



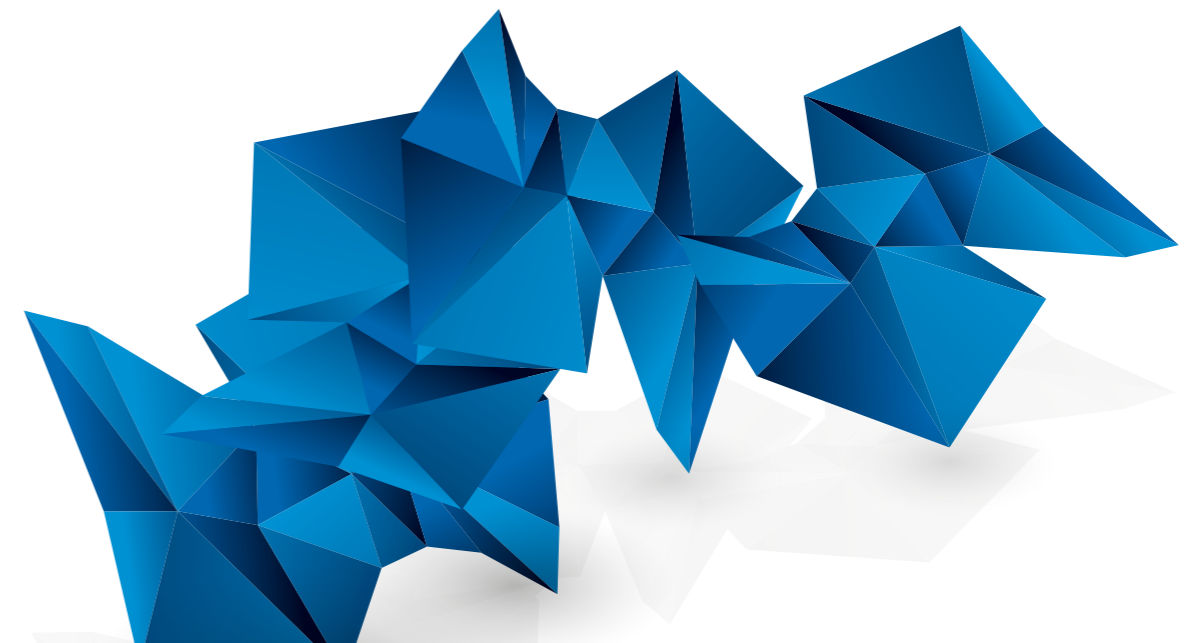
KazTransGas

Жылдық есеп
Годовой отчет
Annual report

2013



***ANNUAL REPORT
OF "KAZTRANS GAS" JSC
FOR 2013***



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About company

The company "KTG" was established in accordance with the Government of the Republic of Kazakhstan №173 dated February 5, 2000. June 9, 2004, in accordance with the Law of the Republic of Kazakhstan "On Joint Stock Companies" dated May 13, 2003 № 415-II Closed Joint-Stock Company "KazTransGas" renamed the corporation JSC "KazTransGas". Certificate of state re-registration of the legal entity № 13898-1901-JSC from June 9, 2004 issued by the Department of Justice in Astana.

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as industry of the Republic of Kazakhstan has significant potential for further development, which will in future make Kazakhstan one of the leading producers of natural gas. Joint Stock Company "KazTransGas" is the largest gas distribution company of the Republic of Kazakhstan, which represents the interests of the state in the gas market in the country and the world. The sole shareholder is JSC National Company "KazMunayGas". KazTransGas manages transportation of natural gas pipelines, sells gas to domestic and foreign markets, develops, finances, constructs and operates pipelines and storage facilities.

In accordance with Government Resolution RK № 914 of July 5, 2012 Joint Stock Company "KazTransGaz" is defined by the national operator in the field of gas and gas supply.

In the reporting period, the group of companies included KazTransGas 9 subsidiaries and affiliated companies, which are presented in the following business areas:

- Expanding of resource base: "Amangeldy Gas" LLP
- Magistral transportation: JSC "Intergas Central Asia", "Asian Pipeline" LLP, LLP "Pipeline Beyneu-Shymkent", OOO "KyrKazGas";
- Regional transportation: JSC "KazTransGas Aimak", JSC "KazTransGas-Almaty", OOO "KazTransGas-Tbilisi";
- Commercial gas operations: "KazTransGas – Onimderi".

 **KazTransGas**
NATIONAL OPERATOR IN THE SPHERE OF GAS AND GAS SUPPLY

 **KazTrans**
NATIONAL OPERATOR IN THE SPHERE OF GAS



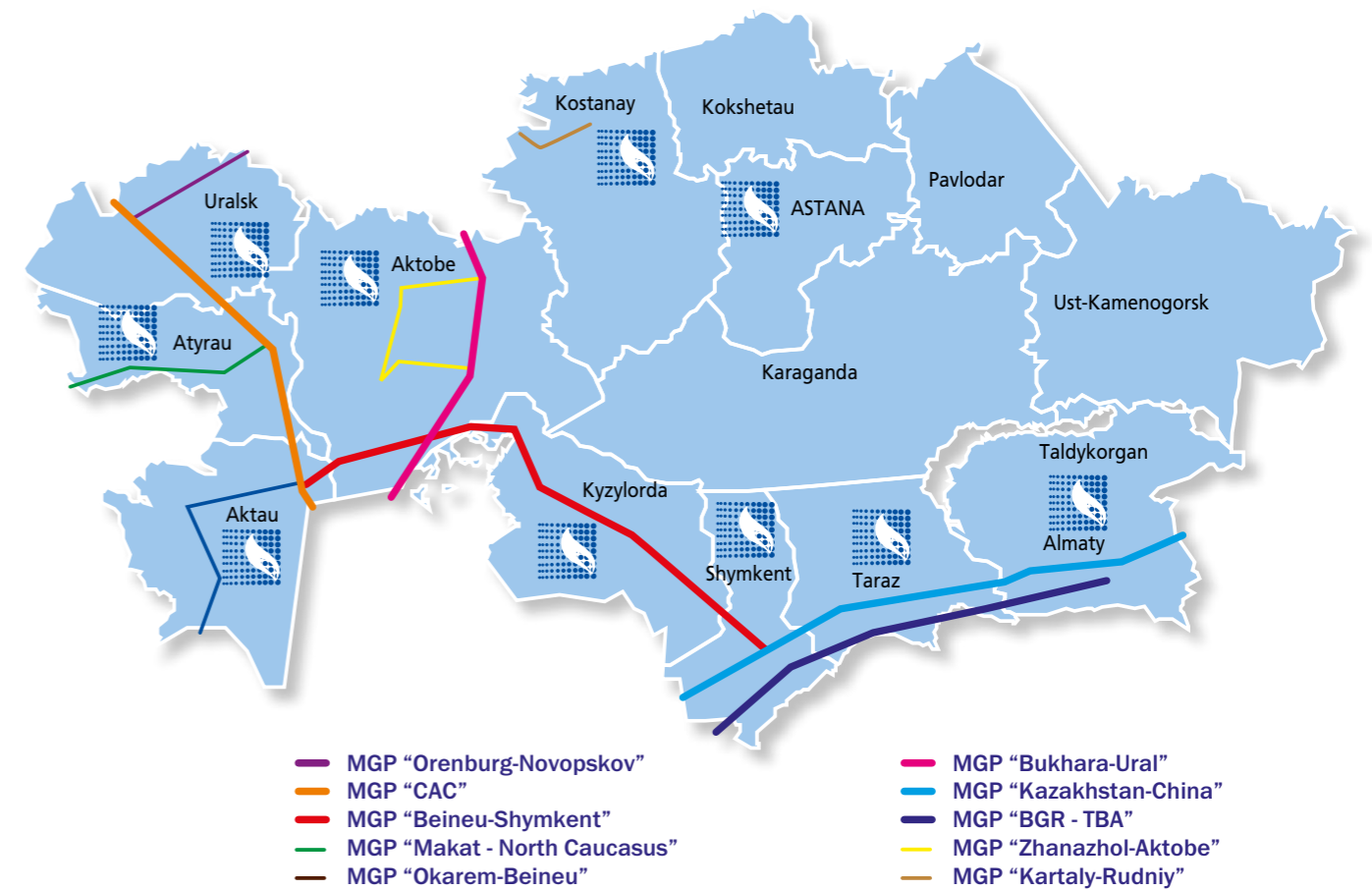
Based on the principles of multi-vector hydrocarbon supplies to domestic and foreign markets, Kazakhstan seeks to develop all cost-effective routes for transit and export of natural gas. At the same time it is important to maintain a coherent energy policy with neighboring countries as transit export routes pass through their territories.

The main priority for the Republic of Kazakhstan in the gas sector are further gasification of new territories of Kazakhstan and meeting the needs of the domestic market due to its own natural gas resources. Currently in Kazakhstan gasified 10 of 14 areas. Basically are - the southern and western regions of the country.

Title	Manufacture of gas	Delivery for internal market	Import	Export
Republic of Kazakhstan, bln. m ³	22,8	10,9	5,154	8,6
Share of KazTransGas, %	1,5	99,9	100,0	12,9

Total gas transportation system includes an extensive network of trunk pipelines (MG), compressor stations (CS) of underground gas storage (UGS), as well as distribution pipelines.

ATTENDANCE MAP



Key indicators of activity strategic map of General director JSC "KazTransGas"

Key performance indicators (KPI)	Meas. un.	2013 plan	2013 fact
Economic Value Added (EVA)	Mln. tenge	-29 553	-4 917
Return on capital employed, the average for the period (ROACE)	%	6,38%	10,57%
Return on equity (ROE)	%	5,96%	11,61%
Total income	Mln. tenge	30 755	50 453
Unit cost for the segment "Pipeline transportation of gas" by ICA	tenge/mln. m ³ *km	1 536	1 451
Unit cost for the segment "Pipeline transportation of gas" on regional gas transportation (KTG-Aimak)	tenge/thous. m ³	951	1 014
Unit cost for the segment "Pipeline transportation of gas" on regional gas transportation (KTG- Almaty)	tenge/thous. m ³	1 601	1 615
Unit cost for the segment "Gas production"	tenge/ thous. m ³	3 914	3 603
The ratio of general and administrative expenses to total current expenditure	%	11,23%	9,65%

Key performance indicators (KPI)	Meas. un.	2013 plan	2013 fact
PReturn on realization of gas Aimak	%	1,59	1,93
Return on realization of gas Almaty	%	-13,00%	-36%
Size tariff for gas transportation for ICA	\$ per 1 th. m ³ *100 km	1,70	1,70
TTP volume of gas transportation (ICA)	bln. m ³ *km	29 348	28 655
Gas realization volume	mln. m ³	12 089	11 729
Volume of gas exploitation	mln. m ³	321	322
Increase of export / transit pipeline capacity to transport gas	%	1,0	1,0
Increase of capacity for regional transportation and distribution of gas	%	7	13
Achieving the growth of export and transit facilities for the transportation of gas pipeline	%	96%	96%
Capital expenditures - Gas Transportation (ICA)	mln. tenge	45 900	48 838
SNIP gas consumption in total TTP	%	0,03	0,02
Share of projects in accordance with the established deadlines, the total number of investment projects	%	100%	100%
Share of projects in accordance with established budgets, the total number of investment projects	%	100%	100%
Total cost of funding for certain (social) programs	mln. tenge	6 211	265
Execution Plan for restructuring of non-core assets of the group companies of JSC NC "KazMunayGas"	%	100%	100%
Share of Kazakh personnel in the total number of employees	%	95%	99%
Share of local content:			
-in the procurement of goods	%	84%	84%
-in the procurement of works and services	%	67,0%	70,0%
Number of accidents at work	pers.	0	0
Number of accidents that resulted in production stoppages or environmental damage	un.	0	0
Level of accidents implications	Man.-hours /100 thousand. man.-hours	0	0
Frequency of accidents	un./100 thous. man.-hours	0	0
Staff turnover in the average company	%	13%	9,6%
The involvement of staff in the group of companies KTG	%	62%	69%
Productivity	mln. tenge/per.	21,58	23,08
Staff training	%	1%	2%
The share of investments for the development and introduction of new technologies (in% of expenditure)	%	2,60%	0,23%
Number of projects approved by the STC	c.u.	1	1

Events of 2013



COMMISSIONED THE LINEAR PART OF THE PLOT "BOZOI – SHYMKENT" AND GIS "BOZOI";



CONSTRUCTION START THREAD "C" MG "KAZAKHSTAN – CHINA";



COMMISSIONED AFTER RECONSTRUCTION TURBO COMPRESSOR SHOP № 4 COP "MAKAT";

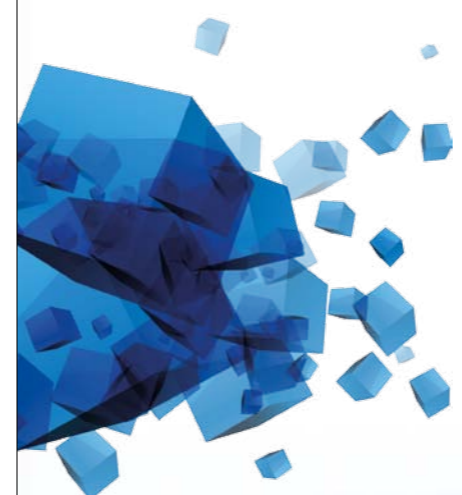


THE WORKS ON GASIFICATION:

- ALMATY AND COMMUTERS (TOTAL LAID 1150 KM PIPELINES MEDIUM AND LOW PRESSURE, SET SHGRP – 201);
- KYZYLORDA (COMPLETED JUMPER AT THE INTERSECTION OF MG "BBSH" AND MG "AKSHABULAK – KYZYLORDA");
- ZAYSAN EKR (1 LAUNCH COMPLEX FIRST PHASE OF THE PROJECT);
- TURKESTAN (22 KM FEEDING GAS, INSTALLED CAPACITY OF 100 AGDS TH.M3/HOUR AND 2 EMG);
- SHYMKENT (515 KM GAS PIPELINES INSTALLED – 10 AND EMG SHGRP 6984);
- TARAZ (182 KM OF PIPELINES, ESTABLISHED 3230 SHGRP.



SIGNED A LONG-TERM CONTRACT FOR THE SALE OF GAS CONSORTIUM WITH PARTICIPANTS OF KASHAGAN PROJECT.



Information about strategy of development JSC "KazTransGas"

KazTransGas and its subsidiaries and associates operating in the gas sector, form a vertically integrated group of companies consisting of JSC National Company "KazMunayGas".

KazTransGas's mission – integration and development of the gas industry to provide reliable and secure gas supply to consumers of the Republic of Kazakhstan, maximizing revenue from the export of Kazakh gas and transit potential of Kazakhstan, to increase profitability processing and marketing of gas in the domestic market, socially responsible business, support for domestic suppliers of goods, works and services, the development of local staff.

Vision: KazTransGas – high effective gas and energetic company of international level.

To achieve its vision and its mission KazTransGas will operate on **three strategic priorities** of development:

- Provision of the domestic market of Kazakhstan;
- Development of transit and export potential of Kazakhstan;
- Increased revenue from trading in gas.
- In order to implement the strategic priorities KazTransGas will focus on integrated development of the following **strategic business directions**:
 - Expanding of resource base;
 - Gas magistral transportation;
 - Gas regional transportation;
 - Commercial gas operations.
- KazTransGas unconditional strategic priorities are:
 - Improving of system management;
 - Provision of strategic profits for state and development of Kazakhstan content.

In the service sector will be implemented reduction strategy providing for exclusion of non-core and low-margin assets.

Ambition of KazTransGas – becoming one of two hundred and fifty major oil companies and the twenty largest gas distribution companies to the world in 2022 by performance indicators in line with rating Platts.



STRATEGIC GOALS AND OBJECTIVES

KPI	2013 fact	2016	2017	2020	2022
Gas magistral transportation volume, bln. m ³	110 138	132 285	133 311	130 253	129 478
The volume of shipping papers, bln. m ³ x km*	28 655	71 773	72 398	69 081	68 968
Volume of gas realization at market RK, bln. m ³	9 351	12 752	13 018	14 361	14 943
Gas exploitation volume, m ³	321,8	542	560	700	700
ROACE, %	10,66	16,6	16,4	13	12

*100% ICA volumes, 50% AGP, 50% BBSH

PRIORITY AREAS FOR ACTION KTG

MISSION
Integration and development of the gas industry to provide reliable and secure gas supply to consumers of Kazakhstan, maximizing revenue from the export of Kazakh gas and transit potential of Kazakhstan, to increase profitability processing and marketing of gas in the domestic market, socially responsible business, support for domestic suppliers of goods, works and services, the development of local staff.

