average incremental borrowing rate as at 1 January 2019	8.12%
Effect of discounting using incremental borrowing rate as at January 1, 2019	(20,840)
Discounted operating lease commitments as at January 1, 2019	**51,062**
Less commitments relating to short-term leases and low-value assets	(4,374)
Add commitments relating to leases previously classified as finance leases	9,206
Lease liabilities as at January 1, 2019	**55,894**

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Changes in accounting policies and disclosures (continued)

New and amended standards and interpretations (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. Mostly 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.

Lease liabilities

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance 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. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made.

Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to its short-term leases of property, plant and equipment (i.e., those leases that have a lease term of 12 months or less from the commencement date and from the date of the first adoption and do not contain a purchase option). 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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Changes in accounting policies and disclosures (continued)

New and amended standards and interpretations (continued)

IFRIC Interpretation 23 Uncertainty over Income Tax Treatment

The Interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of IAS 12 Income Taxes. It does not apply to taxes or levies outside the scope of IAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. The Interpretation specifically addresses the following:

- Whether an entity considers uncertain tax treatments separately
- The assumptions an entity makes about the examination of tax treatments by taxation authorities
- How an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates
- How an entity considers changes in facts and circumstances

The Group determines whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments and uses the approach that better predicts the resolution of the uncertainty.

The Group applies significant judgment in identifying uncertainties over income tax treatments. Since the Group operates in a complex multinational environment, it assessed whether the Interpretation had an impact on its consolidated financial statements. Upon adoption of the Interpretation, the Group considered whether it has any uncertain tax positions, particularly those relating to transfer pricing. The Company's and the subsidiaries' tax filings in different jurisdictions include deductions related to transfer pricing and the taxation authorities may challenge those tax treatments. The Group determined, based on its tax compliance and transfer pricing study, which it is probable that its tax treatments (including those for the subsidiaries) will be accepted by the taxation authorities. The Interpretation did not have an impact on the consolidated financial statements of the Group.

Amendments to IFRS 9: Prepayment Features with Negative Compensation

Under IFRS 9, a debt instrument can be measured at amortized cost or at fair value through other comprehensive income, provided that the contractual cash flows are 'solely payments of principal and interest on the principal amount outstanding' (the SPPI criterion) and the instrument is held within the appropriate business model for that classification. The amendments to IFRS 9 clarify that a financial asset passes the SPPI criterion regardless of an event or circumstance that causes the early termination of the contract and irrespective of which party pays or receives reasonable compensation for the early termination of the contract.

These amendments had no impact on the consolidated financial statements of the Group.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Changes in accounting policies and disclosures (continued)

New and amended standards and interpretations (continued)

Amendments to IAS 19: Plan Amendment, Curtailment or Settlement

The amendments to IAS 19 address the accounting when a plan amendment, curtailment or settlement occurs during a reporting period. The amendments specify that when a plan amendment, curtailment or settlement occurs during the annual reporting period, an entity is required to determine the current service cost for the remainder of the period after the plan amendment, curtailment or settlement, using the actuarial assumptions used to remeasure the net defined benefit liability (asset) reflecting the benefits offered under the plan and the plan assets after that event. An entity is also required to determine the net interest for the remainder of the period after the plan amendment, curtailment or settlement using the net defined benefit liability (asset) reflecting the benefits offered under the plan and the plan assets after that event, and the discount rate used to remeasure that net defined benefit liability (asset).

The amendments had no impact on the consolidated financial statements of the Group as it did not have any plan amendments, curtailments, or settlements during the period.

Amendments to IAS 28: Long-term interests in associates and joint ventures

The amendments clarify that an entity applies IFRS 9 to long-term interests in an associate or joint venture to which the equity method is not applied but that, in substance, form part of the net investment in the associate or joint venture (long-term interests). This clarification is relevant because it implies that the expected credit loss model in IFRS 9 applies to such long-term interests.

The amendments also clarified that, in applying IFRS 9, an entity does not take account of any losses of the associate or joint venture, or any impairment losses on the net investment, recognised as adjustments to the net investment in the associate or joint venture that arise from applying IAS 28 Investments in Associates and Joint Ventures.

Since the Group's current practice is in line with these amendments, they had no impact on the consolidated financial statements of the Group.

Annual Improvements 2015-2017 Cycle

IFRS 3 Business Combinations

The amendments clarify that, when an entity obtains control of a business that is a joint operation, it applies the requirements for a business combination achieved in stages, including remeasuring previously held interests in the assets and liabilities of the joint operation at fair value. In doing so, the acquirer remeasures its entire previously held interest in the joint operation. An entity applies those amendments to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 January 2019, with early application permitted.

These amendments had no impact on the consolidated financial statements of the Group as there is no transaction where joint control over the former joint operation is obtained.

IFRS 11 Joint Arrangements

An entity that participates in, but does not have joint control of, a joint operation might obtain joint control of the joint operation in which the activity of the joint operation constitutes a business as defined in IFRS 3. The amendments clarify that the previously held interests in that joint operation are not remeasured. An entity applies those amendments to transactions in which it obtains joint control on or after the beginning of the first annual reporting period beginning on or after 1 January 2019, with early application permitted.

These amendments had no impact on the consolidated financial statements of the Group as there is no transaction where a joint control over the former joint operation is obtained.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Changes in accounting policies and disclosures (continued)

New and amended standards and interpretations (continued)

IAS 12 Income Taxes

The amendments clarify that the income tax consequences of dividends are linked more directly to past transactions or events that generated distributable profits than to distributions to owners. Therefore, an entity recognises the income tax consequences of dividends in profit or loss, other comprehensive income or equity according to where it originally recognised those past transactions or events. An entity applies the amendments for annual reporting periods beginning on or after 1 January 2019, with early application permitted. When the entity first applies those amendments, it applies them to the income tax consequences of dividends recognised on or after the beginning of the earliest comparative period. Since the Group's current practice is in line with these amendments, they had no impact on the consolidated financial statements of the Group.

IAS 23 Borrowing Costs

The amendments clarify that an entity treats as part of general borrowings any borrowings originally made to develop a qualifying asset when substantially all of the activities necessary to prepare that asset for its intended use or sale are complete. An entity applies those amendments to borrowing costs incurred on or after the beginning of the annual reporting period in which the entity first applies those amendments. An entity applies those amendments for annual reporting periods beginning on or after 1 January 2019, with early application permitted. The Group is assessing the potential effect of these amendments on its consolidated financial statements. Since the Group's current practice is in line with these amendments, they had no impact on the consolidated financial statements of the Group.

Standards issued but not yet effective

The new and amended standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Group's financial statements are disclosed below. The Group intends to adopt these new and amended standards and interpretations, if applicable, when they become effective.

IFRS 17 Insurance Contracts

In May 2017, the IASB issued IFRS 17 Insurance Contracts. IFRS 17 establishes a single framework for the accounting for insurance contracts and contains requirements for related disclosures. The new standard replaces IFRS 4 Insurance Contracts. The standard is effective for annual periods beginning on or after January 1, 2021. The Group does not expect the standard to have a material impact on the consolidated financial statements.

Financial reporting framework

In March 2018, the IASB issued a revised version of Conceptual Framework for Financial Reporting. In particular, the revised version introduces new definitions of assets and liabilities, as well as amended definitions of income and expenses. The new version is effective for annual periods beginning on or after January 2020. The Group does not expect the revised version of Conceptual Framework to have a material impact on the consolidated financial statements.

Amendments to IFRS 3: Definition of a Business

In October 2018, the IASB issued amendments to IFRS 3 Business Combinations. The amendments enhance definition of a business set out by the standard. The amendments are effective for acquisitions to occur on or after January 1, 2020; earlier application is permitted. Since the amendments apply prospectively to transactions or other events after the date of first application the Group will not be affected by these.

Amendments to IAS 1 and IAS 8: Definition of Materiality

In October 2018, the IASB issued amendments to *IAS 1 Presentation of Financial Statements* and *IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors*. The amendments to IAS 1 and IAS 8 introduce new definition of materiality. The amendments are effective on or after January 1, 2020; earlier application is permitted. The Group does not expect the amendments to have a material impact on the consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Changes in accounting policies and disclosures (continued)

Standards issued but not yet effective (continued)

IFRS 7 Financial Instruments: Disclosures and IFRS 9 Financial Instruments – interest rates

In September 2019, the IASB issued amendments to *IFRS 7 Financial instruments: Disclosures and IFRS 9 Financial instruments named Interest Rate Benchmark Reform*. The amendments provide relief from certain requirements of hedge accounting, as their fulfillment can lead to discontinuation of hedge accounting due to uncertainty caused by the reform. The amendments are effective on or after January 1, 2020; earlier application is permitted. The Group does not expect the amendments to have a material impact on the consolidated financial statements.

IAS 1 Presentation of Financial Statements

In January 2020, the IASB issued amendments to *IAS 1 Presentation of Financial Statements named Classification of Liabilities as Current or Non-current*. The amendments clarify requirements for classifying liabilities as current or non-current. The amendments are effective on or after January 1, 2022; earlier application is permitted. The Group does not expect the amendments to have a material impact on the consolidated financial statements, as the Group already applies criteria set by the amendments.

The Group does not plan for early adoption in respect of above-mentioned new standards and amendments to existing standards to which this option is available.

Changes in accounting policies related to presentation

In accordance with *IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors*, the Group decided to apply voluntary changes in accounting policies related to presentation of consolidated financial statements and elected to present its statement of comprehensive income based on nature and cash flow statement using the indirect method to improve presentation of financial information for the current year and increase the comparability of the Group consolidated financial statements with the industry peers. Reclassifications do not affect net profit or comprehensive income for the year or equity.

Changes in presentation of the consolidated statement of comprehensive income from function based to nature based approach led to reclassification of certain line items below:

		For the year ended December 31,			
		According to the issued consolidated financial statements		Reclassified	
In millions of tenge	Notes	2018	2017	2018	2017
Cost of purchased oil, gas, petroleum products and other materials	[A]	–	–	4,312,958	2,729,514
Production expenses	[B]	–	–	604,475	624,346
Taxes other than income tax	[C]	–	–	477,732	354,447
Depreciation, depletion and amortization	[D]	–	–	285,186	238,021
Cost of sales	[A], [B], [C], [D]	5,353,492	3,704,457	–	–
General and administrative expenses	[C], [D]	247,128	200,434	213,485	163,780
Transportation and selling expenses	[C], [D]	659,447	440,568	370,777	238,063
Other expenses	[D]	24,144	33,596	23,283	34,767
Loss on disposal of property, plant and equipment, intangible assets and investment property, net	[D]	3,517	3,815	–	–
Impairment of assets held for sale	[D]	168	68	–	–
		6,287,896	4,382,938	6,287,896	4,382,938

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Changes in accounting policies related to presentation (continued)

Changes in presentation of the consolidated statement of comprehensive income (continued)

[A] The Group elected to present *Cost of purchased oil, gas, petroleum products and other materials* as a separate line item.

[B] Other line items previously presented within cost of sales, except for *Cost of purchased oil, gas, petroleum products and other materials, taxes* and *depreciation*, were aggregated and shown as a separate line item of the consolidated statement of comprehensive income.

[C] The Group elected to aggregate *mineral extraction and other taxes* from cost of sales (2018: 187,606 million tenge, 2017: 152,739 million tenge), general and administrative expenses (2018: 13,475 million tenge, 2017: 13,223 million tenge), transportation and selling expenses (2018: 276,651 million tenge, 2017: 188,485 million tenge) and present as a separate line item of the consolidated profit and loss. The components of the line item were not altered and corresponds to the prior year issued consolidated financial statements.

[D] The Group elected to aggregate *Depreciation, depletion and amortization charges* from cost of sales (2018: 248,453 million tenge, 2017: 197,858 million tenge), general and administrative expenses (2018: 20,168 million tenge, 2017: 23,432 million tenge), transportation and selling expenses (2018: 12,019 million tenge, 2017: 14,020 million tenge), other expenses (2018: 4,546 million tenge, 2017: 2,711 million tenge) and present as a separate line item of the consolidated profit and loss. Additionally, *Loss on disposal of property, plant and equipment, intangible assets and investment property* and *Impairment of assets held for sale* were reclassed to *Other expenses.*

Changes in presentation of the consolidated statement of financial position

The Group performed reclasses below:

	As of 31 December			
	According to the issued consolidated financial statements		Reclassified	
In millions of tenge	2018	2017	2018	2017
Other current liabilities	236,988	202,445	236,163	201,940
Financial guarantees	1,831	1,171	–	–
Lease liabilities	–	–	2,656	1,676
	238,819	**203,616**	**238,819**	**203,616**

Changes in presentation of the consolidated cash flow statement from direct to indirect method was applied retrospectively, also as at December 31, 2019, viewing that one of the Group's principal activities is the representation of the State interests in subsoil use contracts through interest participation in those contracts through joint ventures, the Group decided to show dividends received from joint ventures and associates within operating cash flows as dividends received in accordance with IAS 7.

Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as of December 31, 2019. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if and only if the Group has: power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee); exposure, or rights, to variable returns from its involvement with the investee, and; the ability to use its power over the investee to affect its returns.

Generally, there is a presumption that a majority of voting rights result in control. To support this presumption and when the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including: the contractual arrangement with the other vote holders of the investee; rights arising from other contractual arrangements; the Group's voting rights and potential voting rights.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of consolidation (continued)

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control over the subsidiary. Assets, liabilities, revenue and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the date the Group gains control until the date the Group ceases to control the subsidiary.

The financial statements of the subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies. Profit or loss and each component of other comprehensive income are attributable to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interest having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies. All intra-group balances, transactions, unrealized gains and losses resulting from intra-group transactions and dividends are eliminated in full. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises the related assets (including goodwill), liabilities, non-controlling interest and other components of equity while any resultant gain or loss is recognised in profit or loss. Any investment retained is recognised at fair value.

Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any non-controlling interest in the acquiree. For each business combination, the acquirer measures the non-controlling interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition costs incurred are expensed and included in general and administrative expenses.

When the Group acquires a business, it assesses the financial assets acquired and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of IFRS 9 Financial Instruments: Recognition and Measurement, is measured at fair value with changes in fair value recognised in the statement of profit or loss in accordance with IFRS 9. If the contingent consideration is not within the scope of IFRS 9, it is measured at fair value through profit and loss. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interests, and any previous interest held, over the net identifiable assets acquired and liabilities assumed. If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Group re-assesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognised at the acquisition date. If the reassessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognised in profit or loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill forms part of a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed off in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Business combinations and goodwill (continued)

Business combinations achieved in stages

The acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date through profit or loss.

In a business combination achieved in stages the acquirer recognises goodwill as of the acquisition date measured as the excess of (a) over (b) below:

(a) the aggregate of:

  (i) the consideration transferred measured in accordance with this IFRS 3 *Business Combinations*, which generally requires acquisition-date fair value;

  (ii) the amount of any non-controlling interest in the acquiree measured in accordance with this IFRS; and

  (iii) the acquisition-date fair value of the acquirer's previously held equity interest in the acquiree.

(b) the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed.

Acquisition of subsidiaries from parties under common control

Acquisitions of subsidiaries from parties under common control are accounted for using the pooling of interest method.

The assets and liabilities of the subsidiary transferred under common control are recorded in the consolidated financial statements at the carrying amounts of the transferring entity (the Predecessor) at the date of the transfer. Related goodwill, if any, inherent in the Predecessor's original acquisition is also recorded in the consolidated financial statements. Any difference between the total book value of net assets, including the Predecessor's goodwill, and the consideration paid is accounted for in the consolidated financial statements as an adjustment to equity.

The consolidated financial statements, including corresponding figures, are presented as if the subsidiary had been acquired by the Group on the date it was originally acquired by the Predecessor.

Joint operations

A joint operation is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets and obligations for the liabilities, relating to the arrangement.

In relation to its interests in joint operations, the Group recognizes its:

- Assets, including its share of any assets held jointly
- Liabilities, including its share of any liabilities incurred jointly
- Revenue from the sale of its share of the output arising from the joint operation
- Share of the revenue from the sale of the output by the joint operation
- Expenses, including its share of any expenses incurred jointly

Investment in associates and joint ventures

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but which does not comprise control or joint control over those policies.

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

The considerations made in determining significant influence or joint control are similar to those necessary to determine control over subsidiaries.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investment in associates and joint ventures (continued)

The Group's investments in its joint ventures and associates are accounted for using the equity method. Under the equity method, the investment in a joint venture or an associate is initially recognized at cost. The carrying amount of the investment is adjusted to recognize changes in the Group's share of net assets of the joint venture or associate since the acquisition date. Goodwill relating to the joint venture or associate is included in the carrying amount of the investment and is neither amortized nor individually tested for impairment.

The consolidated statement of comprehensive income reflects the Group's share of the results of operations of the joint venture or associate. Any change in OCI of those investees is presented as part of the Group's OCI. In addition, when there has been a change recognized directly in the equity of the joint venture or associate, the Group recognizes its share of any changes, when applicable, in the consolidated statement of changes in equity. Unrealized gains and losses resulting from transactions between the Group and the joint venture or associate are eliminated to the extent of the interest in the joint venture or associate.

The aggregate of the Group's share in profit or loss of a joint venture and an associate is shown on the face of the consolidated statement of comprehensive income and represents profit or loss after tax and non-controlling interest in the subsidiaries of the joint venture or associate. The financial statements of the joint venture or associate are prepared for the same reporting period as the Group. When necessary, adjustments are made to bring their accounting policies in line with those of the Group.

After application of the equity method, the Group determines whether it is necessary to recognize an impairment loss on its investment in its joint venture or associate. At each reporting date, the Group determines whether there is objective evidence that the investment in the joint venture or associate is impaired. If there is such evidence, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate or joint venture and its carrying value, and then recognizes the loss as 'Impairment of investment in joint venture or associate' in the consolidated statement of comprehensive income.

Upon loss of joint control over the joint venture or significant influence over the associate, the Group measures and recognizes any retained investment at its fair value. Any difference between the carrying amount of the joint venture or associate upon loss of joint control or significant influence and the fair value of the retained investment and proceeds from disposal is recognized in profit or loss.

Current versus non-current classification

The Group presents assets and liabilities in the consolidated statement of financial position based on current/non-current classification. An asset as current when it is:

- expected to be realized or intended to sold or consumed in normal operating cycle;
- held primarily for the purpose of trading;
- expected to be realized within 12 (twelve) months after the reporting period; or
- cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least 12 (twelve) months after the reporting period.

All other assets are classified as non-current.

A liability is current when:

- it is expected to be settled in normal operating cycle;
- it is held primarily for the purpose of trading;
- it is due to be settled within 12 (twelve) months after the reporting period; or
- there is no unconditional right to defer the settlement of the liability for at least 12 (twelve) months after the reporting period.

The Group classifies all other liabilities as non-current. Deferred tax assets and liabilities are always classified as non-current assets and liabilities.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Oil and natural gas exploration, evaluation and development expenditure

Costs incurred before obtaining subsoil use rights (licenses)

Costs incurred before obtaining full subsoil use rights (licenses) are expensed in the period in which they are incurred, except when costs are incurred after signing preliminary agreements with the Government of the Republic of Kazakhstan, in such cases costs incurred after this date are capitalized within exploration and evaluation.

Subsoil use rights and property acquisition costs

Exploration and production subsoil use rights and related property acquisition costs are capitalized within exploration and evaluation assets and subclassified as intangible assets. Each property under exploration and appraisal is reviewed on an annual basis to confirm that drilling activity is planned and it is not impaired. If no future activity is planned, the carrying amount of the exploration subsoil use right and related property acquisition costs is written off. Upon determination of economically recoverable reserves ('proved reserves' or 'commercial reserves') and internal approval of development, the carrying amount of the subsoil use right and related property acquisition costs held on a field-by-field basis is aggregated with exploration and evaluation assets and transferred to oil and gas assets or intangible assets.

Exploration and evaluation costs

Once the legal right to explore has been acquired, geological and geophysical exploration costs and costs directly associated with exploration and appraisal wells, including unsuccessful development or delineation wells are capitalized as exploration and evaluation intangible or tangible assets, according to the nature of the costs, until the drilling of the well is complete and the results have been evaluated. These costs include employee remuneration, materials and fuel used, rig costs and payments made to contractors. If no reserves are found, the exploration and evaluation asset is tested for impairment, if extractable hydrocarbons are found and, subject to further appraisal activity, which may include the drilling of further wells, are likely to be developed commercially; the costs continue to be carried as an asset while sufficient/continued progress is made in assessing the commerciality of the hydrocarbon reserves. All such carried costs are subject to technical, commercial and management review as well as review for impairment at least once a year to confirm the continued intent to develop or otherwise extract value from the discovery. When this is no longer the case, the assets are written off. When proved reserves of hydrocarbons are determined and development is sanctioned, the relevant expenditure is transferred to oil and gas assets after impairment is assessed and any resulting impairment loss is recognized.

Development costs

Expenditures on the construction, installation or completion of infrastructure facilities such as platforms, pipelines and the drilling of development wells, are capitalized within oil and gas assets.

Oil and gas assets and other property, plant and equipment

Oil and gas assets and other property, plant and equipment are stated at cost less accumulated depreciation, depletion and impairment ("DD&A").

The initial cost of an asset comprises its purchase price or construction cost, borrowing cost for long-term construction or development project, if recognition criteria is met, any costs directly attributable to bringing the asset into operation and the initial estimate of decommissioning obligation, if there is any. The purchase price or construction cost is the aggregate amount paid and the fair value of any other consideration given to acquire the asset.

Oil and gas assets are depreciated using a unit-of-production method, whereas tangible assets are depreciated over proved developed reserves and intangible assets – over proved reserves. Certain oil and gas assets with useful lives less than the remaining life of the fields or term of the subsoil use contracts are depreciated on a straight-line basis over useful lives.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Oil and gas assets and other property, plant and equipment (continued)

Property, plant and equipment other than oil and gas assets and land principally comprise buildings, machinery and equipment, vehicles and others that are depreciated on a straight-line basis over the expected remaining useful average lives as follows:

Refinery assets	4-100 years
Pipelines	2-30 years
Buildings and improvements	2-100 years
Machinery and equipment	2-30 years
Vehicles	3-35 years
Other	2-20 years
Land	not depreciated

The expected useful lives of property, plant and equipment are reviewed on an annual basis and, if necessary, changes in useful lives are accounted for prospectively.

The carrying value of property, plant and equipment is reviewed for impairment whenever events or changes in circumstances indicate the carrying value may not be recoverable.

An item of property, plant and equipment, inclusive of production wells which stop producing commercial quantities of hydrocarbons and are scheduled for abandonment, is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the profit or loss in the period the item is derecognized.

Intangible assets

Intangible assets are stated at cost, less accumulated amortization and accumulated impairment losses. Intangible assets include expenditure on acquiring subsoil use rights for oil and natural gas exploration, evaluation and development, computer software and goodwill. Intangible assets acquired separately from a business are carried initially at cost. The initial cost is the aggregate amount paid and the fair value of any other consideration given to acquire the asset.

Intangible assets, except for goodwill and subsoil use rights, are amortized on a straight-line basis over the expected remaining useful life. The expected useful lives of the assets are reviewed on an annual basis and, if necessary, changes in useful lives are accounted for prospectively. Computer software costs have an estimated useful life of 3 to 7 years. The carrying value of intangible assets is reviewed for impairment whenever events or changes in circumstances indicate the carrying value may not be recoverable. Goodwill is tested for impairment annually (as at December 31) and when circumstances indicate that the carrying value may be impaired.

Impairment is determined for goodwill by assessing the recoverable amount of each cash-generating unit (or group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash generating unit is less than their carrying amount an impairment loss is recognized. Impairment losses relating to goodwill cannot be reversed in future periods.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of non-financial assets

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's (CGU) fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded subsidiaries or other available fair value indicators. Impairment losses of continuing operations are recognized in the consolidated statement of comprehensive income in those expense categories consistent with the function of the impaired asset.

The Group bases its impairment calculation on detailed budgets and forecast calculations, which are prepared separately for each of the Group's CGUs to which the individual assets are allocated. These budgets and forecast calculations generally cover a period of 5 (five) years. For longer periods, a long-term growth rate is calculated and applied to projected future cash flows after the fifth year.

For assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the Group estimates the asset's or cash-generating unit's recoverable amount. A previously recognized impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognized. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of accumulated depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the consolidated statement of comprehensive income.

Impairment of exploration and evaluation assets

Exploration and evaluation assets are tested for impairment when reclassified to oil and gas development tangible or intangible assets or whenever facts and circumstances indicate impairment. One or more of the following facts and circumstances indicate that the Group should test exploration and evaluation assets for impairment (the list is not exhaustive):

- the period for which the Group entity has the right to explore and appraise in the specific area has expired during the period or will expire in the near future, and is not expected to be renewed;
- substantive expenditure on the further exploration for and evaluation of hydrocarbon resources in the specific area is neither budgeted nor planned;
- exploration for and evaluation of hydrocarbon resources in the specific area have not led to the discovery of commercial viable quantities of hydrocarbon resources and the Group entity has decided to discontinue such activities in the specific area;
- sufficient data exist to indicate that, although a development in the specific area is likely to proceed, the carrying amount of the exploration and evaluation asset is unlikely to be recovered in full from successful development or by sale.

