



ҚазТрансГаз

ҰЛТТЫҚ ОПЕРАТОР • НАЦИОНАЛЬНЫЙ ОПЕРАТОР



ЖЫЛДЫҚ ЕСЕП
ГОДОВОЙ ОТЧЕТ
ANNUAL REPORT

2015



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NATIONAL OPERATOR • НАЦИОНАЛЬНЫЙ ОПЕРАТОР

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About the Company

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

The Sole shareholder is National Company KazMunayGas JSC. KazTransGas JSC controls the natural gas transportation on main gas pipelines, handles the gas sales on the domestic and international markets, develops, funds, constructs and operates pipelines and gas storages.

In accordance with the Government Decree No. 914 dated July 5, 2012 Joint Stock Company KazTransGas is defined as the national operator in the field of gas and gas supply.

In the reporting period, KazTransGas group of companies included 15 subsidiaries and associates, acting on the following business-directions:

- Expansion of the resource base: Amangeldy Gas LLP, KMG-Kansu Operating LLP, Saryarka Gas Damu LLP;
- Main gas transportation: Intergas Central Asia JSC, Asia gas pipeline LLP, Beineu-Shymkent gas pipeline LLP, KazTransGas-Bishkek LLC, Astana Gas JSC;
- Transportation through gas distribution systems: KazTransGas Aimak JSC, KazTransGas-Almaty JSC, KazTransGas-Tbilisi LLC;
- Gas trading operations: KazTransGas-Onimderi LLP, KazRosGas LLP.
- Other SAs: Samruk-Kazyna Corporate University PE, Intergas Finance B.V.

A worker in a white hard hat and grey jacket with red accents, holding a walkie-talkie, standing in front of an industrial site. The hard hat has the KazTransGas logo on it. The background shows a clear blue sky and parts of industrial equipment.

The gas field of the RoK has a significant potential for further development, which allows Kazakhstan to become one of the leading natural gas producers in the future. KazTransGas Joint-Stock Company is the largest gas supply company of the Republic of Kazakhstan, representing the interests of state on the domestic and global gas market.

Evaluation of positions

Evaluation of KazTransGas JSC positions and perspectives of its development according to 2015 year-end results

The main part of gas resources in Kazakhstan focused on the large developing or prepared for development fields, including oil fields as Tengiz, Kashagan, Korolevskoye (Atyrau region), gas condensate fields as Karachaganak (West Kazakhstan region), Zhanazhol, Urikhtau (Aktobe region) and others.

Free gas reserves of commercial category in RoK have been explored on over 70 gas, gas condensate and oil-gas fields. About 30 fields, to which 86% of initial gas reserves of commercial category is related, are under development. Despite of it, a significant part of these fields are not connected to Gas-supply Unique System (hereinafter referred to as GUS): only 15 of 215 (about 7%) are connected to GUS. Currently, Amangeldy Gas JSC continues to study gas fields of Amangeldy group in Zhambyl region on the base of Contract of combined exploration and production of hydrocarbon dated December 12, 2000.

Extracted reserves of natural gas in the oilfield Amangeldy comprises of 15,520 M m³. Although KazTransGas's position is weak in the market of RoK according to reserves and amount of gas production, and its share comprises of 1-2%.

In this regard, KazTransGas JSC considers connecting users of subsoil producing gas to GUS as the main critical task in order to provide energy security of RoK.

The concept of development of gas sector of the Republic of Kazakhstan till 2030 defines vision and main approaches to step-by-step reforming and complex development of gas sector of the Republic of Kazakhstan, reveals existing significant potential of Kazakhstan in area of exploration and mining coal bed methane through traditional gas resources. At the execution of the Plan of measures (Road map) on realization of task given by the President of the Republic of Kazakhstan N.A. Nazarbayev about organization of exploration and coal bed methane mining, KazTransGas JSC conducts works on geological exploration of coal bed methane in frames of innovative investment project "Coal bed methane mining in Karagandy coal pool".

One of perspective transit directions for Kazakhstan is "Kazakhstan - China" MG which passes 30 B m³ of natural gas and we plan to increase power of MG till 55 B m³ in 2017 (taking into account compressor stations of the train C). Today it is the biggest investment project in the oil industry of country.

Construction project of "Beineu-Bozoi-Shymkent" MG which provides passing capacity till 10 B m³ will impact increase of energy security of Kazakhstan and allows to provide deliver of gas from Western gas production regions of the country to Southern parts, by doing so, it decreases dependency on deliver of Uzbek and Turkmen gas. Implementation if project gives positive multiplicative effect expressed in the possibility of continuing gasification in the not gasified territories of Kyzylorda, western regions of Southern Kazakhstan, Zhambyl and Almaty region, also widening of export routes.

Total system of gas transport includes a wide net of main gas pipelines (MG) of compressor stations (CS), underground deposits of gas (UDoG), also allocation of gas pipe lines.

The formed scheme of gas-supply of RoK is characterized by central management system of transport and delivery of natural gas. However, further development of internal

market as natural so liquidated gas basically depends on coordinated cooperative actions of gas mining, gas transporting and gas allocating organizations, also local bodies at regional level.

Collectively, KazTransGas exploits 39,3K km gas allocating gas pipelines of high, middle and low pressure.

Today, 10 from 14 regions of RoK, almost all of them are gasified not only in the regions of centre. The level of gasification comprises of 14% in gasified regions. The level of gasification coverage of population of RoK comprises of 39% in 2015.

Approved General scheme of gasification for 2015-2030 is directed to creation of conditions for provision of internal gas-supply of Kazakhstan through not only wide-ranging construction of new gas pipelines, but search of alternative and rational sources of gas-supply in the regions of Republic. Besides, measures of stimulating for transport using gas as motor resource will be considered in frames of stimulating and developing the gasification of regions with liquefied natural gas.

Basing on principles of multi-vector nature of delivery of hydrocarbon to the internal and external market, Kazakhstan aims at developing all economically profitable routes on transit and export delivery of natural gas. In this regard, it is important for Kazakhstan to conduct approved energy policy with definite countries, because transit export routes pass through its territory.

Taking into account the increase of internal supply and significant volume of reinjection, gas export potential of Kazakhstan remains insignificant. Essential growth of export deliveries is possible, for example, due to reduction of volumes of gas reinjection that, however, is still not provided by technological schemes of field development.

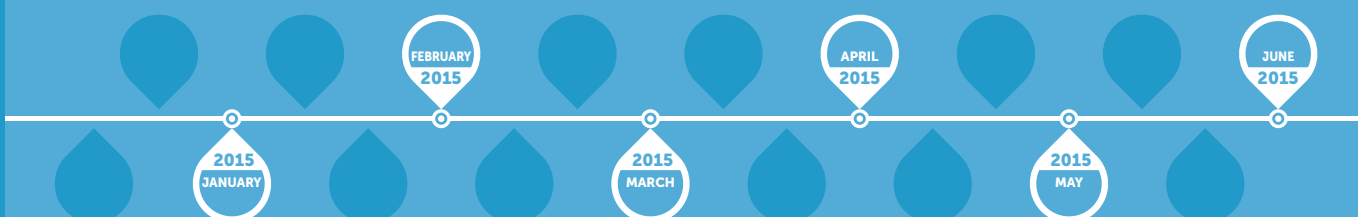
Presence map



EVENTS IN 2015



- ▶ A long-term contract of purchase and sale of gas from Karachaganak gas-condensate field till 2038 was signed
- ▶ The decision of the Board of Directors of KazMunayGas NC JSC (minutes No. 14/2015 paragraph 17) on alienation of 100% share of KMG Kansu Operating LLP on account of payment of stocks of KazTransGas in the amount of 185 200 KZT was made on 21.10.2015
- ▶ The decision of the Board of Directors of KazMunayGas NC JSC (minutes No. 14/2015, paragraph 18) on alienation of 100% equity stake of AstanaGasKMG on account of payment of stocks of KazTransGas JSC in the amount of 3 751 420 286 KZT was made on 21.10.2015
- ▶ Construction of the linear part of the second stage of construction of Beyneu-Bozoy-Shymkent gas pipeline, Beineu-Bozoy section, was completed. Technical readiness for commissioning was confirmed with the act the working commission dated 30.10.2015. The official ceremony of gas-in on Beineu-Bozoy part of the gas pipeline 0-311 km. took place on November 20, 2015
- ▶ Following the acts of state commissions, the linear part of "C" thread and compressor stations No. 2 and No. 6 of the main Kazakhstan-China gas pipeline were put into operation, and capacity of "C" thread was raised to 12,7B m³ of gas per year
- ▶ Considerable work was carried out to decrease the consolidated debt load, which, along with repayment of a syndicated loan from international investment banks, included organization of re-purchase of eurobonds of Intergas Central Asia JSC for the total amount of 92 311 million KZT. Also, an intra-group transaction on repayment of bonds of KazTransGas JSC for the amount of 3 632 million KZT was closed in 2015 within the First Bonded Program of KazTransGas Aimak JSC
- ▶ A single operator on exploitation of gas pipelines was created on the basis of Intergas Central Asia JSC
- ▶ A single service company was created on the basis of KazTransGas - Onimderi LLP
- ▶ A single organizer of purchase was created on the basis of KazTransGas Aimak JSC



- ▶ Amendments and additions were introduced to the existing normative and technical documents of the RoK, as a result of which:
 - › a limit on gasification of residential buildings over 10 floors (SNiP RoK dated 3.02-43-2007) was eliminated;
 - › a limit on installation of small gas-fuelled heating boilers in extensions to multi-storied residential buildings (SN RoK 4.02-12-2002) was eliminated;
 - › the level of consumer safety was improved by establishment of requirements for obligatory equipment of all rooms, containing gas-using equipment, with gas contamination control systems with automatic gas supply shutdown at achievement of a dangerous concentration of natural and carbon monoxide gas, (SN PoK dated 4.03-01-2011 and SNiP RoK dated 3.02-43-2007);
 - › construction conditions of AGFCS were improved by decreasing the sanitary zone from 300 m to 100 m (SanPiN RoK (Sanitary Rules and Norms of the Republic of Kazakhstan)).

Works on gasification were carried out:

- ▶ Within modernization of gas-distributing networks of Shymkent city, 173,2 km of gas pipelines were laid; 8 GSU, 2110 BGCU and 74 GCU were established; 3264 subscribers were reconnected.
 - › Within the project of gasification of settlements in Kyzylorda region, 1276,47 km of gas pipelines were laid in 2015, including the following: high pressure (branch) pipelines - 64,15 km, high pressure pipelines - 49,25 km, average pressure pipelines - 115,68 km, low pressure pipelines - 1047,39 km, installation of AGDS - 5 pieces, installation of GSU - 13 pieces, installation of GCU - 174 pieces, installation of BGCU – 2 pieces.
 - › Within modernization of gas-distributing networks in Taraz city, on the 4th start-up complex of the first stage of the Project, laying of gas pipeline of 261,97 km was made; 6 888 distribution plants, 27 gas distribution plants, and 1 gas-block plant were installed; DED for the 5 start-up complex was developed, for which the decision of state examination No. 08-0359/15 dated 27.11.2015 was received.
 - › Within the project of modernization, reconstruction and new construction of gas-distributing networks in Mangystau region, 71,3 km of gas pipelines were laid, 7 sets of GCU were installed, and also 5 units of BGCU.
 - › Within the project of gasification of settlements and modernization of gas-distributing networks in Aktobe region, 252 km of gas pipelines were laid, 2 GCU were installed, and also 2 units of BGCU.



Information

*About the Development Strategy
of KazTransGas JSC group of companies*

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

The main strategic goal of KazTransGas is to increase the value of assets and assist in the modernization and diversification of the gas industry.

**Mission
of KazTransGas JSC**

reliable and effective management
of gas supply of the country

**Vision
of KazTransGas JSC**

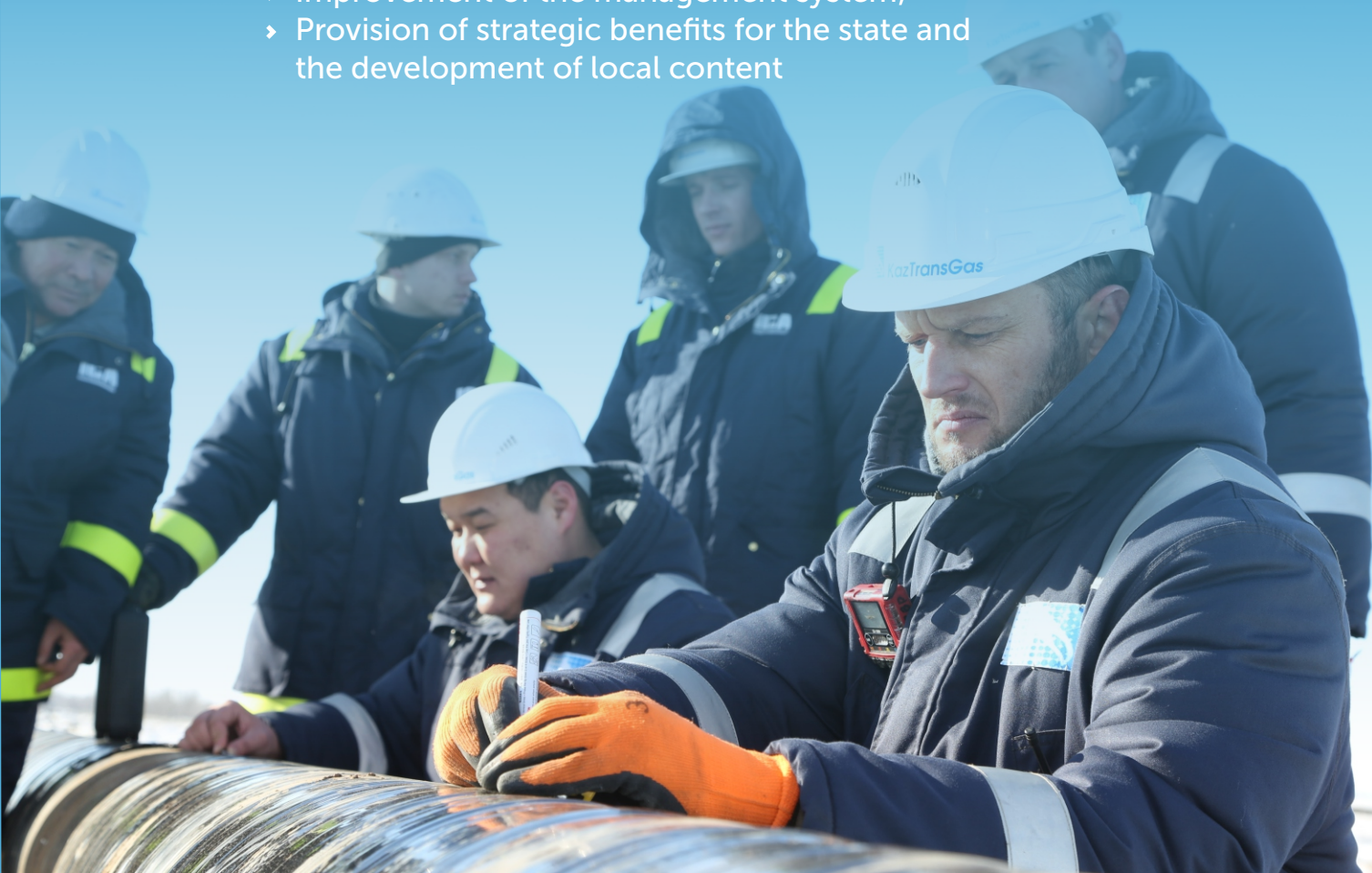
highly effective and competitive
gas company

In order to implement the strategic priorities, KazTransGas will focus on the integrated development of the following strategic business areas:

- › Expansion of the resource base;
- › Main gas transportation;
- › Transportation through gas distribution systems;
- › Gas trading operations

KazTransGas key strategic priorities are:

- › Improvement of the management system;
- › Provision of strategic benefits for the state and the development of local content



In accordance with the Law "On gas and gas supply" National operator - KazTransGas JSC implements a priority right of the state to purchase raw and commercial gas from the subsoil users of Kazakhstan.

From July 1, 2015 the Ministry of Energy of Kazakhstan has approved the marginal pricing of wholesale sales of marketable gas in the domestic market.

