



**Annex to the resolution of
the Board of Directors of
KazTransGas JSC No. __
dated " __ " _____ 2020**

Annual report of KazTransGas JSC 2019

**Nur-Sultan
2020**

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Address to the shareholders

Dear shareholders and partners of KazTransGas JSC!

In 2019, KazTransGas JSC, the national operator of the Republic of Kazakhstan in the field of gas and gas supply, again confirmed the status of the most profitable asset in the oil and gas industry.

The Company annually demonstrates steady growth of production and economic indicators, continues modernization of Kazakhstan gas transportation system, applies innovative and digital technologies, and implements large-scale investment projects.

So far, the contribution of the gas industry to the country's GDP has reached 1.8% and continues to grow. All this is due to the fact that 1.1 trillion tenge has been invested in the development and modernization of the domestic gas transport system over the past 5 years.

The Company is steadily increasing its profits. Over the last 5 years, the foreign currency revenue alone amounted to 17.2 billion US dollars. If back in 2014 the losses of KazTransGas JSC were 20 billion tenge, now the national operator shows an average annual increase in profits of 20%.

This enabled the debt burden to be halved over the last five years, 6.5 billion USD has been repaid since 2014 and the total debt has fallen from 12 billion USD to 6 billion USD.

As for production indicators, JSC NC KazMunayGas calls gas export one of the growth drivers. Last year, gas transportation via main gas pipelines amounted to 103.3 billion m³. At the same time, the export of blue fuel reached a historical maximum of 9.5 billion m³, of which 75% was exported to the territory of the People's Republic of China.

KazTransGas JSC provides large-scale gasification of regions of the Republic of Kazakhstan. The total level of gasification of the country in 2019 was 51.47%, which is 9.54 million people. Over the past five years, 112.3 billion tenge was invested in the construction and modernization of gas distribution networks in the country.

On December 27, 2019, the first section of the Saryarka main gas pipeline was put on-stream. This will provide natural gas to the population of Nur-Sultan, Karaganda, Temirtau, Zhezkazgan and nearby 171 settlements along the route of the main gas pipeline, which is about 2.7 million people by 2040.

At present, KazTransGas Group is a powerful, modern, highly profitable company. This was achieved through focusing on improvement of business processes, introduction of innovative approaches to management of gas transport infrastructure, strengthening of personnel policy and three-fold increase of labour productivity. In five years, the profit per employee has increased five times.

Nevertheless, present-day developments demand new approaches - the creation of production facilities engaged in deep gas processing and gas chemistry. At the end of December 2019, the President signed the Law "On amending and supplementing certain legislative acts of the Republic of Kazakhstan on the issues of subsoil use, gas and gas supply".

The adoption of the Law will allow implementing the main measures to expand the use of natural gas, new projects in gas processing and gas chemistry, as well as to increase the resource base.

All these opens up a wide range of opportunities for KazTransGas JSC, national operator, which is aimed at ensuring energy stability of the Republic of Kazakhstan.

About the Company

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

KazTransGas JSC (KTG) is the national gas and gas supply operator of the Republic of Kazakhstan, representing the interests of the state in the gas market in Kazakhstan and in the world. The sole shareholder is JSC National Company KazMunayGas.

KTG manages a centralized infrastructure for transporting commercial gas through main gas pipelines and gas distribution networks, provides international transit and sells gas on domestic and foreign markets, develops, finances, builds and operates pipelines and gas storage facilities.

In the reporting period, the Group of Companies of KazTransGas JSC included 10 subsidiaries and affiliates, which are represented in the following business areas:

- resource extension: Amangeldy Gas LLP, KMG Kamsu Operating LLP;
- main gas transportation: InterGas Central Asia JSC, Asia Gas Pipeline LLP, Beineu-Shymkent Gas Pipeline LLP, KazTransGas-Bishkek LLC;
- gas distribution: KazTransGas Aimak JSC;
- gas trading: KazTransGas Onimderi LLP, KazRosGas LLP (50% interest in the trust management);
- other S&A: Intergas Finance B.V.

Valuation of positions of KazTransGas JSC and prospects of its development following the results of 2019

Today Kazakhstan actively develops new gas markets, in particular, is one of the main players of the Eurasian gas transportation market.

Russia and Kazakhstan, having the longest border among all CIS countries, are very tightly connected by transport routes, including oil and gas pipelines.

Since Kazakhstan has always focused on the oil sector, gas has remained in the shadow of black gold for some time. The last 10 years have been the most breakthrough years for Kazakhstan's gas industry.

The KTG has managed not only to completely modernize the entire gas transmission system, but also built thousands of kilometers of the most powerful pipelines from the west of the country, where the main deposits are located, to the south-eastern part. Along with it, the entire technological infrastructure has been created, the capacity of which is not only to increase capacities, but also to diversify gas flows in any direction, which is very important for a country with an advantageous geographical location.

This made the Republic of Kazakhstan not only a heavy player on the gas market, but also a necessary partner for the Russian Federation in implementing joint projects and expanding its export potential. Moreover, cooperation between our countries within the

Eurasian Economic Union implies maintaining a common market, including the gas market.

The major part of gas resources in Kazakhstan are concentrated in large deposits that are being developed or prepared for development, including oil deposits - Tengiz, Kashagan, Korolev (Atyrau region), gas condensate deposits - Karachaganak (West Kazakhstan region), Zhanazhol, Urikhtau (Aktobe region) and others.

Currently, Amangeldy Gas LLP, based on the Contract for the combined exploration and production of hydrocarbons dated December 12, 2000, continues the development of the Amangeldy group of gas deposits in Zhambyl region.

As of 01.01.2020, recoverable reserves of natural gas are Amangeldy deposit 12 388.7 million m³, Zharkum deposit 357.3 million m³ and Ayrakty deposit 5,150 million m³.

KazTransGas reserves and production volumes in the market of the Republic of Kazakhstan are small, and its share is about 1-2%.

Twenty-one subsoil users are connected to the Unified Gas Supply System (UGSS). In this regard, KazTransGas JSC sees connection of subsoil users producing associated petroleum gas to the UGSS as a critical task for ensuring energy security of the Republic of Kazakhstan.

The concept of development of the gas sector of the Republic of Kazakhstan until 2030 defines the vision and main approaches to the phased reform and comprehensive development of the gas sector of the Republic of Kazakhstan, allowed by a significant potential in Kazakhstan in terms of exploration and production of coalbed methane in addition to traditional gas resources. In accordance with the updated action Plan (Roadmap) approved in September 2016 by the Minister of energy of the Republic of Kazakhstan for the implementation of the Order of the President of the Republic of Kazakhstan N. A. Nazarbayev on the organization of exploration and production of coalbed methane, KazTransGas JSC conducts geological exploration of coalbed methane within the framework of the innovative investment project "Production of coalbed methane in the Karaganda coal basin".

One of the promising transit directions for Kazakhstan is Kazakhstan-China main gas line with a capacity of 55 billion m³/year. Today it is the largest investment project in the oil and gas industry of the country.

KazTransGas JSC operates the largest gas pipeline network in Kazakhstan with a total length of 19 146 km and an annual throughput capacity of 230 billion m³ and gas distribution networks of over 49 000 km.

KazTransGas JSC operates three largest underground gas storage facilities (Bozoy, Akyrtoobe, Poltoratskoye) in Kazakhstan with a total active storage capacity of 4.6 billion m³. 40 compressor stations and 232 gas-pumping units transport gas.

KazTransGas JSC has subsidiaries in Kazakhstan in the following business areas:

- Main gas transportation
 - *InterGas Central Asia JSC (ICA), KTG S&A, 86% interest;*
 - *Asia Gas Pipeline LLP (AGP), KTG S&A, 50% interest;*
 - *Beineu-Shymkent Gas Pipeline LLP (BSGP), KTG S&A, 50% interest;*
- Gas distribution
 - *KazTransGas Aimak JSC (KTG Aimak), KTG S&A, 100% interest;*
- Production of gas and gas condensate

- *Amangeldy Gas LLP (AG), KTG S&A, 100% interest.*

Altogether, KazTransGas Group operates gas pipelines with a total length of about 69 000 km. Among them, there are more than 20 000 km with annual throughput capacity up to 267.8 billion m³ and gas distribution networks with length of more than 49 000 km.

KazTransGas JSC is the main supplier of gas to the domestic market of the Republic of Kazakhstan, providing more than half of the country's population with commercial gas. It shall be noted, that in recent years the Company has carried out extensive work on updating and construction of gas transmission infrastructure and distribution networks in different regions of the country. In the last 7 years alone, more than 3 million people in Kazakhstan have been able to use gas, and the level of gasification of the population has increased from 30% in 2013 to 51.47% in 2019 and amounted to more than 9 million citizens. The number of gasified domestic enterprises has doubled, from 23 725 to 48 529 enterprises.



The approved General Gasification Scheme for 2015-2030 is aimed at creating conditions to meet Kazakhstan's domestic gas needs through not only large-scale construction of new gas pipelines, but also search for alternative and rational sources of gas supply to the regions of the Republic. Moreover, within the framework of stimulating and developing gasification of regions with compressed natural gas, incentives will be provided for vehicles using gas as a motor fuel.

Based on the principles of multi-vector hydrocarbon supply to domestic and foreign markets, Kazakhstan seeks to develop all economically advantageous routes for natural gas transit and export. At the same time, it remains important to maintain a coordinated energy policy with neighboring countries, as transit and export routes run through their territories.

Given the growth in domestic consumption and significant volumes of reinjection, Kazakhstan's export gas potential is not yet as significant. Significant growth of export supplies is possible, for example, due to reduction of volumes of gas reinjection, which, however, is not yet allowed by technological schemes of development of the deposits.








In accordance with the Law of the Republic of Kazakhstan “On gas and gas supply”, maximum wholesale prices for commercial gas are annually approved by the Ministry of Energy of the Republic of Kazakhstan in coordination with the Ministry of National Economy of the Republic of Kazakhstan.

Following a meeting of the Security Council of the Republic of Kazakhstan on November 7, 2018, the Ministry of Energy of the Republic of Kazakhstan adopted Order No. 490 dated December 10, 2018 “On amending and supplementing Order No. 188 of the Minister of Energy of the Republic of Kazakhstan dated 15 May 2018 “On approving limit prices for wholesale trade of commercial gas in the domestic market”.

According to the above Order, wholesale prices for commercial gas were reduced for the period from January 1, 2019 to June 30, 2019 by an average of 11% in Kazakhstan (from 3.8% in Shymkent city and Turkestan region to 17.5% in Almaty city and Almaty region).

For the period from July 1, 2019 to June 30, 2020, in accordance with the Order of the Ministry of Energy of the Republic of Kazakhstan No.169 dated May 13, 2019, the limit prices for wholesale trade of commercial gas were maintained at the level effective from January 1, 2019.

The events of 2019

-  On April 16, 2019, the Turkmen gas supply to the Russian Federation was resumed.
-  Construction of Ustyurt-1A compressor station have been completed. Beineu-Bozoy-Shymkent gas pipeline capacity was increased to 13 billion m³ per year.
-  InterGas Central Asia JSC sold the Karaozek compressor station to Beineu-Bozoy-Shymkent LLP in the amount of 32.7 billion tenge.
-  Three investment projects have been completed:
 1. Construction of boosting compressor station at the switch TIP-02 between MG Bukhara Gas-Bearing Province – Tashkent – Bishkek – Almaty and MG Kazakhstan-China;
 2. Modernization of gas distribution networks in Taraz city;
 3. Modernization, reconstruction and construction of new gas distribution networks in settlements of Mangystau region.
-  On August 07, 2019 the international rating agency Fitch Ratings confirmed the rating of "KazTransGas" JSC and subsidiaries of "KazTransGas Aimak" JSC, "Intergas Central Asia" JSC at the level "BBB-". The forecast is "stable".
-  On August 14, 2019 "Beineu-Shymkent Gas Pipeline" LLP (BSGP) signed a Credit Agreement on a syndicated loan with international banks MUFG Bank, Ltd (Japan) and Bank of China, Ltd (China) for a total amount of 720 million US dollars. BSGP will direct the loan funds to refinance the obligations provided by the China Development Bank and the Bank of China in 2012, resulting in a reduction of interest expenses by 10 million US dollars per year.
-  On August 22, 2019 Moody's rating agency confirmed the long-term issuer default ratings of "KazTransGas" JSC and "Intergas Central Asia" JSC in foreign currency at the level of "Baaa3". The outlook for the ratings has changed from 'Stable' to

'Positive'. The basic credit assessment was upgraded from level "ba2" to level "ba1".

- On September 6, 2019, four rotational camps – Saksaulsk, Aksuat, Karaozek, Shornak along the main gas pipeline Beineu-Bozoy-Shymkent - were commissioned. As part of the measures to increase the throughput capacity of the Beineu-Bozoy-Shymkent gas pipeline from 10 billion m³ to 15 billion m³ per year, three compressor stations - Turkestan, Aral and Korkyt Ata - were commissioned in April 2019, and the replacement of the equipment of the gas treatment unit at the Akbulak gas-measuring station to increase the throughput capacity was completed in October 2019.



- On December 30, 2019 the President signed the Law “On amending and supplementing certain legislative acts of the Republic of Kazakhstan on the issues of subsoil use, gas and gas supply”, which provides the following:
 - granting additional powers to KazTransGas JSC on exploration and production of hydrocarbons at gas and gas condensate deposits;
 - synchronization of deadlines for approval of maximum wholesale prices of commercial gas and purchase prices of subsurface users;
 - introduction of new categories of consumers in order to improve the mechanism of commercial gas pricing for investment projects (oil and gas chemical products, motor fuel), as well as new combined-cycle power plants covering power shortages and regulatory capacities.
- In order to implement the decision of the Security Council of the Republic of Kazakhstan dated November 7, 2018 on reducing electricity tariffs for the population and legal entities, by order of the Ministry of energy of the Republic of Kazakhstan dated December 10, 2018 No. 490 from January 1, 2019, the maximum

wholesale prices for commercial gas were reduced from 3.8% in Shymkent city and Turkestan region to 17.5% in Almaty city and Almaty region.

- By order of the Ministry of energy of the Republic of Kazakhstan dated May 13, 2019 No. 169 the maximum wholesale prices for the period from July 1, 2019 to June 30, 2020 were kept at the same level.



Gasification works were carried out within the framework of investment projects on gas distribution pipelines:

- The project “Modernization of the gas distribution network of Taraz” has been completed.
- The project “Modernization, reconstruction and construction of new gas distribution networks in settlements of Mangystau region” has been completed.
- The project “Gasification of Almaty, modernization, reconstruction of gas distribution systems of Almaty” is being implemented since 2018.

Strategic objectives of KazTransGas Group

In 2019, KMG's Development Strategy was supplemented in terms of increasing gas reserves and ensuring rational use of gas in the domestic market. This is directly related to the expectations for natural gas consumption growth in Kazakhstan and the Company's intention to develop the export and transit potential of natural gas.

In order to effectively use the gas transmission potential and increase the export and transit component of the Company's revenues, the Company aims at:

- **Gas exports to China**

Expansion of the Beineu-Bozoy-Shymkent and Kazakhstan-China gas pipeline capacities allows the Company to increase stable export supplies of commercial gas to China to 10 billion m³ per year starting from 2019 and in the following years.

- **Export of gas products**

The Company is working on the construction of facilities for the production of high value-added gas products for their domestic and export sales.

- **Ensuring rational use of gas in the domestic market**

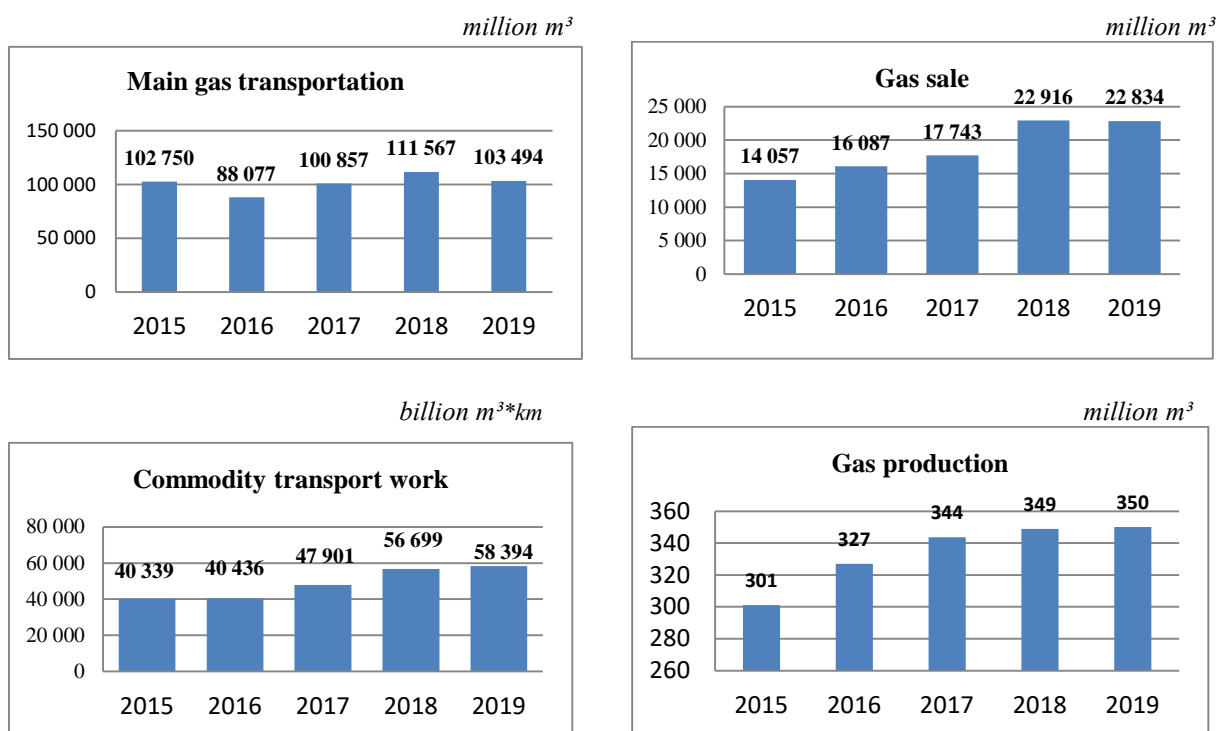
The Company will continue to work with government agencies to ensure rational gas consumption in the domestic market.