VISION
Highly efficient gas energy company international level

STRATEGIC PRIORITIES:

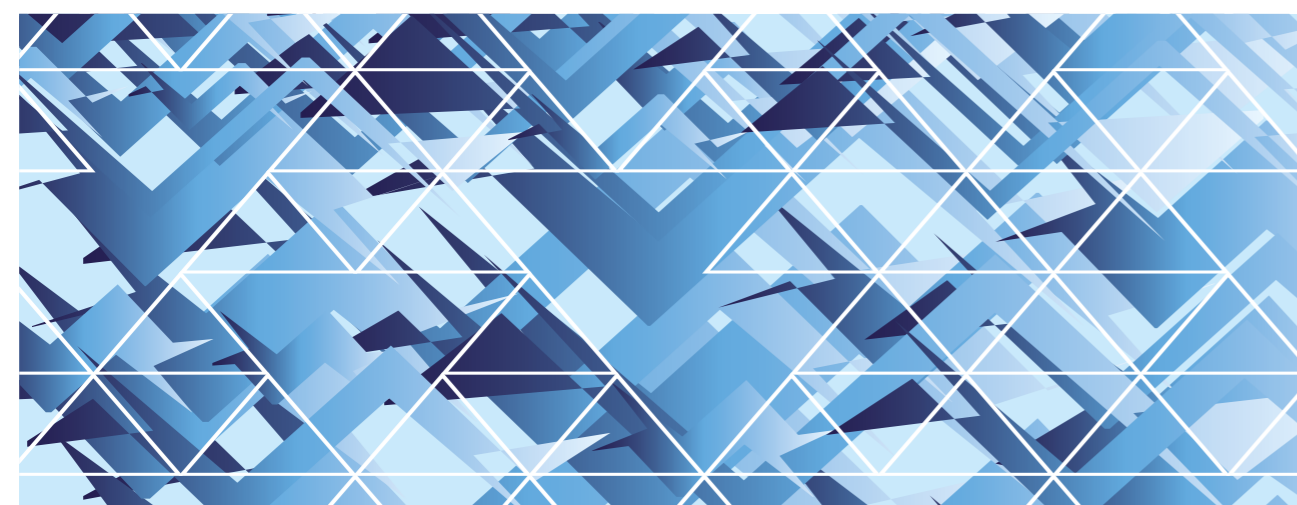
- Meet the needs of the domestic market of Kazakhstan
- Development of transit and export potential of Kazakhstan
- The increase in revenues from trading in gas

BUSINESS DIRECTIONS:

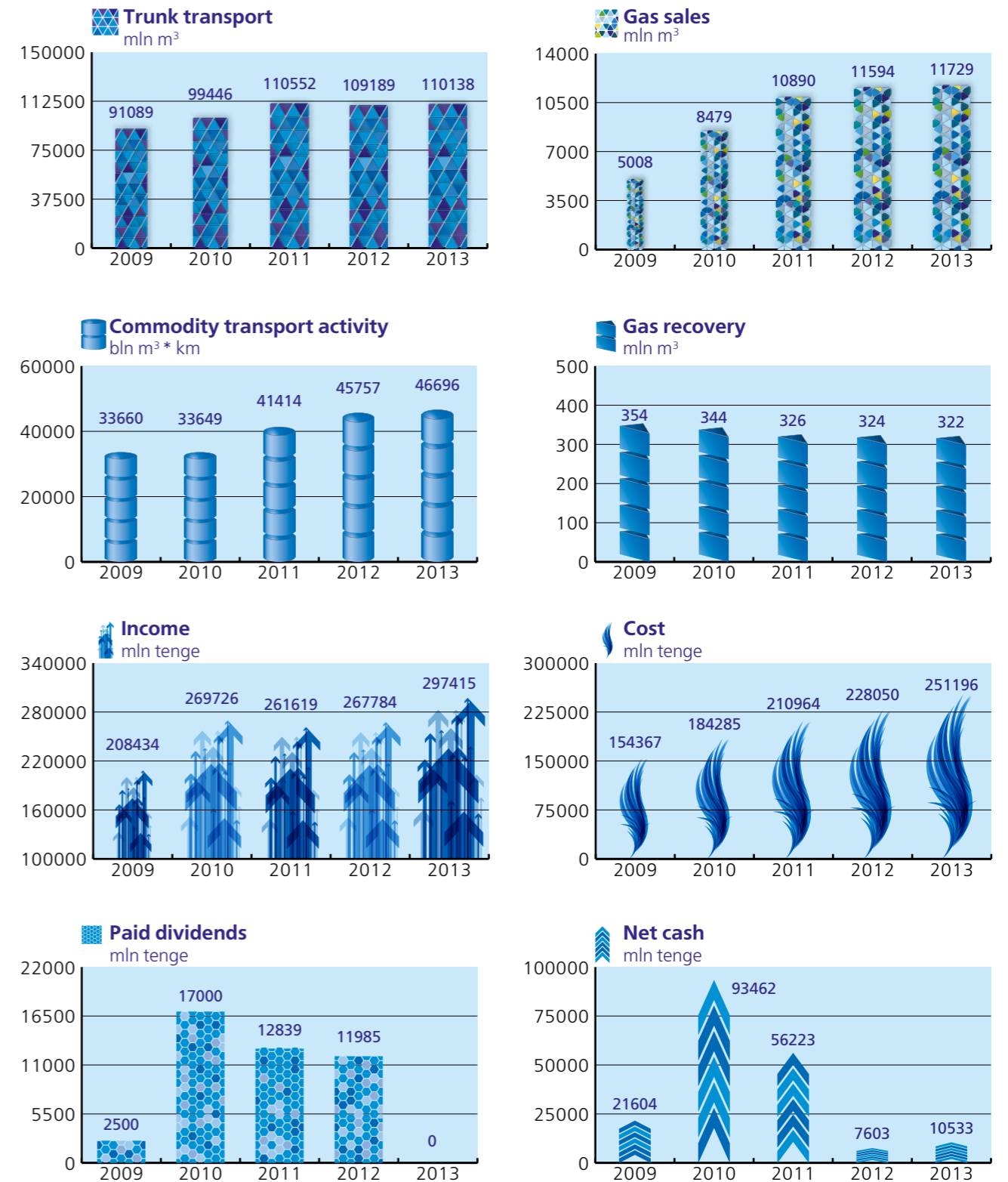
- Expanding of resource base
- Magistral transportation
- Regional transportation
- Commercial gas operations

OBJECTIVES, INCLUDING:

- comprehensive study of existing stocks of free and associated gas
- implementation of a program of additional exploration and commissioning of new gas fields, project commercialization of inert gases
- Pilot project within the R&D for extracting methane from coal seams
- integration of the gas transportation system (MG "BBS")
- introduction of a system of contractual relations and tariff policy designed to assure loading of existing and emerging powers
- increase of power of MG "Kazakhstan – China"
- participate in the development and implementation of the General Scheme gasification RK (RK Law "On gas and gas supply")
- implementation of a program of modernization and development of gas distribution systems
- maintenance of a system of commercial accounting of marketable gas
- development and implementation of a uniform pricing policy for RK with the influence of SES
- increase of volumes of gas realization
- construction of AGNKC and re-reprocessing auto transport on KPG
- Development of the legal framework on the use of LNG in the design, construction and operation.



Financial and operational performance of the group activity JSC "KazTransGas"



Message to shareholders



Chairman
of Board of Directors
JSC "KazTransGas"
Daniyar Amirbayevich
Berlibayev



Chairman
of the Board
JSC "KazTransGas"
Serik Sultangali

DEAR SHAREHOLDERS!

Dear shareholders and partners of JSC "KazTransGas"!

Summing up the results of 2013, we note with satisfaction that JSC "KazTransGas" not only maintained its position as a leader in the oil and gas industry, but also significantly strengthened their.

In assessing the performance of any company usually prevail quantitative indicators - production, profit margins, capital, and other parameters that reflect the dynamics of the specific areas of business. In the group of companies of KazTransGas includes 9 subsidiaries and affiliated companies and we are represented in all 10 regions of Kazakhstan gasified. Number of subscribers by December 2013 is 1,427,387. Length of trunk pipelines is 16 000 800 km, regional – more than 29 000 km.

Reporting period can be considered quite successful for "KazTransGas". The company has made good progress in their work. Key performance indicators are provided as part of the backbone and in the regional gas transport and trading in part with the gas. Income plan for the Company is 100% complete. Consolidated total income was 51 billion tenge.

Successfully implemented a number of major gas projects, including: the launch of the main gas pipeline "Beyneu Bozoi Shymkent" on site "Bozoi-Shymkent" commissioning reconstructed turbo shop "Makat", as well as a number of projects on modernization of distribution networks and regions gasification.

In short, the successful outcome of joint work is available, but this is no reason for complacency. You know which set ambitious goals Head of State in his recent address to the nation of Republic of Kazakhstan. And we should correspond to the level of these objectives.

2014 will be an active period - we will need to develop and approve the General Scheme for the gasification of Kazakhstan, to work with the state authorities to develop and further approval of the pricing mechanism for gas.

In addition, in 2014 we will have to assess the prospects of exploration and production of coalbed methane in the Karaganda basin, which may be a breakthrough in terms of the direction of the gas supply to the central and northern regions of the country.

For orderly rows of numbers sometimes go unnoticed qualitative changes, and it is precisely the stability, style and methods of management, growth potential, a combination of in-depth assessment of risks to focus on the final result, reputation, trust partners are the most important characteristics of our business.

On behalf of the Board of Directors of JSC "KazTransGas" and from the Board of the Company express our sincere appreciation to our business partners, all those whom the world connects relationship of mutually beneficial cooperation, and often personal liking. Special thanks shareholders and employees JSC "KazTransGas" representing the most important asset of the company, the foundation of its successful development in the future.

Chairman of Board of Directors
JSC "KazTransGas"
D. Berlibayev

Chairman of the Board
JSC "KazTransGas"
S. Sultangali

Key operational and financial performance in the context of structural units

The principal activities of the Corporate Center JSC "KazTransGas" are sales of gas to domestic and foreign markets, as well as supervision of subsidiaries and affiliated companies that operate on gas sales, transportation, and operation of gas distribution pipelines.

MANUFACTURAL PERFORMANCE

	2011	2012	2013	in % by 2012
Natural gas realization, mln m ³	3 198	1 784	3 064	172%
Domestic market	383	695	686	99%
Export	2 845	1 089	2 378	218%

(without deduction of in-group operations)

According to the corporate center JSC "KazTransGas" in 2013 natural gas sales without exception intercompany transactions totaled 3,064 mln m³, including export – 2 378 mln m³.

Supply of gas to the domestic market is carried out in Almaty and Zhambyl region through the implementation through JSC "KazTransGas Aimak" and "KazTransGas Onimderi" LLP Amangeldy of minefield resources.

Supply of gas for export at the expense of domestic subsoil resources (LLP "Tengizchevroil", JSC "CNPC Aktobemunaygaz" and "KazakhOil Aktobe" LLP) to the Company Gazprom Schweiz AG in the following directions:

- at MG "CAC" with the measurement of volumes transferred to GIS "Alexandrov Gai"
- at MG "Orenburg – Novopskov" with the measurement of volumes transferred to GIS "Alexandrov Gai".

However, the delivery of export is also carried out in the address of "KyrgyzGas" resource Amangeldy by MG "Bukhara-bearing area – Tashkent – Bishkek – Almaty".

FINANCIAL PERFORMANCE

	2011	2012	2013	in % by 2012
Revenue from sales of products and services, million tenge	75 804	54 237	80 787	149%
Gross income	34 096	23 179	46 373	200%
Net income	43 140	16 490	28 809	175%

JSC "INTERGAS CENTRAL ASIA"

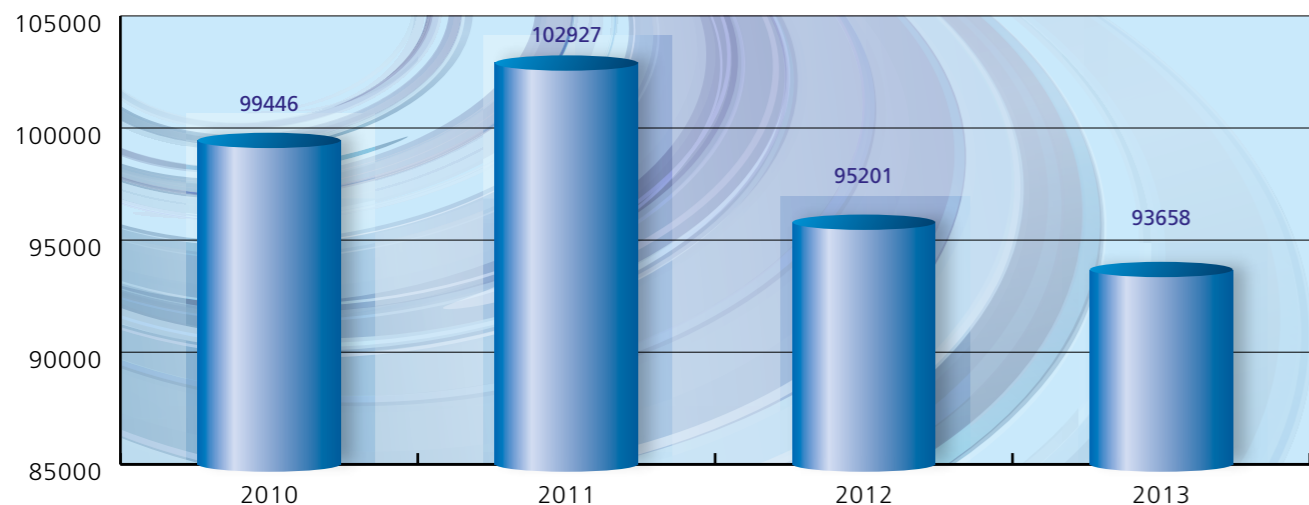
The main activities of JSC "Intergas Central Asia" (hereinafter - JSC "ICA") are the transportation of natural gas via trunk gas pipelines, gas storage in underground storage, operation and maintenance of MG.

Transportation of natural gas is carried out on the territory of South Kazakhstan, Zhambyl, Kostanay, West Kazakhstan, Almaty, Mangistau, Aktobe and Kyzylorda regions.

International transport of natural gas is the main component of the business income of JSC "ICA". Conclusion the medium-term contract for the transportation of natural gas through the territory of the Republic of Kazakhstan with OJSC "Gazprom" for 2011-2015, as well as the presence of other long-term agreements on cooperation in gas transportation and transit of gas industry, investment in upgrading and undertaken for overhaul MGTS yielded a steady income in the reporting period.

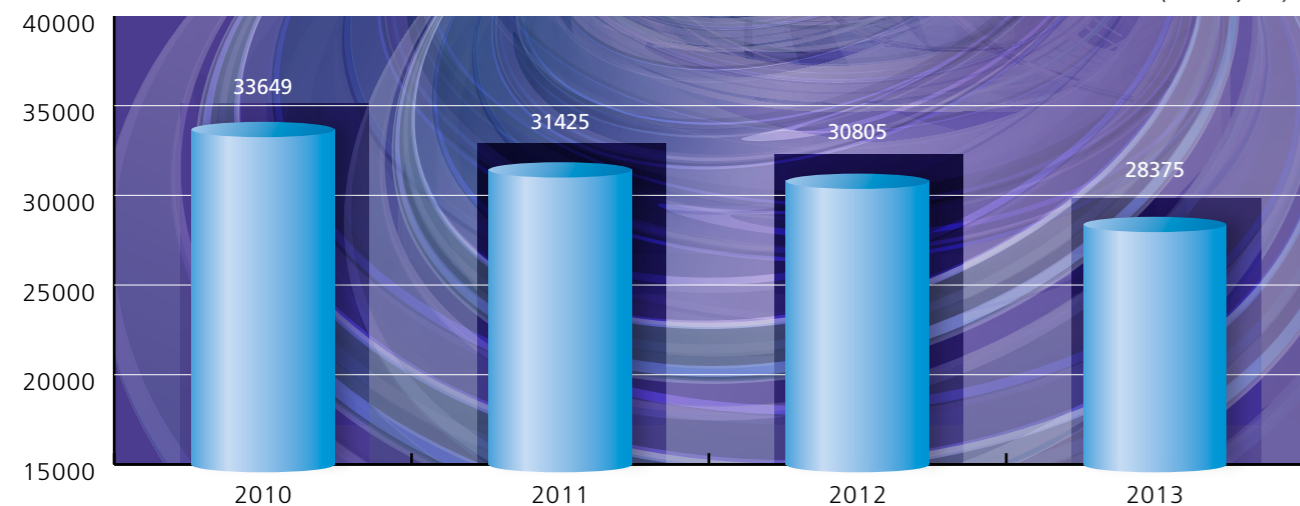
VOLUME OF NATURAL GAS TRANSPORTATION

(mln. m³)



VOLUME OF COMMODITY TRANSPORT OPERATIONS

(bln. m³/km)



Decrease of CTO in report period is connected with decrease of volumes of transportation transit of middle Asian gas in 2013.

MANUFACTURE PERFORMANCE

	2011	2012	2013	in % by 2012
The transportation of gas, mln. m ³	102 927	95 201	93 658	98%
Domestic market	9 621	10 012	10 369	104%
Export	11 892	11 912	12 021	101%
International transit	81 414	73 277	71 267	97%

Implementation of the plan in terms of transportation of gas in 2013 was 98%. Compared with 2012 there is a decrease in gas transportation volumes due to reduced transit of Central Asian gas.

FINANCIAL PERFORMANCE

	2011	2012	2013	in % by 2012
Income from realization of products and rendering of services, mln tenge	98 501	97 817	102 850	105%
Gross income	40 284	31 958	37 439	117%
Net income	50 564	13 298	16 156	121%

"AMANGELDY GAS" LLP

The principal activities of "Amangeldy Gas" LLP are the production of gas and gas condensate.

MANUFACTURE PERFORMANCE

	2012	2013	in % by 2012
Gas exploitation, mln m ³	324	322	99%
Gas condensate exploitation, tones	21	22	102%

During 2013 the production program performance in terms of volumes of natural gas and gas condensate production was 99% and 102%, respectively.

FINANCIAL PERFORMANCE

	2012	2013	in % by 2012
Revenue from sales of products and services, million tenge	2 585	4 844	187%
Gross income	1 329	2 829	213%
Net income	742	1 637	221%

Revenues from gas sales amounted to **4844 million tenge**. It should be noted that compared to the same period last year, an increase in income due to the transfer in August 2012. Subsoil rights of Amangeldinsky minefield "Amangeldy Gas".

JSC "KAZTRANS GAS AIMAK"

The main activity of JSC "KazTransGas Aimak" are transportation services for gas transmission and distribution pipelines, exploitation of gas distribution systems and related gas distribution pipelines, marketing, purchase, sale of gas to consumers.

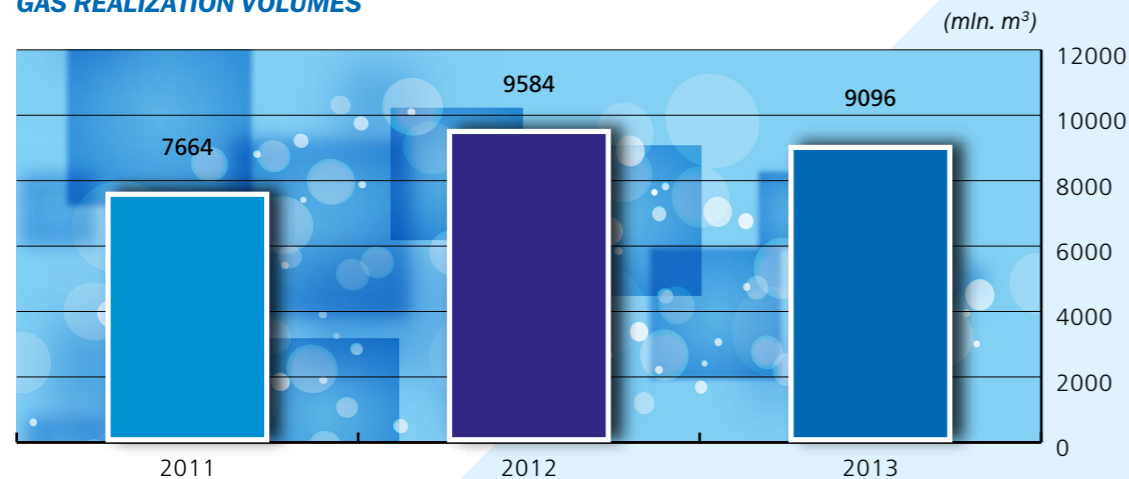
Priority JSC "KazTransGas Aimak" is to ensure trouble-free, uninterrupted and secure gas supply to consumers of all categories (population, public utility purposes, industrial plants) in the regions of JSC "KazTransGas Aimak".

MANUFACTURE PERFORMANCE

	2011	2012	2013	in % by 2012
Distribution, gas transportation, Mln m ³	3 203	3 628	4 235	117%
Magistral gas transportation, mln m ³	2 074	2 091	2 139	102%
Natural gas realization, mln m ³	7 664	9 584	9 096	95%

Compared with 2012 sales for JSC "KazTransGas Aimak" was decreased by 5%. The main decrease was due to a decrease in gas consumption in the Aktobe region by 40%.

GAS REALIZATION VOLUMES



FINANCIAL PERFORMANCE

	2011	2012	2013	in % by 2012
Revenue from sales of products and services, mln tenge	83 009	115 140	108 335	94%
Gross income	6 214	8 978	6 575	73%
Net income	2 242	4 507	2 094	46%

JSC "KAZTRANS GAS-ALMATY"

JSC "KazTransGas-Almaty" is holding company, created in order to govern with enterprises of holding and realization of regulation of its activities. Founder of "KazTransGas-Almaty" is JSC "KazTransGas".

