

**KazTransGas JSC**

Interim condensed consolidated financial statements  
(unaudited)

*As at and for the three and six months ended 30 June 2020*

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**Interim condensed consolidated financial statements (unaudited)**

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## Report on Review of Interim Consolidated Financial Information

To the Shareholder and Management of KazTransGas JSC

### **Introduction**

We have reviewed the accompanying interim condensed consolidated financial statements of KazTransGas JSC (“the Company”) and its subsidiaries (collectively referred to as “the Group”), which comprise the interim consolidated statement of financial position as at 30 June 2020 and the related interim consolidated statements of comprehensive income, changes in equity and cash flows for the six-month period then ended and explanatory notes (interim financial information). Management is responsible for the preparation and fair presentation of this interim financial information in accordance with IAS 34, *Interim Financial Reporting*. Our responsibility is to express a conclusion on this interim financial information based on our review.

### **Scope of review**

We conducted our review in accordance with International Standard on Review Engagements 2410, *Review of Interim Financial Information Performed by the Independent Auditor of the Entity*. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

### **Conclusion**

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

*Ernst & Young LLP*



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Paul Cohn  
Audit Partner

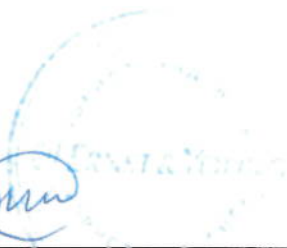



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3 August 2020



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State audit license for audit activities on the  
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on 15 July 2005

**INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

<i>In thousands of tenge</i>	<b>Note</b>	<b>30 June 2020 (unaudited)</b>	<b>31 December 2019 (restated)*</b>
<b>Assets</b>			
<b>Non-current assets</b>			
Property, plant and equipment	5	1,064,944,834	1,010,618,617
Right-of-use assets		1,277,490	2,458,867
Exploration and evaluation assets		16,139,708	13,205,928
Investment property		5,814,388	5,844,600
Intangible assets		6,522,605	6,438,798
Investments in joint ventures	6	352,452,407	251,686,117
Advances paid for non-current assets	7	18,801,157	63,069,539
Loans to related party	8	162,903,533	153,713,982
VAT recoverable	9	78,904,699	112,727,868
Deferred tax assets		1,171,725	1,123,147
Other non-current assets		208,657	288,626
Bank deposits		4,513,167	4,849,666
		<b>1,713,654,370</b>	<b>1,626,025,755</b>
<b>Current assets</b>			
Inventories	11	30,252,726	51,384,198
Trade and other receivables	12	110,875,545	197,118,788
Loans to related party	8	49,075,937	48,954,842
Advances paid	7	18,885,524	23,325,191
Prepaid taxes other than income tax	9	52,097,000	18,062,856
Corporate income tax prepaid		20,950,181	15,308,719
Other current assets		785,867	607,838
Bank deposits		37,306	22,130
Cash and cash equivalents	10	220,255,109	114,207,543
		<b>503,215,195</b>	<b>468,992,105</b>
<b>Total assets</b>		<b>2,216,869,565</b>	<b>2,095,017,860</b>

\* Certain amounts shown here are not consistent with the amounts in the consolidated financial statements for the year ended 31 December 2019 and reflect adjustments made. refer to Note 4.

*The accompanying notes on pages 6 to 24 are an integral part of these interim condensed consolidated financial statements (unaudited).*

**INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)**

<i>In thousands of tenge</i>	Note	30 June 2020 (unaudited)	31 December 2019 (restated)*
<b>Equity and liabilities</b>			
<b>Equity</b>			
Share capital	13	210,373,489	192,623,055
Additional paid-in capital	13	245,487,974	250,384,811
Foreign currency translation reserve		546,149	546,149
Retained earnings		825,326,572	692,476,189
		<b>1,281,734,184</b>	<b>1,136,030,204</b>
<b>Non-current liabilities</b>			
Debt securities issued	14	289,022,429	290,599,631
Interest bearing loans	15	84,476,255	168,818,330
Loans from related party	16	10,899,675	10,549,245
Employee benefit obligations		344,025	1,380,004
Provisions	17	77,989,991	75,002,136
Other non-current financial liabilities		6,846,956	8,323,611
Other non-current liabilities		8,631,687	7,838,881
Deferred tax liabilities		56,885,238	51,344,780
		<b>535,096,256</b>	<b>613,856,618</b>
<b>Current liabilities</b>			
Debt securities issued	14	3,386,857	3,406,541
Interest bearing loans	15	105,527,585	24,519,363
Loans from related party	16	501,283	183,047
Provisions	17	31,142,157	29,916,434
Trade and other payables	18	232,173,878	256,623,988
Corporate income tax payable		539,212	-
Taxes payable other than income tax		1,533,725	2,501,191
Contract liabilities	19	10,388,686	5,550,855
Other current financial liabilities		6,987,717	8,203,073
Other current liabilities		7,858,025	14,226,546
		<b>400,039,125</b>	<b>345,131,038</b>
<b>Total equity and liabilities</b>		<b>2,216,869,565</b>	<b>2,095,017,860</b>

\* Certain amounts shown here are not consistent with the amounts in the consolidated financial statements for the year ended 31 December 2019 and reflect adjustments made, refer to Note 4.

Deputy General Director on economics and finance



Zhanuzak T.Zh.

Chief accountant

Meldekhanov B.N.

*The accompanying notes on pages 6 to 24 are an integral part of these interim condensed consolidated financial statements (unaudited).*



**INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**

<i>In thousands of tenge</i>	Note	For the three months ended 30 June (unaudited)		For the six months ended 30 June (unaudited)	
		2020	2019 (restated)*	2020	2019 (restated)*
Revenue from contracts with customers	20	183,449,778	236,084,495	505,004,388	523,719,449
Cost of sales	21	(162,053,467)	(154,324,332)	(420,900,669)	(397,035,219)
<b>Gross profit</b>		<b>21,396,311</b>	<b>81,760,163</b>	<b>84,103,719</b>	<b>126,684,230</b>
General and administrative expenses (Accrual)/reversal of allowance for expected credit losses	22	(6,694,185)	(15,183,411)	(12,859,666)	(20,653,196)
Other operating income		1,511,314	1,371,627	2,687,318	2,478,736
Other operating expenses		(391,065)	(1,785,398)	(747,088)	(3,231,806)
<b>Operating profit</b>		<b>14,498,119</b>	<b>68,198,498</b>	<b>71,247,419</b>	<b>106,149,835</b>
Finance income	23	6,023,487	3,329,884	10,625,189	7,934,488
Finance costs	23	(8,516,775)	(8,053,622)	(16,119,885)	(20,561,823)
Share in income of joint ventures	6	112,777,818	47,247,606	100,766,290	101,350,010
Foreign exchange income/(loss), net		3,126,148	(925,535)	(3,850,856)	(1,638,062)
<b>Profit before income tax</b>		<b>127,908,797</b>	<b>109,796,831</b>	<b>162,668,157</b>	<b>193,234,448</b>
Income tax expenses	24	(4,513,984)	(14,388,376)	(13,727,663)	(22,097,617)
<b>Net profit for the period after tax</b>		<b>123,394,813</b>	<b>95,408,455</b>	<b>148,940,494</b>	<b>171,136,831</b>
<b>Other comprehensive income</b>		<b>41,097</b>	<b>-</b>	<b>41,097</b>	<b>-</b>
<b>Comprehensive income not to be reclassified to profit and loss in subsequent periods (net of tax)</b>					
Remeasurement of defined benefit plans – actuarial gain		41,097	-	41,097	-
<b>Net comprehensive income not to be reclassified to profit and loss in subsequent periods</b>		<b>41,097</b>	<b>-</b>	<b>41,097</b>	<b>-</b>
<b>Total comprehensive income for the period, net of tax</b>		<b>123,435,910</b>	<b>95,408,455</b>	<b>148,981,591</b>	<b>171,136,831</b>
<b>Earnings per share</b>					
Basic and diluted, earnings per share for the period attributable to the parent	13	0.35	0.27	0.42	0.49

\* Certain amounts shown here are not consistent with the amounts in the interim condensed consolidated financial statements for the six months ended 30 June 2019 and reflect adjustments made, refer to Note 4.