Non-current assets held for sale and discontinued operations

Non-current assets and disposal groups classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell. Non-current assets and disposal groups are classified as held for sale if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset or disposal group is available for immediate sale in its present condition.

Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Non-current assets held for sale and discontinued operations (continued)

In the consolidated statement of comprehensive income of the reporting period, and of the comparable period of the previous year, income and expenses from discontinued operations are reported separately from income and expenses from continuing operations, down to the level of profit after taxes, even when the Group retains a non-controlling interest in the subsidiary after the sale. The resulting profit or loss (after taxes) is reported separately in the consolidated statement of comprehensive income.

Property, plant and equipment and intangible assets once classified as held for sale are not depreciated or amortized.

Asset retirement obligation (decommissioning)

Provision for decommissioning is recognized in full, on a discounted cash flow basis, when the Group has an obligation to dismantle and remove a facility or an item of plant, property and equipment and to restore the site on which it is located, and when a reasonable estimate of that provision can be made. The amount recognized is the present value of the estimated future expenditure determined in accordance with local conditions and requirements. A corresponding item of property, plant and equipment of an amount equivalent to the provision is also created. This asset is subsequently depreciated as part of the capital costs of the production and transportation facilities based on the appropriate depreciation method.

Changes in the measurement of an existing decommissioning provision that result from changes in the estimated timing or amount of the outflow of resources embodying economic benefits required to settle the obligation, or change in the discount rate, is accounted for so that:

(a) changes in the provision are added to, or deducted from, the cost of the related asset in the current period;

(b) the amount deducted from the cost of the asset shall not exceed its carrying amount. If a decrease in the provision exceeds the carrying amount of the asset, the excess is recognized immediately in the consolidated statement of comprehensive income; and

(c) if the adjustment results in an addition to the cost of an asset, the Group considers whether this is an indication that the new carrying amount of the asset may not be fully recoverable. If it is such an indication, the Group tests the asset for impairment by estimating its recoverable amount, and accounts for any impairment loss, in accordance with IAS 36.

Financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income (FVOCI), and fair value through profit or loss (FVPL).

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient, the Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under IFRS 15.

In order for a debt financial asset to be classified and measured at amortised cost or fair value through OCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial assets (continued)

Initial recognition and measurement (continued)

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e., the date that the Group commits to purchase or sell the asset.

Subsequent measurement

For purposes of subsequent measurement, financial assets are classified in two categories:

- Financial assets at amortised cost (debt instruments)
- Financial assets at fair value through profit or loss

The Group does not have financial assets at fair value through other comprehensive income.

Financial assets at amortised cost (debt instruments)

This category is the most relevant to the Group. The Group measures financial assets at amortised cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows, and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding

Financial assets at amortised cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

The Group's financial assets at amortised cost include trade and other receivables, loans due from related parties and bank deposits.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include certain loans due from related parties, which contain embedded derivative financial instruments, and coupon bonds included in other financial assets mandatorily required to be measured at fair value. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at fair value through profit or loss, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortised cost or at fair value through OCI, as described above, debt instruments may be designated at fair value through profit or loss on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

Financial assets at fair value through profit or loss are carried in the consolidated statement of financial position at fair value with net changes in fair value recognised in the consolidated statement of comprehensive income within the profit and loss.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Derecognition

A financial asset is primarily derecognised (removed from the consolidated statement of financial position) when:

- The rights to receive cash flows from the asset have expired

Or

- The Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of its continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Impairment of financial assets

The Group recognises an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss.

ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate.

The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

For trade and other receivables the Group applies a simplified approach in calculating ECLs. Therefore, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

The Group considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Inventories

Inventories are stated at the lower of cost and net realizable value on a first-in first-out ("FIFO") basis. Cost includes all costs incurred in the normal course of business in bringing each product to its present location and condition. The cost of crude oil and refined products is the cost of production, including the appropriate proportion of depreciation, depletion and amortization and overheads based on normal capacity. Net realizable value of crude oil and refined products is based on estimated selling price in the ordinary course of business less any costs expected to be incurred to complete the sale.

Value added tax (VAT)

The tax authorities permit the settlement of VAT on sales and purchases on a net basis. VAT receivable represents VAT on domestic purchases net of VAT on domestic sales. Export sales are zero rated.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Cash and cash equivalents

Cash and cash equivalents include cash in bank and cash on hand, demand deposits with banks with original maturities of 3 (three) months or less.

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans borrowings and payables, or as derivatives financial instruments.

All financial liabilities are recognized initially at fair value and in the case of loans and borrowings, plus directly attributable transaction costs.

The Group's financial liabilities include trade and other payables, loans and borrowings and derivative financial instruments.

Subsequent measurement

The measurement of financial liabilities depends on their classification as follows:

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss includes financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are acquired for the purpose of selling in the near term. This category includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by IFRS 9. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

Gains or losses on liabilities held for trading are recognized in profit or loss.

The Group has not designated any financial liabilities upon initial recognition as at fair value through profit or loss.

Trade and other payables

Trade payables are recognized initially at fair value and subsequently measured at amortized cost using the EIR.

Loans and borrowings

After initial recognition, interest bearing loans and borrowings are subsequently measured at amortized cost using the EIR. Gains and losses are recognized in the consolidated statement of comprehensive income when the liabilities are derecognized as well as through the EIR amortization process.

Amortized cost is calculated by taking into account any discount or premium on acquisition and fee or costs that are an integral part of the EIR. The EIR amortization is included in finance costs.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 (twelve) months after the reporting date. Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalized as part of the cost of that asset. Other borrowing costs are recognized as an expense when incurred.

Financial guarantee contracts

Financial guarantee contracts issued by the Group are those contracts that require a payment to be made to reimburse the holder for a loss it incurs because the specified debtor fails to make a payment when due in accordance with the terms of a debt instrument. Financial guarantee contracts are recognised initially as a liability at fair value, adjusted for transaction costs that are directly attributable to the issuance of the guarantee. Subsequently, the liability is measured at the higher of the best estimate of the expenditure required to settle the present obligation at the reporting date and the amount recognised less cumulative amortisation.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial liabilities (continued)

Derecognition

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in profit or loss.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the consolidated statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

Fair value of financial instruments

The fair value of financial instruments that are traded in active markets at each reporting date is determined by reference to quoted market prices or dealer price quotations (bid price for long positions and ask price for short positions), without any deduction for transaction costs.

For financial instruments not traded in an active market, the fair value is determined using appropriate valuation techniques. Such techniques may include using recent arm's length market transactions; reference to the current fair value of another instrument that is substantially the same; a discounted cash flow analysis or other valuation models.

Provisions

Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Group expects a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain.

If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as a finance cost.

Provision for obligations to the Government

The Government assigns various sponsorship and financing obligations to the Group. Management of the Group believes that such Government's assignments represent constructive obligations of the Group and require recognition on the basis of respective resolution of the Government. Furthermore, as the Government is the ultimate controlling party of the Group, the expenditures on these assignments are recognized as other distributions to the Shareholders directly in the equity, in the consolidated financial statements.

Employee benefits

Pension scheme

Payments to defined contribution retirement benefit plans are charged as an expense as they fall due. Payments made to state – managed retirement benefit schemes are dealt with as defined contribution plans where the Group's obligations under the scheme are equivalent to those arising in a defined contribution retirement benefit plan.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Employee benefits (continued)

Long-term employee benefits

The Group provides long-term employee benefits to employees before, on and after retirement, in accordance with the collective agreements between the Group entities and their employees. The collective agreement provides for certain one-off retirement payments, financial aid for employees' disability, anniversaries, funeral and other benefits. The entitlement to benefits is usually conditional on the employee remaining in service up to retirement age.

The expected costs of the benefits associated with one-off retirement payments are accrued over the period of employment using the same accounting methodology as used for defined benefit post-employment plans with defined payments upon the end of employment. Actuarial gains and losses arising in the year are taken to other comprehensive income. For this purpose, actuarial gains and losses comprise both the effects of changes in actuarial assumptions and experience adjustments arising because of differences between the previous actuarial assumptions and what has actually occurred. Other movements are recognised in the current period, including current service cost, any past service cost and the effect of any curtailments or settlements.

The most significant assumptions used in accounting for defined benefit obligations are discount rate and mortality assumptions. The discount rate is used to determine the net present value of future liabilities and each year the unwinding of the discount on those liabilities is charged to the consolidated statement of comprehensive income as finance costs. The mortality assumption is used to project the future stream of benefit payments, which is then discounted to arrive at a net present value of liabilities.

Employee benefits other than one-off retirement payments are considered as other long-term employee benefits. The expected cost of these benefits is accrued over the period of employment using the same accounting methodology as used for the defined benefit plan. Actuarial gains and losses on other long-term employee benefits are recognised in the profit or loss.

These obligations are valued by independent qualified actuaries on an annual basis.

Revenue recognition

Revenues are recognized when (or as) the Group satisfies a performance obligation by transferring a promised good or service (i.e. an asset) to a customer. An asset is transferred when (or as) the customer obtains control of that asset, which usually occurs when the title is passed, provided that the contract price is fixed or determinable and collectability of the receivable is reasonably assured. Specifically, domestic sales of crude oil and gas, as well as petroleum products and materials are usually recognized when title passes. For export sales, title generally passes at the border of the Republic of Kazakhstan. Revenue is measured at the fair value of the consideration received or receivable taking into account the amount of any trade discounts, volume rebates and reimbursable taxes.

Sales of support services are recognized as services are performed provided that the service price can be determined and no significant uncertainties regarding the receipt of revenues exist.

Interest income and costs

For all financial instruments measured at amortised cost and interest income is recorded using the effective interest rate (EIR). EIR is the rate that exactly discounts the estimated future cash payments or receipts over the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or liability. Interest income is included in finance income in the consolidated statement of comprehensive income.

Trade receivables

A receivable represents the Group's right to an amount of consideration that is unconditional (i.e., only the passage of time is required before payment of the consideration is due).

Contract liabilities

A contract liability is the obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer. If a customer pays consideration before the Group transfers goods or services to the customer, a contract liability is recognized when the payment is made or the payment is due (whichever is earlier). Contract liabilities are recognised as revenue when the Group performs under the contract.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Expense recognition

Expenses are recognized as incurred and are reported in the consolidated financial statements in the period to which they relate on an accrual basis.

Income taxes

Income tax for the year comprises current income tax, excess profit tax and deferred tax.

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the reporting date.

Current income tax relating to items recognized directly in equity is recognized in equity and not in the consolidated statement of comprehensive income.

Excess profit tax ("EPT") is treated as an income tax and forms part of income tax expense. In accordance with the applicable tax legislation, the Group accrues and pays EPT in respect of each subsoil use contract, at varying rates based on the ratio of aggregate annual income to deductions for the year for a particular subsoil use contract. The ratio of aggregate annual income to deductions in each tax year triggering the application of EPT is 1.25:1. EPT rates are applied to the part of the taxable income (taxable income after corporate income tax and allowable adjustments) related to each subsoil use contract in excess of 25% of the deductions attributable to each contract.

Deferred tax is calculated with respect to both corporate income tax ("CIT") and EPT. Deferred EPT is calculated on temporary differences for assets allocated to subsoil use contracts at the expected rate of EPT to be paid under the contract.

Deferred income tax is provided using the liability method on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognized for all taxable temporary differences, except:

- where the deferred income tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred income tax assets are recognized for all deductible temporary differences, carryforward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward of unused tax credits and unused tax losses can be utilized except:

- where the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred income tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

The carrying amount of deferred income tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilized. Unrecognized deferred income tax assets are reassessed at each reporting date and are recognized to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realized or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the reporting date.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Income taxes (continued)

Deferred income tax relating to items recognized directly in equity is recognized in equity and not in the consolidated statement of comprehensive income.

Deferred income tax assets and deferred income tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred income taxes relate to the same taxable entity and the same taxation authority.

Deferred tax assets are recognized for all allowances and unused tax losses to the extent that it is probable that taxable temporary differences and business nature of such expenses will be proved. Significant management judgment is required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and level of future taxable profits together with future tax planning strategies.

Equity

Non-controlling interest

Non-controlling interests are presented in the consolidated statement of financial position within equity, separately from the equity of the Company's owners. Total comprehensive income is attributed to the Company's owners and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Dividends

Dividends are recognized as a liability and deducted from equity at the reporting date only if they are declared before or on the reporting date. Dividends are disclosed when they are proposed before the reporting date or proposed or declared after the reporting date but before the consolidated financial statements are authorized for issue.

Distributions to the Shareholders

Expenditures incurred by the Group based on the respective resolution of the Government based on the RK President's charge or decision and instructions of Samruk-Kazyna are accounted for as other distributions through equity. Such expenditures include costs associated with non-core activity of the Group (construction of social assets) to be transferred to the Shareholder.

Subsequent events

The results of post-year-end events that provide evidence of conditions that existed at the reporting date (adjusting events) are reflected in the consolidated financial statements. Post-year-end events that are not adjusting events are disclosed in the notes to the consolidated financial statements when material.

4. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of the Group's consolidated financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities and the disclosure of contingent liabilities and assets, at the reporting date. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.

Oil and gas reserves

Oil and gas reserves are a material factor in the Group's computation of depreciation, depletion and amortization expenses. The Group estimates its oil and gas reserves in accordance with the methodology of the Society of Petroleum Engineers ("SPE"). In estimating its reserves under SPE methodology, the Group uses long-term planning prices. Using planning prices for estimating proved reserves removes the impact of the volatility inherent in using year-end spot prices. Management believes that long-term planning price assumptions, which are also used by management for their business planning and investment decisions are more consistent with the long-term nature of the upstream business and provide the most appropriate basis for estimating oil and gas reserves.

All reserve estimates involve some degree of uncertainty. The uncertainty depends mainly on the amount of reliable geological and engineering data available at the time of the estimate and the interpretation of this data.

The relative degree of uncertainty can be conveyed by placing reserves into one of two principal classifications, either proved or unproved. Proved reserves are more certain to be recovered than unproved reserves and may be further sub-classified as developed and undeveloped to denote progressively increasing uncertainty in their recoverability.

Estimates are reviewed and revised annually. Revisions occur due to the evaluation or re-evaluation of already available geological, reservoir or production data, availability of new data, or changes to underlying price assumptions. Reserve estimates may also be revised due to improved recovery projects, changes in production capacity or changes in development strategy. Proved developed reserves are used to calculate the unit of production rates for Depreciation Depletion & Amortization (DD&A) in relation to oil and gas production assets. The Group has included in proved reserves only those quantities that are expected to be produced during the initial subsoil use contract period. This is due to the uncertainties surrounding the outcome of such renewal procedures, since the renewal is ultimately at the discretion of the Government. An increase in the Group's subsoil use contract periods and corresponding increase in reported reserves would generally lead to lower DD&A expense and could materially affect earnings. A reduction in proved developed reserves will increase DD&A expense (assuming constant production), reduce income and could also result in an immediate write-down of the property's book value. Given the relatively small number of producing fields, it is possible that any changes in reserve estimates year on year could significantly affect prospective charges for DD&A.

Recoverability of oil and gas assets, downstream, refining and other assets

The Group assesses assets or CGU for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Where an indicator of impairment exists, a formal estimate of the recoverable amount is made, which is considered to be the higher of the fair value less costs to sell and value in use. These assessments require the use of estimates and assumptions such as long-term oil prices, discount rates, future capital requirements, operating performance (including production and sales volumes) that are subject to risk and uncertainty. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset/CGU is considered to be impaired and is written down to its recoverable amount. In assessing recoverable amount the estimated future cash flows are adjusted for the risks specific to the asset group and are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Fair value less costs to sell is identified as the price that would be received to sell the asset in an orderly transaction between market participants and does not reflect the effects of factors that may be specific to the entity and not applicable to entities in general.

As at December 31, 2019, 2018 and 2017, the Group performed its annual impairment tests of downstream, refining and other assets due to existence of impairment indicators. The Group considered forecasted refinery margins and production volumes, among other factors, when reviewing for indicators of impairment. As a result of the impairment analysis of the recoverable amount of downstream, refining and other assets an impairment charges were recognized in the consolidated financial statements for the year ended December 31, 2019 and 2018 (*Note 13*).

4. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS (continued)

Recoverability of oil and gas assets, downstream, refining and other assets (continued)

As of December 31, 2019, 2018 and 2017 the Group has material goodwill related to acquisitions of Pavlodar oil chemistry refinery LLP ("PNHZ") of 88,553 million tenge.

The Group performed annual impairment test of the goodwill related to acquisition of PNHZ in December 2019, 2018 and 2017. The Group considers the forecast for oil tolling volumes, oil tolling tariffs, capital expenditures, among other factors, when reviewing for indicators of impairment.

PNHZ calculates recoverable amount using a discounted cash flow model. The discount rate of 2019: 9.7% (2018: 9.7%, 2017: 13.25%) was calculated on the weighted average cost of capital before taxes. The weighted average cost of capital takes into account both borrowed funds and own equity. The cost of equity is derived from the expected return on investment. The cost of debt capital is based on interest-bearing loans. The inherent risk was included by applying an individual beta factor. The beta factor was estimated based on the publicly available market data. Forecasted cash flows till to 2028 were based on five-years business plan of PNHZ 2020-2024, which assumes current management estimates on potential changes in operating and capital costs. The significant part of those cash flows after 2024 was forecasted by applying expected inflation rate of 2019: 5.49% (2018: 3.53%, 2017: 3.89%), excluding capital costs, which are based on the best estimate of management as of valuation date.

As at December 31, 2019, 2018 and 2017 the recoverable amount of goodwill, which was determined based on value in use, exceeded its book value, as such no impairment of PNHZ goodwill was recognised.

Sensitivity to changes in assumptions

Results of the assessment of recoverable amount of goodwill from acquisition of PNHZ are sensitive to changes in key assumptions, in particular, assumptions related to changes in discount rate and target EBITDA in terminal period. Increase in discount rates by 1.0% from 9.7% to 10.7% and decrease of target EBITDA in terminal period by 1% from 35% to 36% would not result in decrease of the recoverable amount of PNHZ.

Assets retirement obligations

Oil and gas production facilities

Under the terms of certain subsoil use contracts, legislation and regulations the Group has legal obligations to dismantle and remove tangible assets and restore the land at each production site. Specifically, the Group's obligation relates to the ongoing closure of all non-producing wells and final closure activities such as removal of pipes, buildings and recultivation of the contract territories, and also obligations to dismantle and remove tangible assets and restore territory at each production site. Since the subsoil use contract terms cannot be extended at the discretion of the Group, the settlement date of the final closure obligations has been assumed to be the end of each subsoil use contract period. If the asset retirement obligations were to be settled at the end of the economic life of oil and gas field, the recorded obligation would increase significantly due to the inclusion of all abandonment and closure costs. The extent of the Group's obligations to finance the abandonment of wells and for final closure costs depends on the terms of the respective subsoil use contracts and current legislation.

Where neither subsoil use contracts nor legislation include an unambiguous obligation to undertake or finance such final abandonment and closure costs at the end of the subsoil use contract term, no liability has been recognized. There is some uncertainty and significant judgment involved in making such a determination. Management's assessment of the presence or absence of such obligations could change with shifts in policies and practices of the Government or in the local industry practice.

The Group calculates asset retirement obligations separately for each contract. The amount of the obligation is the present value of the estimated expenditures expected to be required to settle the obligation adjusted for expected inflation and discounted using average long-term risk-free interest rates for emerging market sovereign debt adjusted for risks specific to the Kazakhstan market.

At each reporting date the Group reviews site restoration provisions, and adjusts them to reflect the current best estimate in accordance with IFRIC 1 *Changes in Existing Decommissioning, Restoration and Similar Liabilities*.

4. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS (continued)

Assets retirement obligations (continued)

Oil and gas production facilities (continued)

Estimating the future closure costs involves significant estimates and judgments by management. Most of these obligations are many years in the future and, in addition to ambiguities in the legal requirements, the Group's estimate can be affected by changes in asset removal technologies, costs and industry practice. Uncertainties related to the final closure costs are mitigated by the effects of discounting the expected cash flows. The Group estimates future well abandonment cost using current year prices and the average long-term inflation rate.

The long-term inflation and discount rates used to determine the obligation in the consolidated statement of financial position across the Group entities at December 31, 2019 were in the range from 2.01% to 5.49% and from 4.43% to 8.95%, respectively, (2018: from 2.02% to 5.96% and from 5.5% to 10.00%, respectively, 2017: from 2.01% to 5.57% and from 5.17% to 10.00%). As at December 31, 2019 the carrying amounts of the Group's asset retirement obligations relating to decommissioning of oil and gas facilities were 54,165 million tenge (December 31, 2018: 36,288 million tenge and 2017: 35,406 million tenge, respectively) *(Note 26)*.

Major oil and gas pipelines

According to the Law of the Republic of Kazakhstan *On Major Pipelines* which was made effective on July 4, 2012 mainly the Group's two subsidiaries, JSC KazTransOil and Intergas Central Asia JSC, the subsidiary of KazTransGas JSC, have legal obligation to decommission its major oil pipelines at the end of their operating life and to restore the land to its original condition. Asset retirement obligation is calculated based on estimate of the work to decommission and rehabilitate. As at December 31, 2019, the carrying values of the Group's asset retirement obligations relating to decommissioning of pipelines and land were 100,229 million tenge (December 31, 2018: 79,948 million tenge and December 31, 2017: 65,140 million tenge) *(Note 26)*.

Environmental remediation

The Group also makes judgments and estimates in establishing provisions for environmental remediation obligations. Environmental expenditures are capitalized or expensed depending upon their future economic benefit. Expenditures that relate to an existing condition caused by past operations and do not have a future economic benefit are expensed.

Liabilities are determined based on current information about costs and expected plans for remediation and are recorded on an undiscounted basis if the timing of the procedures has not been agreed with the relevant authorities. The Group's environmental remediation provision represents management best estimate based on an independent assessment of the anticipated expenditure necessary for the Group to remain in compliance with the current regulatory regime in Kazakhstan and Europe. The Group has classified this obligation as non-current except for the portion of costs, included in the annual budget for 2019. For environmental remediation provisions, actual costs can differ from estimates because of changes in laws and regulations, public expectations, discovery and analysis of site conditions and changes in clean-up technology. Movements in the provision for environmental remediation obligations are disclosed in *Note 26*.

Employee benefits

The cost of defined long-term employee benefits payable before, on and after retirement and the present value of the obligation are determined using actuarial valuations. An actuarial valuation involves making various assumptions that may differ from actual developments in the future. These include the determination of the discount rate, future salary increases, mortality rates and future pension increases.

Due to the complexity of the valuation, the underlying assumptions and its long-term nature, a defined benefit obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date.

Taxation

In assessing tax risks, management considers to be probable obligations the known areas of tax positions which the Group would not appeal or does not believe it could successfully appeal, if assessed by tax authorities. Such determinations inherently involve significant judgment and are subject to change as a result of changes in tax laws and regulations, amendments to the taxation terms of the Group's subsoil use contracts, the determination of expected outcomes from pending tax proceedings and current outcome of ongoing compliance audits by tax authorities. The provision for tax risks other than on income tax are disclosed under provisions for taxes in *Note 26*. Contingent liabilities for tax risks other than on income tax are disclosed in *Note 34*. Provisions and contingent liabilities related to income tax are included or disclosed as income tax liabilities or contingencies (see *Note 30* and *34* for further details).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

4. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS (continued)

Fair value of financial instruments

Where the fair value of financial assets and financial liabilities recorded in the consolidated statement of financial position cannot be derived from active markets, they are determined using valuation techniques including the discounted cash flows model. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgment is required in establishing fair values. The judgments include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions about these factors could affect the reported fair value of financial instruments presented in the consolidated financial statements. Further details are disclosed in *Note 32.*

Useful lives of property, plant and equipment

The Group assesses the remaining useful lives of items of property, plant and equipment at least at each financial year-end and, if expectations differ from previous estimates, the changes are accounted for prospectively as a change in an accounting estimate in accordance with IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors.*

Fair values of assets and liabilities acquired in business combinations

The Group is required to recognize separately, at the acquisition date, the identifiable assets, liabilities and contingent liabilities acquired or assumed in the business combination at their fair values, which involves estimates. Such estimates are based on valuation techniques, which require considerable judgment in forecasting future cash flows and developing other assumptions.

5. DISCONTINUED OPERATIONS AND ASSETS CLASSIFIED AS HELD FOR SALE

The assets and liabilities, classified as discontinued operations, disposal group held for sale and assets classified as held for sale as at December 31, 2019, 2018 and 2017 and the results for 2019, 2018 and 2017 are as follows:

	December 31, 2019			
In millions of tenge	Assets classified as held for sale	Liabilities directly associated with the assets classified as held for sale	Net assets directly associated with the disposal group	Profit after income tax for 2019 from discontinued operation
Kazakh British Technical University JSC	–	–	–	6
Other assets	7,604	–	7,604	–
Total	7,604	–	7,604	6

	December 31, 2018			
In millions of tenge	Assets classified as held for sale	Liabilities directly associated with the assets classified as held for sale	Net assets directly associated with the disposal group	Profit/(loss) after income tax for 2018 from discontinued operation
KMG Retail	43,651	380	43,271	–
Kazakh British Technical University JSC	15,704	4,659	11,045	(4,301)
Other assets	2,405	–	2,405	7,754
Total	61,760	5,039	56,721	3,453

5. DISCONTINUED OPERATIONS AND ASSETS CLASSIFIED AS HELD FOR SALE (continued)

	December 31, 2017			
In millions of tenge	Assets classified as held for sale	Liabilities directly associated with the assets classified as held for sale	Net assets directly associated with the disposal group	Loss after income tax for 2017 from discontinued operation
Kazakh British Technical University JSC	16,803	1,925	14,878	(2,612)
Other assets	8,102	4	8,098	(1,054)
Total	24,905	1,929	22,976	(3,666)

LOSS OF CONTROL

KMG Retail

On February 8, 2019 the Company completed the sale of 100% interest in KMG Retail, which was classified as a disposal group held for sale since December 31, 2018, for 60,512 million tenge.