Currently, the main market for exports of Kazakh gas is the Russian Federation. A new export route to PRC will be opened with the release to Full capacity of the gas pipeline Beineu-Shymkent.

In order to improve the environmental situation in the regions, as well as the development of the market of motor Fuel, KazTransGas, starting in 2010, carries out the construction of auto gas filling compressor stations (AGFCS) and the implementation of compressed natural gas (CNG).

During the period 2010-2015, KazTransGas group of companies carried out the construction of Five AGFCS in Almaty and put on the books 1 AGFCS in Rudniy.

From the beginning of implementing AGFCS construction projects in Almaty in the period 2011-2015, about 54K tonnes of diesel fuel (65.8M m³) were replaced.

Commercial gas production

0,29B m³

The share of KazTransGas 1,3 %
Republic of Kazakhstan 21,3B m³

Supply to domestic market

11,5B m³

The share of KazTransGas 88,5 %
Republic of Kazakhstan 12,6B m³

Import

4,4B m³

The share of KazTransGas 100 %
Republic of Kazakhstan 4,4B m³

Export

2,6B m³

The share of KazTransGas 19,8 %
Republic of Kazakhstan 13,1B m³



**Chairman of the Board of Directors
of KazTransGas JSC
Kairat Sharipbayev**



**Chairman of the Board
of KazTransGas JSC
Rustam Suleymanov**

Dear shareholders and partners of KazTransGas JSC!

KazTransGas Joint-Stock Company is a part of the group of companies of KazMunayGas National Company JSC and controls the main network of transport gas pipelines in the country, which is more than 17 K km long and has an annual volume of up to 160 billion cubic meters, a more than 40K km-long network of gas-distributing pipelines. It ensures trouble-free operation of 31 compressor stations, at which 322 gas-distributing units are installed; it also serves 3 underground gas storages.

We hope that this document will help seeing the progress made by the company in economic and social spheres. Last year was rather difficult for the whole oil and gas sector and the national economy in general. Such situation developed because of the crisis proceeding in the world economy, and also a sharp drop of prices of hydrocarbons. However, despite the negative world tendencies, KazTransGas JSC finished the year with optimum indicators. So, following the results of 2015, gas export made 12,7B m³, that is 15% above the level of 2014, and more than 3,5 times above the level of 2000, when only 3,4B m³ of gas were exported.

A tendency of gas consumption growth, caused by the increased coverage of gasification of consumers, is also observed. Following the results of 2015, gas consumption in the domestic market made 12,1B m³, that is more than 2,5 times higher than the consumption level of 2000. Operational indicators were executed both regarding regional gas transportation and regarding trade operations with gas. The consolidated income in 2015 made KZT 471,4B, that is by 30% above the previous year's income. In general, KazTransGas JSC group of companies paid KZT 25,2B of taxes and other mandatory payments to the state budget.

A considerable progress was made by the Company for the reporting period in the sphere of social responsibility of business. The social mission of KazTransGas is assistance to social progress and growth of welfare of the society, stable development and wellbeing of the



population of presence regions, and also increase of welfare of its workers. The Company successfully realized large-scale projects, including international projects; it introduces modern technologies, and actively pursues the policy of diversification and internal transformation. The single system of labor compensation on the group of companies was introduced. It unifies tariff rates by professions of workers and defining identical algorithm of charge of a salary. In particular, the construction project of Beineu-Bozoy-Shymkent gas pipeline is being realized. Construction of the linear part of this gas pipeline was completed at the end of last year, and also the third thread of Kazakhstan-China main gas pipeline was put into operation, which in total allows diversifying transit and export routes of gas transportation and excluding dependence of the southern regions of the republic on imported gas. Besides, these two industrial projects allowed connecting all domestic main gas pipelines into a uniform gas transmission system. Refusal of imported natural gas not only allowed getting rid of constant gas deficiency in the most densely populated region, but it also became a real step to ensuring energy security of Kazakhstan.

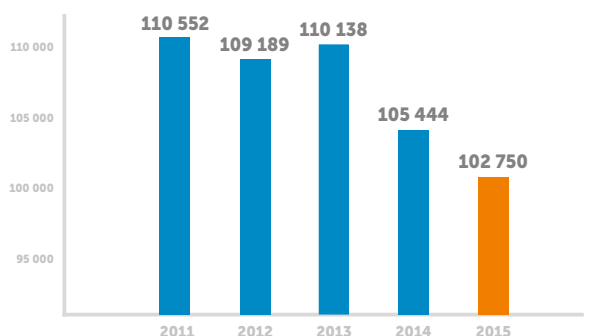
Improvement of financial results of the company creates a basis for increasing its contribution to growth of wellbeing of the nation and wellbeing of presence regions, where Company provides employment of a considerable part of active population. Over 11 thousand people are employed by enterprises of the Company. We seek to attract and hold the best workers, to develop them professionally and to develop Company values in them. One of the main principles is environmental friendliness – we take good care of the nature, turning the Energy of the Great Steppe into the benefit for Kazakhstan citizens.

Chairman of the Board of Directors
of KazTransGas JSC
K. Sharipbayev

Chairman of the Board
of KazTransGas JSC
R. Suleymanov

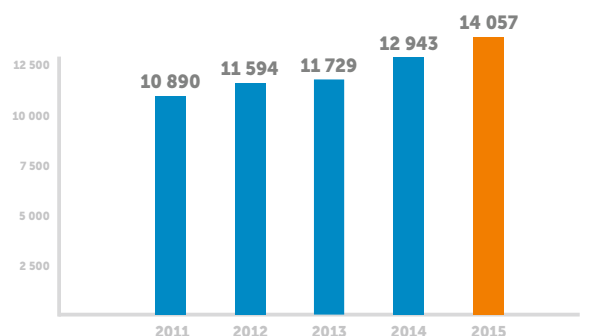
Financial and operational indicators

Financial and operational indicators
of KazTransGas group of companies activities



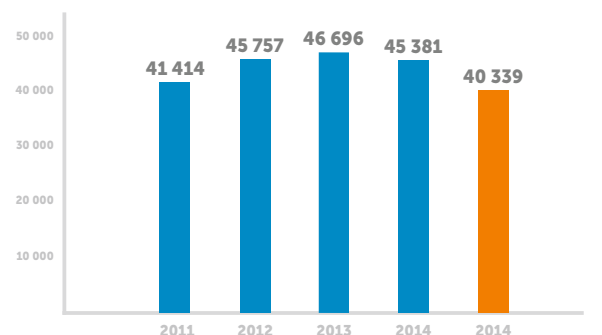
Main gas transportation

M m³



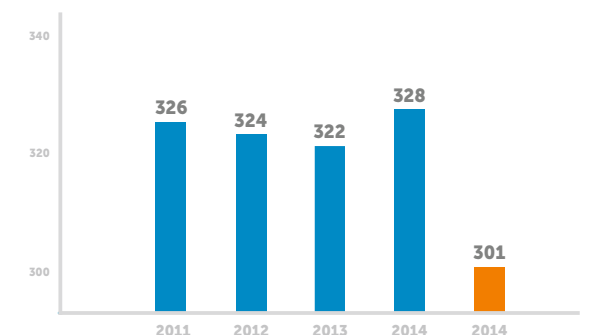
Sale of gas

M m³



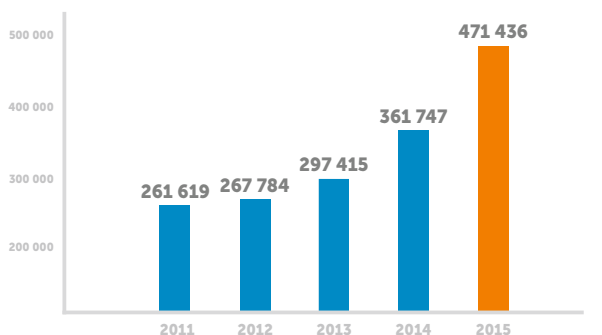
Commodity-transport work

M m³*km



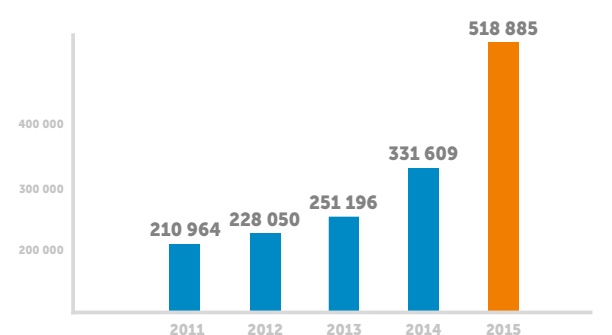
Gas production

M m³



Revenue

KZT M



Expenses

KZT M

Financial indicators

Key operating and financial indicators in the context of structural units

The principal activities of the Corporate Center of KazTransGas JSC are gas sales in the domestic and foreign markets, as well as the supervision of subsidiaries and affiliates engaged in gas sale activities, transportation and operation of gas distribution pipelines.

Operating indicators, M m³

	2013	2014	2015	in % to 2014
Sale of natural gas	3 064	7 602	14 131	186%
<i>The domestic market</i>	686	5 800	11 543	199%
<i>Export</i>	2 378	1 802	2 588	144%

(without deduction of inter-group transactions)

In the corporate center of KazTransGas JSC in 2015 sales of natural gas, without exception of intragroup transactions was 14,131M m³, including export 2,588M m³.

In accordance with the Government Decree No. 914 dated July 5, 2012 Joint Stock Company KazTransGas is defined as the national operator in the field of gas and gas supply.

The supply of gas to the domestic market is carried out through the implementation by KazTransGas Aimak JSC and KazTransGas Almaty JSC from the subsoil resources of Kazakhstan, as well as imported gas supplied under the SWAP operations with Gazprom OJSC.

The supply of gas for export is realized at the expense of Kazakhstan's subsoil resources (Tengizchevroil LLP, CNPC Aktobe JSC and Kazakhoil Aktobe LLP) to the Company Gazprom Schweiz AG in the following areas:

- on MCiP "CAc with the measurement of volumes transferred to the CiMS "Aleksandrov CiuY;
- on MCiP "Orenburg-Novopskov" with the measurement of volumes transferred to the CiMS "Alexandrov CiuYugay".
- on MCiP "Bukhara-Ural" with the measurement of volumes transferred to the CiMS "Dombarovka".

At the same time, the supply for export is also carried out to KyrgyzGas OJSC from resources on Amangeldy field on MGP Bukhara gas district-Tashkent-Bishkek-Almaty.

Financial indicators, KZT M

	2013	2014	2015	in % to 2014
Revenue from sales of products and services	80 787	136 725	240 788	176%
<i>Gross profit</i>	46 373	52 450	62 297	119%
<i>Net profit</i>	28 809	25 521	-26 683	-151%

Intergas Central Asia JSC

The main activities of Intergas Central Asia JSC (hereinafter referred to as ICA JSC) is the transportation of natural gas in the system of trunk pipelines, gas storage facilities in underground storage, operation and maintenance of GP.

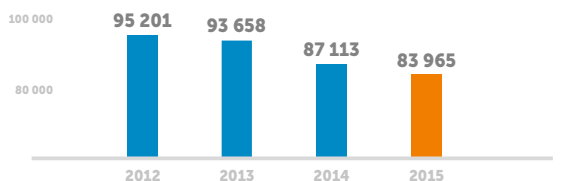
Natural gas is transported through the territory of South Kazakhstan, Zhambyl, Kostanay, West-Kazakhstan, Almaty, Mangystau, Aktobe and Kyzylorda regions.

International transportation of natural gas is a major revenue component of the business of ICA JSC. The conclusion of the mid-term contract for natural gas transportation through the territory of RK with Gazprom OJSC for 2011-2015, as well as the presence of other long-term agreements on cooperation in gas transportation and transit of gas supply, investment in upgrading and undertaken for major repairs of GP have provided a steady income in the reporting period.

Operating indicators, M m³

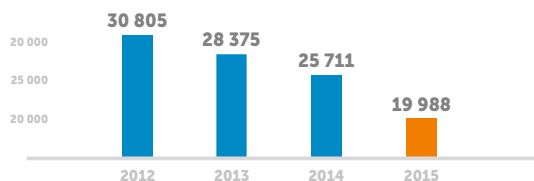
	2013	2014	2015	in % to 2014
The volume of gas transportation	93 658	87 113	83 965	96%
The domestic market	10 369	11 939	11 483	96%
Export	12 021	11 164	12 745	114%
International transit	71 267	64 010	59 737	93%

The Implementation of the plan in terms of gas transportation in 2015 was 96%. Compared with the year 2014 there is a decrease in transportation volumes of gas due to the reduction of transit of Central Asian gas.



The volume of natural gas transportation

M m³



The volume of commodity transport works

B m³

The reduction of goods transport operations in the reporting period is due to the reduction in the volume of transit transportation of Central Asian gas in 2015.

Financial indicators, KZT M

	2013	2014	2015	in % to 2014
Revenue from sales	102 850	118 179	129 498	110%
<i>Gross profit</i>	37 439	53 450	68 849	129%
<i>Net profit</i>	16 156	19 753	8 570	43%

KazTransGas Aimak JSC

The principal activity of KazTransGas Aimak JSC is to provide gas transportation services for the transmission and distribution pipelines, operation of gas distribution systems and related gas distribution pipelines, marketing, purchase, sale of gas to consumers.

The priority of KazTransGas Aimak JSC is to ensure trouble-free, uninterrupted and safe gas delivery to all categories of consumers (population, public utility purposes, industrial plants) in the regions of KazTransGas Aimak JSC.

Operating indicators, M m³

	2013	2014	2015	in % to 2014
Distribution gas transportation	4 235	5 882	7 575	129%
Main gas transportation	2 139	2 487	2 495	100%
Sale of natural gas	9 096	10 272	10 114	98%

The order of CRNM and PC dated July 17, 2015 No. 294-OD approved limits of tariffs for services of commodity gas transportation by gas-distributing systems of Aktobe production branch of KazTransGas Aimak JSC for 2015-2020, with commissioning since September 1, 2015.

The order of CRNM and PC dated November 23, 2015 No. 445-OD approved limits of tariffs for services of commodity gas transportation by gas-distributing systems of Zhambyl production branch of KazTransGas Aimak JSC for 2016-2020, with commissioning since January 1, 2016.

The order of CRNM and PC dated November 23, 2015 No. 446-OD approved limits of tariffs for services of commodity gas transportation by gas-distributing systems of West Kazakhstan production branch of KazTransGas Aimak JSC for 2016-2020, with commissioning since January 1, 2016.

The order of CRNM and PC dated April 7, 2015 No. 150-OD approved limits of tariffs for services of commodity gas transportation by gas-distributing systems of Kostanay production branch of KazTransGas Aimak JSC for 2015-2019, with commissioning since July 1, 2015.

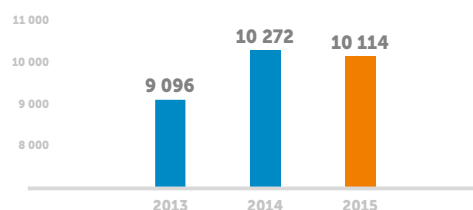
The order of CRNM and PC dated July 17, 2015 No. 293-OD approved limits of tariffs for services of commodity gas transportation by gas-distributing systems of Kyzylorda production branch of KazTransGas Aimak JSC for 2015-2020, with commissioning since September 1, 2015.

The order of CRNM and PC dated August 21, 2015 No. 348-OD approved limits of tariffs for services of commodity gas transportation by gas-distributing systems of Mangystau production branch of KazTransGas Aimak JSC for 2015-2020, with commissioning since October 1, 2015.

The order of CRNM and PC dated February 27, 2015 No. 79-OD approved limits of tariffs for services of commodity gas transportation by gas-distributing systems of South Kazakhstan production branch of KazTransGas Aimak JSC for 2015-2019, with commissioning since July 1, 2015.

Financial indicators, KZT M

	2013	2014	2015	in % to 2014
Revenue from sales of products and services	108 335	140 042	136 189	97%
Gross profit	6 575	8 773	10 852	124%
Net profit	2 094	1 724	1 835	106%



Gas sales volume

M m³

Limits of tariffs for Aktobe, Zhambyl, West Kazakhstan, Kostanay, Kyzylorda, Mangystau (GCS), and Southern Kazakhstan regions were approved in 2015.