Deputy General Director on economics and finance



Zhanuzak T.Zh.

Chief accountant

Meldekhanov B.N.

The accompanying notes on pages 6 to 24 are an integral part of these interim condensed consolidated financial statements (unaudited).

**INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS**

<i>In thousands of tenge</i>	Note	For the six months ended 30 June (unaudited)	
		2020	2019 (restated)*
<b>Cash flows from operating activities</b>			
Receipts from customers		620,317,170	524,761,570
Interest received		7,038,767	4,034,818
VAT refund from budget		31,582,792	10,000,000
Other receipts		977,421	740,340
Payments to suppliers		(419,953,041)	(393,837,756)
Income tax paid		(7,962,996)	(12,151,993)
Other taxes and payments to the budget and fund		(23,657,335)	(23,014,370)
Interest paid		(14,583,397)	(16,056,017)
Payments to employees		(20,280,405)	(19,832,567)
Other payments		(3,221,510)	(3,236,290)
<b>Net cash flows received from operating activities</b>		<b>170,257,466</b>	<b>71,407,735</b>
<b>Cash flows from investing activities</b>			
Withdrawal of bank deposits		692,519	818,317
Proceeds from sale of property, plant and equipment and intangible assets		46,920	158,704
Dividends received from joint venture		-	39,000
Acquisition of long-term financial assets		(927,702)	-
Placement of bank deposits		(350,845)	(369,190)
Purchase of property, plant and equipment, intangible assets, and exploration and evaluation assets		(42,199,920)	(85,707,589)
Acquisition of a subsidiary, net of cash acquired	2	(24,894)	-
<b>Net cash flows used in investing activities</b>		<b>(42,763,922)</b>	<b>(85,060,758)</b>
<b>Cash flows from financing activities</b>			
Proceeds from issue of common shares	13	1,000,151	-
Proceeds on interest bearing loans		4,314,938	17,918,508
Proceeds on loans from related parties		318,236	-
Repayments of interest bearing loans and debt securities issued		(29,655,286)	(26,366,577)
Dividends paid	13	(3,111)	-
Other payments on operations with the Shareholder		-	(5,700,000)
<b>Net cash flows used in financing activities</b>		<b>(24,025,072)</b>	<b>(14,148,069)</b>
<b>Net foreign exchange difference on cash and cash equivalents</b>		<b>2,579,094</b>	<b>(1,415,056)</b>
Net change in cash and cash equivalents		106,047,566	(29,216,148)
Cash and cash equivalents, at the beginning of the period	10	114,207,543	151,495,019
<b>Cash and cash equivalents, at the end of the period</b>	10	<b>220,255,109</b>	<b>122,278,871</b>

\* Certain amounts shown here are not consistent with the amounts in the interim condensed consolidated financial statements for the six months ended 30 June 2019 and reflect adjustments made, refer to Note 4.

Deputy General Director on economics and finance



Zhamuzak T.Zh.

Chief accountant

Meldekhanov B.N.

The accompanying notes on pages 6 to 24 are an integral part of these interim condensed consolidated financial statements (unaudited).



**INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**

<i>In thousands of tenge</i>	Note	Share capital	Additional paid-in capital	Foreign currency translation reserve	Retained earnings	Total
<b>At 31 December 2018 (audited)</b>		192,623,055	249,044,991	546,149	358,270,270	800,484,465
Effect of pooling		-	-	-	(510,066)	(510,066)
<b>At 1 January 2019 (restated)*</b>		192,623,055	249,044,991	546,149	357,760,204	799,974,399
Net profit for the period (restated)*		-	-	-	171,136,831	171,136,831
<b>Total comprehensive income for the period (restated)*</b>		-	-	-	171,136,831	171,136,831
Contribution from the Shareholder		-	1,339,820	-	-	1,339,820
<b>At 30 June 2019 (unaudited and restated)*</b>		192,623,055	250,384,811	546,149	528,897,035	972,451,050
<b>At 31 December 2019 (restated)*</b>		192,623,055	250,384,811	546,149	692,476,189	1,136,030,204
Net profit for the period		-	-	-	148,940,494	148,940,494
Other comprehensive income		-	-	-	41,097	41,097
<b>Total comprehensive income for the period</b>		-	-	-	148,981,591	148,981,591
Common shares issued	13	17,750,434	-	-	(16,750,283)	1,000,151
Dividends paid	13	-	-	-	(3,111)	(3,111)
Contribution from the Shareholder	13	-	4,731,400	-	-	4,731,400
Other transactions with the Shareholder	13	-	(9,628,237)	-	622,186	(9,006,051)
<b>At 30 June 2020 (unaudited)</b>		<b>210,373,489</b>	<b>245,487,974</b>	<b>546,149</b>	<b>825,326,572</b>	<b>1,281,734,184</b>

\* Certain amounts shown here are not consistent with the amounts in the interim condensed consolidated financial statements for the six months ended 30 June 2019 and reflect adjustments made, refer to Note 4.

Deputy General Director on economics and finance



Zhanuzak T.Zh.

Chief accountant

Meldekhanov B.N.

*The accompanying notes on pages 6 to 24 are an integral part of these interim condensed consolidated financial statements (unaudited).*

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

As at and for the three and six months ended 30 June 2020

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**1. CORPORATE INFORMATION**

The accompanying interim condensed consolidated financial statements include the financial statements of KazTransGas JSC (the “Company” or “KTG”) and its subsidiaries (hereinafter collectively referred to as the “Group”).

KTG is a joint stock company established in accordance with the Resolution 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 registered in the Republic of Kazakhstan, Nur-Sultan, Yesil district, Alikhan Bokeykhan street, 12.

NC KazMunayGas JSC (“KazMunayGas” or “KMG”) is the sole shareholder of KTG. The Government as represented by “Sovereign Wealth Fund “Samruk-Kazyna” JSC (“Samruk-Kazyna”) owns 90% minus 1 (one) share of KazMunayGas, and all subsidiaries of KazMunayGas and Samruk-Kazyna are considered as related parties of the Company and the Group (*Note 25*).

In accordance with the Resolution of the Government No. 914 dated 5 July 2012, KTG was appointed as the national operator in the area of gas and gas supplies. In the role of national operator, the Group’s main activities are aimed to ensure reliable supply of commercial gas to meet the domestic demand in Kazakhstan.

The main activities of the Group include the following:

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

The Group’s operating activities are regulated by the Law of the Republic of Kazakhstan *On Natural Monopolies and Regulated Markets* (the “Law”) as the Group is a natural monopolist in transportation and supply of gas on domestic market. According to the Law, the Group’s tariffs related to gas transportation and sales on domestic market are approved by the Committee of the Republic of Kazakhstan for the Regulation of Natural Monopolies and Protection of Competition under the Ministry of National Economy of the Republic of Kazakhstan and Ministry of Energy of the Republic of Kazakhstan.

As at 30 June 2020, the Group has commitments in the amount of 47,514,264 thousand tenge under the investment program for 2016-2021 approved by the common order of Vice-Minister of Energy and Chairman of the Committee on Regulation of Natural Monopolies and Protection of Competition under the Ministry of National Economy of the Republic of Kazakhstan (as at 31 December 2019: 52,124,843 thousand tenge). The results of the implementation of this program can influence the future tariffs. As at 30 June 2020, the Group fulfils its obligations under the approved investment program, taking into account the adjustments made.

The accompanying interim condensed consolidated financial statements were authorized for release by the deputy general director on economics and finance and chief accountant of the Company on 3 August 2019.

**Exploration and production of hydrocarbons**

In December 2000, the Group signed the Contract with the 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, in Zhambyl oblast, South Kazakhstan (the “Hydrocarbon Agreement”). The term of the Hydrocarbon Agreement is 31 years. The Group started production and sale of gas at Amangeldy gas field in November 2003 and at Zharkum field in December 2014.

Under the terms of the Hydrocarbon Agreement, the Group has the right to relinquish any of the block areas unless commercially viable hydrocarbon reserves are discovered.

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (unaudited) (continued)

### 2. BASIS OF PREPARATION

The interim condensed consolidated financial statements of the Group for the six months ended 30 June 2020 have been prepared in accordance with International Accounting Standard (IAS) 34 *Interim Financial Reporting*.