At the date of loss of control net assets of KMG Retail LLP were as follow:

In millions of tenge	**Net assets at the date of disposal**
Property, plant and equipment	34,266
Intangible assets	42
Cash	2,288
Other current and non-current assets	6,694
	43,290
Non-current liabilities	259
	259
Net assets	**43,031**

The resulting gain on disposal of KMG Retail amounted to 17,481 million tenge.

KBTU

As of December 31, 2018, KMG classified Kazakhstan-British University JSC (KBTU) as a discontinued operation. In January 2019, a sale agreement on 100% shares in KBTU, between KMG and the Public Foundation "Nursultan Nazarbayev Education Fund" came into force. According to the terms of the agreement, the transfer of stake and its payment of 11,370 million tenge are made in three tranches within two years. On February 6, 2019 KMG lost control over KBTU.

At the date of loss of control net assets of KBTU were as following:

In millions of tenge	**Net assets at the date of disposal**
Property and equipment	6,367
Intangible assets	1,964
Bank deposits	2,091
Cash	4,732
Other current and non-current assets	1,097
	16,251
Current and non-current liabilities	5,349
	5,349
Net assets	**10,902**

The resulting gain on disposal of KBTU amounted to 149 million tenge and the loss incurred by KBTU for the period from January 1, 2019 until the date of disposal equaled to 143 million tenge were recognized in the profit from discontinued operations.

5. DISCONTINUED OPERATIONS AND ASSETS CLASSIFIED AS HELD FOR SALE (continued)

LOSS OF CONTROL (continued)

KazTransGas Tbilisi LLC

As of December 31, 2017, KazTransGas JSC (KTG), the subsidiary, had 100% legal ownership in KazTransGas Tbilisi LLC (KTG Tbilisi). On March 16, 2009 the City Court of Kutaisi disqualified KTG from exercising rights to direct the relevant activities of KTG Tbilisi. As a result, the Group lost control over KTG Tbilisi and ceased consolidating it since the date of loss of control.

On September 13, 2018, KTG and the Government of Georgia signed an arbitration agreement on the peaceful settlement of the dispute as a result of which KTG sold 100% shares of KTG Tbilisi for 40,000 thousand US dollars (equivalent to 15,110 million tenge). On September 28, 2018, KTG collected proceeds from sale of interest ownership of 40,000 thousand US dollars (equivalent to 14,473 million tenge).

Additionally, in 2018 the Group sold other subsidiaries with net assets of 252 million tenge as of disposal date for the consideration of 3,501 million tenge, which resulted in the gain of 3,249 million tenge.

6. REVENUE

In millions of tenge	**2019**	2018* (reclassed)	2017* (reclassed)
Type of goods and services			
Sales of crude oil and gas*	**3,966,941**	4,094,011	2,677,102
Sales of refined products*	**2,043,848**	2,175,909	1,422,391
Oil and gas transportation services	**389,496**	315,229	333,038
Refining of oil and oil products	**195,896**	175,618	129,067
Other revenue	**262,675**	228,197	232,165
	6,858,856	6,988,964	4,793,763
Geographical markets			
Kazakhstan	**1,212,267**	1,131,911	944,145
Other countries	**5,646,589**	5,857,053	3,849,618
	6,858,856	6,988,964	4,793,763

*In 2019 the Group decided to present sales of gas products within *Sales of refined products* and thus reclassed from *Sales of crude oil and gas* 58,026 million tenge for 2018 and 29,309 million tenge for 2017.

7. SHARE IN PROFIT OF JOINT VENTURES AND ASSOCIATES, NET

In millions of tenge	**2019**	2018	2017
Tengizchevroil LLP	**414,940**	439,149	289,980
Asian Gas Pipeline LLP (AGP)	**168,086**	–	–
Mangistau Investments B.V.	**81,991**	95,510	49,605
Caspian Pipeline Consortium	**70,869**	57,965	54,666
Beineu-Shymkent Pipeline	**56,194**	16,710	(668)
KazGerMunay LLP	**17,561**	27,915	17,713
KazRosGas LLP	**18,091**	5,254	8,622
Kashagan B.V.	**13,114**	34,034	(10,208)
Kazakhoil-Aktobe LLP	**9,722**	9,057	(16,788)
Tenizservice LLP	**6,742**	13,897	1,653
Kazakh-chinese pipeline JSC	**3,313**	–	–
Valsera Holdings B.V.	**(6,107)**	(7,989)	9,751
PetroKazakhstan Inc.	**(18,244)**	14,590	7,233
Ural Group Limited	**(18,895)**	(18,822)	(1,877)
Other joint ventures and associates	**10,602**	10,056	5,268
	827,979	697,326	414,950

8. COST OF PURCHASED OIL, GAS, PETROLEUM PRODUCTS AND OTHER MATERIALS

In millions of tenge	**2019**	2018	2017
Purchased oil for resale	**2,448,412**	2,607,706	1,445,419
Cost of oil for refining	**638,293**	698,473	732,682
Purchased gas for resale	**493,280**	356,932	242,987
Materials and supplies	**217,138**	182,067	147,484
Purchased petroleum products for resale	**116,621**	467,780	160,942
	3,913,744	4,312,958	2,729,514

9. PRODUCTION EXPENSES

In millions of tenge	**2019**	2018* (reclassed)	2017* (reclassed)
Payroll	**338,120**	291,693	311,973
Repair and maintenance*	**129,450**	98,424	86,570
Energy	**88,910**	71,914	63,082
Transportation costs	**30,456**	21,988	15,685
Lease expenses*	**52,091**	10,085	8,293
Others	**82,666**	110,371	138,743
	721,693	604,475	624,346

*The Group reclassed outsourced *repair and maintenance* amounts from *Others* for 2018 and 2017 for 56,527 million tenge and 43,912 million tenge, respectively. Additionally, *Lease expenses* were presented separately and excluded from *Others* for 2017 and 2018.

10. TAXES OTHER THAN INCOME TAX

In millions of tenge	**2019**	2018	2017
Rent tax on crude oil export	**133,144**	145,523	83,183
Export customs duty	**131,326**	131,128	105,302
Mineral extraction tax	**100,300**	115,968	93,569
Other taxes	**89,525**	85,113	72,393
	454,295	477,732	354,447

11. TRANSPORTATION AND SELLING EXPENSES

In millions of tenge	**2019**	2018	2017
Transportation	**374,686**	317,402	189,949
Payroll	**12,542**	16,180	16,103
Other	**33,174**	37,195	32,011
	420,402	370,777	238,063

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

12. GENERAL AND ADMINISTRATIVE EXPENSES

In millions of tenge	**2019**	2018	2017
Payroll	**78,055**	73,632	77,572
Provision under Consortium case (*Note 34*)	**34,132**	–	–
Consulting services	**25,448**	22,435	19,523
Accrual/(reversal) of impairment of VAT receivable	**15,703**	4,215	(24,158)
Accrual/(reversal) of expected credit losses for other current assets (*Note 21*)	**12,246**	1,225	(120)
Social payments	**8,933**	24,095	28,024
VAT that could not be offset	**6,910**	3,031	7,923
Rent of property, plant and equipment and intangible assets	**2,309**	5,750	5,780
Accrual/(reversal) of expected credit losses for trade receivables (*Note 21*)	**1,892**	(1,489)	1,056
Charitable donations and sponsorship	**381**	1,699	1,225
(Reversal of) /allowance for impairment of long term advances	**(11)**	–	1,188
(Reversal of) /allowance for obsolete inventories	**(80)**	4,339	345
(Reversal of) /allowance for fines, penalties and tax provisions	**(19,755)**	29,836	(4,212)
Other	**47,804**	44,717	49,634
	213,967	213,485	163,780

The total payroll amounted to 428,717 million tenge (2018: 381,505 million tenge, 2017: 405,648 million tenge) and included in Production expenses, transportation and selling expenses and general and administrative expenses in the consolidated statement of profit or loss.

13. IMPAIRMENT OF PROPERTY, PLANT AND EQUIPMENT, INTANGIBLE ASSETS, EXPLORATION AND EVALUATION ASSETS

In millions of tenge	**2019**	2018	2017
Property, plant and equipment *(Note 15)*	**144,482**	33,603	22,328
Exploration and evaluation assets *(Note 16)*	**57,239**	107,745	814
Investment property	**(142)**	1,538	1,518
Intangible assets *(Note 17)*	**6,240**	22,636	–
	207,819	165,522	24,660

For the following CGUs impairment losses were recognised for years ended:

In millions of tenge	**2019**	2018	2017
CGUs of KMG International (KMGI)	**93,587**	43,702	–
Pearls project	**38,180**	–	–
Drilling jackup rig "*Satti*" (Satti rig)	**24,505**	–	–
CGU *Batumi Oil Terminal* (BNT)	**12,583**	4,136	–
Self-propelled barges "*Sunkar*" and "*Berkut*" (Barges)	**11,837**	2,659	–
Write-off of brownfields of KMG EP	**18,888**	–	–
N project	–	67,897	–
Satpayev project	–	34,539	–
Write-off of construction in progress of PNHZ	–	–	15,277
Others	**8,239**	12,589	9,383
	207,819	165,522	24,660

13. IMPAIRMENT OF PROPERTY, PLANT AND EQUIPMENT, INTANGIBLE ASSETS, EXPLORATION AND EVALUATION ASSETS (continued)

CGUs of KMGI

As of December 31, 2019, 2018 and 2017 KMGI performed impairment tests of its CGUs, Petrochemical, Bulgaria, Refining and Other. The Group considered forecasted refinery margins and production volumes, among other factors, when reviewing for indicators of impairment.

In 2017, 2018 and 2019, the recoverable amount of the CGUs were determined based on fair value less costs of disposal (FVLC), which is the present value of the free cash flows adjusted by the present value of the residual value. The key assumptions used in the fair value less costs to sell calculations for the above-mentioned CGUs were operating profit, discount rates and growth rate used to extrapolate cash flows beyond the budget period.

The discount rate applied to cash flow projections for Refining and Petrochemical CGUs was at 9.6% (2018: 9.7%, 2017: 9.0%) and cash flows beyond the 5-year period were extrapolated using 1.9% growth rate that is the same as the long-term average growth rate for the industry. The capitalization rate used for residual values is 7.7% (2018: 7.8%, 2017: 7.5%).

As to Bulgaria CGU, the discount rate applied to cash flow projections was at 9.6% (2018: 9.8 %, 2017: 9.1%) and cash flows beyond the 5-year period were extrapolated using growth rate of 1.9% that is the same as the long-term average growth rate for the industry. The capitalization rate used for residual values is 7.6% (2018: 7.9%, 2017: 7.6%).

In 2018, the recoverable values of the CGUs Refining, Petrochemical, Bulgaria and Other were below their book values. As at December 31, 2018 based on the results of analysis performed, KMGI recognized impairment loss of property, plant and equipment and intangible assets of 21,195 million tenge and 22,507 million tenge, respectively.

In 2019, the recoverable values of the CGUs exceeded their respective carrying values, except for Refining CGU. For the purposes of impairment test, KMGI updated projected cash flows to reflect the decrease in forecasted refinery margins and change in post-tax discount rate. As at December 31, 2019 based on the results of the test performed, KMGI recognized impairment loss of property, plant and equipment and intangible assets of 86,946 million tenge and 6,641 million tenge, respectively.

Sensitivity to changes in assumptions:
With regard to the assessment of the FVLC for the CGUs, the Group believes that no reasonably possible change in any of the above key assumptions would cause the carrying value of the unit to materially exceed its recoverable amount, other than for CGU Refinery, for which the breakeven point for the current model is achieved under a decrease of 3.3% of operating profit.

Pearls project

Exploration stage of Pearls project expired on December 14, 2019. To proceed to the next stage, the Development plan was due to be submitted by the partners of the project. However, the partners of the Pearls project decided not to proceed with the Development plan, and agreed to relinquish the contract area under the Pearls PSA to the Government voluntarily, as a result, as at December 31, 2019, the Group recognized impairment loss for 38,180 million tenge. As of December 31, 2019 the Group did not write-off the project's assets due to the fact that the contract area has not been returned to the Government yet.

Satti rig

The recoverable amount of *Satti rig* was determined on the basis of value-in-use method. Value-in-use was assessed as the present value of the future cash flows expected to be derived from the rig. The forecasted cash flows were based on financial budget approved by the Group management for the period of 2020-2024, and on estimated forecasts for the period of the useful life of the rig till 2041 extrapolated by inflation rates and discounted at 12.5%. As a result of the impairment test, the Group recognised an impairment loss of 24,505 million tenge as at December 31, 2019.

CGU BNT

For the year ended December 31, 2019, the Group recognized an impairment loss of 12,583 million tenge.

Barges

The recoverable amount of *the barges* were determined on the basis of value-in-use method. Value-in-use was assessed as the present value of the future cash flows expected to be derived from the barges until the end of the barges contract in 2021 at the discount rate of 10.05%. Due to the fact that the prolongation of the contracts was remote, the Group recognized an impairment loss of 11,837 million tenge for the year ended December 31, 2019.

13. IMPAIRMENT OF PROPERTY, PLANT AND EQUIPMENT, INTANGIBLE ASSETS, EXPLORATION AND EVALUATION ASSETS (continued)

Write of the brownfields of KMG EP

For year ended December 31, 2019, the Group wrote-off exploration and evaluation assets of 18,888 million tenge related to several KMG EP subsoil use contracts that were terminated with relinquishment of contract territories to the Government.

Satpayev and N projects

As at December 31, 2018, the Group recognized impairment loss for exploration and evaluation assets related to the Satpayev and N projects for 34,539 million tenge and 67,897 million tenge, respectively. These impairments occurred due to the withdrawal from the projects and decisions to relinquish the contract territories to the Government by the Group and the partners of the projects'. The Group did not write-off the projects' assets due to the fact that the contract areas had not been returned to the Government as of December 31, 2018.

On April 24, 2019, the Group received *Satpayev* subsoil use contract termination notice from the Government, accordingly the Group relinquished the contract area fully and wrote-off exploration and evaluation assets related to the project.

Write of construction of progress of PNHZ

In 2017, the Group wrote-off construction in progress that became idle due to change in configuration of Pavlodar Refinery modernization project.

14. FINANCE INCOME / FINANCE COST

Finance income

In millions of tenge	**2019**	2018	2017
Interest income on bank deposits, financial assets, loans and bonds	**99,274**	100,097	119,061
Amortization of discount on issued financial guarantees	**1,974**	1,861	1,541
Total interest income	**101,248**	101,958	120,602
Derecognition of loan *(Note 25)*	**111,476**	53,263	–
Write-off of guarantee due to significant modification	**13,573**	–	–
Other	**14,583**	5,806	1,972
	240,880	161,027	122,574

Finance costs

In millions of tenge	**2019**	2018	2017
Interest on loans and debt securities issued (*Note 25*)	**225,093**	250,055	217,246
Interest under oil supply agreement (*Note 27*)	**19,541**	35,868	26,473
Total interest expense	**244,634**	285,923	243,719
Issued financial guarantees	**11,341**	2,324	160
Unwinding of discount on asset retirement obligations and provision for environmental obligation	**13,819**	11,523	9,941
Bonds redemption fee (*Note 25*)	–	89,612	–
Discount on assets with non-market interest rate	**1,705**	915	6,155
Impairment of bank deposits and current accounts	**1,034**	806	18,610
Other	**44,900**	36,552	27,770
	317,433	427,655	306,355

On May 4 and 11, 2018, the Company made early redemption of Eurobonds for 3,463 million US dollars (equivalent to 1,143,982 million tenge at payment dates), including interest. In order to make these early redemptions, in 2018, the Company recognized fee for the early redemption of 89,612 million tenge (*Note 25*).

15. PROPERTY, PLANT AND EQUIPMENT

In millions of tenge	Oil and gas assets	Pipelines	Refinery assets	Buildings and improvements	Machinery and equipment	Vehicles	Other	Capital work in progress	Total
Net book value as at December 31, 2016	913,553	682,348	844,277	291,311	317,213	70,860	42,428	538,210	3,700,200
Foreign currency translation	(2,514)	(140)	(1,936)	(660)	264	(109)	175	(442)	(5,362)
Change in estimate	248	(200)	–	(5)	–	–	–	–	43
Additions	27,268	17,102	19,859	8,134	6,466	8,144	2,912	539,998	629,883
Disposals	(17,372)	(1,154)	(2,647)	(5,617)	(4,286)	(2,832)	(7,143)	(1,459)	(42,510)
Depreciation charge	(62,018)	(25,537)	(72,919)	(19,440)	(32,307)	(8,307)	(7,467)	–	(227,995)
Accumulated depreciation and impairment on disposals	14,881	859	2,517	4,973	3,617	2,482	6,867	760	36,956
Impairment, net *(Note 13)*	–	(1)	–	(1,439)	(1,431)	(1,908)	(947)	(16,602)	(22,328)
Transfers (to)/from inventory, net	(2)	(52)	13,087	1	34	–	1	166	13,235
Transfer to assets held for sale, net	(170)	–	(3,908)	(3,553)	(242)	(124)	(98)	-	(8,095)
Transfers to investment property	–	–	–	(251)	(13)	–	(1)	(355)	(620)
Transfers (to)/from intangible assets, net *(Note 17)*	(211)	–	–	–	(306)	–	2	(1,608)	(2,123)
Transfer from exploration and evaluation assets *(Note 16)*	8,881	–	–	–	–	–	–	–	8,881
Transfers and reclassifications	82,278	104,461	194,363	16,688	100,818	5,829	6,032	(510,469)	–
Net book value as at December 31, 2017	964,822	777,686	992,693	290,142	389,827	74,035	42,761	548,199	4,080,165

15. PROPERTY, PLANT AND EQUIPMENT (continued)

In millions of tenge	Oil and gas assets	Pipelines	Refinery assets	Buildings and improvements	Machinery and equipment	Vehicles	Other	Capital work in progress	Total
Net book value as at December 31, 2017	964,822	777,686	992,693	290,142	389,827	74,035	42,761	548,199	4,080,165
Foreign currency translation	90,854	5,661	76,744	11,115	6,037	5,129	1,893	2,975	200,408
Change in estimate	(2,105)	7,677	–	(5)	–	–	–	–	5,567
Additions	24,267	5,285	22,149	1,273	9,482	12,958	4,596	497,659	577,669
Disposals	(17,128)	(3,442)	(1,909)	(6,913)	(5,329)	(3,183)	(4,463)	(2,407)	(44,774)
Depreciation charge	(73,553)	(28,114)	(98,975)	(20,840)	(36,372)	(10,603)	(8,750)	–	(277,207)
Accumulated depreciation and impairment on disposals	12,602	3,009	1,905	4,155	4,444	2,985	3,596	569	33,265
Impairment, net *(Note 13)*	(3,651)	(3)	–	(11,557)	(11,710)	(2,853)	(851)	(2,978)	(33,603)
Transfers (to)/from inventory, net	45	(101)	4,145	(4)	177	25	(11)	3,015	7,291
Transfer to assets held for sale, net	(9,847)	(2)	(354)	(20,348)	(1,846)	(192)	(1,492)	(1,509)	(35,590)
Transfers from/(to) investment property	–	–	–	354	–	–	–	(176)	178
Transfers (to)/from intangible assets, net *(Note 17)*	(97)	–	–	–	–	–	1	(1,703)	(1,799)
Transfer from exploration and evaluation assets *(Note 16)*	3,113	–	–	–	–	–	–	487	3,600
Transfers and reclassifications	92,354	20,157	554,806	15,832	39,892	38,260	6,844	(768,145)	–
Net book value as at December 31, 2018	1,081,676	787,813	1,551,204	263,204	394,602	116,561	44,124	275,986	4,515,170

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

15. PROPERTY, PLANT AND EQUIPMENT (continued)

In millions of tenge	Oil and gas assets	Pipelines	Refinery assets	Buildings and improvements	Machinery and equipment	Vehicles	Other	Capital work in progress	Total
Net book value as at December 31, 2018	1,081,676	787,813	1,551,204	263,204	394,602	116,561	44,124	275,986	4,515,170
Change in accounting policy (*Note 3*)	–	–	(524)	–	–	–	–	–	(524)
As at January 1, 2019	1,081,676	787,813	1,550,680	263,204	394,602	116,561	44,124	275,986	4,514,646
Foreign currency translation	(2,749)	(173)	(1,115)	(306)	374	(314)	(50)	–	(4,333)
Additions	48,725	6,370	794	10,615	11,190	5,076	6,400	345,236	434,406
Change in estimate	13,006	12,156	–	27	–	–	19	–	25,208
Disposals	(24,598)	(2,161)	(4,100)	(15,970)	(7,534)	(3,455)	(7,200)	(1,088)	(66,106)
Depreciation charge	(85,565)	(28,859)	(121,306)	(17,969)	(37,832)	(11,608)	(10,601)	–	(313,740)
Accumulated depreciation and impairment on disposals	14,198	1,794	4,039	11,148	7,085	3,141	6,733	325	48,463
Impairment/ (reversal impairment) (*Note 13*)	(4,911)	228	(86,946)	(5,277)	(31,068)	(13,140)	(1,057)	(2,311)	(144,482)
Transfers (to)/from assets classified as held for sale (*Note 5*)	18	–	(81)	(10,610)	(18,390)	(6,493)	(65)	–	(35,621)
Transfers from /(to) investment property	215	–	–	16,314	144	–	2,356	(39)	18,990
Transfers (to)/from inventory, net	35	(35)	4,435	1	362	13	666	3,295	8,772
Transfers from exploration and evaluation assets (*Note 16*)	1,743	–	–	–	–	–	–	1,024	2,767
Transfers (to)/from intangible assets (*Note 17*)	(145)	–	(64)	–	–	–	97	(4,587)	(4,699)
Transfers and reclassifications	8,115	26,584	35,325	49,478	138,878	7,856	64,864	(331,100)	–
Net book value as at December 31, 2019	1,049,763	803,717	1,381,661	300,655	457,811	97,637	106,286	286,741	4,484,271
At cost	2,032,972	1,028,456	2,408,000	568,723	841,626	226,215	222,426	336,772	7,665,190
Accumulated depreciation and impairment	(983,209)	(224,739)	(1,026,339)	(268,068)	(383,815)	(128,578)	(116,140)	(50,031)	(3,180,919)
Net book value as at December 31, 2019	1,049,763	803,717	1,381,661	300,655	457,811	97,637	106,286	286,741	4,484,271
At cost	2,154,422	985,787	2,381,309	526,180	720,221	234,740	121,458	324,851	7,448,968
Accumulated depreciation and impairment	(1,072,746)	(197,974)	(830,105)	(262,976)	(325,619)	(118,179)	(77,334)	(48,865)	(2,933,798)
Net book value as at December 31, 2018	1,081,676	787,813	1,551,204	263,204	394,602	116,561	44,124	275,986	4,515,170
At cost	1,933,302	948,285	1,647,460	522,194	665,120	179,515	111,072	599,853	6,606,801
Accumulated depreciation and impairment	(968,480)	(170,599)	(654,767)	(232,052)	(275,293)	(105,480)	(68,311)	(51,654)	(2,526,636)
Net book value as at December 31, 2017	964,822	777,686	992,693	290,142	389,827	74,035	42,761	548,199	4,080,165

15. PROPERTY, PLANT AND EQUIPMENT (continued)

Additions

In 2019 additions are mainly attributable to development drilling at Ozenmunaigas, Embamunaigas and Karachaganak for 181,050 million tenge, the construction of compressor stations at KTG for 67,998 million tenge within the framework of modernization of gas transportation system, the reconstruction of the water pipeline Astrakhan-Mangyshlak and the reconstruction of the Uzen-Atyrau-Samara oil pipeline for 35,323 million tenge at KTO, overhaul at the Atyrau refinery for 36,972 million tenge and Rompetrol Rafinare for 31,859 million of tenge.

Transfer to assets held for sale

During the year ended December 31, 2019, the Group classified gas compressor station and barges with net book value of 35,621 million tenge as assets held for sale.

Other

For the year ended December 31, 2019, the Group capitalized in the carrying amount of property, plant and equipment borrowing costs of 2,525 million tenge at the average interest rate of 4.3% related to the construction of new assets (for the year ended December 31, 2018: 21,715 million tenge at the weighted average interest rate of 2.75% and for the year ended December 31, 2017: 26,532, million tenge at the weighted average interest rate of 3.36%).

As at December 31, 2019 the cost of fully depreciated but still in use property, plant and equipment was 394,841 million tenge (as at December 31, 2018: 334,533 million tenge and as at December 31, 2017: 290,360 million tenge).