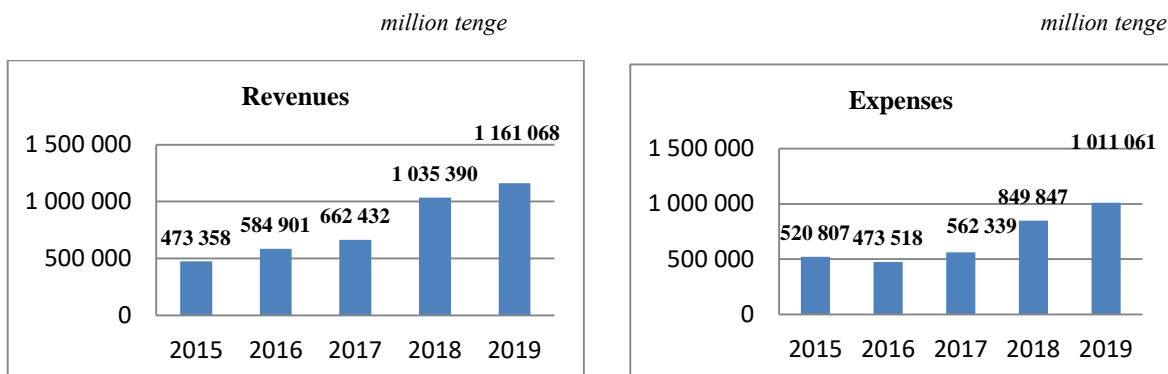
- **Transit capacity development**

The Company will continue working to maximize profits from transit with border countries against the backdrop of the development of major markets in China and Russia.

Efficient customer support and diversification of gas sales markets are among the Company's priorities. The throughput capacity of gas transmission infrastructure is developed in line with the potential growth of gas production in the country. Thanks to timely investments in the gas transmission system, the Company supplies natural gas to the country's regions and increases the potential of export destinations.

Financial and production indicators of KazTransGas Group





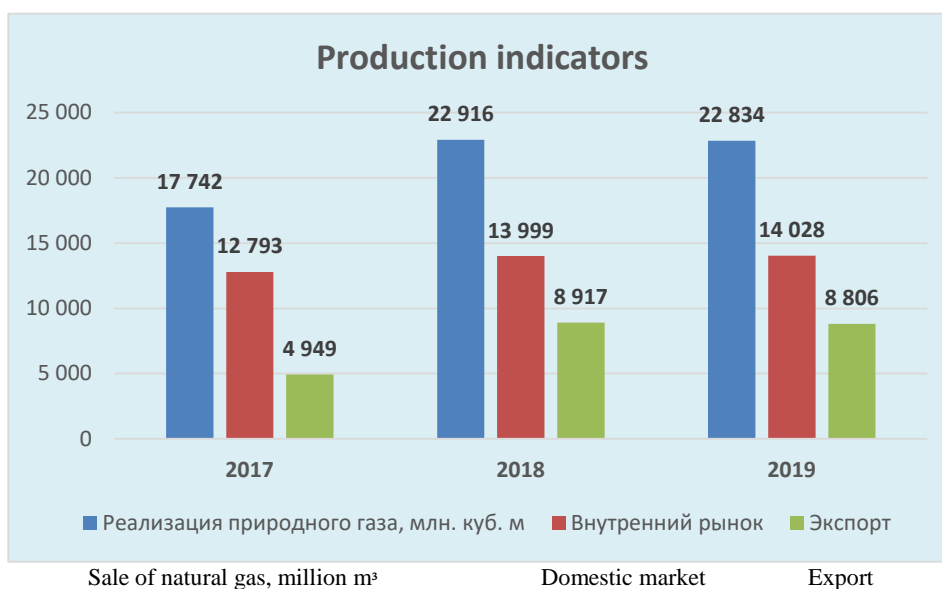
Main production and financial indicators by subsidiaries and affiliates

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

PRODUCTION INDICATORS

	2017	2018	2019	% by 2018
Sale of natural gas, million m ³	18 638	23 835	23 926	100%
Domestic market	13 689	14 918	15 120	101%
Export	4 949	8 917	8 806	99%

(before deduction of intercompany transactions)



According to the Corporate center of KazTransGas JSC, in 2019, the sale of natural gas without excluding intercompany transactions amounted to 23, 926 million m³, including 8, 806 million m³ for export.

Gas is supplied to the domestic consumers through the sale of gas through KazTransGas Aimak JSC and other gas distribution organizations from the resources of

Kazakhstan's subsoil users, as well as imported gas supplied as part of SWAP operations with Gazprom PJSC.

In pursuance of the instruction of the Government of the Republic of Kazakhstan, as part of the project for utilization of associated gas of the subsoil users of Aktobe region, a project for construction of a gas processing plant GPP-40 at the Kozhasai deposit was implemented with the involvement of a private investor. One of the terms of this project is guaranteed supply of raw gas to the gas processing plant and purchase/receipt of raw gas from subsoil users of Aktobe region.

In 2019, KazTransGas JSC and GPC LLP signed an agreement on processing of associated petroleum gas at the Kozhasai deposit. The actual volume of processed raw gas amounted to 293,702 thousand m³, from which 277,000 thousand m³ of commercial gas was received.

FINANCIAL INDICATORS, MILLION TENGE

	2017	2018	2019	% by 2018
Revenue from sales of products and services	418 189	769 079	919 924	120%
Gross profit	159 215	410 415	417 773	102%
Net profit	33 778	108 176	46 405	43%

INTERGAS CENTRAL ASIA JSC

InterGas Central Asia is an 86% subsidiary of KTG, operates three underground gas storage facilities and two main gas pipeline systems:

- Western Pipeline Network - gas pipeline networks in western Kazakhstan that serve the existing natural gas deposits in Central Asia (includes the Central Asian system, the Urals and Aktobe gas pipeline systems);
- Southern Pipeline Network - a network of gas pipelines in southern Kazakhstan that supplies Kazakhstani and/or imported gas from the border of Uzbekistan and Kazakhstan to southern regions of the country (includes the southern and Kyzylorda pipeline system).

InterGas Central Asia Company's main activities are:

- transit transportation of gas through Kazakhstan from Turkmenistan and Uzbekistan to Russia;
- transportation of gas for export, in particular from Tengiz and Karachaganak gas condensate deposits to Russia;
- transit transportation of gas from one part of Russia to another through Kazakhstan;
- transit transportation of Uzbek gas for Tashkent city.

International transportation of natural gas is the main revenue component of ICA JSC business.

PRODUCTION INDICATORS

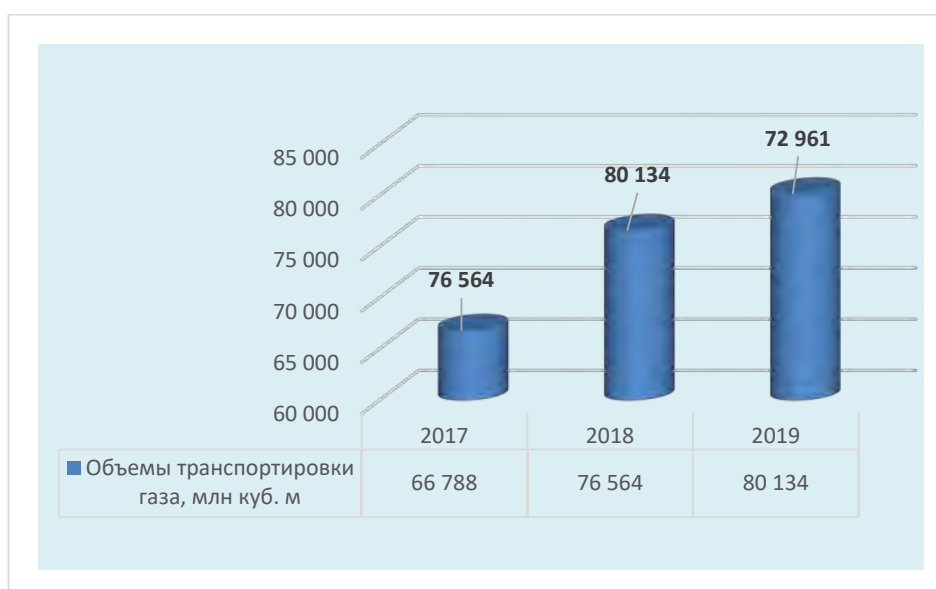
	2017	2018	2019	% by 2018
Gas transportation volumes, million m³	76 564	80 134	72 961	91%
Domestic market	12 916	13 568	13 663	101%
Export	16 710	18 873	19 069	101%
International transit	46 938	47 693	40 229	84%

As compared to 2018, there was a decrease in gas transportation volumes due to the diversification of Russian gas transit flows by Gazprom PJSC.

FINANCIAL INDICATORS, MILLION TENGE

	2017	2018	2019	% by 2018
Revenue from sales of products and services, million tenge	185 556	195 111	236 542	121%
Gross profit	106 993	104 750	135 467	129%
Net profit	64 586	59 529	94 182	158%

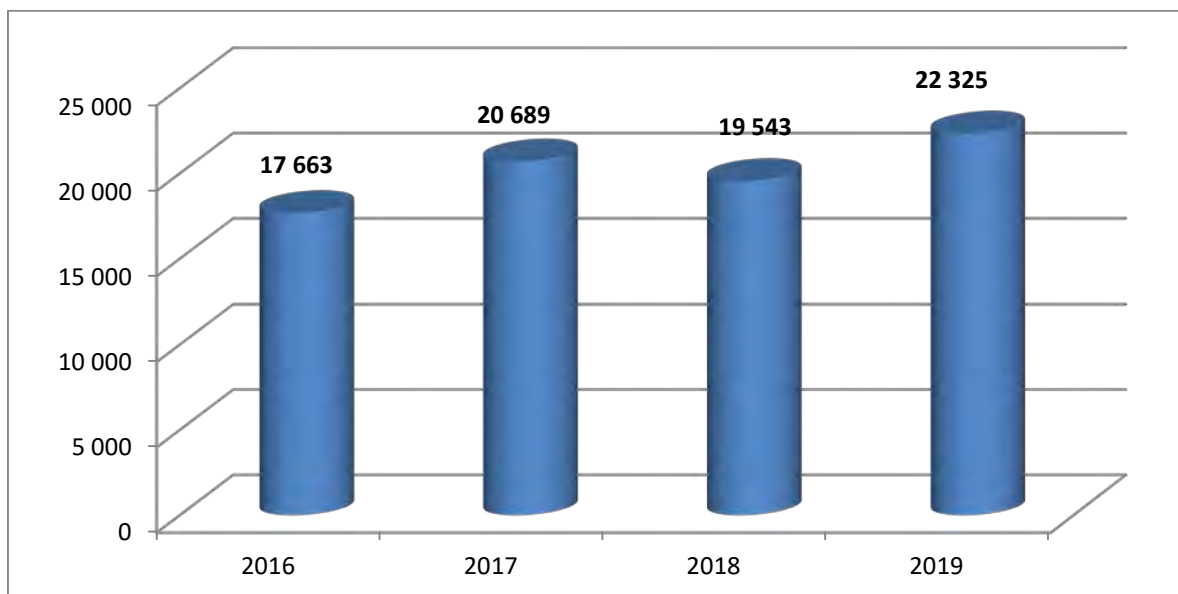
Gas transportation volumes (million m³)



Gas transportation volumes (million m³)

UGS, million m ³	2017	2018	2019	Deviations 2019/2018, %
Gas extraction from UGS	1 752	1 699	1 806	6%
Gas injection into UGS	1 369	937	1 989	212%

Volumes of commodity transport works (billion m³/km)



KazTransGas Aimak JSC

The main activity of KazTransGas Aimak JSC is to provide services in gas transportation through main and distribution pipelines, marketing, purchase and sale of gas to consumers.

The priority task of KazTransGas Aimak JSC is to provide accident-free and safe gas supply to consumers of all categories (population, utility companies, and industrial enterprises) in the regions of KazTransGas Aimak JSC presence.

PRODUCTION INDICATORS

	2017	2018	2019	% by 2018
Gas distribution transport system, million m ³	9 597	9 848	9 726	99%
Main gas transportation, million m ³	2 501	2 622	2 554	97%
Sale of natural gas, million m ²	11 527	12 378	12 663	102%

FINANCIAL INDICATORS, MILLION TENGE

	2017	2018	2019	% by 2018
Revenue from sales of products and services, million tenge	227 415	242 042	222 504	92%
Gross profit	25 170	23 421	17 693	76%
Net profit	12 617	6 466	6 332	98%



Sale of natural gas, million m²
Gas distribution transport system, million m³
Main gas transportation, million m³

Amangeldy Gas LLP

The main activities of Amangeldy Gas LLP are production of gas and gas condensate.

PRODUCTION INDICATORS

	2017	2018	2019	% by 2018
Production of gas, million m³	344	349	350	100%
Production of gas condensate, tons	21	19	17	89%

Compared to 2018, for 2019, the implementation of the production program in terms of planned gas production volumes was 100%, gas condensate - 89%.

FINANCIAL INDICATORS, MILLION TENGE

	2017	2018	2019	% by 2018
Revenue from sales of products and services, million tenge	12 767	13 010	13 048	100%
Gross profit	9 302	8 707	9 092	104%
Net profit	6 126	6 035	5 950	99%

Revenues from gas and gas condensate sales amounted to 13, 048 million tenge.

KazTransGas Onimderi LLP

The main activity of KazTransGas Onimderi LLP is to provide transport services.

FINANCIAL INDICATORS, MILLION TENGE

	2017	2018	2019	% by 2018
Revenue from sales of products and services, million tenge	11 255	12 916	14 108	109%
Gross profit	1 711	2 268	2 364	104%
Net profit	271	473	340	72%

Development of gas engine infrastructure

Decree of the Government of the Republic of Kazakhstan No. 797 dated November 29, 2018 approved the Plan of measures to expand the use of natural gas as motor fuel for 2019-2022 with targets for the volume of CNG sales, the number of buses and utility equipment on CNG and construction of gas filling compressor stations.

According to the summary record of the meeting of the Inter-agency Commission of the Security Council of the Republic of Kazakhstan on environmental safety No. 2 dated 12.12.2018, the Ministry of Investment and Development, the Ministry of Energy, local executive bodies, JSC NC KazMunayGas, KazTransGas JSC were instructed to take measures to expand the use of natural gas as a motor fuel in the transport sector of gasified regions of the country and to monitor the implementation of the action Plan for expanding the use of natural gas as a motor fuel for 2019-2022, approved by the Decree of the Government of the Republic of Kazakhstan No. 797 dated 29.11.2018.

In 2019, no new gas filling compressor stations were constructed.

In 2019, 10 962 716.55 m³ of compressed natural gas (CNG) was sold through gas filling compressor stations in Almaty, Aktobe and Rudny.

In 2020 the investment project “Construction of 85 GFCS” was developed and sent for consideration of the Investment Committee of KazMunayGas JSC.



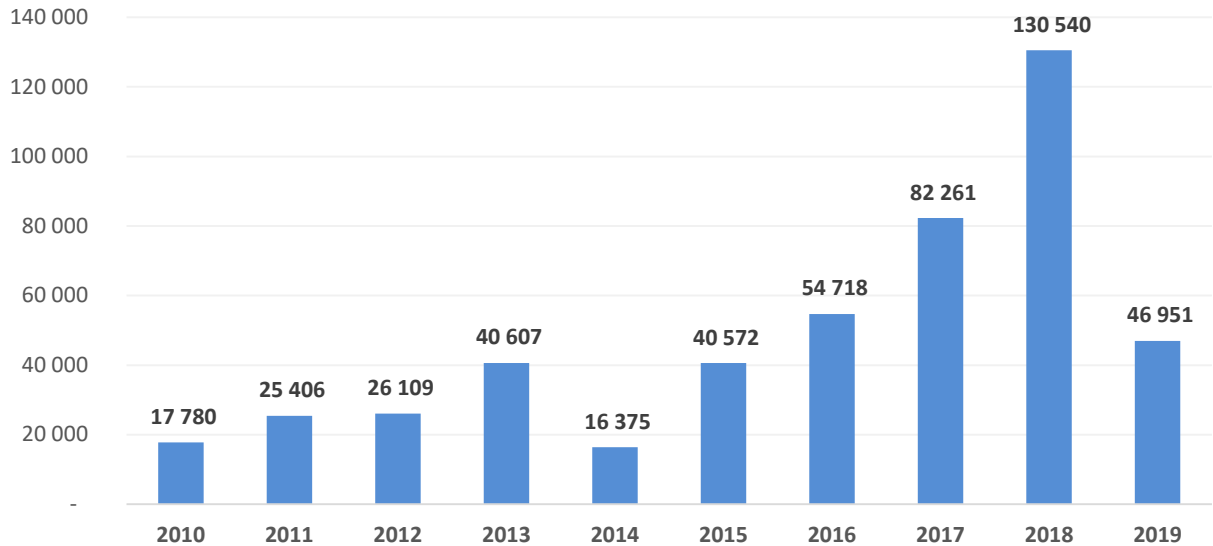
Investments activity

In accordance with the strategic priorities and business lines, the long-term Investment program of KazTransGas JSC is focused on the following tasks:

1. Implementation of the program of additional exploration and commissioning of new gas fields and the project of commercialization of inert gases.
2. Ensuring balanced, reliable and uninterrupted supplies of gas to end users.
3. Upgrading the gas pipeline system to improve its reliability, safety and efficient operation by optimizing its production and technological potential.
4. Expansion of the domestic gas supply market through gasification of settlements in the Republic of Kazakhstan.
5. Development of transit and export potential of the Republic of Kazakhstan.
6. Resource Base Extension.
7. Creating a competitive natural gas conversion industry.



Investments in new investment projects for the period 2010-2019, million tenge, VAT excl.





excluding projects of jointly controlled entities – Asia Gas Pipeline LLP, Beineu-Shymkent Gas Pipeline LLP

In 2019 the total volume of capital investments into implementation of investment projects of KazTransGas JSC and its subsidiaries amounted to 46 951 million tenge. The decrease of investments in the reporting period compared to the same indicator of the previous period happened due to the accelerated construction in 2018 of compressor stations Aral, Korkyt Ata and Turkestan within the framework of the investment project “Construction of 4 (four) compressor stations on the Beineu - Bozoy - Shymkent Gas Pipeline”.

