



**Annex to the resolution of
the Board of Directors of
KazTransGas JSC No.4
dated "10" March 2021**

Annual report of KazTransGas JSC 2020

Nur-Sultan

2021

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Address

Dear shareholders and partners of KazTransGas JSC!

The year 2020 was a real challenge, as such a global threat as the Coronavirus pandemic affected all areas of human activity. The resulting difficulties did not spare Kazakhstan's oil and gas sector.

However, it should be noted that the group of companies KazTransGas JSC managed to assess the scale of what was happening in time and took firm measures. The company's management not only promptly took the most stringent measures to ensure the safety of life and health of employees, but also did everything to maintain at a high level of all production processes, ensuring a stable, continuous gas delivery for all Kazakhstanis.

Despite the fact that a large part of the employees were transferred to remote work, the gas industry worked uninterruptedly. The last heating season was successfully completed and the new one started. Last year, two new production branches were established in Karaganda and Nur-Sultan cities, and the issuance of technical conditions and connection of the capital's subscribers to the gas supply networks began.

As for international agreements, all transit deliveries and export obligations were carried out by KazTransGas JSC stably, within the framework of the concluded Contracts.

The group of KazTransGas JSC companies fulfilled all production plans. According to the results of financial and economic activity last year KazTransGas JSC reached the following indicators: main gas transportation amounted to 86.590 million m³, including internal transportation - 20.165 million m³; transportation of gas for export - 19.693 million m³; international transit - 46.732 million m³. Last year the Company sold 22.663 million m³ of gas, produced 326 million m³ of natural gas and 15.2 thousand tons of gas-condensate.

Last year, the Beineu-Bozoy-Shymkent MG, which is a "strategic national resource", reached its full capacity. The Ustyurt compressor station, which is the last element of the main line's complex system, was put into operation.

In addition, thanks to the thousands of kilometers of modern gas pipelines built by KazTransGas, such as the Kazakhstan-China and Beineu-Bozoy-Shymkent gas pipelines, we have ensured stable gas exports and reliable internal gas supplies from the fields in the western region towards the south of the country.

KTG and NCOC have signed an Agreement for associated natural gas intake services until 2042, which will provide 800 million m³ per year of commercial gas, beginning in 2023.

Summing up the results of 2020, it should be noted once again that despite the ordeal, KazTransGas JSC showed a professional and coordinated work. All planned work was carried out, all obligations both to foreign partners and national consumers were kept.

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 KazMunaiGas.

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, gas storage facilities, gas and gas condensate field

In the reporting period, the Group of Companies of KazTransGas JSC included 12 subsidiaries and jointly controlled entities, which are represented in the following business areas:

- resource base: Amangeldy Gas LLP, KMG Kamsu Operating LLP, Otan Gas LLP;
- main gas transportation: InterGas Central Asia JSC, Asia Gas Pipeline LLP, Beineu-Shymkent Gas Pipeline LLP, KazTransGas-Bishkek LLC;
- wholesale and retail sales of gas: KazTransGas Aimak JSC, KazRosGas LLP (50% interest in the trust management);
- service companies: KazTransGas Onimderi LLP, KTG Finance B.V., KazMunayGas-Service NS JSC.

Valuation of positions of KazTransGas JSC and prospects of its development following the results of 2020

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.

Kazakhstan has built modern main gas pipelines "Kazakhstan-China" and "Beineu-Bozoy-Shymkent", thanks to which we ensure gas export and reliable internal gas supply. These projects were implemented at the expense of KTG. In addition, the entire technological infrastructure has been created, the opportunities of which not only

increase capacity, but also diversify gas flows in any direction, which is very important for the state, which has a advantageous geographical location.

Main gas pipelines passing through the territory of the Russian Federation and Kazakhstan, such as "SAC", "Soyuz", "Bukhara-Ural", "Orenburg-Novopskov" were laid in the late 60's, the early 70's of the last century. Naturally, they have already become old, both physically and morally. Naturally, they are already outdated, both physically and mentally. They are operated by significantly exhausted compressor stations, which leads to gas overruns, in addition, and they more often require repairs. Naturally, such equipment must be replaced with modern ones as soon as possible.

A draft of a comprehensive plan for the development of the gas industry until 2030 is being developed jointly with the Ministry of Energy of the Republic of Kazakhstan. It includes diagnostics, overhaul and modernization of the remaining main gas pipelines crossing the territory of Kazakhstan.



Today, the Republic of Kazakhstan is considered not only a serious player in the gas market, but also a necessary partner for the Russian Federation in implementing joint projects and expanding export potential. All the more so because cooperation between our countries within the framework of the Eurasian Economic Union implies 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, on the basis of 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 01.01.2021, remaining recoverable reserves of natural gas are: Amangeldy deposit 12.102 billion m³, Zharkum deposit 0.349 billion m³ and Ayrakty deposit 5,118 billion m³

KTG 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, KTG 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.

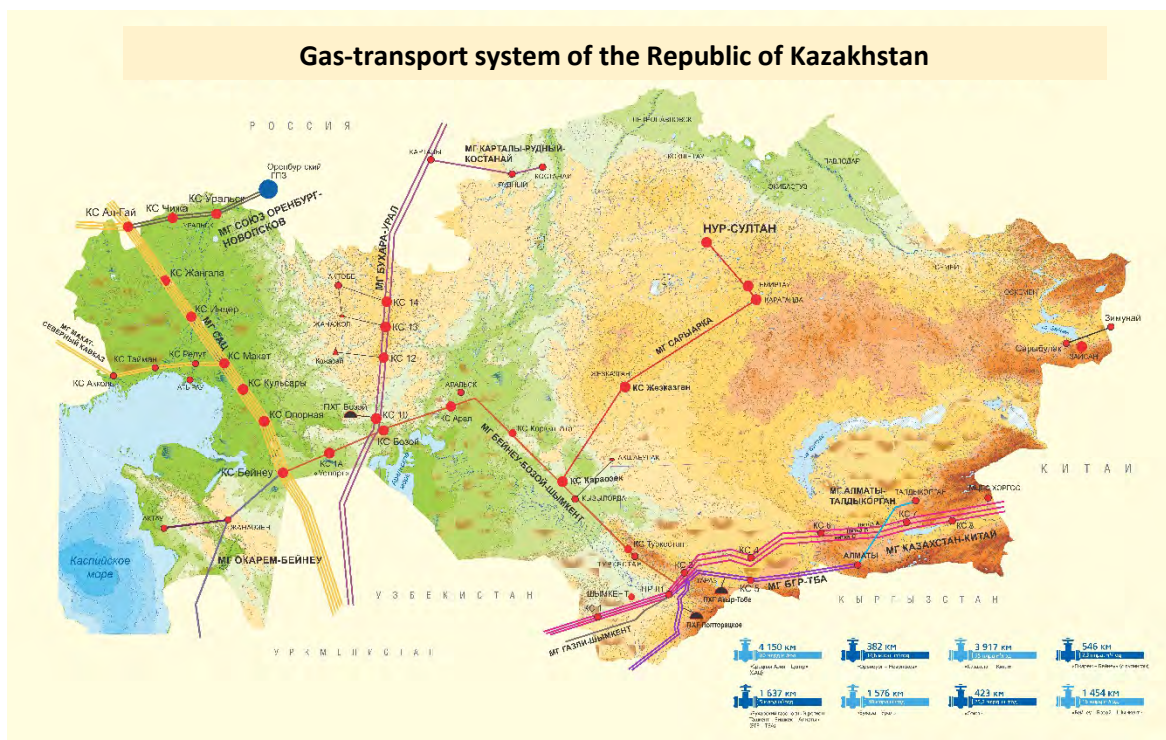
One of the promising transit directions for Kazakhstan is Kazakhstan-China main gas line with a capacity of 55 billion m³/year. Today it is the largest investment project in the oil and gas industry of the country.

KTG operates the largest gas pipeline network in Kazakhstan with a total length of over 20,000 km (of which 1,904.76 km are branch pipelines) and an annual throughput capacity of 227,9 billion m³ and gas distribution networks of over 56 000 km.

KTG operates 3 largest underground gas storage facilities (Bozoy, Akyrtope, Poltoratskoye) in Kazakhstan with a total active storage capacity of 4.6 billion m³. Gas is transported by 42 compressor stations and 238 gas pumping units.

KTG 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 53.07% in 2020 and amounted to more than 9.5 million citizens. The number of gasified domestic enterprises has doubled, from 23 725 to 51 285 enterprises.

Gas-transport system of the Republic of Kazakhstan



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.

For the period from July 1, 2020 to June 30, 2021, in accordance with the Order of the Ministry of Energy of the Republic of Kazakhstan No.196 dated May 18, 2019, the limit prices for wholesale trade of commercial gas were maintained at the level effective from January 1, 2019

In order to solve the problems of the gas industry, under the guidance of Prime Minister A.U. Mamin, a meeting on the issues of KazTransGas JSC was held on August 14, 2020. It was agreed on the need to increase the marginal wholesale price of


commercial gas annually by 15% in the period from 2021 to 2026, given the achievement of a break-even level of commercial gas sales to the internal market.











Also instructed the Ministry of Energy jointly with the Ministries of National Economy, of Justice to consider amendments to the legislation of the Republic of Kazakhstan in terms of the possibility of increasing the marginal price of commercial gas for more than fifteen percent in a single calendar year.



The events of 2020

- On January 27, 2020 a contract of sale and purchase of 100% participation interest of KazMunayGas Exploration Production JSC in the authorized capital of KMG EP RF Holding B.V. was concluded. (renamed as KTG Finance B.V.) between KTG and KazMunayGas Exploration Production JSC. The use of KTG Finance B.V., registered in the Kingdom of the Netherlands, will make it possible to promptly solve a number of strategic tasks of KTG Group and allow the use of international (English) law in contractual relations with international companies (banks, investors, creditors, etc.), which is often a requirement from counterparties and strategic foreign partners.
- On April 29, 2020, with the operational commissioning of compressor station "1A" in Baiganinsky district of Aktobe region at 155 km of "Beineu-Bozoy-Shymkent" MG, the implementation of the investment project "Construction of 4 compressor stations at the BBSH MG" was completed. The capacity of the BBSH MG is brought to 15 billion m³/year.
- On April 30, 2020 amendments were made to the Rules for determining the marginal prices of wholesale sales of commercial gas in the domestic market of the Republic of Kazakhstan and the marginal prices of liquefied petroleum gas sold as part of a plan to supply liquefied petroleum gas to the domestic market of the Republic of Kazakhstan outside of electronic trading platforms.