The interim condensed consolidated financial statements do not include all the information and disclosures required for the annual financial statements, and should be read in conjunction with the Group's annual consolidated financial statements as at 31 December 2019.

#### Subsidiaries

As at 30 June 2020 and 31 December 2019, the Company had interest in equity of the following entities, which are included into the interim condensed consolidated financial statements:

Name	Place of incorporation	Principal activities	Ownership	
			30 June 2020	31 December 2019
Intergas Central Asia JSC (ICA)	Kazakhstan	Transportation and storage of gas and rendering technical servicing for gas pipelines in Kazakhstan	100%	100%
KazTransGas Aimak JSC (KTG Aimak)	Kazakhstan	Sale of gas to local power distributors, legal entities and individuals	100%	100%
KazTransGas Onimderi LLP (KTG Onimderi)	Kazakhstan	Transportation services	100%	100%
Amangeldy Gas LLP (Amangeldy Gas)	Kazakhstan	Production of natural gas and gas condensate	100%	100%
KMG Kansu Operating LLP	Kazakhstan	Exploration of natural gas and gas condensate	100%	100%
Intergas Finance B.V. (IFBV)	Netherlands	Issue of Eurobonds (raising debt funds)	100%	100%
KazTransGas Bishkek LLC (KTG Bishkek)	Kyrgyzstan	Repair and renewal operations and modernization of the main gas pipeline "Bukhara gas area – Tashkent – Bishkek – Almaty"	100%	100%
KTG Finance B.V. (KTGF)	Netherlands	Financial activities	100%	–
KazMunayGas Service-NS JSC (KMGS-NS)	Kazakhstan	Construction and/(or) maintenance of Golf Club	100%	–

During the six months ended 30 June 2020, the Company purchased 100% shares of KMG EP RF Holding B.V. for 24,894 thousand tenge (equivalent to 65,773 US dollars). During six months ended 30 June 2020, KMG EP RF Holding B.V. was renamed to to KTG Finance B.V.

During the six months ended 30 June 2020, the Company received 100% interest in equity of KazMunayGas Service-NS JSC (KMGS NS) from NC KazMunayGas JSC in exchange for issuing common shares for the total amount of 16,750,283 thousand tenge (Note 13).

#### Investments in joint ventures

As at 30 June 2020 and 31 December 2019, the Group had interests in the following joint ventures which are accounted for in the consolidated financial statements using the equity method:

Name	Place of incorporation	Principal activities	Share, %	
			30 June 2020	31 December 2019
Asian Gas Pipeline LLP (AGP)	Kazakhstan	Construction and operating of Kazakhstan – China gas pipeline	50%	50%
Beineu-Shymkent Pipeline LLP (BShP)	Kazakhstan	Construction and operating of Beineu-Bozoy-Shymkent gas pipeline	50%	50%
AvtoGaz LLP (AG)	Kazakhstan	Organization, operation, construction and maintenance of gas filling compressor stations	50%	50%

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

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**2. BASIS OF PREPARATION (continued)****Foreign exchange rates**

Weighted average currency exchange rates established by the Kazakhstan Stock Exchange ("KASE") are used as official currency exchange rates in the Republic of Kazakhstan. As at 30 June 2020, the currency exchange rate of KASE was 403.93 tenge to 1 US dollar. This rate was used for translation of monetary assets and liabilities denominated in US dollar at 30 June 2020 (at 31 December 2019: 382.59 tenge to 1 US dollar).

**3. CHANGES IN ACCOUNTING POLICY OF THE GROUP****New standards, interpretations and amendments adopted by the Group**

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2019, except for the adoption of new standards effective as at 1 January 2020. The Group has not early-adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

Several amendments and interpretations apply for the first time in 2020, but do not have an impact on the interim condensed consolidated financial statements of the Group.

*Amendments to IFRS 3: Definition of a Business*

The amendment to IFRS 3 clarifies that to be considered a business, an integrated set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create output. Furthermore, it clarified that a business can exist without including all of the inputs and processes needed to create outputs. These amendments had no impact on the interim condensed consolidated financial statements of the Group.

*Amendments to IFRS 7, IFRS 9 and IAS 39: Interest Rate Benchmark Reform*

The amendments to IFRS 9 and IAS 39 *Financial Instruments: Recognition and Measurement* provide a number of reliefs, which apply to all hedging relationships that are directly affected by interest rate benchmark reform. A hedging relationship is affected if the reform gives rise to uncertainties about the timing and or amount of benchmark-based cash flows of the hedged item or the hedging instrument. These amendments had no impact on the interim condensed consolidated financial statements of the Group as it does not have any interest rate hedge relationships.

*Amendments to IAS 1 and IAS 8: Definition of Material*

The amendments provide a new definition of material that states "information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity." The amendments clarify that materiality will depend on the nature or magnitude of information, either individually or in combination with other information, in the context of the financial statements. A misstatement of information is material if it could reasonably be expected to influence decisions made by the primary users. These amendments had no impact on the interim condensed consolidated financial statements of, nor is there expected to be any future impact to the Group.

**4. POOLING OF INTEREST IN KAZMUNAYGAS SERVICE-NS JSC**

On 22 May 2020 the Board of Directors of the KMG decided to contribute KMGS-NS by transferring the ownership to the Company. This transaction was accounted for using the pooling of interests method, based on the Company's and Shareholder's accounting policies, under which transfer of ownership from parties under common control is accounted for by applying the pooling of interests method.

Acquisition of subsidiaries from parties under common control Acquisitions of subsidiaries from parties under common control are accounted for using the pooling of interest method.

The assets and liabilities of the subsidiary transferred under common control are recorded in the interim condensed consolidated financial statements at the carrying amounts of the transferring entity (the Predecessor or KMG) at the date of the transfer. Any difference between the total book value of net assets, and the consideration paid is accounted for in the consolidated financial statements as an adjustment to equity.



## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (unaudited) (continued)

### 4. POOLING OF INTEREST IN KAZMUNAYGAS SERVICE-NS JSC (continued)

The interim condensed consolidated financial statements, including corresponding figures, are presented as if the subsidiary had been acquired by the Group on the date it was originally acquired by the Predecessor.

The impact of such changes on the comparative information is presented in the following tables. Effect of restatement of the consolidated statement of financial position as at 31 December 2019 is also provided below in accordance with the requirements of IAS 1:

<i>In thousands of tenge</i>	As previously shown in the consolidated financial statements for 2019	Effect of merger	As restated
<b>Assets</b>			
<b>Non-current assets</b>			
Property, plant and equipment	1,010,615,001	3,616	1,010,618,617
Right-of-use assets	2,380,581	78,286	2,458,867
<b>Total non-current assets</b>	<b>1,625,943,853</b>	<b>81,902</b>	<b>1,626,025,755</b>
<b>Current assets</b>			
Inventories	51,383,634	564	51,384,198
Advances paid	22,270,284	1,054,907	23,325,191
Prepaid taxes other than income tax	18,060,252	2,604	18,062,856
Other current assets	277,237	330,601	607,838
Cash and cash equivalents	114,165,359	42,184	114,207,543
<b>Total current assets</b>	<b>467,561,245</b>	<b>1,430,860</b>	<b>468,992,105</b>
<b>Total assets</b>	<b>2,093,505,098</b>	<b>1,512,762</b>	<b>2,095,017,860</b>
<b>Equity and liabilities</b>			
<b>Equity</b>			
Retained earnings	693,053,481	(577,292)	692,476,189
<b>Total equity</b>	<b>1,136,607,496</b>	<b>(577,292)</b>	<b>1,136,030,204</b>
<b>Non-current liabilities</b>			
Other non-current financial liabilities	7,870,403	453,208	8,323,611
<b>Total non-current liabilities</b>	<b>613,403,410</b>	<b>453,208</b>	<b>613,856,618</b>
<b>Current liabilities</b>			
Provisions	28,300,393	1,616,041	29,916,434
Trade and other payables	256,621,128	2,860	256,623,988
Taxes payable other than income tax	2,490,749	10,442	2,501,191
Contract liabilities	5,550,806	49	5,550,855
Other current liabilities	14,219,092	7,454	14,226,546
<b>Total current liabilities</b>	<b>343,494,192</b>	<b>1,636,846</b>	<b>345,131,038</b>
<b>Total equity and liabilities</b>	<b>2,093,505,098</b>	<b>1,512,762</b>	<b>2,095,017,860</b>