PROJECTS DIRECTED TO EXPANSION OF THE RESOURCE BASE

Currently, the following investment projects are being conducted in order to expand the resource base:

-  Development of the Amangeldy group of gas deposits;
-  Production of coal bed methane of the Karaganda coal basin (geological exploration).

Project “Development of the Amangeldy group of gas deposits”

In accordance with the Program of gas industry development of the Republic of Kazakhstan in order to provide gas to consumers in the southern regions of Kazakhstan and ensure energy security, KazTransGas JSC, on the basis of the Contract for combined exploration and production of hydrocarbons dated December 12, 2000, continues the development of Amangeldy group of gas deposits in Zhambyl region.

The above-mentioned Contract is valid until 2031.

In the framework of the Project carried out industrial exploitation of the Amangeldy deposit and other deposits of Amangeldy group in conjunction with exploration and seismic work, with calculation and recalculation of reserves, development projects, pilot operation, projects for the construction of production wells and deposit construction facilities. In 2018, the reserves of gas, condensate and associated components of the Amangeldy deposit were recalculated as of July 01, 2018 and in 2019 were approved by the State Commission on mineral reserves of the Republic of Kazakhstan (Summary record No. 2067-19-U of 10.07.2019). The Approved recoverable reserves of natural gas in the deposits of the Amangeldy group are **23, 011 million m³**.

Since 2008, the Amangeldy deposit has entered the stage of industrial development. Currently, 35 wells are in operation.

On February 24, 2018, the Zharkum deposit entered the stage of industrial development. There are currently 6 wells in operation, and on December 6, 2018, the Ministry of Energy of the Republic of Kazakhstan signed Addendum No.13 to the Contract to put the Zharkum deposit into industrial development.

Starting September 2017, the Airakty deposit has been put into pilot operation. Currently, there are 8 production wells in operation. Taking into account seismic data of CDP-3D and well drilling data, geological and hydrodynamic models of Airakty were constructed. An analysis of the development of the Airakty field was conducted and approved in October 2019 with updated design and technological indicators for 2019-2021.

Amangeldy Gas LLP carries out geological exploration works in Anabai-Maldybai, Barkhannaya-Sultankuduk, Kumyrly-Koskuduk, Ucharal-Ucharal Northern and Kempirtobe sites. On December 11, 2018, the Ministry of Energy of the Republic of Kazakhstan signed Addendum No. 14 to the Contract for the extension of the exploration period for 3 years until 12.12.2021.

On November 30, 2018, the Central Commission for Exploration and Development of Hydrocarbon Deposits of the Republic of Kazakhstan approved the projects: “Exploration for deposit evaluation at Anabai” and “Exploration for deposit evaluation at Barkhannaya-Sultankuduk”.

CDP-3D seismic exploration works have been started at Barkhannaya-Sultankuduk in the total volume of 690 sq. km.

Since the beginning of industrial development, the Amangeldy deposit has produced 4, 96 billion m³ of natural gas and 358, 3 thousand tons of gas condensate, including 301, 04 million m³ of natural gas and 16, 358 thousand tons of gas condensate in 2019.

Since the start of deposit exploitation, 68, 71 million m³ of natural gas and 512, 5 tons of gas condensate have been produced, including 9, 81 million m³ of natural gas and 58, 144 tons of gas condensate produced in 2019.

82, 97 million m³ of natural gas and 1,189.1 tons of gas condensate have been produced since the beginning of exploitation of the Ayrakty deposit, of which 39, 19 million m³ of natural gas and 497, 225 tons of gas condensate were produced in 2019.

During 2019, Amangeldy Gas LLP produced 350, 04 million m³ of natural gas and 16.914 thousand tons of gas condensate.

Project “Production of coal bed methane of the Karaganda coal basin (geological exploration)”

By the decision of the Management Board of JSC NC KazMunayGas , the project “Extraction of coal bed methane of the Karaganda coal basin” was included in the list of innovative projects of the Action Plan for the implementation of “The Strategy for innovative technological development of JSC NC KazMunayGas for 2014-2018”.

In September 2016, an updated Action Plan (Road Map) for the implementation of the order of the President for arranging exploration and production of coal bed methane (CBM) was approved by the Minister of Energy of the Republic of Kazakhstan. According to the specified Plan, KazTransGas JSC continues to carry out the 1st stage of the Project - geological exploration works within the framework of R&D in the contract area of the subsoil user of Saryarka SEC JSC in the Sherubainur coal-bearing region of the Karaganda coal basin (in accordance with the Agreement dated April 03, 2015).

KazTransGas JSC has been determined as the Project Operator - geological exploration works within the framework of R&D on the contract territory of the subsoil user Social-Entrepreneurial Corporation Saryarka in Sherubainurinsk coal region of Karaganda coal basin (in accordance with the Agreement dated 03.04.2015).

The Company holds meetings with leading domestic scientists and subsoil users involved in exploration and production of coal methane, foreign companies with modern technologies and experience in exploration and production of coal methane.

The geological exploration of coal bed methane is a complex scientific and technical task carried out as part of R&D and aimed at studying the gas content of the contract area and developing the most optimal technologies for producing coal bed methane. The R&D is testing possible variants of application of modern foreign technologies/methods of well construction, the development and intensification of the production of coal bed methane taking into account international experience, involving qualified service contractors, etc.

For the period of 2015-2017, exploration and pilot wells were drilled, gas inflow was obtained. Geophysical studies of wells, field and laboratory studies of core in the specialized laboratories of Corelab (USA), NCCBM (China), Geokrak (Poland) were carried out. Well testing was carried out and the wells were put into temporary conservation.

Baker Hughes Kazakhstan LLP has developed a technical and economic assessment “Evaluation of the prospects for extraction and commercialization of CBM of Sherubaynurinskyi coal region of the Karaganda basin”, in which it is recommended to continue research work.

In 2018, the work on drawing up the report “Operational calculation of CBM reserves at the Sherubainurinskyi site” was completed; reserves were put on the state balance of the State Reserves Committee of the Republic of Kazakhstan by category C₂ - 5, 7 billion m³.

For a full assessment of the prospects of coalbed methane and development of an effective technology for the extraction of industrial methane, KazTransGas JSC decided to continue exploration for coalbed methane.

Taking into account the geological conditions of the Karaganda coal basin, within the framework of R&D, it is planned to construct horizontal wells and multistage hydraulic fracturing at horizontal sites.

In July 2018, by the decision of the Investment Committee of KMG (Summary record No. 13-18 dated 04.07.2018) approved additional funding for geological exploration at the expense of KTG's own funds in the amount of 1, 400 million tenge.

In 2019, project documents for “Project of exploration works for coal bed methane at Sherubainurinskyi site of Karaganda coal basin” and DED “Individual technical projects for construction of wells SH-11, SH-12, SH-13, SH-14 at the Sherubainurinsky site” were developed and agreed with the government agencies.

At the end of 2019, a procurement procedure is underway to determine a contractor for exploration in 2020-2021, based on the results of which a report will be compiled on the calculation of coal bed methane reserves with justification for recoverable reserves and setting coal methane reserves on the state balance of the Republic of Kazakhstan.

The decision on further implementation of the Project will be made based on the results of exploration work in 2020-2021 at the meeting of the Investment Committee of KazMunayGas JSC.

Government support measures

In order to create favorable conditions for attracting investments and forming the optimal cost of CBM commercial gas for the population of the regions of the Republic of Kazakhstan, for the period of 2015-2017, KTG together with the authorized state bodies and organizations, in accordance with the Roadmap, conducted work on initiating the state support for CBM exploration and production:

- In 2016, the Law “On amendments and supplements to certain legislative acts of the RK on transition of the Republic of Kazakhstan to a Green Economy” was signed, which approved measures of state support for CBM production in terms of obtaining current tax and investment preferences (including: exemption from CIT and land tax for 10 years, property tax for 8 years, i.e. at 0% rate);

- in 2017, the Code of the Republic of Kazakhstan “On subsoil and subsoil use” was signed, where exploration and production of coal bed methane was regulated;

- proposals to the draft Decree of the Government of the Republic of Kazakhstan “On amendments and supplements to the Decree of the Government of the Republic of Kazakhstan dated January 14, 2016 No. 13 “On certain issues of implementation of state support for investments”, providing for the right to include the implementation of investment projects for CBM production in the list of priority activities, were submitted to the Government of the Republic of Kazakhstan.

For further development of CBM projects, negotiations are underway on cooperation with companies and investors.

Kansu Project

On October 21, 2015, the Board of Directors of JSC NC KazMunayGas (Summary record No. 14/2015 paragraph 17) approved the alienation of 100% share of KazMunayGas JSC in favor of KazTransGas JSC.

On January 19, 2016, KMG-Kansu operating LLP was re-registered in the Department of Justice of Aktau in connection with the change of the Sole participant from JSC NC KazMunayGas to KazTransGas JSC.

On October 1, 2016 was signed the Contract No. 3949-UVS dated 01.10.2013 for the exploration of hydrocarbons on the Kansu site located in Mangistau region was signed between the Ministry of Energy of the Republic of Kazakhstan, JSC NC KazMunayGas and KMG-Kansu Operating LLP. On May 30, 2016, was signed the Addendum No. 2 to the above Contract on the transfer of the right of subsoil use under the Contract.

On September 22, 2016, the Central Commission for Exploration and Development of Mineral Resources of the Ministry of Energy of the Republic of Kazakhstan discussed, agreed and sent for further approval the draft Addendum No. 1 to the Project of oil and gas prospecting on the Kansu site to the Ministry of Energy of the Republic of Kazakhstan.

According to the approved Addendum No. 1, amendments were made to the Working program of the Contract for 2016-2019.

On October 1, 2016, construction of the geological model of Kansu deposit was completed. Three-dimensional geological models were built and initial geological reserves were assessed with regard to the Cretaceous and Jurassic sediments.

On October 31, 2016, the project “Audit of the current state of the environment at the Kansu site” was completed. The total area of work is equal to the area of the contract territory of the Kansu site and is 4374, 64 square km.v

On December 2, 2016, a meeting of the Working Group of the Ministry of Energy of the Republic of Kazakhstan was held (Summary record No. 15 of the Working Group of the Ministry of Energy of the Republic of Kazakhstan) regarding amendments and additions to the Contract. As a result, of this meeting, the authoritative body made a positive decision and on December 29, 2016 the Addendum No. 3 to the Contract was signed.

In 2017, a technical project for construction of an R1 exploration well with a planning depth of 3,800 m was developed and approved by the state authorities, including an EIA on the Kansu site.

In 2018, due to lack of funding, no exploration work was carried out.

Taking into account the absence of investors, the Investment Committee of the KTG according to the Summary record of the meeting No. 21 dated May 31, 2018 decided to pre-approve withdrawal from the Kansu investment project.

According to the Summary Record of the meeting of KMG Investment Committee No. 17-18 dated 28.09.2018, based on the results of the expertise conducted by “Exploration and Production of hydrocarbons, Service infrastructure of producing assets” Division, it was instructed to send the report to KMG Investment Committee for consideration, taking into account the opinion of the Research Institute of Production and Drilling Technologies, with a view to making a final decision by 30.10.2018.




According to the summary record of the meeting of KMG Investment Committee No. 1-19 dated 07.02.2019, it was decided to withdraw from the Kansu project.

The Subsoil Use Contract No. 3949- YBC dated 01.10.2013 for hydrocarbon exploration at the Kansu site expired on 01.10.2019.

Currently, the works are being carried out to eliminate the consequences of subsoil use at the Kansu site, in order to return the Subsoil Use Contract to the state.

EXPORT GAS PIPELINE PROJECTS

In order to expand export potential, the following investment projects are being implemented:

-  Construction of the Beineu-Bozoy-Shymkent gas pipeline;
-  Construction of boosting compressor station at the switch TIP-02 between MG Bukhara Gas-Bearing Province – Tashkent – Bishkek – Almaty and MG Kazakhstan-China ;
-  Construction of four compressor stations on Beineu-Bozoy-Shymkent gas pipeline.

Project “Construction of the Beineu-Bozoy-Shymkent gas pipeline”

Project duration: 2011-2021.

Cost - 689,201 million tenge without VAT.

The purpose of the project is to ensure stable gas supplies to the southern regions of the Republic of Kazakhstan, reduce dependence on imported gas and ensure energy security of the Republic of Kazakhstan.

The gas pipeline route runs through the territory of Mangistau, Aktobe, Kyzylorda and Turkestan regions and has the following main technical characteristics:

Phase 1: 2012-2019, capacity up to 6 billion m³ per year;

Stage 2: 2013-2019, capacity up to 10 billion m³ per year;

Stage 3: 2018-2020, capacity up to 15 billion m³ per year.

The linear part of the gas pipeline with a length of 1,450 km (in single-line design), the rotational camp Bozoy, the gas measuring and compressor station Bozoy, the gas measuring station Akbulak and the compressor station Karaozek were commissioned.

In 2019, the following activities were carried out:

- Development of technical and economic assessment and DED “Increase of Beineu-Bozoy-Shymkent gas pipeline capacity up to 15 billion m³/year” project completed;
- Shornak, Karaozek, Aksuat and Saksaulsk rotational camps were commissioned;
- construction of the Beineu gas measuring station was completed;
- preliminary acceptance of Shornak, Karaozek, Aksuat and Saxaulsk maintenance and operations areas;

The work continues on the construction of the Beineu-Bozoy section of the line service road, the telecommunications system and SCADA.

The expansion of the Bozoy compressor station, Akbulak and Beineu gas metering stations shall be completed in 2020, which will increase the pipeline capacity to 15 billion m³ per year.

Construction of boosting compressor station at the switch TIP-02 between MG Bukhara Gas-Bearing Province – Tashkent – Bishkek – Almaty and MG Kazakhstan-China

Project duration: 2015-2019. The project is completed.

The cost is 31,735 million KZT without VAT.

The booster compressor station was commissioned in November 2019. With the commissioning of the station, it would be economically beneficial to transport domestic natural gas from western deposits outside Kazakhstan. The resource base for exported gas will be Tengiz, Karachaganak, Zhanazhol and Kashagan deposits.

The new station provides a backup route for uninterrupted gas supply to consumers in Almaty and Almaty region, bypassing the Kyrgyz Republic, where the gas pipeline section runs. The capacity of the booster compressor station is designed for annual average gas pumping in the amount of 4.7 billion m³. The shop's service equipment, interconnecting piping and engineering networks have been designed to be retrofitted with an additional gas pumping unit, which will increase the annual gas pumping volume to 6 billion m³.

Project “Construction of four compressor stations on Beineu-Bozoy-Shymket gas pipeline”




Project duration: 2018-2020.

The cost is 177,997 million tenge without VAT.

The project is implemented as part of measures to increase the annual capacity of the Beineu-Bozoy-Shymkent gas pipeline from 10 to 15 billion m³.

In February 2019, Aral, Korkyt Ata and Turkestan compressor stations were commissioned on the Bozoy-Shymkent section of the gas pipeline. Construction of Ustyurt-1A compressor station was completed and commissioning is planned. The Beineu-Bozoy-Shymkent gas pipeline capacity has been increased to 13 billion m³ per year.

GASIFICATION OF THE REGIONS OF THE REPUBLIC OF KAZAKHSTAN

-  Modernization of gas distribution networks in Taraz city;
-  Modernization, reconstruction and construction of new gas distribution networks in settlements of Mangystau region;
-  Gasification of Almaty, reconstruction of gas distribution networks in Almaty.

Project “Modernization of gas distribution networks in Taraz city”

Project duration: 2011-2019. The project is completed.

Cost - 19,222 million tenge without VAT.

According to the Project, low-pressure steel gas pipelines shall be replaced with polyethylene medium pressures in the low-rise sector; dilapidated underground gas pipelines shall be replaced; individual cabinet gas control units with SMART card for each consumer of low-rise buildings shall be installed; block type gas control units shall be installed.

Within the framework of the project implementation, 899 km of gas pipelines were built in the country part of the town, 19,409 individual cabinet points, 149 gas-regulating cabinet points, 1 gas-regulating block unit were installed. 34.6 thousand Residents of the country part of the town and 50 thousand inhabitants of municipal apartments were re-connected to the new gas supply system. Meters with built-in smart cards and thermocorrectors have been introduced in the country part of the town for more accurate gas accounting.

Implementation of the project solved the problem of insufficient gas pressure among consumers, increasing the throughput capacity of the gas supply system by 1.5 times.

Replacement of the old aboveground steel gas pipeline with a more durable polyethylene underground pipeline has increased not only the reliability and safety of networks, but also allowed to preserve the unique architectural look of Taraz.

Project “Modernization, reconstruction and construction of new gas distribution networks in settlements of Mangystau region”

Project duration: 2015-2019. The project is completed.

Cost - 24 462 million tenge without VAT.

The investment project was initiated in 2015 within the framework of Memorandum of Understanding and Cooperation concluded on February 05, 2015 between the Akimat of Mangystau region, JSC NC KazMunayGas and KazTransGas JSC regarding long-term and mutually beneficial cooperation in the implementation of projects of construction, modernization and reconstruction of gas supply facilities in Mangystau region.

The project is aimed at upgrading and reconstruction, as well as the construction of gas networks in Mangystau region in order to improve reliability and the quality of services, eliminate gas shortages for consumers due to insufficient performance and poor technical condition of gas networks.

As part of the Project, 1,347 km of gas pipelines were built and upgraded (700 km of pipelines were upgraded, 647 km of new pipelines were built), 6 automatic gas distribution stations, 34 cabinet gas control units, 45 block type gas control units were installed. An increase of 2.5 thousand new subscribers was ensured. Within the Project, the residential area of Batyr of Munayli district was supplied with gas, settlements Zharma and Baskudyk of Mangystau district, 18 streets in Beineu village of Beineu district, 2 villages in Borankol rural area of Beineu district were supplied with gas, Atameken and Baskudyk rural districts were supplied with gas.

Project “Gasification of Almaty, reconstruction of gas distribution networks in Almaty”

Project duration – 2018-2021.

Cost – 11 192 million tenge without VAT.

According to the project, gas infrastructure development of residential areas/parks with private houses in Almaty shall be conducted, which are not yet connected to the gas supply system, existing gas distribution networks in Almaty shall be updated. The project contributes to the improvement of environmental situation in the city and will allow connecting about 4.1 thousand new subscribers with average annual gas consumption of 15.8 million m³ to the gas supply system.