-  In accordance with the amendments to the NLA new categories of consumers are provided for:

 - industrial consumer-investor purchasing commercial gas for the production of gas and petrochemical products;
 - a legal entity purchasing commercial gas for the production of compressed and (or) liquefied natural gas (KazTransGas Onimderi LLP);
 - a consumer on the list of power stations using commercial gas as fuel for electric power generation (ERG).
-  On May 6, 2020, the Committee for the Regulation of Natural Monopolies of the Ministry for the National Economy of the Republic of Kazakhstan increased the tariff for the main gas transportation of Intergas Central Asia JSC for 2020 from 2,212 to 2,367 tenge/ thousand m³, including MG Saryarka.
-  On May 15, 2020, a partial early redemption of the Eurobonds in the amount of 43.7 million USD was performed by repurchasing the Eurobonds at a price below par, resulting in a positive effect of about 2.2 million USD. Further savings on coupon payments will amount to about 14.3 million USD.
-  By Order No. 196 of the Ministry of Energy, dated May 18, 2019, the wholesale price limits for the period from July 1, 2020, to June 30, 2021, were kept at the level of 2019.
-  For the first time approved the limit wholesale price of gas for Nur-Sultan city, Akmola and Karaganda regions in the amount of 24,537 tenge / thousand m³ for the period from July 1, 2020 to June 30, 2021.
-  On May 22, 2020 it was decided (Minutes of the Board of Directors of JSC NC KazMunayGas № 6/2020, p.16) to alienate 100% of the shares of JSC KazMunayGas-Service NS from JSC NC KazMunayGas in favor of KTG.
-  The Ministry of National Economy of Kazakhstan approved the tariff for services on transportation of commercial gas through the gas distribution networks of Nur-Sultan city in a simplified manner in the amount of 4 107.87 tenge / thousand m³, excluding VAT, with entry into force from November 1, 2020 to October 31, 2021.
-  The final selling price of commercial gas for consumers Nur-Sultan city, which amounted to 30,910.02 tenge/1000m³ excluding VAT
-  On June 30, 2020 KTG jointly with Intergas Central Asia JSC and KazTransGas Aimak JSC carried out refinancing of the existing debt in the total amount of 63.7 billion tenge to the European Bank for Reconstruction and Development, which resulted in reduction of the cost of borrowing and improvement of the covenant package.
-  On November 16, 2020 refinancing of the syndicated loan provided in 2018 by a syndicate of banks headed by ING Bank N.V. was carried out by concluding a loan agreement with VTB Bank PJSC and SO JSC VTB Bank (Kazakhstan) for the total amount of 200 million USD equivalent in Russian rubles for a period of three years. Refinancing of the loan allowed to cancel the corporate guarantee, eliminate financial covenants and reduce currency risks.
-  The Decree of the Government of the Republic of Kazakhstan dated November 25, 2020 No.791 concluded the transaction on alienation of preferred shares of Intergas Central Asia JSC from KazMunayGas JSC in favor of KTG by purchasing 20,740,735 ordinary shares of KazTransGas JSC in accordance with the established procedure at price of 10,000 tenge per one ordinary share and by

- paying with preferred shares of Intergas Central Asia JSC in quantity of 41,481,470 units at price of 5,000 tenge. As a result KTG is the Sole Shareholder, holder of 100% share package (85.60% of ordinary shares and 14.40% of preferred shares) of Intergas Central Asia JSC.
- On December 20, 2020, the implementation of the project to increase gas storage capacity in the Bozoy UGSF to 4 billion m³ per year was completed.
 - In compliance with the Decree of the Government of the Republic of Kazakhstan No. 1141 dated December 30, 2015 "On Certain Privatization Issues for 2014-2020", on December 22, 2020 a sale and purchase agreement was concluded between KTG and Yenbek21 LLP for 100% shareholding of Intergas Finance B.V.
 - On December 23, 2020 Beineu-Shymkent Gas Pipeline LLP made early repayment of financial aid to KTG in the amount of 48.1 billion tenge, which led to improvement of financial performance of KTG group.
 - On December 24, 2020, under the Memorandum of November 14, 2019 between the Ministry of Energy of the Republic of Kazakhstan, KTG and China National Petroleum Corporation on cooperation in the gas industry, Otan Gas LLP was established (50% share of KTG, 50% share of PetroChina Investment Holding B.V.).
 - In connection with the signing of the lease agreement for MG Saryarka for 2021 between AstanaGas KMG LLP and Intergas Central Asia JSC, a new tariff for 2021 was approved, the implementation of which began on January 1, 2021, in the amount of 4,551 tenge/ thousand m³, excluding VAT (Order No.84-ОД of the Committee for the Regulation of Natural Monopolies of the Ministry of National Economy of the Republic of Kazakhstan dated December 25, 2020).
 - KTG completed the reconstruction of the Uzynagash custody transfer meter in Almaty region, which doubled the capacity of the TIP-03 interchange between the Kazakhstan-China MG and BGR-TBA MG and completely eliminated the risk of gas shortages for Almaty and the region.
 - As part of the order of the President of the Republic of Kazakhstan K.K. Tokayev on gasification of rural settlements of Korday district, KTG built a supply gas pipeline to 5 settlements of Korday district.
 - On December 29, 2020 the participants of Beineu-Shymkent Gas Pipeline LLP (KTG and TAPLine) approved a transaction for the purchase of three compressor stations "Turkestan", "Korkyt-Ata", "Aral" from Intergas Central Asia JSC during the period 2020-2022. The compressor station "Turkestan" is currently implemented.
 - On December 29, 2020, the Government of the Republic of Kazakhstan adopted a decree appointing KazTransGas JSC as the entity authorized to receive 1 billion cubic meters per year of associated natural gas from the Kashagan field (Stage 1) into the ownership from the state.
 - On December 31, 2020, KazTransGas JSC and NCOC signed an agreement on associated natural gas intake services with a validity period through 2042, which will allow to annually receive 800 million m³ of commercial gas starting from 2023.
 - Two production branches were established in Karaganda and Nur-Sultan cities. The work on issuing technical conditions and connection of the capital's subscribers to the gas supply networks was started.

Strategic objectives of KazTransGas JSC Group

In accordance with the Development Strategy of JSC NC KazMunayGas, the Company intends to provide an increase in the gas resource base to increase natural gas supplies to both export and domestic markets.

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:

- **Expansion of the gas resource base of the Republic of Kazakhstan**

The Company will seek to work cooperatively to identify alternative development options (reservoir pressure maintenance technologies) for the Tengiz, Karachaganak and Kashagan deposits for rational and integrated use of the subsoil, including the reduction of reinjection volumes.

The company intends to obtain the status of National Operator - as a full partner of the state in projects with high gas production potential with the rights to coordinate approaches to production, reinjection and gas processing and to intensify work on geological exploration of prospective gas-bearing structures.

. In the future, the Company (National Operator) will work out attractive conditions for investment in gas production and processing projects with potential investors.

- **Construction and modernization of the gas transportation system of the Republic of Kazakhstan**

Comprehensive modernization of facilities of the gas transportation system of the Republic of Kazakhstan is needed, the investment volume of which is estimated at 1.9 trillion tenge for 10 years.

It is necessary to expand the main gas transportation arterial road- the main gas pipeline "Beineu-Shymkent" through the construction of a new gas pipeline with a throughput capacity of 10 billion m³ of gas per year. The construction of the new gas pipeline is planned to be considered by attracting private investment.

- **Ensuring uninterrupted and safe gas supply to consumers in the Republic of Kazakhstan**

The Company will continue to work with state authorities to ensure the rational gas consumption on the domestic market through the implementation of the following priority areas/tasks:

- phased increase in transportation tariffs, wholesale and retail gas prices;

- transfer of the budget and pipeline infrastructure construction functions from local executive bodies to the National Operator;

- introduction of a new commercial category of consumers who are financially able and willing to pay for gas according to market prices formed on the principle of export netback;

- introduction of relevant amendments to the Law of RK "Concerning Natural Monopolies" in terms of the possibility of making changes in tariffs before their expiration date;

- updating the General Scheme of gasification.

- **Increase of gas export volumes, subject to expansion of the gas resource base**

Expansion of capacities of Beineu-Bozoy-Shymkent and Kazakhstan-China main gas pipelines allows the Company to increase stable export supplies of commercial gas to China.

Comprehensive modernization of the facilities of the gas transportation system of the Republic of Kazakhstan is a priority task for the Company to ensure proper operation and increase its productivity.

- **Supply of gas to promising oil and gas chemical projects**

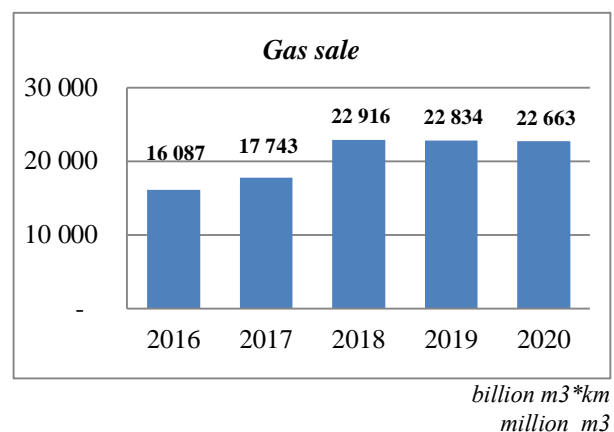
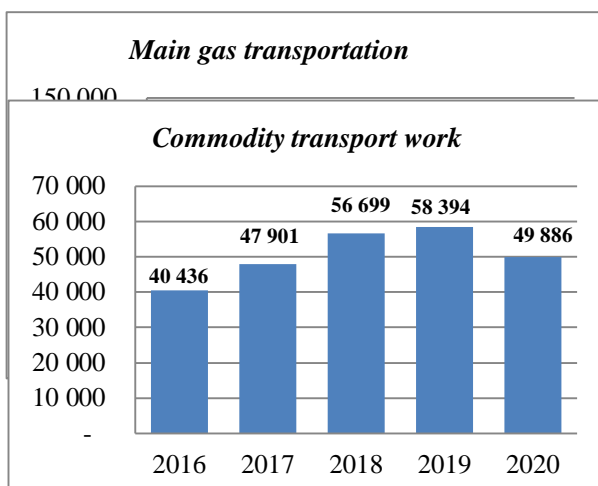
The Company will continue to cooperate with interested investors in order to provide them with a guaranteed volume of raw materials and stable transportation conditions to the production sites in order to create a competitive oil and gas chemical industry, which will create additional positions and increase the income of the country's economy.