As at December 31, 2019, property, plant and equipment with the net book value of 1,023,146 million tenge (as at December 31, 2018: 1,108,420 million tenge and as at December 31, 2017: 940,437 million tenge) were pledged as collateral to secure borrowings and payables of the Group.

Capital commitments disclosed in *Note 34*.

16. EXPLORATION AND EVALUATION ASSETS

In millions of tenge	Tangible	Intangible	Total
Net book value as at December 31, 2016	193,835	37,719	231,554
Foreign currency translation	(95)	(53)	(148)
Additions	33,075	345	33,420
Change in estimate	(113)	–	(113)
Disposals	(105)	(557)	(662)
Impairment *(Note 13)*	(803)	(11)	(814)
Transfers to discontinued operations and assets held for sale, net	–	(1,030)	(1,030)
Transfer to property, plant and equipment *(Note 15)*	(8,881)	–	(8,881)
Transfers and reclassifications	(1,260)	1,260	–
Net book value as at December 31, 2017	**215,653**	**37,673**	**253,326**
Foreign currency translation	1,373	699	2,072
Additions	46,008	180	46,188
Change in estimate	25	–	25
Disposals	(1,314)	(5)	(1,319)
Accumulated impairment on disposals	957	5	962
Impairment *(Note 13)*	(96,180)	(11,565)	(107,745)
Transfer to assets held for sale	(102)	–	(102)
Transfers to inventory	(7)	–	(7)
Transfer to property, plant and equipment *(Note 15)*	(3,600)	–	(3,600)
Net book value as at December 31, 2018	**162,813**	**26,987**	**189,800**
Additions	**51,385**	**3,144**	**54,529**
Change in estimate	**9**	**–**	**9**
Disposals *(Note 13)*	**(35,150)**	**(1,160)**	**(36,310)**
Accumulated impairment on disposals	**33,159**	**507**	**33,666**
Impairment *(Note 13)*	**(51,717)**	**(5,522)**	**(57,239)**
Transfer to intangible assets *(Note 17)*	**–**	**(1,800)**	**(1,800)**
Transfers to inventory	**9**	**–**	**9**
Transfer to property, plant and equipment *(Note 15)*	**(2,767)**	**–**	**(2,767)**
Transfers and reclassifications	**(5,449)**	**5,449**	**–**
Net book value as at December 31, 2019	**152,292**	**27,605**	**179,897**

As at December 31, 2019, 2018 and 2017 the exploration and evaluation assets are represented by the following projects:

In millions of tenge	2019	2018	2017
Zhambyl	**58,293**	50,178	33,396
Embamunaigas	**41,337**	20,022	19,078
Urikhtau	**35,265**	30,469	27,590
KTG projects	**13,206**	11,840	12,051
Pearls	**–**	36,486	35,069
Project N	**–**	–	66,258
Satpayev	**–**	–	33,791
Others	**31,796**	40,805	26,093
	179,897	189,800	253,326

Additions

During 2019, the Group capitalized exploration, evaluation, geological and geophysical exploration expenses mainly attributable to Embamunaigas subsoil use contracts in the amount of 32,154 million tenge and 12,135 million tenge attributable to Zhambyl and other new subsoil use contracts of the Company.

17. INTANGIBLE ASSETS

In millions of tenge	Goodwill	Marketing related intangible assets	Software	Other	Total
Net book value as at December 31, 2016	98,722	50,458	14,772	23,596	187,548
Foreign currency translation	(25)	(169)	(72)	114	(152)
Additions	–	–	2,452	2,885	5,337
Disposals	–	–	(1,003)	(2,416)	(3,419)
Amortization charge	–	(1,226)	(5,517)	(2,682)	(9,425)
Accumulated amortization and impairment on disposals	–	–	526	2,401	2,927
Transfer from property, plant and equipment, net *(Note 15)*	–	–	1,304	819	2,123
Transfers (to)/from inventory, net	–	–	–	266	266
Transfers and reclassifications	–	–	1,219	(1,219)	–
Net book value as at December 31, 2017	98,697	49,063	13,681	23,764	185,205
Foreign currency translation	1,357	5,510	586	2,412	9,865
Additions	–	–	2,266	4,096	6,362
Disposals	–	–	(3,290)	(542)	(3,832)
Amortization charge	–	1,659	(6,538)	(2,503)	(7,382)
Accumulated amortization and impairment on disposals	–	–	3,286	540	3,826
Impairment *(Note 13)*	–	(22,506)	(59)	(71)	(22,636)
Transfers to assets held for sale	–	–	(42)	(88)	(130)
Transfer (to)/from property, plant and equipment, net *(Note 15)*	–	–	1,822	(23)	1,799
Transfers and reclassifications	–	(362)	1,717	(1,355)	–
Net book value as at December 31, 2018	100,054	33,364	13,429	26,230	173,077
Foreign currency translation	**(1,493)**	**2,237**	**(62)**	**(461)**	**221**
Additions	–	–	**5,827**	**4,599**	**10,426**
Disposals	–	–	**(3,725)**	**(1,678)**	**(5,403)**
Change in estimation	–	–	–	**(174)**	**(174)**
Amortization charge	–	–	**(5,709)**	**(5,608)**	**(11,317)**
Accumulated amortization and impairment on disposals	–	–	**3,551**	**527**	**4,078**
(Impairment)/ reversal, net (*Note 13*)	–	**(6,641)**	**5**	**396**	**(6,240)**
Transfers from inventory	–	–	–	**5**	**5**
Transfers from exploration and evaluation assets *(Note 16)*	–	–	–	**1,800**	**1,800**
Transfer (to)/from property, plant and equipment, net *(Note 15)*	–	–	**4,838**	**(139)**	**4,699**
Transfers and reclassifications	–	–	**1,300**	**(1,300)**	–
Net book value as at December 31, 2019	**98,561**	**28,960**	**19,454**	**24,197**	**171,172**
At cost	**209,009**	**57,921**	**70,381**	**93,290**	**430,601**
Accumulated amortization and impairment	**(110,448)**	**(28,961)**	**(50,927)**	**(69,093)**	**(259,429)**
Net book value as at December 31, 2019	**98,561**	**28,960**	**19,454**	**24,197**	**171,172**
At cost	169,139	58,164	62,322	81,195	370,820
Accumulated amortization and impairment	(69,085)	(24,800)	(48,893)	(54,965)	(197,743)
Net book value as at December 31, 2018	100,054	33,364	13,429	26,230	173,077
At cost	167,782	50,312	57,238	71,162	346,494
Accumulated amortization and impairment	(69,085)	(1,249)	(43,557)	(47,398)	(161,289)
Net book value as at December 31, 2017	98,697	49,063	13,681	23,764	185,205

17. INTANGIBLE ASSETS (continued)

Carrying amount of goodwill is allocated to each of the group of cash-generating units as follows:

Cash-generating unit	2019	2018	2017
Downstream Romania	**1,140**	1,145	990
Other	**8,868**	8,905	7,703
Cash-generating units of KMGI	**10,008**	10,050	8,693
Cash-generating units of PNHZ	**88,553**	88,553	88,553
Other	–	1,451	1,451
Total goodwill	**98,561**	100,054	98,697

In 2019, 2018 and 2017, based on the impairment test results, no impairment of PNHZ and other goodwill was recognized. For the detailed discussion of goodwill impairment test refer to *Note 4*.

18. BANK DEPOSITS

In millions of tenge	2019	2018	2017
Denominated in US dollar	**390,598**	414,578	1,656,763
Denominated in tenge	**21,940**	22,031	28,228
Denominated in other currency	–	2,707	2,473
Less: allowance for expected credit losses	**(508)**	(560)	–
	412,030	438,756	1,687,464

As at December 31, 2019, the weighted average interest rate for long-term bank deposits was 1.08% in US dollars and 2.58% in tenge, respectively (2018: 1.05% in US dollars and 3.73% in tenge, respectively and 2017: 1.07% in US dollars and 2.29% in tenge, respectively).

As at December 31, 2019, the weighted average interest rate for short-term bank deposits was 1.57% in US dollars, 8.33% in tenge, respectively (2018: 2.40% in US dollars, 8.20% in tenge and 0.06% in other foreign currencies, respectively and 2017: 1.65% in US dollars, 7.51% in tenge and 0.65% in other foreign currencies, respectively).

In millions of tenge	2019	2018	2017
Maturities under 1 year	**359,504**	386,459	1,638,941
Maturities between 1 and 2 years	**1,029**	155	836
Maturities over 2 years	**51,497**	52,142	47,687
	412,030	438,756	1,687,464

As at December 31, 2019 bank deposits include cash pledged as collateral of 50,046 million tenge (2018: 51,538 million tenge and 2017: 62,731 million tenge), which are represented mainly by 37,916 million tenge (2018: 37,729 million tenge and 2017: 32,100 million tenge) at restricted bank accounts designated as a liquidation fund per requirements of subsoil use contracts.

19. INVESTMENTS IN JOINT VENTURES AND ASSOCIATES

In millions of tenge	Main activity	Place of business	December 31, 2019 Carrying value	December 31, 2019 Percentage ownership	December 31, 2018 Carrying value	December 31, 2018 Percentage ownership	December 31, 2017 Carrying value	December 31, 2017 Percentage ownership
Joint ventures								
Tengizchevroil LLP	Oil and gas exploration and production	Kazakhstan	**2,377,207**	**20.00%**	1,970,533	20.00%	1,353,084	20.00%
Kashagan B.V.	Oil and gas exploration and production	Kazakhstan	**2,057,795**	**50.00%**	2,053,621	50.00%	1,743,495	50.00%
Asia Gas Pipeline LLP	Construction and operation of the gas pipeline		**168,086**	**50.00%**	–	50.00%	–	50.00%
Mangistau Investments B.V.	Oil and gas development and production	Kazakhstan	**158,867**	**50.00%**	138,549	50.00%	135,781	50.00%
Beineu-Shymkent Pipeline LLP	Construction and operation of the gas pipeline	Kazakhstan	**101,766**	**50.00%**	34,411	50.00%	17,701	50.00%
KazRosGas LLP	Processing and sale of natural gas and refined gas products	Kazakhstan	**79,849**	**50.00%**	65,116	50.00%	33,761	50.00%
Ural Group Limited BVI	Oil and gas exploration and production	Kazakhstan	**47,662**	**50.00%**	70,874	50.00%	78,031	50.00%
KazGerMunay LLP	Oil and gas exploration and production	Kazakhstan	**25,620**	**50.00%**	38,349	50.00%	47,537	50.00%
Kazakhoil-Aktobe LLP	Production of crude oil	Kazakhstan	**21,438**	**50.00%**	25,773	50.00%	22,716	50.00%
Teniz Services LLP	Design, construction and operation of infrastructure facilities, support of offshore oil operations	Kazakhstan	**19,277**	**48.996%**	16,945	48.996%	6,134	48.996%
Valsera Holding BV	Oil refining	Kazakhstan	**12,776**	**50.00%**	23,790	50.00%	36,737	50.00%
Other			**41,014**		28,258		22,649	
Associates								
Caspian Pipeline Consortium (CPC)	Transportation of liquid hydrocarbons	Kazakhstan / Russia	**359,173**	**20.75%**	289,586	20.75%	195,095	20.75%
PetroKazakhstan Inc. (PKI)	Exploration, production and processing of oil and gas	Kazakhstan	**95,320**	**33.00%**	116,577	33.00%	115,920	33.00%
Other			**24,534**		23,062		14,989	
			5,590,384		4,895,444		3,823,630	

19. INVESTMENTS IN JOINT VENTURES AND ASSOCIATES (continued)

All of the above joint ventures and associates are strategic for the Group's business.

As at December 31, 2019, the Group's share in unrecognized losses of joint ventures and associates was equal to 17,812 million tenge (2018: 77,440 million tenge and 2017: 175,623 million tenge). The Group's change in share of unrecognized losses of joint ventures and associates in 2019 was 59,628 million tenge (2018: 98,182 million tenge and 2017: 182,191 million tenge).

The following table summarizes the movements in the investments in 2019, 2018 and 2017:

In millions of tenge	**2019**	2018	2017
At January 1	4,895,444	3,823,630	3,718,920
Effect of adoption of IFRS 9 as at January 1, 2018	–	(3,237)	–
Share in profits of joint ventures and associates, net *(Note 7)*	827,979	697,326	414,950
Other changes in the equity of the joint venture	(3,803)	494	10,630
Acquisition, net	–	3,084	3
Guarantees issued	11,162	–	–
Dividends received	(126,461)	(159,988)	(271,783)
Change in dividends receivable	7,433	3,702	(39,889)
Contribution without change in ownership	5,889	1,467	–
Refund of contribution without change in ownership	–	(93,072)	(1,715)
Eliminations and adjustments*	(7,043)	17,071	(20,722)
Reversal of impairment of investments	–	–	14,845
Transfers to assets classified as held for sale	–	–	(67)
Foreign currency translation	**(20,216)**	604,967	(1,542)
At December 31	**5,590,384**	4,895,444	3,823,630

* *Equity method eliminations and adjustments of unrealized income from sale of inventory from a JV to a subsidiary and capitalized borrowing costs of the loans provided by the Company and subsidiaries to JVs.*

On October 16, 2015, the Group sold 50% of its shares in KMG Kashagan B.V. to Samruk-Kazyna with a right to buy back all or part of the shares effective from January 1, 2018 to December 31, 2020 (further "Option"). On December 20, 2017, the exercise period for the call option was changed to January 1, 2020 and December 31, 2022. As of December 31, 2019, 2018 and 2017, the price of the option was insignificant.

The Amsterdam Court imposed certain restrictions on 50% of shares in Kashagan B.V. owned by Samruk-Kazyna (further restrictions). During the restriction period, these shares of Kashagan B.V. cannot be sold, transferred or pledged. As of December 31, 2019 the restrictions remained in force and control over the asset was not transferred to the Group.

In 2018, refund of contribution without change in ownership mainly relates to the partial withdrawal of investments in MIBV of 249 million US dollars (equivalent to 92,582 million tenge).

19. INVESTMENTS IN JOINT VENTURES AND ASSOCIATES (continued)

The following tables illustrate summarized financial information of material joint ventures, based on financial statements of these entities for 2019:

In millions of tenge	Tengizchevroil LLP	KMG Kashagan B.V.	Asia Gas Pipeline LLP	Mangistau Investments B.V.	Beineu-Shymkent Pipeline LLP	KazRosGas LLP
Non-current assets	16,276,182	4,087,310	1,395,615	433,950	482,553	10,176
Current assets, including	975,247	273,048	578,072	114,571	171,411	195,666
Cash and cash equivalents	45,128	74,330	136,318	16,091	11,918	83,674
Non-current liabilities, including	(4,137,239)	(499,989)	(1,225,064)	(148,898)	(354,711)	(148)
Non-current financial liabilities	(2,563,353)	(581)	(1,050,532)	(49,553)	(342,836)	–
Current liabilities, including	(1,228,155)	(201,781)	(412,451)	(80,495)	(145,277)	(45,996)
Current financial liabilities	(44,762)	(194)	(379,633)	(400)	(119,557)	–
Equity	11,886,035	3,658,588	336,172	319,128	153,976	159,698
Share of ownership	20%	50%	50%	50%	50%	50%
Goodwill	–	228,501	–	–	–	–
Consolidation adjustments	–	–	–	(697)	24,778	–
Carrying amount of the investments as at December 31, 2019	2,377,207	2,057,795	168,086	158,867	101,766	79,849
Revenue	6,231,720	443,545	785,250	836,474	172,894	306,259
Depreciation, depletion and amortization	(874,694)	(175,119)	(74,734)	(70,250)	(16,028)	(280)
Finance income	9,428	5,377	9,674	159	–	2,384
Finance costs	(39,896)	(41,813)	(90,669)	(8,772)	(26,563)	–
Income tax expense	(889,194)	(57,794)	(113,177)	(51,818)	–	(8,625)
Profit for the year from continuing operations	2,074,701	26,228	428,204	165,766	112,387	30,311
Other comprehensive (loss)/income	(41,327)	(17,880)	–	485	–	(846)
Total comprehensive income	2,033,374	8,348	428,204	166,251	112,387	29,465
Change in unrecognized share of losses	–	–	46,016	–	–	–
Dividends received	–	–	–	61,872	–	–

19. INVESTMENTS IN JOINT VENTURES AND ASSOCIATES (continued)

The following tables illustrate summarized financial information of material joint ventures, based on financial statements of these entities for 2019:

In millions of tenge	Ural Group Limited BVI	KazGerMunay LLP	Kazakhoil-Aktobe LLP	Teniz Service LLP	Valsera Holding BV
Non-current assets	218,689	118,312	53,020	335,845	564,128
Current assets, including	729	42,245	19,326	51,621	80,995
Cash and cash equivalents	714	37,401	11,947	6,953	41,660
Non-current liabilities, including	(123,902)	(40,343)	(6,533)	(117,580)	(513,735)
Non-current financial liabilities	(94,532)	–	–	–	(507,803)
Current liabilities, including	(192)	(68,975)	(22,937)	(230,542)	(90,320)
Current financial liabilities	–	–	–	(1,360)	(27,035)
Equity	95,324	51,239	42,876	39,344	41,068
Share of ownership	50%	50%	50%	48.996%	50%
Consolidation adjustments	–	–	–	–	(7,758)
Carrying amount of the investments as at December 31, 2019	47,662	25,620	21,438	19,277	12,776
Revenue	–	191,297	61,597	257,944	132,246
Depreciation, depletion and amortization	(13)	(50,605)	(11,886)	(194,344)	(25,790)
Finance income	–	227	185	3	21
Finance costs	(27,471)	(1,348)	(91)	(25,434)	(34,425)
Income tax expense	(1,688)	(73,148)	113	–	(22,964)
Profit/(loss) for the year from continuing operations	(37,790)	35,121	19,445	13,760	(12,214)
Other comprehensive (loss)/income	(627)	(216)	–	–	(85)
Total comprehensive income/(loss)	(38,417)	34,905	19,445	13,760	(12,299)
Change in unrecognized share of losses	–	–	–	–	–
Dividends received	–	30,183	9,057	4,410	757

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

19. INVESTMENTS IN JOINT VENTURES AND ASSOCIATES (continued)

The following tables illustrate summarized financial information of material joint ventures, based on financial statements of these entities for 2018:

In millions of tenge	Tengizchevroil LLP	KMG Kashagan B.V.	Asia Gas Pipeline LLP	Mangistau Investments B.V.	Beineu-Shymkent Pipeline LLP	KazRosGas LLP
Non-current assets	12,922,783	4,156,425	1,460,389	407,888	441,704	11,563
Current assets, including	1,057,016	382,203	548,679	72,748	198,892	141,406
Cash and cash equivalents	203,864	111,112	14,907	15,318	139,385	19,910
Non-current liabilities, including	(2,780,571)	(705,486)	(1,710,805)	(125,106)	(496,648)	(133)
Non-current financial liabilities	(1,536,800)	(778)	(1,642,324)	(49,946)	(487,373)	–
Current liabilities, including	(1,346,563)	(184,826)	(390,294)	(77,576)	(104,498)	(22,604)
Current financial liabilities	(36,670)	(194)	(363,250)	(451)	(93,024)	–
Equity	9,852,665	3,648,316	(92,031)	277,954	39,450	130,232
Share of ownership	20%	50%	50%	50%	50%	50%
Accumulated unrecognized share of losses	–	–	46,016	–	–	–
Goodwill	–	229,463	–	–	–	–
Consolidation adjustments	–	–	–	(428)	14,686	–
Carrying amount of the investments as at December 31, 2018	1,970,533	2,053,621	–	138,549	34,411	65,116
Revenue	5,941,474	438,662	766,661	839,356	150,793	244,346
Depreciation, depletion and amortization	(685,434)	(180,246)	(83,523)	(60,373)	(15,540)	(134)
Finance income	19,426	2,954	7,480	857	303	1,255
Finance costs	(136,761)	(42,366)	(100,922)	(8,006)	(28,277)	(377)
Income tax expense	(941,034)	(38,996)	–	(56,904)	–	(13,163)
Profitfor the year from continuing operations	2,195,746	68,067	211,332	193,707	33,420	10,509
Other comprehensive (loss)/income	1,270,679	552,184	–	(319)	–	17,231
Total comprehensive income	3,466,425	620,251	211,332	193,388	33,420	27,740
Change in unrecognized share of losses	–	–	105,666	–	–	–
Dividends received	64,671	–	–	–	–	14,181

19. INVESTMENTS IN JOINT VENTURES AND ASSOCIATES (continued)

The following tables illustrate summarized financial information of material joint ventures, based on financial statements of these entities for 2018:

In millions of tenge	Ural Group Limited BVI	KazGerMunay LLP	Kazakhoil-Aktobe LLP	TenizService LLP	Valsera Holding BV
Non-current assets	239,908	131,604	58,965	520,242	610,463
Current assets, including	216	75,131	19,332	53,449	56,343
Cash and cash equivalents	183	64,921	5,526	792	25,283
Non-current liabilities, including	(98,145)	(43,798)	(10,744)	(299,007)	(482,303)
Non-current financial liabilities	(73,500)	–	–	(3,836)	(481,398)
Current liabilities, including	(231)	(86,239)	(16,007)	(240,100)	(129,621)
Current financial liabilities	–	–	–	(3,847)	(27,818)
Equity	141,748	76,698	51,546	34,584	54,882
Share of ownership	50%	50%	50%	48.996%	50%
Consolidation adjustments	–	–	–	–	(3,651)
Carrying amount of the investments as at December 31, 2018	70,874	38,349	25,773	16,945	23,790
Revenue	1	234,732	61,838	173,006	93,342
Depreciation, depletion and amortization	(14)	(33,376)	(5,037)	(108,005)	(9,280)
Finance income	–	1,119	180	1	108
Finance costs	(9,031)	(1,062)	(740)	(19,468)	(4,105)
Income tax expense	(1,788)	(95,496)	(21,360)	(1,249)	8,630
Profit/(loss) for the year from continuing operations	(37,645)	55,829	18,114	28,363	(15,978)
Other comprehensive (loss)/income	22,023	4,809	–	–	–
Total comprehensive income/(loss)	(15,622)	60,638	18,114	28,363	(15,978)
Change in unrecognized share of losses	–	–	–	–	–
Dividends received	–	42,706	6,000	2,597	1,306

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

19. INVESTMENTS IN JOINT VENTURES AND ASSOCIATES (continued)

The following tables illustrate summarized financial information of material joint ventures, based on financial statements of these entities for 2017:

In millions of tenge	Tengizchevroil LLP	KMG Kashagan B.V.	Asia Gas Pipeline LLP	Mangistau Investments B.V.	Beineu-Shymkent Pipeline LLP	KazRosGas LLP
Non-current assets	8,719,902	3,784,723	1,572,551	393,189	442,257	27,019
Current assets, including	1,527,677	172,993	519,333	66,799	139,272	150,968
Cash and cash equivalents	748,523	49,410	9,070	3,090	71,939	30,877
Non-current liabilities, including	(2,507,496)	(563,263)	(2,058,444)	(66,129)	(464,527)	–
Non-current financial liabilities	(1,329,320)	–	(2,015,735)	–	(457,760)	–
Current liabilities, including	(974,662)	(304,431)	(331,506)	(122,297)	(110,972)	(69,021)
Current financial liabilities	(31,719)	(272,148)	(297,654)	–	(91,095)	–
Equity	6,765,421	3,090,022	(298,066)	271,562	6,030	108,966
Share of ownership	20%	50%	50%	50%	50%	50%
Goodwill	–	198,484	–	–	–	–
Accumulated unrecognized share of losses	–	–	149,033	–	–	–
Consolidation adjustments	–	–	–	–	14,686	(20,722)
Carrying amount of the investments as at December 31, 2017	1,353,084	1,743,495	–	135,781	17,701	33,761
Revenue	4,357,947	183,119	587,429	635,903	79,097	243,527
Depreciation, depletion and amortization	(560,817)	(90,258)	(64,333)	(62,190)	(13,235)	(638)
Finance income	22,007	1,025	3,757	126	21	2,489
Finance costs	(127,134)	(36,557)	(86,077)	(5,788)	(24,649)	(13,362)
Income tax expense	(621,385)	(3,750)	(89,287)	(34,036)	–	(11,907)
Profit/(loss) for the year from continuing operations	1,449,898	(20,417)	269,647	99,210	38,485	17,244
Other comprehensive (loss)/income	7,518	(10,897)	–	(229)	–	(1,939)
Total comprehensive income/(loss)	1,457,416	(31,314)	269,647	98,981	38,485	15,305
Change in unrecognized share of losses	–	–	134,824	–	19,911	–
Dividends received	79,694	–	–	105,523	–	18,647

19. INVESTMENTS IN JOINT VENTURES AND ASSOCIATES (continued)

The following tables illustrate summarized financial information of material joint ventures, based on financial statements of these entities for 2017:

In millions of tenge	Ural Group Limited BVI	KazGerMunay LLP	Kazakhoil-Aktobe LLP	TenizService LLP	Valsera Holding BV
Non-current assets	219,833	131,808	49,854	514,174	417,763
Current assets, including	57	46,381	19,768	72,382	55,449
Cash and cash equivalents	47	37,914	6,004	4,636	17,663
Non-current liabilities, including	(63,640)	(28,691)	(7,431)	(419,764)	(211)
Non-current financial liabilities	(54,733)	–	–	(12,536)	–
Current liabilities, including	(188)	(54,424)	(16,759)	(154,273)	(399,527)
Current financial liabilities	–		(6,847)	(7,290)	(327,332)
Equity	156,062	95,074	45,432	12,519	73,474
Share of ownership	50%	50%	50%	48.996%	50%
Accumulated unrecognized share of losses	–	–	–	–	–
Consolidation adjustments	–	–	–	–	–
Carrying amount of the investments as at December 31, 2017	78,031	47,537	22,716	6,134	36,737
Revenue	8	184,616	56,047	3,467	60,808
Depreciation, depletion and amortization	(20)	(34,072)	(17,062)	(378)	(5,027)
Finance income	17	1,306	212	39	411
Finance costs	(1,891)	(1,014)	(2,473)	(116)	(66)
Income tax expense	(691)	(53,071)	2,416	(645)	(4,373)
Profit/(loss) for the year from continuing operations	(3,754)	35,427	(33,576)	3,375	19,502
Other comprehensive (loss)/income	(219)	(664)	–	–	(118)
Total comprehensive income/(loss)	(3,973)	34,763	(33,576)	3,375	19,384
Change in unrecognized share of losses	–	–	–	–	–
Dividends received	–	40,445	–	–	2,377

19. INVESTMENTS IN JOINT VENTURES AND ASSOCIATES (continued)

The following tables illustrate summarized financial information of material associates, based on their financial statements for 2019:

	2019	
In millions of tenge	CPC	PKI
Non-current assets	**1,992,524**	**330,021**
Current assets	**99,635**	**55,086**
Non-current liabilities	**(38,825)**	**(69,474)**
Current liabilities	**(499,392)**	**(26,785)**
Equity	**1,553,942**	**288,848**
Share of ownership	**20.75%**	**33%**
Goodwill	**36,730**	**–**
Carrying amount of the investment as at December 31	**359,173**	**95,320**
Revenue	**867,450**	**131,688**
Depreciation, depletion and amortization	**(178,032)**	**(49,236)**
Finance income	**10,720**	**425**
Finance costs	**(52,453)**	**(2,769)**
Income tax expense	**(111,797)**	**(20,904)**
Profit for the year	**341,537**	**(55,286)**
Other comprehensive income	**(6,181)**	**(1,473)**
Total comprehensive income	**335,356**	**(56,759)**
Dividends received	**–**	**15,004**

The following tables illustrate summarized financial information of material associates, based on their financial statements for 2018:

	2018	
In millions of tenge	CPC	PKI
Non-current assets	2,147,362	410,710
Current assets	105,910	91,815
Non-current liabilities	(350,304)	(45,218)
Current liabilities	(685,130)	(104,043)
Equity	1,217,838	353,264
Share of ownership	20.75%	33%
Goodwill	36,885	–
Carrying amount of the investment as at December 31	289,586	116,577
Revenue	757,734	163,263
Depreciation, depletion and amortization	(224,968)	(26,267)
Finance income	32,779	387
Finance costs	(96,267)	(2,564)
Income tax expense	(40,715)	(40,085)
Profit for the year	279,348	44,213
Other comprehensive income	176,033	40,886
Total comprehensive income	455,381	85,099
Dividends received	–	24,914

19. INVESTMENTS IN JOINT VENTURES AND ASSOCIATES (continued)

The following tables illustrate summarized financial information about a material associates, based on its financial statements for 2017:

	2017	
In millions of tenge	CPC	PKI
Non-current assets	2,042,156	356,152
Current assets	95,627	84,904
Non-current liabilities	(756,148)	(59,123)
Current liabilities	(595,179)	(30,659)
Equity	786,456	351,274
Share of ownership	20.75%	33%
Goodwill	31,905	–
Carrying amount of the investment as at December 31	195,095	115,920
Revenue	647,478	137,912
Depreciation, depletion and amortization	(141,191)	(26,442)
Finance income	13,043	246
Finance costs	(78,910)	(3,279)
Income tax expense	(49,237)	(20,965)
Profit for the year	263,450	21,921
Other comprehensive income/(loss)	16,354	(992)
Total comprehensive income	279,804	20,929
Dividends received	–	20,453

The following tables illustrate aggregate financial information of individually immaterial joint ventures (the Group's proportional share):

In millions of tenge	2019	2018	2017
Non-current assets	**143,772**	121,289	125,404
Current assets	**52,488**	45,979	37,468
Non-current liabilities	**(110,096)**	(131,980)	(127,415)
Current liabilities	**(62,503)**	(37,995)	(35,006)
Goodwill	**4,050**	4,050	172
Impairment	**(3,635)**	(3,635)	(3,635)
Accumulated unrecognized share of losses	**(16,938)**	(30,550)	(25,661)
Carrying amount of the investments as at December 31	**41,014**	28,258	22,649
Profit for the year from continuing operations	**25,069**	1,999	18,233
Other comprehensive (loss)/income	–	(668)	498
Total comprehensive income	**25,069**	1,331	18,731
Unrecognized share of (loss)/income	**13,612**	(4,807)	13,600

The following tables illustrate aggregate financial information of individually immaterial associates (the Group's proportional share):

In millions of tenge	2019	2018	2017
Non-current assets	**30,415**	29,046	24,818
Current assets	**55,185**	50,178	36,648
Non-current liabilities	**(10,566)**	(10,469)	(12,035)
Current liabilities	**(51,374)**	(46,568)	(35,371)
Accumulated unrecognized share of losses	**(875)**	(875)	(929)
Carrying amount of the investments as at December 31	**24,534**	23,062	14,989
Profit/losses for the year from continuing operations	**2,457**	3,254	436
Other comprehensive income/ (loss)	**(398)**	3,357	250
Total comprehensive income	**2,059**	6,611	686
Unrecognized share of income/(loss)	–	4	(199)

20. INVENTORIES

In millions of tenge	**2019**	2018	2017
Materials and supplies (*at cost*)	**116,327**	115,103	98,714
Refined products (*at lower of cost and net realizable value*)	**53,974**	99,998	84,841
Gas products (*at cost*)	**52,566**	57,762	15,689
Crude oil (*at cost*)	**58,348**	39,436	51,125
	281,215	312,299	250,369

As at December 31, 2019 inventories of 47,863 million tenge are pledged as collateral (2018: 123,973 million tenge and 2017: 111,844 million tenge).

21. TRADE ACCOUNTS RECEIVABLE AND OTHER CURRENT ASSETS

In millions of tenge	**2019**	2018	2017
Advances paid and prepaid expenses	**138,822**	96,510	95,623
Taxes receivable, other than VAT	**52,642**	35,556	29,577
Dividends receivable	**7,582**	15,848	29,010
Other receivables	**15,047**	15,321	13,057
Other current assets	**87,357**	70,016	91,613
Less: allowance for expected credit losses	**(39,356)**	(28,528)	(62,770)
Total other current assets	**262,094**	204,723	196,110
Trade accounts receivable	**430,125**	540,669	525,773
Less: allowance for expected credit losses	**(32,368)**	(46,692)	(57,906)
Trade accounts receivable	**397,757**	493,977	467,867

As at December 31, 2019, 2018 and 2017 the above assets were non-interest bearing.

As at December 31, 2019 trade accounts receivable of 71,296 million tenge are pledged as collateral (2018: 72,695 million tenge and 2017: 58,116 million tenge).

In 2017 in connection with revocation of Delta Bank JSC ("Delta Bank") license by National Bank of RK and due to the uncertainty regarding the refund of deposits placement in Delta Bank, the Group accrued 100% provision for impairment of the deposits in the total amount of 36,161 thousand US dollars (equivalent to 13,835 million tenge) and reclassified deposits in other receivables.

21. TRADE ACCOUNTS RECEIVABLE AND OTHER CURRENT ASSETS (continued)

Movements in the allowance for expected credit losses of trade accounts receivable and other current assets were as follows:

In millions of tenge	Individually impaired
As at December 31, 2016	101,519
Charge for the year, net (*Note 12*)	936
Written off	(977)
Transfers and reclassifications	11,856
Foreign currency translation	7,342
As at December 31, 2017	**120,676**
Effect of adoption of IFRS 9 as at January 1, 2018	3,658
Recovery for the year, net (*Note 12*)	(264)
Written off	(59,880)
Transfers and reclassifications	(2)
Foreign currency translation	11,032
As at December 31, 2018	**75,220**
Charge for the year, net (*Note 12*)	14,138
Written off	(16,659)
Transfers and reclassifications	153
Foreign currency translation	(1,128)
As at December 31, 2019	**71,724**

As at December 31, the ageing analysis of trade accounts receivable is as follows:

		Neither past	Past due but not impaired				
In millions of tenge	Total	due nor impaired	<30 days	30-60 days	61-90 days	91-120 days	>120 days
2019	397,757	364,443	19,633	5,130	1,808	1,199	5,544
2018	493,977	448,671	23,935	5,018	4,504	4,822	7,027
2017	467,867	365,858	17,506	38,832	16,447	2,292	26,932

22. LOANS AND RECEIVABLES DUE FROM RELATED PARTIES

In millions of tenge	2019	2018	2017
Loans due from related parties at amortized cost	**509,003**	495,869	785,593
Loans due from related parties at fair value through profit or loss	**214,395**	263,274	–
Bonds receivable from Samruk-Kazyna	**16,290**	15,364	18,342
Note receivable from a shareholder of a joint venture	**13,627**	16,599	38,016
Lease receivable from a joint venture	**4,458**	–	–
Less: allowance for expected credit losses	**(3,508)**	(3,963)	–
	754,265	787,143	841,951

In accordance with IFRS 9, the Group reclassified certain loans as measured at fair value through profit or loss. The fair value of these loans was determined by discounting future cash flows.

22. LOANS AND RECEIVABLES DUE FROM RELATED PARTIES (continued)

The table below illustrates loans and receivables due from related parties in currencies their denominated in

In millions of tenge	**2019**	2018	2017
Loans due from related parties in tenge	**510,240**	471,541	471,798
Loans due from related parties in US dollars	**206,285**	280,952	311,341
Bonds receivable from Samruk-Kazyna in tenge	**16,241**	15,315	18,342
Note receivable from a shareholder of a joint venture in US dollars	**13,627**	16,599	38,016
Lease receivable from a joint venture in US dollars	**4,448**	–	–
Loans due from related parties in other foreign currencies	**3,424**	2,736	2,454
	754,265	787,143	841,951

In millions of tenge	**2019**	2018	2017
Current portion	**138,719**	148,615	169,502
Non-current portion	**615,546**	638,528	672,449
	754,265	787,143	841,951

Movements in the allowance for expected credit losses of loans and receivables due from related parties were as follows:

In millions of tenge	
As at January 1, 2017	–
As at December 31, 2017	–
Effect of adoption of IFRS 9 as at January 1, 2018	4,611
Recovered, net	(985)
Foreign currency translation	337
As at December 31, 2018	**3,963**
Recovered, net	(447)
Foreign currency translation	(8)
As at December 31, 2019	**3,508**

23. CASH AND CASH EQUIVALENTS

In millions of tenge	**2019**	**2018**	2017
Term deposits with banks – US dollars	**108,298**	**743,646**	792,428
Term deposits with banks – tenge	**210,354**	**195,093**	115,103
Term deposits with banks – other currencies	**6,450**	**3,492**	3,279
Current accounts with banks – US dollars	**633,231**	**538,440**	306,716
Current accounts with banks – tenge	**75,168**	**39,137**	30,398
Current accounts with banks – other currencies	**10,220**	**9,658**	8,847
Cash in transit	**19,991**	**8,914**	5,538
Cash-on-hand and cheques	**1,150**	**1,204**	1,684
Less: allowance for expected credit losses	**(410)**	**(131)**	(6)
	1,064,452	**1,539,453**	1,263,987
Cash and cash equivalents attributable to discontinued operations	–	**6,395**	2,618
	1,064,452	**1,545,848**	1,266,605

Term deposits with banks are made for various periods of between one day and three months, depending on the immediate cash requirements of the Group.

As at December 31, 2019, the weighted average interest rate for time deposits with banks was 2.02% in US dollars, 8.84% in tenge and 0.12% in other currencies, respectively (2018: 2.84% in US dollars, 7.58% in tenge and 0.07% in other currencies, respectively, 2017: 1.04% in US dollars and 7.85% in tenge, respectively).

As at December 31, 2019, 2018 and 2017 cash and cash equivalents were not pledged as collateral.

24. EQUITY

Total number of outstanding, issued and paid shares comprises:

	December 31, 2017	Issued in 2018	December 31, 2018	Issued in 2019	December 31, 2019
Number of shares issued and paid, including	589,399,889	20,719,604	610,119,493	–	**610,119,493**
Par value of 27,726.63 tenge	137,900	–	137,900	–	**137,900**
Par value of 10,000 tenge	–	20,719,604	20,719,604	–	**20,719,604**
Par value of 5,000 tenge	59,707,029	–	59,707,029	–	**59,707,029**
Par value of 2,500 tenge	71,104,187	–	71,104,187	–	**71,104,187**
Par value of 2,451 tenge	1	–	1	–	**1**
Par value of 1,000 tenge	1	–	1	–	**1**
Par value of 921 tenge	1	–	1	–	**1**
Par value of 858 tenge	1	–	1	–	**1**
Par value of 838 tenge	1	–	1	–	**1**
Par value of 704 tenge	1	–	1	–	**1**
Par value of 592 tenge	1	–	1	–	**1**
Par value of 500 tenge	458,450,766	–	458,450,766	–	**458,450,766**
				–	
Share capital (thousands of tenge)	709,344,505	207,196,040	916,540,545	–	**916,540,545**

Share capital and additional paid-in capital

As at December 31, 2019, 2018 and 2017, the Company had only one class of issued shares.

As at December 31, 2019 and 2018, common shares in the number of 239,440,103 were authorized, but not issued (2017: 260,159,707 common shares).

In 2018 the Company issued 20,719,604 common shares (2017: 5,187,152 common shares). As consideration the Company received high, medium and low pressure gas pipelines and associated facilities with the fair value of 207,196 million tenge (2017: 12,968 million tenge) that were previously recognized as additional paid-in capital and cash for 7 thousand tenge (2017: 1 thousand tenge). The gas pipelines were recognized as additional paid-in capital based on trust management agreement, which served as a mechanism until the legal title for pipelines transferred to the Group.

Additionally, in 2018 the Group increased additional paid in capital of 4,114 million tenge (2017: 13,189 million tenge), which represents the fair value of gas pipelines contributed by the Government on trust management terms.

Transactions with Samruk-Kazyna

In 2019 the Company provided to Samruk-Kazyna additional tranches of 54,720 million tenge (2018: 52,293 million tenge and 2017: 47,020 million tenge) under interest-free long-term financial aid agreement signed on December 25, 2015, with a current maturity in 2022. In 2019 the difference between the fair value and nominal value of additional tranches of 14,184 million tenge (2018: 10,188 million tenge and 2017: 5,716 million tenge) was recognized as transactions with Samruk-Kazyna in the consolidated statement of changes in equity.

In 2018 the Company extended the maturity period of the interest-free long-term financial aid agreement and recognized the effect of modification of 78,358 million tenge as transactions with Samruk-Kazyna in the consolidated statement of changes in equity.

In 2017 Samruk-Kazyna changed conditions of the prospectus of the second bond issue, according to which the coupon on the bonds was reduced from 4.00% to 0.50%, and recognized the modification effect of 24,020 million tenge through equity as transactions with Samruk-Kazyna in the consolidated statement of changes in equity.

24. EQUITY (continued)

Distributions to Samruk-Kazyna

In 2019, the Company transferred to Samruk-Kazyna the proceeds from sale of its non-core assets of 3,853 million tenge, that were recognized as distribution to Samruk-Kazyna within the framework of Government decrees on transfer of KMG's non-core assets and in accordance with the decision of the Management Board of Samruk-Kazyna. In addition, in 2019 Group accrued and paid off 568 million tenge, distributed by Ozenmunaigas in accordance with the Government decree on housing of the residents, living in Zhana-ozen town.

In 2019, the Group fully settled its commitments of 20,900 million tenge for social facilities construction in Turkestan city recognized within distributions to Samruk-Kazyna in 2018, including additional distribution of 1,773 million tenge recognised in 2019. In addition, the Group transferred cash payments of 9,203 million tenge to fulfill its commitments of constructing the Palace of martial arts in Astana city recognized within distributions to Samruk-Kazyna in 2016-2017.

Additionally, in 2018 distributions to Samruk-Kazyna also included the results of operations of PSA LLP (subsidiary of the Group) in the total amount of 6,473 million tenge and the adjustment of the fair value of cost of gas pipelines received as a payment for the issued common shares of 10 million tenge.

In 2017 distributions to Samruk-Kazyna includes accrual of provision for construction of the Palace of martial arts in Astana city of 5,544 million tenge and the results of operations of PSA LLP in the total amount of 5,793 million tenge.

In 2017 due to transfer of obligations for reconstruction of the trade and exhibition center in Moscow to Corporate Fund "TVC Kazakhstan", the Company reversed previously recognized provision of 4,459 million tenge.

As at December 31, 2017 the Group recognized the discount on purchased bonds of "Special financial company DSFK" LLP through retained earnings of 16,756 million tenge.

Dividends

In 2019, the Group declared dividends to the non-controlling interests holders in KTO, KMGI and KMG EP (subsidiaries of the Company) in the amount of 4,138 million tenge (December 31, 2018: 6,200 million tenge and as at December 31, 2017: 13,269 million tenge).

In 2019, based on the decision of Samruk-Kazyna and National Bank of RK, the Company declared dividends for 2018 of 60.64 tenge per common share in the total amount of 36,998 million tenge. In 2018, the Company declared and paid dividends for 2017 of 61.54 tenge per common share in the total amount of 36,272 million tenge. In 2017, the Company declared dividends for 2016 of 11.32 tenge per common share in the amount of 6,672 million tenge and dividends for 2013 of 66.52 tenge per common share in the amount of 39,207 million tenge.

Share buyback of subsidiary – KMG EP

On 22 February 2019, KMG EP completed its preferred shares buyback program. On May 14, 2019, preferred shares were delisted from KASE. In accordance with the buyback program in 2019 KMG EP made a total buyback of outstanding preferred and ordinary shares for 2,464 million tenge (2018: 642,524 million tenge, 2017: nil) as a part of the repurchasing program of all outstanding GDR and common shares quoted on KASE.

24. EQUITY (continued)

Book value per share

In accordance with the decision of KASE dated October 4, 2010 financial statements shall disclose book value per share (ordinary and preferred) as of the reporting date, calculated in accordance with the KASE rules.

In millions of tenge	**2019**	2018	2017
Total assets	**14,081,915**	14,015,280	13,549,958
Less: intangible assets	**171,172**	173,077	185,205
Less: total liabilities	**5,885,259**	6,872,211	6,766,353
Net assets	**8,025,484**	6,969,992	6,598,400
Number of ordinary shares	**610,119,493**	610,119,493	589,399,889
Book value per ordinary share	**13.154**	11.424	11.195

Earnings per share

In millions of tenge	**2019**	2018	2017
Weighted average number of common shares for basic and diluted earnings per share	**601,486,325**	601,486,325	588,967,626
Basic and diluted share in net profit for the period	**1.899**	1.137	0.891
Basic and diluted share in net profit for the period from continuing operations	**1.899**	1.147	0.898

Non-controlling interest

The following tables illustrate information of subsidiaries in which the Group has significant non-controlling interests:

		2019		2018		2017	
	Country of incorporation and operation	**Non-controlling shares**	**Carrying value**	Non-controlling shares	Carrying value	Non-controlling shares	Carrying value
KazTransOil JSC	Kazakhstan	**10.00%**	**44,733**	10.00%	43,382	10.00%	42,862
KazMunayGas Exploration Production JSC	Kazakhstan	**0.30%**	**9,733**	0.50%	9,056	36.99%	779,932
Rompetrol Downstream S.R.L.	Romania	**45.37%**	**51,591**	45.37%	49,330	45.37%	46,577
Rompetrol Petrochemicals S.R.L.	Romania	**45.37%**	**5,518**	45.37%	(3,316)	45.37%	8,699
Rompetrol Vega	Romania	**45.37%**	**(16,289)**	45.37%	(21,181)	45.37%	(19,743)
Rompetrol Rafinare S.A.	Romania	**45.37%**	**(74,441)**	45.37%	(9,855)	45.37%	706
Other			**17,410**		13,064		10,985
			38,255		80,480		870,018

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

24. EQUITY (continued)

Non-controlling interest (continued)

The following tables illustrate summarized financial information of subsidiaries on a stand-alone basis, in which the Group has significant non-controlling interests as at December 31, 2019 and for the year then ended:

In millions of tenge	Rompetrol Downstream S.R.L.	KazTransOil JSC	KazMunayGas Exploration Production JSC	Rompetrol Petrochemicals S.R.L.	Rompetrol Rafinare S.A.	Rompetrol Vega
Summarized statement of financial position						
Non-current assets	114,262	490,914	893,471	3,800	102,697	27,272
Current assets	135,270	104,433	1,235,457	9,024	219,194	9,511
Non-current liabilities	(56,084)	(78,008)	(75,452)	(643)	(93,091)	(24,905)
Current liabilities	(79,741)	(74,699)	(167,393)	(19)	(392,868)	(47,778)
Total equity	113,707	442,640	1,886,083	12,162	(164,068)	(35,900)
Attributable to:						
Equity holder of the Parent Company	62,116	397,907	1,876,350	6,644	(89,627)	(19,611)
Non-controlling interest	51,591	44,733	9,733	5,518	(74,441)	(16,289)
Summarized statement of comprehensive income						
Revenue	610,232	239,626	1,119,068	–	1,316,167	85,831
Profit/(loss) for the year from continuing operations	6,884	56,653	272,863	19,830	(143,227)	10,657
Total comprehensive income/(loss) for the year, net of tax	6,511	53,448	267,684	19,471	(141,676)	10,792
Attributable to:						
Equity holder of the Parent Company	3,557	48,045	266,518	10,637	(77,204)	5,895
Non-controlling interest	2,954	5,403	1,166	8,834	(64,472)	4,897
Dividends declared to non-controlling interests	–	(3,999)	(16)	–	–	–
Summarized cash flow information						
Operating activity	11,581	94,060	237,576	1	70,429	3,666
Investing activity	3,183	(57,033)	(368,188)	–	(26,015)	(3,541)
Financing activity	(14,590)	(41,853)	(4,457)	–	(43,941)	(46)
Net increase/(decrease) in cash and cash equivalents	174	(4,630)	(139,237)	1	473	79

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

24. EQUITY (continued)

Non-controlling interest (continued)

The following tables illustrate summarized financial information of subsidiaries on a stand-alone basis, in which the Group has significant non-controlling interests as at December 31, 2018 and for the year then ended:

In millions of tenge	Rompetrol Downstream S.R.L.	KazTransOil JSC	KazMunayGas Exploration Production JSC	Rompetrol Petrochemicals S.R.L.	Rompetrol Rafinare S.A.	Rompetrol Vega
Summarized statement of financial position						
Non-current assets	115,878	474,493	855,098	–	226,762	25,547
Current assets	130,109	89,618	1,121,114	14,248	208,058	10,486
Non-current liabilities	(51,580)	(65,939)	(59,533)	(660)	(99,909)	(28,237)
Current liabilities	(85,683)	(68,156)	(192,006)	(20,897)	(356,631)	(54,478)
Total equity	108,724	430,016	1,724,673	(7,309)	(21,720)	(46,682)
Attributable to:						
Equity holder of the Parent Company	59,394	386,634	1,715,617	(3,993)	(11,865)	(25,501)
Non-controlling interest	49,330	43,382	9,056	(3,316)	(9,855)	(21,181)
Summarized statement of comprehensive income						
Revenue	552,546	225,400	1,189,393	74,024	1,198,576	78,746
Profit/(loss) for the year from continuing operations	(10,087)	61,168	299,917	(27,398)	(22,771)	3,208
Total comprehensive income/(loss) for the year, net of tax	6,067	67,673	334,747	(26,480)	(23,276)	(3,168)
Attributable to:						
Equity holder of the Parent Company	3,314	60,994	314,578	(14,466)	(12,716)	(1,731)
Non-controlling interest	2,753	6,679	20,169	(12,014)	(10,560)	(1,437)
Dividends declared to non-controlling interests	–	(6,153)	(48)	–	–	–
Summarized cash flow information						
Operating activity	8,598	97,453	276,070	(1)	42,428	1,653
Investing activity	(4,442)	(44,854)	164,487	–	(15,532)	(1,667)
Financing activity	(4,304)	(61,540)	(642,760)	(1)	(27,347)	38
Net increase/(decrease) in cash and cash equivalents	(148)	(7,592)	(134,732)	(2)	(451)	24

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

24. EQUITY (continued)

Non-controlling interest (continued)

The following tables illustrate summarized financial information of subsidiaries on a stand-alone basis, in which the Group has significant non-controlling interests as at December 31, 2017 and for the year then ended:

In millions of tenge	Rompetrol Downstream S.R.L.	KazTransOil JSC	KazMunayGas Exploration Production JSC	Rompetrol Petrochemicals S.R.L.	Rompetrol Rafinare S.A.	Rompetrol Vega
Summarized statement of financial position						
Non-current assets	119,373	450,726	771,619	3,418	219,853	21,455
Current assets	121,461	99,864	1,562,165	25,181	213,573	9,848
Non-current liabilities	(13,368)	(60,819)	(53,790)	(2,680)	(50,695)	(24,447)
Current liabilities	(124,809)	(65,826)	(171,272)	(6,747)	(381,175)	(50,370)
Total equity	102,657	423,945	2,108,722	19,172	1,556	(43,514)
Attributable to:						
Equity holder of the Parent Company	56,080	381,083	1,328,790	10,473	850	(23,771)
Non-controlling interest	46,577	42,862	779,932	8,699	706	(19,743)
Summarized statement of comprehensive income						
Revenue	402,786	222,450	954,506	65,576	868,443	56,964
Profit/(loss) for the year from continuing operations	10,745	65,890	195,361	(4,905)	(1,696)	2,060
Total comprehensive income/(loss) for the year, net of tax	10,632	66,003	194,983	(5,079)	(2,357)	2,249
Attributable to:						
Equity holder of the Parent Company	5,808	59,403	122,876	(2,775)	(1,288)	1,229
Non-controlling interest	4,824	6,600	72,107	(2,304)	(1,069)	1,020
Dividends declared to non-controlling interests	–	(5,961)	(7,309)	–	–	–
Summarized cash flow information						
Operating activity	20,967	98,946	234,063	(2)	35,474	1,223
Investing activity	(2,622)	(67,271)	44,736	–	(36,389)	(1,217)
Financing activity	(17,790)	(59,617)	(18,906)	–	(661)	8
Net increase/(decrease) in cash and cash equivalents	555	(28,424)	259,552	(2)	(1,576)	14

25. BORROWINGS

In millions of tenge	**2019**	2018	2017
Fixed interest rate borrowings	**3,146,477**	3,029,688	3,137,182
Weighted average interest rates	**5.48%**	5.42%	6.30%
Floating interest rate borrowings	**691,027**	1,123,550	1,164,070
Weighted average interest rates	**5.73%**	5.70%	4.90%
	3,837,504	4,153,238	4,301,252

In millions of tenge	**2019**	2018	2017
US dollar – denominated borrowings	**3,555,347**	3,927,512	4,069,683
Tenge – denominated borrowings	**271,776**	207,276	220,729
Euro-denominated borrowings	**2,881**	1,866	–
Other currencies – denominated borrowings	**7,500**	16,584	10,840
	3,837,504	4,153,238	4,301,252

In millions of tenge	**2019**	2018	2017
Current portion	**253,428**	330,590	884,140
Non-current portion	**3,584,076**	3,822,648	3,417,112
	3,837,504	4,153,238	4,301,252

In 2019, the Company derecognized a loan from partners of the Pearls project for the total amount of 110,930 million tenge, including an interest of 3,543 million tenge, since the partners of the project decided to voluntarily relinquish the contract area under the Pearls PSA (*Note 13*).