KazTransGas-Almaty JSC

KazTransGas-Almaty JSC (hereinafter – KTG-Almaty) is a company carrying out regional sale and transportation of commodity gas. The founder of KazTransGas-Almaty JSC is KazTransGas JSC.

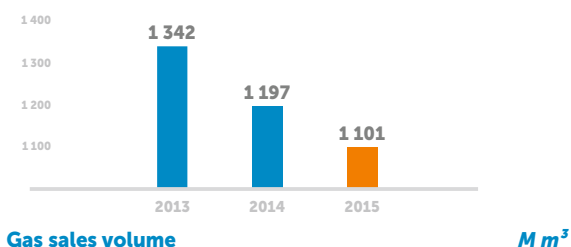
Operating indicators, M m³

	2013	2014	2015	in % to 2014
Sale of natural gas	1 342	1 197	1 101	92%
Distribution gas transportation	1 096	1 253	1 162	93%

According to the results of KazTransGas-Almaty JSC in 2015 gas sales decreased to 1,101M or to 11% compared with the previous year, due to lower requirements for heat supply organizations due to warm weather conditions.

Financial indicators, KZT M

	2013	2014	2015	in % to 2014
Revenue from sales of products and services	23 313	23 919	26 056	109%
Gross profit	-11 548	-2 727	-9 038	331%
Net profit	-16 699	-21 110	-13 939	66%



The 2014-2015 losses were caused by the execution of an obligation under the Loan Agreement of gas concluded with PetroChina, to maintain social stability in the Almaty region and to ensure the needs of residents of Almaty region.

In 2015, KTG Almaty LLP carried out reorganization by merge of five subsidiary organizations of Almaty Gas Networks LLP, Gascontrolpribor LLP, AGS-service LLP, Almatygastrade LLP, Almatygascontract LLP.

Following the order of DCRNM and PC in Almaty city dated July 16, 2015 No. 288-OD, the Partnership was included in the State register of subjects of natural monopolies under the form of activity "commodity gas transportation by gas-distributing systems", carrying out activity in the territory of Almaty city and Almaty region.

Order of DCRNM and PC in Almaty city dated August 28, 2015 No. 186-OD approved a tariff for services of commodity gas transportation by gas-distributing systems under a simplified procedure.

Amangeldy Gas LLP

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

Operating indicators

	2013	2014	2015	in % to 2014
Gas production, M m ³	322	328	301	92%
Production of gas condensate, tons	22	21	19	90%

In 2015 the implementation of the production program in terms of gas production and gas condensate amounted to 92% and 90% respectively.

Financial indicators, KZT M

	2013	2014	2015	in % to 2014
Revenue from sales of products and services	4 844	4 921	4 977	101%
<i>Gross profit</i>	2 829	2 253	2 310	103%
<i>Net profit</i>	1 637	870	346	40%

Revenues from the sale of gas and gas condensate amounted to KZT 4,977M

KazTransGas-Onimderi LLP

The primary activity of KazTransGas-Onimderi LLP (hereinafter KTG-O) is sale of natural compressed gas and provision of transportation services.

Financial indicators, KZT M

	2013	2014	2015	in % to 2014
Revenue from sales of products and services	292	358	4 057	1 133%
<i>Gross profit</i>	65	65	1 204	1 852%
<i>Net profit</i>	110	-44	558	602%

The increase in net profit of KTG-O in 2015 was caused by obtaining income from provision of transportation services in connection with putting of motor transport and special equipment of the subsidiary organizations of KazTransGas JSC onto the books of KTG-O within transformation, and also making a transaction on sale of natural gas by KazTransGas JSC.

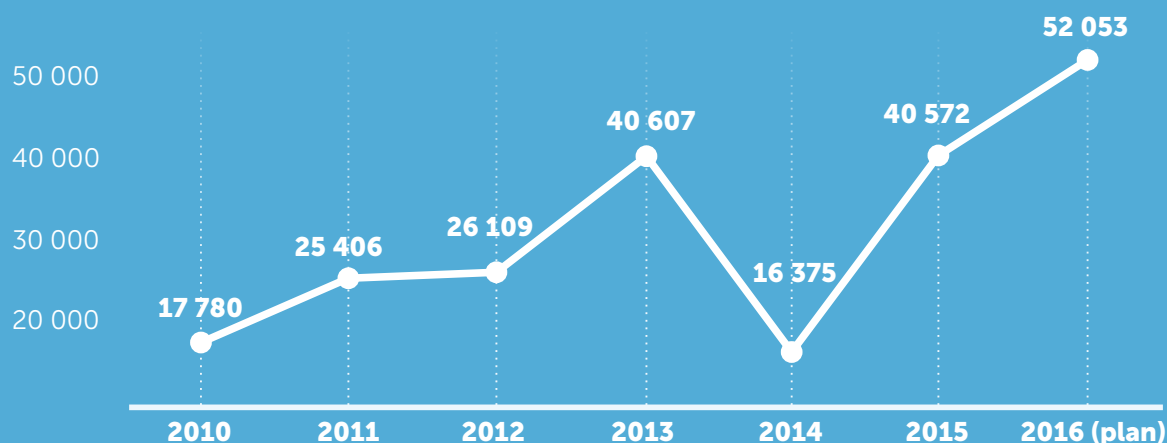
Investment activities

According to the strategic priorities and business direction, long-term investment program of KazTransGas JSC is oriented towards the following objectives:

- › Implementing the New gas fields supplementary exploration and commission program, and the project of inert gas commercialization;
- › Provide a balanced, reliable and uninterrupted provision of gas transportation services to ultimate consumers;
- › Modernization of gas pipelines in order to improve their reliability security and efficient operation by optimizing the industrial and technological capabilities;
- › The expansion of the internal market of natural gas industry through gasification of settlements of the Republic of Kazakhstan;
- › Development of transit and export potential of the Republic of Kazakhstan;
- › Expansion of the resource base.

Capital investments into new investment projects in 2010-2016*

KZT M



* - excluding projects of jointly controlled organizations – AGP LLP, BSHGP LLP, KazRosGas LLP

In 2015 the total volume of utilized investments for the implementing projects is KZT 40.6B, which is KZT 24B or 147% more than the similar indicator of 2014. An essential growth of investments in the reporting period is connected with the beginning of implementation of large investment projects of gasification of settlements and modernization of gas supply networks of Kyzylorda, Aktobe and Mangystau regions.

At the same time, for the purpose of further expansion of the resource base and gasification of northern and central regions of the RoK, the Company began works on geological investigation of coal mine methane in 2015, within the innovative investment project "Production of Coal Mine Methane in Karaganda Coal Basin".

REALIZED INVESTMENT PROJECTS

PROJECTS AIMED AT EXPANSION OF THE RESOURCE BASE

For expansion of the resource base, the Partnership currently carries out work on implementation of the following investment projects:

"Development of Amangeldy group of gas fields (Amangeldy Gas LLP)

"Production of coal mine methane of Karaganda coal basin (prospecting works)"

Geological exploration and survey of Imashevskoye field (KazRosGas LLP)

Kansu Project (KMG-Kansu Operating LLP)

Project "Development of Amangeldy gas deposits group"

In accordance with the Development Program of the gas industry of Kazakhstan for 2010-2014, in order to provide gas to consumers of the Southern region and to ensure energy security, on the basis of the Contract on combined exploration and production of hydrocarbons from the December 12, 2000 KTG continues the development of Amangeldy gas fields group in the Zhambyl region.

The above mentioned Contract period is till 2031.

As part of the project, commercial development of "Amangeldy" field and the development of other fields Amangeldy group are in progress, it includes a set of exploration and seismic work, estimation of reserves, development projects, pilot operation, projects for the construction of wells and surface facilities of the deposit. Approved recoverable reserves of natural gas in the fields of Amangeldy group amount to 15,520M m³.

Since early 2008 Amangeldy field has entered the stage of commercial development. Currently, there have been commissioned 31 wells.

In November 27, 2014 Zharkum field was put into pilot production, the production is carried out in 4 wells.

On November 12, 2015, the period of exploration was prolonged for 3 (three) years till December 12, 2018.

In 2014-2015, seismic research MOGT 2D were carried out on the structure Sultankuduk in the amount of 257,1 line km, as a result of which parameters and expected resources of the structure were specified, as well as location and depth of exploration wells. The design document "Addition No. 2 to the Project of prospecting works on Sultankuduk structure (Barkhan — Sultankuduk section)", providing drilling in 2016-2018 of the 1st independent well of 4 250 m depth and 2 dependent exploration wells of 5000 m and 2970 m depth, respectively, was developed on the basis of new data for the purpose of specification of prospects of the structure for identification of industrial stocks of HSC.

Since the start of pilot production at Amangeldy field there has been produced 3.7B m³ of natural gas and 248K tons of gas condensate, also 2014 Amangeldy field produced 328M m³ of natural gas and 21K tons of condensate, in 2015.

Increase of capacity of MGP Kazakhstan-China (1-part) GPW within R&D

In pursuance of the Plan of measures (Road map) on realization of the assignment of the President of the RoK Nazarbayev N. A. on organization of exploration and production of coal mine methane, KazTransGas JSC carries out works on geological investigation of coal mine methane since 2015 within the innovative investment project "Production of coal mine methane of Karaganda coal basin" (under the agreement dated 03.04.2015. with the subsoil user Saryarka SEC NC JSC). A company having positive experience of implementation of projects of exploration and production of coal mine methane was engaged in management of the project and technical supervision of the course of carrying out GPW (geological and prospecting works).

KazTransGas JSC studied the international experience in exploration and production of coal mine methane in the People's Republic of China (PetroChina CBM), India (Essar Group), and Russian Federation (Gazprom extraction in Kuznetsk).

Project implementation term is 2015-2016. For the moment, 8 vertical wells were drilled during the 1st stage of GPW, including: 5 skilled operational and 3 geological wells; operations on intensification of layers in wells were performed; development is carried out. Field and laboratory research of samples of core was carried out in specialized laboratories of Corelab (USA), NCCBM (PRC), Geokrak (Poland). Results of the core research are planned to be received from all 3 laboratories in April, 2016.

Continuation of prospecting works, calculation, statement of stocks, entering of stocks to the state balance of the RoK and development of a feasibility report are planned to be carried out in 2016. After receiving the results of prospecting works (the 1st stage of GPW Project within R&D); the final decision on further implementation of the Project will be made.

To create favorable conditions for attraction of investments and formation of optimum cost of commodity gas for the population of regions of the RoK, KazTransGas JSC together with authorized government bodies and organizations carries out active work on initiation of the state support of activities for exploration and production of coal mine methane. Following the results of the carried-out works, offers on possibility of providing investment and tax preferences for development of coal mine methane sector by way of modification of the Commercial Code of the RoK within the bill on "green economy" were supported by the Government of the RoK and the Republican Budgetary Commission, and were positively approved in March, 2015 during the first and second readings in the Senate of the RoK.

"Geological study and exploration of Imashevskoye field"

- › On January 18, 2005, the Interstate contract between the RoK and Russian Federation on the Kazakh-Russian border was signed, as a result of which Imashevskoye field got the status of a cross-border field.
- › On September 07, 2010, the Agreement was signed between the Governments of the RoK and Russian Federation on joint activities for geological study and exploration of Imashevskoye cross-border gas-condensate field.

The authorized organizations under the Agreement are KazMunayGas NC JSC – 50% and Gazprom JSC – 50%, with equal distribution of expenses during geological study of Imashevskoye field.

- › On November 11, 2013, Minutes of amendments to the Agreement was signed with the purpose of granting to KazRosGaz LLP, the Operator of the Agreement, of rights to use subsoil for geological study (RF) and exploration (RoK) at Imashevskoye field, both in the territory of the RoK and RF. The Minutes came into force on April 18, 2014.
- › On June 22, 2015, control of 50% of shares of KMG in KazRosGaz LLP was transferred to KazTransGas JSC.

Project implementation term is 2015-2021.

In 2015, the package of geological information on the project in the RoK was acquired partially; the Uniform project on geological study and exploration was developed.

In 2016, obtaining historical information from geological funds of the RoK and RF is planned, as well as passing of state examination and review of the Uniform project, including pre-EIA, in competent authorities of the RoK and RF and passing of procedures for obtaining the Contract for subsurface use.

"Kansu" Project

On 21.10.2015, following the decision of the Board of Directors of KazMunayGas NC JSC (minutes No. 14/2015, paragraph 17), alienation of 100% share of KMG-Kansu Operating LLP was made on account of payment of stocks of KazTransGas JSC in the amount of 185 200 KZT.

On 29.03.2016, re-registration of the Partnership in the Department of Justice of Aktau city was made together with the change of the Sole shareholder from KazMunayGas NC JSC to KazTransGas JSC.

Work on transfer of the right to subsurface use at Kansu section from KazMunayGas NC JSC in favor of KMG - Kansu Operating LLP is currently carried out.

PROJECTS OF EXPORT PIPELINES

For the purpose of export potential expansion, work on implementation of the following investment projects is carried out:

"Increase in power of MG Kazakhstan-China (1st section)" (Asian Gas Pipeline LLP);

"Construction of Beineu – Bozoy – Shymkent gas pipeline" (Beineu-Shymkent Gas pipeline LLP)

Increase of the throughput capacity of BGR-TBA MG and construction of a BCS at TIP-02 crossing point for gas supply to Kazakhstan-China MG (ICA JSC)

Project "Increase of capacity of MGP Kazakhstan-China (1-part)"

On July 27, 2011 there was signed Minutes No. 2 "On amendments and additions to the Agreement between the Government of the Republic of Kazakhstan and the Government of People's Republic of China on cooperation in construction and development of the gas pipeline Kazakhstan-China dated August 18, 2007", and the parties agreed to increase the capacity to implement the first section of MGP "Kazakhstan China" to 25B m³ per year, 20B m³ per year of which are intended to be used by China to implement the transit of Turkmen and Uzbek gas to PRC, and 5B m³ per year to Kazakhstan in order to meet the needs of the internal market in gas, as well as potential gas exports to PRC.

The project plans the construction of main gas pipeline with length 1,304 km and flow capacity up to 25B m³ per year.

Project implementation period: 2012-2017.

On September 26, 2011 between KMG, KTG and TAPLine there was signed an agreement on basic principles of organization of design, financing, construction and operation of a route "C" of the first section of the gas pipeline Kazakhstan-China.

By December 31, 2014, the following major project works have been completed:

- in July 9, 2015, the linear part of the gas pipeline was commissioned.
- in July 16, 2015, the compression station No.6 was commissioned.
- in July 23, 2015, the compression station No.2 was commissioned.
- In December 3, 2015, the Association Investment Committee preliminarily approved

the adjustment of construction schedule, extending the deadline of construction completion and the project commissioning from December of 2015 to July of 2017.

- In December 31, 2015, the order of DCRNM and PC of the RoK No. 278-NK approved tariffs for services of commodity gas transportation through the main gas pipeline for 2016-2019 in the amount of KZT 3 494 per 1000 m³ excluding the VAT with commissioning since March 01, 2016.

Currently there has been reached the design capacity up to 12B m³ per year, with the following construction of six compressor stations in 2016-2017, it is planned to gradually increase the pipeline capacity to 25B m³ per year.

Since the start of the gas pipeline as of December 31, 2015, there has been transported 5,9B m³.

In 2016 according to the approved construction schedule, it is planned to complete the construction and commissioning of compressor stations No. 4 and No.8 with the gas pipeline capacity 19B m³.

Project "Construction of the gas pipeline Beineu - Bozoi - Shymkent"

In order to ensure reliable gas supply for consumers in southern Kazakhstan, energy security of RoK, and to reduce the dependence on gas importing, the project "Construction of the pipeline "Beineu-Bozoy Shymkent" is in process.

The route of the gas pipeline passes across the territory of Mangystau, Aktobe, Kyzylorda and South Kazakhstan regions and has the following main technical characteristics: 1 stage – 2012-2017, capacity up to 6 billion m³ a year; 2 stage – 2013-2017, capacity up to 10 billion m³ a year, length of 1 477 km, diameter of 1 067 mm (in one-thread version).