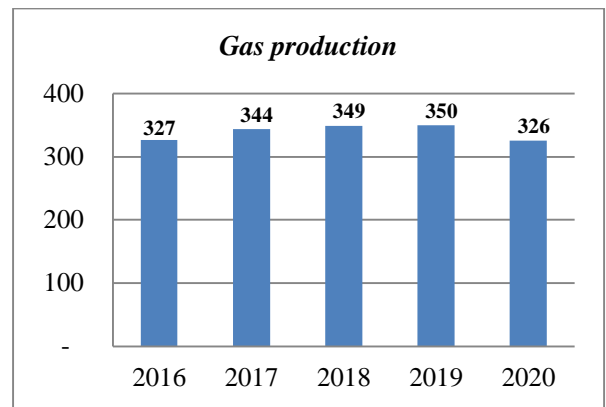


Financial and production indicators of KazTransGas Group

million. m3

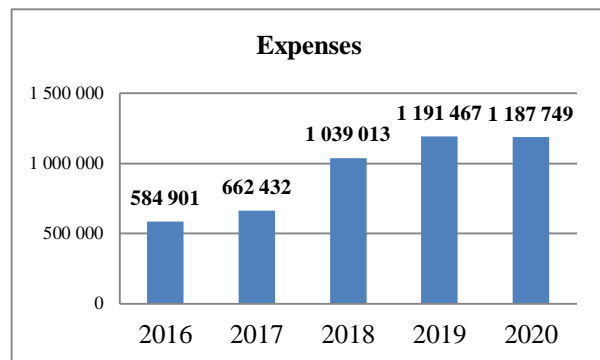
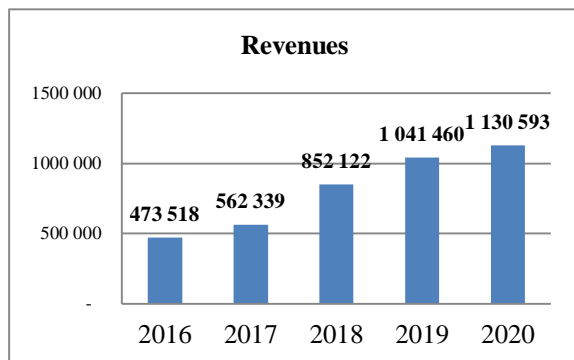
million. m3





million tenge

million tenge

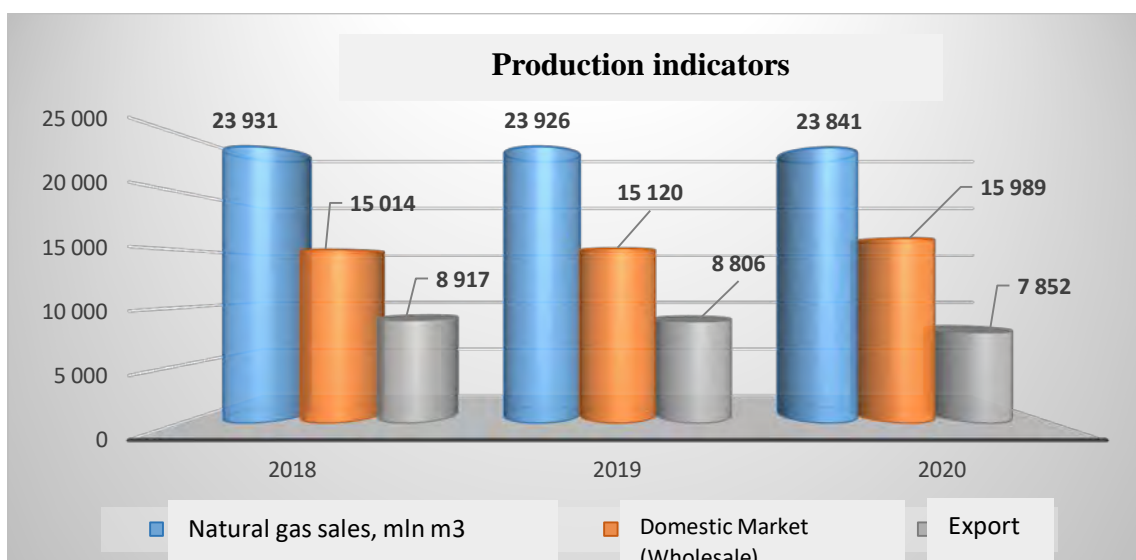


Main production and financial indicators by subsidiaries and affiliates

The main activities of the Corporate Center of KTG 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, MILLION M³

	2018	2019	2020	% by 2019
Sale of natural gas, million m ³	23 931	23 926	23 841	100%
Domestic market (whsl)	15 014	15 120	15 989	106%
Export	8 917	8 806	7 852	89%



According to the Corporate center of KTG, in 2020, the sale of natural gas without excluding intercompany transactions amounted to 23, 841 million m³, including 7, 852 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.

FINANCIAL INDICATORS, MILLION TENGE

	2018	2019	2020	% by 2019
Revenue from sales of products and services	769 079	919 924	805 557	88%
Gross profit	410 415	417 773	413 891	99%
Net profit	112 895	45 710	97 400	213%

INTERGAS CENTRAL ASIA JSC

InterGas Central Asia is an 100% 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).

Principal directions of ICA activity

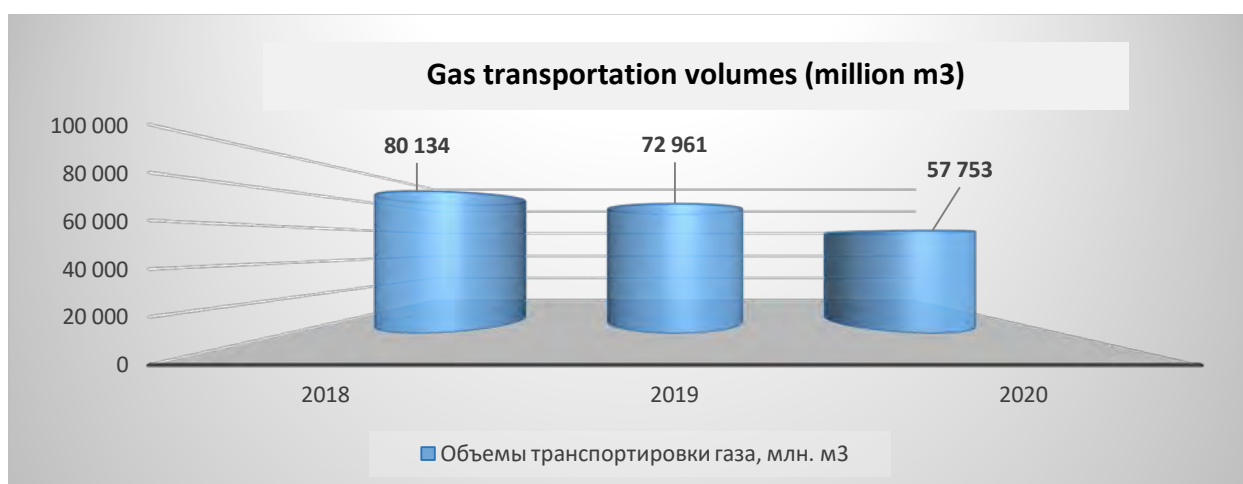
- transit transportation of gas through Kazakhstan from Turkmenistan and Uzbekistan to Russia;

- 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, MILLION M³

	2018	2019	2020	% by 2019
Gas transportation volumes	80 134	72 961	57 753	79%
Domestic market	13 568	13 663	14 278	105%
Export	18 873	19 069	12 687	67%
International transit	47 693	40 229	30 788	77%



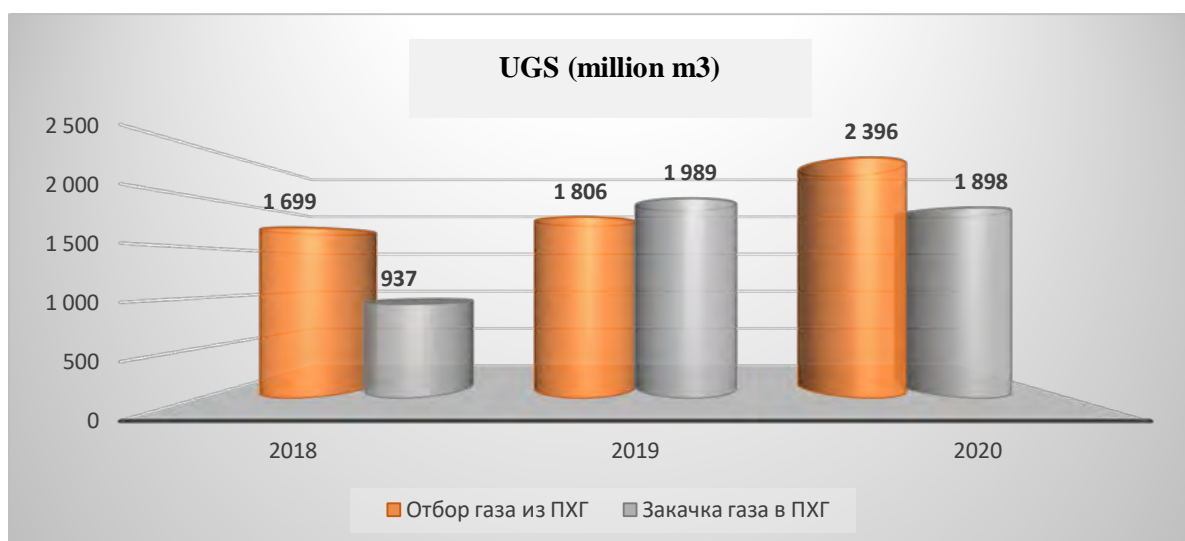
gas transportation volume, mln m3

FINANCIAL INDICATORS, MILLION TENGE

	2018	2019	2020	% by 2019
Revenue from sales of products and services	195 111	236 542	193 163	82%
Gross profit	104 750	135 467	83 767	62%
Net profit	59 529	94 182	56 669	60%

UGS, million m3	2018	2019	2020	% by 2019
Gas extraction from UGS	1 699	1 806	2 396	133%

Gas injection into UGS	937	1 989	1 898	95%
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Gas extraction from UGS facilities

Gas delivery to UGS facilities

Commodity transport works

*billion m³*km*

Volume of CTW for gas transportation	2018	2019	2020	% by 2019
ICA	19 543	22 325	16 302	73%
AGP	31 083	28 735	24 668	86%
BBSH	6 073	7 334	8 915	122%
Total:	56 699	58 394	49 885	85%

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.

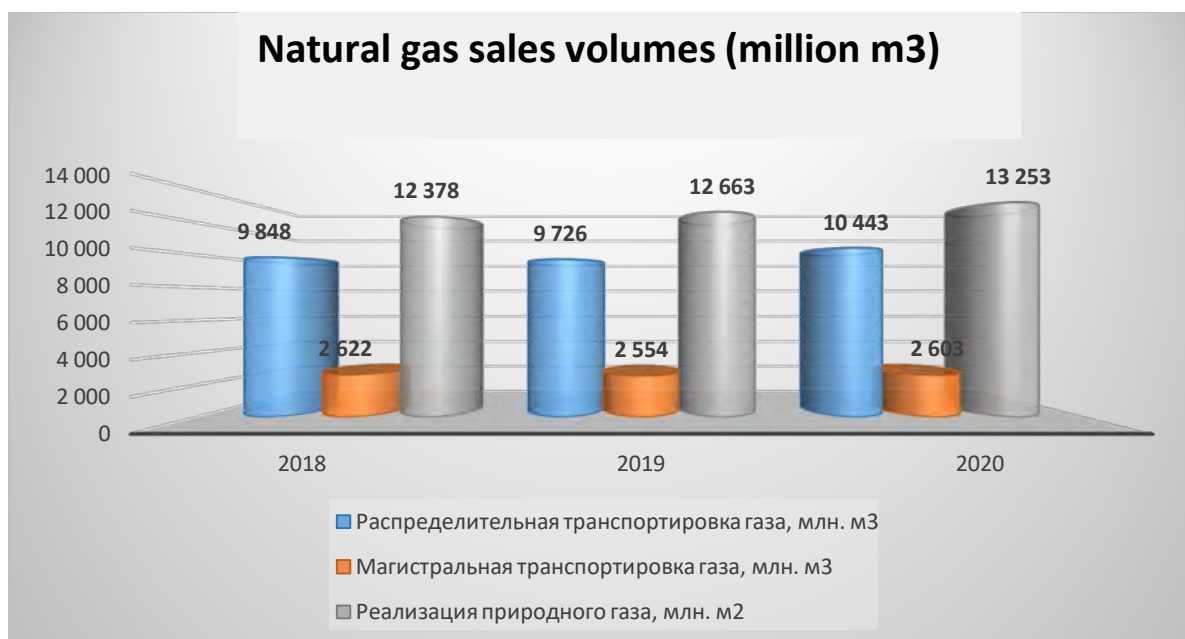
PRODUCTION INDICATORS, MILLION M³

	2018	2019	2020	% by 2019
Gas distribution transport system	9 848	9 726	10 443	107%
Main gas transportation	2 622	2 554	2 603	102%
Sale of natural gas	12 378	12 663	13 253	105%

FINANCIAL INDICATORS, MILLION TENGE

	2018	2019	2020	% by 2019
Revenue from sales of products and services	242 042	222 504	233 670	105%
Gross profit	23 421	17 693	18 589	105%

Net profit	6 466	6 332	4 108	65%
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Distribution gas transportation, million m3
Main gas transportation, million m3
Gas sales, million m2

Amangeldy Gas LLP

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

PRODUCTION INDICATORS

	2018	2019	2020	% by 2019
Production of gas, million tenge	349	350	326	93%
Production of gas condensate, tons	19	17	15	90%

FINANCIAL INDICATORS, MILLION TENGE

	2018	2019	2020	% by 2019
Revenue from sales of products and services	13 010	13 048	9 497	73%
Gross profit	8 707	9 092	5 568	61%
Net profit	6 035	5 950	3 299	55%

KazTransGas Onimderi LLP

The main activity of KazTransGas Onimderi LLP is to provide transport services, construction and installation work, sales of compressed natural gas.