As of 01.01.2020, 265 km of new gas pipelines have been built, 76 km of existing gas pipelines have been reconstructed, 21 cabinet gas control units and one block type gas control unit have been installed.

Innovations

Within the framework of implementation of innovative development of KazTransGas JSC and in order to provide the formation and implementation of a unified corporate and sectoral scientific and technical, innovative policy, improvement of scientific and technical support of KTG Group of Companies, there is functioning Scientific and Technical Council (STC).

STC considers such proposals of innovative, scientific and technical character, programs of industrial and technical development of structural subdivisions of KTG, as

well as reports on developments having important technical and economic significance for KTG Group of Companies.

In 2019, in total 4 (four) STC meetings were organized, and 6 issues were considered:

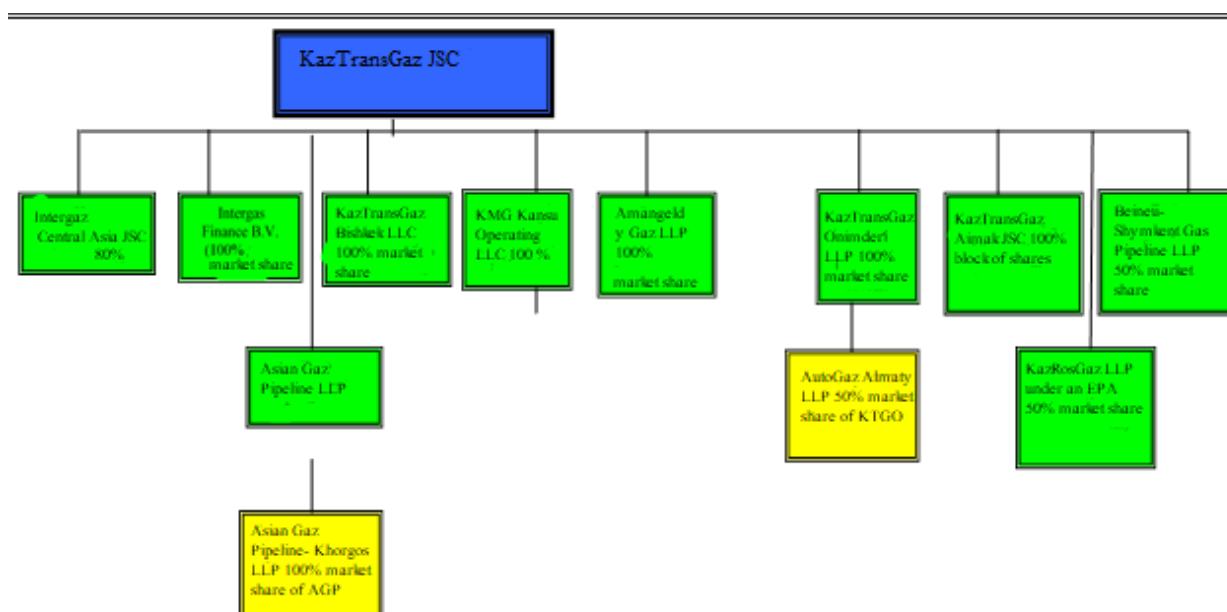
1. Consideration of the proposal of Intergas Central Asia JSC on construction of 8 (eight) gas metering stations for control, optimization and management of gas transportation modes.
2. Consideration of the proposal of QNP LLP on the possibility of optimizing the system of in-line diagnostic examination of MG.
3. Consideration of the proposal of Borisfen CJSC on the possibility of upgrading the gas pumping units by replacing the outdated drives with modern ones.
4. Consideration of the proposal of Amangeldy Gas LLP on construction of a booster compressor station at the outlet of the Amangeldy field compressor station.
5. Consideration of the proposal of KazTransGas Onimderi" LLP on the use of ion stabilizer " Claycrete II" from " Claycrete Global" and stabilizers "EarthZyme" and "DustStop" from CAN ROS company as a construction (road) material in the course of capital construction and repair of infield facilities, including along the highways of the main gas pipelines of KazTransGas Group of Companies, including MG Beineu-Bozoy-Shymkent and MG Asian Gas Pipeline.
6. Consideration of a proposal on upgrading the information and analytical system of Intergas Central Asia.

As a result of the meeting the members of the STC took into account the presented presentation materials and gave recommendations of the KTG S&A on application of the most effective technologies and products in the implemented and prospective projects.

Transactions in which KazTransGas JSC has an interest


In accordance with the Rules of making transactions between organizations that are members of Samruk-Kazyna Group JSC, in relation to which the Law of the Republic of Kazakhstan sets special conditions, within the reporting period the Management Board of KazTransGas JSC adopted 17 decisions on interested party transactions of KazTransGas JSC.


Asset structure




Key areas of development


Company's plans for 2020


 Continuation of geological exploration works within the framework of research and development of the project "Coalbed Methane Extraction in the Karaganda Coal Basin";


 Exit from the "Kansu" project;


 Completion of seismic exploration work CDPM-3D on the Barkhannaya-Sultankuduk section with the total area of 690 sq. km, compilation of a report on processing and interpretation of seismic survey data and specification of the location of appraisal well #B-5 on the Barkhannaya structure.


 Adjustment of the Working Program of Supplement No. 16 to the Contract No. 611 dated 12.12.2000.


 Continuation of the project on increasing the throughput capacity of MG Beineu-Shymkent from 10 billion to 15 billion m³/year (implementation 2019-2020);


 Completion of reconstruction of GMS Akbulak at MG Beineu-Bozoy-Shymkent;


 Completion of implementation of the project "Reconstruction of Bozoy UGS", bringing the storage capacity up to 4 billion m³ with reduction of gas withdrawal period to 150 days.


 Construction of 2 gas-metering stations with the capacity of Q-20 million m³/day each and 2 shift camps at MG Bukhara Gas-Bearing Province – Tashkent – Bishkek – Almaty and MG Gazli-Shymkent. Implementation of the project will ensure reliable measurement of Uzbek gas volumes, with its additional purification and determination of physical and chemical indicators.


 Construction of Kashagan compressor station with Q-1 billion m³/year capacity and gas pipeline from Kashagan gas delivery station to MG Makat-Northern Caucasus. Implementation of the project will ensure acceptance of processed marketable gas from the gas processing plant for subsequent transportation through the gas transportation system of the Republic of Kazakhstan.

 Continuation of construction of 288 km of gas pipelines for gasification of residential areas/parts with private houses in Almaty, continuation of work on reconstruction and modernization of existing gas distribution pipelines in Almaty.

 Approving price caps on wholesale sales of marketable gas for Nur-Sultan, Karaganda and Akmola Regions;

 Approving price caps for wholesale sales of marketable gas in the domestic market from 1 July 2020 to 30 June 2021;

 Reconfirmation of by-laws due to amendments to the Law of the Republic of Kazakhstan "On Gas and Gas Supply" in December 2019.

 By the decision of the Board of Directors of KazTransGas JSC dated July 08, 2016 (paragraph 6 of Minutes No. 33), the liquidation of KazTransGas Bishkek LLC is stipulated until December 31, 2020.

Digitalization

KMG Digital Transformation Program

At KTG, there is a constant and active work on automatization of business processes and digitalization of production. Special attention is paid to introducing new technologies

and modern approaches to improve production efficiency and ensure the Company's sustainable development.

In 2019, according to the updated approach of the Business Transformation Program of JSC NC KazMunayGas, the Portfolio of KMG Digital Transformation Program for 2020-2024 was formed and approved. This portfolio included the project "Implementation of an analytical geoinformation system for gas pipeline facilities", which is currently under implementation. The following projects were transferred to operational activities: "Implementation of complex works on dispatching the automated system of information collection and accounting of gas" and "Implementation of the information system of KapStroy in KazTransGas Aimak.

In addition, within the framework of business process automation, a project on implementation of a single ERP-system based on 1C was initiated in KTG Group of Companies.

The growth of digitalization inevitably leads to wider application of information technologies, and therefore, the importance of ensuring information security increases. Thus, to solve this problem, the KTG Group of Companies has organized a Security information and event management (SIEM), as well as installed software and hardware systems of the leading vendors in the field of information security.

Automation and digitalization

KazTransGas continuously works on improving the quality of management, including through the automation of business processes, the use of new technologies and approaches. Automation and digitalization projects are focused on improving efficiency in all segments of the Company's business.

ERP Implementation Project

In order to reduce operating costs, increase stability and sustainable development of IT infrastructure solutions, business applications, special technology applications, as well as within the framework of the KTG Information Technology Development Strategy for 2015-2019, in 2019 project documentation was prepared, and upper-level business processes of the unified enterprise resource planning platform (ERP system) were simulated to automate the processes and business functions of KTG Group of Companies.

Planned benefits when using an ERP system:

- use of a single information base by employees of KTG Group of Companies;
- centralization of financial processes at the level of one system per Group of Companies;
- simplification of integration processes;
- simplification of the process of consolidation of financial statements;
- primary automation of the "Budgeting" business line;
- simplification of users' work in systems.

Information Security Project

For the organization of information security in the Group of Companies KazTransGas JSC, in 2019 were implemented solutions to prevent data leakage and protection against malicious software, as well as acquired the services of the situation center for information security.

The IS Situation Center ensures the following tasks for the KTG Group of Companies:

- compliance with the requirements to critical information and communication infrastructure objects in the field of information security, in accordance with legal regulations, as well as maintenance of means of information security of the network and endpoints;
- detection of intrusions, IS threats with subsequent reaction, notification and processing of IS incidents;
- decrease in quantity and level of risks, the economic losses caused by threats and IS incidents;
- Analysis of IS incidents, vulnerabilities and threats, analysis of digital evidence with subsequent reaction based on the analysis of digital evidence;
- collection and monitoring of the data arriving from information systems.

In 2019 Amangeldy Gas LLP implemented the information system "1C: TMR". This system provided visibility and transparency of the process of technical maintenance and repair (TMR), as well as streamlined the storage of data on equipment in a hierarchical order and provided access to the process for all interested parties. Further, the integration of IP "1C: TMR" with "1C: Accounting" was carried out, as a result of this integration it was possible to link the costs (CM) in terms of equipment.

In order to prevent unauthorized emissions into the atmosphere, as well as to preserve the life and health of consumers, KTGO purchased auto complexes based on the car Toyota Hilux, equipped with digital detectors "PERGAM" to search for methane leaks (4 units). During the period of exploitation, the complexes detected 235 leaks in residential premises and social facilities, a total of 8,766 leaks.

Risk management

The operations of KTG and its subsidiaries and affiliates are subject to production and non-production risks. KTG understands the importance of risk management as one of the key components of the corporate governance system aimed at the timely identification, assessment and mitigation of risks that may affect the achievement of the Group's strategic and operational objectives and the value and reputation of the Group.

The objective of KTG risk management is to provide reasonable assurance about the strategic and operational sustainability of the business.

KazTransGas Group of Companies Risk Management Program in 2019

Within the framework of implementation of the vertical process of risk management conducted by JSC NC KazMunayGas, identification, assessment and monitoring of risks of the KTG Group of Companies is carried out in the Automated Risk Management System (risk.kmg.kz) (hereinafter - ARMS).

In KTG and its S&A structural unit and/or responsible person for risk, management is subordinated to the first head of the Company.

During the period from August 2 to October 1, 2019 interviewing of key employees of all structural units of KTG and its S&A on risk management issues was conducted:

- 1) identified risks that may affect the achievement of KTG Group of Companies goals;
- 2) identified potential damage amounts in case of risk realization.

Below are the key risks of KTG and its S&A with the most significant impact on the Company's operations.

In the KTG Group of Companies, 67 inherent risks have been identified to which risk codes have been assigned according to the KTG Unified Risk Classifier and its subsidiaries and associates, risk owners have been identified and risk mitigation plans have been developed.

For the KTG Group of Companies, 21 key risks have been identified and displayed on the KTG Key Risks Map, among others.

Risk of counterparty banks' failure to perform their obligations.

Due to the current difficult situation on the banking services market in the Republic of Kazakhstan, it is possible that financial institutions will fail to meet their obligations, which may result in temporary or total lack of capacity of a financial institution to repay deposited funds.

Risk of failure to comply with financial and/or non-financial covenants.

Since KTG is the borrower and/or guarantor of the loan to its S&A, KTG is required to comply with the financial and/or non-financial covenants specified in the loan terms.

Risk of non-fulfillment of obligations related to gas supply under the gas purchase and sale contract (export)

The occurrence of risk is caused by several factors:

1. Increasing consumption on the domestic market;
2. Refusal to accept gas from the buyer;
3. Failure of the supplier to meet its obligations.

Legislative change in requirements for conducting business activities.

The following factors affect the implementation of this risk:

1. Restrictions in the implementation of entrepreneurial (industrial and commercial) activities of KTGO;
2. Transfer of more than 50% market share in business to a third party;;
3. Lack of intra-holding cooperation;
4. Uncertainties associated with dependence on a key partner - the transition to market relations with the KTG Group of Companies and NWF Samruk-Kazyna JSC (Fund), participation in tenders for the rental of vehicles and special equipment held by the KTG Group of Companies and the Fund on common grounds.

Uncertainties related to dependence on a key partner (PJSC Gazprom)

The implementation of this risk is due to the following factors:

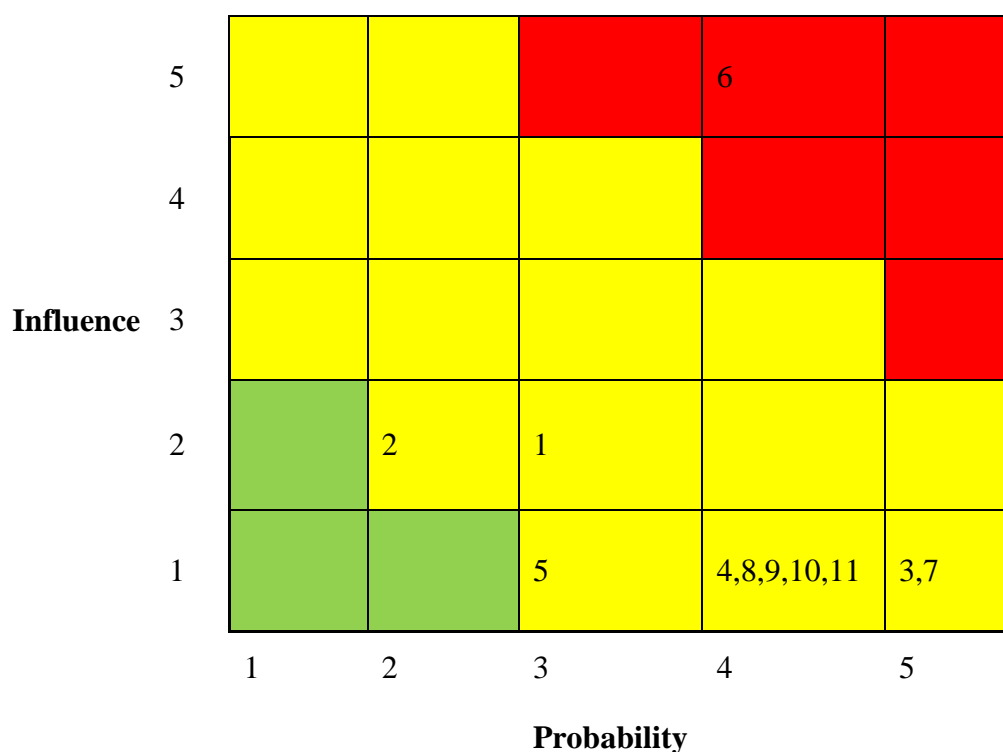
1. PJSC Gazprom refusal to purchase Central Asian gas;
2. Reduction of PJSC Gazprom gas export to Europe, including Ukraine;
3. Economic situation in Russia, reduction of domestic gas consumption in Russia;
4. Non-fulfillment of contractual obligations by PJSC Gazprom or gas suppliers;
5. Availability of resource base of gas supplier countries for fulfillment of contractual obligations;
6. State of the world economy;
7. Climatic conditions;
8. Political and economic situation in gas-supplying/consuming countries;
9. PJSC Gazprom policy with gas consumers;
10. Negative position of PJSC Gazprom in the issues of increasing tariffs for gas transit;
11. Increasing Russian gas production volumes.

Fluctuation of Tenge against the US dollar

There is a possibility of currency losses due to changes in the exchange rate of the US dollar against the tenge, interest rates, and the current trade balance, and inflation, economic and political conditions.

In order to systematize and unify the risk management and internal control systems, KTG has developed a register of KTG risks and the key risks are put on the Risk Map:

Level of inherent risk factors



№	Name of risk factor	Damage in thsd. tenge
		inherent
1	278. Non-compliance of counterparty banks with their obligations	10 000 000 0.5 frequency
2	312. Political regime change in strategic partner countries	11 764 000 0,25 frequency
3	248. Non-compliance with tax law requirements	5 000 2 frequency
4	242. Non-compliance of the company with the requirements of the applicable law (Marketing and Contracts Department)	214 1 frequency
5	242. Non-compliance by the company with applicable law (Asset Management Department)	252 0,5 frequency

6	225. Non-compliance with financial/non-financial covenants	332 500 000 0,5 frequency
7	262. Failure (loss) of existing software	500 2 frequency
8	263. Failure of existing server equipment	1 500 1 frequency
9		45 000 1 frequency
10	261. Unauthorized access to information system	6 000 1 frequency
11	265. Use of unlicensed software	55 265 1 frequency

Improvement of risk culture of KazTransGas JSC

1. In KTG within the framework of improvement of the Reference model for risk management of Samruk-Kazyna JSC:

On December 11, 2019 the Business Continuity Management Policy of KazTransGas JSC and the Internal Control System Policy were approved;

On December 26, 2019 the Rules of Organization of Business Continuity Management Process and Rules of Internal Control System were approved.

2. The work of the Risk Committee has been strengthened; all significant events that may negatively affect the achievement of the objectives of the KTG and its S&A are collegially considered at the meetings of the KTG and S&A Risk Committees.

3. The work on organization of insurance protection of risks of KTG Group of Companies was performed. Training training on risk insurance has been organized.

4. A package of reporting on financial risks has been formed - quarterly monitoring is carried out:

- compliance with the limits on country risks;
- limits on obligations on counteragent banks;
- currency risks;
- interest rate gaps by currency.