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (unaudited) (continued)

### 4. POOLING OF INTEREST IN KAZMUNAYGAS SERVICE-NS JSC (continued)

<i>In thousands of tenge</i>	As previously shown in the interim condensed consolidated financial statements for the six months ended 30 June 2019	Effect of merger	As restated
General and administrative expenses	(20,583,741)	(69,455)	(20,653,196)
Other operating income	2,471,795	6,941	2,478,736
Other operating expenses	(3,230,480)	(1,326)	(3,231,806)
Finance income	7,925,648	8,840	7,934,488
<b>Profit/(loss) before income tax</b>	<b>193,289,448</b>	<b>(55,000)</b>	<b>193,234,448</b>
Income tax expenses	(22,097,617)	-	(22,097,617)
<b>Net profit/(loss) for the period after tax</b>	<b>171,191,831</b>	<b>(55,000)</b>	<b>171,136,831</b>
Other comprehensive income	-	-	-
<b>Total comprehensive income for the period, net of income tax</b>	<b>171,191,831</b>	<b>(55,000)</b>	<b>171,136,831</b>

<i>In thousands of tenge</i>	As previously shown in the interim condensed consolidated financial statements for the six months ended 30 June 2019	Effect of merger	As restated
Net cash inflows/(outflows) from operating activities	71,475,536	(67,801)	71,407,735
Net cash flows used in investing activities	(84,931,429)	(129,329)	(85,060,758)
Net cash flows used in financing activities	(14,148,069)	-	(14,148,069)
<b>Net change in cash and cash equivalents</b>	<b>(29,019,018)</b>	<b>(197,130)</b>	<b>(29,216,148)</b>
Cash and cash equivalents as at 1 January 2019	151,155,747	339,272	151,495,019
<b>Cash and cash equivalents as at 30 June 2019</b>	<b>122,136,729</b>	<b>142,142</b>	<b>122,278,871</b>

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (unaudited) (continued)****5. PROPERTY, PLANT AND EQUIPMENT**

Property, plant and equipment and related accumulated depreciation and impairment are as follows:

<i>In thousands of tenge</i>	Land	Gas assets	Buildings and constructions	Gas transportation system	Equipment	Vehicles	Other	Construction in-progress	Total
<b>Cost</b>									
At 31 December 2019 (restated)	694,946	43,578,683	98,240,546	687,602,537	371,595,426	22,305,004	8,432,843	35,667,318	1,268,117,303
Additions	-	120,522	-	6,002,713	787,036	356,585	43,303	77,024,488	84,334,647
Change in estimate (Note 17)	-	(204,453)	-	-	-	-	-	-	(204,453)
Transfers to intangible assets	-	-	-	-	-	-	-	(840,654)	(840,654)
Transfers	-	-	6,927,400	49,328	60,683,516	(424)	422,519	(68,082,339)	-
Disposals	-	(5,709)	-	(9,650,519)	(31,244)	-	(10,257)	-	(9,697,729)
At 30 June 2020 (unaudited)	694,946	43,489,043	105,167,946	684,004,059	433,034,734	22,661,165	8,888,408	43,768,813	1,341,709,114
<b>Accumulated depreciation and impairment</b>									
At 31 December 2019 (restated)	-	(12,616,853)	(18,211,500)	(115,951,125)	(83,570,928)	(17,053,643)	(5,394,946)	(4,699,691)	(257,498,686)
Charge for the period	-	(649,155)	(1,606,232)	(8,618,311)	(8,228,721)	(654,214)	(202,021)	-	(19,958,654)
Disposals	-	5,553	-	648,022	29,228	-	10,257	-	693,060
Transfers	-	-	(2,069)	-	2,154	(21)	(64)	-	-
At 30 June 2020 (unaudited)	-	(13,260,455)	(19,819,801)	(123,921,414)	(91,768,267)	(17,707,878)	(5,586,774)	(4,699,691)	(276,764,280)
<b>Net book value</b>									
At 31 December 2019 (restated)	694,946	30,961,830	80,029,046	571,651,412	288,024,498	5,251,361	3,037,897	30,967,627	1,010,618,617
At 30 June 2020 (unaudited)	694,946	30,228,588	85,348,145	560,082,645	341,266,467	4,953,287	3,301,634	39,069,122	1,064,944,834

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (unaudited) (continued)

### 5. PROPERTY, PLANT AND EQUIPMENT (continued)

#### Additions

During the six months ended 30 June 2020, the Group received gas pipeline assets under the trust management agreement from the Government with the fair value of 4,731,400 thousand tenge as contribution to equity (Note 13).

During the six months ended 30 June 2020, the Group received property, plant and equipment on a free of charge basis of 1,079,039 thousand tenge.

During the six months ended 30 June 2020, additions to construction-in-progress mainly relate to the expenditures on construction of gas compressor stations with the development of project design of 60,292,965 thousand tenge, reconstruction and construction of accumulation points with the development of project design of 4,409,907 thousand tenge, capital repair, fire work, emergency recovery works on replacing defective pipes of 2,394,666 thousand tenge, construction of gas distribution station and gas pipeline of 1,461,602 thousand tenge, reconstruction of metering unit of TIP-03 jumper with the development of project design of 1,441,940 thousand tenge and capital repair of compressor station facilities of 1,432,916 thousand tenge.

#### Disposals

During the six months ended 30 June 2020, upon the expiration date of the trust management agreement the Group returned gas pipeline assets to the Government with the book value of 9,002,076 thousand tenge (Note 13).

#### Transfers

Significant portion of fixed assets placed in operations is related to completion of the above construction works and placement of respective property, plant and equipment in operation.

#### Other

As at 30 June 2020, the historical cost of fully depreciated property, plant and equipment still in operation amounted to 18,596,658 thousand tenge (as at 31 December 2019: 18,122,998 thousand tenge).

### 6. INVESTMENTS IN JOINT VENTURES

As at 30 June 2020 and 31 December 2019, the carrying amount of investments in joint ventures were as follows:

<i>In thousands of tenge</i>	AGP	BShP	AG	Total
<b>31 December 2019 (audited)</b>	168,086,294	82,569,068	1,030,755	251,686,117
Share in profit of joint venture	76,225,225	24,139,431	60,772	100,425,428
Share in other comprehensive income of joint venture	340,862	-	-	340,862
<b>30 June 2020 (unaudited)</b>	<b>244,652,381</b>	<b>106,708,499</b>	<b>1,091,527</b>	<b>352,452,407</b>

### 7. ADVANCES PAID

<i>In thousands of tenge</i>	30 June 2020 (unaudited)	31 December 2019 (restated)
<b>Advances paid for non-current assets</b>		
Advances paid to third parties	17,341,579	61,609,961
Advances paid to related parties (Note 25)	1,735,065	1,735,065
Less: allowance for possible non-performance	(275,487)	(275,487)
	<b>18,801,157</b>	<b>63,069,539</b>
<b>Advances paid for current assets and services</b>		
Advances paid to third parties	11,188,435	15,698,532
Advances paid to related parties (Note 25)	7,706,942	7,636,512
Less: allowance for possible non-performance	(9,853)	(9,853)
	<b>18,885,524</b>	<b>23,325,191</b>



## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (unaudited) (continued)

### 7. ADVANCES PAID (continued)

As at 30 June 2020, advances paid for non-current assets to third parties mainly include advances of 9,253,921 thousand tenge for construction of gas measuring stations and field camps on the main gas pipelines and advances of 5,469,755 for capital repair of main gas pipelines.