FINANCIAL INDICATORS, MILLION TENGE

	2018	2019	2020	% by 2019
Revenue from sales of products and services	12 916	14 108	14 377	109%
Gross profit	2 268	2 364	2 263	104%
Net profit	473	340	363	107%

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 (*compressed natural gas*), 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 (*NGV-refuelling compressor station*).

In 2020, due to the reduction of expenses on capital investments for new projects and cost optimization in connection with the pandemic, private investors are attracted to build CNG filling stations on franchising terms (*Royalty of 1% of revenue*).

The total number of active CNG filling stations is 16, of which 1 unit was built and put into operation in Atyrau city in 2020 by a private investor Akzhayik CNG LLP.

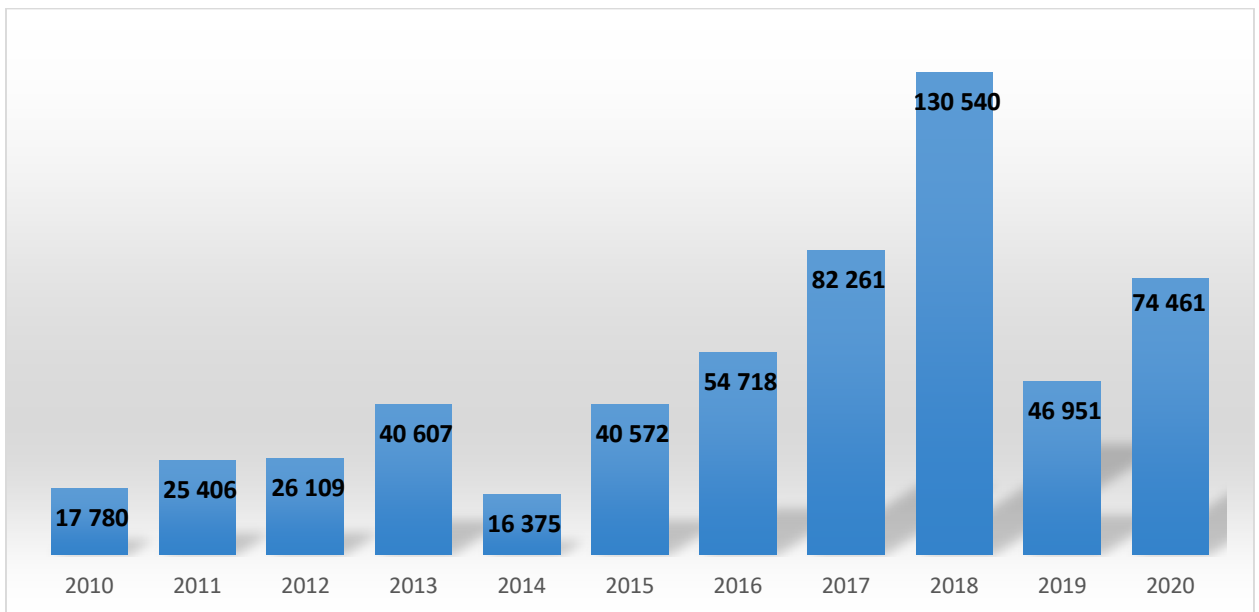
In 2020, 42.2 million m³ of CNG was sold from CNG filling stations, which is **28%** more than in 2019.

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 2010-2020, million tenge, VAT excl.





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

In 2020, the total amount of capital investments in implementation of investment projects of KTG and its subsidiaries amounted to 74,537 million tenge. Growth of investments in the accounting period as compared to the same indicator of the previous period is associated with accelerated construction of the compressor station "Ustyurt" (KS-1A) in Bayganinsky district of Aktobe region as part of the investment project "Construction of 4 (four) compressor stations at the MG BBSH".

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, KTG, 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. 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, 34 wells are in operation.

On February 24, 2018, the Zharkum deposit entered the stage of industrial development. There are currently 6 wells in operation.

Starting September 2017, the Airakty deposit has been put into pilot operation. Based on the results of drilling of new wells Nos.101-107 the structural and dynamic interpretation of 3D seismic exploration works materials was updated, a report on re-processing and re-interpretation of 3D seismic data was prepared. The report was taken into account at the meeting of the Board of Yuzhkaznedra (Minutes No. 854 of 15.12.2020).

Exploration assets of Amangeldy Gas LLP are represented by Anabay-Maldybay, Barkhannaya-Sultankuduk, Kumyrly-Koskuduk, North Ucharal-Ucharal and Kempirtobe areas.

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 5,25 billion m³ of natural gas and 373,07 thousand tons of gas condensate, including 286, 18 million m³ of natural gas and 14,78 thousand tons of gas condensate in 2020.

Since the start of Zharkum deposit exploitation, 76, 58 million m³ of natural gas and 566 tons of gas condensate have been produced, including 7, 87 million m³ of natural gas and 54 tons of gas condensate produced in 2020.

Since the start of Airakty deposit exploitation, 114, 67 million m³ of natural gas and 1516 tons of gas condensate have been produced, including 31,70 million m³ of natural gas and 327 tons of gas condensate produced in 2020.

During 2020, Amangeldy Gas LLP produced 325, 75 million m³ of natural gas and 15,16 thousand tons of gas condensate.



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

The project is realized in accordance with the orders of N.A. Nazarbayev (*No.747 dated 26.01.2010 and No.61-24-39-3 dated 10.04.2012*).

By the decision of NWF Samruk-Kazyna JSC dated 31.10.2013 KTG was determined as the Project operator.

Agreement for joint implementation of the Project (*I stage - exploration works as part of R&D*) was concluded between SEC Saryarka JSC and KTG.

In total, the following types of work were performed in 2015-2020:

- drilling of 9 wells, including: 3 exploration wells, 5 prospecting wells and 1 pilot well;
- intensification of reservoirs (FHF) and development, gas inflows were obtained;
- testing of core samples in the laboratories of the USA, PRC and Poland;
- technical and economic calculations (TEC) to assess the prospects of CSM production;
- annual research development of the drilled wells;
- operational estimate of CSM reserves of the area (*by category C2 - 5.7 billion m3*);
- exploration plan at Sherubaynurinskiy area;
- 4 DED - technical projects for construction of wells No.Sh-12, No.Sh-13, No.Sh-14 and No.Sh-15;
- project of liquidation of consequences of exploration in Sherubaynurinskiy area.

On November 3, 2020 EC KTG (Minutes No.22) and on December 22, 2020 EC of NC JSC KazMunayGas (Minutes No.16-20) decided to suspend the implementation of the Project.



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 KTG.

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 KTG.

On May 30, 2016 the Addendum № 2 to the Contract №3949-UVS dated 01.10.2013 for the exploration of hydrocarbons in the Kansu area, located in the Mangistau region, was signed between the Ministry of Energy of the Republic of Kazakhstan, JSC NC KazMunayGas and KMG-Kansu Operating LLP 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 (hereinafter referred to as POGP) on the Kansu site to the Ministry of Energy of the Republic of Kazakhstan

According to the approved POGP, amendments were made to the Working program of the Contract for 2016-2019.

On February 7, 2019 EC of JSC NC KazMunayGas decided to withdraw from the Kansu project and liquidate the Partnership, due to high geological, environmental risks and economic unprofitability.

On October 1, 2019 Subsoil Use Contract No. 3949-UVS dated October 1, 2013 for exploration of raw hydrocarbons in the Kansu area expired

At present, work is underway to return the Contract area and 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 four compressor stations on Beineu-Bozoi-Shymket gas pipeline;
- "Construction of gas pipeline from Kashagan CGTP to Makat-North Caucasus gas pipeline with compressor station".

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 oblasts 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: 2018-2022, capacity up to 15 billion m³ per year.

The linear part of the gas pipeline with the length of 1,450 km (*single-line version*), a shift camp, gas metering stations, route road, two compressor stations Bozoy and Karaozek and four additional compressor stations Turkestan, Aral, Korkyt-Ata, 1 "A" built by Intergas Central Asia JSC were commissioned.

In 2020, the following activities were carried out:

- development of design and estimate documentation "Increase of throughput capacity of "Beineu-Bozoy-Shymkent" gas pipeline up to 15 billion m³/year" was completed;
- the purchase of the Turkestan compressor station was made.

In 2021, it is planned to complete the construction of the route road along the "Beineu-Bozoy" section, the telecommunications system and SCADA, the gas metering station Beineu and begin work on expanding the compressor station "Bozoy" and the gas metering station "Beineu".

Currently, corporate procedures are being carried out to adjust the project taking into account the shift in the implementation schedule due to the COVID-19 pandemic and the purchase of four compressor stations from Intergas Central Asia JSC.



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

Project duration: 2018-2020.

The cost is 192,747 million tenge without VAT.

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

In February 2019, Aral, Korkyt Ata and Turkestan compressor stations were commissioned on the Bozoi-Shymkent section of the gas pipeline. The Beineu-Bozoi-Shymkent gas pipeline capacity has been increased to 13 billion m³ per year.

On April 29, 2020, the last fourth compressor station "1A" was commissioned at the Beineu-Bozoy section of the gas pipeline. With the commissioning of the fourth

compressor station, KTG completed the implementation of a large-scale project to increase the throughput capacity of the Beineu-Bozoy-Shymkent gas pipeline to 15 billion m³/year, ensuring high reliability of gas supplies to the domestic market, as well as for export.

Project "Construction of gas pipeline from Kashagan CGTP to Makat-North Caucasus gas pipeline with compressor station"




Project duration – 2020-2021.

The cost is 56,512 million tenge without VAT.

The project is part of a comprehensive issue relating to the increase of production at the Kashagan site, taking into account the construction of a plant for the processing of an additional 1 billion m³ of raw gas.

On March 16, 2020 at the EC of JSC NC KazMunayGas the sequential implementation of the project was approved, the amount of 602 million tenge was approved for the development of the DED with a term of completion by the end of June 2021.