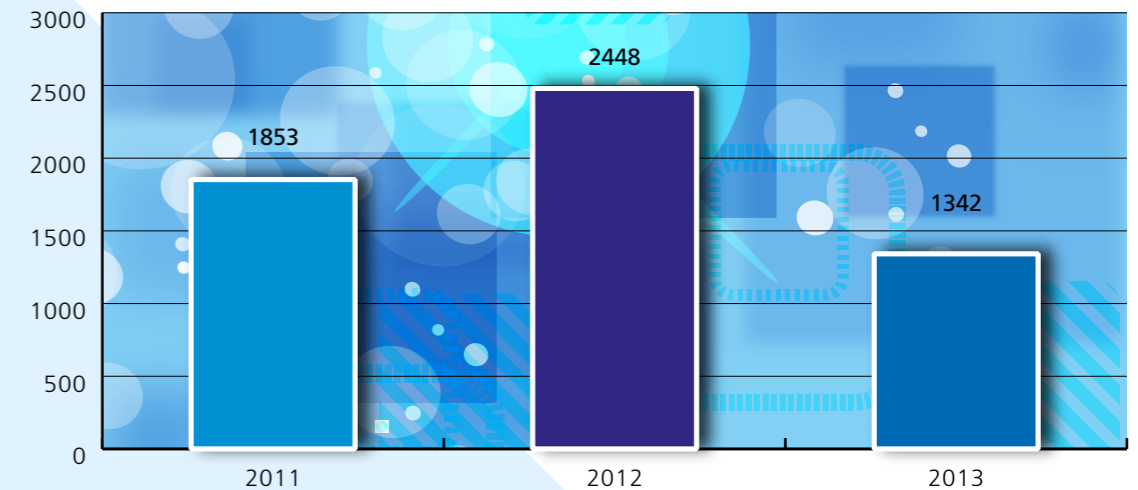
MANUFACTURE PERFORMANCE

	2011	2012	2013	in % by 2012
Natural gas realization, mln m ³	1 853	2 448	1 342	55%
For domestic market	1 853	2 448	1 342	55%
For export	-	-	-	-

Following activities JSC "KazTransGas-Almaty" for 2013 gas sales fell to 1342 million or 45% compared with the previous year, due to reduced demand heat suppliers in connection with the warm weather.

GAS REALIZATION VOLUMES

(mln m³)



FINANCIAL PERFORMANCE

	2011	2012	2013	in % by 2012
Revenue from sales of products and services, mln tenge	31 030	39 687	23 313	59%
Gross income	- 1 475	-3 520	-11 548	-228%
Net income	- 2 320	-7 644	-16 699	-118%

Being established in 2013 by comparison with 2012 losses due to decrease in sales volumes for consumers Almaty region except selling prices of gas transportation tariffs.

Investment activities

According to the strategic priorities and business areas of the long-term investment program JSC "KazTransGas" it was oriented towards the following objectives:

1. Modernization of the gas pipeline system in order to improve their reliability, safety and efficient operation by optimizing the industrial and technological capabilities.
2. Balanced, reliable and uninterrupted supply of gas transportation services to end customers.
3. Expanding domestic market gas by gasification of settlements RK.
4. Development of transit and export potential of Kazakhstan.

DYNAMICS OF CAPITAL INVESTMENTS FOR THE PERIOD 2008-2013 AND PLAN FOR 2014

(million tenge)

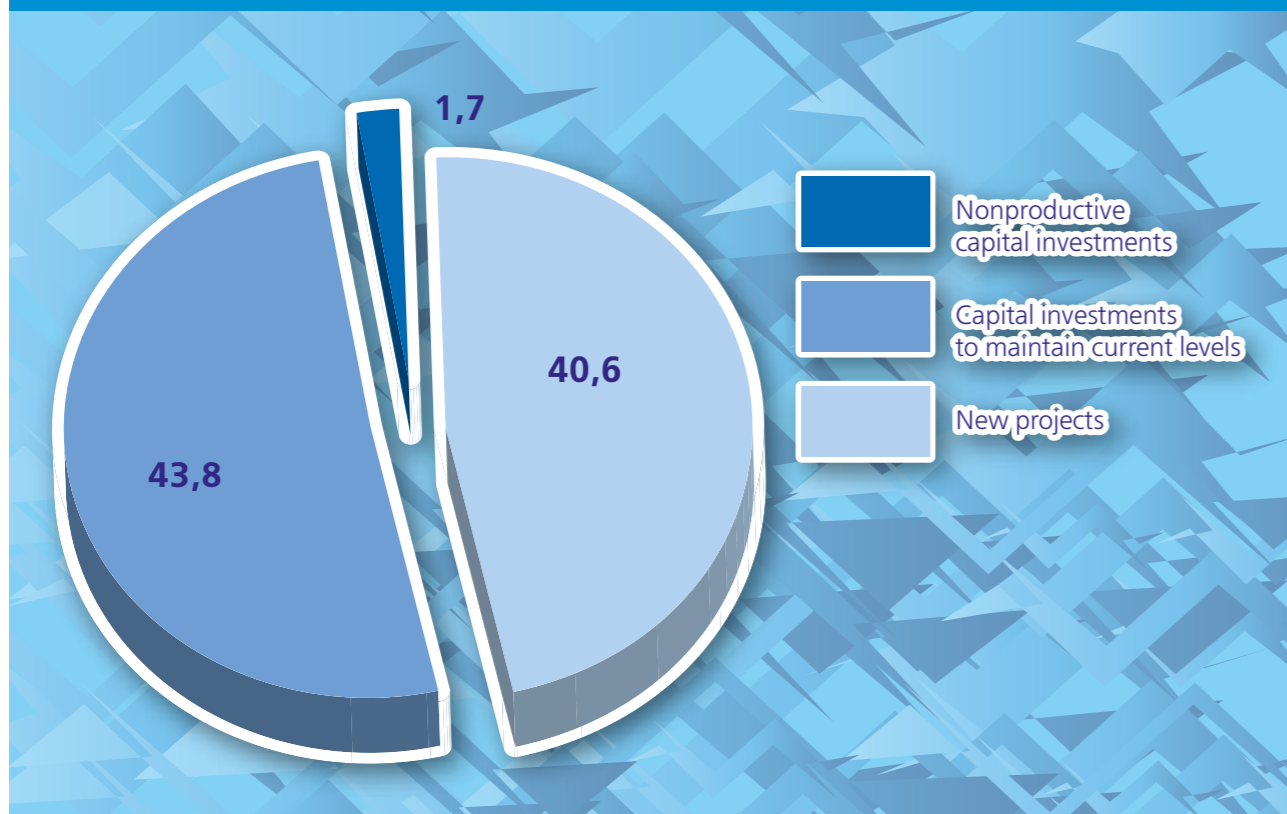


Total volume of investments in 2013 (without projects "Construction of gas pipeline Kazakhstan – China (1st plot)" and "Construction of gas pipeline Beyneu – Shymkent") was grown by comparison with 2012 at 21 % and comprised about 86,13 bln. tenge, including:

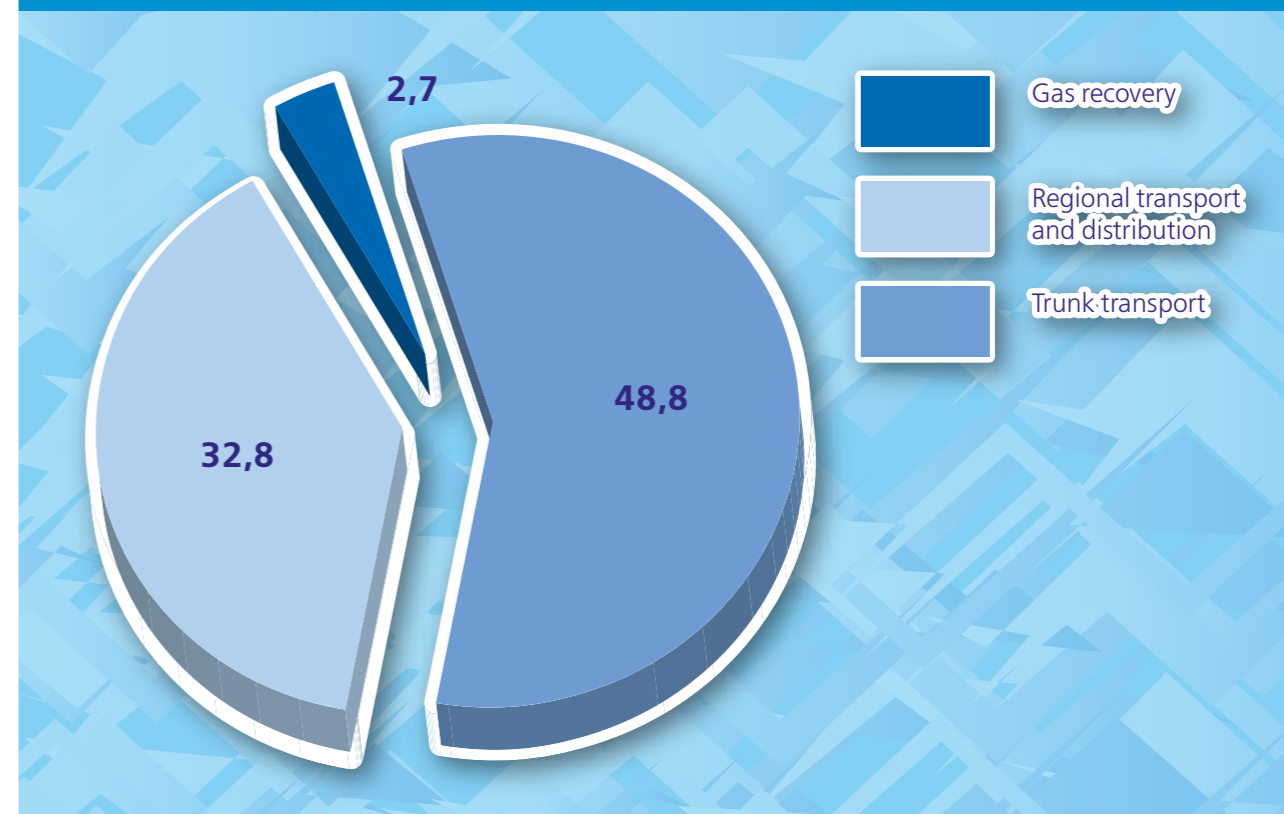
 **IN DEVELOPMENT AND SUPPORT OF TRADITIONAL ASSETS – 84,38 BLN. TENGE;**

 **ADMINISTRATIVE AND SOCIAL DEFINITION – 1,75 BLN. TENGE.**

STRUCTURE OF CAPITAL INVESTMENTS 2013 (MLN. TENGE):



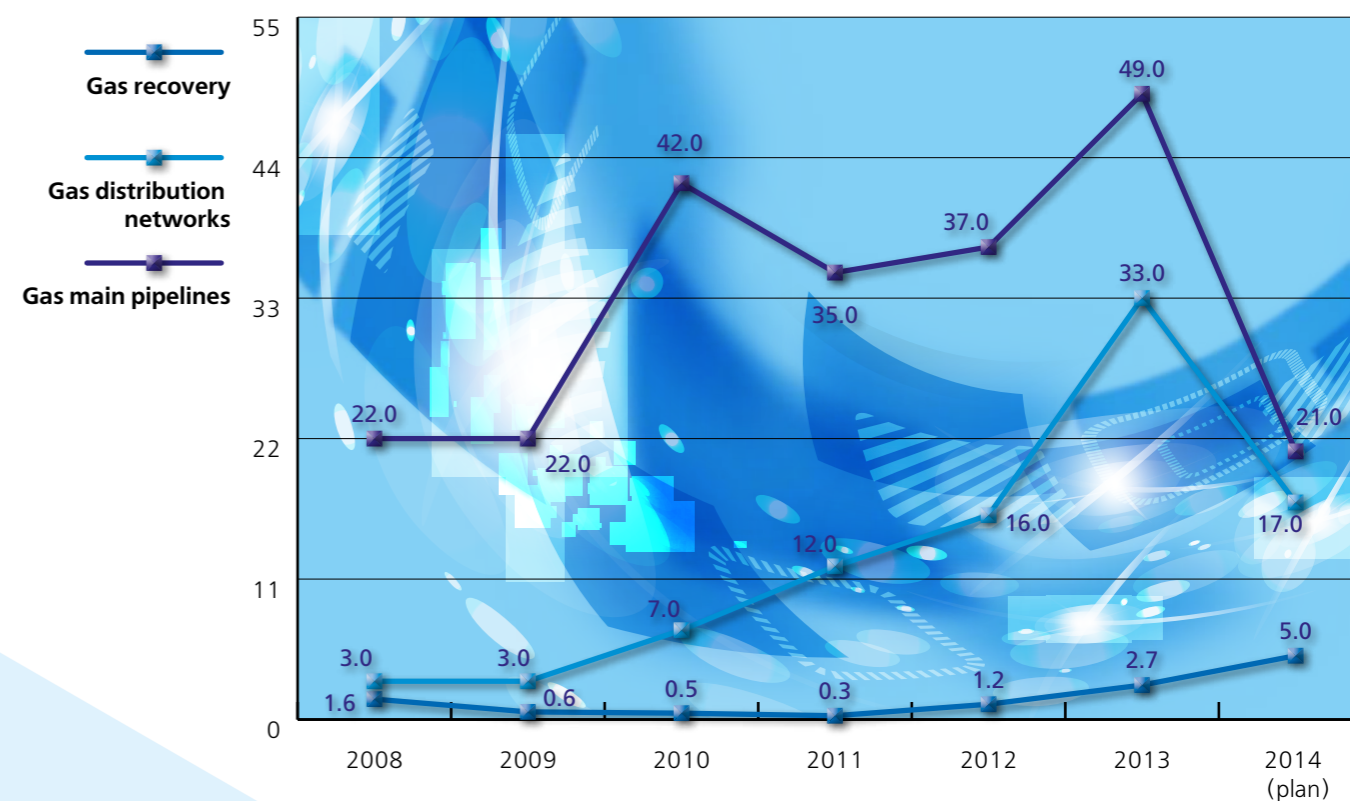
DISTRIBUTION OF CAPITAL INVESTMENTS IN 2013 IN KEY AREAS (BLN. TENGE):



Capital expenditures in 2013 are distributed by major business lines as follows:

- capital investment in gas transportation, compared with 2012 increased by 31.3% and was amounted at 48.8 bln. tenge;
- in regional transportation and distribution of gas was directed 32.8 billion tenge, which is 103.3% higher than the amount mastered in this area in 2012;
- capital investments in gas production amounted to 2,726 billion tenge, that more than two times higher than in 2012.

DYNAMICS OF DISTRIBUTION OF INVESTMENT FLOWS BY DIRECTIONS FOR 2008-2014 (BLN. TENGE)



Current Investment Projects

“GAS PRODUCTION” (RESOURCE BASE)

“DEVELOPING OF AMANGELDINSKY GROUP OF MINEFIELDS”

In accordance with the Program of development of the gas industry of the Republic of Kazakhstan for 2010-2014 in order to provide gas to the consumers of the southern regions of the republic and energy security JSC "KazTransGas" on the basis of a contract for joint exploration and production of hydrocarbons from December 12, 2000 continues the development of gas Amangeldinsky group deposits in Zhambyl region.

In the framework of the project implemented industrial exploitation "Amangeldy" and the development of other fields Amangeldinsky group, including a complex geological and seismic work, calculation of reserves, the development of projects

of pilot operation, construction projects wells and field facilities. Approved recoverable reserves of natural gas in the fields Amangeldinsky group on 01.01.2014 up to 16 billion m³.

Since 2008, Amangeldy minefield entered the stage of industrial development. Currently commissioned 26 wells and preparing input 2 wells on which construction is completed.

Since the beginning of the pilot operation on m/f Amangeldy produced 3.2 billion m³ of natural gas and 248 thousand tons of gas condensate.

In 2013, at Amangeldy deposit produced 322 million m³ of natural gas and 22 tons of condensate.

“MAGISTRAL TRANSPORTATION”

“CONSTRUCTION OF MG KAZAKHSTAN – CHINA (1ST PLOT)”

In order to increase the transit potential of Kazakhstan and to generate additional income JSC "KazTransGas" implementing an investment project "Construction of gas pipeline Kazakhstan – China (1st plot)".

The project is implemented on the basis of the Agreement on cooperation in the construction and operation of the pipeline "Kazakhstan - China" between the governments of the Republic of Kazakhstan and the People's Republic of China on August 18, 2007.

In order to implement the project in February 2008 was created project company "Asian Gas Pipeline" LLP, the founders of which are based on equal share JSC "KazTransGas" and the company TAPLine (PRC). Route of the gas pipeline is 1.3 thousand km starts from the border with Uzbekistan

and Kazakhstan, passes through three regions (SKR, Zhambyl and Almaty) to the border with China (Horgos c.). Capacity of the pipeline – 40 billion m³ per year, including 30 billion m³ for the transit of gas to China and 10 billion m³ per year for domestic consumption of the Republic of Kazakhstan.

All basic objects on a string A and B put into operation by the end of 2012. Thus, the production capacity reached 30 bln. m³/year. In 2013, construction was completed and put into operation gas flow metering unit (UZRG "Nalabay" in RK) and the SCADA system and Telecommunications.

Since entering into exploitation of the first line (end of 2009) was 72.7 billion m³ transported, including in 2013 - 28 billion m³ in China and 0.71 billion m³ for Almaty.



July 27, 2011 signed a minute № 2 "On Amendments and Additions to the Agreement between the Government of the Republic of Kazakhstan and the Government of the People's Republic of China on cooperation in construction and operation of the gas pipeline Kazakhstan - China August 18, 2007", according to which the parties agreed to implement the increase power of the first portion MG "Kazakhstan- China" at 25 billion m³ per year, of which 20 billion m³ per year are intended for use by the Chinese side to implement the transit of Turkmen and Uzbek gas to China, and 5 billion m³ per year for Kazakhstan hand to meet the needs of the internal market in gas, Kazakhstan, and the potential gas exports to China.

26.09.2011, between EP and KTG TAPLine signed an agreement on basic principles of organization design, financing, construction and operation of a thread "C" the first section of the Kazakhstan-China gas pipeline.

In order to ensure the energy security of the country, a reliable gas supply to consumers of the southern regions of Kazakhstan and Kazakh gas export diversification on the basis of the Agreement on cooperation in the construction and operation of the pipeline Kazakhstan – China between the Governments of the Republic of Kazakhstan and the People's Republic of China of 18 August 2007, in 2011 the project started "Construction Beyneu – Bozoi – Shymkent". In order to implement the project in January 2011, was created project company "Beyneu – Shymkent Pipeline" LLP, whose founders are based on equal share JSC "KazTransGas" and the company TAPLine (PRC). The project involves the construction of the gas pipeline 1477 km with a capacity up to 10 billion m³ per year.

Timeline for implementation: 2011-2015.

In order to fund the project was formed

The project involves the construction of a main gas pipeline of 1304 km with a capacity up to 25 billion m³ per year.

Project period: 2012-2015 years.

As of December 31, 2013, the project has the following basic works:

- In July 2013 designed PSD on station facilities (conclusion RSE "State expertise" July 17, 2013. № 01-0461/13).
- In October 2013 designed base project (conclusion RSE "State expertise" from October 17, 2013 № 01-0764/13).
- Under construction pipeline linear part.

In 2014 it is planned to complete the construction and commissioning of a linear part of the pipeline to the achievement of the transmission capacity of up to 5 billion m³ of gas per year, as well as the beginning of construction of compressor stations.

CC design company U.S. \$ 500 million Kazakh and Chinese participants, as well as project financing involved. July 17, 2012 at number 75 ADS&ZHKH RK Fellowship granted permission to manufacture construction activities for the project "Construction of the pipeline "Beyneu – Bozoi – Shymkent"(1-turn "Bozoi – Shymkent").

In 2013, the construction of the linear part of the pipeline in the area "Bozoi-Shymkent".

December 2, 2013 signed the Act state acceptance commission on commissioning linear part of the plot "Bozoi-Shymkent" GIS "Bozoi" with capacity of up to 2.5 billion m³ of gas per year.