For the purpose of Project implementation during 2010-2015, the following was carried out:

- The Agreement of cooperation in construction and operation of Kazakhstan – China gas pipeline was signed between the Governments of the RoK and PRC (Ministry of Railways) on August 18, 2007;

- The Agreement on the basic principles of construction and operation of Kazakhstan – China gas pipeline (ABP) was signed within an official visit of the Chinese President Hu Jintao to Kazakhstan on June 12, 2010.

- On January 18, 2011, the joint Kazakhstan-Chinese design company, Beineu-Shymkent Gas Pipeline LLP, was created for implementation of the Project in the territory of the RoK.

- The Consortium of design institutes KING JSC and CPPEI finalized works on updating of the feasibility report and DED with obtaining of the corresponding positive findings of State Expertise RSE and approval in the Agency of the Republic of Kazakhstan for Construction and Housing and Communal Services.

- Since July 17, 2012, construction of the linear part of the gas pipeline at "Bozoy-Shymkent" section is carried out.

- On December 2, 2013, the Act of the State Acceptance Commission on commissioning of the linear part of "Bozoy-Shymkent" section (311-1453 km), Bozoy GMS (gas metering station) with capacity up to 2,5B m³ of gas a year was signed.

- On December 27, 2013, gas transportation by "Beineu-Bozoy-Shymkent" MG was begun.

- On October 29-30, 2015, acceptance by the Working Commission of the linear part of "Beineu-Bozoy" (0-311 km) gas pipeline was carried out.

- On November 20, 2015, the official ceremony of gas-in by "Beineu-Bozoy" (0-311 km) gas pipeline took place.

- On December 15, 2015, the contract No. 01-0617 with State Expertise RSE for carrying out non-departmental complex examination of updating of the Project was signed.

- On December 31, 2015, the order of DCRNM and PC of the RoK No. 278-OD approved a tariff of commodity gas transportation through the main gas pipelines in the amount of 18 071 KZT per 1000 m³ excluding the VAT with commissioning since March 01, 2016.

As of December 31, 2015, 2,6 billion m³ were transported since the beginning of transportation.

Works on construction of along-route roads, RMS and FC "Shornak", "Karaozek", "Aksuat" and "Saksaulsk", Bozoy FC and CS are continued.

"Increase in throughput capacity of "BGR-TBA" MG and construction of a BCS at the TIP-02 crossing point for gas supply to "Kazakhstan-China" MG

On May 18, 2015, the Investment Committee of KazMunayGas NC JSC made the decision on approval of implementation of the Project "Increase of throughput capacity of "BGR-TBA" MG and construction of BCS at TIP-02 crossing point for gas supply to "Kazakhstan-China" MG.

Project implementation term is 2016-2017.

For the purpose of Project implementation, the following was executed in 2015:

- The contract of construction of BCS "Akyrtobe TIP-02" was signed dated 30.05.2015.

- The contract of carrying out repair works for "BGR-TBA" MG was signed dated 16.10.2015.

- Works on installation of bases for GCU (gas compressor units), compressor shops and production buildings were completed;

- Procedure of consideration and coordination of the DED for subsequent transfer to State Expertise RSE comes to the end.

The project is planned to be commissioned in the 3rd quarter 2016.

PROJECTS OF GASIFICATION OF REGIONS OF THE RoK

KazTransGas JSC continues works on gasification of regions of the RoK. Currently the following facilities are under TCO operation:

"Modernization of gas-distributing system of South Kazakhstan region (1 Stage. Shymkent city)"

"Modernization of gas-distributing network in Taraz city"

"Gasification of settlements in Kyzylorda region"

"Gasification of settlements and modernization of gas-distributing networks in Aktobe region"

"Modernization, reconstruction and new construction of gas-distributing networks in settlements of Mangystau region"

Project "Modernization of gas distribution system of South-Kazakhstani region" (1 part, Shymkent)

Project implementation period is 2010-2016.

South-Kazakhstan region became the object of a pilot program of modernization of the gas supply system of the Republic of Kazakhstan carried out by "KTGA" Within the framework of the modernization of the gas distribution network started in 2009 there are being updated and expanded technical gas supply base. Worn-out steel pipelines to are currently being replaced to polyethylene analogues that have longer service life, require no means of electrochemical protection that minimizes costs to repair them.

The expected effect of the project is increasing the capacity from 85 K m³ p/h up to 258K m³ p/h with increased system of reliability due to the multiple loopback high pressure gas pipelines

Since the beginning of the project by 01.01.2016 there has been mastered 89% of the total cost of the project and performed the following work:

- › there was carried out the replacement of the gas pipeline with total length of 2158 km, including high-pressure gas pipelines - 204 km, medium pressure gas pipeline - 1055 km, low-pressure gas pipelines - 849 km; emergency gas pipeline 49,4 km; installed 46 GDU, 28301 DP, 129 GDP, connected 45006 subscribers.

- › For 2015, 173,2 km of gas pipelines were laid; 8 GSU, 2110 DP, 74 GBP were installed; 3264 subscribers were reconnected.

- › In December 27, 2015, the Order of CRNM and PC of the RoK No. 79-OD approved a limit of tariff for adjustable service of commodity gas transportation by gas-distributing systems of Southe Kazakhstan production branch of KazTransGas Aimak JSC in the amount of 8 071 KZT per 1000 m³ (excluding the VAT), that made an increase by 56% in comparison with the previous tariff of 5 185 KZT per 1000 m³ (excluding the VAT).

- › On May 22, 2015, a positive decision of State Expertise RSE on correction of DED of the project was received in connection with a change of amounts of works for 2015-2016 and a change of the exchange rate of the national currency KZT to US dollar at the beginning of 2014.

› On February 4, 2016 CRNM and PC of the RoK approved the Investment Program "Reconstruction and modernization of gas-distributing networks in Shymkent city and maintenance of operating assets of South Kazakhstan production branch of KazTransGas Aimak JSC for 2015-2019".

Continuation of installation and construction works on modernization of gas-distributing system is planned according to the above-mentioned DED.

Project "Modernization of gas distribution network of the city of Taraz"

Project implementation period is 2011-2019.

Modernization of the gas distribution network in Taraz is a necessary measure for the implementation of comprehensive measures on the reconstruction of distribution networks to improve operational reliability and safety of operation, reduce the excessive technical losses as well as rehabilitation of design capacity of gas pipelines and transition to the low-rise sector in the two-tier system of gas supply, which will improve accounting and control of gas consumption.

As a result of the modernization of the gas distribution system in Taraz it will be provided the following effect on the project as: the increase in capacity to 49K m³ per/hour from 101,5K m³ p/h to 150,5K m³ p/h; reduction of technical and technological loss of gas through the pipeline leakage; reduce of maintenance costs on major repairs to 70% over the next 40-50 years; extending the life of the gas distribution system in the city of Taraz for 50 years (warranty period of polyethylene lines), eliminating the possibility of unauthorized taps and gas extraction.

To justify the modernization of the gas distribution network the city is divided into 8 (eight) complexes, the complexes are divided into objects of modernization. The Facilities within the complex are divided into the technological scheme of shutting off the gas distribution network in Taraz for the convenience of construction and installation work and shift the existing network to the new one.

The project is implemented in two stages:

- 1st stage (5 launch complexes 2011-2016)

- 2nd stage (3 launch complexes 2017-2019)

As of 01.01.2015, the project is being implemented in accordance with the approved schedule. Changes in the schedule of the implementation have not been observed. At the reporting date there were commissioned the objects the 1-4 launch complexes of the first stage of the project.

Since the beginning of the project dated 01.01.2016, there has been mastered 62% of the total cost of the project, laid 632,5 km of gas pipelines, installed 14106 DPs, 27 GDP, 1 BGCU.

In 2015 the company plans to continue the construction and installation work on the modernization of the gas distribution system in accordance with the schedule of the project, work on reconnecting subscribers №08-0359/15.

On November 23, 2015, the order of CRNM and PC of the RoK No. 445-OD approved limits of tariffs of adjustable services of commodity gas transportation through distributive pipelines of Zhambyl production branch of KazTransGas Aimak JSC in the amount of 5 704,44 KZT per 1000 m³ (excluding the VAT) with commissioning since January 01, 2016, that made an increase by 52,6% in comparison with the previous tariff of 3 737,77 KZT per 1000 m³ (excluding the VAT).

In 2016, the company plans to continue the construction and installation work on the modernization of the gas distribution system in accordance with the schedule of the project, work on reconnecting subscribers.

Project "Gasification of settlements in Kyzylorda region"

Project implementation term is 2014-2016.

The project includes planned gasification of 5 settlements: Aralsk, Aiteke-bi, Baikonur, Zhanakorgan and Shiyeli. At the same time, the project creates infrastructure for gasification of nearby settlements and increases the quality of life of residents of gasified cities. In general, gasification of Kyzylorda region will allow creating reliable power supply sources for sustained economic growth of the region. Investment program "Gasification of settlements Kyzylorda region and creation of new assets of Kyzylorda production branch of KTG Aimak JSC for 2015-2019" was approved by a joint order of CRNM and PC of the RoK dated 31.12.2014 No. 178-OD, of the Ministry of Energy of the RoK dated 19.01.2015 No. 23 and of CC&HPU of the Ministry of National Economy of the RoK dated 26.01.2015 No.14-HK;

On July 17, 2015, the order of CRNM and PC of the RoK approved limits of tariffs and the tariff estimate on adjustable services of commodity gas transportation by gas-distributing systems of Kyzylorda production branch of KTG Aimak JSC for on 2015-2019 with commissioning since 01.09.2015.

In total, 1276,47 km of gas pipelines were laid in 2015, including: high pressure pipelines (branch lines) - 64,15 km, high pressure pipelines - 49,25 km, average pressure pipelines - 115,68 km, low pressure pipelines - 1047,39 km, installation of AGDS - 5 pieces, installation of GSU - 13 pieces, installation of GDP - 174 pieces, installation of BGCU – 2 pieces.

Project "Gasification of settlements and modernization of gas-distributing networks in Aktobe region"

Project implementation term is 2015-2020.

The project was initiated in 2015 and created as a complex project, in which all components are interconnected – social and economic development of Aktobe region, assessment of the resource base, development of the gas transmission system, technical and investment parameters of gasification facilities of the region.

The Memorandum of understanding and cooperation between Akimat of Aktobe region, KazMunayGas NC JSC and KazTransGas JSC, concerning long-term and mutually beneficial cooperation in implementation of construction projects of gasification facilities in Aktobe region, was signed on February 5, 2015.

The project includes planned gasification of 9 settlements which are a part of agglomeration and regional centers of the region, and also construction of 3 new AGDS with the total power of 360K m³/ hour and modernization of the existing shabby pipeline networks.

The economic effect of gasification of Aktobe region will include an increase in the number of consumers of natural gas by 5,4K subscribers, ensuring energy security and reliable and uninterrupted gas supply for the growing requirements of settlements of Aktobe region, additional multiplicative effect which is expressed in possibilities of continuation of gasification of the territory of this region, an increase of comfort of accommodation of the population, improvement of working conditions and life.

The joint order of the Ministry of Energy of the RoK dated 04.03.2015 No. 173, of CRNM and PC of the RoK dated 17.02.2015 No. 63-OD and of CC&HPU of the MNE of the RoK dated 13.03.2015 No. 96-HK approved the investment program "Gasification, modernization of networks, technical re-equipping, updating and creation of new assets of Aktobe production branch of KazTransGas Aimak JSC for 2015-2020".

Project "Modernization, reconstruction and new construction of gas-distributing networks of settlements in Mangystau region"

Project implementation term is 2015-2017.

The investment project was initiated in 2015 and aimed at modernization and reconstruction, and also construction of gas networks in Mangystau region for the purpose of improvement of reliability and improvement of quality of services, elimination of shortage of gas for consumers because of the insufficient productivity and unsatisfactory technical condition of gas networks.

The Memorandum of understanding and cooperation between Akimat of Mangystau region, KazMunayGas NC JSC and KazTransGas JSC concerning long-term and mutually beneficial cooperation in implementation of construction projects, modernization and reconstruction of gasification facilities in Mangystau region was signed on February 5, 2015.

The project includes planned construction of new gas networks, gas pipelines of high, average and low pressure, bringing gas pipelines of high pressure with installation of three AGDS in Zhanaozen, a gas pipeline branch from Okarem-Beyneu MG to Shetpe village with installation of AGDS, inter-settlement, bringing underground gas pipelines of high and average pressure, and also local low-pressure gas pipelines.

The joint order of the Ministry of Energy of the RoK No. 404 dated 16.06.2015, of CRNM and PC of the RoK No. 161-OD dated 17.04.2015 and of CC&HPU of the MNE of the RoK No. 211-HK dated 21.05.2015 approved the investment program "Modernization, reconstruction and new construction of gas-distributing networks in settlements of Mangystau region and maintenance of the operating assets of Mangystau production branch of KazTransGas Aimak JSC for 2015-2020".

On August 21, 2015, the order of CRNM and PC of the RoK No. 348-OD approved limits of tariffs for adjustable services of commodity gas transportation by gas-distributing systems of Mangystau production branch of KazTransGas Aimak JSC in the amount of 2 455, 36 KZT per 1000 m³ (excluding the VAT), that made an increase by 1,9 times in comparison with the previous tariff of 1284,12 KZT per 1000 m³ (excluding the VAT).

TRADE OPERATIONS WITH GAS

"Construction of 3 AGFCS in the cities of Shymkent, Aktobe and Kyzylorda"

Implementation term is 2015-2016.

For the purpose of implementation of the national program of the RoK on transfer of motor transport to the use of CNG and development of the gas engines market, a number of memorandums were signed in 2014-2015 with akimats and bus fleets of the specified cities.

Innovations

As part of the innovative development of JSC "KazTransGas" (hereinafter the Company) the Scientific and Technical Council of the Company (hereinafter STC) was formed and now is functioning. STC of the Company was established in order to ensure the formation and implementation of the unified corporate and industrial science, technology, innovation policies, improvement of scientific and technical support activities for the Company groups.

Meetings of STC KTG are held monthly in the 3rd decade of the month.

The main objective of STC is consideration of innovative offers, scientific and technical nature, programs of technological development of structural divisions of KTG, and also consideration of reports on developments having important technical economic value and offers on their further application.

14 meetings of STC KTG were organized in 2015.

21 issues, including the main issues with innovative content, were considered and approved:

I Implementation of the project of geological exploration of coal mine methane of Karaganda coal basin.

Execution: For today, 7 wells were drilled; 3 of them are geological wells for coring and 4 are test and production wells. The core is now under research in laboratories of the USA, Poland and China. The following stage is design and drilling of a horizontal well, calculation of stocks of coal mine methane and entry of the stocks on the state balance, development of the FS of industrial production of coal mine methane.

II The offer of Innovational Oil and Gas Technologies JSC on assessment of the potential and increase in volumes of production of Amangeldy group of fields.

Execution: executed.

III Offers of GSB Group LLP on application of coil tubing technology (purging with two-phase mix without killing of wells) for cleaning of a face of wells on Amangeldy field.

Execution: Cleaning of faces of wells at Amangeldy field with application of coil tubing technology was executed.

IV Offers of Clinal LLP on elimination of inter-column pressure in the well of Amangeldy group of fields.

Execution: Trial and model works on research and elimination of inter-column pressure of 3 wells at Amangeldy field were carried out. Diagnostics in wells No. 122, No. 6G, No. 114 was executed.

V Actions for bringing Bozoy UGS to the design capacity (4,0 B m³). 1st stage - 2016, 2nd stage - 2017-2018.

Execution: The technical specification was developed for repair of 36 wells. Preparation of documents for participation in the tender.