GASIFICATION PROJECTS OF THE REGIONS OF THE REPUBLIC OF KAZAKHSTAN

-  Gasification of Almaty, modernization, reconstruction of gas distribution **nets** in Almaty;
-  Construction of supply pipeline of 5 residential areas (Masanchi, Karakemer, Sortobe, Bular Batyr, Aukhatty) of Korday district of Zhambyl oblast;
-  Construction of the 1st and 2nd commissioning and start-up complexes of the 2nd stage of the gas distribution nets in Nur-Sultan.

Project “Gasification of Almaty, modernization, reconstruction of gas distribution nets 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. At the beginning of 2021, 1,846 residences were connected, and the remaining 2,254 residences also have access to gas and will be connected as possible

As of 01.01.2021, 262 km of new gas pipelines were built and 58 km of existing gas pipelines were reconstructed, 30 gas control cabinets and one gas control unit were installed. Up to the end of 2021 it is planned to reconstruct 40 km of gas pipelines, 4 gas regulation stations.

Construction of supply pipeline of 5 residential areas (Masanchi, Karakemer, Sortobe, Bular Batyr, Aukhatty) of Korday district of Zhambyl oblast

Under execution of the order of the President of the Republic of Kazakhstan K.K. Tokayev, given during the visit to Korday district of Zhambyl oblast, KTG at its own expense completed works on installation of supply pipeline to five residential areas of Korday district (Masanchi, Sortobe, Karakemer, Aukhatty, Bular Batyr) with total length of 42 km and reconstruction of automatic gas-distribution station "Korday-Shu"

As a result of realization of the project in cooperation with the akimat of Zhambyl oblast 10 residential areas with population more than 62 thousand people: 7177 residences, 29 objects of social sphere, 243 objects of small and medium business are supplied with natural gas. There are prospects of gasification of 7 more residential areas. Execution of the work was carried out from June to October 2020.

Construction of the 1st and 2nd commissioning and start-up complexes of the 2nd stage of the gas distribution nets in Nur-Sultan

Under the 1st commissioning and start-up complex gas is supplied from AGDS-2 to the Vostok main gas distribution station (MGDS) and the South-East MGDS, and under the 2nd commissioning and start-up complex gas is supplied from the Vostok MGDS to the residential areas of International, Michurino, Kuygenzhar and to boiler houses.

Construction of 83.7 km of gas pipelines, installation of 5 gas-distributing block points and 8 gas-distributing cabinet points is planned. It is expected to complete all works by August 31, 2021.

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 2020, in total 2 (two) STC meetings were organized, and 5 issues were considered:

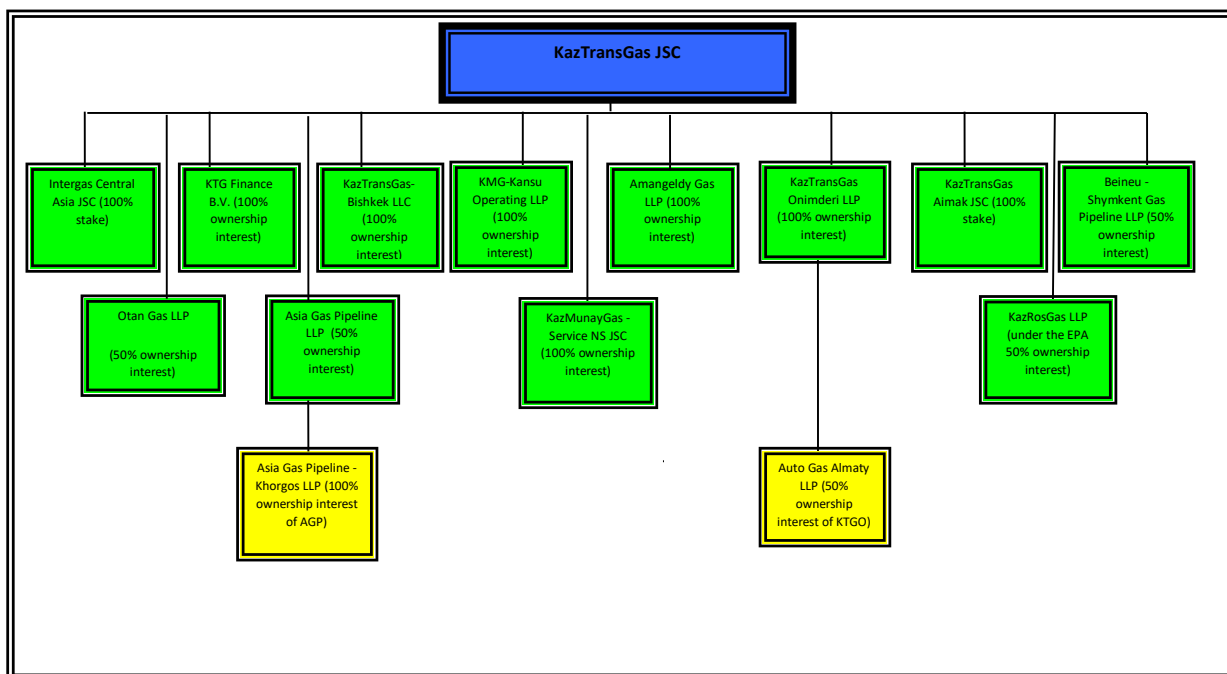
- Unified technical policy of KazTransGas JSC Group of Companies;
- Program of technological and innovative development of KazTransGas JSC Group of Companies;
- Consideration of the technical specifications for the development of the modeling system of the gas transportation system of the Republic of Kazakhstan;
- Consideration of the issue regarding the need to change the normative technical gas losses in reservoirs during storage in Akyrtope UGSF of Taraz GTPA of Intergas Central Asia JSC;
- Consideration of the issue regarding the need to transfer unrecoverable active gas reserves in the amount of about 65.0 million m³ in Akyrtope UGSF of Taraz GTPA of Intergas Central Asia JSC from active to buffer gas.

Following the results of the meeting, the STC members took note of the presented presentation materials and gave recommendations to KTG subsidiaries and affiliates on application of the most effective technologies and products in the ongoing 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 19 decisions on interested party transactions of KazTransGas JSC.

Asset structure



Key areas of development

Company's plans for 2021

- Completion of geologic exploration work on the Barkhannaya-Sultankuduk structure of the Amangeldy field on the area of 690 square kilometers, preparation of a report on the processing and interpretation of MOGT-3D seismic survey data and clarification of the location of appraisal well № B-5 on the Barkhannaya structure;
- Completion of development of DED for the project of construction of pipeline from the Kashagan CGTP to the Makat-North Caucasus pipeline with a compressor station. The project was initiated within the concept of construction of CGTP for processing of additional volumes of raw gas of

- Kashagan oil and gas field. Ensuring the start of construction of the GTF and the necessary infrastructure in the Kashagan field
- Continuation of the project "Gasification of Almaty, reconstruction of gas distribution nets of Almaty";
- Completion of the project "Construction of gas distribution nets of the 1st and 2nd commissioning and start-up complexes of the 2nd stage in Nur-Sultan city";
- Adjustment of the project "Construction of gas pipeline "Beineu-Bozoy-Shymkent" taking into consideration the redemption of four CS built by Intergas Central Asia JSC;
- Beginning of the DED development for the project "Construction of the Zhetybai - Kuryk pipeline with the installation of AGDS-80 in the village of Kuryk and the construction of a branch gas pipeline to the Sarsha area with the installation of a BTGCU";
- Approval of the Comprehensive Gas Industry Development Plan up to 2030, which includes a 1.9 trillion tenge program for modernizing and expanding Kazakhstan's gas transportation infrastructure;
- Building up the resource base and increasing export volumes;
- During the period from July 1, 2021 to June 30, 2022 KTG plans to improve the marginal wholesale gas prices by 15% under decisions of the meeting protocol chaired by Prime Minister A.U. Mamin dated August 14, 2020;
- Amendments to the Rules for determining the marginal prices of wholesale traded gas in the domestic market in terms of excluding the 15% limitation on the increase in wholesale prices;
- Amendments to the Law of the Republic of Kazakhstan "On Gas and Gas Supply", in part of defining a new category of "large commercial consumer", for which the market sales price of traded gas will be set. The formula for determining the market wholesale price = export "net back";
- Vesting KTG with powers in the area of gas exploration and production in the Code of the RK "On Subsurface and Subsurface Use" in relation to participation in direct negotiations for obtaining the right of subsurface use;
- Inclusion in the Code "On Subsurface and Subsurface Use" of obligations of subsurface users to study alternatives to re-injection of extracted gas.

Digitalization

KMG Digital Transformation Program

KTG pays special attention to the introduction of new technologies and modern approaches in order to improve production efficiency and ensure sustainable development of the Company.

In 2020, under the road map of the Business Transformation Program of JSC NC KazMunayGas, activities on the project "Implementation of the analytical geoinformation system on gas pipeline facilities" were carried out (AGIS), and in accordance with the requests of the Ministry of Energy of the Republic of Kazakhstan, it was decided to include the AGIS project in the state program "Digital Kazakhstan".

The project was successfully demonstrated at an enlarged meeting of the Commission under the President of the Republic of Kazakhstan on the implementation of digitalization headed by Prime Minister A.U. Mamin, conducted on October 22, 2020.

From 2021 to the end of the project in 2023, it is planned to digitize the distribution nets of gas pipelines of Kazakhstan cities and oblasts.

ERP system implementation project based on 1C

In order to reduce operating costs, increase stability, sustainable development of solutions in the field of IT infrastructure, business applications, special technology applications, as well as within the Strategy for IT development of KTG in 2020-2025, the preparatory part of the project for the implementation of a unified ERP system based on 1C was completed in 2020. Phases on commissioning, diagnostics, design and conceptual design were implemented. The project documentation was approved, the project budget was updated, as well as the communication and work plan for the "diagnostics and design" phase, and the high-level business processes of the unified enterprise resource planning platform (ERP system) for the automation of supporting processes and business functions of KTG Group were modeled

According to the project schedule, work is scheduled to be completed in November 2021.

E-archive - Sifrlıq Muragat

Upon the initiative of Samruk-Kazyna JSC, as part of the implementation of the "Centralized Archive Storage of Documents" for KTG Group of Companies, Intergas Central Asia JSC conducted a pilot project and carried out work on the introduction of a digital archive platform - "Sifrlıq Muragat".

According to the instructions on record keeping and according to the procedures for archival documentation storage, the digitized archive documents of KTG Group of Companies will be stored in a digital archive.

Information Security

Over the 2019 to 2020 period, data leakage prevention and malware protection solutions were implemented and information security situation center services were purchased to organize information security in the KTG Group of Companies.

The IS Situation Center ensures compliance with information security requirements for critical information and communication infrastructure facilities under legislative norms, as well as maintenance of information security tools for the network and endpoints across KTG Group of Companies.

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 strategic and operational objectives of the KTG group of companies, as well as its value and reputation.

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

Risk management program of KazTransGas JSC Group of Companies in 2020

As part of the risk management reference model implementation by JSC NWF "Samruk-Kazyna" in 2020, the work on formalization of the internal control system (hereinafter - ICS) and business continuity management system (hereinafter - BCMS) continued.