December 27, 2013 started transporting gas MG "Beyneu-Bozoi-Shymkent".

In 2014 it is planned to carry out the construction of the linear part of the pipeline in the area "Beyneu-Bozoi" as well as the beginning of construction of compressor stations "Bozoi" and "Karaozek".

"INCREASE OF POWER MG "KAZAKHSTAN-CHINA (1ST PLOT)"

"CONSTRUCTION OF PIPE LINE BEYNEU – BOZOI - SHYMKENT (2ND PLOT)"

"DEVELOPMENT OF TURBO COMPRESSOR MANUFACTORY № 4 CS "MAKAT"

In order to optimize the operation of the gas transportation system, "CAC", reduce operating costs; ensure a safe, efficient and continuous operation of the MG "CAC" and "Makat – North Caucasus" in 2011-2013 carried out the investment project "Development of the turbo compressor manufactory № 4 CS "Makat".

In October 2013, was put into operation a new compressor manufactory number 4 with the installation of seven units of the unit capacity of 15.29 MW capacity of 56.7 billion m³/year.

Commissioning of the new turbo compressor shop "Makat":

- Provides efficient flow control gas transportation and transit both MG "Central Asia – Center" and by MG "Makat – North Caucasus" – by retrofitting key compressor department of the Kazakh section of the "Central Asia – Center";
- Will increase the value of the index performance piece of equipment more than 2.7 times (from 0.15 to 0.41) at the expense of decommissioning (conservation) park pumping units in total 113 units;
- Will reduce the cost of gas for SNIP, turbine oil and spending for environmental pollution.

"REGIONAL TRANSPORTATION"

"MODERNIZATION OF THE GAS DISTRIBUTION SYSTEM OF THE SOUTH KAZAKHSTAN REGION"

Due to the high degree of deterioration of gas networks, as well as the development of industry and population growth in the region in 2009, it was decided to implement the project "Modernization of the gas distribution system of South Kazakhstan region". The project will provide a reliable and uninterrupted supply of natural gas Shymkent and South Kazakhstan region, as well as increase the warranty period of operation of gas pipelines and gas network throughput by optimizing the scheme of gas pipelines with 85 thousand m³ per hour to 258 m³ per hour.

As of December 31, 2013 since the beginning of the project implementation

work to replace underground gas pipeline 1176 km, built 14 fracturing the gas pipeline networks of high, medium and low pressure set points 14 704 cabinet (WB).

Total plan translation expects 27 thousand subscribers in Shymkent and more than 60 thousand subscribers throughout the area. Thus, at the reporting date holds 57% of the total work on the project. In 2013, the construction and installation work on the project under the contracts for the current year are completed.

In total, the project will pave totaling 2926 km, set SHGRP and fracturing in total 134 units.

"MODERNIZATION OF THE GAS DISTRIBUTION NETWORK TARAZ"

The current system of gas supply Taraz characterized with significant corrosion of metal pipes and equipment for them, exceeding allowable life for the pipe, which in some places is more than 40 years, and the increasing need for cash, which is only enough for the maintenance of gas distribution networks in working condition and replacement of emergency pipeline sections.

In order to ensure reliable and uninterrupted supply of natural gas Taraz, as well as

increase the warranty period pipelines and gas network bandwidth with 101.5 thousand m³ to 150.5 thousand m³ and reduce losses in 2011 JSC "KazTransGas" embarked on a project "Modernization of the gas distribution network in the city of Taraz".

The project involves a series of measures for modernization and reconstruction of gas distribution system Taraz.

The project will be implemented in two stages:

- Phase 1 (5 launch complexes 2011 - 2016)
- Phase 2 (3 launch complex 2017 - 2019).

In 2013, the works on the construction of gas pipelines - 182 km, set - 3230 points

In order to enhance the gasification Kyzylorda and provide natural gas to industrial and municipal enterprises in the region, as well as create the technical basis for the gasification of Kyzylorda region to implement the project, which involves the provision of an annular gas distribution system in the city through the construction of pipelines with a total length – 231 km. Also, the project involves the installation of 6 EMG 5 SHRP. In this population will be gasified and municipal enterprises neighborhoods of Al-Farabi, Sayakhat, Zhana-Auyl, district Beybarys, Rismash and district v. Titov Kyzylorda .

As a result of the project is projected to achieve a level of gasification Kyzylorda from 77 to 90%;

In January 2012, approved the implemen-

cabinet (WB).

Since the beginning of the project built 188 km of pipelines and installed WS 3230.

In total, the project will pave totaling 929 km, set WB in total 22,786 units.

tation of the 1st phase of the project. In 2012, through the construction of gas pipelines of high (total length 12 km) and low (195 km) of pressure, with a capacity of 21,950 m³ of gas per hour , completed the 1st phase of the project "Gasification of new residential districts Kyzylorda" Gas distribution networks are installed and put into operation 6 EMG and 5 SHRP, carried gas subscribers .

In 2013, stage 2 is implemented, built 23.7 km EPG, including:

- Carried out construction of the supply of high-pressure gas pipeline in the "Southern Industrial areas ' length of 3.3 km;
- Carried out the construction of high pressure gas from KMRTTS to GRP-1 (loopback) totaling 20.4 km in Kyzylorda.

"GASIFICATION KYZYLORDA"

In 2013, "KazTransGas-Almaty" completed project "Gasification Almaty and commuters".

The project provided the design and construction of new gas pipelines' street and quarterly low and medium pressure gas control cabinet with mounting points in order to bring the level of gasification residential sector Almaty to 100%. Works on the following areas gasification Almaty Auezovskiy, Alatau, Bostandikskiy, Zhetysuskiy, Medeuskiy, Turksibskiy, Almaty and Almaty regions and Talgarskiy, Iliyskiy district of Almaty region.

Commissioning of new pipelines medium and low pressure, will create conditions for connection to 2025 about 55.6 thousand potential subscribers and provide projected consumption growth 413 million m³ of natural gas.

As of 01.01.2014, the total since the beginning of the project was laid 1150 km and 201 SHGRP set, including:

- Almaty city built pipelines - 542 km, 117 SHGRP established;
- Almaty region built 608 km of pipelines, 84 SHGRP installed.

"GASIFICATION OF ALMATY AND COMMUTERS"

In order to expand markets and provide natural gas to consumers Zaysan East Kazakhstan region, creating a technical basis for the gasification of the nearby settlements.

As part of the first phase of the project envisages the construction of gas supply networks with a total length of 37.8 km.

By the end of 2013 was built 18.4 miles of intercity and intra- distribution pipe-

GASIFICATION ZAYSAN IN EAST KAZAKHSTAN REGION

lines medium and low pressure capacity of about 15 million m³ per year, that the op-

portunity for gas supply 470 homes Zaysan city private sector.

CONSTRUCTION OF A GAS LATERAL TO THE INTEGRATED HIGH-PRESSURE GAS AND CHEMICAL COMPLEX (IGCC) IN ATYRAU REGION.

In order to ensure gas chemical industry facilities in Atyrau region and expanding markets in 2013 was carried out the design and construction of a gas lateral from MG "Makat – North Caucasus" to

the integrated gas-chemical complex (IGHK) length of 7.67 km. With the installation of automated distribution station (AGDS) and commercial unit of gas and bandwidth of 1 billion m³ of gas per year.

CONSTRUCTION OF THE SUPPLY PIPELINE TO THE TURKESTAN SOUTH KAZAKHSTAN REGION

In order to gasification of settlements regions of the country, in particular, the Turkestan, South Kazakhstan region from being built MG " Beineu – Shymkent", as well as create the technical basis for the gasification of neighboring settlements in 2013 were carried out:

- Construction of the supply pipeline with total length of 22.2 km.
- Installation of automated gas distribu-

tion station (AGDS) thousand m³/hour capacity of 100 – 1 unit.

- Installation of cerebral gas control points (GGRP) – 2 units.

Implementation of the project makes it possible to connect to the gas about 40 thousand houses, com.-domestic 384 enterprises, 19 hospitals, 60 schools, 70 industrial enterprises, 215 administrative buildings of Turkestan, South Kazakhstan region.

CONNECTING TO KYZYLORDA MG "BEYNEU-BOZOI-SHYMKENT"

In order to provide an alternative source of Kyzylorda natural gas, expand markets; improve the living conditions of the urban population;

As part of the project in 2013 was carried out the design and construction of the pipeline length of approximately 27.4 km,

construction AGDS-2, with bandwidth - 160 thousand m³/hour, node installation gas pressure reduction.

The project will increase the volume of transportation and sale of natural gas by 210 million m³ per year.

"TRADE OPERATIONS"

"CONSTRUCTION OF AGNKS"

Within the innovation development and environmental improvements in Almaty in 2010 JSC "KazTransGas" together with BG and Akimat pilot project transfer vehicles Almaty to compressed natural gas. In this project commissioned NGV filling stations (CNG), serving municipal fleet of 200 buses. In 2011 JSC "KazTransGas" embarked on a project for the construction of an additional five CNG stations in Almaty.

In May 2011, LLP "KTG – Onimderi" (50%)

and KOLON Corporation (50%, South Korea), a joint venture of LLP "Autogas Almaty" which has begun to design and construction and assembly work .

As of December 31, 2013, the project has the following major works:

- Commissioned 2 CNG;
- Continue to work on two CNG. The planned commissioning of the 2nd quarter of 2014.

Innovations

INNOVATIVE ACTIVITIES

As part of the innovative development JSC "KazTransGas" (hereinafter – the Company) , formed and functioning of the Scientific and Technical Council of the Company (hereinafter – NTS). NTS Company established to ensure the formation and implementation of a unified corporate and industry research, technology, innovation policy , improvement of scientific and technical support activities for the Group.

In 2013, the share of investment in innovative projects of the Company amounted to 13,278 million tenge. During 2013 continued to implement of the 4 innovative projects, two of which were completed.

Innovative projects in the framework of the development of innovative companies in the group JSC "KazTransGas"

Modernization of the gas distribution system SKR (1st stage Shymkent).

Project aim: ensure uninterrupted supply of gas, reducing gas losses, increased system capacity;

The project provides for the replacement of steel pipelines low pressure polyethylene (lifetime 50 years) the average pressure in the low-rise sector. Replacement of worn-out underground pipelines. Setting individual SHGRP with SMART-card at each consumer low-rise buildings.

Modernization of the gas distribution system Taraz c.

Project aim: ensure uninterrupted supply of gas, reducing gas losses, increasing system capacity.

The project envisages laying g / wiring using HDD. Replacement of steel pipelines low pressure polyethylene (lifetime 50 years) the average pressure in the low-rise sector.

Installing ejectors during gas extraction from the dome "Zhaksykoynkulak" (implemented).

Project aim: Providing gas sampling from the dome "Zhaksykoynkulak" without increasing power for the purpose of long-term BCS planned increase in the active volume of the gas dome Zhaksykoynkulak.

The project provides an exception applying COP by using the ejector technology allows you to combine both gas flows UGS sites with different pressures, with minimal loss of energy of the gas.

Introduction of mobile compressor stations (implemented).

Project aim: utilization of natural gas remaining in the output of the operation section of pipeline , by pumping it into a pipeline running parallel or disables the shut-off valve downstream gas during planned or emergency repair work on gas pipelines .

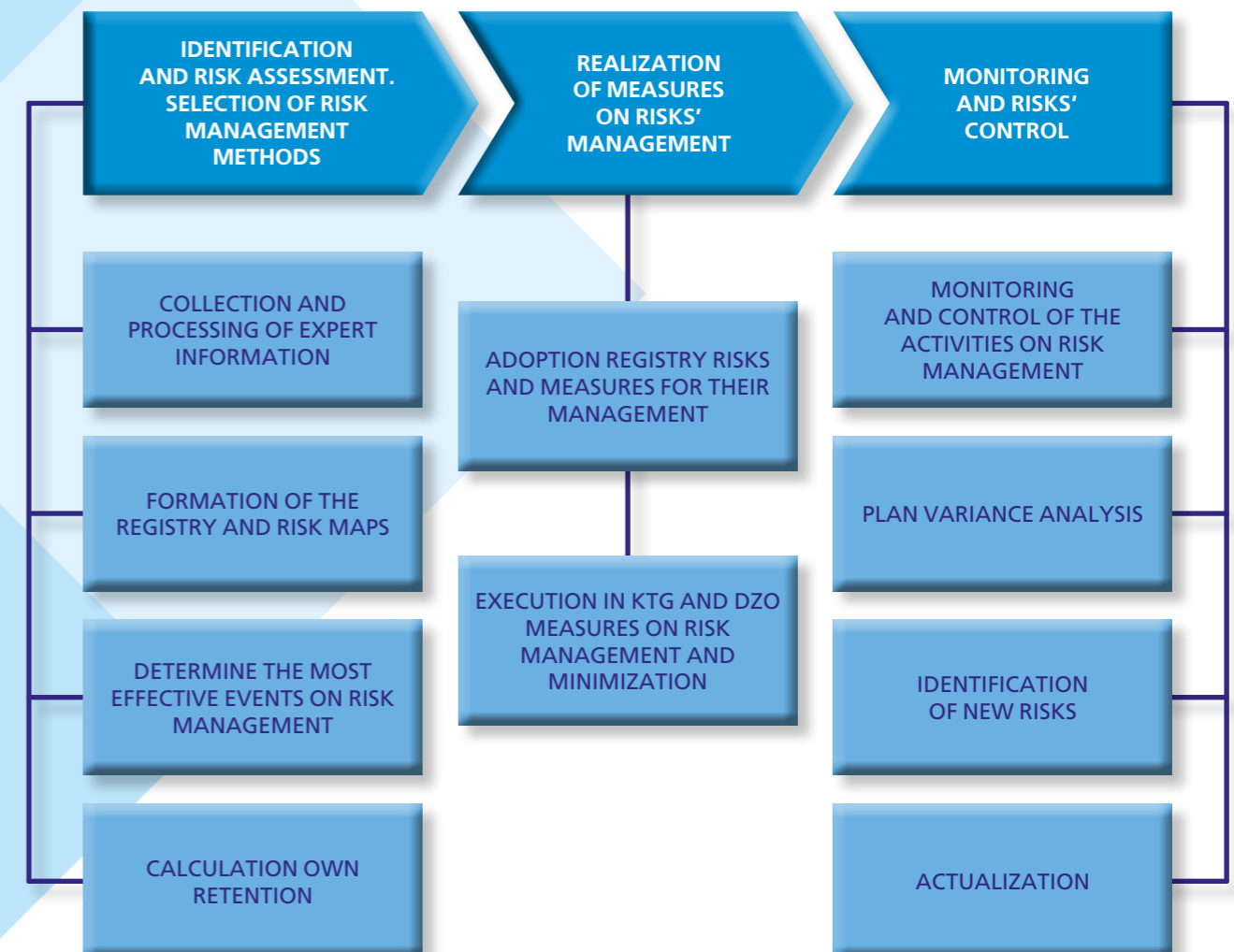
The project envisages the use of mobile compressor stations on the basis of motor vehicles will allow for rapid delivery of compressors in any area where the gas pipeline is planned to carry out repairs. MKC is a compact stand-alone container based on motor vehicles, which gives them a property of rapid deployment anywhere.

Risks' management

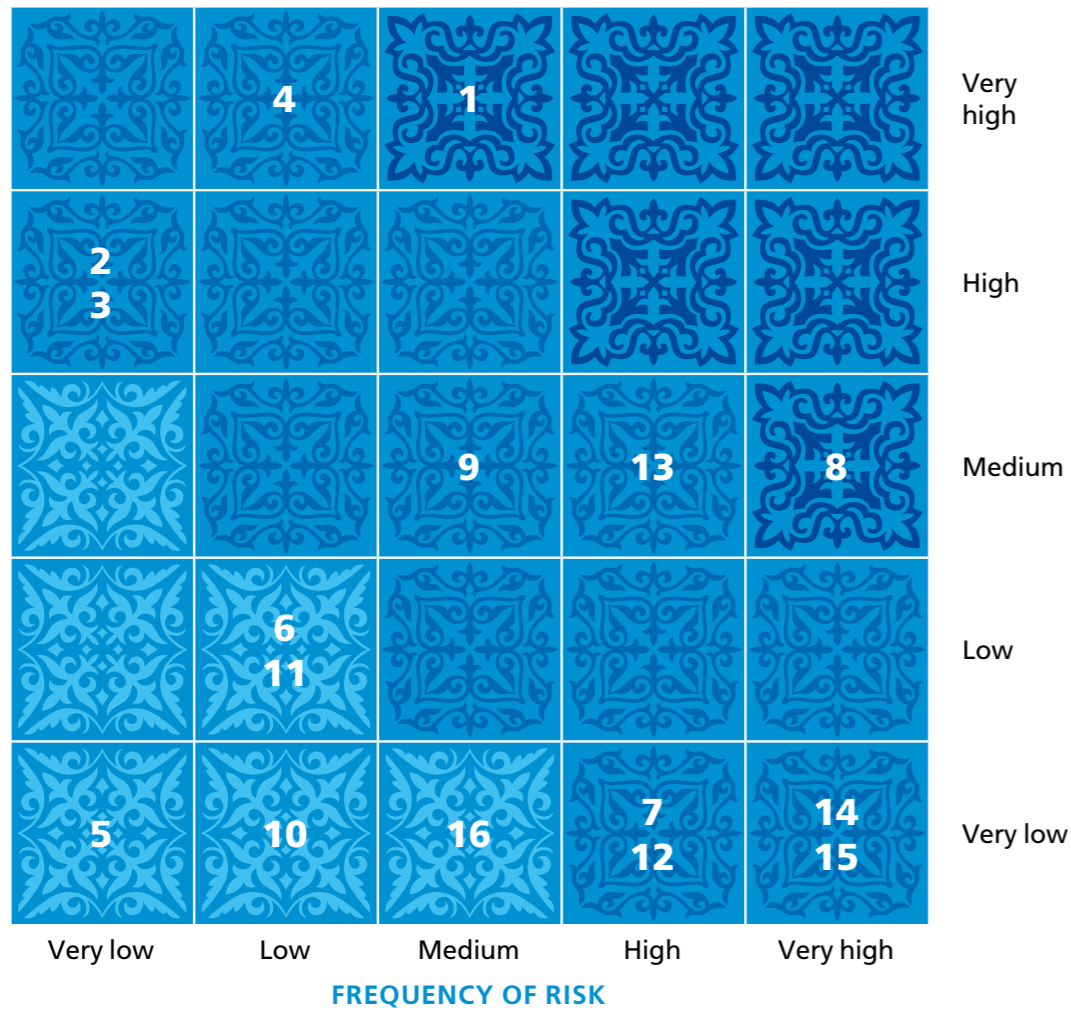
Activities of the Company and its subsidiaries and affiliates are exposed to risks. The Company recognizes the importance of risk management as a key component of the corporate governance system to ensure the timely identification and adoption of measures to reduce the risks that may affect the value and reputation of the Group. The purpose of risk management is to ensure the Company's reasonable belief in the strategic and operational sustainability of the business.

In order to systematize and harmonize risk management systems and internal controls, the Company has developed, updated and approved:

1. Regulation on Internal Control System of "KazTransGas" JSC № 13-02-2011 (Decision of the Board of Directors № 9 dated 01.07.11.);
2. Risk Management Policy of "KazTransGas" JSC № 13-01-2011(Decision of the Board of Directors № 14 dated 26.10.2011.);
3. Rules of risk assessment and identification of "KazTransGas" JSC № 13-03-2011 (Decision of the Board of Directors № 9 dated 01.07.2011);
4. Regulation on Risk Committee of "KazTransGas" JSC № 13-04-2011(Decision of the Board of Directors № 14 dated 26.10.2011.).