### 8. LOANS TO RELATED PARTY

As at 30 June 2020 and 31 December 2019, loans to related party comprised the following:

<i>In thousands of tenge</i>	30 June 2020 (unaudited)	31 December 2019 (audited)
<b>Financial assets at amortized cost</b>		
Interest bearing loans to related party	163,841,779	154,652,228
<b>Financial assets at fair value through profit and loss</b>		
Interest free loans to related party	46,798,081	46,781,119
Plus: interest receivable	2,277,856	2,173,723
Less: impairment	(938,246)	(938,246)
	211,979,470	202,668,824
Less: current portion (Note 25)	(49,075,937)	(48,954,842)
<b>Non-current portion (Note 25)</b>	<b>162,903,533</b>	<b>153,713,982</b>

### 9. VAT RECOVERABLE AND PREPAID TAXES OTHER THAN INCOME TAX

<i>In thousands of tenge</i>	30 June 2020 (unaudited)	31 December 2019 (restated)
VAT recoverable	145,228,916	145,072,383
Withholding tax	453,101	7,136
Property tax	267,767	610,142
Other taxes prepaid	79,574	126,022
	146,029,358	145,815,683
Less: allowance for non-recoverable VAT	(15,027,659)	(15,024,959)
	131,001,699	130,790,724
Non-current portion	78,904,699	112,727,868
Current portion	52,097,000	18,062,856

### 10. CASH AND CASH EQUIVALENTS

<i>In thousands of tenge</i>	30 June 2020 (unaudited)	31 December 2019 (restated)
Foreign currency bank accounts	117,799,981	46,631,387
Tenge bank accounts	56,253,177	62,244,334
Tenge bank deposits	46,185,783	5,307,129
Cash in transit	12,119	19,815
Cash on hand	4,049	4,878
	220,255,109	114,207,543

As at 30 June 2020, deposits were placed in banks at interest rates of 7-7.5% per annum in tenge (as at 31 December 2019: 7-7.5%).

As at 30 June 2020, interest rates for cash on the current accounts in banks were 0.15% per annum in tenge (as at 31 December 2019: 0.1-7.5%) and nil in a foreign currency.

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (unaudited) (continued)

### 11. INVENTORIES

<i>In thousands of tenge</i>	30 June 2020 (unaudited)	31 December 2019 (restated)
Gas inventory (at cost)	28,015,280	49,492,476
Materials and supplies (at lower of cost and net realizable value)	2,237,446	1,891,722
	<b>30,252,726</b>	<b>51,384,198</b>

Materials and supplies mainly include spare parts for maintenance of gas transportation system, methanol and lubricating materials to be used in the gas transportation equipment and the goods for internal use. Gas inventory includes fuel gas and gas for sale.

### 12. TRADE AND OTHER RECEIVABLES

<i>In thousands of tenge</i>	30 June 2020 (unaudited)	31 December 2019 (audited)
Trade receivables from third parties	105,284,507	182,321,478
Trade receivables from related parties (Note 25)	8,796,258	18,964,621
Other receivables	2,726,659	2,766,823
	<b>116,807,424</b>	<b>204,052,922</b>
Less: allowance for expected credit losses	(5,931,879)	(6,934,134)
	<b>110,875,545</b>	<b>197,118,788</b>

As at 30 June 2020 and 31 December 2019 trade accounts receivable are denominated mostly in USD and KZT, are due within 90 days and are non-interest bearing.

Movements in the allowance for expected credit losses were as follows:

<i>In thousands of tenge</i>	Individually impaired
At 31 December 2019 (audited)	(6,934,134)
Charge for the period	(2,520,386)
Foreign currency translation	(125,068)
Utilized	3,063,656
Recovered	584,053
At 30 June 2020 (unaudited)	(5,931,879)

### 13. EQUITY

#### Share capital

	Common shares outstanding (number of shares)					Total share capital (in thousands of tenge)
	Par value of 100 tenge	Par value of 138 tenge	Par value of 2,500 tenge	Par value of 10,000 tenge	Par value of 17,632 tenge	
As at 30 June 2020	312,167,670	1	30,976,655	8,396,465	1,006,717	210,373,489
As at 31 December 2019	312,167,670	1	30,976,655	8,396,465	-	192,623,055

Common shares give holders the right to vote on all matters within the competence of the General Shareholders Meeting. Dividends on common shares are paid at the Shareholder's discretion. During the six months ended 30 June 2020, the Group declared and paid in cash dividends of 3,111 thousand tenge.

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (unaudited) (continued)

### 13. EQUITY (continued)

#### Share capital (continued)

During the six months ended 30 June 2020, the Group issued 1,006,717 common shares with the par value of 17,632 tenge each for the total amount of 17,750,434 thousand tenge in exchange for contribution of 100% shares of KMGS-NS with the total fair value of 16,750,283 thousand tenge at the date of contribution and cash of 1,000,151 thousand tenge.

#### Book value per share

<i>In thousands of tenge</i>	30 June 2020 (unaudited)	31 December 2019 (restated)
Total assets	2,216,869,565	2,095,017,860
Less: intangible assets	(6,522,605)	(6,438,798)
Less: total liabilities	(935,135,381)	(958,987,656)
<b>Net assets for common shares</b>	<b>1,275,211,579</b>	<b>1,129,591,406</b>
<b>Number of common shares</b>	<b>352,547,508</b>	<b>351,540,791</b>
<b>Book value per common share in thousands of tenge</b>	<b>3.617</b>	<b>3.213</b>

In accordance with the decision of the Exchange Board of Kazakhstan Stock Exchange JSC ("KASE") dated 4 October 2010 financial statements shall disclose book value per share (common and preferred) as of the reporting date, calculated in accordance with the KASE rules.

#### Earnings per share:

Basic and diluted earnings per share are calculated by dividing the net income for the period attributable to common shareholders by the number of shares outstanding during the period.

The following table reflects the income and share data used in the basic earnings per share computations for the reporting periods ended:

	For the six months ended 30 June (unaudited)	
	2020	2019 (restated)
Net income attributable to shareholder for basic and diluted earnings per share (in thousands of tenge)	148,940,494	171,136,831
Average number of common shares for basic and diluted earnings per share	351,708,577	351,540,791
<b>Basic and diluted, earnings per share for the period attributable to the parent (in thousands of tenge)</b>	<b>0.42</b>	<b>0.49</b>

#### Additional paid-in capital and retained earnings

During the six months ended 30 June 2020, the Group received property, plant and equipment represented by gas transportation system under trust management agreement from the Government with the fair value of 4,731,400 thousand tenge at the date of transfer.

During the six months ended 30 June 2020, upon the expiration date of the trust management agreement the Group returned gas pipeline assets to the Government with the book value of 9,002,076 thousand tenge.

During the six months ended 30 June 2020, there were other transactions with the Shareholder for 3,975 thousand tenge.

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (unaudited) (continued)

### 14. DEBT SECURITIES ISSUED

As at 30 June 2020 and 31 December 2019, debt securities issued comprised:

	Issue	Maturity	Interest rate	30 June 2020 (unaudited)		31 December 2019 (audited)	
				US dollars	In thousands of tenge	US dollars	In thousands of tenge
KTG bonds	2017	2027	4.375%	706,320,000	285,303,838	750,000,000	286,942,500
KTG Aimak bonds	2015	2025	7.50%	-	5,000,000	-	5,000,000
				706,320,000	290,303,838	750,000,000	291,942,500
Plus: interest payable					3,386,857		3,406,541
Less: discount					(1,004,668)		(1,047,078)
Less: unamortized transaction costs					(276,741)		(295,791)
					292,409,286		294,006,172
Less: the amount to be repaid within 12 months from the reporting date					(3,386,857)		(3,406,541)
<b>Amounts due after 12 months</b>					<b>289,022,429</b>		<b>290,599,631</b>

During the six months ended 30 June 2020, the Group early redeemed Eurobonds for the total amount of 17,816,800 thousand tenge. Respective discount on redemption of 927,194 thousand tenge was recognised as finance income (Note 23).