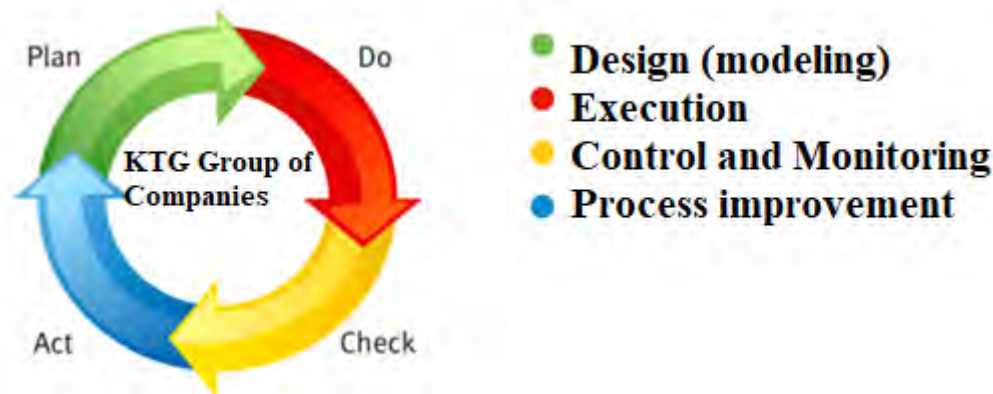
Integrated management system

The management of KazTransGas JSC and its subsidiaries and jointly controlled organizations, guided by strategic documents, defined strategic priorities aimed at providing strategic benefits and supporting the economy and social initiatives for the Republic of Kazakhstan.

KTG Group of Companies strives to organize its management in such a way that the qualitative level of activity meets the requirements and expectations of all interested parties through increasing the income of the enterprise, increasing the level of material well-being of the personnel, promoting the growth of business opportunities of partners and suppliers. At the same time, the KTG Group of Companies strives to ensure safe working conditions for the personnel and prevent negative impact on the environment.

The main principles of KTG Group of Companies' activity are: improving quality; preventing negative impact on the environment; ensuring reduction of professional risks.

KTG Group of Companies uses PDCA methodology in its activities. This methodology is the simplest algorithm of the manager's actions to manage the process and achieve its goals. The management cycle starts with planning.



Information on implemented measures in the field of management systems for the Group of Companies of KazTransGas JSC in 2019

Conducted activities	Certificates
KazTransGas JSC	
<ul style="list-style-type: none"> ■ Internal documents have been updated. ■ Internal audits of IMS were conducted in the KTG group under the Program 2019. ■ Employees responsible for the management system were trained. ■ External evaluation (assessment) of the European Model of Excellence at the level of "Recognized Excellence" of 5 stars. ■ The 2nd surveillance audit of the IMS was conducted for compliance with the requirements of standards of ISO 9001:2015, ISO 14001:2015, OHSAS 18001:2011. 	
Intergas Central Asia JSC	
<ul style="list-style-type: none"> ■ The Company's internal regulatory documents were updated in accordance with the requirements of standards of ISO 9001:2015, ISO 14001:2015, OHSAS 18001:2011, ISO 27001, ST RK 5001. 	

- The internal audit of the IMS in Central Asia and the Company's branches was carried out.
- IMS was subjected to surveillance audit for compliance with the requirements of standards ISO 9001:2015, ISO 14001:2015, OHSAS 18001:2011, ISO 27001, ST RK 5001.
- The list of significant environmental aspects was revised in accordance with the requirements of ISO 14001:2015.

KazTransGas Aimak JSC

- An internal audit of the IMS was conducted at the production branches.
- Consulting and methodological services on improvement of the IMS according to MS ISO 9001:2015, MS ISO 14001:2015, MS OHSAS 18001:2007, MS ISO 50001:2011, as well as on development and implementation of the innovation management system according to the requirements of the international project "Quality Innovation - 2019" and its integration with the existing IMS were carried out.
- Employees of the Company took part in training seminars (on ISO 45001:2011, risk management, innovation management system, etc.).
- The Company took part in the international contest "Quality Innovation-2019" by submitting applications to the Organizing Committee of the international contest "Quality Innovation-2019" for the following innovations: AGIS - Analytical Geoinformation System "Inspire analytical GIS", ISGAS (IS Ondiris) - Information System of Gas Accounting and Sales. As a result of the contest, both projects were awarded diplomas of finalists of the national qualifying round.
- In honor of celebrating, the World Quality Day, Zhambyl PB Company was awarded a Diploma and a Gold Star in the nomination "Leader of Quality - 2019" (the organizer and founder of the Diploma is JSC



National Center of Expertise and Certification).

- Recertification audit for compliance with ISO 9001:2015, ISO 14001:2015, OHSAS 18001:2008, and ISO 500001:2011 was passed.

Amangeldy Gas LLP

- Recertification audit of IMS for compliance with the requirements of standards of ISO 9001:2015, ISO 14001:2015, OHSAS 18001:2011 was passed.
- External assessment (assembly) of the European Model of Excellence at the level of "Recognized Excellence" of 5 stars was completed.
- The Partnership's internal regulatory documents were updated.
- The employees responsible for the management system have been trained.



Beineu-Shymkent Gas Pipeline LLP

- The Partnership's internal regulatory documents were updated.
- The employees responsible for the management system in the field of Health Protection and Labour Safety have been trained.
- Scheduled assessment of compliance with applicable requirements of Normative Legal Acts and Scientific and Technical Documents in the field of ecology, labour protection.
- An internal audit of IMS was conducted for compliance with the new requirements of standards ISO 9001:2015, ISO 14001:2015, OHSAS 18001:2007.
- The second surveillance audit of IMS was conducted for compliance with the requirements of international standards ISO 9001:2015, ISO 14001:2015, OHSAS 18001:2007.
- The Tapline Participant performed the internal audits of the IMS.



- The effectiveness of corrective and risk response actions was assessed.

Asian Gas Pipeline LLP

- The Partnership's internal regulatory documents were updated.
- The employees responsible for the management system have been trained. (in 2019, 4 employees of the Partnership were trained and certified).
- Internal audit of IMS was conducted for compliance with new requirements of standards of ISO 9001:2015, ISO 14001:2015, OHSAS 18001:2007, and ISO 50001: 2015.
- Internal audits of IMS, organized by KazTransGas and Tapline companies, were conducted..
- Certification audit of IMS was conducted for compliance with the new requirements of international standards ISO 9001:2015, ISO 14001:2015, OHSAS 18001:2007, and ISO 50001: 2015. (Second inspection audit was conducted).



KazTransGaz Onimderi LLP

- The Partnership's internal regulatory documents were updated.
- The second surveillance audit of IMS was conducted for compliance with the requirements of standards of ISO 9001:2015, ISO 14001:2015, and OHSAS 18001:2011.
- External assessment (assessment) of the European Model of Excellence at the level of "Recognized Excellence" of 5 stars was performed.
- In order to prevent unauthorized emissions of greenhouse gases into the atmosphere, Pergam car complexes were acquired to search for methane leaks, during the period of operation 8,766 leaks were detected, including 235 leaks in 2019.
- The effectiveness of corrective actions and actions to respond to risks was assessed.
- Applications have been submitted to the Technical Regulation and Metrology Committee of the Ministry of Industry and Infrastructural Development of the Republic of



Kazakhstan to include 57 national standards in the state standardization plan for 2019-2021 in the use of liquefied natural gas LNG and Compressed natural gas CNG as motor fuel, 16 of which passed the public discussion stage. The results of this work are planned to form the basis for the agreed Russian and Kazakh proposals to the Eurasian Economic Commission of the Eurasian Economic Union on the formation of a list of Normative Technical Documentation in the field of use of liquefied natural gas LNG and Compressed natural gas CNG for vehicles as a relevant evidence base for the implementation of the Technical Regulations of the Eurasian Economic Union 046/2018.

KazRosGas LLP

- Internal QMS audits for compliance with the requirements of MC ISO9001:2015 were conducted
- Internal regulations were revised and updated to take into account the requirements of the risk management system and MC ISO9001:2015.
- Re-certification audit of the QMS for compliance with the requirements of MC ISO 9001:2015 was carried out.



Environmental protection, occupational health and safety

Use of energy resources and energy saving

KazTransGas JSC pursues a policy of energy saving and increasing energy efficiency. Activities in the field of energy efficiency improvement of KTG Group of Companies on gas transportation, distribution, production and underground storage are defined in the activities of S&A on energy saving and energy efficiency improvement.

The main energy saving measures are:

1. Optimization of operation modes of electric driven gas compressor units of MGPM Taraz of ICA JSC;
2. Optimization of power supply systems with shutdown of power transformers (reserve), electric motors of Air Cooling Unit-gas of turbo compressor shops of S&A;

3. Regulation of operation modes of boiler units at night, weekends and holidays in administrative and production premises of subsidiaries and affiliates;
4. Automatic reactive power compensation at Amangeldy Gas field and Beineu compressor station of MGPM Aktau of ICA JSC;
5. Replacement of lighting lamps with LEDs at S&A (ICA JSC, AGP LLP, Amangeldy Gas LLP and KTG Aimak JSC);
6. Application of energy efficient network Wilo pumps with electric motors of smaller capacity during reconstruction of two boiler houses: UGS Akyrtoobe of MGPM Taraz and CS Taiman of MGPM Atyrau of ICA JSC;
7. Reconstruction of boilers with replacement of water boilers with energy efficient boilers at the Akyrtoobe UGS of MGPM Taraz and Redut CS of MGPM Atyrau of ICA JSC;
8. Repair of the gas pumping unit of GTK-10I type at CS Chizha of MGPM Uralsk of ICA JSC;
9. Optimization of loading of compressor stations with gas turbine drive of ICA JSC;
10. Replacement of obsolete cathode electrochemical protection stations in the amount of 107 units on the linear part of the main gas pipelines of ICA JSC;
11. Introduction of the axial compressor cleaning system of the Gas Turbine Unit of Gas Pumping Units No. 7, No. 9, No. 10 at the CS Beineu of Aktau MGPM of ICA JSC.

The improvement of energy efficiency indicators is due to application of optimal gas transportation modes and energy saving measures.

The volume of fuel and energy resources consumption (FER) by KTG Group of Companies for 2019 was equal: 181,502.52 tons of fuel equivalent (15,28877.45 thousand m³, 92.46 million kWh, fuel and lubricants 6660.33 toe) compared to the same period of 2018 175,7866.2 tons of fuel equivalent (toe) (14,744,157.4 thousand m³, 119.7 million kWh, fuel and lubricants 19306.4 toe) increased by 3.25%.

At the same time, the increase in natural gas consumption in 2019 is connected with the growth of gas transportation volumes through Kazakhstan-China and MG Beineu-Bozoy-Shymkent. Savings in fuel and lubricants consumption are due to the use of compressed natural gas (CNG) and liquefied petroleum gas (LPG); electricity consumption savings are due to the operation of electric drive gas compressor units with a unit capacity of up to 4.0 MW.

The total amount of renewable energy generated (produced) by sources for 2019 was as follows:

1. Generation of geothermal (heat) energy generation by heat pumps - 678.53 Gcal.
2. Generation of electric energy by solar panels - 103572 kW*h.
3. Generation of electric energy by thermal power generators (TPG - Renkin cycle) - 240900 kW*hour.

Specific energy costs for production of gross marketable product, energy efficiency indicator of gas transportation for 2019 amounted to 0,0140 tt/kt tenge, in comparison with the same period of 2018 (0,0203 tt/kt tenge), decreased by 69 %. The decrease in specific energy costs is connected with the optimization of the operating modes of the compressor stations of the main gas pipelines of MG Kazakhstan-China, MG Beineu-Bozoy-Shymkent and MG Bukhara Gas-Bearing Province – Tashkent – Bishkek – Almaty (decrease in the number of operating electric drive GPAs at Samsonovka CS and Taraz CS of ICA JSC).

The energy saving potential of KTG Group of Companies for 2015-2020 is 57588.12 tons of fuel equivalent.

Savings of fuel and energy resources (FER) for the KTG Group of Companies amounted:

2016y. - 9363.94 tons of fuel equivalent. (4993 thousand kWh, 7478.346 thousand m³);

2017y. - 9305.46 tons of fuel equivalent. (3393.2 Thousand kWh, 6500.5 thousand m³);

2018y. - 1,252.32 tons of fuel equivalent (4,946 thousand kWh, 9620.8 thousand m³);

2019y. - 10538.27 tons of fuel equivalent. (4,752 thousand kWh, 8,507.5 thousand m³);

The main energy-saving measures are aimed at reducing consumption of natural gas and electricity.

Within the framework of support of "Digital Kazakhstan" program initiated by the President of the country, Intergas Central Asia JSC conducts pilot testing of "Analytic" system with modular stations of cathodic protection at MG Akshabulak-Kyzylorda (41 km) for testing and subsequent implementation at new and ongoing projects of KTG Group of Companies.

RES implemented in S&A in previous years are operating effectively: gas pumping units (GPUs) with DLE low-emission combustion system; compensating devices designed to compensate reactive power (reactive parameters of electric networks); heat pumps of geothermal type "Waterkotte"; monocrystalline solar panels (batteries); thermoelectric generators (Closed cycle vapor turbogenerator) and block complete power plants (Capstone) operating in autonomous mode; complex automatic energy accounting system (CAEAS), application of energy-saving light sources.

The "DLS-Pergam" Mobile Gas Leak Detection Complex was purchased and implemented on the basis of "Toyota Hilux" of roof and bumper type. The remote methane alarm device "DLS-Pergam" is intended for detection of places of natural gas leaks in perimeter of 60 meters by remote method, without sampling, additional probes and measuring cuvettes. During its operation "DLS-Pergam" detected and confirmed 6182 gas leaks (as of 23.12.2019).

Taking into account the forecasted increase in the cost of energy resources (natural gas, electricity, fuel and lubricants), as well as the growth of their consumption, the common task for all S&As of KazTransGas JSC is to reduce the cost of fuel and energy resources through the implementation of economically viable energy saving and energy efficiency measures.

Elaboration and improvement of regulatory and legal documentation in the field of renewable energy sources (RES) use should create a support mechanism, which will provide investors with guarantees on return on investment, and as a consequence, attraction of potential investors for implementation and development of RES projects in the territory of the Republic of Kazakhstan.

Environmental protection, occupational safety and labor protection

Work to ensure occupational health, industrial and fire safety and environmental protection at the production facilities of KTG Group of Companies is carried out in accordance with existing legislative, regulatory and normative-technical acts of the Republic of Kazakhstan and internal regulatory acts of JSC NC KazMunayGas, approved Work Plan on Labor Protection, Industrial and Fire Safety and Environmental Protection for 2019.

An extended meeting on health and safety issues was held in KTG Group of Companies in Nur-Sultan city. The reports of the heads of the departments/services of health protection, industrial safety and environmental protection of subsidiaries on the work performed in the field of health protection, industrial and fire safety and environmental protection were listened to. The reports were accepted positively, and the protocol decision outlined further tasks to improve the above work.

For the KTG Group of Companies, the Golden Rules Code of Safety and Labour Protection is being implemented.

Labor protection

100% transparency of reporting on labor and environmental protection has been achieved, which is confirmed by the conclusions of JSC NC KazMunayGas on the results of field (sample) inspections of production facilities of KTG Group of Companies. Provision of transparent reporting on KTG Group of Companies is carried out through timely entry of reliable data on all types of incidents into the CISM program.

In accordance with the requirements of labor protection legislation, measures have been organized and implemented for multilevel control, training and knowledge testing, certification of facilities for working conditions, establishment of sanitary and hygienic working conditions, provision of working clothes, accident insurance, medical and presumptive inspection.

During the reporting period, there were 2 (two) accidents related to production activities in the KTG Group of Companies:

- *February 26 - an employee of PB Uralsk KTG while on a business trip, was travelling by public transport to the location and was involved into an accident, as a result of which he was injured (slight degree);*
- *March 04 - An employee of MGPM Kostanay ICA got injured (severe degree) as a result of an accident (violation of traffic rules by a third party).*

In accordance with Chapter 20 (Article 186-189) of the Labour Code of the Republic of Kazakhstan, investigations were carried out with the execution of acts and the development of accident prevention measures. All measures have been implemented.

There were no death cases related to industrial activity during the reporting period!

In 2019, there were 8 road accidents, including 2 (two) "major" accidents:

- *February 06 - the driver of UAZ 390902, PB Uralsk KTG as a result of unfavorable climatic conditions (ice) lost control, the car went off the road. There were no casualties;*
- *March 04 - as a result of violation of traffic rules by a third party, the driver of GAZ-3381, PB Kostanay KTGO, drove off to the ditch. An employee of MGPM Kostanay ICA (passenger) was injured.*

It should be noted that most accidents occurred in the settlements, in conditions of heavy traffic, as well as through the fault of third parties.

Compared to the same period in 2018, the number of accidents decreased by 43%.

Fire safety

During the reporting period, the following fire prevention measures were carried out at the facilities of KTG Group of Companies: fire protection treatment, repair, inspection

and recharge of fire extinguishers, fire safety training and briefing of personnel, installation of automatic firefighting and alarm systems, maintenance of fire automation systems, installation and repair of fire water supply.

Contracts for the protection of facilities against fires were also concluded.

Industrial Safety

During the reporting period KTG Group of Companies carried out such measures as: pipeline diagnostics, replacement of defective sections of pipelines, replacement of cranes, replacement of insulation of pipelines, training and testing of staff knowledge, declaration of production facilities, production control.

Contracts were concluded to provide for antipontaneous safety and to protect facilities from illegal actions.

Environmental Protection

As a result of the conducted environmental monitoring for 2019 there were no excesses of the issued environmental permits. The strategy of environmental action plans contains nine main sections, which provide for air basin protection, rational use of water and land resources, flora and fauna, production and consumption waste management, introduction of management systems and best available technologies, research and design and survey works, radiation, biological and chemical safety, as well as environmental education and awareness. For example, the modernization of gas distribution systems carried out by the Company leads to a significant reduction in pollutant and greenhouse gas emissions. Continuous monitoring of atmospheric air and wastewater allows the Company to monitor the state of the environment.

Work on annual inventory of greenhouse gas emission sources and submission of greenhouse gas passports to the authorized body for further registration in the state cadastre was continued.

The amount of pollutant emissions from production activities in 2019 amounted to 147 thousand tons.