MAP OF RISKS JSC «KAZTRANS GAS» FOR 2013



Risk №	Risk	Common risk			Residual risk		
		Impact	Frequency	Risk expansion rate	Impact	Frequency	Risk expansion rate
1	Deficiency in the management of business processes. Interruption or reduction in production efficiency due to the restructuring. Excessive influence of shareholders on the company's management decisions	5	3	1	5	3	1
2	Risk of default / cross-default with respect to credit liabilities	4	1	1	2	1	1
3	Risk of default with respect to warranty liabilities of KazTransGas JSC	4	1	1	2	1	1
4	Risk of cash deviation (cash deficit)	5	2	1	4	2	1
5	Risk of bank default with respect to deposits	1	1	3	1	1	1

Risk №	Risk	Common risk			Residual risk		
		Impact	Frequency	Risk expansion rate	Impact	Frequency	Risk expansion rate
6	Tenge fluctuation against USD	2	2	5	2	2	5
7	Investment loss risk	1	4	1	2	4	1
8	Risk of non-financial assistance	3	5	1	3	5	1
9	Default risk in terms of gas supplies under the gas sales-purchase contract (export)	3	3	3	3	3	3
10	A technological or industrial accident during gas transportation	1	2	3	1	2	3
11	Risk of delayed commissioning of the gas pipeline MG "Beyneu – Bozoi – Shymkent" (Bozoi – Shymkent section)	2	2	5	2	2	5
12	Risk of decline in the international transit of Central Asian gas volumes and commodity transport work	1	4	3	1	4	3
13	Risk of non-increase in the rates for international gas transportation	3	4	3	3	4	3
14	Environmental risk	1	5	5	1	5	5
15	Risk of supply shortages of Uzbekistan gas to southern Kazakhstan during the autumn-winter period	1	5	1	1	5	1
16	Risk of non-approval of the rates for the transportation of commercial gas in the domestic market	1	3	1	1	1	1

RISK REGISTER AND ACTION PLAN TO MINIMIZE THE RISKS FOR 2013*

Risk number	Risk or threat to the achievement of the objectives/goals	Action plan to minimize the risks				
		Risk management activities	The estimated cost of the activities, mIn USD	Realization term	Provided by business-plan (YES/NO)	Person/subdivision, responsible for activities
1	Poor management of business processes. Interruption or reduction in production efficiency due to the restructuring. Excessive influence of shareholders on the company's management decisions	Developed and sent to the shareholder restructuring concept CTG group. Conducted due diligence on the restructuring CTG identified risks restructuring CTG Action Plan approved by the Board of JSC "KMG" scenario proposed restructuring	0	2013	NO	DUA

Risk number	Risk or threat to the achievement of the objectives/goals	Action plan to minimize the risks				
		Risk management activities	The estimated cost of the activities, mIn USD	Realization term	Provided by business-plan (YES/NO)	Person/subdivision, responsible for activities
2	Risk of default/cross-default on credit obligations	Monitoring loans SAC guaranteed CTG, analysis and forecasts on covenant SDCs and CT. Analysis of events, potentially leading to cross-default. Restructuring, if necessary, to avoid default and cross-default		2013	Yes	DKF&C
3	Risk of default warranty JSC "KTG"	Monitoring and updating financial performance of subsidiaries and affiliates, in order to avoid violations of restrictions on liabilities		2013	No	DKF&C
4	Risk of rupture of cash (cash deficit)	Forecasting cash flow, opening and maintaining lines of credit, letters of credit, working on accounts receivable, work on optimizing receivables and payables		2013	Yes	DKF&C
5	The risk of default on bank deposits	Monitoring of banks' credit ratings in its deposits		2013	No	DKF&C
6	Fluctuation of the tenge against the USA dollar	Considers activities hedging exchange rates		2013	No	DKF&C
7	The risk of loss on investment	In the course of Intergovernmental Commission in Kyrgyzstan, the Working Group of the Republic of Kazakhstan has negotiated further actions to return the investments		2013	NO	DUA
8	Risk of non-financial assistance	In April 2013 has been conducted Kazakh-Georgian Intergovernmental Council, during which the decisions regarding further actions to return financial assistance have been taken		2013	NO	DUA
9	Default risk in terms of gas supplies under contract gas sales (export)	Negotiating with suppliers in order to enter into contracts for the supply of gas		January-December 2013	Yes	DMG
10	Technogenic or industrial accident during transportation of gas	1) Repair parts and equipment linear GDS; 2) Training/training of technical personnel		constant		DUGRS, DUSMG
11	Risk of delayed commissioning of the pipeline MG "Beyneu – Bozoi – Shymkent" (section Bozoi – Shymkent)	Timely construction CMP, continuous monitoring of the construction		constant		DUSMG
12	Risk of decline in the international transit of Central Asian gas volumes and consignment work.	Working with OJSC "Gazprom" to determine the planned volumes of gas transported, monthly monitoring of TTP volumes, analysis of the causes of deviations from targets. Timely and qualitative monitoring of the budget execution of the Company. Timely delivery of corrective actions, including fiscal adjustment, cost optimization		2013		ICA authority

Risk number	Risk or threat to the achievement of the objectives/goals	Action plan to minimize the risks				
		Risk management activities	The estimated cost of the activities, mIn USD	Realization term	Provided by business-plan (YES/NO)	Person/subdivision, responsible for activities
13	No increase in the risk rate for international gas transportation	Development and coordination with "Gazprom" transit tariff calculation methodology. Preparation of documents justifying the need for rate increases and the transition to the tariff formula. Negotiations with JSC "CTG" NC JSC "KMG" to determine a common policy on the issue of tariff increase. Negotiations with OJSC "Gazprom"		2013		Company authority, ICA
14	Ecological risk	Develop a program of industrial environmental control (PEC), the implementation of industrial environmental monitoring. In PEC includes operational monitoring, emission monitoring, monitoring of the impact on the environment. Development of environmental action plans and reports on their implementation. Implementation of measures to reduce emissions of air pollutants discharges of pollutants from sewage, waste production and consumption. Inventory of greenhouse gas emissions. Identification and assessment of environmental aspects. Accounting and control of emissions of air pollutants, discharges and waste production and consumption (according to projects and MPE limits). Development projects MPE, MPD, PNRO. Compulsory environmental insurance of civil liability for environmental damage and insurers involved in the payment of environmental damage. Holding blueprint preventive maintenance, construction of treatment facilities		2013		ICA authority
15	The risk of supply shortages of Uzbek gas to southern Kazakhstan during the autumn-winter period	In 2012, the planned maximum gas injection into UGS south of up to 400 million cubic meters	34,86 (Self-cost – 34,16, storing – 0,70)	2013	Yes	KTG authority Aimak
16	The risk is not approved tariffs for transportation of marketable gas to the domestic market	1. Letter № KAZ-OT-36 from 01.03.2013. AGW sent to the NMRA a phased approval of technical standards AGP (proposed levels of normative technical losses, technical and technological standards of consumption of raw materials, fuel, energy), before project approval rate and tariff budget to the general procedure 2. Adoption of the investment program in the NMRA AGP, which includes: 1) the approved specifications and technical documentation; 2) agreed in NMRA annual budget estimate for repair and overhaul, repair work, do not lead to an increase in value of fixed assets, accounting politics. 3. Attracting services on the composition of the investment program, the formation, estimates provided in the NMRA project tariff and tariff estimates for the commercial transportation of gas to the domestic market of the Republic of Kazakhstan on the main gas pipeline "Kazakhstan – China" for approval in a general manner.	3,37	2013	Yes	LLP authority AGP

Quality Management System

AO «KAZTRANS GAS»

Scope of Quality Management System (QMS) JSC "KazTransGas" – services for corporate asset management in the exploration, production, transportation, distribution and marketing of gas in the Republic of Kazakhstan .

In September 2013 at JSC "KazTransGas" successfully completed the certification audit of the QMS (recertification) for compliance with the requirements of ISO 9001. Certification audit QMS "KazTransGas" was held auditors international certification body LLP "Russian Register of Eurasia".

At JSC "KazTransGas" in 2013 for the purpose of continuous improvement and development of control systems JSC "KazTransGas", as well as its subsidiaries and affiliates organizations were identified and approved strategic objectives:

- implementation of work plans to ensure the safety of the personnel, industrial, fire, environmental safety and buildings Group "KazTransGas";
- achievement of development planned indicators of capital investment in the backbone and regional transportation of gas;
- achievement rate of return on investment;
- compliance with covenants of conformity all existing obligations of the Company;
- maintaining a positive corporate image of the Company in relation to external customers;
- ensuring the average staff turnover in group companies JSC "KazTransGas";
- ensure the proportion of local content in the procurement of goods, works and services for "KazTransGas";
- receiving a rating of corporate governance;
- receiving of the certification body's positive assessment of the QMS "KazTransGas" compliance system requirements of ISO 9001 certification on the basis of observation and audits.

Coordinating the activities of units JSC "KazTransGas" and its subsidiaries in the development of management systems holds office management integrated management system (IMS).

In 2013, implemented measures to maintain and improve existing automated database of IMS.

Also in 2013, to increase efficiency to improve the QMS was conducted training on the development of management systems.



Management system in subsidiaries and affiliated organizations JSC "KazTransGas"

JSC "INTERGAS CENTRAL ASIA"

In JSC "Intergas Central Asia" Integrated Management System, confirmed in compliance with the international standards ISO 9001:2008, ISO 14001:2004 and 18001:2007 ONSAS.

In 2013, a subsidiary of JSC "Intergas Central Asia" was successfully performed a supervisory audit of the Integrated Management System ISO 9001:2008, Environmental Management System ISO 14001:2004, the system of management of health and safety ONSAS 18001:2007. The work on learning within existing management systems. Supervisory audit of IMS in JSC "Intergas Central Asia" was held auditors international certification body Orion Registrar, Inc., USA.

JSC "KAZTRANS GAS ALMATY"

At JSC "KazTransGas Almaty" Integrated Management System, according to the international standards ISO 9001:2008, ISO 14001:2004 and 18001:2007 ONSAS.

At the beginning of 2013 at JSC "KazTransGas Almaty" was passed certification audit for compliance with IMS standards ISO 9001:2008, ISO 14001:2004 and 18001:2007 ONSAS auditors conducted an international certification body TUV Thüringen. Develop a work plan to streamline and improve the IMS in 2014.

JSC "KAZTRANS GAS AIMAK"

"KazTransGas Aimak" has an integrated management system certified in accordance with the national standard ISO 9001-2009 QMS and international standards ISO 9001:2008, ISO 14001:2004 and 18001:2007 ONSAS.

In 2013, a subsidiary of JSC "KazTransGas Aimak" was passed re-certification audit IMS to confirm the conformity requirements of national standard ISO 9001 and international standards ISO 9001:2008, ISO 14001:2004 and 18001:2007 ONSAS. Re-certification audit IMS "KazTransGas Aimak" was conducted by auditors international certification body TUV Thüringen and the national certification body InterCert.

Training workshop for senior executives, managers and administrative staff.

Employees JSC "KazTransGas Aimak" in 2013 took part in international forums and conferences Quality Manager.

"AMANGELDY GAS" LLP

"Amangeldy gas" LLP Integrated Management System for compliance with national standards of RK ISO 9001-2009, ISO 14001-2006 TC RK and technical specification OHSAS 18001-2008.

In March 2013 at "Amangeldy gas" LLP was passed supervisory audit for compliance with the standards of RK ISO 9001-2009, ST RK ISO 14001-2006 and OHSAS 18001-2008, auditors conducted the national certification body KazSert.

"Amangeldy gas" LLP conducted training of employees within the training, retraining and advanced training.

ACTIVITIES IN THE AREA OF MANAGEMENT SYSTEMS FOR THE GROUP OF COMPANIES JSC "KAZTRANS GAS"

Subsidiaries and associates JSC "KazTransGas"		JSC "Intergas Central Asia"	JSC "KazTransGas Almaty"	JSC "KazTransGas Aimak"	"Amangeldy Gas" LLP	
STANDARDS	ISO 9001	The quality management system. Requirements Certification body Orion Registrar, Inc., USA	Certified in 2012 Certification body TUV Thüringen	Certified in 2013 Certification body TUV Thüringen	Certified in 2013 Certification body TUV Thüringen	Certified in 2012 Certification body "KazSert" LLP
	ISO 14001	Environmental Management System Certification body Orion Registrar, Inc., USA	Certified in 2012 Certification body TUV Thüringen	Certified in 2013 Certification body TUV Thüringen	Certified in 2013 Certification body TUV Thüringen	Certified in 2012 Certification body "KazSert" LLP
	OHSAS 18001	Management system for health and safety Certification body Orion Registrar, Inc., USA	Certified in 2012 Certification body TUV Thüringen	Certified in 2013 Certification body TUV Thüringen	Certified in 2013 Certification body TUV Thüringen	Certified in 2012 Certification body "KazSert" LLP

Today, the system of management of group of companies JSC "KazTransGas" integrated in accordance with international and national standards, which is stable and dynamically developing. Activities are carried out in accordance with established business processes that describe all stages of management: planning - execution - control - analysis, thereby further improving the company's management system as a whole.

Environmental protection, industrial safety and labor protection

COORDINATION WORK JSC "KAZTRANS GAS" IN HEALTH AND SAFETY

Work to ensure industrial safety, fire safety, health and environment at the production facilities Group Companies JSC "KazTransGas" (hereinafter – the Company) is conducted in accordance with applicable legal, regulatory, legal, regulatory and technical acts of the Republic of Kazakhstan "United OSH management system" (ESUOT) JSC NC "KazMunayGas" ESUOT JSC "Intergas Central Asia" ESUOT "KazTransGas – Almaty" ESUOT "KTG – Aimak".

In order to prevent occupational injuries, accidents, incidents, fires and other emergencies in manmade JSC "KazTransGas" a complex of organizational and practical measures.

Minutes decision № 8 dated April 8, 2013 the Board of JSC "KazTransGas" approved:

- Comprehensive program JSC "KazTransGas" on health and safety at 2013-2017 years
- Terms of safety management and occupational safety and health in a group of companies JSC "KazTransGas".

The Board of Directors of JSC "KazTransGas" (minutes № 1 on January 30, 2013) approved the Model Regulations on the operational control of security and safety of subsidiaries and affiliated companies (hereinafter - SRC) Department of Industrial Safety, Labor Protection and Ecology "KazTransGas".

Adoption of these documents could be improved and safety management system and occupational safety, standardize documentation for budgeting, planning, reporting, to ensure efficient cooperation with subsidiaries.

In accordance with the approved schedule in the past year, together with representatives of JSC NC "KazMunayGas" conducted safety audits and safety JSC "KazTransGas – Almaty" and "Autogas Almaty", LLP "Gas pipeline Beineu – Shymkent" LLP (hereinafter – GBSH) LLP "Asian Gas Pipeline" (hereinafter – AGP), UMG "Atyrau", "Oral", "South" division of JSC "Intergas central Asia", Atyrau, Ural industrial branches and the central office of JSC "KazTransGas – Aimak".

According to the inspection results in recommendations for management of activities, aimed at subsidiaries and affiliated companies (hereinafter - SRC) for action.

In the month of June in the city of Shymkent, on the basis of academic plant JSC "Intergas Central Asia" annual meeting of JSC NC "KazMunayGas" on health and safety, which was attended by representatives of all subsidiaries and affiliates JSC "KazTransGas".

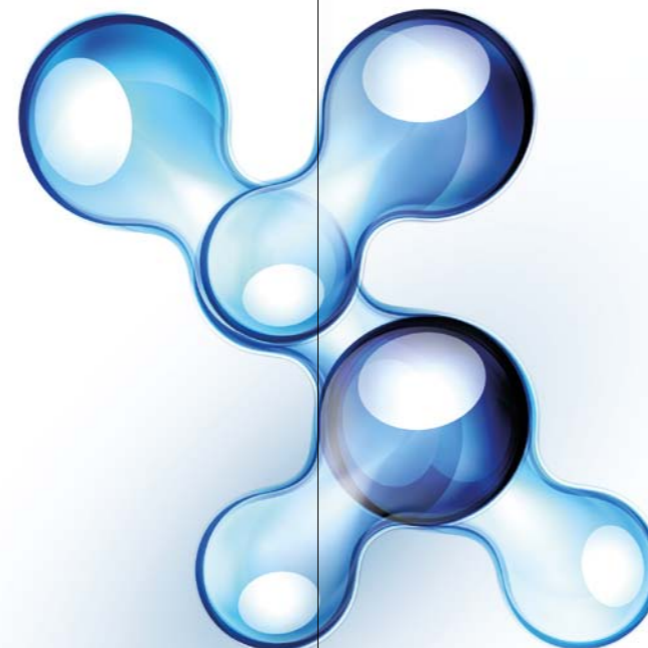
In the second quarter of this year, employees of the Company took part in the meetings of the Coordinating Board of JSC NC "KazMunayGas" on fire safety and environmental issues.

In order to develop common approaches to the organization of work on health and safety at the Kazakh- Chinese "AGP" and "GBSH" in the month of May, held a meeting

with representatives of the Chinese company "Taplayn". Minutes solutions that meeting determined to hold such meetings on a regular basis for improved communication and coordination; regularly together with the Chinese side inspection of production facilities; share leadership AGP and GBSH pickers and create management committees on health and safety, etc.

Thus, in the 4th quarter of 2013 held a joint inspection of facilities AGP and GBSH. In order to improve relations and cooperation in the field of occupational safety and health, in early January 2014, a quadripartite meeting held on these issues in Beijing. Minutes of the Meeting decided to start a pilot implementation of international standards in the field of occupational safety and health. With the application of a number of criteria for assessing industrial facilities.

Total for 12 months in 2013 for the Company held the fifth and sixth levels of 24 checks. State regulatory authorities conducted 76 inspections: MES – 35 ; SSSES – 20; MTiSZN – 3; prosecutors – 11; and MEP – 7.



- Providing clothing;
- GAP insurance employer;
- Medical examination and pre-shift examination;
- Coaching, training.

On health and safety in the reporting period took 837 182.39 thousand tenge. Accidents associated with the production in the reporting period allowed.

In November 2013, with the participation of heads of security and safety of the entire group of companies JSC "KazTransGas" An enlarged meeting on health and safety, minutes decisions which identified a number of measures to further improve the management of health and safety, employee motivation, promotion of safety measures and adjustments working staff training programs, taking into account the identified risks.

Number of employees in the group of companies of the Company during the reporting period in 2013 amounted to 13 834 people. Of them in hazardous working conditions employed 6240 people.