According to the results of the questionnaire on assessment of the level of maturity of ICS and BCMS in KTG and Intergas Central Asia JSC in March 2020, the measures aimed to improve the indicators of the level of maturity of ICS and BCMS were taken.

KTG Group of Companies risk identification, assessment and monitoring 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.

Also during 2020, due to the coronavirus pandemic, the KTG and its subsidiaries and affiliates' Risk Register was updated. KTG and its subsidiaries and affiliates' risk management action plans reflected the risk factor "Natural influences and cataclysms" (Covid-19), assessed the impact on the activities of KTG group of companies.

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

Twenty-four key risks have been identified for the KTG Group of Companies and are shown on the KTG Key Risk Map, including:

Risk of natural influences and cataclysm related to Covid-19

In connection with the coronavirus pandemic (Covid-19) in the world, there may be a negative impact on the lives and health of employees of KTG and its S&A, as well as on the performance of strategic and operational objectives.

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 may 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 a buyer related to Covid-19;
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 KazTransGaz Onimderi LLP;
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 JSC NWF Samruk-Kazyna (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.

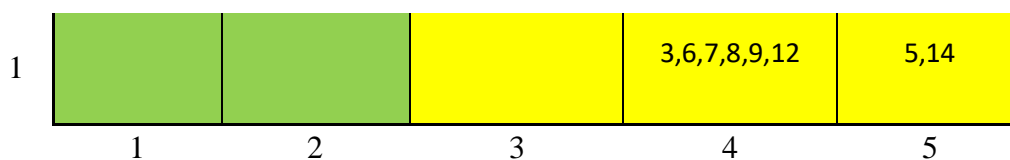
Fluctuation of Tenge against the US dollar

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

Influence	5		2		1,4,10,11,13,19	17,18
	4					
	3					
	2				15,16	



Probability

№	Name of risk factor	Damage in thsd. tenge
		inherent
1	Non-compliance of counterparty banks with their obligations	10 000 000 frequency 0,5
2	Political regime change in strategic partner countries	11 764 000 frequency 0,25
3	Non-compliance with tax law requirements	5 000 frequency 2
4	Non-compliance with financial/non-financial covenants	332 500 000 frequency 0,5
5	Failure (loss) of existing software	500 frequency 2
6		1 500 frequency 1
7	Failure of existing server equipment	45 000 frequency 1
8	Unauthorized access to information system	6 000 frequency 1
9	Use of unlicensed software	55 265 frequency 1
10	Untimely repayment of loans, financial aid, etc.	252 000 000 frequency 1
11		213 632 457 frequency 1
12	Illegal actions of corruption nature	1 (балл) frequency 1
13	Appreciation of currencies against the tenge	5 (балл) frequency 1
14	Natural disasters, catastrophes	1 (балл) frequency 2
15	Low (insufficient) qualification of personnel	2 (балл) frequency 1
16	Insufficient motivation of personnel	2 (балл) frequency 1
17	Adverse change of oil prices	5 (балл) frequency 3
18	Natural impact, disasters	5 (балл) frequency 4
19	Risks, associated with implementation of the integrated gas strategy	12 480 000 frequency 1

Improvement of risk culture of KazTransGas JSC

1. The work of the Risk Committee is carried out on an ongoing basis, all significant events that may have a negative impact on the achievement of the objectives of KTG and its S&A are reviewed collegially at meetings of the Risk Committees of KTG and S&A, including risk reports for Q4 2019 and for Q1,2 and 3 of 2020.

2. The work on organization of insurance protection of risks of KTG Group of Companies was performed.

3. 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

In order to ensure the quality, efficiency and safety of gas supply to consumers and achieve the established strategic goals, KTG operates and constantly improves an integrated management system (hereinafter - IMS) of services provided for natural gas transportation through the main gas pipelines and gas accounting in accordance with the contracts of consumers.

The IMS combines the management systems based on the requirements of international and national standards:

- ✓ The quality management system meets the requirements of ISO 9001:2015 standards and is focused on ensuring stable quality of the services provided and satisfying the customers' interests;
- ✓ Environmental management system complies with the requirements of ISO 14001:2015 standards and is focused on environmental protection by managing environmental impacts and environmental risks of the company's production activities;
- ✓ Unified industrial safety management system complies with the requirements of OHSAS 18001:2007 and is focused on creation of safe working conditions, preservation of life and health of employees of the enterprise and contractors' employees;
- ✓ Energy management system complies with the requirements of ISO 50001:2012 and is focused on efficient use of energy resources, energy saving potential and continuous improvement of energy efficiency of technological processes and equipment of the company gas transportation system;
- ✓ The Information Security Certificate complies with the ISO 27001:2013 standard, the ISMS is designed to select appropriate security management measures to protect information assets and ensure stakeholder confidence;
- ✓ Certification in accordance with the European Model of Excellence EFQM level "Recognized for Excellence, 5 stars". The company will have the opportunity to progress further on the path of excellence to sustainability and will enable the best possible assessment of the organization's commitment to achieving international levels of performance, identifying strengths and areas for improvement.

The company's main intentions, strategic goals and commitments for service quality, environmental protection, occupational safety, energy efficiency and energy conservation are declared in the IMS Policy.

IMS certification

Independent assessment of compliance of KTG management systems with the requirements of international and national standards is carried out in the form of management system certification. Initial certification of management systems for KTG

Group of Companies for compliance with the requirements of ISO 9001, ISO 14001, ISO 14001, OHSAS 18001 were conducted in 2009-2015, after that the company annually confirms the compliance of management systems during the inspection and recertification audits.

In terms of management systems certification, KTG Group of Companies cooperates with certification bodies "AFNOR Certification" (France), TUV NORD CERT, European Foundation for Quality Management, CEO EFQM, which have the relevant international and industry accreditations to perform these works.

Initially the IMS was certified as applied to services of natural gas transportation via the main gas pipelines and gas accounting in accordance with contracts of consumers for gas transportation, but with expansion of requirements to production activities the management systems were also developed. Later on, the KTG Group of Companies developed and standardized production processes related to design and survey works, overhaul and construction control. In this connection the work on the expansion of the scope of application and certification of the IMS is carried out.

For 2021, KTG plans to implement a new version of ISO 45001:2018 "Health and Safety Management Systems. Requirements and guidelines for their application".

The integrated management system is an integral and significant part of the company's work, which allows to keep the leading position in the industry and strengthen the reputation of KTG as a reliable energy partner in the foreign and domestic markets.

Environmental protection, occupational health and safety

Use of energy resources and energy saving

KTG 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. Automatic reactive power compensation at Amangeldy Gas field and Beineu compressor station of MGPM "Aktau" of Intergas Central Asia JSC;
2. Optimization of operation modes of electrically driven gas compressor units, power supply schemes according to the operation mode of compressor stations, including disconnection of power transformers of reserve power supply of turbo compressor shops;
3. Optimization of loading of compressor stations with gas turbine drive of Intergas Central Asia JSC;
4. Carrying out overhaul of gas compressor unit GCU No.5 of TCC-4 of Makat compressor station of Makat LOS Atyrau GTPA of Intergas Central Asia JSC;
5. Carrying out overhaul of gas compressor unit GCU No.5 of TCC-4 of Tayman compressor station of Redutskoye LOS Atyrau GTPA of Intergas Central Asia JSC;
6. Implementation of cleaning system of axial compressor GCU GT-750-6 type No.3,4 TCC-1 at Oporny compressor station (natural gas) of Oporny LOS Aktau GTPA of Intergas Central Asia JSC;

7. Optimization of operation modes of electric driven gas compressor units of Taraz GTPA of Intergas Central Asia JSC;
8. 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;
9. Regulation of operation modes of boiler units at night, weekends and holidays in administrative and production premises of subsidiaries and affiliates;
10. Replacement of obsolete cathode electrochemical protection stations in the amount of 18 units on the linear part of the main gas pipelines of Intergas Central Asia 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 2020 was equal: 1325992,06 tons of fuel equivalent (990749,56 thousand m³, 80,74 million kWh, fuel and lubricants 6194,2 toe) compared to the same period of 1815052,52 tons of fuel equivalent (toe) (1528877,45 thousand m³, 92,46 million kWh, fuel and lubricants 6660,33 toe) and decreased by 36.9%.

The consumption of natural gas, electricity and fuel and lubricants in 2020 was reduced due to:

- savings in fuel and lubricant consumption due to the use of compressed natural gas (CNG) and liquefied petroleum gas (LPG);
- saving of power consumption due to the operation mode of electrically driven gas compressor units with the unit capacity of up to 4.0 MW;
- saving of gas consumption by optimizing the operation mode of gas compressor units of compressor stations.

The total amount of renewable energy generated (produced) by sources for 2020 was as follows:

1. Generation of geothermal (heat) energy generation by heat pumps – 625,8 Gcal;
2. Generation of electric energy by solar panels – 111 352 kW*h;
3. Generation of electric energy by thermal power generators (TPG - Renkin cycle) – 1 154 510 kW*hour.

Specific energy costs for production of gross marketable product, energy efficiency indicator of gas transportation for 2020 amounted to 0,0163 tt/kt tenge, in comparison with the same period of 2019 (0,0140 tt/kt tenge) increased by 14%. The increase in the level of specific energy consumption is associated with the development of the transit potential of the main gas pipelines Kazakhstan-China pipeline, Beineu-Bozoy-Shymkent pipeline, BGR-TBA pipeline, Gazli-Shymkent pipeline.

The energy saving potential of KTG Group of Companies for 2015-2020 is 71643,404 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);

2020y.- 14055,284 tons of fuel equivalent. (2001,02 thousand kWh, 11802,70 thousand m3).

Annual growth of FER saving is due to the application of energy-saving measures aimed at reducing natural gas and electricity consumption.