### 15. INTEREST BEARING LOANS

As at 30 June 2020 and 31 December 2019, interest bearing loans comprised:

	30 June 2020 (unaudited)	31 December 2019 (audited)
<i>In thousands of tenge</i>		
Interest bearing loans with floating rate	144,522,707	143,856,540
Interest bearing loans with fixed rate	45,001,030	48,922,745
	189,523,737	192,779,285
Plus: interest payable	1,432,389	1,506,428
Less: unamortized transaction costs	(952,286)	(948,020)
	190,003,840	193,337,693
Less: amount due for settlement within 12 months from the reporting date	(105,527,585)	(24,519,363)
<b>Amounts due for settlement after 12 months</b>	<b>84,476,255</b>	<b>168,818,330</b>

### 16. LOANS FROM RELATED PARTY

	30 June 2020 (unaudited)	31 December 2019 (audited)
<i>In thousands of tenge</i>		
Fixed interest rate borrowings	14,881,897	14,881,897
Interest free borrowings	318,236	-
	15,200,133	14,881,897
Plus: interest payable	183,047	183,047
Less: discount	(3,982,222)	(4,332,652)
	11,400,958	10,732,292
Less: the amount to be repaid within 12 months from the reporting date	(501,283)	(183,047)
<b>Amounts due after 12 months</b>	<b>10,899,675</b>	<b>10,549,245</b>



## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (unaudited) (continued)

### 17. PROVISIONS

<i>In thousands of tenge</i>	Provision for gas transporta- tion expenses	Abandon- ment, site restoration provision	Gas pipeline abandon- ment and site restoration provision	Tax provisions	Other	Total
<b>At 31 December 2019 (restated)</b>	27,964,986	2,542,294	72,448,140	30,911	1,932,239	104,918,570
Arising during the period	-	-	-	-	2,625	2,625
Change in estimates (Note 5)	-	(204,453)	-	-	-	(204,453)
Unwinding of discount	-	110,829	3,078,854	-	-	3,189,683
Foreign exchange difference	1,559,823	-	-	-	-	1,559,823
Reversed	-	-	-	-	-	-
Utilised	-	-	-	(16,431)	(317,669)	(334,100)
<b>At 30 June 2020 (unaudited)</b>	<b>29,524,809</b>	<b>2,448,670</b>	<b>75,526,994</b>	<b>14,480</b>	<b>1,617,195</b>	<b>109,132,148</b>
Current provisions as at 30 June 2020	29,524,809	-	-	14,480	1,602,868	31,142,157
Non-current provisions as at 30 June 2020	-	2,448,670	75,526,994	-	14,327	77,989,991
Current provisions as at 31 December 2019 (restated)	27,964,986	-	-	30,911	1,920,537	29,916,434
Non-current provisions as at 31 December 2019	-	2,542,294	72,448,140	-	11,702	75,002,136

### 18. TRADE AND OTHER PAYABLES

<i>In thousands of tenge</i>	30 June 2020 (unaudited)	31 December 2019 (restated)
Due to related parties (Note 25)	199,894,955	173,649,759
Due to third parties	32,278,923	82,974,229
	<b>232,173,878</b>	<b>256,623,988</b>

Trade payables represent payables for purchased gas and assets and services related to the repair and maintenance of the gas transportation system. Trade payables are non-interest bearing and usually settled within 30 days.

Trade payables are denominated in the following currencies:

<i>In thousands of tenge</i>	30 June 2020 (unaudited)	31 December 2019 (restated)
KZT	223,751,516	237,474,853
USD	7,623,038	12,566,599
RUB	584,940	6,511,040
Other	214,384	71,496
	<b>232,173,878</b>	<b>256,623,988</b>

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (unaudited) (continued)

### 19. CONTRACT LIABILITIES

<i>In thousands of tenge</i>	30 June 2020 (unaudited)	31 December 2019 (restated)
Contract liabilities to third parties	8,763,972	5,326,790
Contract liabilities to related parties (Note 25)	1,624,714	224,065
	<b>10,388,686</b>	<b>5,550,855</b>

### 20. REVENUE FROM CONTRACTS WITH CUSTOMERS

<i>In thousands of tenge</i>	Timing of revenue recognition	For the three months ended 30 June (unaudited)		For the six months ended 30 June (unaudited)	
		2020	2019	2020	2019
<b>Type of goods or service</b>					
Revenue from sales of gas	Over time	157,735,560	195,969,863	433,960,893	446,433,476
Revenue from gas transportation services	Over time	21,041,874	36,420,958	62,091,407	70,650,259
Revenue from technical maintenance of gas pipelines	Over time	4,542,196	3,604,012	8,735,439	6,469,913
Other	Over time	130,148	89,662	216,649	165,801
		<b>183,449,778</b>	<b>236,084,495</b>	<b>505,004,388</b>	<b>523,719,449</b>
<b>Geographical markets</b>					
China		116,487,574	145,564,886	287,465,179	301,822,559
Kazakhstan		57,397,599	55,339,775	155,100,026	157,073,538
CIS		9,564,605	35,179,834	62,439,183	64,823,352
		<b>183,449,778</b>	<b>236,084,495</b>	<b>505,004,388</b>	<b>523,719,449</b>

### 21. COST OF SALES

<i>In thousands of tenge</i>	For the three months ended 30 June (unaudited)		For the six months ended 30 June (unaudited)	
	2020	2019	2020	2019
Cost of gas sold	62,705,344	64,470,413	198,755,655	193,131,577
Transportation expenses	69,033,930	59,918,538	155,927,059	142,302,391
Payroll and related contributions	9,721,539	9,407,244	22,719,249	20,209,661
Depreciation and amortization	10,174,062	9,596,380	19,753,980	18,605,731
Fuel gas and gas losses	2,123,079	2,943,664	7,000,848	7,507,326
Taxes other than income tax	2,622,287	2,654,502	5,250,897	5,094,674
Billing services	1,619,883	1,601,612	2,763,806	3,002,362
Rent expenses	914,063	54,765	2,068,803	111,644
Security	845,527	757,805	1,675,252	1,505,548
Repair and maintenance	748,088	934,377	1,425,710	1,566,370
Electricity	179,584	247,855	640,752	713,748
Communication expenses	283,998	261,600	565,269	512,436
Business trip expenses	161,879	327,336	457,115	578,387
Insurance	187,094	173,522	364,620	351,215
Materials and supplies	194,925	126,338	304,514	474,576
Other	538,185	848,381	1,227,140	1,367,573
	<b>162,053,467</b>	<b>154,324,332</b>	<b>420,900,669</b>	<b>397,035,219</b>

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (unaudited) (continued)

### 22. GENERAL AND ADMINISTRATIVE EXPENSES

<i>In thousands of tenge</i>	For the three months ended 30 June (unaudited)		For the six months ended 30 June (unaudited)	
	2020	2019 (restated)	2020	2019 (restated)
Payroll and related contributions	2,785,085	2,781,526	5,605,816	5,033,911
Taxes other than income tax	794,770	324,286	1,441,890	1,230,859
Depreciation of the right-of-use assets	590,540	562,461	1,180,614	1,124,922
Depreciation and amortization	469,613	446,461	926,119	874,102
Repair and maintenance	603,750	144,873	854,001	239,455
Consulting services	549,938	183,579	803,297	534,034
Office maintenance expenses	129,228	104,106	243,230	210,523
Rent expenses	106,561	77,085	215,175	159,487
Communication services	45,553	51,051	89,425	98,488
Business trip expenses	17,212	120,218	73,027	222,823
Personnel development and qualification upgrade	5,050	105,113	47,220	176,500
Bank charges	23,152	29,728	59,518	67,148
Security costs	27,615	28,160	54,949	55,252
Insurance expenses	9,467	7,281	17,337	15,543
Fines and penalties	3,936	6,804	5,419	10,336
Tax provision, net	2,685	9,875,822	2,700	9,875,822
Festive and cultural events expenses	-	59,417	63	59,537
Write-down of inventory to net realisable value	(1,600)	2,231	(1,600)	1,254
Other	531,630	273,209	1,241,466	663,200
	<b>6,694,185</b>	<b>15,183,411</b>	<b>12,859,666</b>	<b>20,653,196</b>