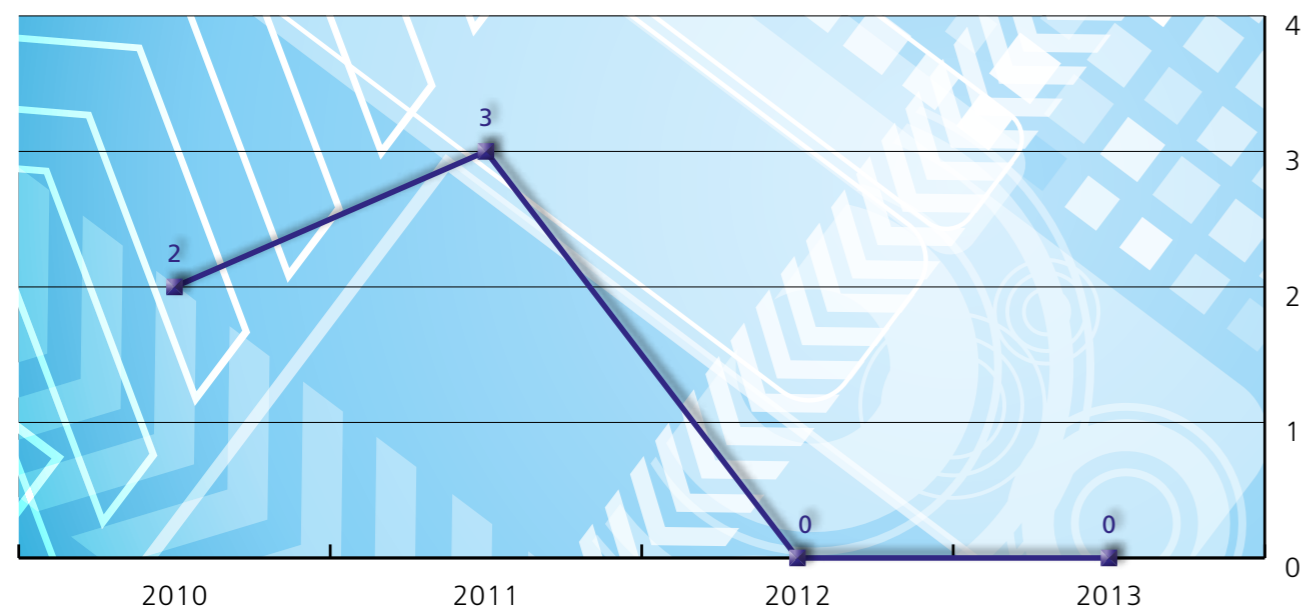
LABOR SECURITY

In accordance with the legislation in the field of labor performed:

- Multilevel control;
- Training and knowledge;
- Certification facilities in terms of labor;
- Sanitary conditions;

RATE OF INDUSTRIAL INJURIES

■ Number of accidents



ENVIRONMENT PROTECTION

In the reporting period, the employees of the Department industrial safety, labor protection and ecology had taken part in a seminar on the draft plan for monitoring of greenhouse gases developed by Norwegian company "Carbon Limited".

To review the draft of the monitoring plan by the Company are formal proposals to improve the draft.

In connection with the obligations of Kazakhstan in the second period of the Kyoto minutes, the Company is preparing visits to foreign gas pipeline companies to share experiences in the development of projects to reduce greenhouse gas emissions and carbon trading .

Continue on an annual inventory of the sources of greenhouse gas emissions and greenhouse gases presenting passports to the authorized body for further registration in a public registry.

In the national plan for the allocation of quotas for greenhouse gas emissions from the Company's group of companies includes objects of JSC "Intergas Central Asia". Greenhouse gas emissions from objects other group companies of the Company amounted to less than 20,000 tons per year.

Currently certificates quotas on greenhouse gases for the facilities of JSC "Intergas Central Asia" received.

During the reporting period, the environmental group of companies of the Company disbursed 613 505 thousand tenge. Environmental payments totaled 287 336.86 thousand tenge. On environmental protection measures, agreed with the competent authority mastered 3 555 295.68 thousand tenge.

INDUSTRIAL SAFETY

In its work to ensure industrial safety JSC "KazTransGas" guided by the Law of RK "On industrial safety of hazardous production facilities".

In order to implement the Act, Government of the Republic of Kazakhstan dated October 28, 2011 № 1225 "On approval of rules and terms of training, instruction and

examination for occupational health and safety of workers" by the General Director of the Company number 130 of September 11, 2012 is set list of employees of the Company subject to training and examination on matters of occupational health and industrial safety. In accordance with this Order, in the reporting year was organized and conducted training and knowledge workers productive unit management staff of the Company.

In accordance with the legislation in the field of industrial and fire safety held:

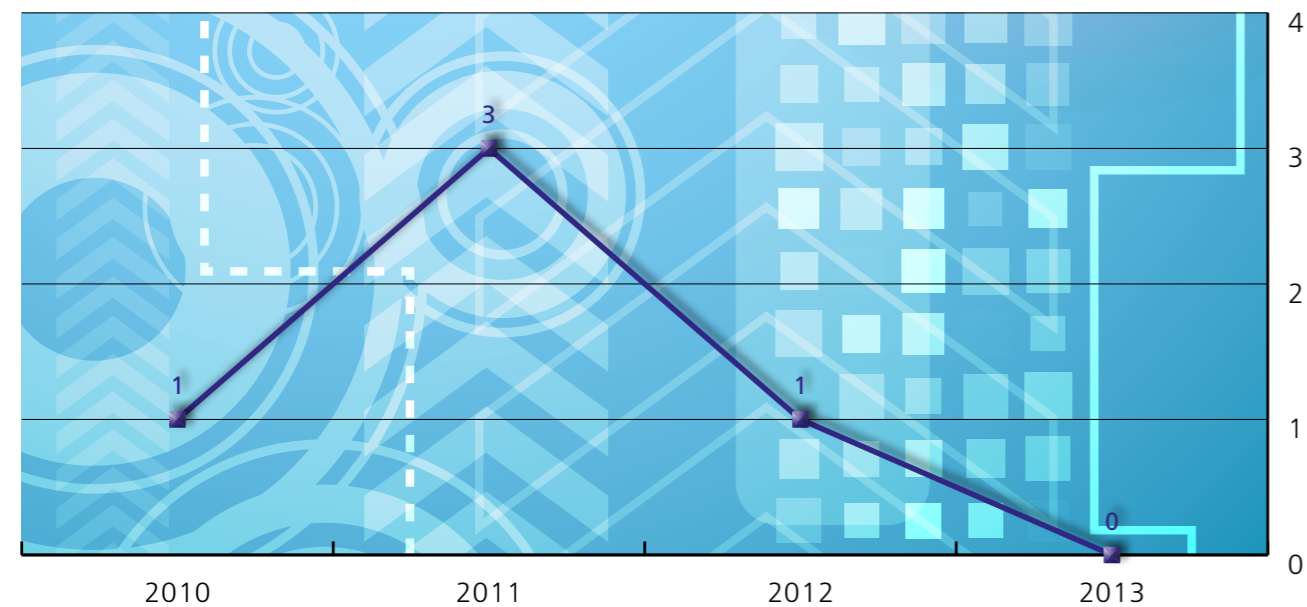
- diagnostics, testing of pipelines;
- repair, replacement and reinsulating pipelines, equipment upgrades;
- timely survey vessels working under pressure;
- to ensure normal operation of installed pipelines, compressor stations , distribution stations and points;
- development declarations of industrial safety;
- development plan to eliminate potential accidents;
- training and knowledge workers in the field of industrial and fire safety;
- contracts and fire protection and safety blowout;
- service automation systems and fire protection;
- acquisition of firefighting equipment.

Industrial safety mastered 20,484,425.04 thousand tenge fire safety mastered 1,005,953.36 thousand tenge.

During the reporting period, the group of companies of the Company of industrial accidents and fires are not allowed.

ACCIDENT RATE

■ Number of technogenic accidents



Social responsibility

PERSONNEL POLICY

Realizing the social responsibility of business, is making efforts to promote social progress and welfare of society, sustainable development and the welfare of the population of regions, improving the welfare of their employees. Caring about each employee, priority social issues - this is the basis of the Company policy.

In light of today's changes there is a need to innovate in a timely manner to ensure compliance with the organization of the external environment. When this personnel policy is being finalized as we implement in response to the new demands of an ever changing environment, except for the part of personnel policy, which affects the interests of key employees (eg, employment policy, wages), which should be predictable and stable.

Personnel policy is designed to combine the existing approaches , methods and tools turned out personnel management based on best practices in working with staff, allowing thus to form a unified approach and develop a corporate value system KTG in personnel management .

In the framework developed by the Personnel policy based on the following basic principles:

- **Transparency** – openness at all stages of human resource management;
- **Complexity** – coverage of all sphere of activity of personnel management;
- **Systematic** – consideration of all elements of politics at relation;
- **Justification** – using of modern scientific developments in sphere of management, which can be provide maximal economic and social effect;
- **Effectiveness** – expenses for measures in sphere of personnel management must be paid for results of manufacture activity.

Group Company attaches great importance to the growth of social benefits, which are aimed at creating a healthy working climate in communities that allow workers to successfully perform its core functions. JSC "KazTransGas" offers its employees a package of social services, including health insurance, financial assistance, including treatment and recovery workers during the leave, and much more. On the basis of collective agreements and the Rules of wages and social support in 2013, the group of companies to employees of the Company were paid the following main types of financial aid:

- Financial assistance to the holiday for recuperation – 2,051,710 thousand tenge;
- At birth – 130 630 thousand tenge;
- Compensation payments associated with housing (number of employees who have received a loan) – 561 032 thousand tenge;
- Other payments (at marriage, retirement, help pensioners, treatment and payment operations in exceptional cases, etc.) – 545 834 thousand tenge.

In 2013, the Company together with the Trade Union held events: Summer and Winter Games among employees of the Company Group, children's holiday activities (organized gifts, entertainments), etc.

To conduct children's activities and recreation workers and employees' children were allocated in 2013 and spent 114 916 thousand tenge.

The total amount of social payments CTG group of companies (including employer social benefits) in 2013 amounted to 1,627,002 thousand tenge.

SOCIAL PROTECTION OF WORKERS GROUP

To ensure the quality of working conditions, life of workers and their families, in the budgets of the Group annually laid funds for voluntary health insurance, which includes a large range of medical services in the best clinics in Kazakhstan. In this case, the employee health program along with providing the entire spectrum of medical services provided service on the same terms and his family (spouse and children). In addition, the range of services provided by the insurance company provided patronage of physiological pregnancy.

So, if in 2013 at the expense of the group of companies of the Company carried out medical insurance totaling 562.7 million tenge, including insurance for employees JSC "KazTransGas" 26.7 million tenge.

As is known, the work of most of the gas industry workers associated with gas mains and is characterized, on the one hand, severe climatic conditions (the state of drinking water, dust storms, etc.), and on the other hand the fact that transit pipelines are often environmentally unfriendly regions of the country .

In accordance with the Law of RK "On social protection of citizens affected by the ecological disaster in the Aral Sea", Aral area residents to basic salary accrued environmental factor in the amount of 20 to 50%, as well as provide additional leave in an amount of from 6 to 12 days.

Work on disease prevention workers, as well as their treatment and rehabilitation during the holiday season.

The Company attaches great importance to the growth of social payments, which account

QUALITY OF WORKING CONDITIONS, LIFE OF WORKERS AND THEIR FAMILIES

for a substantial share social benefits and guarantees. Above all, they aim to create a healthy working climate in groups on the basis of social partnership that allows employees to successfully perform its core functions.

Also, the Company operated associations of trade unions of workers in the framework of which the collective agreements between workers and employers that provide social guarantees, benefits, compensation and benefits to employees, significantly exceed the established labor laws, for example such as:

- Payments in connection with the entry into first marriage, childbirth, burial in connection with the death of loved ones, etc.;
- Additional paid leave in connection with the above cases;
- Payment of 75 % or more of the value of the sanatorium treatment of employees and the cost of vouchers to health camps for children of employees of the company;
- And other.

TRAINING, EDUCATION AND SKILLS DEVELOPMENT GROUP OF COMPANIES

As a dynamic company, developing new regions, respectively Society increases the total number of employees of subsidiaries and affiliates. Taking into account the fact that the movement of personnel should be as predictable and planned according to the general concept of the company to enhance its human resource capacity needs overall integrated approach to all stakeholders: students, educational institutions and the Company. Therefore, to fill the resulting vacancies planned, as well as for the formation of a group of young professionals with the ability to operational management activities that meet the requirements of the post or that direction, the SDCs have been developed and approved the Rules of young specialists. This internal document describes the procedure for determining the training needs of young professionals, a set of candidates, the order of referral to training in educational institutions of the Republic of Kazakhstan and abroad. Currently approved by the commission for the development of the external human resource capacity is in correspondence with universities on this issue. Training of specialists with higher education organizations Group Company is planned on the basis of the best technical universities.

The Company's employees participate in training courses, seminars, internships, and training as a private institution based on "Corporate University "Samruk-Kazyna" (NC "ETSRP") , Astana, and based on other training centers in Kazakhstan, CIS and abroad.

The Company has the following programs for staff development, such as "training and development" as well as a program of "young professionals".

"Training and development" – an ongoing program for the development of the Company's personnel.

The Company has a staff development program aimed at training and retraining. Every year in the Company's budget provides funds for training and staff development. The Company in accordance with the Rules of technical operation of the main gas pipeline PR RK 51.3-002-2004 (item-1.2. "Technical staff training") technical objects of main gas pipelines to be operated by specially trained personnel. Staff for

the increased risk should be trained (training) courses, specially created companies, the program agreed with the local authorities State technical observation.

In 2013, a group of companies of the Company has trained 3,401 employees totaling 417 million tenge, which is 18% higher in comparison with the actual figure in 2012, of which 1,528 persons are employees of the production personnel are trained and improve their skills on based training organizations and training centers of the Republic of Kazakhstan, the Russian Federation and Ukraine. Professional training and development of staff working is one of the long-term priorities and personnel policy, as professional level of the workforce is an important factor for the effectiveness of safe production, increase productivity and improve the quality of work.

Specific role for quality training of young professionals. The Company supports the children of employees of the Company to study in higher educational institutions of Kazakhstan and Russia. For these purposes the program "Young Professional". In higher education, at the expense of the Company's training young citizens of our Republic, which will return after graduation to work in the gas transmission industry.

Group Company for several years, providing targeted assistance to socially vulnerable groups, including orphans, children with disabilities, veterans, invalids, pensioners, low-income citizens of the Republic of Kazakhstan, as well as assists organizations and figures of science, education, health and culture.

In 2013, the Group companies to sponsor the Company (charity) aid totaling more than 813 million tenge, including I would like to highlight:

- In the framework of the Memorandum number 42 and from December 28, 2010 entered into between the NWF "Samruk-Kazyna" and Akim of Almaty, JSC "KTG" to sponsor the purchase of housing for resettlement of the buffer zone of high pressure gas pipeline in Alatau district of Almaty on total amount – 140 million tenge.
- Support for socially vulnerable segments of the population, and public organizations (helping children , orphans, the disabled , as well as persons in need of treatment and operations) – 392 350 thousand tenge;
- On the social needs of veterans Petroleum Public Foundation "Munaishy" – 10 million tenge;
- The priority development of individual sports provided sponsorship support totaling 280 650 thousand tenge, including:
- To raise Boxing Federation Zhambyl quality level of training for the race republican, international level, support the development of Kazakhstan's boxers and boxing in the city and in the area – 50 million tenge;
- Association of legal entities in the form of association "Confederation of combat sports and power sports" on the international tournament on Greco-Roman wrestling "Cup of the President of Kazakhstan" in freestyle and women's wrestling – 60 million tenge;
- Corporate Fund "Presidential professional sports club" Astana "Vitaly Dem'yanenko training program MSA (master of sports administration) in

SPONSORSHIP AND CHARITY

the Russian International Olympic University in Sochi. – 3800 thousand tenge;

- RPA "Federation of Greco-Roman, freestyle and women's wrestling" to carry out all activities related to the development and popularization of combat, quality and proper training of national teams for the upcoming World Championship license, conducting training camps , detention coaching staff – 50 million tenge.

In addition, in honor of Great Patriotic War Victory Day – May 9 held honoring veterans and persons equated to them, provide targeted assistance to the participants of the Great Patriotic War and the labor front. Veterans, soldiers-internationalists, the liquidators of the Chernobyl accident Victory Day on May 9 was allocated financial assistance.

Retirees, former employees, the Company provided financial assistance for medical treatment, as well as allocated subsidized vouchers to sanatoriums.

Corporate governance

One of the strategic directions of JSC "KazTransGas" (hereinafter – the Company) is to increase the effectiveness of corporate governance.

JSC "KazTransGas" regards corporate governance as a means of enhancing the effectiveness of the Company to strengthen its reputation and reduce the cost of their capital.

The main purpose of the development of corporate governance in the Company is to ensure sustainable growth of the Company's capitalization and promote the interests of the Sole Shareholder.

KazTransGas, realizing the importance of corporate governance, pays great attention to the implementation of corporate governance principles. In 2009, approved by the Corporate Governance Code. Corporate Governance Code has been developed in accordance with the Code of Corporate Governance sole shareholder – JSC NC "KazMunayGas". Since the approval of the MCC on an annual basis the corporate governance diagnostics KTG for compliance of corporate governance best practice.

The diagnostics are drawbacks control systems and identify steps to improve the quality of management of the Company. Also based on the results of diagnostic measures are being taken to improve the corporate governance system to bring it in line with international best practice.

The diagnostic results show a positive trend in the development of corporate governance in the Company. A high level of corporate governance not only affects the economic performance of the company, increasing the transparency, completeness decision-making process, but also positively affects the perception of investors.

Compliance with the requirements of corporate governance best practices in line with international standards in 2012 amounted to 60.8%.

The sole shareholder of the model is defined corporate governance, including the participants' active' shareholders, the Board of Directors, Management and centralized internal audit service.

CORPORATE GOVERNANCE BODIES

Corporate management of the Company is:

1. The sole shareholder – the supreme body;
2. Board of Directors – the management body exercising general management of the Company and determining priorities of its activities. The Board of Directors consists of three members, one of whom is an independent director.
3. Board - a collegial executive body managing the Company's current activities in order to fulfill the objectives and implementing the Company's strategy.

The Management Board consists of eight members.

STRUCTURE OF THE BOARD OF DIRECTORS

As of December 31, 2013 Board of Directors consisted of five members who are:

Director's Name, Surname	Position at Company
Shmanov Nurtas Nuribekovich	Chairman of Board of Directors
Berlibayev Daniyar Amirbayevich	Member of Board of Directors
Suktangali Serik Suktangaliuly	Member of Board of Directors
Nupov Kunduz Shamahovich	Sovereign director
Berdalina Zhanat Kolanovna	Sovereign director

In connection with the early termination of the powers of the Board of Directors of JSC "KazTransGas" elected the sole shareholder (the decision of the Board of Directors of JSC NC "KazMunayGas" from 19.08.2008), the February 10, 2011 the sole shareholder was decided to elect the Board of Directors of JSC "KazTransGas" in the amount of five (5) people for 3 years, as follows:

- Shmanov Nurtas Nuribekovich – Chairman of the Board – Representative of the Sole Shareholder (EP);
- Berlibayev Daniyar Amirbayevich – Board Member – Representative sole shareholder (EP);
- Suktangali Serik - Member of the Board – General Director of JSC "KazTransGas";
- Nupov Kunduz Shamahovich – Sovereign Director;
- Berdalina Zhanat Kolanovna – Sovereign Director.

Composition of the Board of Directors in 2013 has not changed.

In accordance with the Corporate Governance Code, the Company's Board of Directors has established the independence of directors Nupov K.Sh. and Berdalina Zh.K.

- meet the criteria of independence imposed on them by laws of the Republic of Kazakhstan.
- possess relevant work experience, knowledge, skills, positive achievements and excellent reputation in the business environment and gas industry in Kazakhstan needs to fulfill its responsibilities and effective operation of the entire Board of Directors for the benefit of the Sole Shareholder and KTG;
- comply with the Regulations on the Board of Directors of JSC "KazTransGas" brooked no relationships or circumstances that could have an impact on the recognition of an independent member of the Board of Directors.