Transactions in which KazTransGas JSC has an interest



Following the decision of the Board of KazTransGas JSC (minutes No. 1) dated 08.01.2015, the transaction in which there is an interest was made - the Contract of trust management of property, which is in the territory of Kostanay region of the Republic of Kazakhstan, for the total amount of 5,427,429,285 KZT between KazTransGas JSC and KazTransGas Aimak JSC;



Following the decision of the Board of KazTransGas JSC (minutes №5) dated 05.02.2015 the transaction in which there is an interest was made - the Contract of trust management of property, which is in the territory of Kostanay region of the Republic of Kazakhstan, for the total amount of 5,393,318,009 KZT between KazTransGas JSC and KazTransGas Aimak JSC;



Following the decision of the Board of KazTransGas JSC (minutes №5) dated 05.02.2015, the transaction in which there is an interest was made – the Contract on rendering financial assistance in the amount of 25,321,800,000 KZT between KazTransGas JSC and KazMunayGas NC JSC;



Following the decision of the Board of Directors of KazTransGas JSC (minutes №11) dated 13.05.2015, the transaction in which there is an interest was made by way of signing the Contract on rendering financial assistance for the amount of 25,321,800,000 KZT with Beineu-Shymkent Gas Pipeline LLP, for settlements with third parties within implementation of the project "Construction of Beineu – Shymkent main gas pipeline";



Following the decision of the Board of KazMunayGas NC JSC (minutes №32 item 8) dated 18.06.2015, the transaction in which there is an interest was made – The contract of trust management of 50% share of participation of KazMunayGas NC JSC in KazRosGas LLP was signed between KazMunayGas NC JSC and KazTransGas JSC;



Following the decision of the Board of Directors KazTransGas JSC (minutes №20 item 6) dated 31.07.2015, the transaction in which there is an interest was made – The contract of free financial assistance for the amount of 2,775,000,000 KZT was signed between KazRosGas LLP and KazTransGas JSC;



Following the decision of the Board of KazTransGas JSC (minutes №42) dated 01.10.2015, the transaction in which there is an interest was made - The contract on rendering temporary financial assistance in the amount of 3,063,852,934 KZT for repayment of debt on customs payments, taxes and penalty fees was signed between KazTransGas JSC and KazTransGas-Almaty JSC.

Structure of assets

KazTransGas JSC

- 100%** Intergas Central Asia JSC
- 100%** KazTransGas Aimak JSC
- 100%** KazTransGas-Almaty JSC
- 100%** Amangeldy Gas LLP
- 50%** Beineu-Shymkent Gas Pipeline LLP
- 50%** Asian Gas Pipeline LLP
 - 100%** Asian Gas Pipeline-Khorgos LLP
- 50%** KazRosGas LLP
- 100%** KazTransGas Onimderi LLP
 - 50%** AutoGasAlmaty LLP
- 100%** KazTransGas-Bishkek JSC
- 100%** KMG-Kansu Operating LLP
- 100%** KazTransGas-Tbilisi JSC
- 100%** Astana Gas JSC
- 100%** Intergas Finance B.V.
- 60%** Saryarka Gas Damu LLP
- 5,5%** Samruk-Kazyna KU PE

Risk Management

The principal activity of KTG and its subsidiaries and affiliates is compromised. The Company is aware of the importance of risk management as a key component of corporate governance, aimed at the timely identification and adoption of measures to reduce risks that may affect on the value and reputation of the Group.

The purpose of KazTransGas risk management is to ensure reasonable confidence in the strategic and operational stability of the business.

Risk management program of KazTransGas JSC group of companies for 2015.

Following the decision of the Board of Directors KazTransGas JSC (hereinafter KTG) №27 p.1 dated 30.09.2015, the Risk management program of KTG and its subsidiaries and affiliates for 2015 was approved.

The risk management program of KTG and its SAs was created for achievement of strategic objectives of KazTransGas JSC and for formalization and assignment of responsibility on risks.

63 inherent risks were identified in KTG JSC. Codes of risks were attributed to these risks according to the Qualifier of risks of KTG and its SAs; holders of risks were defined and plans of measures on minimization of risks were developed.

20 key risks were identified in KazTransGas JSC group of companies and were displayed on the Map of key risks of KazTransGas JSC. Own holding capacity of KTG or ability to be liable for its obligations is in the amount of 2 341 million KZT at occurrence of risks which in total will not have any essential impact on its activity.

Interviewing of key employees of all structural divisions of KTG and its SAs concerning risk management was carried out from October 20 to November 13, 2015:

- 1) risks able to influence achievement of the objectives of KTG group of companies were identified;
- 2) the potential extent of damage in case of realization of risks was determined.

The Partnership developed a register of risks of KTG Group and included the key risks in the risk map for the purpose of systematization and unification of risk control systems and internal control systems:

Probability	VERY HIGH					
	HIGH			3.9.6a	3.5.9.; 3.3.1d	
	AVERAGE	1.2.1.	2.2.3.; 3.3.1.; 4.1.2a		3.3.1a; 2.4.2	1.2.3.; 2.3.2b; 3.3.1c
	LOW	4.1.2c			3.3.1b	2.3.2.; 2.3.2a; 3.9.6
	VERY LOW	4.1.2.; 4.2.5	4.1.2b			
		INSIGNIFICANT LOSS	SIGNIFICANT LOSS	MATERIAL LOSS	CRITICAL LOSS	CATASTROPHIC LOSS

Amount of loss

Risk code	Risk name
■ 3.3.1c	Risk of a decrease in volumes of gas transportation
■ 3.9.6a	Risk at approval of tariffs on internal transportation and storage of gas
■ 3.3.1a	Risk of non-return of financial assistance of KazTransGas-Tbilisi JSC
■ 2.4.2	Improper or untimely provision of data on taxes
■ 2.3.2	Risk of default/cross-default on guarantee bonds
■ 2.3.2a	Risk of default/cross-default on loan obligations
■ 3.9.6	Risk of non-approval of limit prices for wholesale
■ 3.3.1b	Risk of short deliveries of imported gas to the south the Republic of Kazakhstan within exchange operations (gas deficiency in autumn and winter period)
■ 2.2.3	Risk of non-execution of the investment plan of capital investments
■ 3.3.1	Loss of investments of KazTransGas Bishkek JSC
■ 4.1.2a	Rescheduling of construction of "Beineu-Bozoy-Shymkent" MG
■ 1.2.1.	Technogenic or industrial accident at gas production
■ 4.1.2c	Rescheduling of the investment project "Construction of 3 AGFCS"
■ 4.1.2b	Rescheduling of construction of "C" thread of "Kazakhstan-China" MG
■ 4.1.2	Rescheduling of the investment project "Production of coal mine methane at Karaganda coal basin"
■ 4.2.5.	Risk of inefficient search of new fields, structures and deposits of free gas
■ 3.5.9	Fluctuation of KZT in relation to US dollar
■ 3.3.1d	Uncertainties connected with dependence on the key partner (Gazprom OJSC)
■ 1.2.3	Accidents because of physical worn-out condition of the gas transmission system
■ 2.3.2b	Risk of rupture of the cash desk

Improvement of the risk culture of the Company

1. Work of the Committee on risks was intensified; all essential events able to negatively affect achievement of the objectives of KTG and its SDO are jointly considered at meetings of the Committee on risks.

2. Rules on conditional obligations were approved; they regulate practical introduction of the process of creation of reserves of KTG and its SDO.

3. Work on organization of insurance protection of risks of KTG group of companies was carried out.

A training on insurance of risks was organized.

4. Monitoring of execution of the recommendations issued following the results of the carried-out audit of production, operational and financial processes, execution – 100% carried out.

5. A package of reporting on financial risks was formed; quarterly monitoring is conducted on:

- observance of limits of country risks;
- limits of obligations to contractor banks;
- currency risks;
- percentage gaps by currencies.

6. The Policy on the Corporate risks management system of KTG and its SDO was approved (decision of the BoD of KTG No. 10 dated 28.06.2015).

7. The Provision on the Committee on risks of KTG (decision of the Board No. 43 dated 15.10.2015) was approved.

8. Following the results of survey of production facilities of KTG group during the period from September 16 to October 17, 2015, 130 risks able to negatively influence achievement of the objectives of KTG group of companies were revealed. Explanatory work about the risk management system was carried out in presence regions.

QUALITY MANAGEMENT SYSTEM

KazTransGas JSC

In KazTransGas JSC in 2015 for the purpose of continuous improvement and development of the management of KazTransGas JSC and its subsidiaries, affiliates there have been identified and approved strategic objectives:

- › The implementation of the volume of gas transportation through pipelines;
- › The implementation of planned volume of gas sales;
- › The retention profitability of the capital used;
- › The transparency provided in the reports on occupational safety and environment labor protection;
- › Implementation of investment projects;
- › Compliance with the covenants of all existing obligations of JSC "KazTransGas".

Coordination of activity of divisions of KazTransGas JSC and its SAs in terms of implementation and improvement of management systems holds the service on managing the integrated management system (IMS).

The scope of application of the quality management system (QMS) of KazTransGas JSC is a corporate asset management in exploration, production, transportation, distribution and gas sale in the Republic of Kazakhstan.

In September, 2015 JSC "KazTransGas" has successfully passed the first supervisory/QMS inspection audit for compliance with the international standard ISO 9001. The Supervisory/surveillance audit on QMS of KazTransGas JSC was conducted by auditors of the international certification body from "Russian Register Eurasia" LLP.

In 2015 for the efficient operation on the IMS, the staff responsible for IMS was trained in Company groups.

According to the internal order, internal audits of IMS in the subsidiary and dependent organizations (SDO) were carried out.

For the purpose of increasing productivity and objectivity of internal audits, a corporate group of internal auditors of ISM was organized in 2015 from the structure of qualified auditors of KazTransGas JSC and its SDO.

Within implementation of the strategic plan "100 steps in the sphere of gas and gas supply", implementation of the concept of uniform certification is planned for next years in KazTransGas JSC group of companies. The Concept purpose is bringing to the new level of support and development of management systems in KazTransGas JSC and its SDO.

Intergas Central Asia JSC

In the Intergas Central Asia JSC, it is acting an IMS, confirmed to meet the requirements of international standards ISO 9001: 2008, ISO 14001: 2004 and ONSAS 18001:2007.

Work on training within the operating management systems was carried out in 2015. Integration of the power management system on compliance with ST of the PoK ISO 50001:2012 into the operating IMS was carried out.

Documentation on the Model of business perfection (EFQM) was developed.

KazTransGas Aimak JSC

The KazTransGas Aimak JSC has ISM, certified in accordance with the national standard ISO 9001-2009 and Quality Management System ISO 9001: 2008, ISO 14001:2004 and ONSAS 18001:2007.

An external assessment of activities of the Company under the Model of business perfection EFQM 2013 on compliance with the Recognized Perfection level, 4 stars, was carried out in 2015. Following the results of the assessment, the Company became the owner of a "Recognized perfection", 4 stars certificate.

In 2015, subsidiary organization KazTransGas Aymak JSC underwent recertification audit of IMS on confirmation of compliance with the requirements of the national standards ISO 9001, ST RoK 50001:2012, and international standards ISO 9001:2008, ISO 14001:2004 and OHSAS 18001:2007. Supervisory/IMS surveillance audit of KazTransGas Aimak JSC was conducted by auditors of the international certification body InterCert in cooperation with Afnor Certification.

Amangeldy Gas LLP

AmangeldyGas LLP uses the integrated management system for compliance with national standards of ST RK ISO 9001-2009, ISO 14001-2006 TC RC and technical specifications of OHSAS 18001-2008.

In 2015 AmangeldyGas LLP, it was passed a supervisory audit for compliance with the standards of ST RK ISO 9001-2009, ST RK ISO 14001-2006 and OHSAS 18001-2008, conducted by auditors of the national certification body KazSert.

Besides, in 2015 Amangeldy Gaz LLP organized training for workers in the field of IMS.

Asian Gas Pipeline LLP

The Asian Gas Pipeline LLP has an integrated management system, confirmed to meet the requirements of international standards ISO 9001: 2008, ISO 14001:2004 and ONSAS 18001:2007.

In 2015, Asian Gas Pipeline LLP successfully passed the certification audit of IMS ISO 9001: 2008 Quality Management System, ISO 14001: 2004 environmental management system, ONSAS 18001: 2007 management system for health and safety, conducted by auditors of the international certification body Quality Austria Trainings, Certification and Evaluation Ltd.

Beineu-Shymkent gas pipeline LLP

The Beineu-Shymkent gas pipeline LLP has an integrated management system, confirmed to meet the requirements of international standards ISO 9001: 2008, ISO 14001:2004 and ONSAS 18001:2007.

In 2015, Beineu-Shymkent gas pipeline LLP successfully passed the certification audit of IMS ISO 9001: 2008 Quality Management System, ISO 14001: 2004 environmental management system, ONSAS 18001: 2007 management system for health and safety, conducted by auditors of the international certification body TÜV Thüringen e.V.

KazRosGas LLP

KazRosGas LLP has a quality management system confirmed on compliance with the requirements of the international standard ISO 9001:2008.

In 2015, the second observation audit, carried out by auditors of BUREAU VERITAS KAZAKHSTAN certification body, was successfully passed by KazRosGas LLP.

Nowadays the control system of group of companies of KazTransGas JSC is integrated in accordance with international and national standards. The system is stable and dynamic development activities are carried out in accordance with established business processes, which describe all the stages of management: planning, execution, monitoring, analysis in order to improve further the company's management system on the whole.

Activity in the field of IMS in KazTransGas JSC group of companies

Subsidiaries and affiliates of JSC "KazTransGas"		JSC "Intergas Central Asia"	JSC "KazTrans-Gas Aimak"	LLP "Aman-geldy Gas"	LLP "Asian Gas Pipeline"	LLP "Gas pipeline Beineu-Shymkent"	LLP "KazRos-Gas"
S T A N D A R D S	ISO 9001	Certification year/body					
	Quality management system.	2012	2015	2012	2014	2014	2014
	Requirement	Orion Registrar, Inc., USA	InterCert Afnor Certification	LLP "KazSert"	QUALITY AUSTRIA	TÜV Thüringen e.V.	Bureau Veritas Kazakhstan
	ISO 14001	Certification year/body					
	Environmental management system	2012	2015	2012	2014	2014	-
		Orion Registrar, Inc., USA	InterCert Afnor Certification	LLP "KazSert"	QUALITY AUSTRIA	TÜV Thüringen e.V.	-
	OHSAS 18001	Certification year/body					
	Occupational Health and safety management system	2012	2015	2012	2014	2014	-
		Orion Registrar, Inc., USA	InterCert Afnor Certification	LLP "KazSert"	QUALITY AUSTRIA	TÜV Thüringen e.V.	-
	ISO 50001	Certification year/body					
	Energy management system	-	2014	-	-	-	-
		-	InterCert Afnor Certification	-	-	-	-

Environment protection, Industrial safety and Occupational safety

Coordination work of KazTransGas JSC in the area of Health and Safety

Measures on ensuring industrial safety, fire safety, occupational safety and the environment protection at the production facilities of KazTransGas JSC the group of companies (hereinafter KTG) are conducted in accordance with applicable legal, regulatory, legislative and technical acts of the Republic of Kazakhstan, "Uniform occupational safety management system" (UOSMS) of NC KazMunayGas JSC and UOSMS of subsidiaries and affiliates (hereinafter SA) of KTG.

In accordance with the "Comprehensive Program of KazTransGas JSC on health and safety in 2013-2017" and "Rules of safety management and occupational safety and health in the group of companies of KazTransGas JSC, in all subsidiaries and affiliates there are drawn up and approved in the prescribed manner the plans of occupational safety, industrial, fire, physical safety and environmental protection, a complex of organizational and practical measures were held.

Employees of KTG took part in the annual meeting of KazMunayGas NC JSC on the issue "Formation of a world-class safety culture" in Talgar city in April, 2015. Protocol decisions of the meeting identified a number of measures to improve security and safety in the group of companies of NC KazMunayGas JSC.

An extended meeting on the issues of safety and labor protection in KTG group of companies was held in Astana. Reports of heads of SDO on the carried-out work in the field of labor protection, industrial, fire, ecological safety were heard. Reports were accepted, and protocol decision indicated further tasks for improvement of the above-mentioned work.

In order to improve relations and cooperation in the field of health and safety at the Kazakhstan-China gas pipelines Asian Gas Pipeline LLP (hereinafter AGP) and Beineu-Shymkent-Bozoi LLP (hereinafter GBSH) held double-sided meeting on these issues in Beijing in April of 2015 at Astana. Following the minutes of meeting, it was decided to carry out work in the field of safety and labor protection on the basis of protocol decisions made earlier in compliance with the legislation of the RoK. For the purpose of implementation of these protocol decisions, joint ventures were instructed to unconditionally comply with the legislation of the RoK, carry out effective work on risk management in the field of safety and labor protection, provide timely response to emergencies, carrying out works without traumatism, accidents and incidents.