### 23. FINANCE INCOME AND FINANCE COSTS

<i>In thousands of tenge</i>	For the three months ended 30 June (unaudited)		For the six months ended 30 June (unaudited)	
	2020	2019 (restated)	2020	2019 (restated)
<b>Finance income</b>				
Interest income on loans to related parties	2,466,983	2,154,548	4,706,529	4,270,561
Interest income on bank deposits	1,651,431	1,101,416	2,879,334	2,189,680
Amortization of financial guarantee	1,045,799	28,406	2,095,164	518,177
Discount on redemption of debt securities (Note 14)	927,194	-	927,194	-
Discount on financial liabilities	-	-	-	902,343
Other	(67,920)	45,514	16,968	53,727
	<b>6,023,487</b>	<b>3,329,884</b>	<b>10,625,189</b>	<b>7,934,488</b>
<b>Finance costs</b>				
Interest on debt securities issued	(3,373,581)	(3,221,438)	(6,770,210)	(6,426,387)
Interest bearing loans	(2,877,482)	(1,947,826)	(4,918,246)	(5,975,760)
Unwinding of discount – abandonment and site restoration provisions (Note 17)	(1,654,179)	(1,445,532)	(3,189,683)	(2,797,080)
Unwinding of discount on financial liabilities	(176,505)	(591,508)	(350,430)	(1,200,772)
Interest on loans from related party	(152,540)	(469,062)	(305,079)	(938,124)
Amortization of discount on debt securities issued	(34,983)	(71,530)	(69,159)	(102,420)
Amortization of transaction costs related to interest bearing loans	(16,378)	(16,377)	(32,756)	(151,056)
Other loss from financial assets	-	(3,064)	-	(2,461,118)
Interest expense on lease obligations	-	(68,694)	-	(137,385)
Other	(231,127)	(218,591)	(484,322)	(371,721)
	<b>(8,516,775)</b>	<b>(8,053,622)</b>	<b>(16,119,885)</b>	<b>(20,561,823)</b>

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (unaudited) (continued)

### 24. INCOME TAX EXPENSES

The Group is subject to corporate income tax at the prevailing statutory rate of 20%.

<i>In thousands of tenge</i>	For the three months ended 30 June (unaudited)		For the six months ended 30 June (unaudited)	
	2020	2019	2020	2019
Corporate income tax expense	656,358	14,993,394	7,816,066	19,681,966
Deferred income tax expense	3,427,635	(876,459)	5,481,606	973,493
Adjustment of prior year income tax	429,991	271,441	429,991	1,442,158
	<b>4,513,984</b>	<b>14,388,376</b>	<b>13,727,663</b>	<b>22,097,617</b>

### 25. RELATED PARTY TRANSACTIONS

#### Terms and conditions of transactions with related parties

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

The Management believes that the Group has appropriate procedures for identification and appropriate disclosure of information on related parties transactions.

Major transactions with related parties for the six months ended 30 June 2020 and 2019 are as follows:

<i>In thousands of tenge</i>	For the three months ended 30 June (unaudited)		For the six months ended 30 June (unaudited)	
	2020	2019	2020	2019
<b>Sales of goods and services</b>				
Entities under common control of KazMunayGas	172,166	210,862	574,655	598,696
Joint ventures in which the Group is a venturer	4,306,163	5,525,185	8,317,919	8,150,023
Joint ventures in which Parent is a venturer	9,727,005	10,110,168	16,419,209	21,122,695
Entities under common control of Samruk-Kazyna and the Government	1,100,442	7,982,799	5,352,641	19,761,009
Joint ventures in which Samruk-Kazyna and the Government are venturers	1,191	-	1,191	-
	<b>15,306,967</b>	<b>23,829,014</b>	<b>30,665,615</b>	<b>49,632,423</b>
<b>Purchases of goods and services</b>				
Entities under common control of KazMunayGas	926,345	1,322,084	1,495,203	2,639,256
Joint ventures in which the Group is a venturer	62,750,761	59,692,524	148,318,759	139,986,845
Joint ventures in which Parent is a venturer	19,152,985	19,454,695	46,301,745	64,784,961
Entities under common control of Samruk-Kazyna and the Government	771,245	814,087	1,557,699	1,345,372
Joint ventures in which Samruk-Kazyna and the Government are venturers	853,330	-	1,950,461	-
	<b>84,454,666</b>	<b>81,283,390</b>	<b>199,623,867</b>	<b>208,756,434</b>
<b>VAT expense under the Trust management agreement</b>				
Entities under common control of Samruk-Kazyna and the Government	-	1,369,760	-	2,255,722
	-	<b>1,369,760</b>	-	<b>2,255,722</b>
<b>Finance income</b>				
Joint ventures in which the Group is a venturer	3,446,136	2,156,733	6,818,655	4,788,738
Joint ventures in which Parent is a venturer	-	-	-	902,343
	<b>3,446,136</b>	<b>2,156,733</b>	<b>6,818,655</b>	<b>5,691,081</b>

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (unaudited) (continued)

### 25. RELATED PARTY TRANSACTIONS (continued)

#### Terms and conditions of transactions with related parties (continued)

<i>In thousands of tenge</i>	For the three months ended 30 June (unaudited)		For the six months ended 30 June (unaudited)	
	2020	2019	2020	2019
<b>Finance costs</b>				
Joint ventures in which the Group is a venturer	49,235	36,240	103,802	68,844
Joint ventures in which Parent is a venturer	59,371	96,715	122,264	96,715
Entities under common control of Samruk-Kazyna and the Government	1,406,805	1,060,570	2,844,871	2,138,896
	<b>1,515,411</b>	<b>1,193,525</b>	<b>3,070,937</b>	<b>2,304,455</b>

Principal balances on transactions with related parties as at 30 June 2020 and 31 December 2019, are as follows:

<i>In thousands of tenge</i>	30 June 2020 (unaudited)	31 December 2019 (audited)
<b>Trade receivables</b>		
Entities under common control of KazMunayGas	3,213	13,042
Joint ventures in which the Group is a venturer	8,308,535	13,160,250
Joint ventures in which Parent is a venturer	183,160	5,102,123
Entities under common control of Samruk-Kazyna and the Government	301,350	689,206
	<b>8,796,258</b>	<b>18,964,621</b>
<b>Loans to related party</b>		
Joint ventures in which the Group is a venturer	211,979,470	202,668,824
	<b>211,979,470</b>	<b>202,668,824</b>
<b>Advances paid</b>		
Entities under common control of KazMunayGas	1,318	1,318
Joint ventures in which Parent is a venture	5,114,803	5,319,068
Entities under common control of Samruk-Kazyna and the Government	4,052,828	4,051,191
Joint ventures in which Samruk-Kazyna and the Government are venturers	273,058	-
	<b>9,442,007</b>	<b>9,371,577</b>
<b>Trade and other payables</b>		
Entities under common control of KazMunayGas	412,838	782,000
Joint ventures in which the Group is a venturer	152,232,376	135,231,372
Joint ventures in which Parent is a venture	46,842,821	35,434,291
Entities under common control of Samruk-Kazyna and the Government	406,920	2,202,096
	<b>199,894,955</b>	<b>173,649,759</b>
<b>Contract liabilities</b>		
Entities under common control of KazMunayGas	122,715	214,286
Joint ventures in which Parent is a venturer	1,491,269	1,583
Entities under common control of Samruk-Kazyna and the Government	10,730	8,196
	<b>1,624,714</b>	<b>224,065</b>
<b>Loans</b>		
Entities under common control of KazMunayGas	318,236	-
Entities under common control of Samruk-Kazyna and the Government	56,505,724	60,114,958
	<b>56,823,960</b>	<b>60,114,958</b>
<b>Other financial liabilities</b>		
Joint ventures in which the Group is a venturer	8,285,415	9,641,783
Joint ventures in which Parent is a venturer	2,194,658	2,996,729
Entities under common control of Samruk-Kazyna and the Government	33,427	33,966
	<b>10,513,500</b>	<b>12,672,478</b>

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (unaudited) (continued)

### 25. RELATED PARTY TRANSACTIONS (continued)

#### Compensation to key management personnel

The key management personnel include members of Board of Directors and the Management Board, their deputies totalling 9 persons as at 30 June 2020 (31 December 2019: 9 persons). For the six months ended 30 June 2020, total compensation to key management personnel amounted to 101,177 thousand tenge (six months ended 30 June 2019: 415,654 thousand tenge) and consisted of salaries and other short-term benefits included in general and administrative expenses in the interim consolidated statement of comprehensive income.

### 26. COMMITMENTS AND CONTINGENCIES

In addition to the commitments and contingencies disclosed in the annual consolidated financial statements of the Group for the year ended 31 December 2019, the following changes have taken place during the six months ended 30 June 2020:

#### Commitments for capital expenditures:

As at 30 June 2020, the Group has capital commitments of approximately 84,430,631 thousand tenge, excluding VAT (31 December 2019: 22,661,353 thousand tenge, excluding VAT), related to acquisition and construction of property, plant and equipment. These capital commitments are partially connected with investment program described in Note 1 "Corporate information".