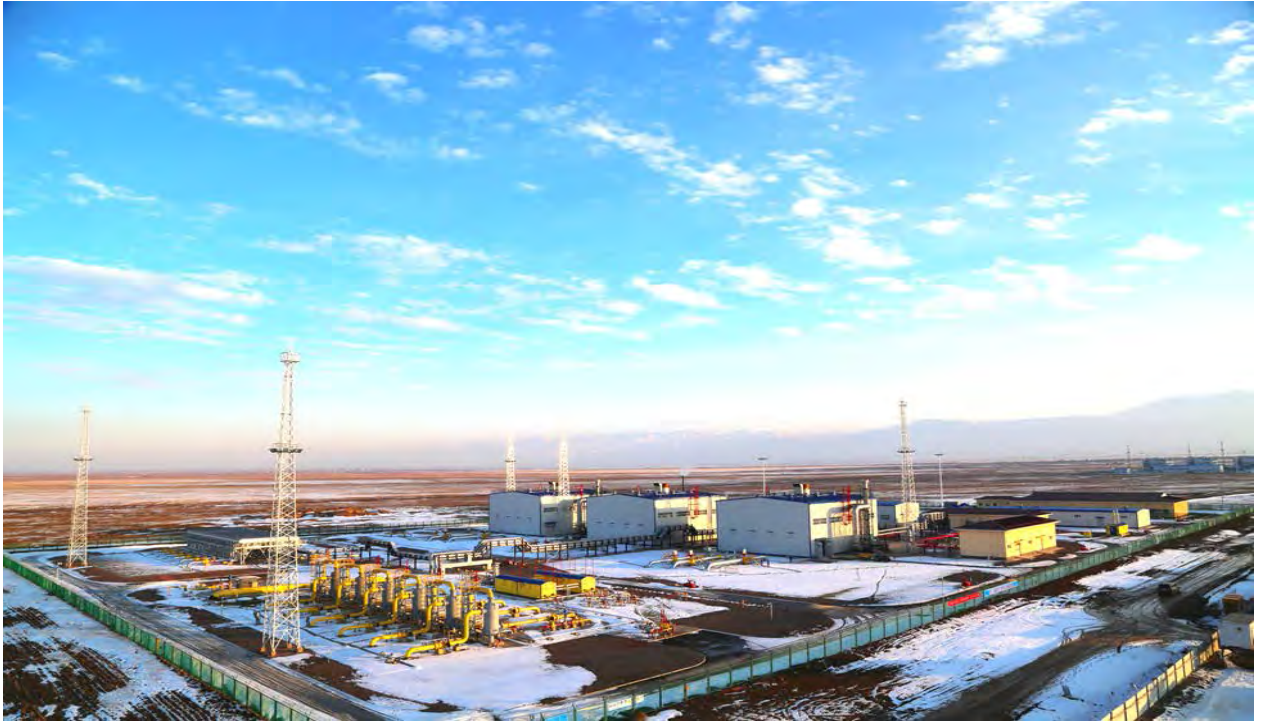
Within the project to expand the capacity of the "Beineu-Bozoy-Shymkent" pipeline, the Ustyurt compressor station was built with a system of suppression of dry emissions, which reduces the amount of harmful substances entering the atmosphere. Also three other compressor stations - Aral, Korkyt Ata and Turkestan - were developed with consideration of permissible environmental standards.

"DLS-Pergam" mobile complex for detection of gas leaks based on Toyota Hilux - remote methane alarm "DLS-Pergam" is designed to detect natural gas leaks within 60 meters by remote method, without sampling, additional probes and measuring cuvettes. Over the period of DLS-Pergam operation, 3,963 gas leaks have been detected and confirmed (as of December 31, 2020)

RES, implemented in S&As in previous years, work effectively: gas compressor units (GCU) with low DLE combustion system; compensating devices designed to compensate for reactive power (reactive parameters of power grids); geothermal heat pumps of the "Waterkotte" type; monocrystalline solar panels (batteries); thermoelectric generators (Closed cycle vapor turbogenerator) and packaged complete power plants (Capstone), working in autonomous mode; complex automated energy accounting system (AEACS), application of energy saving light sources.

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 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, industrial 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 Safety and Environmental Protection for 2020.

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 no fatalities related to production activities!

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.

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

Social Responsibility

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 2020, the following main types of material assistance were paid to employees of KTG Group:

- vacation to improve the health of employees – 4 143 184 thousand tenge;
- the birth of a child – 156 796 thousand tenge;
- in connection with the death of family members of an employee – 110 936 thousand tenge;
- lump sum payment in connection with the death of an employee – 3 355 thousand tenge;
- social benefits for pregnancy and childbirth and for adoption of newborns – 21 789 thousand tenge;

- other benefits (on marriage, retirement, jubilee dates, etc.) – 71 372 thousand tenge.



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.

Thus, in 2020 at the expense of KTG Group of Companies medical insurance of employees was carried out to the total amount of 1 346 million tenge, including insurance of employees of KazTransGas JSC 57 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 participate in refresher courses, seminars, internships and trainings both at the Private Institution "Samruk-Kazyna Corporate University", Nur-Sultan, and at 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 2020, 13,309 participants took part in training events held in the KTG Group of Companies for a total amount of 235,578 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.

Since 2020, the Information System "Unified Platform for Assessment, Training and Development of Personnel oStudy" has been in operation in order to provide distance learning.

Since 2013, the KTG group of companies has been conducting a social stability rating. Ongoing assessment of the level of social sentiment in labor collectives is an integral part of the personnel policy and represents a series of activities aimed on studying the rating.

The research methodology changed in 2020. The Center for Social Interaction and Communications conducted a telephone survey as part of the Samruk Research Services platform.

According to the study, the Social Stability Index in 2020 was 93%. There is an increase of 3% in comparison with 2019, which indicates a favorable atmosphere in the KTG Group of Companies. The value of the Social Stability Index in 2020 is the highest for the entire period of the study.

Staff turnover for 2020 for KTG Group of companies was 3%, in comparison with 2019 decreased by 1.4%. Low level of staff turnover has a favorable effect on the development of the company as a whole, contributes to the qualitative renewal of the team, reduces significant economic losses, organizational, personnel, technological, psychological difficulties.



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 SAC.

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 six members as of December 31, 2020.

Board of Directors Structure

As of January 1, 2020, 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 2020, the KTG Board of Directors changed as follows:

By decisions of the Sole Shareholder (minutes of the Board of Directors of JSC NC KazMunayGas No. 1/2020 dated 13 February 2020 and Minutes of the Management Board of JSC NC KazMunayGas No. 2 dated 3 February 2020) new members of the Board of Directors of KTG were elected due to expiration of their term of office:

The Chairman of the Board of Directors of KTG is Sharipbayev Kairat Kamatayevich;

Members of the Board of Directors of KTG:

- Serdi Ibulla Zhumagululy;
- Saulebay Malik Oralluly;
- Rustam Eduardovich Suleimanov;
- Nurgaziyev Airat Aitanovich - independent director;
- Serik Zhardemovich Zhamanbalin - independent director.

The decisions of the Sole Shareholder (Minutes of the Board of Directors of JSC NC KazMunayGas № 13/2020 dated November 5, 2020 and Minutes of the Management Board of JSC NC KazMunayGas № 45 dated November 4, 2020) early terminated the authority of the Chairman of the Board of Directors KTG Sharipbayev Kairat Kamatayevich and members of the Board of Directors of KTG Serdi Ibulla Zhumagulluly and Suleimanov Rustam Eduardovich. Jaksybekov Adilbek Ryskeldinovich was elected as the Chairman of the Board of Directors of KTG.

Composition of the Board of Directors as of December 31, 2020:

Full name of director	Position at KTG
Jaksybekov Adilbek Ryskeldinovich	Chairman of the Board of Directors
Sharipbayev Kairat Kamatayevich	Member of the Board of Directors
Saulebay Malik Oraluly	Member of the Board of Directors
Nurgaziyev Airat Aitanovich	Independent Director
Zhamanbalin Serik Zhardemovich	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
Jaksubekov A.R.	Chairman of the Board of Directors	2 of 2	100%
Sharipbayev K. K.	Member of the Board of Directors	14 of 14	100%
Saulebay M.O.	Member of the Board of Directors Member of the Board of Directors	12 of 12	100%
Nurgaziyev A.A.	Independent Director	14 of 14	100%
Zhamanbalin S.Zh.	Independent Director	14 of 14	100%

– During the reporting period, the Company's Board of Directors held 14 meetings (14 in person). The total number of issues considered was 93.

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 at 31 December 2020, the KTG Management Board comprised senior executives, including the Chairman and Deputy Chairmen of the Management Board.

Members of the Management Board

Full name	Position	Period
Sharipbayev Kairat Kamatayevich	Chairman of the Board	from 05.11.2020
Serdi Ibulla Zhumagulluly	First Deputy Chairman of the Management Board	From 05.11.2020
Abayildanov Bekzat Kalyshpekovich	Deputy Chairman of the Management Board for Exploration and Production	from 06.03.2020
Zhanuzak Taiyr Zhalgasbekuly	Deputy Chairman of the Management Board for Economics and Finance	from 06.12.2018
Suleimanov Rustam Eduardovich	Deputy Chairman of the Management Board for Refining and Marketing	from 11.12.2015
Khvan Valentin Borisovich	Deputy Chairman of the Management Board for Transportation and Technical Policy	from 05.11.2020

Resolutions of the KTG Board of Directors adopted in 2020 regarding the composition of the KTG Management Board

By resolution of the KTG Board of Directors (Minutes No. 3 dated 27.03.2020, point 4):

- The authorities of S.A. Brekeshev, a member of the Company's Management Board, were prematurely terminated on March 4, 2020;
- B.K. Abaiyldanov was elected (appointed) to the Management Board of the Company as of March 6, 2020.

Resolution of the KTG Board of Directors (dated 28.08.2020, Minutes No. 10, item 3):

- the authorities of N.V. Rubanov, a member of the Company's Management Board, were prematurely terminated on August 28, 2020;
- A.B. Nuralin was elected (appointed) to the Management Board of the Company as of September 1, 2020.

By the decision of the KTG Board of Directors (dated 03.11.2020, Minutes No. 12, item 9):

- the authorities of E.U. Temirkhanov, A.B. Nuralin, N.U. Abdygulova, and P.I. Lednikov as members of the Management Board were terminated ahead of schedule on November 4, 2020;
- I.Zh. Serdi, R.E. Suleimanov, V.B. Khvan were elected (appointed) as members of the Management Board of the Company as of November 5, 2020.

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

For 12 months of 2020, the Management Board of the Company:

- held meetings - **43**;
- considered issues - **182**, including:
Issues related to the activities of the Company - **128**;
Issues related to the activities of subsidiaries and affiliates - **54**.

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 Board of Directors of the Company - **107**;
- issues related to the competence of the Management Board - **75**.

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

Total number of interested party transactions reviewed by the Company Management Board – **33**, of which;

- previously approved and submitted to the Company Board of Directors transactions – **14**;
- 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 – **19**.

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

Sustainable development

KTG's long history demonstrates the fact that the strategy implemented by the Company is in line with the sustainable development model, which has recently gained wide public recognition. We consider the main requirement of the sustainable development model to be the balanced and rational use of resources for the benefit of present and future generations. The sustainability benchmarks help us align the Company's activities with global efforts to address such critical international issues as energy security, emissions reduction and social progress acceleration.



A comprehensive analysis of KTG's economic, environmental and social performance, carried out during the preparation of the Report, in accordance with the GRI Guidelines, confirms that the Company follows the basic principles of sustainable development.

Reliability. KTG's characteristic of being a reliable supplier of blue fuel combines a solid and dynamically developing resource base, a powerful and constantly improving gas transportation infrastructure, and a well-established system of long-term contractual relationships with partners.


Rationality. Rational satisfaction of current and future consumer demands is our main guideline in defining gas production volumes. Only such an approach is essential for making balanced decisions on the prioritisation of large-scale field development projects in conjunction with the development of gas transmission capacities. Prudent use of production resources at KTG is an effective indicator of efficiency and, ultimately, of the Company's competitiveness. Therefore, rational use of resources is an integral part of production processes.


Safety. The industry specifics predetermine strict industrial and environmental safety requirements for its operations. KTG's safety management system is based on the requirements of international standards that set the industrial and process safety requirements for all stages of the life cycle of gas production, transportation, processing and utilisation facilities.


Social responsibility. In carrying out its activities, KTG makes efforts towards ensuring that the sustainable development of our operations contributes to socio-economic progress, an improved environmental situation and greater prosperity of the population in the regions.


In 2020, practical training in the field of sustainable development was successfully completed for employees of the KMG group of companies.


Local Content (LC) in KazTransGas Group procurements


 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.