In accordance with the approved schedule in 2015 there were conducted safety audits in KazTransGas - Almaty JSC,

The results of inspections and recommendations on the management of work were sent to the subsidiaries and affiliates to take necessary measures

Within the internal control in the group of KTG companies 20 inspections of the fifth and sixth levels were conducted in 2015.

Occupational safety

When scheduled inspections of SA, the attention was paid to activities on improving the motivation of employees, promotion of safe operation and adjustment of the working staff training programs, taking into account the identified risks.

In accordance with the requirements of the legislation in the field of occupational safety and health, measures on multilevel control, training and testing, certification facilities on labour conditions, the establishment of sanitary and hygienic working conditions, providing clothing, accident insurance, medical and pre-shift inspection are organized and conducted.

In 2015, there were five accidents associated with the production.

On April 17, 2015, during Spartakiad of KTG, an employee of AGP was traumatized. In Almaty team, Poddubskaya O. N. began participation in volleyball competition against Batys team. About 12 hours, at the beginning of the second period, after "transition" Poddubskaya O. N. was "under the grid". When the ball was thrown by rivals, Poddubskaya O. N. jumped up and felt a crunch in the left foot at this moment and fell down to the floor. The diagnosis of Poddubskaya O. N., determined in the medical institution: severe injury, closed fracture of external condyle of the shinbone.

On May 5, 2015, when unloading an iron rod from the tractor trailer in the territory of PMM, an employee injured the right frontal part of his head. In the city hospital of Atyrau, Sisengaziyev Zh.E was determined the diagnosis: slight brain concussion, open depressed fracture of the upper edge of the right superciliary bone. On June 23, 2015, an emergency crew consisting of the driver of a motor car, Baysakov B., and the mechanic of the motor car, Umarov N., went to the requested address by Gazelle motor car. When passing the road crossing, the car gets into an accident because of a rough maneuver of UAZ "Patriot" to the left side. One more car, a BMW, was injured at roll-over of the emergency car to the right side.

On July 27, 2015, the driver of Mangystau production branch of KazTransGas Aimak JSC suffered burns from hot water and steam when opening the cover of a "boiling" car radiator.

On November 23, 2015, when carrying out primary start-up of gas, at the time of ignition of AOFB-23,2 boiler, there was a backfire gas of air mixture in the room. As a result, the mechanic of Aktobe production branch of KazTransGas Aimak JSC Yskakova G. got moderately severe injuries.

Fire safety

During the reporting period in accordance with the Comprehensive Program of KTG on Health and Safety in 2013-2017 such measures as fire-retardant treatment, repair, inspection and recharging of fire extinguishers, training and coaching of staff in fire safety measures, installation of automatic fire and alarm systems, maintenance of fire-prevention automatics, installation and repair of fire water were held.

Contracts have been signed on the protection of objects from fires and conducted fire-tactical exercises and training.

Fires in the reporting period at the facilities of the group of companies of KazTransGas JSC didn't take place.

Industrial safety

During the reporting period in accordance with the Comprehensive Program of KTG on Health and Safety in 2013-2017 such measures as pipelines diagnostic, replacement of defective sections of pipelines and valves, the replacement pipe insulation, training and examination of personnel, declaration of production facilities, production control.

Company authority participated in meetings of the working groups on the draft Law in the field of industrial safety established by the Committee on Industrial Safety of the Ministry of Emergency Situations of the Republic of Kazakhstan. Contracts have been signed to ensure the blowout safety, protection of objects of unlawful actions.

SDO of KTG participated in the Republican command and staff training exercises "Spring – 2015" on the topic: "Preparation of governing bodies, forces and means of the State civil protection system for actions at elimination of emergency situations in the conditions of flood spring period of 2015", and also in the Republican command and staff training exercises "Kys – 2015" on the topic: "Preparation of governing bodies, forces and means of the State civil protection system for actions at elimination of emergency situations in winter period conditions".

The command and staff training exercises "Taraz-2015" on the subject "Emergence and elimination of technogenic emergency situations" were held on the basis of KC Kulan, by Taraz GTD (gas transportation department), and AGP.

During the reporting period, there was one accident at facilities of KazTransGas JSC group of companies - at the operating main gas pipeline (on February 2, 2015 at 288,1 km of Orenburg-Novopskov MG).

According to the Act of investigation, the accident was caused by a number of factors connected with technological defects of the pipe and the intense and deformed condition of the section of the gas pipeline.

Environmental protection

The work on annual inventory of sources of greenhouse gas emissions and submission of passports of greenhouse gases to the authorized body for further registration in the state inventory is continued. The meetings, held by the Ministry of Energy of the RoK on development of the principles and the road map of transition to new standards on emissions of GG, similar to European ones, within implementation of the Concept on transition of the RoK to "green economy", were also attended.

Upon the recommendation of the ME of the RoK and KazEnergy JSC, KTG considered a number of legislative and delegated acts of the Republic of Kazakhstan concerning environmental protection, including:

- Draft Tax Code of the RoK;
- Bill of the RoK "On introduction of amendments and additions to some legislative acts of the RoK concerning environmental issues";
- The national plan of distribution of quotas for emissions of greenhouse gases in 2016-2020;
- Draft order of the Minister of Energy of the RoK "On statement of forms of the report on inventory of greenhouse gases for subjects of distribution of quotas";
- "State inventory of production and consumption wastes";
- The technical report "Simulation of benchmarks actuality distribution for products" and "Methodology of distribution of quotas";
- Draft order of the Minister of Investments and Development of the Republic of Kazakhstan "On statement of forms of acts of state inspectors in the field of industrial safety".

Joint work with Carbon Limits AS Norwegian company was aimed at definition of the main places of methane leaks and development of expedient decisions on reduction of non-productive losses at facilities of Shymkent GTPA (gas transmittal pipelines administration) of Intergas Central Asia JSC.

Energy saving and implementation of new technologies on environmental protection.

KazTransGas JSC pursues the policy of energy saving and increase of energy efficiency. The directions of development of activity in the field of increase of energy efficiency of KTG group of companies during transportation, distribution and underground storage of gas are determined in the approved Program of energy saving and increase of energy efficiency for 2015-2020.

The following purposes will be achieved during successful implementation of measures of the Program: decrease of gas consumption for own needs and technological losses (SNIP) by more than 90,5 million m³ and electricity consumption by more than 17,8 million kWh, which will allow saving of up to 125 thousand tons of reference fuel (hereinafter – t.r.f.).

According to the Program, the main objectives of energy saving policy are as follows:

- maximum realization of energy saving potential in all kinds of activity on the basis of state support of the energy saving policy and improvement of energy saving management;
- increase of energy efficiency of KTG group of companies on the basis of application of innovative technologies and equipment;
- ensuring reduction of the environmental footprint in order to realize the corporate goals, energy audit is carried out in subsidiary and dependent organizations, and plans of measures on execution of the Program of energy saving and energy efficiency increase are developed.

The plan of measures on energy saving and energy efficiency increase for 2015-2019 was developed and approved following the results of the carried-out energy audit in Intergas Central Asia JSC, Amangeldy Gas LLP and KazTransGas-Almaty JSC. Also, the energy management system, complying with the international standard ISO 50001, was introduced in Intergas Central Asia JSC.

Within execution of the energy saving corporate program, SDO of KTG carry out monitoring of fuel and energy resources (FER) consumption and execution of the plan of measures on energy saving and energy efficiency increase.

The volume of fuel and energy resources (FER) consumption in KazTransGas JSC group of companies in 2015 made 934,75 thousand tons of reference fuel (t.r.f), which decreased by 48% in comparison with 2014 (1804 thousand t.r.f.). It should be noted that in connection with reduction of transit volumes of Central Asian gas, there is a decrease in volumes of energy resources consumption.

Energy saving potential (on the approved energy audit actions) of KTG group of companies for 2015-2019 makes 67588,12 t.r.f. Saving of fuel and energy resources (FER) by KTG group of companies made 13149,8 t.r.f. (4899 thousand kWh, 10833 thousand m³) in 2015. Also we note that 70% of saving of energy resources accrues to Intergas Central Asia JSC. I.e. saving for 2015 made 9300 t.r.f (7436,2 thousand m³, 4875 thousand kWh).

According to "The program of energy efficiency increase in Samruk-Kazyna NWF JSC group of companies", submission of a report on fuel and energy resources consumption by KTG to KazMunayGas NC JSC was organized.

Following the resolution of the government of the RoK dated December 29, 2012 No.1765, standard values were established for power factor of electric networks with voltage class of 110 kV - $\cos\varphi \geq 0,89$, for networks of 6-10 kV - $\cos\varphi \geq 0,92$, for networks of 0,4 kV $\geq 0,93$ (according to GOST 13109-97). According to the results of measurements made according to the energy audit program, standard values of power factor ($\cos\varphi$) in electric networks of Intergas Central Asia JSC, Amangeldy Gas LLP, KazTransGas-Almaty JSC comply with GOST requirements.

Within implementation of tasks in the field of energy saving and for ensuring rational use of electric power in office buildings of SDO, lighting with glow lamps was completely replaced with energy saving lamps. Replacement with energy saving lamps in production buildings is made according to the plan of measures on energy saving.

For "Engineering and technical center" of Intergas Central Asia JSC, the decision on

installation of solar batteries for outdoor lighting of external perimeter of the territory of the industrial site was not implemented because of its high cost. LED lighting of the industrial site will be powered from the power supply system.

According to the Energy Saving Program – 2020 approved by the Resolution of the Government of the Republic of Kazakhstan on August 29, 2013 No. 904, the project "Complex automatic utility metering system accounting (hereinafter - AUMS) was implemented in Makat line operation administration of Intergas Central Asia JSC; the contractor is VerBulak LLP (contract. No. 220-01-14R dated 04.09.2014). Precommissioning of AUMS is currently carried out.

Steam turbine generators of closed cycle (of CCVT type - Closed cycle vapor turbogenerator), thermoelectric generators (TEG) and photo-electric modules, allowing prevention of irrational expense of fuel and energy resources (FER), are used at Kazakhstan-China main gas pipeline. Similar design solutions are provided at Beineu-Bozoy-Shymkent gas pipeline. For purposeful transition to the use of photo-electric modules (FEM) as an electric power source for the electrochemical protection system of GTS, it is necessary to estimate its economic efficiency and expediency of use at facilities of the gas transmission system in various climatic conditions.

For experimental purposes, Amangeldy Gaz LLP subsidiary organization plans to acquire PV 230 M60 photo-electric modules in the number of 3 units (1kvt-2 unit; 3,2kvt-1ed.) in 2016-2017. Expediency of their further introduction in production will be defined following the results of the pilot test.

Social responsibility

Recruitment Policy

The Company realizes the social responsibility of business, makes efforts to promote social progress and welfare of society, sustainable development and prosperity of the regions, enhances the well-being of its employees. Caring for each employee, the priority of solution of social issues are the basis of the Company policy.

Due to changes in today's life there is a necessity to apply innovations in proper time in order to ensure company compliance with environmental conditions. The personnel policy is being elaborated in the course of its implementation in response to new demands of the constantly changing environment, except for that part of the personnel policy, which affects the key interests of employees (such as employment policy, wages) that should be predictable and stable.

The personnel policy should combine the existing approaches, tried and tested methods and tools of personnel management based on best practices in the field of HR. It helps to form a common approach and develop a corporate value system of KTG in personnel management.

The basis of the developed personnel policy is laid on the following key principles:

- Transparency is openness at all stages of human resource management
- Complexity is covering all fields of activity of personnel management;
- Consistency is consideration of all the constituent elements of the policy in correlation;
- Validity is the use of modern scientific researches in the Field of personnel management, which could provide maximum economic and social benefit;
- Efficiency is expenses on arrangements in the field of personnel management should be paid off by results of production operations.

Social protection of workers group of companies

The group of companies pays great attention to the growth of social payments, which are aimed at creating a healthy microclimate in the working groups that allows employees to carry out its basic Functions successfully. The Company defines a single corporate policy of social support to workers and pays great attention to social payments, the main part of which make up material assistance, social benefits and compensation, social security.

The Rules for the provision of social support to employees of KazTransGas JSC (hereinafter Regulations) are approved by the decision of Board of Directors in December 23, 2014 in the new edition.

Two new kinds of social guaranteed support are introduced:

1) provision of social benefits for pregnancy and childbirth (with the deduction of those provided by the state);

2) provision of compensation upon termination of the employment contract in case of failure to transfer to another job due to total disability, the establishment of disability.

Also social payments acting in the companies and specified in the Collective Agreement are added to the Rule:

1) Lump sum payment to the family of the worker died in an accident at work (i. 6.13. of section 6. Collective Agreement of the Company 2012-2016).

2) organization of recreation for workers' children between ages From 7 to 14 in children's health camps within Kazakhstan (i. 6.10. section 6. Collective Agreement of the Company 2012-2016).

KazTransGas JSC offers its employees a package of social services, including health insurance, financial aid, treatment and rehabilitation of employees during the labour holiday and many others. On the basis of collective agreements and the Rules of social support in 2015 the employees of the group of companies were paid the following main types of financial aid:

- financial assistance to leave For recovery - KZT 2,932,941K;
- birth of a child - KZT 113,280K;
- compensation payments related to housing (the number of employees who have received loans) - KZT 699,486K;
- other payments (on marriage, retirement, assistance for pensioners, treatment and payment transactions in exceptional cases and others.) – KZT 230,384K.

The Spartakiad among employees of KazTransGas JSC group of companies was held in Astana on April 16-17, 2015 for the purpose of strengthening of the corporate spirit, promotion of physical culture and sport as an important factor of formation of a healthy lifestyle. For the first time, teams on the Spartakiad were formed from employees of SDO located in one presence region of the Company – Astana, Almaty, Batys and Ontustik teams.

For carrying out children's activities and recreation of employees' children aged From 7 to 14 in 2015 there was allocated and spent KZT 110,428K.

The total amount of social benefits of the Company's group of companies (including social benefits by the employer) amounted to KZT 3,983,187K in 2015.

The quality of working conditions and life of workers and their families

To ensure the quality of working conditions and life of workers and their families in an annual KTG group budget there laid funds for voluntary health insurance, which includes a wide range of medical services in the best clinics of Kazakhstan. The health care program of the worker which provides the entire spectrum of medical services provides care for his family (husband, wife and children) on the same terms. In addition, the range of services provided by the insurance company includes the patronage of physiological pregnancy.

For example, in 2015 at the expense of the Company's group of companies medical insurance in total amount of KZT 541,1M was carried out, it includes the insurance of employees of KazTransGas JSC on KZT 62,8M.

It is well known, that the work of the majority of workers is associated with gas pipelines

and thus, on one hand, it is characterized by severe climatic conditions (the condition of drinking water, dust storms, etc.) and, on the other hand, by the fact that the transit pipelines mostly go through environmentally unfavourable regions of the country.

In accordance with the Law of RoK "On social protection of citizens affected by the environmental disaster in the Aral Sea", the residents of the Aral Sea region get calculated environmental factor in the amount of 20% to 50% to the basic salary, and also granted additional leave in number from 6 to 12 days.

Work on prevention of diseases of workers, as well as their treatment and rehabilitation during the holiday season is being carried out.

The Company attaches great importance to the growth of social payments, which account for a substantial share of social benefits and guarantees. Above all, they aim at creating a healthy working climate in teams on the basis of social partnership that allows employees to carry out successfully their basic functions.

Also in the Company there operate associations of workers trade unions in the framework of which collective agreements between workers and employers were signed, which provide for social guarantees, benefits, compensations and benefits to employees which significantly exceed those guaranteed by the labor legislation, for example:

- payments in connection with the first marriage, birth of a child, for burial in the death of loved ones, etc.;
- additional paid leave in connection with the above-mentioned cases;
- payment of 75% or more of the cost of the spa treatment for employees and the cost of vouchers to children's health camps for employees' children of the company;
- and many others.