ATTENDANCE MEMBERS OF THE BOARD OF DIRECTORS BOARD OF DIRECTORS MEETINGS

Name	Position	Number of attendance	Attendance percent	Notes
Shmanov N.N.	Chairman of Board of Directors	11 of 11	100 %	Elected as Chairman since 03.04.2012
Berlibayev D.A.	Member of Board of Directors	11 of 11	100 %	Elected as member BD as representative of JSC NC "KazMunayGas" since 10.10.2011
Suktangali S.S.	Member of Board of Directors	11 of 11	100 %	Elected as member BD since 13.08.2012
Nupov K.Sh.	Sovereign Director	11 of 11	100 %	Elected as sovereign director since 10.02.2011
Berdalina Zh.K.	Sovereign Director	11 of 11	100 %	Elected as sovereign director since 10.02.2011

During the reporting period the Board of Directors KTG held 11 meetings. (8-person absentee 3). Total number of issues examined was 123. Among them discussed at formal meetings – 114 in absentia – 9 issue.

CRITERIA FOR SELECTION OF MEMBERS OF THE BOARD OF DIRECTORS AND MANAGEMENT, AS WELL AS THEIR SOVEREIGNTY.

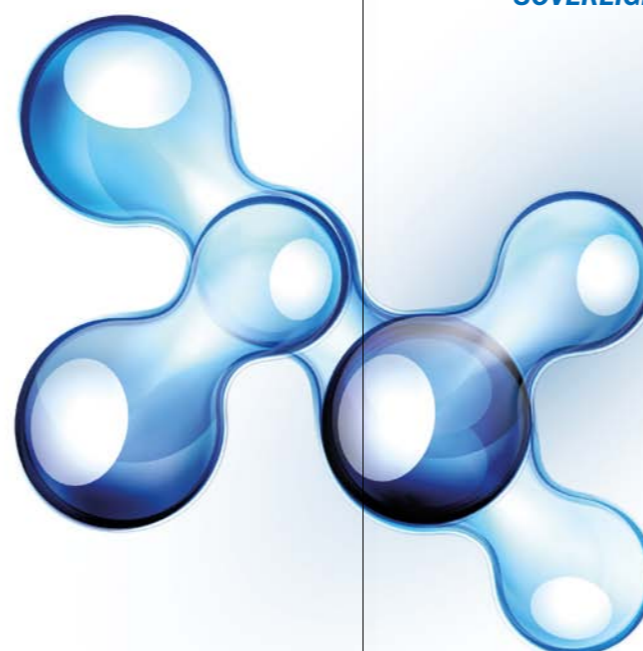
The selection and election of members of the Board of Directors, including independent directors, shall be as prescribed by the Law of the Republic of Kazakhstan "On Joint Stock Companies", the Charter and the Code of Corporate Governance of the Company in accordance with the internal procedures on the basis of sufficient information about the candidate to the Director, Information about the relationship between the candidate and the Company's independence criteria, information about relevant work experience, knowledge, qualifications, positive achievements and excellent reputation.

Candidate member of the Board of Directors and member of the Board of Directors shall be a natural person, to have confidence Sole Shareholder and other members of the Board of Directors, have an impeccable reputation, professional knowledge and skills, managerial experience at least 3 years, preferably in the area corresponding to the main activities of the Company, positive achievements and excellent reputation in the business and industry environment.

Independent director of the Board of Directors must be a member of the Board of Directors, which is not affiliated with the Company and has not been named for the three years preceding his election to the Board of Directors, not a civil servant, etc.

Determination of the composition and term of office of the Board, election of its members and early termination of their powers, except for CEO/Chairman of the Board, by a decision of the Board of Directors in accordance with the laws of the Republic of Kazakhstan and the Charter. Election/appointment of CEO/Chairman of the Board and the termination of his powers within the exclusive competence of the Sole Shareholder of the Company. Board member must have relevant work experience, knowledge, qualifications, business reputation.

Distribution of powers between the Board of Directors and CEO of the Company is determined by the Company Charter.



The Board of Directors is responsible to the sole shareholder for the effective management and control of the activities of the Company and operates in accordance with the approved decision-making procedure. The most important functions of the Board are setting the priorities of the Company's decision-making on major transactions and other significant issues.

RESPONSIBILITY OF BOARD OF DIRECTORS

In turn, the Board is responsible for developing an action plan to implement the decisions of the Board of Directors and the current financial and economic issues, and production activities. The Board reports to the Board of Directors for the state of the work done to achieve the Company's business plan.

RESPONSIBILITY OF BOARD

Thus, an understanding by all participants of corporate relations of their powers, responsibilities, accountability, rights and obligations of these aspects is firmly established in the Charter of the Company reduces the risk of conflict of interest and, therefore, creating a unified vision of the principles and structure of corporate governance.

In 2013, the Management Board of the Company consisted of senior executives, including the General Director and his deputies.

STRUCTURE OF BOARD

Name, Surname	Position	Period
Sultangali Serik	General Director (Chairman of Board)	since 13.08.2012
Ileuov Aziz Tokshalykovich	First Deputy of General Director	since 02.08.2013
Kusherov Dair Adil'bekovich	Deputy of General Director on economics and finances	since 26.12.2008
Tegisbayev Anatoly Oryngaliuly	Deputy of General Director on resource base	since 26.12.2008 till 26.06.2013
Kasenov Arman Ginayatovich	Deputy of General Director on corporate governance	since 26.12.2008
Altybayeva Tursunbube Kasymkanovna	Chief accountant	since 26.12.2008 till 02.08.2013
Dzhamanbekov Almaz Melsovich	Leader of staff	since 10.10.2011 till 20.06.2012
Bayzakov Aybek Sabitovich	Deputy of General Director on gas marketing	since 08.07.2010
Amirkhanov Murat Anuarbekovich	Director of juridical department	since 08.07.2010

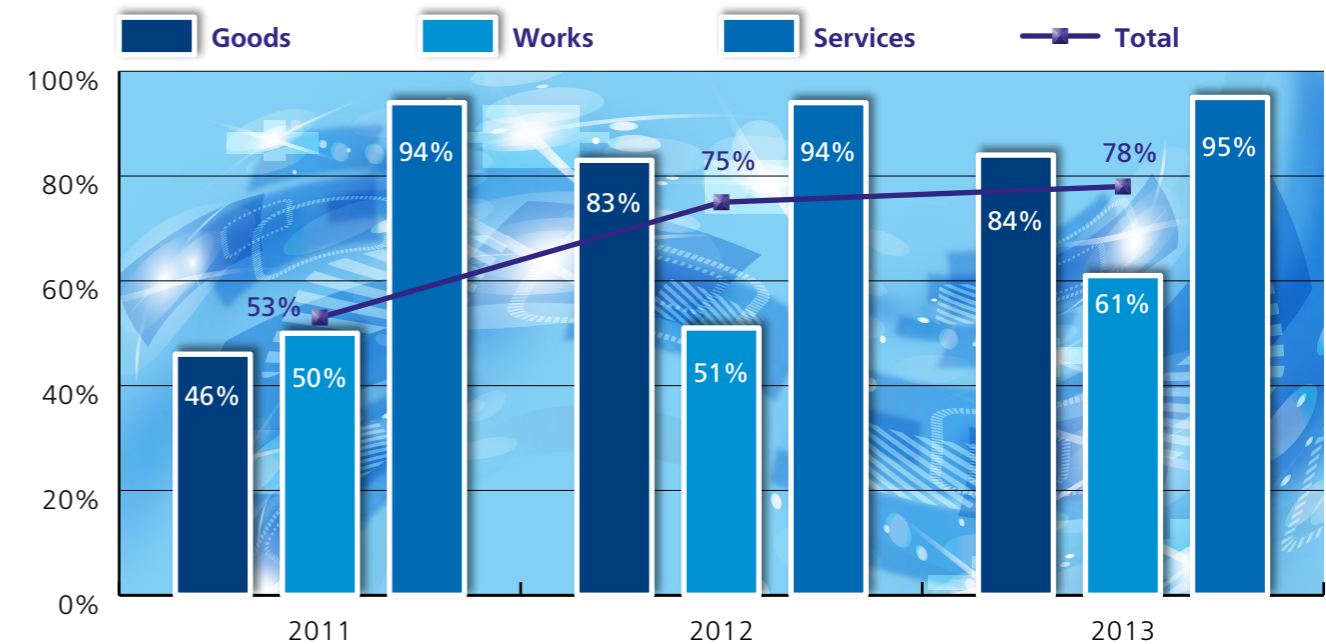
MEMBERS OF BOARD

Kazakhstan content (KC) in purchases of company's groups JSC "KazTransGas"

Rate	2013		
	Total	Share of Kazakhstan content	
		sum	%
Total volume of purchases, including:	219,3	170,0	78%
Goods	118,8	99,8	84%
Works	73,5	44,8	61%
Services	27	25,6	95%

Bln. tenge

LOCAL CONTENT DYNAMICS



Total volume of purchases on group of companies "KTG" for 2013 comprised 219,3 billion tenge, including purchased goods at sum 118,8 bln. tenge, works – at sum 73,5 bln. tenge and services – at sum 27 bln. tenge.

Share of Kazakhstan content in total volume of purchases comprised 170 bln. tenge, or 78%, out of them by purchased goods – 84%, executed works – 61% and rendered services – 95%.

Credit ratings and debt portfolio management

In 2013 international rating agencies Standard&Poor's and FitchRatings confirmed long-term rating KazTransGas at level «BB+/Stable». Moody's also confirmed long-term rating KazTransGas at level «Baa3» and increased forecast with «Stable» to «Positive».

Rating agency	Company	Date of rating	Rating	Forecast
Standard & Poor's	KTG	31.05.2013	BB+	Stable
FitchRatings	KTG	19.09.2013	BB+	Stable
Moody's	KTG	16.08.2013	Baa3	Positive

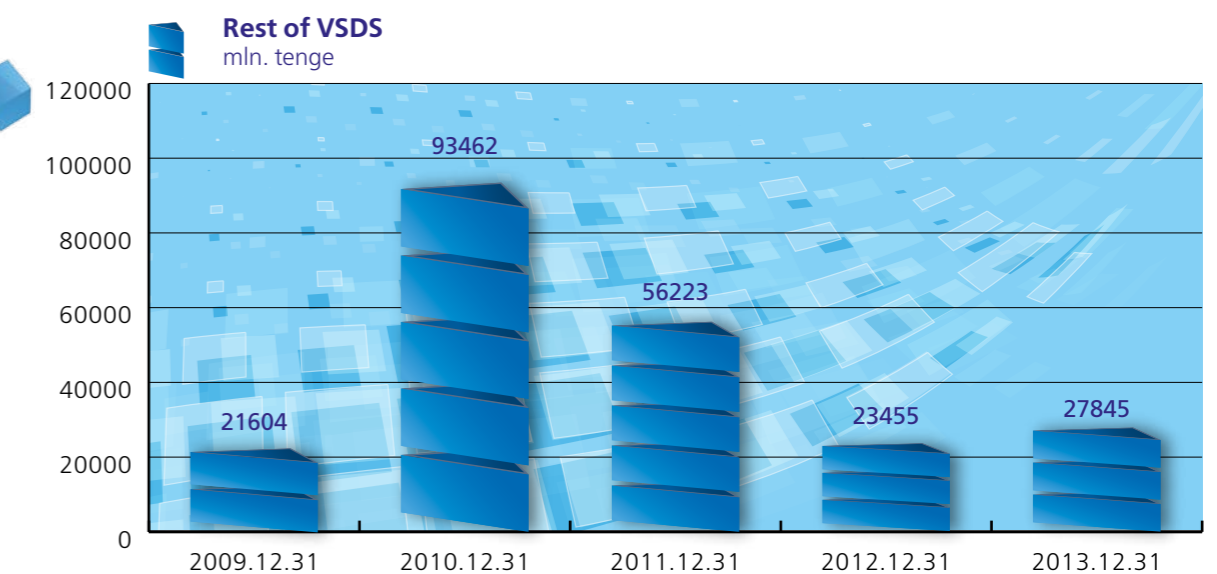
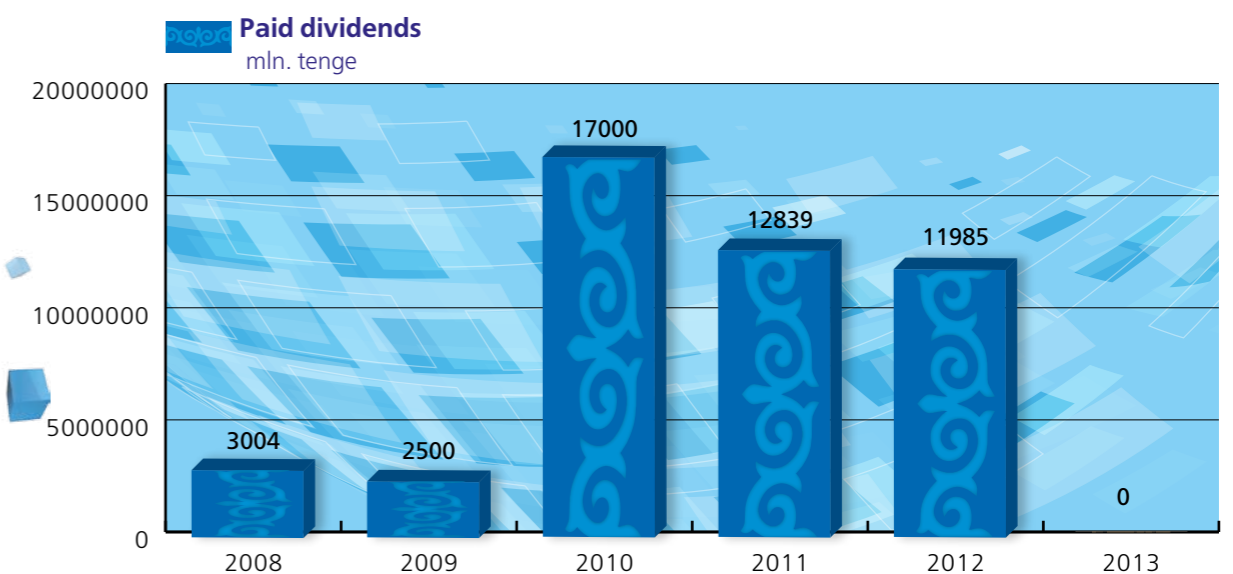
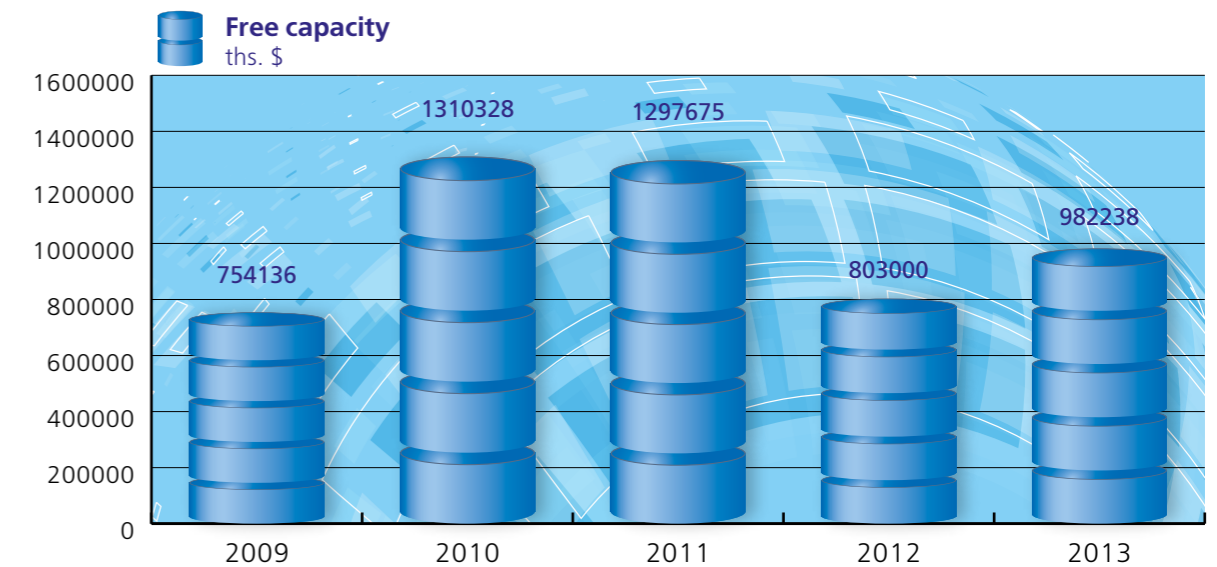
KazTransGas shall obtain loans, guided approved "NWF "Samruk – Kazyna" medium-term debt management policy for 2013-2015, according to which the defined maximum allowable level of debt.

THE LOAN PORTFOLIO OF THE COMPANY ON DECEMBER 31, 2013:

Borrower	Creditor	Debt rest	Currency
JSC «KazTransGas»	Credit Suisse	10 000 000	USD
JSC «KazTransGas»	City Bank Kazakhstan	30 000 000	USD
JSC «Intergas Central Asia»	Intergas Finance BV	540 000 000	USD
JSC «Intergas Central Asia»	City Bank Kazakhstan	20 000 000	USD
JSC «Intergas Central Asia»	HSBC PLC/Citigroup	20 208 581	USD
JSC «Intergas Central Asia»	ATF Bank	3 000 000 000	KZT
JSC «KazTransGas Aimak»	Bank of Kazakhstan Development	2 040 781 675	KZT
JSC «KazTransGas Aimak»	Bank of Kazakhstan Development	2 282 616 994	KZT
JSC «KazTransGas Aimak»	City Bank Kazakhstan	4 180 479 499	KZT
JSC «KazTransGas Aimak»	VTB Bank	2 999 997 000	KZT
JSC «KazTransGas Aimak»	Sberbank	9 000 000 000	KZT
JSC «KazTransGas - Almaty»	HSBC Bank Kazakhstan	21 636 900	USD

The total size of the loan portfolio as of KazTransGas December 31, 2013 amounted to 122,098 million tenge.

Covenants KMG	2009	2010	2011	2012	2013
Debt/EBITDA (<=3,5)	1,30	1,19	1,18	1,68	1,57
Net debt/Net capitalization (<=0,5)	0,27	0,13	0,11	0,19	0,2
Free capacity, thousand \$	754 136	1 310 328	1 297 675	803 000	982 238



Financial report

ERNST & YOUNG

OPINION

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of KazTransGas JSC and its subsidiaries as at 31 December 2013, and their consolidated financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards.

Ernst & Young LLP

Bakhtiyor Eshonkulov
Auditor/ Audit partner

Auditor qualification certificate No. МФ-0000099
dated 27 August 2012

20 February 2014

Evgeniy Zhemaletdinov
General director
LLP "Ernst & Young"

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2013

In thousands of tenge	Note	2013	2012 (Restated)*
Revenue	24	288,317,189	261,532,684
Cost of sales	25	(209,677,956)	(197,560,939)
Gross profit		78,639,233	63,971,745
General and administrative expenses	26	(23,794,840)	(20,913,973)
Other operating income	27	5,205,504	5,073,598
Other operating expenses	27	(6,009,560)	(2,510,948)
Operating profit		54,040,337	45,620,422
Finance income	28	1,446,401	1,517,212
Finance costs	28	(7,956,969)	(6,682,834)
Share in profit of joint ventures	7	19,987,613	693,470
Foreign exchange loss, net		(1,310,921)	(770,607)
Profit before income tax		66,206,461	40,377,663
Income tax expense	29	(15,753,117)	(12,139,340)
Profit for the year		50,453,344	28,238,323
Other comprehensive income			
Other comprehensive income to be reclassified to profit or loss in subsequent periods			
Foreign exchange recalculation, net		148,597	–
Other comprehensive income not to be reclassified to profit or loss in subsequent periods			
Re-measurement on defined benefit plans	17	(813,931)	–
Impact of income tax		162,786	–
Net other comprehensive income not to be reclassified to profit and loss in subsequent period		(651,145)	–
Total comprehensive income for the year, net of income tax		49,950,796	28,238,323

* Certain numbers shown here do not correspond to the 2012 consolidated financial statements and reflect adjustments made as detailed in Note 4.