In 2019, there was an increase in air pollutant emissions compared to 2018, which is associated with the resumption of transit of Turkmen gas (MG CAC), the burning of natural gas during the operation of the main sources - gas compressor units (GCUs), as well as a large amount of planned and emergency and rehabilitation work on the linear part of the gas main pipeline.

There are no environmental penalties for the KTG Group of Companies during the reporting period.

On December 13, 2019 in Nur-Sultan there was held an awarding ceremony for the winners of "Paryz" business social responsibility competition. In the category "For contribution to the environment" Amangeldy Gas LLP took an honorary 2nd place.

As advised by the Ministry of Energy of the Republic of Kazakhstan, KazEnergy, KTG considered a number of legislative and regulatory acts of the Republic of Kazakhstan relating to the field of environmental protection.

Social Responsibility


HR policy


Being aware of the social responsibility of business, KTG makes efforts to promote social progress and welfare of the society, stable development and welfare of the


population in the regions, improving the welfare of its employees. Taking care of each employee, priority of solving social issues - this is the basis of KTG policy.


In light of today's changes, it is necessary to introduce timely innovations to ensure that the organization meets the conditions of the external environment. At the same time, the personnel policy is being finalized as it is implemented in response to the new requirements of the constantly changing external environment, except for the part of the personnel policy that affects the key interests of employees (for example, employment policy, remuneration policy), which should be predictable and stable.


The HR policy is intended to unite the existing approaches, methods and tools of HR management, taking into account the best experience in the field of work with the personnel, thus allowing to form a unified approach and develop a corporate system of KTG values in the field of HR management.


 The following basic principles form the basis of the HR policy being developed:

 **Transparency** - openness at all stages of the human resources management process;

 **Complexity** - covering all areas of human resources management;

 **Systemic** - consideration of all constituent elements of the policy in interrelation;

 **Reasonability** - the use of modern scientific developments in the field of human resources management, which could provide maximum economic and social effect;

 **Efficiency** - expenses for measures in the field of personnel management should pay off with the results of production activity.

Social protection of employees of the Group of Companies

The KTG Group of Companies pays great attention to the growth of social benefits, which are aimed at creating a healthy working microclimate in the teams, which allows employees to successfully perform their main functions. KTG defines a uniform corporate policy in the area of social support to employees and pays great attention to social payments, a significant share of which are material assistance and a package of social services.

KTG provides its employees with a package of social services, including medical insurance, compensations and material assistance, including treatment and rehabilitation of employees during their working vacation, and much more. Based on collective agreements and the Rules of Social Support, in 2019, the following main types of material assistance were paid to employees of KTG Group:

- 4,601,204 thousand tenge for vacation to improve the health of employees;

- 175,726 thousand tenge upon the birth of a child;

- 73,150 thousand tenge in connection with the death of family members of an employee;

- 1,779 thousand tenge as a lump sum payment in connection with the death of an employee;

- 46,495 thousand tenge for social benefits for pregnancy and childbirth and for adoption of newborns;

- 75,470 tenge for other benefits (on marriage, retirement, jubilee dates, etc.).

In order to strengthen the corporate spirit, promote physical culture and sport as an important factor in the formation of a healthy lifestyle among employees, there was held a Spartakiad among the employees of the Group of Companies JSC NC KazMunayGas. The employees of the Group of Companies of JSC KazTransGas took part in the Spartakiade.

In 2019 128,350 thousand tenge was spent on holding children's events and organizing recreation for children of socially vulnerable workers aged 7 to 14 years.



Quality of working and living conditions for workers and their families

In order to ensure the quality of working conditions, life of employees and their families, KTG Group of Companies annually invests in voluntary medical insurance, which includes a wide range of medical services in the best clinics of Kazakhstan. At the same time, in addition to providing a full range of medical services, the employee's medical care program provides for services on the same terms for his or her family (parents of the employee, spouse and children). Besides, the range of services provided by the insurance company includes patronage of physiological pregnancy.

For instance, in 2019 at the expense of KTG Group of Companies medical insurance of employees was carried out to the total amount of 1 197 million tenge, including insurance of employees of KazTransGas JSC 62 million tenge.

However, it is known that the work of the majority of workers in the gas industry is associated with the main gas pipelines and is characterized, on the one hand, by severe climatic conditions (drinking water condition, dust storms, etc.) and, on the other hand, by the fact that transit gas pipelines are often located in environmentally disadvantaged regions of the country.

In accordance with the legislation of the Republic of Kazakhstan "On social protection of citizens who suffered as a result of environmental disaster in the Aral region", residents of the Aral region are entitled to an environmental coefficient of 20% to 50% to their basic salary, and they are also entitled to an additional vacation from 6 to 12 days.

Prevention, treatment and rehabilitation work is carried out for employees during the holiday period.

KTG focuses on increasing social payments, a significant portion of which are social benefits and guarantees. First of all, they are aimed at creating a healthy working microclimate in teams based on social partnership, which allows employees to successfully perform their basic functions.

There are also public associations of workers' trade unions in the KTG, under which collective agreements between employees and employers have been concluded, which provide for social guarantees, payments, compensations and benefits to employees that significantly exceed those established by labour legislation, such as, for example:

- payments in connection with the first marriage, childbirth, funeral in connection with the death of a family member, etc.;
- additional paid leave in connection with the above cases;
- health camps for children of employees;
- and many others.

Training, education and professional development of employees of the Group of Companies

Taking into account the fact that the personnel movement should be maximally projected, planned and corresponding to the general concept of the company's development, in order to strengthen its personnel potential it is necessary to have a general complex approach for all interested parties: students, representatives of educational organizations and the Company. Therefore, in order to systematically fill the emerging vacancies, as well as to form a group of young specialists capable of operational management activities and meeting the requirements for the position of this or that direction, separate S&As of KTG have developed and approved the Rules for training of young specialists. This internal document describes the procedure for determining the need for training of young specialists, recruitment of candidates, the procedure for sending them to educational institutions of the Republic of Kazakhstan, near and far abroad. At present, the composition of the commission on development of external human resources potential has been approved, and correspondence with higher educational institutions on this issue is in progress. In addition, the group of KazTransGas JSC conducts training of specialists according to the calendar plans of education and training of specialists, including foreign education. Training of specialists with higher education for organizations of KTG Group of Companies is planned on the basis of the best technical universities.

KTG employees take part in advanced training courses, seminars, internships and trainings both on the basis of the Private Institution "Corporate University "Samruk-Kazyna", Nur-Sultan, and on the basis of other training centers of the Republic of Kazakhstan, near and far abroad countries.

There are the following programs in KTG aimed at personnel development, such as "Training and professional development", as well as the program "Young Specialist".

The Personnel Reserve of KTG Group of Companies has been formed.

"Training and Professional Development" is a permanent program for personnel development of the company.

There is a personnel development program in KTG aimed at training and professional development. Annually, the budget of KTG provides funds for personnel training and professional development. In accordance with the Trunk Gas Pipeline Technical Operation Rules, technical facilities of the KTG must be operated by specially trained personnel. The personnel servicing the facilities of high risk shall undergo training (retraining) at the courses specially created by the enterprises according to the programs agreed with the local state technical supervision bodies.

In 2019, 10,525 participants took part in training events held in the KTG Group of Companies for a total amount of 926,476 thousand tenge. Employees are trained and upgraded both on the basis of training organizations and at training centres in Kazakhstan.

Professional training and development of the working personnel is one of the long-term and priority directions of the KTG personnel policy, since the professional level of the working personnel is the most important factor to increase the efficiency of safe production, increase labor productivity and improve the quality of work. Also, KTG provides training for the children of the Company's employees in higher educational institutions of Kazakhstan and abroad at the expense of subsidiaries and affiliates and KTG, who will return to work in the gas transportation industry after completing their training.



Sponsorship and charity

In 2016, due to the entry into force of the "Sponsorship Policy at JSC NC KazMunayGas the provision of sponsorship was suspended.

Company corporate management

Being a gas operator of Kazakhstan, KTG confirms its commitment to the direction of development and achievement of goals according to the Development Strategy of JSC NC KazMunayGas until 2028: value creation and strengthening of financial stability, corporate governance and sustainable development.

One of the strategic directions of KTG's activity is improvement of corporate governance efficiency.

KTG proceeds from the fact that effective corporate governance is a fundamental condition for sustainable growth of the Company's capitalization, reduction of probability of occurrence of corporate conflicts, increase of the Company's attractiveness for investors, as well as positive influence on the image.

The purpose of the corporate governance is to ensure effective KTG activity, increase of its share capital value, protection of investors' rights and realization of the Sole Shareholder's interests.

Understanding the importance of corporate governance, the Company pays great attention to implementation of corporate governance principles. In 2015 the new version of the Corporate Governance Code was approved. The Code of Corporate Governance of the Company was developed in accordance with the Code of Corporate Governance of NWF Samruk-Kazyna JSC, approved by the Resolution of the Government of the Republic of Kazakhstan dated April 15, 2015, #239.

The Company strives to establish a balance of interests of the Sole Shareholder, the Company management and interested parties, while the system of KTG corporate governance, as a holding company, includes interaction of several levels of the corporate ladder: general meeting of shareholders, Board of Directors, KTG executive body and similar management bodies of S&A.

As part of the preparatory measures to create an effective corporate governance system, changes have been made to the organizational structure of the holding: KTG as a national operator in the field of gas and gas supply is a corporate center designed to limit the possibility of blurring the ownership structure, minimize the cost of information disclosure, simplify the procedure for management decision-making.

Reasonable distribution of functions between the General Meeting of Shareholders, the Board of Directors and executive bodies, both KTG and S&A, is stipulated in the charters and does not prevent S&A management from exercising current management.

To implement the goals and objectives of corporate governance of KTG in relation to S&As within the framework of business transformation, their organizational structures are being redesigned, which implies redistribution and regulation of powers and responsibilities of officials within the framework of corporate governance, optimization of business processes of corporate interaction, in addition to the principles typical for any joint-stock company.

Unified standards of corporate governance are being introduced in KTG (observance of shareholders' and stakeholders' rights, information transparency, availability of an effective Board of Directors, clear division of powers and responsibilities between the company's management bodies, transparent ownership structure, availability of an effective internal control system), in KTG one can single out the principle of following unified standards of corporate governance, which ensures implementation of common strategic goals for KTG and its S&A.

The interests of KTG in the activities of its S&As are implemented in the development and implementation of corporate governance policy (or program), which includes several areas, such as:

- planning and control of financial results of S&A activities, including determination of directions and control of profit distribution by S&A;
- control over financial and economic activities of S&As, including transactions with assets of S&As;
- continuous improvement of efficiency of internal processes at S&As in business management;
- ensuring investment attractiveness and capitalization growth of S&As;
- formation and implementation of the personnel policy of S&A.

The sole shareholder determines the corporate governance model including the following participants: "active" shareholder, Board of Directors, Management Board and centralized internal audit service.

Engagement with shareholder

The sole shareholder of KTG is KMG. KMG plays an active role in the formation and establishment of corporate governance in KTG. KMG contributes to the development of corporate governance in KTG by way of:

- introduction of the Corporate Governance Code in 2007 and participation in development of the new Corporate Governance Code approved by the Government of the Republic of Kazakhstan in April 2015;
- providing methodological support in implementation of the corporate governance standards, including diagnostics of the corporate governance level.

Interaction with Subsidiaries and Affiliates

Interaction with subsidiaries and affiliates is carried out within the framework of approved corporate procedures through relevant bodies of KTG and S&A.

The main objectives of KTG's interaction with its subsidiaries and affiliates are:

- ensuring stable financial development, profitability, increasing investment attractiveness of KTG and S&A;
- protection of rights and legally protected interests of shareholders and shareholders of S&A;
- harmonization of relations between shareholders, officials and employees of KTG and S&A, taking systematic measures to prevent conflicts between them and within the mentioned groups;
- development and implementation of a coordinated and effective investment policy of KTG and S&A.

Corporate Governance Mechanisms in KTG Group of Companies

- building a vertical management system for subsidiaries and affiliates;
- implementation of unified corporate standards in S&A;
- nomination of own representatives to management bodies of S&A;
- ensuring joint voting of representatives on the issues under discussion on the basis of recommendations to the Company's representatives in the Boards of Directors of S&A on agenda items;
- organization of control over S&A activities through representatives in management bodies, conducting audits of financial and economic activities, election of the auditor, and etc.

Corporate Governance Bodies

Corporate governance bodies of KTG are:

- 1) Sole Shareholder - supreme body;
- 2) Board of Directors - management body, which performs general management of the Company activity and determines priority directions of its activity. The Board of Directors consists of five members, two of which are independent directors.
- 3) Management Board - collegial executive body, which manages the Company current activity in order to perform tasks and implement the Company strategy.

The Management Board of KTG consisted of seven members as of December 31, 2019.

Board of Directors Structure

As of January 1, 2019, the Board of Directors was composed of five members:

Full name of director	Position at KTG
Kanat Kamatayevich Sharipbayev	Chairman of the Board of Directors
Ardak Zhumagulovich Mukushov	Member of the Board of Directors
Rustam Eduardovich Suleimanov	Member of the Board of Directors
Airat Aittanovich Nurgaziyev	Independent Director
Serik Zhardemovich Zhamanbalin	Independent Director

By the Resolution of the Sole Shareholder (minutes of KMG Board of Directors No.1/2017 as of January 26, 2017) KTG Board of Directors was re-elected for 3 years from February 20, 2017.

During 2019, the KTG Board of Directors did not change.

Composition of the Board of Directors as of December 31, 2019:

Full name of director	Position at KTG
Kanat Kamatayevich Sharipbayev	Chairman of the Board of Directors
Ardak Zhumagulovich Mukushov	Member of the Board of Directors
Rustam Eduardovich Suleimanov	Member of the Board of Directors
Airat Aittanovich Nurgaziyev	Independent Director
Serik Zhardemovich Zhamanbalin	Independent Director

In accordance with the KTG Corporate Governance Code, the Board of Directors established the independence of the directors A.A. Nurgaziyev and S.Zh. Zhamanbalina:

- meet the independence criteria required by the legislation of the Republic of Kazakhstan.
- have relevant work experience, knowledge, qualification, positive achievements and impeccable reputation in the business environment and gas industry of Kazakhstan, necessary to perform their duties and organize 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 that does not allow relations or circumstances that could affect the recognition of the Board of Directors member as independent.

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

Full name	Position	Attendance number	Attendance rate	Notes
K. K. Sharipbayev	Chairman of the Board of Directors	23 of 23	100%	Elected Chairman of the Board of Directors of KTG

				by the resolution of the Sole Shareholder No. 1/2017 dated January 26, 2017.
R. E. Suleimanov	Member of the Board of Directors	23 of 23	100%	Elected Chairman of the Board of Directors of KTG by the resolution of the Sole Shareholder No. 1/2017 dated January 26, 2017.
A. A. Nurgaziyev	Independent Director	23 of 23	100%	Elected Chairman of the Board of Directors of KTG by the resolution of the Sole Shareholder No. 1/2017 dated January 26, 2017.
A. Zh. Mukushov	Member of the Board of Directors	0 of 23	0%	Elected Chairman of the Board of Directors of KTG by the resolution of the Sole Shareholder No. 1/2017 dated January 26, 2017.
S. Zh. Zhamanbalin	Independent Director	23 of 23	100%	Elected Chairman of the Board of Directors of KTG by the resolution of the Sole Shareholder No. 1/2017 dated January 26, 2017.

– During the reporting period, the Company's Board of Directors held 23 meetings (23 in person). The total number of issues considered amounted to 151.

Responsibility of the Board of Directors

The Board of Directors is responsible to the Sole Shareholder for effective management and proper control over the Company activity and acts according to the approved decision making procedure. The most important functions of the Board of Directors are determination of priority directions of the Company activity, decision making on conclusion of major transactions and other essential issues.

Responsibility of the Management Board

In its turn, the Management Board is responsible for developing an action plan to implement the resolutions of the Board of Directors and on current issues of financial, economic and production activities of the Company. The Management Board is

accountable to the Board of Directors for the state of the work done to achieve the business plan of the Company.

Thus, awareness by all participants of corporate relations of their powers, scope of responsibility, accountability, rights and duties, and the clear establishment of these aspects in the Company's Articles reduces the risk of conflict of interest, and, therefore, creates a common vision of the principles and structure of corporate governance.

Structure of the Management Board

As of 31 December 2019, the KTG Management Board included senior managers including the Director General, his deputies, the Chief of Staff and the Advisor to the Director General.

Members of the Management Board

Full name	Position	Period
Rustam Eduardovich Suleimanov	Director General (Chairman of the Board)	since 11.12.2015.
Serikkali Amangaliyevich Brekeshev	Deputy Director General for Technical Policy	since 29.01.2018
Tayir Zhalgasbekuly Zhanuzak	Deputy Director General for Economics and Finance	since 06.12.2018.
Nikolai Vitaliyevich Rubanov	Deputy Director General for Procurement and Assets Management	since 01.07.2019.
Yerkanat Uakbayevich Temirkhanov	Deputy Director General of the Transformation and Development	since 06.04.2015.
Nailya Umirzakovna Abdygulova	Chief of Staff	since 12.06.2015.
Pavel Viktorovich Lednikov	Advisor to the Director General	since 17.06.2019.

Resolutions of the KTG Board of Directors adopted in 2019 regarding the composition of the KTG Management Board

By the resolution of the KTG Board of Directors (Minutes No. 5, clause 5 as of 26.03.2019):

- The powers of the members of the Company Management Board - Kanat Rakhimbergenovich Kurmanaliyev and Nurlan Kadyrovich Abdrasulov - were prematurely terminated since March 26, 2019;

- the quantitative composition of the Company's Management Board of 5 (five) persons has been determined since 26 March 2019;

- the term of office of the current members of the Company's Management Board has been determined until 25 March 2022.

By the Resolution of the KTG Board of Directors (Minutes No. 12, clause 3, as of 17.06.2019):

- P.I. Glennikov was elected as a member of the Company Management Board;

- the number of members of the Company Management Board was determined to be 6 (six) persons.

By the Resolution of the KTG Board of Directors (Minutes No.13, clause 4, as of 01.07.2019):

- N.V. Rubanov was elected as a member of the Company Management Board since July 1, 2019;

- the quantitative composition of the Company Management Board was determined in the amount of 7 (seven) persons since July 1, 2019.