Preparation, training and skills development group of companies

In view of the fact that movement of personnel shall be as predictable, planned and corresponding to the general development concept of the company as possible, a general integrated approach to all interested parties: students, representatives of educational organizations and the Company, is necessary for strengthening of its workforce capacity. Therefore, in order to fill the resulting vacancies planned, as well as for the formation of a group of young professionals with the ability of operational management activities that meet the requirements of the position in this or that direction, in subsidiaries and affiliates there have been developed and approved the Rules of training of young specialists. This internal document describes a procedure for determining the training needs of young professionals, a set of candidates, the order of getting education in educational institutions of the Republic of Kazakhstan, CIS and abroad. Currently there been approved the commission on the development of external human capacity, it corresponds with higher education institutions on this issue. The training of specialists with higher education of the Company groups is planned on the basis of the best technical universities.

Company employees take part in courses of skill improvement, seminars, fellowships and trainings in private institution Private institution "Corporate University of Samruk-Kazyna (PE "UCPD") in Astana, and on the basis of other training centres of the Republic of Kazakhstan, CIS and abroad.

The Company has the following programs For the development of staff: "Training and retraining", as well as a program "Young professionals".

"Training and skill improvement" is an ongoing program for the development of the Company's personnel.

The Company has a program of staff development aimed at training and retraining. Every year the Company's budget provides Funds for training and staff development.

In accordance with the Rules of technical operation of the main gas pipelines PR RK 51.3-002-2004 (item 1.2. "Technical staff training"), the technical Facilities of main gas pipelines are to be operated by specially trained personnel. The staff, serving major hazard facilities, should be trained (retrained) at courses specially created by companies and the program should be coordinated with the local State technical supervision body authorities.

In 2015, the Company's group of companies trained 4,155 employees in total amount of KZT 290,846M, employees train and improve their skills on the basis of educational institutions and training centres of the Republic of Kazakhstan, the Russian Federation and Ukraine Professional education and development of the working staff is a long-term priorities of the personnel policy of the Company as the professional level of personnel is an important Factor in increasing the efficiency of safe production, productivity increase and improving work quality.

A special role is given to high-quality training of young professionals. The Company provides support for employees' children to study in higher educational institutions of Kazakhstan and Russia For that a program "young professionals" has been worked out. At the expense of the Company young citizens of our Republic get education in higher educational institutions, where after graduation they will work in the gas transmission industry.

Sponsorship and charity

In connection with the "Policy of rendering sponsor's assistance in KMG NC JSC" coming into effect, rendering of sponsor's assistance in 2015 was suspended.

Corporate governance

One of the strategic directions of the activity of KazTransGas JSC is an efficiency improvement of the corporate governance.

The Company proceeds on the basis that an effective corporate governance is an essential condition for sustainable growth of the Company's capitalization, reducing the likelihood of corporate conflicts, increasing attractiveness for investors, as well as the positive effect on the image.

The purpose of corporate governance is to ensure the efficient operation of the Company, increase the value of its stockholder's equity, provision of protection of investors' rights and implementation of the Sole Shareholder's interests.

The Company, realizing the importance of corporate governance, pays great attention to the implementation of corporate governance principles. In 2015, the Code of Corporate Governance in new edition was approved. Corporate Governance Code has been developed in accordance with the Corporate Governance Code of SWF Samruk-Kazyna JSC, approved by the resolution of RoK Government No.239 dated 15.04.2015.

The Company seeks for balancing the interests of the Sole Shareholder, the Company's management and interested parties. The corporate governance of the Company, as a holding one, includes the interaction of several levels of the corporate ladder: the general meeting of shareholders, board of directors, the executive body of the Company and analogous management departments in subsidiaries and affiliates.

As part of preparatory activities on the establishment of an effective system of corporate governance changes are introduced in the organizational structure of the holding: the Company is a national operator in the field of gas and gas supply is a corporate center that is called to limit the bounds of the ownership structure, minimize costs on information disclosure, simplify the procedure of making management solutions.

Reasonable allocation of functions between the general meeting of shareholders, board of directors and executive authorities both of the Company and its subsidiaries is consolidated in the statutes and does not interfere with the management in subsidiaries and affiliates to implement the current management.

To achieve the goals and objectives of the Company's corporate governance in relation with the subsidiaries and affiliates within the business transformation redesign of their structures is being performed, which implies redistribution and regulation of officials' powers and responsibilities within corporate governance, optimization of business processes of corporate interaction.

The Company has implemented unified standards of corporate governance, in addition to the principles specific to any joint-stock company (observation of the rights of shareholders and interested parties, information openness, the availability of effective board of directors, a clear division of powers and responsibilities between authorities of companies, transparent ownership structure, an effective system of internal controls). The Company follows the principle of unified standards of corporate governance, implementing common strategic purposes for the Company and its subsidiaries.

The Company's interests in the activities of SA are implemented in elaboration and implementation of policies (or programs) of corporate management, which includes several areas, such as

- the formation and control of the implementation of the development strategy of subsidiaries and affiliates;
- planning and control of financial results of subsidiaries and affiliates, including the identification of trends and control of distribution profits in subsidiaries and affiliates;
- control of financial and economic activities in subsidiaries and affiliates, including transactions with subsidiary and affiliate assets;

- continuous improvement of the efficiency of internal processes in subsidiaries and affiliates In business management;
- providing investment attractiveness and capitalization growth of subsidiaries and affiliates;
- the formation and implementation of personnel policies in subsidiaries and affiliates.

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

Corporate Management Bodies

Corporate governance bodies of the Company are:

1) The sole shareholder is the supreme body;
 2) Board of Directors is the management body exercising general management of the Company and defining the priority areas of its activity. The Board of Directors consists of six members, two of whom are independent directors.

3) The Management of the Board is a collegial executive body managing the Company's current activities in order to fulfil the objectives and implement the Company's strategy.

The Management of the Board consists of ten members as of December 31, 2015.

The structure of the Board of Directors

As of January 1, 2015, the Board of Directors consists of six members. They are:

Director name	Position in KTG
Sultangali Serik Sultangaliuly	Chairman of the Board of Directors
Sharipbayev Kairat Kamatayevich	Member of the Board of Directors
Berlibayev Daniyar Amirbayevich	Member of the Board of Directors
Kassymbek Ardak Makhmuduly	Member of the Board of Directors
Nurgaziyev Airat Aittanovich	Independent director
Berdalina Zhanat Kolanovna	Independent director

Following the decision of the Sole Shareholder (minutes of the BoD of KMG No. 17/2015 dated December 11, 2015), Suleymanov R. E. was elected as the board member of KTG; Sharipbayev K.K. was appointed to the position of the Chairman of the Board of Directors; and Sultangali S. terminated his powers as the Chairman of the Board of Directors.

The structure of the Board of Directors as of December 31, 2015:

Director name	Position in KTG
Sharipbayev Kayrat Kamatayevich	Chairman of the Board of Directors
Suleymanov Rustam Eduardovich	Member of the Board of Directors
Berlibayev Daniyar Amirbayevich	Member of the Board of Directors
Kasymbek Ardak Makhmuduly	Member of the Board of Directors
Nurgaziyev Ayrat Aytanovich	Independent Director
Berdalina Zhanat Kolanovna	Independent Director

According to the Corporate Management Code of the Company, the Board of Directors established the fact of independence of directors Nurgaziyev A.A. and Berdalina Zh.K. They:

- correspond to the criteria of independence stipulated by the legislation of the Republic of Kazakhstan.
- have the necessary experience, knowledge, qualifications, positive achievements and faultless reputation in the business environment and gas industry of Kazakhstan, necessary

for performance of their duties and organization of effective work of the whole Board of Directors in the interests of the Sole Shareholder and KTG;

- comply with the requirements of the Regulation on the Board of Directors of KazTransGas JSC not allowing relations or circumstances which could have an impact on recognition of a member of the Board of Directors as an independent member.

Attendance of meetings of the Board of Directors by members of the Board of Directors

Full name	Position	Number of attendance	% of attendance	Notes
Sultangali S.	Chairman of the Board of Directors	35 of 35	100 %	Terminated his powers following the decision of the SS (Sole Shareholder) № 17/2015 dated December 11, 2015
Sharipbayev K. K.	Member/Chairman of the Board of Directors	37 of 37	100 %	Elected as the Chairman of the Board of Directors of KTG following the decision of the SS № 17/2015 dated December 11, 2015
Suleimenov R.E.	Member of the Board of Directors	2 of 2	100 %	Elected as a member of the Board of Directors of KTG following the decision of the SS № 17/2015 dated December 11, 2015
Berlibayev D.A.	Member of the Board of Directors	37 of 37	100 %	Elected as a member of the Board of Directors of KTG following the decision of the SS № 1/2014 dated February 20, 2014
Kasyimbek A. M.	Member of the Board of Directors	37 of 37	100 %	Elected as a member of the Board of Directors of KTG following the decision of the SS № 1/2014 dated February 20, 2014
Nurgaziyev A.A.	Independent Director	37 of 37	100 %	Elected as a member of the Board of Directors of KTG following the decision of the SS № 1/2014 dated February 20, 2014
Berdalina Zh.K.	Independent Director	37 of 37	100 %	Elected as a member of the Board of Directors of KTG following the decision of the SS № 1/2014 dated February 20, 2014

- The Board of Directors of the Company held 37 meetings (35 meetings in presentia, 2 meetings in absentia) for the reporting period. In total, 202 issues were considered. 200 of them were considered at meetings in presentia, and 2 issues were considered at meetings in absentia.

Responsibility of the Board of Directors

The Board of Directors is responsible to the Sole Shareholder for effective management and appropriate control over activity of the Company and acts according to the approved decision-making procedure. The most important functions of the Board of Directors are definition of priority activities of the Company, making decisions on conclusion of major transactions and other vital issues.

Responsibility of the Board

In its turn, the Board is responsible for development of the plan of measures on implementation of decisions of the Board of Directors and on the current issues of financial, economic and production activity of the Company. The Board accounts to the Board of Directors for the condition of the carried-out work on implementation of the business plan of the Company.

Thus, understanding by all participants of corporate relations of their powers, spheres of responsibility, accountability, rights and duties, and also accurate stipulation of the specified aspects in the Charter of the Company reduces the risk of conflicts of interests, and, therefore, creates a uniform vision of corporate management principles and structure.

Structure of the Board

As of December 31, 2015, the Board of KTG included top managers, including the Director General, his deputies and advisers.

Members of the Board

Full name	Position	Period
Suleymanov Rustam Eduardovich	Director General (Chairman of the Board)	since 11.12.2015
Yestay Serik	Deputy General Director on technical policy	since 24.02.2015
Kusherov Dair Adilbekovich	Deputy General Director on economy and finance	since 10.01.2014
Serdiyev Ibulla Dzhumagulovich	Deputy General director on marketing and commerce	since 12.08.2015
Temirkhanov Yerkanat Uakbayevich	Deputy General director on transformation and development	since 06.04.2015
Abdygulova Naylya Umirzakovna	Chief of staff	since 12.06.2015
Abdrasulov Nurlan Kadyrovich	Advisor of the General Director	since 23.04.2015
Kaseyev Yerken Zaripovich	Advisor of the General Director	since 14.11.2014
Kurmanaliyev Kanat Rakhimbergenovich	Advisor of the General Director	since 12.08.2015
Klimov Pavel Viktorovich	Advisor of the General Director	since 25.08.2015

Decisions of the Board of Directors of KTG made in 2015 concerning the structure of the Board of KTG

Following the decision of the Board of Directors of KazTransGas JSC dated February 24, 2015 (minutes No. 3, paragraph 3), the structure of the board in the number of 9 (nine) people was defined. Also, the First Deputy Director General of KazTransGas JSC Yestay Serik was elected as a member of the Board for the term of office determined for the Board of KazTransGas JSC in general.

According to the decision of the Board of Directors of KazTransGas JSC dated April 06, 2015 (minutes No. 6, paragraph 8), the powers of Zhylykshiyev of Kuanysh Bolatulu as a member of the Board of KazTransGas JSC were terminated early. The deputy Director General of KazTransGas JSC Temirkhanov Yerkanat Uakbayevich was elected as a member of the Board of KazTransGas JSC for the term of office determined for the Board of KazTransGas JSC in general.

According to the decision of the Board of Directors of KazTransGas JSC dated April 23, 2015 (minutes No. 9, paragraph 1), the Board of KazTransGas JSC was defined in number of 10 (ten) people. The Adviser Director General of KazTransGas JSC Abdrasulov Nurlan Kadyrovich was elected as a member of the Board for the term of office determined for the Board of KazTransGas JSC in general.

Following the decision of the Board of Directors of KazTransGas JSC dated June 12, 2015 (minutes No. 15, paragraph 2), powers of a Board member Baybatyrova Botagoz Serikovna were terminated early; Abdygulova Nailya Umirzakovna was elected as a member of the Board of KazTransGas JSC for the term of office determined for the Board of KazTransGas JSC in general.

According to the decision of the Board of Directors KazTransGas JSC dated August 12, 2015 (minutes No. 22, paragraph 2), the structure of the Board of KazTransGas JSC was defined in number of 12 (twelve) people. Advisors to Director General Serdiyev Ibulla Dzhumagulovich and Kurmanaliyev Kanat Rakhimbergenovich were elected as members of the Board of KazTransGas JSC for the term of office determined for the Board of KazTransGas JSC in general.

According to the decision of the Board of Directors of KazTransGas JSC dated August 25, 2015 (minutes No. 23, paragraph 1), powers of the Board member of KazTransGas JSC Shanbatyrov Mukhatay Umbetbayuly were terminated early; Advisor to Director General Klimov Pavel Viktorovich was elected as a Board member for the term of office determined for the Board of KazTransGas JSC in general.

Following the decision of the Board of Directors of KazTransGas JSC dated September 30, 2015 (minutes 27, paragraph 3), powers of the Board member Askarova Aida Gennadyevna were terminated early; the Board structure was defined in number of 11 members.

According to the decision of the Board of Directors of KazMunayGas NC JSC dated December 11, 2015 (minutes 17/2015, paragraph 2), powers of the Director General (Chairman of the Board) of KazTransGas JSC Sharipbayev Kayrat Kamatayevich were terminated early; Suleymanov Rustam Eduardovich was appointed to the position of the Director General (Chairman of the Board) of KazTransGas JSC for the term of office determined for the Board of KazTransGas JSC in general.

According to the decision of the Board of Directors of KazTransGas JSC dated December 25, 2015 (minutes 36 paragraph 1), powers of the Board member of KazTransGas JSC Suleymanov Rustam Eduardovich were terminated early since December 11, 2015. The term of office of the Director General (Chairman of the Board) of KazTransGas JSC Suleymanov Rustam Eduardovich was defined as the term of office determined for the Board of KazTransGas JSC in general.

General information on meetings and the made corporate decisions of the Board of KTG

For 12 months of 2015, the Board of the Company:

held **54** meetings;

considered **344** issues.

Among them:

124 issues concerning activity of the Company,

220 issues concerning activity of subsidiary and dependent organizations.

Among the total number of issues concerning activity of KTG:

241 issues being within the exclusive competence of the Sole Shareholder and the Board of Directors of the Company

103 issues being within the competence of the Board

Data on transactions made on special conditions

The total number of transactions considered by the Board of the Company, in which there is an interest (of the total number of the issues concerning activity of the Company) – **62**.

Among them:

Transactions which were preliminarily approved and submitted to the Board of Directors of the Company – **17**.

transactions approved within the Rules of conclusion of transactions between the organizations being a part of Samruk-Kazyna JSC group, concerning commission of which the Law "On Joint-Stock Companies" established special conditions – **45**.

The key task of the Board as the executive body for the reporting period, management of the current activity, was carried out according to the principles stipulated in the Charter, the Corporate Management Code and the Regulation on the Board of KazTransGas JSC.

Sustainable development

Sustainable development of business is a unique development strategy of the enterprise, due to which successful long existence of the company in the competitive market is provided.

Stability of the company is ability of business to look most attractive to the market in such directions as: safety (production and ecological safety); responsibility (social attraction of the company for inhabitants of regions and employees of the enterprise); environmental friendliness of production (preservation and reproduction of used resources).

The Report in the field of a sustainable development (the Report) prepared according to the Management of GRI, is published in KTG since 2013. The Report reveals the most essential aspects of activity from the point of view of sustainable development: interaction with interested parties, environmental protection, labor protection and safety of production, development of the human capital, and investment into development of presence regions of the Group of companies.