In 2018, the Company derecognized a loan from ONGC Videsh, a partner in the Satpayev project, for the total amount of 53,263 million tenge, including an interest of 4,620 million tenge. The derecognition of the loan is related to the planned withdrawal from the project and relinquishment of the contract area to the Government.

25. BORROWINGS (continued)

As at December 31, 2019, 2018 and 2017, the debt securities issued and loans comprised:

Bonds	Issuance amount	Redemption date	Interest	As at December 31 2019	2018	2017
						–
AIX 2019	56 billion KZT	2024	5.00%	**52,843**	–	–
Bonds LSE 2018	1.5 billion USD	2048	6.375%	**574,230**	576,571	–
Bonds LSE 2018	1.25 billion USD	2030	5.375%	**482,393**	484,362	–
Bonds LSE 2018	0.5 billion USD	2025	4.75%	**192,764**	193,533	–
Bonds LSE 2017	1.25 billion USD	2047	5.75%	**468,940**	477,347	412,644
Bonds LSE 2017	1 billion USD	2027	4.75%	**380,413**	384,384	332,128
Bonds ISE 2017	750 million USD	2027	4.375%	**289,487**	290,607	251,245
Bonds LSE 2017	0.5 billion USD	2022	3.88%	**191,694**	193,026	166,819
Bonds LSE 2014	1 billion USD	2044	6.00%	–	11,211	9,682
Bonds LSE 2014	0.5 billion USD	2025	4.875%	–	–	40,465
Bonds LSE 2013	1 billion USD	2023	4.40%	**154,442**	155,214	133,839
Bonds LSE 2013	2 billion USD	2043	5.75%	–	–	166,367
Bonds LSE 2010	1.5 billion USD	2020	7.00%	–	–	454,158
Bonds LSE 2010	1.25 billion USD	2021	6.375%	–	–	374,885
Bonds KASE 2009	120 billion KZT	2019	6M Libor+8.50%	–	42,721	73,637
Bonds LSE 2008	1.6 billion USD	2018	9.125%	–	–	530,055
Others				**4,518**	4,440	13,276
Total				**2,791,724**	2,813,416	2,959,200

25. BORROWINGS (continued)

Loans	Issuance amount	Redemption date	Interest	As at December 31		
				2019	2018	2017
The Export-Import Bank of China (Eximbank)	1.13 billion USD	2027	6M Libor + 4.10%	**350,042**	398,978	340,200
Development bank of Kazakhstan JSC (DBK)	185 billion KZT	2022-2028	7.00%-10.20%	**138,313**	120,225	115,480
DBK	1.1 billion USD	2023-2025	6M Libor + 4.00%, 5.00%, 10.99%	**131,022**	292,594	294,632
The Syndicate of banks *(Unicredit, ING Bank, BCR, Raiffeisen Bank)*	360 million USD	2022	1M Libor+2.75%, 1M Libor+2.5%, 1M Robor+2.00%,1W Libor +2.5%, ON Libor +2.5%, ON Euribor+2.5%	**99,554**	98,831	82,747
The Syndicate of banks (*Citibank, N.A., London Branch, Mizuho Bank, Ltd., MUFG Bank Ltd., Société Générale, ING Bank, and ING Bank N.V.*)	200 million USD	2021	3M Libor+1.35%	**76,442**	76,625	–
Japan Bank for International Cooperation (JBIC)	297.5 million USD	2025	2.19%+CIRR, 6 M Libor+1.10%	**65,254**	76,452	62,387
Halyk bank JSC (Halyk bank)	150 million USD	2024	5.00%	**52,771**	–	–
European Bank for Reconstruction and Development (EBRD)	68 billion KZT	2023	3M CPI + 50 basis points + 3.15%	**42,940**	54,408	65,373
Halyk bank	100 million USD[1]	2020	5.00%	**38,323**	26,939	23,316
EBRD	39 billion KZT	2026	6M CPI + 100 basis points + 3.15%	**24,573**	20,359	15,620
Sperbank Russia	50 million USD	2020	COF (2.25%) + 1.50%	**13,773**	–	–
Loan from partners (Pearls project)	Financing for share of costs in execution of subsoil use contract	From beginning of commercial exploration	6M Libor + 1.00%	**–**	106,246	87,371
Loan from partners (Satpayev project)	Financing for share of costs in execution of subsoil use contract	From beginning of commercial exploration	12M Libor + 1.50%	**–**	–	51,214
BNP Paribas	368 million USD[1]	2020	COF (3.18%) + 2.00%	**–**	25,199	14,118
Club loan (Raiffeisen/BCR/ING/Unicredit)	200 million USD	2019	3M Libor + 2.50%	**–**	17,684	35,697
Sberbank Russia	400 million USD	2024	12M Libor + 3.5%	**–**	–	134,039
Other	–	–	–	**12,773**	25,282	19,858
Total				**1,045,780**	1,339,822	1,342,052

[1] revolving credit facility

25. BORROWINGS (continued)

On January 10, 2019, Atyrau Refinery LLP (ANPZ) placed indexed tenge to US dollars bonds at the Astana International Exchange (AIX) for the total amount of 56,223 million tenge (equivalent to 150 million US dollars) with interest rate of 5% and maturity of 5 years. On January 10, 2019, Samruk-Kazyna purchased these bonds for 56,223 million tenge. On January 11, 2019, ANPZ received long-term loan from Halyk bank of 150 million US dollars (equivalent to 56,195 million tenge), with 5% interest rate for the first year (since the second year the interest year is 5.25%) and maturity of 5 years.

Proceeds from the borrowings above in the total amount of 300 million US dollars (equivalent to 113,016 million tenge) were used to make an early repayment of loan principal of ANPZ borrowings from DBK, raised to fund a strategic investment project – construction of the aromatic hydrocarbons production unit. In December 2019, ANPZ received long-term loan from DBK of 32,938 million tenge with 7.99% nominal interest rate and maturity of 7 years to finance the oil processing plant modernisation.

In 2019, the Group made an additional redemption of borrowings from DBK for 77,182 million tenge and the bonds held by DBK (Bonds KASE 2009 with a number of 16 million bonds) for 43,868 million tenge, including accrued interest.

In 2019, ANPZ has made partial repayment of the loan from Eximbank for 197 million US dollars (equivalent to 74,968 million tenge), including accrued interest.

In 2019, KMG International N.V. made the repayments to BNP Paribas and partly redempt Syndicated loan a number of other banks amounted to 65 million US dollars (equivalent to 24,821 million tenge), including accrued interest, of its short-term loans used to finance working capital and for trading facilities.

In May 2019, KMG International N.V. made a full early repayment of its Club loan for 47 million US dollars (equivalent to 17,739 million tenge), including accrued interest.

In April, 2019, the Company made early redemption of Eurobonds with maturity date of 2044 for 31 million US dollars (equivalent to 11,909 million tenge at the date of payment), including premium, coupon payments and consent fee.

On April 24, 2018, the Company completed the placement of the Eurobonds under the 10.5 billion US dollars Global Medium Term Notes Programme established by the Company and KazMunaiGaz Finance Sub B.V. (subsidiary of the Company), in an aggregate principal amount of 3.25 billion US dollars. The Eurobonds were issued in three series, comprising (i) 500 million US dollars 4.750% Notes due 2025 (equivalent to 163,260 million tenge); (ii) 1,250 million US dollars 5.375% Notes due 2030 (equivalent to 408,150 million tenge); and (iii) US 1,500 million US dollars 6.375% Notes due 2048 (equivalent to 489,780 million tenge).

On May 4 and 11, 2018, the Company made early redemption of Eurobonds for total consideration in the total amount of 3,463 million US dollars (equivalent to 1,143,982 million tenge at the date of payment), including interest. On July 2, 2018 the Company made full redemption of debt on issued bonds on the LSE in 2008 in the total amount of 1,673 million US dollars (equivalent 570,627 million tenge), including interest.

On May 17, 2018 in accordance with the loan agreement KTG received a loan from the Syndicate of banks of 65,832 million tenge (equivalent to: 200 million US dollars) for partial financing of the project "Construction of three compressor stations at MG "Beineu-Bozoy-Shymkent" at the rate of 3 months LIBOR + 1.35%.

In 2018, ANPZ received borrowings from Halyk bank JSC of 44,883 million tenge and fully redeemed borrowings from Halyk bank JSC of 43,665 million tenge, including accrued interest. Additionally, in 2018, ANPZ partially redeemed a loan from Eximbank of 42,448 million tenge.

In 2018, ICA, the subsidiary of KTG, received a short-term loan from Citibank N.A. Jersey Branch of 27,173 million tenge (equivalent to 85 million US dollars) at the rate of 1 month LIBOR + 2% per annum for the purpose of restructuring existing obligations. In 2018, ICA fully repaid principal under the loan agreement of 27,804 million tenge (equivalent to 85 million US dollars). In 2019 ICA partially repaid its borrowing from EBRD for 17,365 million tenge.

In 2018, the Company fully redeemed a loan from Sberbank Russia of 420 million US Dollars (equivalent to 152,989 million tenge), including accrued interest.

In 2018, KMGI made partial repayment of borrowings from Syndicated loan of 20,017 million tenge, including accrued interest.

In 2018 the Group received borrowings from DBK in the total amount of 15,933 million tenge and redeemed borrowings in the total amount of 80,419 million tenge, including interest. Additionally, the Group made a partial scheduled repayment of issued bonds held by DBK of 41,793 million tenge, including interest.

25. BORROWINGS (continued)

Changes in liabilities arising from financing activities

In millions of tenge	**2019**	2018	2017
On January 1	**4,153,238**	4,301,252	3,274,415
Received by cash	**271,772**	1,248,834	1,506,706
Repayment of debt for purchased property plant and equipment	–	33,216	135,393
Interest paid	(238,354)	(248,341)	(216,528)
Repayment of principal	(444,656)	(2,069,977)	(680,202)
Interest accrued *(Note 14)*	225,093	250,055	217,246
Interest capitalized (*Note 15*)	2,525	21,715	26,532
Discount	(7,781)	(6,528)	(15,552)
Derecognition of liabilities *(Note 14)*	(111,476)	(53,263)	–
Interest accrued for bond redemption *(Note 14)*	–	89,612	–
Foreign currency translation	(10,953)	385,144	70,415
Foreign exchange loss/gain	(7,366)	189,251	(13,492)
Other	5,462	12,268	(3,681)
On December 31	3,837,504	4,153,238	4,301,252
Current portion	**253,428**	330,590	884,140
Non-current portion	**3,584,076**	3,822,648	3,417,112

Covenants

The Group is required to ensure execution of the financial and non-financial covenants under the terms of the loan agreements. Failure to comply with financial covenants gives the lenders the right to demand early repayment of loans. As of December 31, 2019, 2018 and 2017, the Group complied with all financial and non-financial covenants.

In 2018 and 2017, the Group had limitations in terms of the acceptance of debt obligations according to the terms and conditions of the Eurobond documentation of international bonds issues. Thus, the debt increase was limited to the need to comply with a financial ratio, which was defined as the ratio of consolidated net debt to the total amount of the consolidated earnings before interest, taxes, depreciation and amortization (EBITDA) with a threshold value of 3.5. As of December 31, 2019, December 31, 2018 and December 31, 2017, the Group complied with this restrictive condition. In 2019 the Company received a consent from the Eurobond holders resulting in revision of the covenant package. Accordingly, the limitation was excluded from the terms of the public debt of KMG.

Hedge of net investment in the foreign operations

As at December 31, 2019 certain borrowings denominated in foreign currency were designated as hedge instrument for the net investment in the foreign operations. These borrowings are being used to hedge the Group's exposure to the US Dollar foreign exchange risk on these investments. In 2019 gain of 10,332 million tenge (2018: losses of 364,168 million tenge; 2017: income of 67,151 million tenge) on the translation of these borrowings were transferred to other comprehensive income and offset translation gains and losses of the net investments in the subsidiaries (foreign operations).

There is an economic relationship between the hedged item and the hedging instrument as the net investment creates a translation risk that will match the foreign exchange risk on the US Dollars borrowings. The Group has established a hedge ratio of 1:1 as the underlying risk of the hedging instrument is identical to the hedged risk component. The hedge ineffectiveness will arise when the amount of the investment in the foreign subsidiary becomes lower than the amount of the fixed rate borrowings.

26. PROVISIONS

In millions of tenge	Asset retirement obligations	Provision for environmental obligation	Provision for taxes	Provision for gas transportation	Employee benefit obligations	Other	Total
As at December 31, 2016	91,544	47,402	48,047	24,361	32,378	34,253	277,985
Foreign currency translation	10	(52)	15	–	3,807	(1)	3,779
Change in estimate	(1,248)	(458)	–	(70)	–	62	(1,714)
Unwinding of discount	8,333	1,609	–	–	3,040	68	13,050
Provision for the year	3,488	10,902	7,305	–	4,214	12,946	38,855
Transfer to assets held for sale	–	(33)	–	–	–	(58)	(91)
Recovered	(678)	–	(16,528)	–	–	(5,457)	(22,663)
Use of provision	(903)	(1,164)	(11,162)	–	(3,091)	(10,294)	(26,614)
As at December 31, 2017	100,546	58,206	27,677	24,291	40,348	31,519	282,587
Foreign currency translation	1,930	5,491	10	1	41	2,097	9,570
Change in estimate	4,657	344	–	3,791	–	(85)	8,707
Unwinding of discount	9,232	2,291	–	–	3,204	133	14,860
Provision for the year	654	–	18,445	–	7,374	45,173	71,646
Recovered	(133)	(43)	(24,903)	–	–	(6,410)	(31,489)
Use of provision	(650)	(3,319)	(895)	–	(3,488)	(19,219)	(27,571)
Transfers and reclassifications	–	8	–	–	–	(50)	(42)
As at December 31, 2018	116,236	62,978	20,334	28,083	47,479	53,158	328,268
Foreign currency translation	**(83)**	**(167)**	**(13)**	**(118)**	**–**	**69**	**(312)**
Change in estimate	**25,990**	**(7)**	**–**	**–**	**–**	**50**	**26,033**
Unwinding of discount	**10,005**	**3,670**	**–**	**–**	**3,559**	**144**	**17,378**
Provision for the year	**4,618**	**2,888**	**4,393**	**–**	**11,568**	**40,473**	**63,940**
Recovered	**(208)**	**(4,490)**	**(5,865)**	**–**	**–**	**(18,116)**	**(28,679)**
Use of provision	**(2,164)**	**(4,526)**	**(1,147)**	**–**	**(3,547)**	**(16,677)**	**(28,061)**
Transfers and reclassifications	**–**	**–**	**482**	**–**	**–**	**(1,922)**	**(1,440)**
As at December 31, 2019	**154,394**	**60,346**	**18,184**	**27,965**	**59,059**	**57,179**	**377,127**

Provision for gas transportation relates to the Group's commitment on reimbursement of losses incurred by PetroChina International Co.Ltd (PetroChina). Under the agreement on gas borrowing the Group has commitments to PetroChina to reimburse the supported costs and losses incurred by PetroChina due to gas borrowing and its return. Detailed description of significant provisions, including critical estimates and judgments used, is included in *Note 4*.

Current portion and long-term portion are segregated as follows:

In millions of tenge	Asset retirement obligations	Provision for environmental obligation	Provision for taxes	Provision for gas transportation	Employee benefit obligations	Other	Total
As at December 31, 2019							
Current portion	**805**	**7,728**	**18,184**	**27,965**	**6,425**	**42,431**	**103,538**
Long-term portion	**153,589**	**52,618**	**–**	**–**	**52,634**	**14,748**	**273,589**
As at December 31, 2019	**154,394**	**60,346**	**18,184**	**27,965**	**59,059**	**57,179**	**377,127**
As at December 31, 2018							
Current portion	1,994	6,103	20,334	28,083	2,830	39,127	98,471
Long-term portion	114,242	56,875	–	–	44,649	14,031	229,797
As at December 31, 2018	116,236	62,978	20,334	28,083	47,479	53,158	328,268
As at December 31, 2017							
Current portion	1,543	5,922	27,677	24,291	2,689	16,690	78,812
Long-term portion	99,003	52,284	–	–	37,659	14,829	203,775
As at December 31, 2017	100,546	58,206	27,677	24,291	40,348	31,519	282,587

27. OIL SUPPLY AGREEMENT

In 2016, the Group entered into long-term crude oil and liquefied petroleum gas ("LPG") supply agreement, which involves a prepayment. These prepayments for oil represent contract liability and were accounted for in accordance with IFRS 15. The agreement stipulated pricing calculation with reference to market quotes and prepayments were settled through physical deliveries of crude oil and LPG. The total minimum delivery volume approximates 38.4 million tons of crude oil and 1.25 million ton of LPG in the period from the date of the contract to June and August 2021.

The Group accrued interest for 19,541 million tenge (2018: 35,868 million tenge, 2017: 26,473 million tenge) with interest rate of Libor + 1.85% *(Note 14)*.

The Group fully settled the prepayment through oil and LPG delivery on November 29, 2019.

28. TRADE ACCOUNTS PAYABLE AND OTHER CURRENT LIABILITIES

In millions of tenge	**2019**	2018* (Reclassed)	2017* (Reclassed)
Contract liabilities	**184,362**	106,385	87,917
Due to employees	**51,613**	51,362	60,546
Financial guarantees	**5,866**	1,831	1,171
Dividends payable	**354**	1,750	1,852
Other	**60,821**	74,835	50,454
Total other current liabilities	**303,016**	236,163	201,940
Trade accounts payable	**667,861**	632,739	513,851

Trade accounts payable is denominated in the following currencies as of December 31:

In millions of tenge	**2019**	2018	2017
Tenge	**328,538**	260,094	218,849
US dollars	**280,742**	301,784	240,165
Romanian Leu	**42,740**	45,125	42,582
Euro	**3,196**	7,188	2,789
Other currency	**12,645**	18,548	9,466
Total	**667,861**	632,739	513,851

As at December 31, 2019, 2018 and 2017, trade accounts payable and other current liabilities were not interest bearing.

29. OTHER TAXES PAYABLE

In millions of tenge	**2019**	2018	2017
Rent tax on crude oil export	**29,586**	33,184	27,365
Mineral extraction tax	**19,037**	28,039	26,161
VAT	**19,376**	19,117	19,448
Individual income tax	**6,135**	6,603	6,581
Social tax	**4,639**	4,197	5,620
Excise tax	**2,163**	2,885	2,888
Withholding tax from non-residents	**1,873**	2,868	4,545
Other	**3,857**	8,133	8,590
	86,666	105,026	101,198

30. INCOME TAX EXPENSES

As at December 31, 2019 income taxes prepaid of 54,517 million tenge (2018: 53,143 million tenge, 2017: 36,135 million tenge) are represented by corporate income tax. As at December 31, 2019 income taxes payable of 13,011 million tenge (2018: 13,272 million tenge, 2017: 10,081 million tenge) are represented mainly by excess profit tax and corporate income tax.

Income tax expense comprised the following for the years ended December 31:

In millions of tenge	**2019**	2018	2017
Current income tax			
Corporate income tax	**146,658**	160,011	112,227
Excess profit tax	**11,291**	(1,128)	5,137
Withholding tax on dividends and interest income	**12,893**	25,517	21,967
Deferred income tax			
Corporate income tax	**(1,999)**	10,093	22,394
Excess profit tax	**(4,904)**	(7,850)	(1,275)
Withholding tax on dividends	**62,241**	92,617	29,835
Income tax expenses	**226,180**	279,260	190,285

According to the 2006 amendments to the tax legislation, which were effective starting from the fiscal years beginning on January 1, 2007, dividends received from Kazakhstan taxpayers were exempt from income tax withheld at the source of payment. Therefore, in 2006 the Group reversed the deferred tax liability on undistributed profits of subsidiaries, joint ventures and associates registered in the Republic of Kazakhstan, which was recognized in prior years. However, during 2007-2019 the Group was receiving dividends from Tengizchevroil LLP (20% joint venture of the Group, a Kazakhstan taxpayer) net of withholding tax since there is uncertainty whether the withholding tax exemption is applicable for the stable tax regime of Tengizchevroil LLP. The Group was challenging withholding of the tax on those dividends, but has not managed to convince Tengizchevroil LLP and the tax authorities that withholding tax should not be applied. Therefore, Management of the Group recognizes the deferred income tax withholding on its interest in undistributed retained earnings of Tengizchevroil LLP as its current best estimate is that the Group will continue to receive dividends net of withholding tax in future years.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

30. INCOME TAX EXPENSES (continued)

A reconciliation of income tax expenses applicable to profit before income tax at the statutory income tax rate (20% in 2019-2017) to income tax expenses was as follows for the years ended December 31:

In millions of tenge	**2019**	2018	2017
Profit before income tax from continuing operations	**1,384,631**	969,318	719,399
Profit/(loss) before income tax from discontinued operations	**6**	3,493	(3,405)
Statutory tax rate	**20%**	20%	20%
Income tax expense on accounting profit	**276,927**	194,562	143,199
Share in profit of joint ventures and associates	**(103,138)**	(73,593)	(39,493)
Other non-deductible expenses and non-taxable income	**36,913**	61,618	41,106
Excess profit tax	**6,387**	(8,978)	3,861
Effect of different corporate income tax rates	**13,047**	13,149	3,234
Change in unrecognized deferred tax assets	**(3,956)**	92,542	38,640
	226,180	279,300	190,547
Income tax expense attributable to continued operations	**226,180**	279,260	190,285
Income tax expense attributable to discontinued operations	**–**	40	262
	226,180	279,300	190,547

30. INCOME TAX EXPENSES (continued)

Deferred tax balances, calculated by applying the statutory tax rates effective at the respective reporting dates to the temporary differences between the tax basis of assets and liabilities and the amounts reported in the consolidated financial statements, are comprised of the following at December 31:

In millions of tenge	**2019 Corporate income tax**	**2019 Excess profit tax**	**2019 Withholding tax**	**2019 Total**	2018 Corporate income tax	2018 Excess profit tax	2018 Withholding tax	2018 Total	2017 Corporate income tax	2017 Excess profit tax	2017 Withholding tax	2017 Total
Deferred tax assets												
Property, plant and equipment	**34,880**	**–**	**–**	**34,880**	36,803	(1,916)	–	34,887	53,100	(2,214)	–	50,886
Tax loss carryforward	**556,446**	**–**	**–**	**556,446**	574,356	–	–	574,356	462,368	–	–	462,368
Employee related accruals	**5,182**	**82**	**–**	**5,264**	6,732	–	–	6,732	7,017	233	–	7,250
Impairment of financial assets	**11**	**–**	**–**	**11**	8	–	–	8	4	–	–	4
Environmental liability	**4,572**	**256**	**–**	**4,828**	4,445	–	–	4,445	4,249	217	–	4,466
Other	**51,985**	**3,893**	**–**	**55,878**	51,583	–	–	51,583	40,470	1,345	–	41,815
Less: unrecognized deferred tax assets	**(532,114)**	**–**	**–**	**(532,114)**	(536,070)	–	–	(536,070)	(443,528)	–	–	(443,528)
Less: deferred tax assets offset with deferred tax liabilities	**(50,721)**	**(758)**	**–**	**(51,479)**	(38,060)	–	–	(38,060)	(24,580)	–	–	(24,580)
Deferred tax assets	**70,241**	**3,473**	**–**	**73,714**	99,797	(1,916)	–	97,881	99,100	(419)	–	98,681
Deferred tax liabilities												
Property, plant and equipment	**191,989**	**7,608**	**–**	**199,597**	208,108	6,365	–	214,473	153,438	15,712	–	169,150
Undistributed earnings of joint venture	**–**	**–**	**356,581**	**356,581**	–	–	295,580	295,580	–	–	202,963	202,963
Other	**4,763**	**–**	**–**	**4,763**	7,605	–	–	7,605	33,205	–	–	33,205
Less: deferred tax assets offset with deferred tax liabilities	**(50,721)**	**(758)**	**–**	**(51,479)**	(38,060)	–	–	(38,060)	(24,580)	–	–	(24,580)
Deferred tax liabilities	**146,031**	**6,850**	**356,581**	**509,462**	177,653	6,365	295,580	479,598	162,063	15,712	202,963	380,738
Net deferred tax liability	**75,790**	**3,377**	**356,581**	**435,748**	77,856	8,281	295,580	381,717	62,963	16,131	202,963	282,057

30. INCOME TAX EXPENSES (continued)

Deferred corporate income tax and excess profit tax are determined with reference to individual subsoil use contracts. Deferred corporate income tax is also determined for activities outside of the scope of subsoil use contracts. A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realized. Unrecognized deferred tax asset arising mainly from tax losses carry forward amounted to 532,114 million tenge as at December 31, 2019 (2018: 536,070 million tenge, 2017: 443,528 million tenge).