#### Commitments of AGP and BShP

The Company's share in the commitments for capital expenditures of AGP and BShP is as follow as at 30 June 2020:

<i>In thousands of tenge.</i>	AGP	BShP
Acquisition and construction of property, plant and equipment	1,019,798	7,382,659

### 27. FAIR VALUE OF FINANCIAL INSTRUMENTS

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

The following tables provide the fair value measurement hierarchy of the Group's assets and liabilities:

<i>In thousands of tenge</i>	30 June 2020 (unaudited)				
	Carrying amount	Fair value	Fair value by level of assessment		
			Quotations in active markets (Level 1)	Essential observed input data (Level 2)	Essential unobservable input data (Level 3)
<b>Financial assets</b>					
Loans to related party	165,181,389	165,539,144	-	-	165,539,144
<b>Financial liabilities</b>					
Debt securities issued	(292,409,286)	(292,166,364)	(292,166,364)	-	-
Interest bearing loans	(190,003,840)	(185,443,449)	-	(185,443,449)	-
Loans from related parties	(11,082,722)	(11,951,702)	-	(11,951,702)	-

There have been no transfers between Level 1 and Level 2 during the six months ended 30 June 2020.

<i>In thousands of tenge</i>	31 December 2019 (audited)				
	Carrying amount	Fair value	Fair value by level of assessment		
			Quotations in active markets (Level 1)	Essential observed input data (Level 2)	Essential unobservable input data (Level 3)
<b>Financial assets</b>					
Loans to related party	155,887,705	155,294,894	-	-	155,294,894
<b>Financial liabilities</b>					
Debt securities issued	(294,006,172)	(292,110,170)	(292,110,170)	-	-
Interest bearing loans	(193,337,693)	(188,943,353)	-	(188,943,353)	-
Loans from related parties	(10,732,292)	(10,601,986)	-	(10,601,986)	-

There have been no transfers between Level 1 and Level 2 during 2019.



## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (unaudited) (continued)

### 27. FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

#### Estimates and assumptions

The management of the Group has determined that the fair value of cash and bank deposits, trade receivables, interest free loans provided to related parties, trade payables, and short-term loans received approximates their carrying amount.

The fair value of the financial assets and liabilities included in the interim condensed consolidated financial statements is the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

Fair value calculation of quoted bonds was based on price quotations at the reporting date.

The fair values of long-term loans are determined by the DCF method using rates currently available for debt on similar terms, credit risk and remaining maturities.

### 28. SEGMENT REPORTING

The Group determines its operating segments based on the nature of their operations. The performance of the operating segments is assessed by management on a regular basis.

The following reportable segments within the Group were determined:

- Gas trading – sales of gas within the Republic of Kazakhstan and abroad;
- Transportation and storage of gas – transportation of gas and storage of purchased gas in underground gas storages.

The remaining operating segments (exploration and production of gas and rendering transportation services) have been aggregated and presented as other operating segment due to their insignificance.

Substantially all of the Group's operations and assets are located in the Republic of Kazakhstan.

The following table represents information about revenues and net profit, assets and liabilities of operating segments of the Group for the six months ended 30 June 2020:

<i>In thousands of tenge</i>	Gas trading	Transportation and storage of gas	Other segments	Elimination	Total
Revenue from sales to external customers	455,436,272	48,904,959	663,157	–	505,004,388
Revenue from sales to other segments	5,397,310	47,141,571	13,415,077	(65,953,958)	–
<b>Total revenue</b>	<b>460,833,582</b>	<b>96,046,530</b>	<b>14,078,234</b>	<b>(65,953,958)</b>	<b>505,004,388</b>
Gross profit	35,456,904	43,899,121	7,395,887	(2,648,193)	84,103,719
Finance income	10,858,354	1,001,304	218,271	(1,452,740)	10,625,189
Finance costs	(12,480,524)	(4,058,819)	(253,635)	673,093	(16,119,885)
Depreciation and amortization	(6,167,285)	(13,266,941)	(1,686,786)	–	(21,121,012)
Share in profit of joint ventures	–	100,766,290	–	–	100,766,290
Income tax expenses	(3,526,690)	(8,662,358)	(1,538,615)	–	(13,727,663)
<b>Net profit for the period</b>	<b>100,067,672</b>	<b>132,985,779</b>	<b>4,308,691</b>	<b>(88,380,551)</b>	<b>148,981,591</b>
<b>Other segment information</b>					
Investments in joint ventures	–	351,360,880	1,091,527	–	352,452,407
Capital expenditures	10,921,818	72,770,689	4,033,416	–	87,725,923
Allowance for expected credit losses	(6,417,220)	(360,991)	(91,914)	–	(6,870,125)
Allowances for obsolete inventories and advances paid	(82,131)	(1,997,322)	–	–	(2,079,453)
<b>Assets of the segment</b>	<b>1,231,768,284</b>	<b>1,255,685,938</b>	<b>75,391,129</b>	<b>(345,975,786)</b>	<b>2,216,869,565</b>
<b>Liabilities of the segment</b>	<b>775,858,804</b>	<b>255,066,619</b>	<b>13,669,786</b>	<b>(109,440,835)</b>	<b>935,154,374</b>

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (unaudited) (continued)

### 28. SEGMENT REPORTING (continued)

The following represents information about revenue and net profit, and assets and liabilities of operating segments of the Group for the six months ended 30 June 2019:

<i>In thousands of tenge</i>	Gas trading	Transportation and storage of gas	Other segments	Elimination	Total
Revenue from sales to external customers	467,157,383	55,890,085	671,981	-	523,719,449
Revenue from sales to other segments	5,590,202	47,464,527	11,905,015	(64,959,744)	-
<b>Total revenue</b>	<b>472,747,585</b>	<b>103,354,612</b>	<b>12,576,996</b>	<b>(64,959,744)</b>	<b>523,719,449</b>
<b>Gross profit</b>	<b>66,462,238</b>	<b>56,761,567</b>	<b>6,139,852</b>	<b>(2,679,427)</b>	<b>126,684,230</b>
Finance income	7,734,244	979,655	171,642	(951,053)	7,934,488
Finance costs	(16,830,378)	(3,740,627)	(125,818)	135,000	(20,561,823)
Depreciation and amortization	(5,581,097)	(12,450,492)	(1,455,359)	-	(19,486,948)
Impairment of property, plant and equipment	-	(109,799)	-	-	(109,799)
Share in profit of joint ventures	-	101,350,010	-	-	101,350,010
Income tax expenses	(9,361,084)	(11,405,805)	(1,330,728)	-	(22,097,617)
<b>Net profit for the period</b>	<b>48,094,756</b>	<b>140,162,925</b>	<b>2,855,033</b>	<b>(19,975,883)</b>	<b>171,136,831</b>
<b>Other segment information</b>					
Investments in joint ventures	-	250,655,362	1,030,755	-	251,686,117
Capital expenditures	2,486,433	49,555,970	913,864	(12,822,452)	40,133,815
Allowance for expected credit losses	(7,427,840)	(342,378)	(102,162)	-	(7,872,380)
Allowances for obsolete inventories and advances paid	(84,371)	(1,997,322)	-	-	(2,081,693)
<b>Assets of the segment</b>	<b>1,156,220,000</b>	<b>1,155,088,574</b>	<b>71,864,428</b>	<b>(288,155,142)</b>	<b>2,095,017,860</b>
<b>Liabilities of the segment</b>	<b>812,455,790</b>	<b>202,061,401</b>	<b>15,029,204</b>	<b>(70,558,739)</b>	<b>958,987,656</b>

Segment performance is evaluated based on both revenues and net profit, which are measured on the same basis as in the consolidated financial statements. Inter-segment transactions were made on terms agreed to between the segments that may not necessarily be at market rates, except for certain regulated services, which are provided based on the tariffs available to related and third parties.

Eliminations represent the exclusion of intra-group turnovers.

During the six months ended 30 June 2020, the Group generated 57% of its revenues from PetroChina Group (six months ended 30 June 2019: 58%) and 12% from Gazprom Group (six months ended 30 June 2019: 11%),

### 29. SUBSEQUENT EVENTS

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