 **KazTransGas**
NATIONAL OPERATOR IN THE SPHERE OF GAS AND GAS SUPPLY

 **KazTransGas**
NATIONAL OPERATOR IN THE SPHERE OF GAS AND GAS SUPPLY

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2013

In thousands of tenge	Note	2013	2012 (Restated)*	1 January 2012 (Restated)*
ASSETS				
Non-current assets				
Intangible assets		1,250,331	1,829,026	2,111,140
Property, plant and equipment	5	419,069,759	355,031,618	282,393,628
Gas assets	6	21,672,046	18,324,274	17,395,105
Investments in joint ventures	7	94,035,381	73,864,971	70,806,796
Advances paid for non-current assets	8	15,205,244	19,217,557	6,018,624
Bank deposits	12	5,830,660	105,375	59,216
Restricted cash	12	2,557,997	160,798	131,456
VAT recoverable		6,671,584	1,829,604	–
Deferred tax assets	29	446,115	–	–
Other non-current assets		1,440,359	4,128	185,877
		568,179,476	470,367,351	379,101,842
Current assets				
Inventories	9	22,698,641	23,504,555	24,581,740
Trade and other receivables	10	47,587,681	34,767,434	28,025,546
Interest-free loans due from related parties	30	57,101	19,507,000	45,000
Advances paid	8	3,427,983	2,850,709	1,764,397
Taxes recoverable	11	13,944,806	13,568,559	6,999,473
Corporate income tax prepaid		4,402,555	5,029,433	6,640,472
Bank deposits	12	11,481,155	15,740,204	31,432,604
Cash and cash equivalents	13	10,532,914	7,714,266	56,264,211
		114,132,836	122,682,160	155,753,443
TOTAL ASSETS		682,312,312	593,049,511	534,855,285
EQUITY AND LIABILITIES				
Equity				
Share capital	14	144,011,655	139,917,435	108,658,404
Additional paid-in capital	14	7,369,647	10,880,713	7,229,256
Foreign currency translation reserve		154,457	5,860	5,860
Retained earnings		283,100,106	233,347,907	217,094,747
		434,635,865	384,151,915	332,988,267
Non-current liabilities				
Debt securities issued	15	82,527,839	80,870,349	79,505,683
Interest bearing loans	16	5,990,952	6,223,805	8,620,705
Liabilities under employee benefits	17	2,651,942	937,820	606,118
Long-term payables		103,058	–	679,960
Other non-current liabilities	18	7,217,465	5,598,613	3,251,577
Provisions	19	2,244,917	1,039,997	1,248,987
Deferred tax liabilities	29	23,251,529	19,078,324	15,756,162
		123,987,702	113,748,908	109,669,192
Current liabilities				
Debt securities issued	15	675,692	663,068	652,774
Interest bearing loans	16	33,048,047	23,027,460	9,336,695
Provisions	19	4,811,060	3,077,304	2,915,101
Trade and other payables	20	62,526,240	40,187,284	29,205,967
Gas borrowing liabilities	21	5,744,418	13,047,579	4,018,817
Liabilities under Concession Agreement		1,956,806	1,242,265	–
Taxes payable		1,229,797	1,510,872	2,002,162
Corporate income tax payable		2,324,575	1,057,384	19,863
Advances received	22	3,299,086	2,656,303	38,623,521
Other current liabilities	23	8,073,024	8,679,169	5,422,926
		123,688,745	95,148,688	92,197,826
TOTAL EQUITY AND LIABILITIES		682,312,312	593,049,511	534,855,285

* Certain numbers shown here do not correspond to the 2012 consolidated financial statements and reflect adjustments made as detailed in Note 4.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2013

In thousands of tenge	Note	2013	2012 (Restated)*
Cash flows from operating activities			
Profit before tax		66,206,461	40,377,663
Adjustments to:			
Depreciation and amortisation		23,716,846	21,046,794
Finance costs, net	28	6,510,568	5,165,622
Share in profit of joint ventures	7	(19,987,613)	(693,470)
Provision for gas transportation		11,261,047	–
Changes in provisions		(1,656,520)	89,592
Amortization of deferred income	27	(311,011)	(203,768)
Amortization of housing compensation for employees		71,558	–
Loss from disposal of property, plant and equipment and intangible assets	27	740,520	258,321
Unrealized foreign exchange loss, net		1,710,005	1,450,686
Accrued expenses under concession Agreement		714,540	1,242,265
Loss/(income) from gas borrowing transactions	27	1,197,857	(537,074)
Impairment of property, plant and equipment	27	939,375	–
Liabilities under employee benefits		822,248	366,674
Operating income before working capital changes		91,935,881	68,563,305
Change in inventories		(9,519,844)	(2,812,141)
Change in trade and other receivables and other current assets		(12,245,287)	(6,764,628)
Change in advances paid		(576,287)	(1,077,674)
Change in taxes recoverable		(5,155,745)	(7,520,521)
Change in trade and other payables		5,312,784	7,500,803
Change in gas borrowing liabilities		(8,538,296)	9,565,462
Change in taxes payable		(661,697)	(491,290)
Change in advances received		639,398	(35,973,599)
Change in other current liabilities		(1,355,893)	2,275,098
Change in other non-current liabilities		–	11,656
Cash flows from operating activities		59,835,014	33,276,471
Interest paid		(6,717,926)	(6,191,340)
Corporate income tax paid		(8,115,138)	(6,166,052)
Interest received on bank deposits		584,720	1,230,943
Net cash flow from/(used in) operating activities		45,586,670	22,150,022
Cash flows from investing activities			
Bank deposits		(557,418)	15,542,651
Placement of restricted cash		(2,397,199)	(29,342)
Interest-free loans provided to related parties		(50,101)	(19,507,000)
Interest-free loans repaid by related parties		19,500,221	59,222
Purchase of property, plant and equipment and gas assets		(67,170,444)	(44,333,902)
Purchase of intangible assets		(113,863)	(197,900)
Proceeds from sale of property, plant and equipment and intangible assets		3,539,355	9,312
Housing compensation for employees		(1,508,011)	–
Investments in joint ventures		(34,200)	(2,364,705)
Other dividends received		–	231,094
Advances paid for non-current assets		(3,478,686)	(19,212,255)
Net cash flow used in investing activities		(52,270,346)	(69,802,825)
Cash flows from financing activities			
Proceeds from bank loans		85,811,902	39,018,583
Repayment of bank loans		(76,259,578)	(27,930,561)
Distribution to shareholder		(50,000)	–
Dividends paid	14	–	(11,985,164)
Net cash flow from/(used in) financing activities		9,502,324	(897,142)
Net change in cash and cash equivalents		2,818,648	(48,549,945)
Cash and cash equivalents at the beginning of the year	13	7,714,266	56,264,211
Cash and cash equivalents at the end of the year	13	10,532,914	7,714,266

* Certain numbers shown here do not correspond to the 2012 consolidated financial statements and reflect adjustments made as detailed in Note 4.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2013

In thousands of tenge	Share capital	Additional paid-in capital	Foreign currency translation reserve	Retained earnings	TOTAL
As at 1 January 2012	108,658,404	3,279,340	5,860	217,311,296	329,254,900
Restatement	–	3,949,916	–	(216,548)	3,733,368
As at 1 January 2012 (Restated)*	108,658,404	7,229,256	5,860	217,094,748	332,988,268
Net profit for the year (Restated)*	–	–	–	28,238,323	28,238,323
Total comprehensive income for the year (Restated)*	–	–	–	28,238,323	28,238,323
Issue of shares (Note 14)	31,259,031	(31,259,031)	–	–	–
Contribution from the Shareholder (Note 14)	–	34,910,488	–	–	34,910,488
Dividends (Note 14)	–	–	–	(11,985,164)	(11,985,164)
As at 31 December 2012 (Restated)*	139,917,435	10,880,713	5,860	233,347,907	384,151,915
Net profit for the year	–	–	–	50,453,344	50,453,344
Other comprehensive income for the year	–	–	148,597	(651,145)	(502,548)
Total comprehensive income for the year	–	–	148,597	49,802,199	49,950,796
Issue of shares (Note 14)	4,094,220	(4,094,220)	–	–	–
Contribution from the shareholder (Note 14)	–	583,154	–	–	583,154
Distribution to the shareholder (Note 14)	–	–	–	(50,000)	(50,000)
As at 31 December 2013	144,011,655	7,369,647	154,457	283,100,106	434,635,865

* Certain numbers shown here do not correspond to the 2012 consolidated financial statements and reflect adjustments made as detailed in Note 4.

NON-CASH TRANSACTIONS – ADDITIONAL DISCLOSURES

The following non-cash transactions have been excluded from the consolidated statement of cash flows:

INCREASE IN SHARE CAPITAL

During 2013 the Group issued 409,422 ordinary shares with a nominal value of 10,000 thousand tenge. The shares were acquired by the sole shareholder and paid by shares of Arkagas JSC.

TRANSFER OF PROPERTY, PLANT AND EQUIPMENT

In 2013 the Group received property, plant and equipment in the amount of 1,557,540 thousand tenge free of charge. Further details regarding transferred property, plant and equipment are given in Note 5 (2012: 2,354,219 thousand tenge).

Also in 2013 the Group received gas pipelines of 287,906 thousand tenge from its customers (2012: 318,315 thousand tenge) and existing distribution gas pipelines totalling to 65,286 thousand tenge in exchange for long term notes payable with the current value of 24,398 thousand tenge.

ACCOUNTS PAYABLE FOR THE SUPPLY OF NON-CURRENT ASSETS

In 2013 additions to property, plant and equipment in the amount of 8,450,147 thousand tenge were financed by increase in accounts payable (2012: 2,953,928 thousand tenge).

ADVANCES PAID FOR NON-CURRENT ASSETS

In 2013 additions to property, plant and equipment in the amount of 7,491,000 thousand tenge were financed by advances paid in 2012 (2012: 6,013,322 thousand tenge).

TRANSFER OF INVENTORIES

In 2013 inventories in the amount of 10,291,373 thousand tenge were transferred to property, plant and equipment (2012: 3,853,843 thousand tenge).

RETURN OF BORROWED GAS

In 2013 the Group obtained 409,900 thousand cubic meters of gas within the second part of the third borrowing and 290,181 thousand cubic meters of gas within the fourth borrowing in the total amount of 9,039,906 thousand tenge (2012: 13,469,520 thousand tenge). In 2013 the Group returned 1,284,661 thousand cubic meters of gas obtained within the second borrowing in the volume of 593,177 thousand cubic meters, including 431,358 thousand cubic meters of gas obtained within the first portion of the third borrowing and 260,126 thousand cubic meters of gas obtained within the second portion of the third borrowing for the total amount of 16,343,067 thousand tenge (2012: 4,440,758 thousand tenge).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2013

1. CORPORATE INFORMATION

The accompanying consolidated financial statements include the financial statements of KazTransGas JSC (the “Company” or “KTG”) and its subsidiaries (hereinafter collectively referred to as the “Group”) (Note 2). KTG is a joint stock company established in accordance with the Decree of the Government of the Republic of Kazakhstan (the “Government”) No.173 dated 5 February 2000 and was registered as a closed joint stock company on 13 March 2000. On 9 June 2004 the Company was re-registered as a joint stock company under the laws of the Republic of Kazakhstan. The Group’s head office is located at 19, Kabanbay Batyr ave., Astana, Republic of Kazakhstan.

NC KazMunayGas JSC (“KazMunayGas”) is the sole shareholder of KTG. The Government represented by “Sovereign Wealth Fund “Samruk-Kazyna” JSC (“Samruk-Kazyna”) is the only shareholder of KazMunayGas, and all subsidiaries of KazMunayGas and Samruk-Kazyna are considered as related parties of the Company and Group (Note 30).

In accordance with the Decree of the Government of the RK No. 914 dated 5 July 2012, KTG was appointed as the national operator in the sector of gas and gas supply. Being the national operator, the Group’s main activity will aim to ensure reliable supply of commercial gas to meet the domestic demand in Kazakhstan.

The main activities of the Group also include the following:

- management of investment activities for the overall development of the main gas pipeline systems within Kazakhstan;
- management of investment activities for development of gas fields within Kazakhstan;
- providing consulting services related to research and development of gas industry projects;
- sale of gas to the external and local markets;
- participation in the development and implementation of state programs for the development of the gas industry.

The accompanying consolidated financial statements were authorized for release by the Deputy General Director on Economics and Finance, Chief accountant and Director of Reporting Department of the Company on 20 February 2014.

Exploration and production of hydrocarbons

In December 2000, the Group signed the Agreement with Investment Agency of the Republic of Kazakhstan on exploration and production of hydrocarbons on North-Ucharal, Ucharal-Kempirtobe territories and blocks

XXXIII-48, XXXIII-49, XXXIV-49, XXXIV-50, XXXIV-51, XXXV-50, including Amangeldy, Anabai, Airakty and Kumyrlы gas fields, Zhambyl oblast, South Kazakhstan (the “Hydrocarbon Agreement”). The term of the Hydrocarbon Agreement is 31 years. In November 2003, the Group started production and sale of gas from Amangeldy gas field.

Under the terms of the Hydrocarbon Agreement, the Group has the right to relinquish any of the block areas in the event that commercial deposits of hydrocarbons are not discovered.

Agreement between ICA and the Government

Intergas Central Asia JSC (“ICA”), a 100% subsidiary of the Company (Note 2), operates the mainline gas distribution network in the Republic of Kazakhstan pursuant to an agreement (the “Agreement” or the “Concession agreement”) between ICA and the Government. ICA acquired its interest in the Agreement from a predecessor operator in 2000. Under the terms of the Agreement, ICA is obliged to operate and maintain the mainline gas distribution network until 14 June 2017 at which time, subject to being extended for a further ten years, then they are to be transferred to the Government.

On 31 May 2012, ICA received an early termination letter from the Committee of State property and privatization of Ministry of Finance of the Republic of Kazakhstan (the “Committee”) with a proposal to sign a contract of trust management up to 1 January 2013. Early termination of the Agreement was initiated by the Committee, with the future intention to transfer in 2012 to the Group’s ownership assets under the Agreement through Samruk-Kazyna. KazMunaiGas responded that termination of the Agreement is premature, since any amendments and supplements to the Agreement shall be agreed with foreign creditors. Currently the management is in the process of negotiations with foreign creditors in order to obtain approval for the Agreement termination.

In addition, on 30 July 2012 the Committee and ICA signed a supplement to the Concession Agreement with respect to expenditures under the Agreement for 2011 and 2012.

2. BASIS OF PREPARATION

The accompanying consolidated financial statements of the Company have been prepared in accordance with International Financial Reporting Standards (“IFRS”), as issued by International Accounting Standard Board (“IASB”).

The consolidated financial statements have been prepared on a historical cost basis, except for assets and liabilities that were valued at fair value as described in the accounting policies and the notes to these financial statements.

All values in these financial statements are rounded to the nearest thousands, except when otherwise indicated.

Basis of consolidation

Subsidiaries are consolidated by the parent company from the date of acquisition, being the date on which the latter obtains control, and continue to be consolidated until the date that such control ceases. The financial statements of the subsidiaries are prepared for the same reporting period as the Group, using consistent accounting policies for all companies of the Group. All intra-group balances, transactions, unrealized gains and losses resulting from intra-group transactions and dividends were eliminated in full.

A change in the ownership interest of a subsidiary, without a change of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it:

- Derecognizes the assets (including goodwill) and liabilities of the subsidiaries;
- Derecognizes the carrying amount of any non-controlling interest;
- Derecognises the cumulative translation differences, recorded in equity;
- Recognises the fair value of the consideration received;
- Recognises the fair value of any investment retained;
- Recognises any surplus or deficit in profit or loss;
- Reclassifies the parent’s share of components previously recognized in other comprehensive income to profit or loss or retained earnings, as appropriate.

FULL NAME:
«KazTransGas» Joint Stock Company
LOCATION:
19 Kabanbay Batyr str., Astana,
Republic of Kazakhstan
POSTAL ADDRESS:
19 Kabanbay Batyr str., Astana,
010000
TELEPHONE: +7 /7172/ 55-22-22
FAX: +7 /7172 / 24-00-66
http://www.kaztransgas.kz

PUBLIC RELATIONS
Telephone: +7 /7172/ 55-23-16
Fax: +7 /7172/24-00-66
E-mail: pr@kaztransgas.kz

CORPORATE SECRETARY
Telephone: +7 /7172/ 55-22-00
Fax: +7 /7172/ 24-00-66
E-mail: info@kaztransgas.kz

REPRESENTATIVE OFFICE IN MOSCOW
(RUSSIAN FEDERATION)
Address: 20 a Berezhkovskaya queue,
Moscow 121059 Russia
Tel./fax: +7 /499/ 963-83-83

ПОЛНОЕ НАИМЕНОВАНИЕ:
Акционерное общество «КазТрансГаз»
МЕСТОНАХОЖДЕНИЕ:
Республика Казахстан, г. Астана,
ул.Кабанбай батыра, д. 19
ПОЧТОВЫЙ АДРЕС:
010000, г. Астана,
ул. Кабанбай батыра, д. 19
ТЕЛЕФОН: +7 /7172/ 55-22-22
ФАКС: +7 /7172 / 24-00-66
САЙТ: <http://www.kaztransgas.kz>

СВЯЗЬ С ОБЩЕСТВЕННОСТЬЮ
Телефон: +7 /7172/ 55-23-16
Факс: + 7 /7172/ 24-00-66
E-mail: pr@kaztransgas.kz

КОРПОРАТИВНЫЙ СЕКРЕТАРЬ
Телефон: +7 /7172/ 55-22-00
Факс: + 7 /7172/ 24-00-66
E-mail: info@kaztransgas.kz

ПРЕДСТАВИТЕЛЬСТВО В МОСКВЕ
(РОССИЙСКАЯ ФЕДЕРАЦИЯ)
Адрес: 121059 Россия, г. Москва,
Бережковская набережная, 20а
Тел./факс: +7 /499/ 963-83-83

ТОЛЫҚ АТАУЫ:
«ҚазТрансГаз» Акционерлік қоғамы
ТҰРҒАН ЖЕРІ:
Қазақстан Республикасы,
Астана қ., Қабанбай батыра қ., 19-үй,
ПОШТА МЕКЕНЖАЙЫ:
010000, Астана қ.,
Қабанбай батыра қ., 19-үй
ТЕЛЕФОН: +7 /7172/ 55-22-22
ФАКС: +7 /7172 / 24-00-66
http://www.kaztransgas.kz

ЖҰРТШЫЛЫҚПЕН БАЙЛАНЫС
Телефон: +7 /7172/ 55-23-16
Факс: +7 /7172/ 24-00-66
E-mail: pr@kaztransgas.kz

КОРПОРАТИВТІК ХАТШЫ
Телефон: +7 /7172/ 55-22-00
Факс: +7 /7172/ 24-00-66
E-mail: info@kaztransgas.kz

МӘСКЕУ ӨКІЛДІК (РЕСЕЙ
ФЕДЕРАЦИЯСЫ)
Мекенжайы: 121059 Ресей, Мәскеу
қ., Бережковская набережная, 20 а
Тел./факс: +7 /499/ 963-83-83

2013



KazTransGas