Tax losses carry forward as at December 31, 2019, 2018 and 2017 in the Republic of Kazakhstan expire for tax purposes after ten years from the date they are incurred.

The movements in the deferred tax liability/ (asset) were as follows:

In millions of tenge	**2019 Corporate income tax**	**2019 Excess profit tax**	**2019 Withholding tax**	**2019 total**	2018 Corporate income tax	2018 Excess profit tax	2018 Withholding tax	2018 total	2017 Corporate income tax	2017 Excess profit tax	2017 Withholding tax	2017 total
Net deferred tax liability as at January 1	**77,856**	**8,281**	**295,580**	**381,717**	62,963	16,131	202,963	282,057	40,547	17,407	173,127	231,081
Foreign currency translation	**1,112**	**–**	**(1,240)**	**(128)**	4,714	–	–	4,714	(120)	(1)	1	(120)
Tax expense/(income) during the year recognized in profit and loss	**(1,999)**	**(4,904)**	**62,241**	**55,338**	10,093	(7,850)	92,617	94,860	22,394	(1,275)	29,835	50,954
Tax (income)/expense during the year recognized in OCI	**(1,179)**	**–**	**–**	**(1,179)**	86	–	–	86	142	–	–	142
Net deferred tax liability as at December 31	**75,790**	**3,377**	**356,581**	**435,748**	77,856	8,281	295,580	381,717	62,963	16,131	202,963	282,057

31. RELATED PARTY DISCLOSURES

Terms and conditions of transactions with related parties

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. Outstanding balances at the year-end are mainly unsecured and interest free and settlement occurs in cash, except as indicated below. The Group recognizes allowances for expected credit losses on amounts owed by related parties.

Transactions balances

The following table provides the balances of transactions with related parties as at December 31, 2019, 2018 and 2017:

In millions of tenge		Due from related parties	Due to related parties	Cash and deposits placed with related parties	Borrowings payable to related parties
Samruk-Kazyna entities	**2019**	**327,597**	**6,168**	**–**	**52,843**
	2018	268,396	3,656	52	–
	2017	289,084	1,703	54	–
Associates	**2019**	**56,331**	**3,814**	**–**	**–**
	2018	116,670	2,089	–	–
	2017	154,954	3,748	–	–
Other state-controlled parties	**2019**	**6,381**	**712**	**192,548**	**269,335**
	2018	157	8,813	–	455,540
	2017	–	8,753	2,676	489,949
Joint ventures	**2019**	**519,351**	**217,027**	**–**	**–**
	2018	508,260	174,042	–	–
	2017	556,564	194,182	–	–

Due from related parties

Samruk-Kazyna entities

As at December 31, 2019 due from Samruk-Kazyna entities is mainly represented by the financial aid provided to Samruk-Kazyna for 307,568 million tenge and bonds of 16,241 million tenge (2018: 244,878 million tenge and 15,315 million tenge, 2017: 259,835 million tenge and 18,342 million tenge) *(Note 24).*

Associates

As at December 31, 2019 due from associates was mainly represented by the loan to CPC provided by KPV of 8,691 million tenge (2018: 20,682 million tenge, 2017: 27,402 million tenge) and "Kazakhstan Note" of 38,670 million tenge (2018: 89,018 million tenge, 2017: 121,510 million tenge). The "Kazakhstan Note" is the subordinated debt issued by CPC to the Government in exchange for Kazakstani pipeline assets transferred to CPC on May 16, 1997. In 2015, the Government contributed the right to claim payments under "Kazakhstan Note" to the share capital of the Company.

Joint ventures

As at December 31, 2019 due from joint ventures were mainly represented by the loan given to BeineuShymkent Pipelines of 202,669 million tenge (2018: 226,319 million tenge, 2017: 207,557 million tenge), PKOP of 110,172 million tenge (2018: 133,531 million tenge, 2017: 133,676 million tenge), UGL of 48,752 million tenge (2018: 37,669 million tenge, 2017: 28,049 million tenge) and advances paid to TCO for 92,435 million tenge (2018: 56,753 million tenge, 2017: 52,539 million tenge) under crude oil and LPG purchase contract (*Note 27*).

31. RELATED PARTY DISCLOSURES (continued)

Transactions balances (continued)

Due to related parties (continued)

Joint ventures

As at December 31, 2019 due to joint ventures were mainly represented by accounts payable to BeineuShymkent Pipelines of 95,908 million tenge (2018: 39,429 million tenge, 2017: 55,131 million tenge) and Asia Gas Pipeline for gas transportation of 39,323 million tenge (2018: 23,596 million tenge, 2017: 27,143 million tenge), and accounts payable for gas purchases from KazRosGas for 30,477 million tenge (2018: 50,845 million tenge, 2017: 25,395 million tenge).

Cash and deposits placed with related parties

Other state-controlled parties

As at December 31, 2019 the cash and deposits placed with related parties are mainly attributable placed deposit by the Company for 500 million US dollars (equivalent to 192,547 million tenge) at market rate.

Borrowings payable to related parties

Other state-controlled parties

As at December 31, 2019 the borrowings payable to related parties are represented by loans received from DBK by ANPZ, PNHZ and KTG of 269,335 million tenge (loans and bonds payable to DBK 2018: 455,540 million tenge, 2017: 483,749 million tenge) (*Note 25*).

Proceeds from loans given to related parties

In 2019 the Group received proceeds from principal and interest redemption of the loan issued to PKOP for 29,949 million tenge (2018: 28,110 million tenge, in 2017: 7,392 million tenge), CPC for 12,656 million tenge (2018: 11,609 million tenge, 2017: 9,077 million tenge), BeineuShymkent Pipelines for 31,988 million tenge (2018: 12,775 million tenge, 2017: nil), and proceeds from interest on the "Kazakhstan Note" for 47,663 million tenge (2018: 44,822 million tenge, 2017: 35,143 million tenge).

Transactions turnover

The following table provides the total amount of transactions, which have been entered into with related parties during 2019, 2018 and 2017:

In millions of tenge		Sales to related parties	Purchases from related parties	Interest earned from related parties	Interest incurred to related parties
Samruk-Kazyna entities	**2019**	**42,250**	**20,030**	**24,054**	**2,841**
	2018	63,951	25,372	23,370	–
	2017	66,161	29,897	28,365	–
Associates	**2019**	**19,565**	**40,930**	**8,892**	**–**
	2018	23,150	22,529	9,800	–
	2017	9,598	38,648	10,414	–
Other state-controlled parties	**2019**	**7,149**	**3,540**	**1,300**	**20,728**
	2018	157	48,882	–	29,748
	2017	–	2,942	–	25,694
Joint ventures	**2019**	**307,075**	**1,511,600**	**43,324**	**11,183**
	2018	321,806	1,487,044	27,264	3,258
	2017	318,155	1,000,164	25,869	10,769

31. RELATED PARTY DISCLOSURES (continued)

Transactions turnover (continued)

Sales to related parties

Joint ventures

In 2019 sales to joint ventures were mainly represented by transportation and cargo servicing provided to TCO for 64,246 million tenge (2018: 43,896 million tenge, 2017: 44,225 million tenge), transportation charges and oil servicing provided to Mangistaumunaigas for 59,235 million tenge (2018: 56,927 million tenge, 2017: 55,615 million tenge) for 79,281 million tenge (2018: 70,255 million tenge, 2017: 66,949 million tenge, respectively), respectively.

Purchases from related parties

Joint ventures

In 2019 purchases from joint ventures were mainly attributable to purchases of crude oil and LPG from TCO to perform the oil delivery customer contract *(Note 27)* for 1,131,890 million tenge (2018: 1,132,908 million tenge, 2017: 819,258 million tenge).

Key management employee compensation

Total compensation to key management personnel (members of the Boards of directors and the Management boards) included in general and administrative expenses in the accompanying consolidated statement of comprehensive income was equal to 11,399 million tenge, 8,999 million tenge and 9,022 million tenge for the years ended December 31, 2019, 2018 and 2017, respectively. Compensation to key management personnel mainly consists of contractual salary and performance bonus based on operating results.

32. FINANCIAL RISK MANAGEMENT, OBJECTIVES AND POLICIES

The Group's principal financial instruments mainly consist of borrowings, loans given, financial guarantees, cash and cash equivalents, bank deposits as well as accounts receivable and accounts payable. The Group is exposed to interest rate risk, foreign currency risk, credit risk and liquidity risk. The Group further monitors the market risk and liquidity risk arising from all financial instruments.

Market risk

The Group takes on exposure to market risks. Market risks arise from open positions in interest rate, currency, and securities, all of which are exposed to general and specific market movements. The Group manages market risk through periodic estimation of potential losses that could arise from adverse changes in market conditions and establishing appropriate margin and collateral requirements. The sensitivity analyses in the following sections relate to the position as of December 31, 2019, 2018 and 2017.

32. FINANCIAL RISK MANAGEMENT, OBJECTIVES AND POLICIES (continued)

Foreign currency risk

As a result of significant borrowings and accounts payable denominated in the US dollars, the Group's consolidated statement of financial position can be affected significantly by movement in the US dollar / tenge exchange rates. The Group also has transactional currency exposures. Such exposure arises from revenues in the US dollars. The Group has a policy on managing its foreign currency risk in US dollar by matching US dollar denominated financial assets with US dollar denominated financial liabilities. The following table demonstrates the sensitivity to a reasonably possible change in the US dollar exchange rate, with all other variables held constant, of the Group's profit before income tax (due to changes in the cash flows of monetary assets and liabilities). The sensitivity of possible the changes in exchange rates for other currencies are not considered due to its insignificance to the consolidated financial results of Group's operations.

In millions of tenge	Increase/ (decrease) in tenge to US dollar exchange rate	Effect on profit before tax
2019	**+12%**	**(291,448)**
	(9%)	**218,586**
2018	+14%	(260,693)
	(10%)	186,209
2017	+10%	(96,953)
	(10%)	96,953

Interest rate risk

Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates. The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's long-term borrowings with floating interest rates. The Group's policy is to manage its interest rate cost using a mix of fixed and variable rate borrowings. The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the Group's profit before income tax (through the impact on floating rate borrowings) and equity. There is no significant impact on the Group's equity.

In millions of tenge	Increase/ decrease in basis points	Effect on profit before tax
2019		
LIBOR	**+0.35**	**(2,419)**
	(0.35)	**2,419**
2018		
LIBOR	+0.50	(5,618)
	(0.15)	1,685
2017		
LIBOR	+0.70	(6,776)
	(0.08)	763

32. FINANCIAL RISK MANAGEMENT, OBJECTIVES AND POLICIES (continued)

Credit risk

The Group trades only with recognized, creditworthy parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant. The maximum exposure is the carrying amount as disclosed in *Note 14*. There are no significant concentrations of credit risk within the Group.

With respect to credit risks arising on other financial assets of the Group, which comprise cash and cash equivalents, bank deposits, trade accounts receivable, bonds receivable, loans and notes receivable and other financial assets, the Group's exposure to credit risks arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments.

The table below shows the balances of major subsidiaries' cash and cash equivalents, short-term and long-term deposits *(Notes 23 and 18)* held in banks at the reporting date using the Standard and Poor's credit ratings.

In millions of tenge		Rating[2]					
Banks	**Location**	**2019**	**2018**	**2017**	**2019**	2018	2017
Halyk Bank	Kazakhstan	**BB (stable)**	BB (stable)	BB (stable)	**566,642**	666,844	622,931
Rabobank	the Netherlands	**A+ (stable)**	A+ (positive)	A+ (positive)	**210,252**	70,462	81,923
National Bank RK	Kazakhstan	**BBB- (stable)**	-	-	**192,548**	–	–
Credit Agricole Corporate	the United Kingdom	**A+ (stable)**	A+(stable)	A+ (positive)	**86,993**	123,199	–
Mizuho Bank Ltd	the United Kingdom	**A (positive)**	A (stable)	A (stable)	**61,014**	149,381	373,030
Deutsche Bank	the Netherlands	**BBB+ (stable)**	BBB+ (stable)	A- (negative)	**55,880**	124,145	88,991
Citibank	Kazakhstan	**A+(stable)**	A+(stable)	A+(stable)	**44,080**	7,031	2,032
MUFG Bank (Bank of Tokyo-Mitsubishi UFJ)	the United Kingdom	**A (positive)**	A (positive)	A (stable)	**33,998**	218,600	464,530
ING Bank	the Netherlands	**A+(stable)**	A+ (stable)	A+ (stable)	**10,331**	23,690	170,385
HSBC	United Kingdom	**AA- (negative)**	AA- (stable)	AA- (stable)	**2,991**	2,450	113,090
Societe Generale	Switzerland	**A (positive)**	A (positive)	A (stable)	**52**	189	164,779
Societe Generale	the United Kingdom	–	A (positive)	A (stable)	**–**	149,326	314,734
Citibank	the United Arab Emirates	–	A+(stable)	A+(stable)	**–**	149,293	50,034
Sumitomo Mitsui Banking Corporation	the United Kingdom	–	A (positive)	A (positive)	**–**	149,290	–
BNP Paribas	the United Kingdom	–	A (positive)	BB+ (stable)	**–**	22	162,829
Kazkommertsbank	Kazakhstan	–	–	B+ (negative)	**–**	2	78,657
Other banks					**190,560**	134,167	256,284
					1,455,341	1,968,091	2,944,229

Continued support by the state bodies of the Republic of Kazakhstan is a key assumption in management's conclusions that no additional recognition of expected credit losses are required, and is based on management's review of all available information at the date of approval of the consolidated financial statements.

Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in raising funds to meet commitments associated with its financial liabilities. Liquidity risk may result from an inability to sell a financial asset quickly at close to its fair value.

Liquidity requirements are monitored on a regular basis and management ensures that sufficient funds are available to meet any commitments as they arise.

[2] Source: Interfax – Kazakhstan, Factivia, official sites of the banks as at December 31 of the respective year.

32. FINANCIAL RISK MANAGEMENT, OBJECTIVES AND POLICIES (continued)

Liquidity risk (continued)

The table below summarises the maturity profile of the Group's financial liabilities at December 31, 2019, 2018 and 2017 based on contractual undiscounted payments.

In millions of tenge	On demand	Due later than one month but not later than three months	Due later than three month but not later than one year	Due later than one year but not later than five years	Due after 5 years*	Total
As at December 31, 2019						
Borrowings*	**68,135**	**15,905**	**325,822**	**1,750,799**	**4,358,675**	**6,519,336**
Trade accounts payable	**255,550**	**368,492**	**43,819**	**–**	**–**	**667,861**
Financial guarantees	**–**	**22,082**	**65,337**	**318,978**	**626**	**407,023**
Lease liabilities	**4,922**	**204**	**5,795**	**26,026**	**10,419**	**47,366**
Other financial liabilities	**13,249**	**8,391**	**8,570**	**8,207**	**1,901**	**40,318**
	341,856	**415,074**	**449,343**	**2,104,010**	**4,371,621**	**7,681,904**
As at December 31, 2018						
Borrowings*	121,164	49,988	335,828	1,837,612	4,624,005	6,968,597
Trade accounts payable	269,538	352,008	11,193	–	–	632,739
Financial guarantees**	–	4,205	11,655	168,548	183,076	367,484
Lease liabilities	1,157	194	1,530	6,866	35	9,782
Other financial liabilities	11,012	14,530	17,772	–	–	43,314
	402,871	420,925	377,978	2,013,026	4,807,116	8,021,916
As at December 31, 2017						
Borrowings*	78,839	51,491	942,639	2,218,917	2,649,616	5,941,502
Trade accounts payable	249,845	177,151	86,855	–	–	513,851
Financial guarantees**	–	4,488	13,465	105,156	190,656	313,765
Lease liabilities	176	101	1,641	5,597	142	7,657
Other financial liabilities	5,260	20,201	4,183	–	–	29,644
	334,120	253,432	1,048,783	2,329,670	2,840,414	6,806,419

*The Group excludes from the maturity profile table the loans payable to project partners under the carry-in financing agreements (*Note 25*), due to the uncertainty of maturity of these loans.

** The Group includes financial guarantees to the maturity profile table, however, the cash outflow in relation to financial guarantees is subject to certain conditions. Financial guarantee is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because of specified debtor fails to make payment when due in accordance with the original or modified terms of debt instrument. In 2017, 2018 and 2019 there was no instances of financial guarantees execution.

32. FINANCIAL RISK MANAGEMENT, OBJECTIVES AND POLICIES (continued)

Capital management

The primary objective of the Group's capital management is to maximise the shareholder value. The Group manages its capital to ensure that Group will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance.

The Company seeks to maintain a prudent capital structure to support its capital investment plans and maintain investment grade credit rating through the cycle. Maintaining sufficient financial flexibility is considered strategically important to mitigate industry cyclicality while also enabling the pursuit of organic and inorganic investment opportunities.

The Company has a comprehensive and disciplined internal approval process for capital expenditures, new projects and debt incurrence.

For the purpose of the Group's capital management, the capital structure of the Group consists of borrowings disclosed in *Note 25* less cash and short-term deposits and equity, comprising share capital, additional paid-in capital, other reserves and retained earnings as disclosed in *Note 24.*

The Group's management regularly reviews the capital structure. As part of this review, management considers the cost of capital and the risks associated with each class of capital. Also to achieve this overall objective, the Group's capital management, among other things, aims to ensure that it meets financial covenants attached to borrowings that define capital structure requirements. There have been no breaches of the financial covenants of any borrowing in the years ended December 31, 2017, 2018 and 2019 (*Note 25*).

In millions of tenge	**2019**	2018	2017
Borrowings	**3,837,504**	4,153,238	4,301,252
less: cash and short term bank deposits	**1,423,956**	1,925,912	2,902,928
Net debt	**2,413,548**	2,227,326	1,398,324
Equity	**8,196,656**	7,143,069	6,783,605
Capital and net debt	**10,610,204**	9,370,395	8,181,929

No changes were made in the overall strategy, objectives, policies or processes for managing capital during the years ended December 31, 2017, 2018 and 2019.

32. FINANCIAL RISK MANAGEMENT, OBJECTIVES AND POLICIES (continued)

Fair values of financial instruments and investment property

The carrying amount of the Group financial instruments as at December 31, 2019, 2018 and 2017 are reasonable approximation of their fair value, except for the financial instruments disclosed below:

	2019					2018					2017				
	Carrying amount	Fair value	Fair value by level of assessment			Carrying amount	Fair value	Fair value by level of assessment			Carrying amount	Fair value	Fair value by level of assessment		
In millions of tenge			Level 1	Level 2	Level 3			Level 1	Level 2	Level 3			Level 1	Level 2	Level 3
Bonds receivable from Samruk-Kazyna	**16,241**	**18,835**	**–**	**18,835**	**–**	15,315	20,444	–	20,444	–	18,342	21,807	–	21,807	–
Debts issued to related parties at amortised cost and lease receivable from a joint venture	**510,002**	**506,868**	**–**	**304,422**	**202,446**	491,955	484,657	–	245,278	239,379	785,593	791,667	–	264,078	527,589
Fixed interest rate borrowings	**3,146,477**	**3,576,082**	**3,172,400**	**403,682**	**–**	3,029,688	2,972,627	2,726,332	246,295	–	3,137,182	3,230,352	2,996,478	233,874	–
Floating interest rate borrowings	**691,027**	**714,271**	**–**	**714,271**	**–**	1,123,550	1,153,454	–	1,153,454	–	1,164,070	1,186,192	–	1,186,192	–

The fair value of bonds receivable from the Samruk-Kazyna and other debt instruments have been calculated by discounting the expected future cash flows at market interest rates.

All financial instruments for which fair value is recognized or disclosed are categorized within the fair value hierarchy, based on the lowest level input that is significant to the fair value measurement as a whole, as follows:

Level 1 – quoted (unadjusted) market prices in active markets for identical assets or liabilities;

Level 2 – valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable;

Level 3 – valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

There were no transfers between Level 1 and Level 2 during the reporting period, and no transfers into or out of Level 3 the fair value measurement.

For assets and liabilities that are recognized at fair value on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period. There were no changes in the Group's valuation processes, valuation techniques, and types of inputs used in the fair value measurements during the year.

33. CONSOLIDATION

The following direct significant subsidiaries have been included in these consolidated financial statements:

Significant entities	Main activity	Country of incorporation	Percentage ownership 2019	2018	2017
KazMunayGas Exploration Production JSC	Exploration and production	Kazakhstan	**99.70%**	**99.50%**	63.01%
KazMunayTeniz LLP	Exploration and production	Kazakhstan	**100.00%**	**100.00%**	100.00%
KMG Karachaganak LLP	Exploration and production	Kazakhstan	**100.00%**	**100.00%**	100.00%
KazTransOil JSC	Oil transportation	Kazakhstan	**90.00%**	**90.00%**	90.00%
KazMorTransFlot LLP	Oil transportation and construction	Kazakhstan	**100.00%**	**100.00%**	100.00%
KazTransGas JSC	Gas transportation	Kazakhstan	**100.00%**	**100.00%**	100.00%
Cooperative KazMunayGas PKI U.A.	Refinery and marketing of oil products	Netherlands	**100.00%**	**100.00%**	100.00%
Atyrau Refinery LLP	Refinery	Kazakhstan	**99.53%**	**99.53%**	99.53%
Pavlodar oil chemistry refinery LLP	Refinery	Kazakhstan	**100.00%**	**100.00%**	100.00%
KMG International N.V.	Refinery and marketing of oil products	Romania	**100.00%**	**100.00%**	100.00%
KazMunayGas Onimdery LLP	Marketing of oil products	Kazakhstan	**100.00%**	**100.00%**	100.00%
KazMunayGas-Service LLP	Service projects	Kazakhstan	**100.00%**	**100.00%**	100.00%
KMG Drilling&Services LLP	Drilling services	Kazakhstan	**100.00%**	**100.00%**	100.00%

34. CONTINGENT LIABILITIES AND COMMITMENTS

Operating environment

Kazakhstan continues economic reforms and development of its legal, tax and regulatory frameworks as required by a market economy. The future stability of the Kazakhstan economy is largely dependent upon these reforms and developments and the effectiveness of economic, financial and monetary measures undertaken by the government.

Commodity price risk

The Group generates most of its revenue from the sale of commodities, primarily crude oil and oil products. Historically, the prices of these products have been volatile and have fluctuated widely in response to changes in supply and demand, market uncertainty, the performance of the global or regional economies and cyclicality in industries.

Prices may also be affected by government actions, including the imposition of tariffs and import duties, speculative trades, an increase in capacity or an oversupply of the Group's products in its main markets. These external factors and the volatility of the commodity markets make it difficult to estimate future prices.

A substantial or extended decline in commodity prices would materially and adversely affect the Group's business and the consolidated financial results and cash flows of operations. The Group does not hedge significantly its exposure to the risk of fluctuations in the price of its products.

34. CONTINGENT LIABILITIES AND COMMITMENTS (continued)

Taxation

Kazakhstan's tax legislation and regulations are subject to ongoing changes and varying interpretations. Instances of inconsistent opinions between local, regional and national tax authorities are not unusual, including opinions with respect to IFRS treatment of revenues, expenses and other items in the financial statements. The current regime of penalties and interest related to reported and discovered violations of Kazakhstan's tax laws are severe. Due to uncertainties associated with Kazakhstan's tax system, the ultimate amount of taxes, penalties and interest, if any, may be in excess of the amount expensed to date and accrued at December 31, 2019.