General information about meetings and corporate resolutions adopted by the KTG Management Board

For 12 months of 2019 the Company Management Board:

held meetings – **51**;

issues considered – **223**, of which:

issues related to the Company's activities – **136**;

issues related to subsidiaries and affiliates – **87**.

Out of the total number of issues submitted to the Company Management Board:

Pre-approved issues related to the exclusive competence of the Sole Shareholder and the Company Board of Directors – **145**;

Issues within the competence of the Management Board – **78**.

Information on transactions in respect of which special conditions are set:

Total number of interested party transactions reviewed by the Company Management Board – **39**.

Of which:

Previously approved and submitted to the Company Board of Directors transactions – **22**.

Approved within the framework of the Rules of conclusion of transactions between the organizations belonging to the group of Samruk-Kazyna JSC, in respect of which the Law “On Joint Stock Companies” establishes special conditions – **17**.

During the reporting period, the key objective of the Management Board, as an executive body, was to manage its current activities in accordance with the principles set out in the Articles, the Corporate Governance Code and the Regulations on the Management Board of KazTransGas JSC.

The Risk Committee established under the Management Board to assist the KTG Management Board in making decisions in the corporate risk management of the Group was reviewed at the meeting and approved for further review by the KTG Management Board Risk Reports for Q1, 2, 3 and 4 of 2019, including the Report on the implementation of the Risk Management Plan and the KTG Non-Production Risk Register.

On the issue of the amount of annual remuneration of the members of the Management Board - as of the date of approval of the annual report of KazTransGas JSC for 2019 the resolution on payment of remuneration to the members of the Management Board of KazTransGas JSC following the results of 2019 was not adopted.

Sustainable Development

In addressing the priorities to improve its effectiveness, KTG has been focusing on the social aspects of its activities. One of the primary principles of our company is promotion of productive employment, provision of decent work and working conditions, training and education of employees, promotion of development of regions of presence.

Under the priority of achieving economic efficiency, KTG strives to maintain a balance of interests between financial benefits, compliance with environmental legislation,

and meeting the social needs of both its employees and the population of the regions of its operation.

Since 2013, KTG publishes a Sustainable Development Report (Report) prepared in accordance with the GRI Guidelines. In 2020, KTG, adhering to the principles of the Corporate Governance Code of SWF Samruk-Kazyna JSC, in order to compile a consolidated Sustainable Development Report for 2019 for KMG Group, provided information on the company's impact on the economy and environment.

The Report touches upon the most significant aspects of the Company's activities in terms of sustainable development: stakeholder engagement, environmental protection, industrial safety, health and safety, human capital development, and investment in the development of the regions of its operation. The Company's approach to sustainable development of economic, social and environmental responsibility, as well as key events and indicators of the reporting period for 2019 are described.

The Report pays considerable attention to broadening the dialogue with stakeholders - these issues are crucial for increasing transparency and compliance of its activities with the best world practice.


Information about the impact of production processes on the environmental situation plays an important role in the document. Reduction of the production's negative impact on the environment is one of the KTG Group's strategic priorities. Commitment to the principles of sustainable development drives us to develop new clean technologies, helping to reduce the negative impact on the environment.


The Report provides information in the field of social support of employees, which reflects the intention to support the status of one of the best employers in Kazakhstan.

The Report touches upon the relations between the KTG Group of Companies and local communities: it reflects the principles of social partnership, the main approaches to the Company's activities in relation to the development of the territories of its operation, social programs and projects implemented.

In 2019 Ernst & Young verified the Sustainable Development Report of KazMunaiGas for 2018. In addition, practical training in the field of sustainable development was successfully held for employees of KMG Group, including 3 employees from KTG.

Local Content (LC) in KazTransGas JSC Group of Companies Procurement

 In order to support domestic commodity producers, KTG annually increases the number of purchases conducted directly among domestic commodity producers, including using mechanisms provided by regulatory documents approved by SWF Samruk-Kazyna JSC.

 Within the framework of the Program of SWF Samruk-Kazyna JSC on assistance to modernization of existing production facilities and creation of new ones for 2014-2022 during the reporting period KTG Group of Companies concluded offtake contracts with private business entities. The main support tool within the framework of the Program of assistance to creation of new productions is the mechanism of guaranteed direct procurement. One of the Small Business Support Programs is the “economy of simple things”. These are convenience goods. These include light, furniture, food industry and construction materials. For example, the KTG Group of Companies has purchased goods produced by suppliers as part of the “economy of simple things” development.

Within the framework of support of the domestic business in the development of production, working groups have been established for the KTG group, which regularly carry out working visits to the plants and enterprises in order to conduct preliminary visual evaluation of production for the equipment, suitability and efficiency of equipment for the manufacture of potentially interesting products for KTG. Representatives of the company regularly participate in meetings, round tables held by SWF Samruk-Kazyna JSC and “Atameken” the National Chamber of Entrepreneurs of the Republic of Kazakhstan on local content and import substitution.

The mechanism of monitoring of local content is successfully functioning in developed and implemented investment projects, by submitting them for consideration of the Coordination Council for Development of Local Content of JSC NC KazMunayGas. During the procurement of construction and installation works, the contracts include requirements on mandatory acquisition of goods from commodity producers of the Holding.

In order to provide reliable information on the share of local content, the contracts provide for reporting on the share of local content, as well as liability for failure to provide information.

KTG as a single procurement authority is vested with the powers to coordinate the Procurement Plans of subsidiaries, in the course of which the market of domestic goods is monitored with the use of information databases of SWF Samruk-Kazyna JSC, including the Register of commodity producers of the Holding, as well as the relevant information databases of the authorized state body, containing the data on domestic commodity producers and the goods produced by them with the aim of establishing the priority of procurement exclusively among them.

An important aspect in choosing a supplier of goods, works and services is to conduct procurement procedures in strict compliance with the Fund's Procurement Rules without violating the results. This indicator is included in the Key Performance Indicators Map of KTG and its S&A.

The total share of local content by KTG Group of Companies in the total volume of procurement for 2019 was 84%, including 94% for goods procured, 41% for works performed and 80% for services rendered. Calculation of the share of local content in the procurement of goods, works and services is based on the Unified Methodology of Calculation by Local Content Organizations in the procurement of goods, works and services, approved by the Order of the Minister for Investments and Development of the Republic of Kazakhstan No. 260 as of April 20, 2018.

In accordance with clause 2 article 4 of “Conduct of procurement” the Fund's Standard on procurement management, approved by the resolution of the Fund's Board No. 19/16 as of May 30, 2016, all managers, specialists responsible for planning, conduct of procurement, conclusion and execution of procurement contracts were certified by the Fund's authorized certification organization in accordance with the procedure determined by the Fund's Board.

Corporate Security

Work on ensuring corporate security at the facilities of the KazTransGas JSC Group of Companies is carried out in accordance with the current legislation of the Republic of Kazakhstan and KMG and KTG internal regulatory documents.

The Corporate Security Service of KazTransGas JSC (CSS) in 2019 implemented a

number of organizational and practical measures aimed at formation of a unified corporate security system for KTG, as well as improving the efficiency of interaction with its subsidiaries and jointly controlled organizations to protect the property, economic and other interests of KTG and S&A.

In order to organize an integral security management system in KTG Group of Companies, to ensure the security of personnel, property and information, continuity of business processes through the identification and prevention of economic, information, physical and internal threats, the Security Program of KazTransGas JSC for 2017-2020 works.

According to the Integrated Action Plan for the implementation of the above Program, CSS in cooperation with S&A (*KazTransGas Aimak JSC, Intergas Central Asia JSC, Asia Gas Pipeline LLP, Beineu-Shymkent Gas Pipeline LLP, KazTransGaz Onimderi LLP, Amangeldy Gas LLP, KazRosGas LLP, KMG-Kansu Operating LLP*), carried out systematic work in the following main directions: economic, internal, information and physical security.

By the orders of the first heads of S&A, persons responsible for ensuring corporate security at S&A were assigned.

To assist the management and staff in achieving the strategic goals of KTG by establishing an effective security system, the Security Policy of KazTransGas JSC is in force.

According to the Policy, priority in the work of CSS is given to timely identification of trends and preconditions contributing to the negative development of threats and elaboration of preventive measures.

In this regard, risks (threats) analysis on the main directions (economic, internal, information and physical security), including revealing of anticorruption risks is conducted on a constant basis.

To form the legal culture of employees in the KTG Group of Companies, which rejects corruption and ensures the principles of scrupulous integrity in the discharge of one's duties, as well as in accordance with the requirements of the legislation on prevention of corruption, the policy of prevention of corruption in KazTransGas JSC has been developed.

As part of the ongoing comprehensive work aimed at taking preventive measures to prevent corruption offenses, the Anti-Corruption Standard for employees of KTG Group of Companies was approved.

In 2019, no cases of corruption were registered among the employees of KTG, and no employees were dismissed or punished for committing corruption offences. On these grounds, employment contracts with employees were not terminated and no criminal cases were initiated. Similar information was not received or registered by the S&A.

The Department of Dispatching and Gas Transportation is responsible for creating and updating an electronic database of security incidents. No security incidents were registered in 2019.

To provide anti-terrorist protection of the Company's production and administrative facilities vulnerable to terrorism, and in accordance with Resolution No. 1217 of the Government of the Republic of Kazakhstan "On Approval of the Standard Passport of Anti-Terrorist Protection of Facilities Vulnerable to Terrorism" as of 12.11.2013, in 2014 there were developed Anti-Terrorism Security Certificate of Facilities with Plans (Schemes) of cooperation with law enforcement and local executive bodies, instructions on the actions

of the Company's employees.

KTG has developed and approved information security policies. For revealing of a degree of compliance of KTG security in a part of information security SRE (Scientific Research Enterprise) IS (Information Security) Informzaschita CJSC carried out the investigation of the maintenance system within development of the information security system concept of KazMunayGas NC Group of Companies. In the course of the investigation there were successfully passed the tests of IT infrastructure of the KazTransGas JSC Group of Companies for external and internal entry, and also social and technical test for the personnel. According to the test results it was not possible to disrupt the work of infrastructure and gain control over the data of personnel and servers. No information security incidents were recorded in 2019.

Various organizational and technical measures to improve security are being developed. Periodically, officials conduct inspections of the security organization, and joint trainings are planned.

KazTransGas JSC and its S&A, in order to ensure comprehensive security, take measures to gradually reform the security system in the organizations of the KazTransGas JSC Group of Companies, and are guided by the legislation of the Republic of Kazakhstan, other regulatory legal acts, Articles of the organizations, regulations on security departments.

Credit Ratings and Debt Portfolio Management

In 2019, the international rating agencies Standard & Poor's, Fitch Ratings and Moody's confirmed the long-term corporate rating of KazTransGas JSC at the level of BB, BBB- and Baa3 respectively, the rating outlook is "stable".

Rating agency	Company	Date of confirmation / rating change	Rating	Forecast
Standard & Poor's	KTG	2019	BB	Stable
FitchRatings	KTG	2019	BBB-	Stable
Moody's	KTG	2019	Baa3	Stable

KazTransGas JSC attracts debt financing based on the debt management policy approved by SWF Samruk-Kazyna JSC, in accordance with which the maximum acceptable level of debt obligations is determined.

In 2019, to refinance obligations to the Chinese banking syndicate, Beineu-Shymkent Gas Pipeline LLP received a foreign currency loan from Japanese bank MUFG and Bank of China in the amount of USD 720 million, thereby improving credit terms of the loan.

Early repayment of USD 500 million on the loan from Asia Gas Pipeline LLP and USD 174 million on the loan from Beineu-Shymkent Gas Pipeline LLP.

Beineu-Shymkent Gas Pipeline LLP partially repaid financial aid to KazTransGas JSC in the amount of KZT 25.5 billion. In turn, KazTransGas JSC sent money to KazMunayGas to repay the loan to JSC NC KazMunayGas in the amount of KZT 25.3 billion.

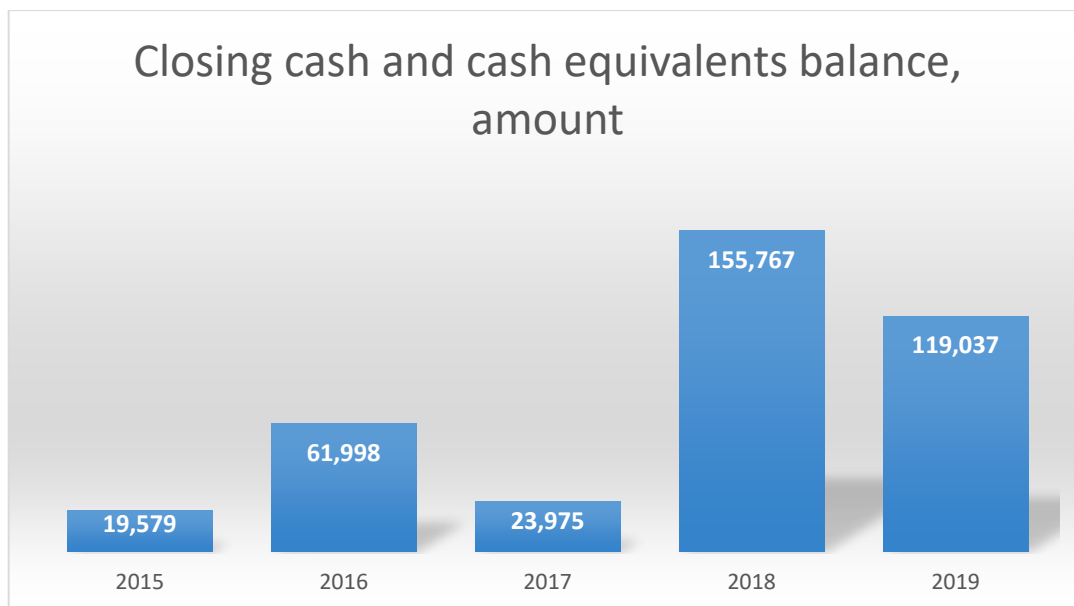
Consolidated loan portfolio of KazTransGas JSC as at December 31, 2019

Lendee	Lendor	Amount under the contract / issue prospectus	Currency	Current debt
KazTransGas JSC	JSC NC KazMunayGas	14,881,896,750	KZT	14,881,896,750
KazTransGas JSC	Eurobonds	750,000,000	USD	750,000,000
KazTransGas JSC	Banking syndicate	200,000,000	USD	200,000,000
Intergas Central Asia JSC	European Bank for Reconstruction and Development	53,400,000,000	KZT	42,633,461,376,,
Intergas Central Asia JSC	European Bank for Reconstruction and Development	19,000,000,000	KZT	10,742,002,302
KazTransGas JSC	Aimak European Bank for Reconstruction and Development	20,000,000,000	KZT	13,963,075,611.84
KazTransGas JSC	Aimak Development Bank of Kazakhstan	74,027,075,951	KZT	48,922,724,980.01
KazTransGas JSC	Aimak International investors	30,500,000,000	KZT	5,000,000,000

Total consolidated debt of KazTransGaz JSC as at December 31, 2019 is USD 1,649 billion.

Covenant	2017 year	2018 year	2019 year
Debt/EBITDA <=4.0	2.8	2.2	2.37

Cash and cash equivalents balance as at 31 December 2019, in KZT million.



External auditor's report



Independent auditor's report

To the Shareholder, Board of Directors and Management of KazTransGas JSC

Opinion

We have audited the consolidated financial statements of KazTransGas JSC and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at 31 December 2019, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2019 and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

Key audit matter

How our audit addressed the key audit matter

VAT recoverable

As at 31 December 2019, the Group has a significant balance of VAT recoverable of 145 billion tenge, which mainly originated from loss-making sales of gas on the domestic market. The assessment of recoverability of this asset requires significant judgment and assumptions regarding the future increase in the regulated domestic gas sales prices that will enable the Group to generate profits on domestic sales of gas resulting in VAT payable to be offset against VAT recoverable. Therefore, this matter was one of the matters of most significance in our audit.

Information associated with the VAT recoverable balance is disclosed in Note 9 to the consolidated financial statements.

We obtained understanding of the provisions of the Tax code regarding limitations of the period for offsetting VAT recoverable. We analyzed management's plans with respect to measures to be undertaken to increase tariffs for domestic gas sales that will result in positive margin on the domestic gas sales. We considered the Group's correspondence with the Ministry of National Economy regarding the revision to the domestic gas sales price determination methodology to enable positive margin on the domestic sales of gas.

We evaluated the consistency of management's plans with the Group Development Strategy of the Parent.

Gas pipeline abandonment and site restoration provision

We considered this matter to be one of the most significance in our audit because the calculation of gas pipeline abandonment and site restoration provision requires significant judgment due to the inherent complexity in estimating future costs and due to the significance of this liability to the consolidated financial statements. The Group's estimation of gas pipeline abandonment and site restoration provision incorporates the effects of expected approach to decommissioning and discount rates, effects of changes in local regulations along with the effects of changes in inflation.

Information associated with gas pipeline abandonment and site restoration is disclosed in Notes 2 and 17 to the consolidated financial statements.

Our procedures involved obtaining understanding of legal and constructive obligations with respect to the decommissioning process based on the contractual arrangements, relevant local regulation and existing business practice. We considered the competence and objectivity of the experts involved by the Group for making future cost estimates. We analysed the calculations and evaluated the discount rate and inflation rate used.

Compliance with loan covenants

In accordance with the terms of certain financing arrangements, the Group should maintain and comply with certain financial. Breaching covenants could result in significant fines and penalties along with loans becoming immediately due and payable. In addition, cross default provisions are in place under the

We examined the terms of financing arrangements. We compared data used in the financial covenants compliance calculations with the consolidated financial statements. We assessed arithmetic accuracy of financial covenants calculations.



Group's financing arrangements. Compliance with covenants was one of the matters of most significance in the audit since it can have a major impact on the going concern assumption used in the preparation of the consolidated financial statements, and on classification of the liabilities under financing arrangements in the consolidated statement of financial position.

Information about loan covenants is disclosed in Note 15 to the consolidated financial statements.

Other information included in the Group's 2019 Annual Report

Other information consists of the information included in the Group's 2019 Annual Report other than the consolidated financial statements and our auditor's report thereon. Management is responsible for the other information. The Group's 2019 Annual Report is expected to be made available to us after the date of this auditor's report.