Considerable attention in the Report is paid to expansion of dialogue with interested parties – these issues are essentially important for increasing transparency of the Group of companies and compliance of its activity to the best world practices.

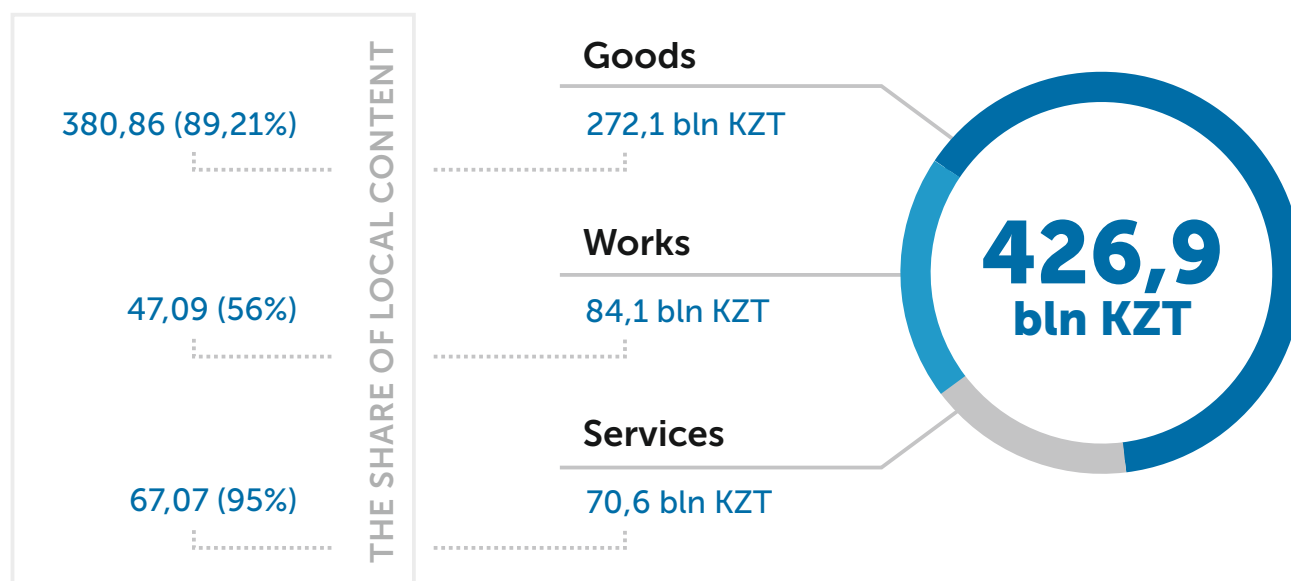
An important part of the document is data on influence of production processes of the Group of companies on the ecological situation. Reduction of the negative impact of production on the environment is one of strategic priorities of the Group of companies.

An essential part of the Report is devoted to actions of the Group of companies in the sphere of labor safety and preservation of health of its employees.

The Report provides information on social support of employees, which reflects aspiration of the Group of companies to support the status of one of the best employers of Kazakhstan.

The report also discloses relationship of the Group of companies with local communities: the principles of social partnership, the main approaches to activity of the Company concerning development of presence territories, and the implemented social programs and projects.

Local content (LC) in procurement of KazTransGas JSC group of companies



The total amount of procurement of KTG group of companies for 2015 made 426,9 billion KZT, including the purchased goods for the amount of 272,1 billion KZT, works for the amount of 84,1 billion KZT and services for the amount of 70,6 billion KZT.

The share of local content in the total amount of procurement made 380,86 billion KZT, or 89,21%. Among them, the purchased goods accounted for 98%, the performed works – 56% and the rendered services – 95%.

The program of measures aimed at increase of local content in procurement of KazTransGas JSC group of companies includes the following directions:

- ▶ Conclusion of long-term contracts;
- ▶ Observance of priority purchase of goods from domestic producers;
- ▶ Application of conditional discounts in relation to domestic producers and domestic suppliers of works and services;
- ▶ Informing domestic entrepreneurs on the needs for goods, works and services.

Credit ratings and debt portfolio management

In 2015, the Company carried out work with international rating agencies for prevention of decrease in the levels of credit ratings against considerable decrease in the world prices for energy carriers. In 2015, credit ratings of the Company were confirmed at the former level: BBB- from Fitch Ratings; BB+ from Standard&Poor's; Baa3 from Moody's Investors Services.

Rating agency	Company	Date of rating confirmation / change	Rating	Forecast
Standard & Poor's	KazTransGas JSC	22.04.15	BB+	Negative
FitchRatings	KazTransGas JSC	21.04.15	BBB-	Negative
Moody's	KazTransGas JSC	03.04.15	Baa3	Negative

KazTransGas JSC carries out attraction of loan financing, being guided by the medium-term policy of debt management for 2013-2015 approved by Samruk-Kazyna NWF JSC, according to which the most admissible level of debt obligations is determined.

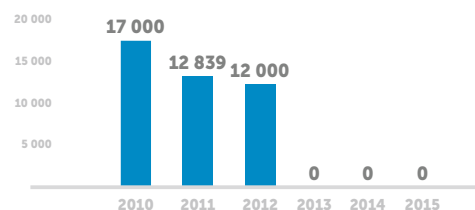
Loan portfolio of the Company as of December 31, 2015

Borrower	Creditor	Remaining debt	Currency	Remaining debt
KazTransGas JSC	KazMunayGas NC JSC	150 669 896 750	KZT	150 669 896 750
KazTransGas JSC	SB of Citibank Kazakhstan JSC / Citibank, N. A. Nasso, Bahama	37 000 000	USD	12 560 390 000
Intergas Central Asia JSC	Eurobonds	270 000 000	USD	91 656 900 000
Intergas Central Asia JSC	Trinkaus&Burkhardt KGAA / CITIGROUP Global Markets Deutschland AG & CO. KGAA	8 660 821	USD	2 940 088 796
KazTransGas Aimak JSC	Development Bank of Kazakhstan	1 587 274 639	KZT	1 587 274 639
KazTransGas Aimak JSC	Development Bank of Kazakhstan	12 177 096 299	KZT	12 177 096 299
KazTransGas Aimak JSC	Development Bank of Kazakhstan	7 821 600 016	KZT	7 821 600 016
KazTransGas Aimak JSC	Development Bank of Kazakhstan	8 000 000 000	KZT	8 000 000 000
KazTransGas Aimak JSC	Investors in KASE (including KTG for the amount of 3 778 526 000 KZT)	12 407 696 000	KZT	12 407 696 000
KazTransGas Aimak JSC	International investors	5 000 000 000	KZT	5 000 000 000

The total amount of the consolidated debt KazTransGas JSC as of December 31, 2015 made 887 932 US dollars.

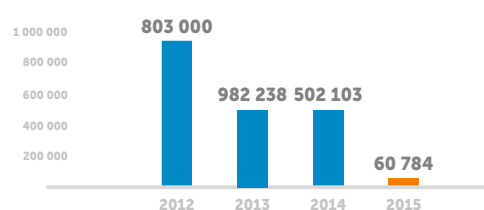
The total amount of the loan portfolio of KazTransGas JSC as of December 31, 2015 made 227 338 million KZT.

Covenants of KMG	2011	2012	2013	2014	2015
Debt/EBITDA	1,18	1,68	1,57	2,45	3,29
Net debt/Net capitalization	0,11	0,19	0,2	0,2	0,59
Free capacity, thousands \$	1 297 675	803 000	982 238	502 103	60 784



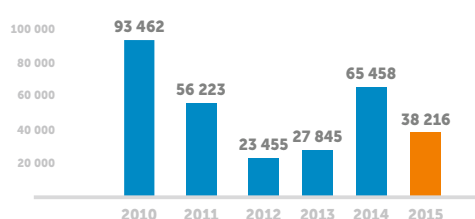
Paid dividends

mln KZT



Free loan capacity

thousands KZT



Balance of TSF

mln KZT

Financial statements

Interim consolidated statement of financial position

thousands KZT

	2015	2014
ASSETS		
Non-current assets		
Fixed assets	719 858 428	646 885 678
Intangible assets	1 637 009	1 469 899
Advances for non-current assets	15 709 491	18 765 146
Investments in joint ventures and associates	770 209	58 381 486
VAT for repayment	26 048 891	16 001 132
Other non-current assets	182 229	993 099
Assets on deferred income tax	3 272 127	226 448
Cash and cash equivalent - restricted	6 048 059	4 178 146
Bank deposits	40 000	33 548 252
	773 566 443	780 449 286
Current assets		
Inventories	37 297 449	24 687 987
Trade and other accounts receivable	65 725 667	63 033 980
Interest-free loans to related parties - current	61 098 669	25 427 403
Advances given	3 160 857	4 060 879
Taxes payable	11 258 563	15 035 590
Prepayment of corporate income tax	11 166 221	4 979 937
Bank deposits Income taxes payable	12 549 557	23 490 298
Cash and cash equivalent	19 578 582	4 631 772
	221 835 565	165 347 846
TOTAL ASSETS	995 402 008	945 797 132
EQUITY AND LIABILITIES		
Equity		
Share capital	179 655 175	163 039 875
Additional paid-in capital	237 758 875	222 830 632
Currency translation reserve	546 149	546 149
Retained earnings	69 003 602	178 026 553
	486 963 801	564 443 209
Non-current liabilities		
Debt securities issued	104 252 407	106 647 107
Interest-bearing loans	28 311 935	19 000 634
Loans from related parties	144 582 380	7 982 388
Liabilities of remuneration of employees	653 967	2 960 308
Long-term accounts payable	54 354	51 188
Reserves	42 921 850	38 053 675
Other non-current liabilities	26 352 210	23 430 320
Deferred income tax liabilities	5 773 623	5 594 642
	352 902 726	203 720 262
Current liabilities		
Debt securities issued	840 870	1 125 707
Borrowings	17 571 534	86 334 449
Loans from related parties	25 245 635	-
Reserves	26 609 088	18 564 588
Trade and other accounts payable	73 433 815	58 112 573
Taxes payable	941 636	1 255 438
Advances received	3 420 837	3 647 034
Other current liabilities	7 472 066	8 593 872
	155 535 481	177 633 661
TOTAL EQUITY AND LIABILITIES	995 402 008	945 797 132

Financial statements

Interim consolidated statement of comprehensive income

thousands KZT

	2015	2014
Revenue	374 319 323	328 972 045
Cost of sales	(277 605 060)	(247 473 336)
Gross profit	96 714 263	86 498 709
Administrative expenses	(27 339 503)	(37 076 216)
Other operating income	11 365 124	14 198 390
Other operating expenses	(8 840 880)	(6 205 506)
Operating profit	71 899 004	57 415 377
Financial income	7 991 115	3 010 945
Financial expenses	(26 096 094)	(15 269 989)
Share of income in joint ventures	(60 500 985)	(37 180 604)
Net foreign exchange loss	(101 242 892)	(15 018 749)
Loss before taxation	(107 949 852)	(7 043 020)
Income tax expenses	(1 534 705)	(13 124 799)
Net loss for the period	(109 484 557)	(20 167 819)
Other comprehensive income	461 606	501 395
Comprehensive income subject to reclassification to profit and loss in subsequent periods	-	391 692
Reporting currency recalculation	-	391 692
Comprehensive loss not subject to reclassification to profit and loss in subsequent periods	-	-
Planned experience gain with established payments	577 007	137 129
Impact of income tax	(115 401)	(27 426)
Net comprehensive loss not subject to reclassification to profit and loss in subsequent periods	461 606	109 703
Total comprehensive loss excluding the income tax	(109 022 951)	(19 666 424)

Financial statements

Interim consolidated cash flow statement

thousands KZT

	2015	2014
Cash flows from operating activities		
Profit before income tax	(107 949 852)	(7 043 020)
Adjustment for:		
Depreciation and amortization	25 655 040	29 439 433
Net financial income/costs	18 104 979	12 259 044
Share of losses in joint ventures	60 500 985	37 180 604
Change in reserve for gas transportation costs	11 484 510	(7 938 828)
Compensation of gas loan costs	-	11 074 720
Change of gas loans debt	-	(5 744 418)
Change of reserves	556 744	(1 477 361)
Accrual of reserve for unused leaves and premiums to employees	1 147 493	1 348 973
Net change in reserve for doubtful debts, advances paid and obsolete inventories	177 357	1 194 161
Depreciation of tax assets and VAT payable	1 398 050	-
Amortization of income of the future periods	(378 194)	(851 718)
Amortization of housing compensations given to employees	1 144 159	447 260
Income from sale of fixed and intangible assets	(202 711)	(5 452 092)
Loss from depreciation of fixed assets	5 131 261	794 395
Income from layoff	(2 038 449)	-
Change in actuarial valuations and discount amortization on remunerations of employees	-	(77 944)
Negative exchange difference	108 458 466	17 337 590
Operating profit before working capital changes	123 189 838	82 490 799
Change in inventories	(16 158 181)	(7 918 317)
Change in trade and other accounts receivable	(4 579 889)	(9 132 354)
Changes in advances paid	900 022	(632 896)
Change in taxes recoverable	(6 272 047)	(10 420 332)
Change in trade and other accounts payable	7 887 287	366 259
Change in taxes payable	(366 544)	25 641
Changes in advances received	(226 197)	347 948
Change in other current liabilities	(2 773 481)	(1 521 946)
Change in liabilities of employee remuneration	(67 458)	308 366
Change in other non-current liabilities	43 801	(139 873)
Cash generated from operations	101 576 151	53 773 295
Interest paid	(17 230 911)	(9 262 420)
Income tax paid	(8 155 570)	(15 627 245)
Interest received on bank deposits	3 759 889	2 339 324
Net cash flow from operating activities	79 949 539	31 222 954
Cash flows from investment activities:		
Placement/return of bank deposits	88 792 390	(38 353 158)
Placement of cash - restricted	(1 869 913)	(1 620 149)
Interest-free loans granted to related parties	(36 839 415)	(26 149 030)
Interest-free loans repaid by related parties	102 930	-
Purchase of fixed and intangible assets	(57 060 572)	(43 641 302)
Proceeds from sale of fixed and intangible assets	7 390 325	751 246
Advances paid for fixed assets	(14 120 498)	(10 492 872)
Net cash flow used in investment activities	13 604 753	119 505 265

	2015	2014
Cash flows from financing activities		
Proceeds from bank loans and debt securities	89 811 140	172 324 338
Proceeds of loans from related parties	148 969 800	14 881 897
Payments of owners	11 427 285	-
Repayment of bank loans and debt securities	(303 483 661)	(104 825 066)
Net cash flow (used in) /received from financing activities	(53 275 436)	82 381 169
Net change in cash and cash equivalents	13 069 350	(5 901 142)
Net exchange difference	1 877 460	-
Cash and cash equivalents at the beginning of the period	4 631 772	10 532 914
Cash and cash equivalents at the end of the period	19 578 582	4 631 772

Glossary

AGFCS – auto gas-filling compressor station
 AGDS – automated gas distribution station
 AGP – Asia gas pipeline LLP
 AUIMS – automatic utility metering system
 TRC – temporarily redundant cash
 BSHGP – Beineu-Shymkent gas pipeline LLP
 SER – State energy register
 GCU – gas control unit
 KazTransGas group of companies – KazTransGas JSC and its subsidiaries and associates
 SA – subsidiaries and associates
 BCS – boosting compressor station
 EPCA – Engineering, procurement and construction agreement
 UGSS – unified gas supply system
 UOSMS – Uniform occupational safety management system
 IMS – integrated management system
 CS – compressor station
 TTE – table-top exercises
 LMG/ KazMunayGas – NC KazMunayGas JSC
 PRC – People's Republic of China
 KTG/Association/KazTransGas – KazTransGas JSC
 KTGA – KazTransGas Aimak JSC
 KTG-Almaty – KazTransGas-Almaty JSC
 KTG-Onimderi – KazTransGas-Onimderi LLP
 CNG – compressed natural gas
 CRNM and PC Committee on Regulation of Natural Monopolies and Protection of Competition under the Ministry of National Economy of the Republic of Kazakhstan
 MGL – main gas line
 MGPS – main gas pipeline system
 CSE – Council for Science and Engineering
 UGS – underground gas storage
 BGCU – block-type gas control unit