As at December 31, 2019, Management believes that its interpretation of the relevant legislation is appropriate and that it is probable that the Group's tax positions will be sustained, except as provided for or otherwise disclosed in these consolidated financial statements.

Transfer pricing control

Transfer pricing control in Kazakhstan has a very wide scope and applies to many transactions that directly or indirectly relate to international business regardless of whether the transaction participants are related or not. The transfer pricing legislation requires that all taxes applicable to transaction participants are related or not. The transfer pricing legislation requires that all taxes applicable to a transaction should be calculated based on market price determined in accordance with the arm's length principle. The law on transfer pricing came into force in Kazakhstan from January 1, 2009. The law is not explicit and there is little precedence with some of its provisions. Moreover, the law is not supported by detailed guidance, which is still under development. As a result, application of transfer pricing control to various types of transactions is not clearly regulated. Because of the uncertainties associated with the Kazakhstan transfer pricing legislation, there is a risk that the tax authorities may take a position that differs from the Group's position, which could result in additional taxes, fines and interest at December 31, 2019. As at December 31, 2019 management believes that its interpretation of the transfer pricing legislation is appropriate and that it is probable that the Group's positions with regard to transfer pricing will be sustained.

Environmental audit at JSC "Embamunaigas" (Embamunaigas)

Since 2018 Embamunaigas, the Group subsidiary, has been subject to three ecological audits for the periods from November 2017 to December 2018. During 2018 Embamunaigas accrued 34,213 million and paid-off in total 8,143 million tenge. As a result, the provision as of December 31, 2018 amounted to 26,070 million tenge in the consolidated financial statements for 2018.

During 2019 to avoid late payment penalties, Embamunaigas paid-off 6,472 million tenge. In the meantime, in 2019, the court ruled to decrease the amount of fines, and accordingly Embamunaigas reversed 25,433 million tenge, net, and filed tax return to offset earlier recognized provision of 10,420 million tenge as prepayment for other taxes. As a result, the provision amounted to 4,585 million tenge as at December 31, 2019.

Legal issues and claims

KMG Drilling & Services LLP (KMG DS) litigations with Consortium of companies Ersai Caspian Contractor LLP and Caspian Offshore and Marine Construction LLP

KMG DS, the subsidiary of the Group, was involved in arbitration proceedings with the Consortium of Ersai Caspian Contractor LLP and Caspian Offshore & Marine Construction Kazakhstan LLP (further - "Consortium" or "Plaintiff") on the issues arising from the contract for the purchase of integrated works on construction of a jack-up floating drilling rig dated 5 July 2012. The initial claim amounted to 192 million US dollars (equivalent to 73,501 million tenge) and was under arbitration of the London Court of International Arbitration (LCIA). The claim components were as follows:

- Compensation related to the increase in the cost of the contract (deficiencies in the project documentation and changes in the design solution) of 140,118 thousand US dollars (equivalent to 53,833 million tenge);
- A penalty of 1,383 thousand US dollars (equivalent to 531 million tenge);
- The amount of claims for currency adjustment of 50,613 thousand US dollars (equivalent to 19,446 million tenge).

The Plaintiffs indicated a possible change in this amount at the date of payment of the claim.

34. CONTINGENT LIABILITIES AND COMMITMENTS (continued)

Legal issues and claims (continued)

KMG Drilling & Services LLP (KMG DS) litigations with Consortium of companies Ersai Caspian Contractor LLP and Caspian Offshore and Marine Construction LLP (continued)

On April 11, 2018, after negotiations the Consortium reduced the initial claim amount and reduced it to 140 million dollars (equivalent to 54,3 billion tenge). There was uncertainty regarding the result of the resolution, as such, as at December 31, 2018 and 2017 the Group did not recognize any provision on this case. During 2019, KMG DS has filed a counter claim against the Consortium.

On November 8, 2019, the Group sent a notification to LCIA to suspend the proceedings as parties decided to resolve the dispute by peaceful means.

As of December 31, 2019 in accordance with the legal advice and existing international practices, the Group accrued a provision of 90,000 thousand US dollars (equivalent to 34,132 million tenge at the exchange rate for December 31, 2019) in the general and administrative expenses (*Note 12*) in the statement of comprehensive income. As of the date of the issue of the consolidated financial statements the negotiations were under way with the Consortium.

Civil litigation (KMG I)

According to a Decree issued April 22, 2016, Prosecutor's Office of Romania with the General Headquarters of the Department for Fight Against Organized Crime and Terrorism (DIICOT) investigated the case against 26 suspects under charges of organized crime (14 of them were employees of KMGI).

On July 22, 2016 the Company and KMG I submitted to the Romanian authorities the Notice of Investment Dispute based on the Agreement between the Government of Romania and the Government of the Republic of Kazakhstan, the Agreement between the Government of the Kingdom of the Netherlands and the Government of Romania and the Energy Charter Treaty. Based on the results of the negotiations, in February 2013, a Memorandum of Understanding was signed between the Government of Romania and KMG I.

On December 5, 2019 Prosecutor's Office of Romania issued another Ordinance according to which the criminal charges were dismissed because the statute of limitations expired. The same decree lifted all seizures on Rompetrol Rafinare S.A. assets imposed in 2016, with the exception of a number of production facilities at Petromidia Refinery to provide for potential claims of US Dollars 106.5 million US dollars.

On December 27, 2019 KMG I challenged the Ordinance and requires the case to be dismissed on merits, but statute of limitations expired.

A complaint was filed by 3 plaintiffs on the decision of the Romanian Prosecutor's Office: 1) The Romanian Privatization Agency regarding the improper fulfillment by KMGI of the post-privatization requirements for the obligations of Petromidia Refinery and Vega Refinery in 2013-2014 in the amount of 30 million US dollars; 2) Faber Invest & Trade Inc., the non-controlling shareholder of KMG I subsidiaries, in challenging a number of decisions of KMGI as a shareholder of Rompetrol Rafinare S.A. at that time, in the amount of 55 million US dollars in criminal and civil cases; 3) Mr. Stephenson George Philip, the former director of KMG I, in criminal and civil matters. As of the date of these consolidated financial statements for the year ended 31 December 2019, the Group did not receive any communication from the court.

34. CONTINGENT LIABILITIES AND COMMITMENTS (continued)

Disputes regarding the calculation of the proportion of profit oil sharing with the Republic of Kazakhstan (KMG Karachaganak LLP)

According to the Karachaganak Final Production Sharing Agreement (FPSA), the Karachaganak project profit oil sharing is regulated by the Fairness Index. In the second quarter of 2014, the economics of the Karachaganak project reached a level where the trigger on the Fairness Index "worked" and the proportion in the profit oil sharing changed in favour of the Republic of Kazakhstan.

In addition, from August 20, 2014 to the present, the Ministry of Energy of the Republic of Kazakhstan (MinEnergy) quarterly notifies the Contracting Companies, participants of FPSA, (Contracting Companies) of disagreement regarding the presented calculation of the proportion of the profit oil sharing.

On December 30, 2016, a legally non-binding Memorandum of Understanding was signed between the Republic of Kazakhstan and the Contracting Companies.

On September 29, 2017 the competent authority represented by PSA LLP, filed a request for arbitration in the name of the Contracting Companies (with the exception of KMG Karachaganak LLP) on the improper calculation of the Fairness Index. KMG Karachaganak LLP (KMG Karachaganak) was not involved in the arbitration process due to a conflict of interest.

On October 1, 2018, the Contracting Companies entered into a non-legally binding Agreement on Principles (hereinafter referred to as the "AOP"). On June 17, 2019 the MinEnergy sent a letter to the Contracting Companies that the regulations based on AOP is not acceptable to the MinEnergy. Also MinEnergy promulgated that it is open for new discussions that are to be based on revised mechanisms of the objectivity Index.

In September 2019 in Arbitrage (Paris) the hearings took place, and the final decision is expected in 2020.

Currently, the Republic of Kazakhstan and the Contracting Companies are negotiating the conclusion of a legally binding Settlement Agreement.

KMG Karachaganak, together with the KMG and the competent authority represented by PSA LLP, prepared comments on the draft AOP between the Contracting Companies and the Republic of Kazakhstan, relating to exclusion of KMG Karachaganak from participating in the payment of compensation. In the opinion of the Group's Management, it is highly probable that KMG Karachaganak will be excluded from participation in the payment of compensation. Accordingly, no provisions have been made under the terms of the AOP in these consolidated financial statements.

Cost recovery audits

Under the base principles of the production sharing agreements, the Government transferred to contractors the exclusive rights to conduct activities in the subsurface use area, but did not transfer rights to this subsurface use area either to ownership or lease. Thus, all extracted and processed oil (i.e. the hydrocarbons produced) are the property of the Government. Works are carried out on the basis of compensation and the Government pays to the contractors not in cash but in the form of the portion of oil production, thereby allowing the contractors to recover their costs and earn profit.

In accordance with the production sharing agreements not all costs incurred by the contractors could be reimbursed. Certain expenditures need to be approved by the authorized bodies. The authorized bodies conduct the cost recovery audits. In accordance with the costs recovery audits completed prior to December 31, 2019 certain amounts of the costs incurred by contractors were assessed as non-recoverable. The parties to the production sharing agreements are in negotiations with respect to the recoverability of those costs.

As of December 31, 2019 the Group's share in the total disputed amounts of costs is 402,474 million tenge (2018: 382,594 million tenge, 2017: 242,915 million tenge). The Group and its partners under the production sharing agreements are in negotiation with the Government with respect to the recoverability of these costs.

34. CONTINGENT LIABILITIES AND COMMITMENTS (continued)

Kazakhstan local market obligation

The Government requires oil companies in the Republic of Kazakhstan to supply a portion of the products to meet the Kazakhstan domestic energy requirement on an annual basis, mainly to maintain oil products supply balance on the local market and to support agricultural producers during the spring and autumn sowing and harvest campaigns.

Kazakhstan local market oil prices are significantly lower than export prices and even lower than the normal domestic market prices determined in an arm-length transaction. If the Government does require additional crude oil to be delivered over and above the quantities currently supplied by the Group, such supplies will take precedence over market sales and will generate substantially less revenue than crude oil sold on the export market, which may materially and adversely affect the Group's business, prospects, consolidated financial position and results of operations.

In 2019, in accordance with its obligations, the Group delivered 6,223,752 tons of crude oil (2018: 6,224,344 tons, 2017: 5,407,526 tons), including joint ventures, to the Kazakhstan market.

Commitments under subsoil use contracts

As at December 31, 2019 the Group had the following commitments related to minimal working program in accordance with terms of licenses, production sharing agreements and subsoil use contracts, signed with the Government:

Year	Capital expenditures	Operational expenditures
2020	**212,288**	42,733
2021	**10,829**	3,693
2022	**9,389**	3,410
2023-2048	**8,697**	25,762
Total	**241,203**	75,598

Oil supply commitments

As of December 31, 2019 the Group had commitments under the oil supply agreements in the total amount of 12.8 million ton (as at December 31, 2018: 22.6 million ton and December 31, 2017: 28.7 million ton), including commitments of joint venture.

Other contractual commitments

As at December 31, 2019, the Group, including joint ventures, had other capital commitments of approximately 335,609 million tenge (as at December 31, 2018: 620,057 million tenge and 2017: 501,752 million tenge), related to acquisition and construction of property, plant and equipment.

As at December 31, 2019, the Group had commitments in the total amount of 78,677 million tenge (as at December 31, 2018: 114,380 million tenge and 2017: 142,406 million tenge) under the investment programs approved by the joint order of Ministry of Energy of RK and Committee on Regulation of Natural Monopolies and Protection of Competition of the Ministry of National Economy of RK and aimed at capital construction/reconstruction/overhaul/diagnostic of production facilities.

Non-financial guarantees

As of December 31, 2019, 2018 and 2017, the Group has outstanding performance guarantees issued in favour of third parties whereas it provides guarantee should its subsidiary, joint venture or associate fail to perform their obligations under the natural gas purchase-sale, transportation and other agreements.

As of the reporting date the management of the Group believes that there were no cases of non-performance from the guaranteed parties and, accordingly, no obligations related to the above stated non-financial contingencies were recognized.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

35. SEGMENT REPORTING

The Group's operating segments have their own structure and management according to the type of the produced goods and services provided. Moreover, all segments are strategic directions of the business which offer different types of the goods and services in different markets. The functions have been defined as the operating segments of the Group because they are segments a) that engages in business activities from which revenues are generated and expenses incurred; b) whose operating results are regularly reviewed by the Group's chief operating decision makers to make decisions. The Group's activity consists of four main operating segments: exploration and production of oil and gas, oil transportation, gas trading and transportation, refining and trading of crude oil and refined products. The Group presents KMG's activities separately, since KMG performs not only the functions of the parent company, but also carries out operational activities. The remaining operating segments have been aggregated and presented as other operating segment due to their insignificance.

Disaggregation of revenue by types of goods and services is presented in *Note 6* to the financial statements.

Disaggregated revenue type *Sales of crude oil and gas* mainly represents sales made by the following operating segments: *Gas trading and transportation of* 874,505 million tenge (2018: 769,549 million tenge, 2017: 360,510 million tenge) and *Refining and trading of crude oil and refined products of* 3,092,437 million tenge (2018: 3,324,462 million tenge, 2017: 2,316,592 million tenge).

Disaggregated revenue type *Sales of refined products* mainly includes revenue of operating segments such as *Refining and trading of crude oil and refined products* of 1,665,356 million tenge (2018: 2,023,166 million tenge, 2017: 1,305,148 million tenge), *Sales of crude oil and gas* of 4,166 million tenge (2018: 87,344 million tenge, 2017: 116,392 million tenge) and *Corporate of* 352,056 million tenge (2018: 64,516 million tenge, 2017: nil).

Segment performance is evaluated based on revenues, net profit and EBITDA, which are measure on the same basis as in the consolidated financial statements.

EBITDA is a supplemental non-IFRS financial measure used by management to evaluate segments performance, and is defined as earnings before depreciation, depletion and amortization, finance income and expense, income tax expense.

EBITDA, % is calculated as EBITDA of each reporting segment divided by the total EBITDA.

Eliminations represent the exclusion of intra-group turnovers. Inter-segment transactions were made on terms agreed to between the segments 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.

Geographic information

The Group's property, plant and equipment are located in the following countries:

In millions of tenge	**2019**	2018	2017
Kazakhstan	**3,751,128**	3,644,969	3,276,567
Other countries	**733,143**	870,201	803,598
	4,484,271	4,515,170	4,080,165

35. SEGMENT REPORTING (continued)

The following represents information about profit and loss, and assets and liabilities of operating segments of the Group for 2019:

In millions of tenge	Exploration and production of oil and gas	Oil transportation	Gas trading and transportation	Refining and trading of crude oil and refined products	Corporate	Other	Elimination	Total
Revenues from sales to external customers	7,592	236,485	1,102,110	5,035,188	352,056	125,425	–	6,858,856
Revenues from sales to other segments	1,302,744	100,253	965	540,947	78,121	87,505	(2,110,535)	–
Total revenue	1,310,336	336,738	1,103,075	5,576,135	430,177	212,930	(2,110,535)	6,858,856
Cost of purchased oil, gas, petroleum products and other materials	(33,719)	(13,666)	(490,142)	(4,972,915)	(212,655)	(33,252)	1,842,605	(3,913,744)
Production expenses	(295,687)	(149,033)	(71,978)	(203,864)	(110,379)	(145,595)	254,843	(721,693)
Taxes other than income tax	(379,725)	(13,287)	(17,388)	(13,584)	(22,417)	(7,894)	–	(454,295)
Transportation and selling expenses	(123,725)	(1,145)	(272,174)	(69,264)	(7,137)	(3)	53,046	(420,402)
General and administrative expenses	(15,439)	(15,877)	(35,900)	(45,247)	(35,244)	(71,175)	4,915	(213,967)
Share in profit of joint ventures and associates, net	500,737	75,474	242,336	(3,248)	–	12,680	–	827,979
EBITDA	962,778	219,204	457,829	268,013	42,345	(32,309)	44,874	1,962,734
EBITDA, %	49%	11%	23%	14%	2%	-2%	2%	
Depreciation, depletion and amortization	(94,432)	(39,257)	(41,567)	(143,875)	(4,177)	(14,116)	–	(337,424)
Finance income	202,592	7,298	29,589	43,975	130,878	10,729	(184,181)	240,880
Finance costs	(21,460)	(7,095)	(43,443)	(127,391)	(264,841)	(8,333)	155,130	(317,433)
Impairment of property, plant and equipment, intangible assets, exploration and evaluation assets	(63,618)	(24,783)	816	(93,161)	(11)	(27,062)	–	(207,819)
Income tax expenses	(138,762)	(20,825)	(39,917)	(12,241)	(12,923)	(1,512)	–	(226,180)
Net profit for the year	842,496	136,906	362,344	(36,553)	(119,657)	(68,083)	41,004	1,158,457
Other segment information								
Investments in joint ventures and associates	4,788,314	384,173	350,732	40,304	–	26,861	–	5,590,384
Capital expenditures	256,725	44,926	91,744	79,492	14,323	18,098	–	505,308
Allowances for obsolete inventories, expected credit losses on accounts receivable, impairment of advances paid and other assets	(3,146)	(5,173)	(9,991)	(46,020)	(22,297)	(9,903)	–	(96,530)
Assets of the segment	7,504,518	1,080,046	2,195,386	2,854,018	1,480,009	454,084	(1,486,146)	14,081,915
Liabilities of the segment	748,226	204,540	956,917	1,771,290	3,453,634	117,899	(1,367,247)	5,885,259

35. SEGMENT REPORTING (continued)

The following represents information about profit and loss, and assets and liabilities of operating segments of the Group for 2018:

In millions of tenge	Exploration and production of oil and gas	Oil transportation	Gas trading and transportation	Refining and trading of crude oil and refined products	Corporate	Other	Elimination	Total
Revenues from sales to external customers	172,462	213,175	920,096	5,599,857	64,516	18,858	–	6,988,964
Revenues from sales to other segments	1,293,946	55,229	1,083	1,295,002	117,561	14,642	(2,777,463)	–
Total revenue	1,466,408	268,404	921,179	6,894,859	182,077	33,500	(2,777,463)	6,988,964
Cost of purchased oil, gas, petroleum products and other materials	(44,174)	(13,989)	(323,205)	(6,357,110)	(88,546)	(969)	2,515,035	(4,312,958)
Production expenses	(400,495)	(100,404)	(67,197)	(142,099)	(46,179)	(14,999)	166,898	(604,475)
Taxes other than income tax	(427,838)	(12,592)	(16,069)	(6,922)	(12,772)	(1,539)	–	(477,732)
Transportation and selling expenses	(112,798)	(194)	(220,792)	(80,500)	(3,491)	(4)	47,002	(370,777)
General and administrative expenses	(97,234)	(17,300)	(17,296)	(50,465)	(24,051)	(5,111)	(2,028)	(213,485)
Share in profit of joint ventures and associates, net	616,607	60,099	22,003	(3,113)	–	1,730	–	697,326
EBITDA	**1,000,476**	**184,024**	**298,623**	**254,650**	**7,038**	**12,608**	**(50,556)**	**1,706,863**
EBITDA, %	**59%**	**11%**	**17%**	**15%**	**0%**	**1%**	**-3%**	
Depreciation, depletion and amortization	(82,193)	(36,844)	(35,290)	(121,863)	(2,314)	(6,682)	–	(285,186)
Finance income	40,896	4,712	15,351	49,318	222,092	787	(172,129)	161,027
Finance costs	(53,296)	(5,366)	(41,938)	(115,805)	(345,705)	(7,356)	141,811	(427,655)
Impairment of property, plant and equipment, intangible assets, exploration and evaluation assets	(41,371)	(6,754)	(4,091)	(45,183)	(67,120)	(1,003)	–	(165,522)
Income tax expenses	(200,787)	(22,361)	(47,039)	8,652	(17,239)	(486)	–	(279,260)
Net profit for the year	721,376	122,986	183,548	(91,735)	(175,820)	(1,161)	(65,683)	693,511
Other segment information								
Investments in joint ventures and associates	4,421,783	304,880	100,631	65,341	2	2,807	–	4,895,444
Capital expenditures	180,033	65,106	156,897	203,702	18,337	4,000	–	628,075
Allowances for obsolete inventories, expected credit losses on accounts receivable, impairment of advances paid and other assets	(5,465)	(4,240)	(8,805)	(64,773)	(20,330)	162	–	(103,451)
Assets of the segment	7,295,234	1,021,946	1,820,133	3,995,798	1,913,427	157,461	(2,188,719)	14,015,280
Liabilities of the segment	804,279	210,930	950,954	2,761,676	4,121,330	73,125	(2,050,083)	6,872,211

35. SEGMENT REPORTING (continued)

Inter-segment transactions were made on terms agreed to between the segments 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 represents information about profit and loss, and assets and liabilities of operating segments of the Group for 2017:

In millions of tenge	Exploration and production of oil and gas	Oil transportation	Gas trading and transportation	Refining and trading of crude oil and refined products	Corporate	Other	Elimination	Total
Revenues from sales to external customers	195,262	194,815	522,205	3,860,502	–	20,979	–	4,793,763
Revenues from sales to other segments	1,007,989	50,140	30,383	767,364	–	18,051	(1,873,927)	–
Total revenue	1,203,251	244,955	552,588	4,627,866	–	39,030	(1,873,927)	4,793,763
Cost of purchased oil, gas, petroleum products and other materials	(40,632)	(12,746)	(237,794)	(4,161,621)	–	(3,179)	1,726,458	(2,729,514)
Production expenses	(394,524)	(91,671)	(57,113)	(143,663)	–	(18,341)	80,966	(624,346)
Taxes other than income tax	(320,646)	(11,993)	(12,763)	(6,174)	(981)	(1,890)	–	(354,447)
Transportation and selling expenses	(115,636)	(40)	(91,632)	(73,385)	–	(8)	42,638	(238,063)
General and administrative expenses	(50,236)	(15,900)	(17,996)	(55,681)	(56,471)	(6,226)	38,730	(163,780)
Share in profit of joint ventures and associates, net	338,262	56,664	7,989	10,724	–	1,311	–	414,950
EBITDA	**619,839**	**169,269**	**143,279**	**198,066**	**(57,452)**	**10,697**	**14,865**	**1,098,563**
EBITDA, %	**56%**	**15%**	**13%**	**18%**	**-5%**	**1%**	**1%**	
Depreciation, depletion and amortization	(71,871)	(31,047)	(30,457)	(94,116)	(1,926)	(8,604)	–	(238,021)
Finance income	31,641	6,892	15,710	53,196	115,879	953	(101,697)	122,574
Finance costs	(17,035)	(5,242)	(35,846)	(99,973)	(216,856)	(6,770)	75,367	(306,355)
Impairment of property, plant and equipment, intangible assets, exploration and evaluation assets	(8,679)	(52)	(327)	(14,357)	41	(1,286)	–	(24,660)
Income tax expenses	(108,415)	(18,928)	(24,678)	(16,182)	(22,001)	(81)	–	(190,285)
Net profit for the year	441,202	121,923	79,625	26,066	(125,952)	(8,474)	(8,942)	525,448
Other segment information								
Investments in joint ventures and associates	3,503,951	208,107	52,562	54,660	1	4,349	–	3,823,630
Capital expenditures	145,761	74,817	140,487	291,487	12,638	3,451	–	668,641
Allowances for obsolete inventories, expected credit losses on accounts receivable, impairment of advances paid and other assets	(5,919)	(3,557)	(9,232)	(106,994)	(15,765)	3,360	–	(138,107)
Assets of the segment	6,654,733	890,320	1,444,620	3,845,701	2,146,055	167,501	(1,598,972)	13,549,958
Liabilities of the segment	661,481	184,961	760,480	2,751,116	3,828,741	83,827	(1,504,253)	6,766,353

36. SUBSEQUENT EVENTS

Receipt of residual of proceeds from sale of the subsidiary

On January 14, 2020, the Public Foundation "Nursultan Nazarbayev Education Fund", the purchaser, paid the second tranche of 4,659 million tenge for 35% out of remaining 70% stake in KBTU (*Note 5*).

Dividends received from joint ventures

On January 8, 2020, the Company received dividends from Kazakhoil-Aktobe LLP, the JV, of 5,000 million tenge.

Non-adjusting event after the reporting period

The outbreak of novel coronavirus continues to spread throughout China and to countries across the world. The Group will closely monitor the evolving coronavirus situation, yet an estimate of its financial effect cannot be made at this stage.

Proceeds and repayment of borrowings:

ANPZ, the subsidiary of the Group:

On January 15, 2020, received a borrowing from DBK for the total amount of 46,062 million tenge with the interest rate of 7.99% p.a. to finance the project on construction of the Deep oil refining complex. The borrowing repayment starts in June 2020 on semi-annual basis.

On January 16, 2020, performed planned and early redemption of principal, interest and early redemption commission of the borrowings obtained from Eximbank for the total of 205 million US Dollars (equivalent 77,911 million tenge at repayment dates).

On January 21, 2020, redeemed principal and interest of the borrowings obtained from DBK for 17,998 million tenge.

In January and February 2020 partly redeemed principal and interest of the borrowings obtained from Halyk Bank for 57 million US Dollars (equivalent 21,650 million tenge at repayment dates).