Our opinion on the consolidated financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

Responsibilities of Management and the Board of Directors for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRSs, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The Board of Directors is responsible for overseeing the Group's financial reporting process.



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Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.



We communicate with the Board of Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Board of Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Board of Directors, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The partner in charge of the audit resulting in this independent auditor's report is Paul Cohn.

Ernst & Young LLP

Paul Cohn
Audit Partner



Aigerim Nurkenova
Auditor

Qualified audit license No. МФ-0000115
dated 21 September 2012

050060, Republic of Kazakhstan, Almaty
Al-Farabi ave., 77/7, Esentai Tower

19 February 2020

Gulmira Turmagambetova
General Director
Ernst and Young LLP

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

<i>In thousands of tenge</i>	Notes	As at 31 December	
		2019	2018
Assets			
Non-current assets			
Property, plant and equipment	4	1,010,615,001	990,553,112
Right-of-use assets		2,380,581	-
Exploration and evaluation assets	5	13,205,928	11,839,832
Investment property		5,844,600	-
Intangible assets		6,438,798	5,695,763
Investments in joint ventures	6	251,686,117	21,899,371
Advances paid for non-current assets	7	63,069,539	8,733,969
Loans to related party	8	153,713,982	154,926,469
Non-current financial assets		-	2,373,194
VAT recoverable	9	112,727,868	92,910,112
Deferred tax assets	25	1,123,147	189,372
Other non-current assets		288,626	375,136
Bank deposits		4,849,666	4,611,916
		1,625,943,853	1,294,108,248
Current assets			
Inventories	11	51,383,634	60,257,659
Trade and other receivables	12	197,118,788	126,884,462
Loans to related party	8	48,954,842	71,392,215
Advances paid	7	22,270,284	5,655,622
Prepaid taxes other than income tax	9	18,060,252	10,651,416
Corporate income tax prepaid		15,308,719	20,728,947
Other current assets		277,237	637,169
Bank deposits		22,130	39,212
Cash and cash equivalents	10	114,165,359	151,155,747
		467,561,245	447,402,449
Total assets		2,093,505,098	1,741,510,695

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)

<i>In thousands of tenge</i>	Notes	As at 31 December	
		2019	2018
Equity and liabilities			
Equity			
Share capital	13	192,623,055	192,623,055
Additional paid-in capital	13	250,384,811	249,044,991
Foreign currency translation reserve		546,149	546,149
Retained earnings		693,053,481	358,270,270
		1,136,607,496	800,484,465
Non-current liabilities			
Debt securities issued	14	290,599,631	291,626,098
Interest bearing loans	15	168,818,330	181,478,932
Loans from related party	16	10,549,245	9,905,541
Employee benefit obligations		1,380,004	1,715,974
Provisions	17	75,002,136	60,764,700
Other non-current financial liabilities		7,870,403	2,128,487
Other non-current liabilities		7,838,881	8,111,532
Deferred tax liabilities	25	51,344,780	51,828,912
		613,403,410	607,560,176
Current liabilities			
Debt securities issued	14	3,406,541	3,420,482
Interest bearing loans	15	24,519,363	31,105,703
Loans from related party	16	183,047	26,198,509
Provisions	17	28,300,393	34,582,390
Trade and other payables	18	256,621,128	209,375,852
Taxes payable other than income tax		2,490,749	3,219,598
Contract liabilities		5,550,806	9,066,269
Other current financial liabilities		8,203,073	3,420,675
Other current liabilities	19	14,219,092	13,076,576
		343,494,192	333,466,054
Total equity and liabilities		2,093,505,098	1,741,510,695

Deputy of General Director on economics and finance



Zhanicuk T. Zh.

Chief Accountant

Meldekhanov B.N.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

<i>In thousands of tenge</i>	Notes	For the years ended 31 December	
		2019	2018
Revenue	20	1,103,074,989	921,179,600
Cost of sales	21	(884,931,789)	(678,104,234)
Gross profit		218,143,200	243,075,366
General and administrative expenses	22	(42,337,724)	(26,153,670)
Reversal of allowance for expected credit losses		743,692	1,349,077
Other operating income	23	10,131,277	4,767,720
Other operating expenses	23	(6,960,786)	(14,604,064)
Operating profit		179,719,659	208,434,429
Gain on sale of interest ownership	2	-	15,109,842
Finance income	24	17,251,183	13,884,999
Finance costs	24	(43,581,420)	(38,977,393)
Share in income of joint ventures	6	224,244,892	16,748,976
Foreign exchange loss, net		(3,382,641)	(11,560,507)
Profit before income tax		374,251,673	203,640,346
Income tax expenses	25	(39,916,824)	(47,665,288)
Net profit for the year		334,334,849	155,975,058
Other comprehensive income/(loss)		448,362	(208,970)
Comprehensive income/(loss) not to be reclassified to profit and loss in subsequent periods			
Actuarial income/(loss) on defined benefit plans		560,454	(261,212)
Impact of income tax (expense)/benefit	25	(112,092)	52,242
Net comprehensive income/(loss) not to be reclassified to profit and loss in subsequent periods		448,362	(208,970)
Total comprehensive income for the year, net of income tax		334,783,211	155,766,088
Earnings per share			
Basic and diluted, earnings per share for the year attributable to the parent	13	0.95	0.44

Deputy of General Director on economics and finance



Zhamsarbek B. Zh.

Chief Accountant



Meldikhanov B.N.

CONSOLIDATED STATEMENT OF CASH FLOWS

<i>In thousands of tenge</i>	Notes	For the years ended 31 December	
		2019	2018
Cash flows from operating activities			
Receipts from customers		1,073,102,900	996,665,350
Interest received		10,285,635	7,191,299
Cash receipts from management fee		-	14,180,776
Taxes refund from budget		20,668,920	4,807,244
Other receipts		1,819,003	989,364
Payments to suppliers		(834,816,421)	(695,365,711)
Income tax paid		(38,343,213)	(35,521,315)
Other taxes and payments to budget and fund		(43,007,504)	(36,516,476)
Interest paid		(32,089,049)	(29,826,155)
Payments to employees		(44,047,914)	(41,394,834)
Other payments		(4,900,769)	(6,364,913)
Net cash flows from operating activities		108,871,588	178,844,629
Cash flows from investing activities			
Proceeds from sale of interest ownership	2	-	14,472,800
Withdrawal of bank deposits		1,272,154	1,145,123
Proceeds from sale of property, plant and equipment and intangible assets		32,657,029	275,258
Loans repaid by related party	8	25,500,000	16,294,978
Dividends received	6	39,000	35,000
Proceeds from sale of investment securities	3	-	13,910,001
Placement of bank deposits		(1,111,682)	(368,707)
Purchase of property, plant and equipment, intangible assets, and exploration and evaluation assets		(150,312,484)	(120,941,399)
Loans provided to related party	8	-	(11,032,435)
Acquisition of investment securities	3	-	(13,910,001)
Net cash flows used in investing activities		(91,955,983)	(100,119,382)
Cash flows from financing activities			
Proceeds on interest bearing loans and debt securities issued	14, 15, 28	26,017,440	115,019,917
Repayments of interest bearing loans and debt securities issued	14, 15, 28	(44,694,185)	(55,504,846)
Repayments of loans from related party	16, 28	(25,321,800)	(18,983,228)
Payments on lease obligations		(2,215,889)	-
Loan arrangement fee		-	(786,120)
Other payments on operations with the Shareholder	17	(5,700,000)	-
Net cash flows (used in) / from financing activities		(51,914,434)	39,745,723
Net foreign exchange difference on cash and cash equivalents		(1,991,559)	8,709,898
Net change in cash and cash equivalents		(36,990,388)	127,180,868
Cash and cash equivalents, at the beginning of the year	10	151,155,747	23,974,879
Cash and cash equivalents, at the end of the year	10	114,165,359	151,155,747

Deputy of General Director on economics and finance




Davlatbek T. Zh.

Chief Accountant



Meldekhanyov B. N.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

<i>In thousands of tenge</i>	Share capital	Additional paid-in capital	Foreign currency translation reserve	Retained earnings	Total
At 1 January 2018	192,623,055	243,148,277	546,149	210,707,808	647,025,289
Effect of adoption of IFRS 9 (Note 3)	-	-	-	(2,503,626)	(2,503,626)
At 1 January 2018	192,623,055	243,148,277	546,149	208,204,182	644,521,663
Net profit for the year	-	-	-	155,975,058	155,975,058
Other comprehensive loss for the year	-	-	-	(208,970)	(208,970)
Total comprehensive income for the year	-	-	-	155,766,088	155,766,088
Contribution from the Shareholder (Note 13)	-	5,906,463	-	-	5,906,463
Other transactions with the Shareholder (Note 13)	-	(9,749)	-	(5,700,000)	(5,709,749)
As at 31 December 2018	192,623,055	249,044,991	546,149	358,270,270	800,484,465
Net profit for the year	-	-	-	334,334,849	334,334,849
Other comprehensive income for the year	-	-	-	448,362	448,362
Total comprehensive income for the year	-	-	-	334,783,211	334,783,211
Contribution from the Shareholder (Notes 13 and 16)	-	1,339,820	-	-	1,339,820
As at 31 December 2019	192,623,055	250,384,811	546,149	693,053,481	1,136,607,496

Deputy of General Director on economics and finance



Zhymirskiy Zh

Chief Accountant

Moldaekhanov B.N.

Report on compliance with the principles of the Corporate Governance Code of KazTransGas JSC in 2019

Principles of the Corporate Governance Code

A new version of the Corporate Governance Code was approved in 2015. Corporate Governance Code of KazTransGas JSC was developed in accordance with the corporate governance code of SWF Samruk-Kazyna JSC, approved by the Resolution of the Government of the Republic of Kazakhstan No.239 as of 15.04.2015.

The basic principles of the Code are:

- JSC NC KazMunayGas as the Sole Shareholder;
- Interaction between Joint KazTransGaz JSC and its subsidiaries and jointly controlled entities. Role of KazTransGas JSC as shareholder/participant;
- Sustainable development;
- Rights of the Sole Shareholder and fair treatment of the Sole Shareholder;
- Efficiency of the Board of Directors and the executive body;
- Risk management, internal control and audit;
- Transparency.

1. JSC NC KazMunayGas as the Sole Shareholder.

The Sole Shareholder of KazTransGas is JSC NC KazMunayGas.

The Sole Shareholder participates in the management of the Company exclusively through implementation of authorities of the Sole Shareholder of the Company, stipulated by the legislation of the Republic of Kazakhstan, the Company Articles, and representation in the Company Board of Directors.

Procedure for Exercising the Rights of the Sole Shareholder is defined in the Rules for Exercising the Rights of the Shareholder (Participant) of KazMunaiGas NC JSC, approved by the Decision of the Board of JSC NC KazMunayGas as of 06.06.2014. (Minutes No. 60).

The functions of the Sole Shareholder of the Company are clearly defined in the Company Articles and its functions are performed by the following bodies of JSC NC KazMunayGas:

- Board of Directors of JSC NC KazMunayGas on the issues provided for in sub-clause 50) of clause 98 Article 13 of JSC NC KazMunayGas Articles;
- Management Board of JSC NC KazMunayGas on the Company's activities related to the exclusive competence of the Company's Sole Shareholder, except for the issues referred by the JSC NC KazMunayGas Articles to the competence of the Board of Directors of JSC NC KazMunayGas.

2. Interaction between KazTransGas JSC and its subsidiaries and jointly controlled entities. Role of KazTransGas JSC as shareholder / participant.

Corporate governance system in the Company and its subsidiaries and jointly controlled entities ensures proper management and control over their activities and is aimed at long-term value growth and sustainable development.

The Company participates in the management of its subsidiaries and jointly controlled organizations through the exercise of shareholder/participant rights, as well as through representation on Boards of Directors and Supervisory Boards.

The powers of the shareholder/participant are defined in the articles of subsidiaries and jointly controlled entities and fully comply with the requirements and standards of corporate governance.

The Company maintains a proper balance between the management carried out by the Company and the autonomy in making operational decisions by its subsidiaries and jointly controlled entities to perform their activities.

3. Sustainable development.

Sustainable business development is a unique strategy of the company's development that ensures successful long-term existence of the company in the competitive market.

Sustainability of the company is the ability of the business to look the most attractive for the market in such areas as: safety (industrial and environmental); responsibility (social attractiveness of the company to the residents of the regions and employees of the enterprise); environmental friendliness of production (preservation and reproduction of resources used).

Since 2013, the KTG publishes the Sustainable Development Report (Report) prepared in accordance with the GRI Guidelines.

In 2020, KTG, adhering to the principles of the Corporate Governance Code of SWF Samruk-Kazyna JSC, in order to compile the consolidated Sustainable Development Report for 2019 for KMG Group, provided information on the company's impact on the economy and environment.

The Report touches upon the most significant aspects of the Company's activities from the standpoint of sustainable development: stakeholder engagement, environmental protection and occupational health and safety, human capital development, investment in the development of the regions where the Group operates.

The Report pays considerable attention to broadening the dialogue with stakeholders - these issues are crucial for increasing the transparency of the Group and compliance of its activities with the best international practices.

Information about the impact of the Group's production processes on the environmental situation plays an important role in the document. Reduction of the negative impact of production on the environment is one of the strategic priorities of the Group of Companies.

An essential part of the Report is devoted to the Group's activities in the area of occupational safety and health protection of its employees.

The Report presents information in the area of social support of employees, which reflects the Group's commitment to maintain its status as one of the best employers in Kazakhstan.

The Report touches upon the Group's relations with local communities: it reflects the principles of social partnership, the main approaches to the Company's activities in relation to the development of the territories of its presence, social programs and projects implemented.

4. Rights of the Sole Shareholder and fair treatment of the Sole Shareholder.

The Company ensures implementation of the Sole Shareholder rights and fair treatment.

Rights, duties and competence of the Sole Shareholder of the Company are defined by the legislation of the Republic of Kazakhstan and stipulated by the Company Articles.

The Sole Shareholder participates in the Company management in accordance with the procedure established by the legislation of the Republic of Kazakhstan, through implementation of the Sole Shareholder rights and representation in the Company Board of Directors.

The Company informs the Sole Shareholder about its activities through:

- annual report of the Company;
- Company Internet-resource;
- at the request of the Sole Shareholder, in accordance with the procedure, established by the legislation of the Republic of Kazakhstan and the Company Articles;
- Internet resource of the financial statements depository in accordance with the legislation of the Republic of Kazakhstan;
- other means, in accordance with the internal documents of the Company.

List of information disclosed to the Sole Shareholder is defined by the Law of the Republic of Kazakhstan "On Securities Market".

The information requested by the Sole Shareholder is provided by the Company in due time and in full.

5. Efficiency of the Board of Directors and the executive body.

The activities of the Company Board of Directors are governed by the Company Articles and the Regulations on the Board of Directors. The Board of Directors performs general management of the Company activities, except for issues referred to the exclusive competence of the Sole Shareholder and executive body.

In 2019 the Board of Directors of the Company held 23 meetings, considered 151 issues.

The Company Board of Directors activity is based on the following principles: maximum observance of the Sole Shareholder interests and realization of the Sole Shareholder and Company interests; protection of the Sole Shareholder rights and responsibility for the Company activity.

The Company Board of Directors consists of five directors, two of which are the Sole Shareholder representatives, one is the Company Director General (Chairman of the Board) and two are independent directors. Criteria for independence are defined by the legislation of the Republic of Kazakhstan, as well as by the best international practices in the field of corporate governance.

In order to facilitate effective performance of the Company Board of Directors functions, three committees are functioning under the Board of Directors to consider the most important issues and prepare recommendations:

- Audit Committee;
- Nomination and Remuneration Committee;
- Strategy Committee.

In 2019, the Audit Committee held 20 meetings, where 48 issues were considered, 14 meetings of the Nomination and Remuneration Committee, where 33 issues were considered, and 20 meetings of the Strategy Committee, where 63 issues were considered.

The Company's current operations are managed by a collegial body in the form of the Management Board headed by the Chairman of the Management Board. Work of the Company Management Board (hereinafter - the Board) is aimed at maximum observance

of the Sole Shareholder's interests, as well as fulfillment of the Company tasks and implementation of its strategy.

In 2019 the Board held 51 meetings, considered 223 issues. Activity of the Board is regulated by the Company Articles and Regulation on the Board, approved by the new version of resolution of the Company Board of Directors in 2014.

The Risk Committee established under the Management Board to assist the KTG Management Board in making decisions in the field of corporate risk management of the Group, reviewed at the meeting and approved for further consideration by the KTG Management Board the Risk Reports for Q1, 2, 3 and 4 of 2019, including the Report on the implementation of the risk management plan and the Register of Non-Production Risks of KTG.

6. Risk management, internal control and audit

Internal control procedures to be observed by the bodies and employees of the Company shall be a documented system of measures and actions to ensure effective internal control over the implementation of the goals, objectives and plans of the Company, to identify and perform non-standard operations, as well as to prevent, limit and prevent risks and possible illegal actions on the part of officials and employees of the Company.

7. Transparency

The Company ensures timely disclosure of reliable information on all material facts related to its activities, including its financial position, performance, ownership and management structure and other information, in accordance with the best corporate governance practices and in accordance with the Regulation on Information Policy of the Companies. This information shall be published on the official website of the Company.

Glossary

GFCS - gas filling compressor station

AGDS - automated gas distribution station

AGP - Asia Gas Pipeline LLP

UMS - utility metering system

IF - idle funds

BSGP - Beineu-Shymkent Gas Pipeline LLP

GDP - gas distribution plant

KazTransGas JSC Group of Companies – KazTransGas JSC and its subsidiaries and affiliates

S&A - subsidiaries and affiliates

BCS - boosting compressor station

UGSS - unified gas supply system

UOSMS - uniform occupational safety management system

IMS - integrated management system

CS - compressor station
KMG/ KazMunayGas - JSC NC KazMunayGas
PRC - People's Republic of China
KTG/Company/ KazTransGas – KazTransGas JSC
KTGA - KazTransGas Aimak JSC
KTGO - KazTransGaz Onimderi LLP
CNG - compressed natural gas
MG – main gas line
STC - Scientific and Technical Council
UGS - underground gas storages
BTGCU - block-type gas control unit
DED - design and estimate documentation
GMS - gas metering station
QMS - quality management system
BNPL - BOP needs and process losses
CTW - Commodity transport work.