 Overall, the share of local content for the KTG group of companies in the total volume of purchases for 2020 amounted to 87%, of which for purchased goods - 96%, works performed and services rendered - 80%. Calculation of the share of local content in the procurement of goods, works and services is based on the Unified Methodology for calculation by organisations of local content in the procurement of goods, works and services, approved by Order No. 260 of the Minister of Investment and Development of the Republic of Kazakhstan dated 20 April 2018..

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 Department of KazTransGas JSC (CSD) in 2020 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, CSD 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 CSD 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 a comprehensive work aimed at taking preventive measures to prevent

corruption offences, there is an internal document "Anti-Corruption Standard of KazTransGas JSC" for employees of KTG Group.

In 2020, there were no cases of corruption among employees of KTG, no dismissal or punishment of employees for committing corruption offences was carried out. No employment contracts with employees were terminated and no criminal proceedings were initiated on these grounds. Similar information has not been received or registered by S&As.

In order to provide anti-terrorist protection of production and administrative facilities of KTG group of companies vulnerable to terrorism, together with subsidiaries and affiliates plans (schemes) of interaction with law enforcement and local executive bodies, instructions on the actions of employees in case of threat of terrorist acts were developed.

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 2020.

Various organisational and technical measures to improve security are being developed. Periodic audits of the security organisation are carried out by officials and joint training sessions are planned.

KTG and S&A in order to ensure comprehensive security carry out measures for the phased reform of the security system in the organisations of KTG Group, are guided by the legislation of the Republic of Kazakhstan, other normative legal acts, charters of organisations, regulations on security units.

Credit Ratings and Debt Portfolio Management

In 2020, the international rating agencies Standard & Poor's, Fitch Ratings and Moody's affirmed KTG's long-term corporate rating at 'BB', 'BBB-' and 'Baa3' respectively, with a 'stable' rating outlook.

Rating agency	Company	Date of confirmation / rating change	Rating	Forecast
Standard & Poor's	KTG	2020	BB	Negative
FitchRatings	KTG	2020	BBB-	Stable
Moody's	KTG	2020	Baa3	Positive

KTG's debt financing process, including the maximum allowed level of debt obligations, is governed by the Debt Management and Financial Stability Policy of Samruk-Kazyna JSC (approved by the Management Board of Samruk-Kazyna JSC on 12 January 2017).

In order to reduce the level of debt burden, during 2020 KTG made a partial early redemption of Eurobonds in the amount of 44 million USD, as well as early repayment of the long-term loan to JSC NC KazMunayGas in the amount of 14.9 billion KZT.

Additionally, there has been refinancing of the syndicated loan in US dollars to ING Bank N.V. within the scope of the Group financial stability improvement by means of taking a loan in Russian rubles from VTB Group in the amount of 200 mln USD, which along with decreasing of currency risks allowed to ease the covenant package (by means of elimination of financial covenants), and to avoid the risk of cash disruption in 2021 (loan to ING Bank N.V. will mature in March 2021).

Consolidated loan portfolio of KazTransGas JSC as at 31 December 2020

Lendee	Lendor	Amount under the contract / issue prospectus	Currency	Current debt
KazTransGas JSC	Eurobonds	750 000 000	USD	706 320 000
KazTransGas JSC	VTB Bank PJSC and VTB Kazakhstan	15 151 500 000	RUB	15 151 500 000
Intergas Central Asia JSC	European Bank for Reconstruction and Development	53 400 000 000	KZT	33 869 916 511
Intergas Central Asia JSC	European Bank for Reconstruction and Development	19 000 000 000	KZT	12 740 488 018
KazTransGas Aimak JSC	European Bank for Reconstruction and Development	20 000 000 000	KZT	11 814 910 133
KazTransGas Aimak JSC	Development Bank of Kazakhstan	74 027 075 951	KZT	44 626 285 740
KazTransGas Aimak JSC	International investors	30 500 000 000	KZT	5 000 000 000

The total consolidated debt of KazTransGas JSC as at 31 December 2020 is USD \$1.166 billion.

Covenant	2018 year	2019 year	2020 year
Debt/EBITDA <=4.0	2,2	2,37	2,1

**The amount of the guarantee is accounted for at amortised cost under IFRS*

Cash and cash equivalents balance as at 31 December 2020, in KZT million

Balance of cash and cash equivalents at the end of the period (KZT million)



External auditor's report



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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 (hereinafter, the Group), which comprise the consolidated statement of financial position as at 31 December 2020, 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 2020 and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for opinion

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

Key audit matters

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

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



Key audit matter

How our audit addressed the key audit matter

VAT recoverable

As at 31 December 2020, the Group has a significant balance of VAT recoverable of 160 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 **Notes 2 and 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 16** 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 analyzed 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 and non-financial covenants. 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 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.

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. We assessed the classification of interest-bearing loans as current or non-current liabilities. We assessed the information disclosed in **Note 15** to the consolidated financial statements. In addition, we analyzed non-financial covenants under the Group's financing arrangements.

Other information included in the Group's 2020 Annual Report

Other information consists of the information included in the Group's 2020 Annual Report other than the consolidated financial statements and our auditor's report thereon. Management is responsible for the other information. The Group's 2020 Annual Report is expected to be made available to us after the date of this auditor's report.

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

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information 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.

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, actions taken to eliminate threats or safeguards applied.

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


Albert Asmatulayev
Auditor

Qualified audit license
No. МФ-0000461 dated 6 February 2017

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

19 February 2021


Rustamzhan Sattarov
General Director
Ernst and Young LLP

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

<i>In thousands of tenge</i>	Notes	As at 31 December	
		2020	2019
Assets			
Non-current assets			
Property, plant and equipment	4	990,109,905	1,010,615,001
Exploration and evaluation assets	5	17,366,269	13,205,928
Right-of-use assets		6,664,395	2,380,581
Intangible assets		6,565,366	6,438,798
Investment property		420,846	5,844,600
Investments in joint ventures	6	429,727,471	251,686,117
Advances paid for non-current assets	7	9,954,406	63,069,539
Loans to related party	8	169,752,081	153,713,982
VAT recoverable	9	82,189,267	112,727,868
Deferred tax assets	22	1,529,479	1,123,147
Other non-current financial assets		4,909,993	-
Other non-current assets		590,373	288,626
Bank deposits		4,424,954	4,849,666
		1,724,204,805	1,625,943,853
Current assets			
Inventories	11	34,331,863	51,383,634
Trade and other receivables	12	151,001,098	197,118,788
Advances paid	7	11,139,389	22,270,284
Loans to related party	8	2,399,147	48,954,842
Prepaid taxes other than income tax	9	63,873,646	18,060,252
Corporate income tax prepaid	22	34,288,692	15,308,719
Other current assets		273,883	277,237
Bank deposits		28,744	22,130
Cash and cash equivalents	10	246,299,557	114,165,359
		543,636,019	467,561,245
Assets held for sale	4	42,241,262	-
		585,877,281	467,561,245
Total assets		2,310,082,086	2,093,505,098

CONSOLIDATED STATEMENT OF CASH FLOWS

<i>In thousands of tenge</i>	Notes	For the years ended 31 December	
		2020	2019
Cash flows from operating activities			
Receipts from customers		1,047,083,740	1,073,102,900
Interest received		14,178,185	10,285,635
Taxes refund from Tax authorities		35,065,694	20,668,920
Other receipts		4,941,034	1,819,003
Payments to suppliers		(855,932,642)	(834,616,421)
Income tax paid		(25,014,763)	(38,343,213)
Other taxes and payments		(38,679,490)	(43,007,504)
Interest paid	25	(27,668,138)	(32,089,049)
Payments to employees		(45,556,778)	(44,047,914)
Other payments		(6,008,466)	(4,900,769)
Net cash flows from operating activities		102,408,376	108,871,588
Cash flows from investing activities			
Proceeds from sale of a subsidiary	2	16,954	-
Withdrawal of bank deposits		1,275,120	1,272,154
Proceeds from sale of property, plant and equipment and intangible assets		41,964,636	32,657,029
Loans repaid by related party	8, 23	48,132,457	25,500,000
Dividends received from joint ventures	6	53,820,848	39,000
Purchase of long-term financial assets		(927,702)	-
Placement of bank deposits		(844,512)	(1,111,682)
Purchase of property, plant and equipment, intangible assets, and exploration and evaluation assets		(71,954,983)	(150,312,484)
Acquisition of a subsidiary, net of cash acquired	2	(24,894)	-
Net cash flows from / (used in) investing activities		71,457,924	(91,955,983)
Cash flows from financing activities			
Proceeds from issue of common shares	13	1,000,151	-
Proceeds on interest bearing loans and debt securities issued	14, 15, 25	92,483,064	26,017,440
Proceeds on loans from related party	25	318,236	-
Repayments of interest bearing loans and debt securities issued	14, 15, 25	(123,842,392)	(44,694,185)
Repayments of loans from related party	23, 25	(14,881,897)	(25,321,800)
Dividends paid	13	(3,111)	-
Payments on lease obligations	25	(2,440,580)	(2,215,889)
Loan arrangement fee		(1,312,869)	-
Other payments on operations with the Shareholder	13, 16	(1,069,860)	(5,700,000)
Net cash flows used in financing activities		(49,749,258)	(51,914,434)
Net foreign exchange difference on cash and cash equivalents		8,017,156	(1,991,559)
Net change in cash and cash equivalents		132,134,198	(36,990,388)
Cash and cash equivalents, at the beginning of the year	10	114,165,359	151,155,747
Cash and cash equivalents, at the end of the year	10	246,299,557	114,165,359

Deputy of General Director on economics and finance



T. Zh.

Chief Accountant

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
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
Other transactions with the Shareholder (Note 13)	-	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
Net profit for the year	-	-	-	266,502,451	266,502,451
Other comprehensive income for the year	-	-	1,482,129	31,292	1,513,421
Total comprehensive income for the year	-	-	1,482,129	266,533,743	268,015,872
Common shares issued (Note 13)	225,157,784	(207,115,482)	-	(17,042,151)	1,000,151
Dividends paid (Note 13)	-	-	-	(3,111)	(3,111)
Other transactions with the Shareholder (Note 13)	-	(17,323,199)	-	135,406	(17,187,793)
As at 31 December 2020	417,780,839	25,946,130	2,028,278	942,677,368	1,388,432,615

Deputy of General Director on economics and finance



Zhanbek T.Zh.

Chief Accountant



Meldekhanov B.N.

Report on compliance with the principles of the Corporate Governance Code of KazTransGas JSC in 2020

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. Эффективность Совета директоров и исполнительного органа.

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 2020 the Board of Directors of the Company held 14 meetings, considered 93 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 2020, the Audit Committee held 12 meetings at which 33 issues were considered, 12 meetings of the Nomination and Remuneration Committee at which 29 issues were considered, 7 meetings of the Strategy Committee at which 12 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 2020, the Management Board held 43 meetings and considered 182 issues. The activity of the Management Board is regulated by the Company's Charter and the Regulation on the Management Board, approved by a new version of the Company's Board of Directors in 2014.

The Risk Committee established under the Management Board to assist the Management Board of KTG in making decisions in the area of corporate risk management of the Group considered at the meeting and approved for further consideration by the Management Board of KTG the Risk Reports for Q4 2019 and Q1,2,3 2020, including the Report on implementation of the risk management action 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

MGL – 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.